



AUDITOR GENERAL
DAVID W. MARTIN, CPA



LAKE CITY COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended June 30, 2007

During the audit period, the President of the College was Dr. Charles W. Hall. Members of the College's Board of Trustees who served during the audit period are listed below:

<u>Board Member</u>	<u>County</u>
Dr. James Surrency, Chair	Gilchrist
Suzanne M. Norris, Vice-Chair from 1-09-07	Columbia
Stevie H. Landon, Vice-Chair to 9-29-06 (1)	Columbia
Robert C. Brannan, III	Baker
Richard J. Johnson	Columbia
Kathryn Land McInnis	Dixie
Donald R. Kennedy from 11-06-06	Columbia
Julia M. Richardson	Baker
Thomas M. Riherd, II	Union
Harriet Wall	Dixie

Note: (1) Board member resigned effective September 9, 2006. Position remained vacant through November 5, 2006.

LAKE CITY COMMUNITY COLLEGE

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EXECUTIVE SUMMARY

The audit of the financial statements of Lake City Community College for the fiscal year ended June 30, 2007, was conducted pursuant to the provisions of Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The scope of this audit included an examination of the financial statements of the College, a component unit of the State of Florida, and a determination as to whether management complied with applicable laws, rules, regulations, contracts, and grant agreements and other matters that are material to the financial statements. An examination of Federal awards administered by the College is included in our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2008-062.

The following provides a summary of the findings of our audit of the College's financial statements:

- We found that the College's financial statements presented fairly, in all material respects, the financial positions of the College and its discretely presented component unit as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended.
- No significant deficiencies are noted in our report on the College's internal control over financial reporting.
- The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This audit was coordinated by Robert E. Taylor, CPA, and supervised by Robert L. Kuitert, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at tedsauerbeck@aud.state.fl.us or by telephone at (850) 487-4468.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.myflorida.com/audgen>); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.



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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Lake City Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2007, as shown on pages 14 through 31. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for this entity, is based solely upon the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Lake City Community College and of its discretely presented component unit as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal 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 on our consideration of Lake City Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **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**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 5 through 13 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA
March 13, 2008



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

We have audited the financial statements of Lake City Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2007, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College'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 College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, 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*.

We noted certain matters that we reported to College management in our operational audit report No. 2008-062, dated January 2008.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



David W. Martin, CPA
March 13, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2007, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$34.1 million at June 30, 2007. This balance reflects a \$4.7 million, or 16 percent, increase from the 2005-06 fiscal year. While assets grew, liabilities increased by a lesser amount of \$29,200, or .8 percent, totaling \$3.9 million at June 30, 2007. As a result, the College's net assets increased by \$4.7 million, reaching a year end balance of \$30.2 million.

The College's revenues totaled \$30.8 million for the 2006-07 fiscal year, representing an 11 percent increase over the 2005-06 fiscal year due mainly to an increase in State appropriations. Operating expenses totaled \$26.1 million for the 2006-07 fiscal year, representing an increase of 15 percent over the 2005-06 fiscal year due mainly to expenditures for hardware and software to support a new administrative software system, capital expenditures for Buildings 18, 2, 3, 23, and 30, two new Quick Response Training Grants, and a Logistics Banner Center Grant.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. These financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College's finances, and include activities for the following entities:

- Lake City Community College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Lake City Community College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

One of the most important questions asked about the College's finances is, "Is Lake City Community College as a whole, better off or worse off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an

increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Lake City Community College’s operating results.

These two statements report Lake City Community College’s net assets and changes in them. You can think of the College’s net assets, the difference between assets and liabilities, as one way to measure the College’s financial health, or financial position. Over time, increases or decreases in the College’s net assets are one indication of whether its financial health is improving or deteriorating. You will need to consider many other nonfinancial factors, such as certain trends, student retention, condition of the buildings, and the safety of the campus, to assess the College’s overall financial health.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current fiscal year’s revenues and expenses are taken into account regardless of when cash is received or paid.

A condensed statement of assets, liabilities, and net assets of the College and its component unit for the respective fiscal years ended is shown in the following table:

Assets, Liabilities, and Net Assets at (In Thousands)				
	College		Component Unit	
	6-30-07	6-30-06	3-31-07	3-31-06
Assets				
Current Assets	\$ 7,947	\$ 6,699	\$4,347	\$3,318
Capital Assets, Net	16,733	15,072	216	236
Other Noncurrent Assets	9,422	7,617	4,450	4,198
Total Assets	<u>34,102</u>	<u>29,388</u>	<u>9,013</u>	<u>7,752</u>
Liabilities				
Current Liabilities	1,525	1,494	67	13
Noncurrent Liabilities	2,357	2,359		
Total Liabilities	<u>3,882</u>	<u>3,853</u>	<u>67</u>	<u>13</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	16,733	15,072	216	220
Restricted	9,209	7,367	8,467	7,359
Unrestricted	4,278	3,096	263	160
Total Net Assets	<u>\$30,220</u>	<u>\$25,535</u>	<u>\$8,946</u>	<u>\$7,739</u>
Increase in Net Assets	<u>\$ 4,685</u>	18.3%	<u>\$1,207</u>	15.6%

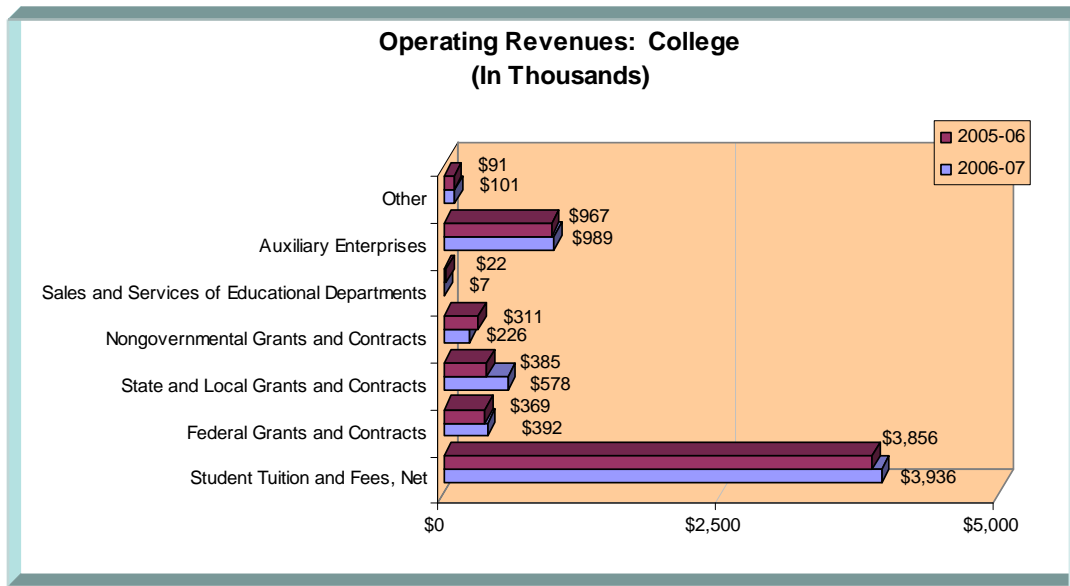
Revenues and expenses of the College and its component unit for the respective fiscal years ended are shown in the following table:

	College		Component Unit	
	6-30-07	6-30-06	3-31-07	3-31-06
Operating Results for the Fiscal Years Ended (In Thousands)				
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 3,936	\$ 3,856	\$	\$
Federal Grants and Contracts	392	369		
State and Local Grants and Contracts	578	385	478	376
Nongovernmental Grants and Contracts	227	311	557	530
Sales and Services of Educational Departments	7	22		
Auxiliary Enterprises, Net of Scholarship Allowances	989	967		
Other Operating Revenues	101	91	133	136
Total Operating Revenues	6,230	6,001	1,168	1,042
Less, Operating Expenses	26,074	22,633	1,037	831
Operating Income (Loss)	(19,844)	(16,632)	131	211
Nonoperating Revenues (Expenses)				
State Appropriations	15,558	13,223		
Other Nonoperating Revenues	2,887	2,755	688	725
Nonoperating Expenses	(31)			
Net Nonoperating Revenues	18,414	15,978	688	725
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
	(1,430)	(654)	819	936
Capital Appropriations	5,758	5,523		
Capital Grants, Contracts, Gifts, and Fees	357	248		
Additions to Permanent Endowments			388	429
Increase in Net Assets	4,685	5,117	1,207	1,365
Net Assets, Beginning of Year	25,535	20,418	7,739	6,374
Net Assets, End of Year	\$ 30,220	\$ 25,535	\$ 8,946	\$ 7,739

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives up or receives something of equal or similar value.

The following chart presents the College’s operating revenues for the 2006-07 and 2005-06 fiscal years:



College operating revenue changes were the result of the following factors:

- Student tuition and fee revenue increased, before consideration of the scholarship allowance, due to the Board of Trustees raising tuition rates as authorized by State statutes. These increases averaged five percent and affected all students (in-State and out-of-State).
- State and local grants and contracts revenue increased \$193,590 due to increased funding.

The component unit received \$540,670 in State matching funds from the Benjamin Phillips Matching Program, of which \$47,573 is pledged for First Generation Matching Scholarships, and \$93,722 from Florida Prepaid Funds.

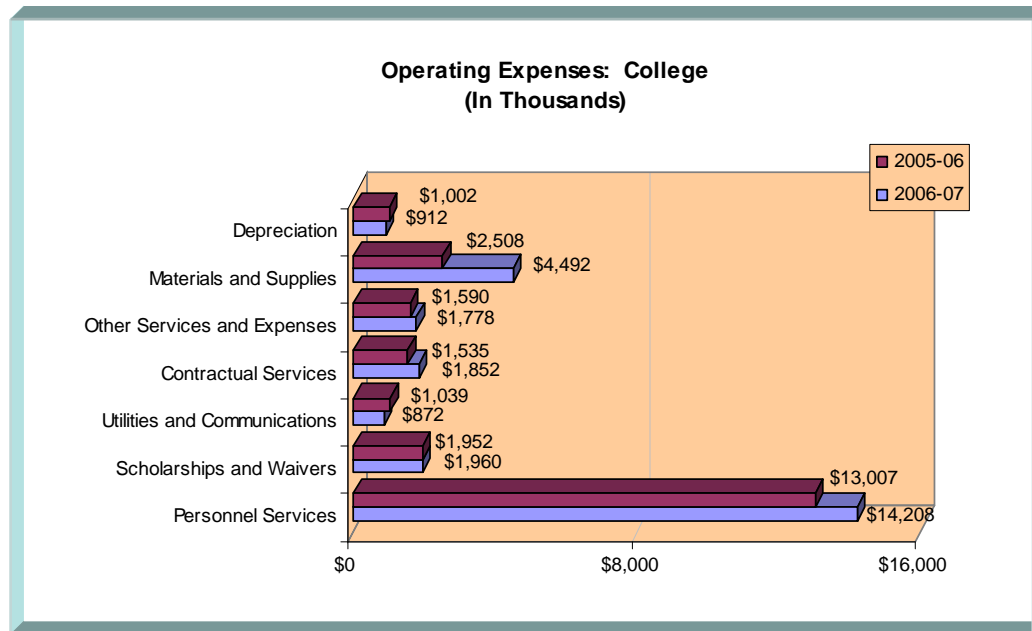
Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

Operating expenses for the College and its component unit for the respective fiscal years ended are shown in the following table:

Operating Expenses	College		Component Unit	
	6-30-07	6-30-06	3-31-07	3-31-06
	Personnel Services	\$ 14,208	\$ 13,007	\$
Scholarships and Waivers	1,960	1,952	613	467
Utilities and Communications	872	1,039		
Contractual Services	1,852	1,535	134	121
Other Services and Expenses	1,778	1,590	267	227
Materials and Supplies	4,492	2,508	19	12
Depreciation	912	1,002	4	4
Total Operating Expenses	\$ 26,074	\$ 22,633	\$ 1,037	\$ 831

The following chart presents the College’s operating expenses for the 2006-07 and 2005-06 fiscal years:



College operating expense changes were primarily the result of the following factors:

- Salary and benefits (i.e. personnel services) expenses increased by 9 percent due to salary increases, leave payouts for long-time employees that retired during the year, and the addition of one instructional position. Salary and benefit expenses for the College totaled \$14.2 million for the year, representing 54.5 percent of total operating expenses.
- Materials and supplies expenses increased 79.1 percent due to increases in noncapitalized equipment and software purchases and in facilities repair and maintenance expenses, funded primarily from restricted State sources and from local funds earmarked for such purposes by the College.

The main focus of the Foundation is to support the College. The Foundation provided \$612,516 in scholarships for the 2006-07 fiscal year. This is a \$146,195 increase in scholarships over the prior fiscal year.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College’s nonoperating revenues and expenses for the 2006-07 and 2005-06 fiscal years:

Nonoperating Revenues (Expenses): College (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
State Appropriations	\$ 15,558	\$ 13,223
Gifts and Grants	2,366	2,402
Investment Income	518	384
Other Nonoperating Revenue	3	3
Other Nonoperating Expenses	<u>(31)</u>	<u>(34)</u>
Net Nonoperating Revenues	<u><u>\$ 18,414</u></u>	<u><u>\$ 15,978</u></u>

Nonoperating changes were the result of the following factors:

- State appropriations increased by \$2.3 million, or 18 percent for the 2006-07 fiscal year. The State Legislature approved increases to the Community College Program Fund of \$1,297,540, Performance Based Incentives of \$17,575, and Lottery funds of \$247,125, respectively.
- The College also received special appropriations in the amount of \$1,031,651 for three Quick Response Grants and a Logistics Banner Center.
- Investment income increased by \$133,805, or 35 percent. This increase is a result of market fluctuations and higher interest rates compared to the prior fiscal year and an increase in excess funds to invest.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2006-07 and 2005-06 fiscal years:

Other Revenues, Expenses, Gains, or Losses: College (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
Capital Appropriations	\$ 5,758	\$ 5,523
Capital Grants, Contracts, Gifts, and Fees	<u>357</u>	<u>247</u>
Total	<u><u>\$ 6,115</u></u>	<u><u>\$ 5,770</u></u>

THE STATEMENT OF CASH FLOWS

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows.
- Its ability to meet its obligations as they come due.
- Its need for external financing.

A summary of the College's cash flows for the 2006-07 and 2005-06 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College		
(In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
Cash Provided (Used) by:		
Operating Activities	\$ (18,865)	\$ (15,803)
Noncapital Financing Activities	17,924	15,626
Capital and Related Financing Activities	817	638
Investing Activities	<u>518</u>	<u>384</u>
Net Increase in Cash and Cash Equivalents	394	845
Cash and Cash Equivalents, Beginning of Year	<u>8,567</u>	<u>7,722</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,961</u>	<u>\$ 8,567</u>

Major sources of funds came from State noncapital appropriations (\$15.6 million), net student tuition and fees (\$3.8 million), capital appropriations (\$3.2 million), nonoperating gifts and grants (\$2.4 million), and operating grants and contracts (\$1.3 million).

The College's overall cash and cash equivalents increased by \$394,289, or 4.6 percent, compared to the prior fiscal year. The following briefly describes the factors for the increase in cash flows.

- Operating activities used \$3.1 million more in cash as compared to the prior year. This was primarily the result of increases in personnel services payments totaling \$1.2 million and increases in payments to suppliers of \$2.4 million offset by increases in grants and contracts receipts and decreases in payments for utilities and communications.
- Noncapital financing activities netted \$2.3 million more in cash as compared to the prior fiscal year. The increase was due primarily to increases in Community College Program Fund appropriations of \$1.3 million, lottery funds of \$247,000, and restricted contracts and grants of \$747,000.
- Capital and related financing activities increased cash by \$180,000 as compared to the prior year. This was due primarily to increases in State capital appropriations of \$685,000 and capital improvement fees of \$100,000, offset by increases in purchases of capital assets of \$614,000.
- The cash flows from investing activities increased \$134,000 due to an increase in interest rates and in the availability of funds to invest.

CAPITAL ASSETS

At June 30, 2007, the College had \$37.3 million in capital assets, less accumulated depreciation of \$20.6 million, for net capital assets of \$16.7 million. Depreciation charges for the current fiscal year totaled \$.9 million. The following table summarizes the College's capital assets for the 2006-07 fiscal year:

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 159	\$	\$	\$ 159
Buildings	26,555	1,579		28,134
Other Structures and Improvements	4,714			4,714
Furniture, Machinery, and Equipment	2,810	340	264	2,886
Construction in Progress	742	1,362	708	1,396
Total	34,980	3,281	972	37,289
Less, Accumulated Depreciation:				
Buildings	13,463	591		14,054
Other Structures and Improvements	4,018	184		4,202
Furniture, Machinery, and Equipment	2,427	137	264	2,300
Total Accumulated Depreciation	19,908	912	264	20,556
Capital Assets, Net	\$ 15,072	\$ 2,369	\$ 708	\$ 16,733

The College is completing major renovations to Building 18. Planned projects include renovation of Building 21 and a major HVAC upgrade during the renovation. In addition, the HVAC will be upgraded in Building 7. Planning is underway for the construction of a new library and planning for a master storm water system. State appropriations together with local funds are expected to finance the construction and renovations. More information about the College's capital assets is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Lake City Community College's economic condition is closely tied to that of the State of Florida. In response to Governor Crist's Student Fee Policy for 2007-08, the Lake City Community College Board of Trustees did not increase the tuition rate for the period beginning with the Fall 2007 term. In addition, the College is implementing plans to review open positions and freeze hiring when possible and limit capital expenditures to assure sufficient funds are available to operate the College. Current enrollment for the Fall 2007 term exceeds the prior year and plans are being implemented to assure that students are served.

The national economy, and the State of Florida economy, directly impact the budget available at the State level to appropriate to the colleges. The population of the State of Florida continues to grow at a significant rate. The demands for governmental services have increased as a result of the population increase. The community college

system as a whole will continue to request funding to assure resources are available to provide quality education to our students. Lake City Community College's commitment is to provide quality education, faculty and staff, and a supportive environment for learning.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice-President for Business Services, Lake City Community College, 149 Southeast College Place, Lake City, Florida 32025.

FINANCIAL SECTION

**LAKE CITY COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
As of June 30, 2007**

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 6,759,337.59	\$ 257,748.00
Restricted Cash and Cash Equivalents	496,196.28	694,159.00
Restricted Investments		3,071,115.00
Accounts Receivable, Net	258,145.57	281,316.00
Notes Receivable, Net	7,567.07	35,000.00
Due from Other Governmental Agencies	53,623.29	
Due from Component Unit	79,272.06	
Inventories	285,987.92	
Other Current Assets	6,851.93	7,359.00
Total Current Assets	<u>7,946,981.71</u>	<u>4,346,697.00</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,705,294.63	
Endowment Investments		4,433,358.00
Due from Other Governmental Agencies	7,717,349.82	
Depreciable Capital Assets, Net	15,177,865.43	115,882.00
Nondepreciable Capital Assets	1,554,564.90	100,214.00
Other Assets		16,583.00
Total Noncurrent Assets	<u>26,155,074.78</u>	<u>4,666,037.00</u>
TOTAL ASSETS	<u>\$ 34,102,056.49</u>	<u>\$ 9,012,734.00</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 288,891.66	\$ 66,700.00
Salary and Payroll Taxes Payable	900,783.44	
Deferred Revenue	112,054.38	
Deposits Held for Others	56,174.99	
Note Payable	92,598.21	
Compensated Absences Payable	74,947.66	
Total Current Liabilities	<u>1,525,450.34</u>	<u>66,700.00</u>
Noncurrent Liabilities:		
Note Payable	680,855.23	
Compensated Absences Payable	1,676,060.60	
Total Noncurrent Liabilities	<u>2,356,915.83</u>	
TOTAL LIABILITIES	<u>3,882,366.17</u>	<u>66,700.00</u>

LAKE CITY COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2007

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 16,732,430.33	\$ 216,096.00
Restricted:		
Nonexpendable:		
Endowment		4,834,443.00
Expendable:		
Grants and Loans	715,900.94	718,061.00
Scholarships	14,886.10	2,914,889.00
Capital Projects	8,478,169.70	
Unrestricted	4,278,303.25	262,545.00
Total Net Assets	30,219,690.32	8,946,034.00
TOTAL LIABILITIES AND NET ASSETS	\$ 34,102,056.49	\$ 9,012,734.00

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

LAKE CITY COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2007

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$1,125,143.00	\$ 3,936,240.16	\$
Federal Grants and Contracts	391,612.97	
State and Local Grants and Contracts	578,054.39	477,430.00
Nongovernmental Grants and Contracts	226,479.61	557,368.00
Sales and Services of Educational Departments	7,342.03	
Auxiliary Enterprises, Net of Scholarship Allowances of \$701,675.54	988,876.23	
Other Operating Revenues	101,437.65	133,128.00
	6,230,043.04	1,167,926.00
EXPENSES		
Operating Expenses:		
Personnel Services	14,208,305.25	
Scholarships and Waivers	1,960,513.50	612,516.00
Utilities and Communications	871,562.67	
Contractual Services	1,851,706.42	134,143.00
Other Services and Expenses	1,777,711.02	267,016.00
Materials and Supplies	4,492,067.34	19,143.00
Depreciation	911,928.51	3,760.00
	26,073,794.71	1,036,578.00
Operating Income (Loss)	(19,843,751.67)	131,348.00
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	15,558,362.70	
Gifts and Grants	2,365,866.00	
Investment Income	517,473.14	687,656.00
Other Nonoperating Revenues	2,784.84	
Interest on Capital Asset-Related Debt	(30,725.73)	
	18,413,760.95	687,656.00
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,429,990.72)	819,004.00
Capital Appropriations	5,758,272.84	
Capital Grants, Contracts, Gifts, and Fees	357,010.26	
Additions to Permanent Endowments		388,330.00
	6,115,283.10	388,330.00
Increase in Net Assets	4,685,292.38	1,207,334.00
Net Assets, Beginning of Year	25,534,397.94	7,738,700.00
Net Assets, End of Year	\$ 30,219,690.32	\$ 8,946,034.00

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

LAKE CITY COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2007

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 3,773,024.32
Grants and Contracts	1,255,790.95
Payments to Suppliers	(8,099,645.34)
Payments for Utilities and Communications	(871,562.67)
Payments to Employees	(11,220,896.52)
Payments for Employee Benefits	(2,840,265.56)
Payments for Scholarships	(1,960,513.50)
Net Loans Issued to Students	(64,867.61)
Collection of Loans to Students	64,431.84
Auxiliary Enterprises	985,850.75
Sales and Service of Educational Departments	7,342.03
Other Receipts	106,528.78
	(18,864,782.53)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	15,558,362.70
Gifts and Grants Received for Other Than Capital or Endowment Purposes	2,365,866.00
	17,924,228.70
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	3,150,011.51
Capital Grants and Gifts	357,010.26
Proceeds from Sale of Capital Assets	2,784.84
Purchases of Capital Assets	(2,572,410.17)
Principal Paid on Capital Debt and Leases	(89,301.15)
Interest Paid on Capital Debt and Leases	(30,725.73)
	817,369.56
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	517,473.14
	517,473.14
Net Increase in Cash and Cash Equivalents	394,288.87
Cash and Cash Equivalents, Beginning of Year	8,566,539.63
	\$ 8,960,828.50
Cash and Cash Equivalents, End of Year	\$ 8,960,828.50

LAKE CITY COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2007

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (19,843,751.67)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	911,928.51
Changes in Assets and Liabilities:	
Receivables, Net	(66,878.24)
Inventories	21,839.44
Other Assets	(6,421.96)
Accounts Payable	100,519.57
Deferred Revenue	(40,154.87)
Deposits Held for Others	2,326.89
Compensated Absences Payable	55,809.80
NET CASH USED BY OPERATING ACTIVITIES	\$ (18,864,782.53)

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

LAKE CITY COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Lake City Community College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Community Colleges, and is governed by law and State Board of Education rules. However, the District Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Baker, Columbia, Dixie, Gilchrist, and Union Counties.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the District Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the District Board of Trustees are such that exclusion would cause the College's financial statements to be misleading or incomplete. Based upon the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activity are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Lake City Community College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2007.

The Foundation is also a direct-support organization, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, is financially accountable to the College. The Foundation is managed independently, outside the College's budgeting process, and its powers generally are vested in a governing board pursuant to various State statutes. The Foundation receives, holds, invests, and administers property and makes expenditures to or for the benefit of the College.

LAKE CITY COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
 - Notes to Financial Statements

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The College's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The College's component unit uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

The College follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

LAKE CITY COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is considered a nonoperating expense.

The statement of net assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the College's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows for Proprietary and Non-Expendable Trust Funds*.

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash placed with the State Treasury and State Board of Administration. For the purpose of reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury Special Purpose Investment Account (SPIA) and State Board of Administration Local Government Surplus Funds Trust Fund investment pools to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

LAKE CITY COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

At June 30, 2007, the College reported as cash equivalents at fair value \$16,098.67 of moneys held in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The State Treasury has taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.21 years at June 30, 2007. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2007, the College reported as cash equivalents at fair value \$8,761,134.66 of moneys held in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The College's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign credit risk. The investment pool was not rated by a nationally recognized statistical rating agency as of June 30, 2007.

Capital Assets. College capital assets consist of land; buildings; other structures and improvements; furniture, machinery, and equipment; and construction in progress. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, Educational Equipment – 5 years
 - Furniture – 7 years

**LAKE CITY COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

2. INVESTMENTS

Section 218.415(16), Florida Statutes, authorizes the College to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College’s Board of Trustees as authorized by law. State Board of Education Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments.

The College reported no investments at June 30, 2007, as surplus funds were invested in the State Treasury Special Purpose Investment Account and State Board of Administration Local Government Surplus Funds Trust Fund investment pools, which are reported as cash and cash equivalents.

Component Unit Investments

The Lake City Community College Foundation, Inc. (Foundation), investments are managed by investment brokerage houses. There are no legal restrictions on the type of investments that can be made. The Foundation’s investment policy provides that investments are to be limited to premium investment grade mutual funds, equity securities, and debt securities from companies located throughout the United States. The policy also provides that debt securities should be maintained as near as possible to 20 percent of the total investment portfolio. Foundation investments at March 31, 2007, are recorded at fair value based on quoted market prices as follows:

Investment Type	Market Value
Commonfund:	
Bond Mutual Funds	\$ 2,029,638
Equity Mutual Funds	5,368,202
Realty Investors, LLC	106,004
Corporate Common Stocks	629
Total Component Unit Investments	\$ 7,504,473

LAKE CITY COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Interest Rate Risk: Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The Foundation has no formal investment policy that limits investment maturities. However, the Foundation manages its exposure to fair value losses arising from increasing interest rates through the weighted average maturity method. As of March 31, 2007, the weighted average maturity for the Commonfund bond mutual funds was 7.85 years.

Credit Risk: Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Foundation has no formal investment policy on credit risk. As of March 31, 2007, the credit quality rating for the Commonfund bond mutual funds was AA.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$7,105.72 allowance for uncollectible accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the College's short-term loan program, and are reported net of an \$8,166.54 allowance for uncollectible notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$7,692,645.00 of Public Education Capital Outlay allocations due from the State to the College for construction of College facilities.

6. DUE FROM COMPONENT UNIT

The College's financial statements are reported for the fiscal year ended June 30, 2007. The College's component unit's financial statements are reported for the fiscal year ended March 31, 2007. Accordingly, although the College reported an amount due from the component unit on the statement of net assets, no amount is reported for the component unit as payable to the College.

7. INVENTORIES

Inventories consist of various types of centrally stored consumable materials and supplies, which are valued using the average cost or last invoice price, which approximates the first-in, first-out, method of inventory valuation; items for resale by the campus bookstore, which are valued using the first-in, first-out, method of inventory valuation; and books available for temporary use by scholarship recipients.

LAKE CITY COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2007, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 159,029.23	\$	\$	\$ 159,029.23
Construction in Progress	741,683.87	1,361,725.67	707,873.87	1,395,535.67
Total Nondepreciable Capital Assets	\$ 900,713.10	\$ 1,361,725.67	\$ 707,873.87	\$ 1,554,564.90
Depreciable Capital Assets:				
Buildings	\$ 26,555,351.48	\$ 1,578,338.62	\$	\$ 28,133,690.10
Other Structures and Improvements	4,714,294.81			4,714,294.81
Furniture, Machinery, and Equipment	2,810,219.32	340,219.75	264,287.54	2,886,151.53
Total Depreciable Capital Assets	34,079,865.61	1,918,558.37	264,287.54	35,734,136.44
Less, Accumulated Depreciation:				
Buildings	13,463,218.58	590,838.40		14,054,056.98
Other Structures and Improvements	4,018,051.14	183,822.24		4,201,873.38
Furniture, Machinery, and Equipment	2,427,360.32	137,267.87	264,287.54	2,300,340.65
Total Accumulated Depreciation	19,908,630.04	911,928.51	264,287.54	20,556,271.01
Total Depreciable Capital Assets, Net	\$ 14,171,235.57	\$ 1,006,629.86	\$	\$ 15,177,865.43

9. DEFERRED REVENUE

Deferred revenue includes student fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2007, the College reported \$112,054.38 as deferred revenue.

10. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2007, included a note and compensated absences. Long-term liabilities activity for the fiscal year ended June 30, 2007, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Note Payable	\$ 862,754.59	\$	\$ 89,301.15	\$ 773,453.44	\$ 92,598.21
Compensated Absences Payable	1,695,198.46	55,809.80		1,751,008.26	74,947.66
Total Long-Term Liabilities	\$ 2,557,953.05	\$ 55,809.80	\$ 89,301.15	\$ 2,524,461.70	\$ 167,545.87

Note Payable. The College entered into an energy savings installment note with a bank in the aggregate principal amount of \$1,000,000 on May 20, 2004, under the provisions of Section 1013.23, Florida Statutes. The interest rate is 3.74 percent. Proceeds were used to fund an energy performance-based contract for

**LAKE CITY COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

energy management facility upgrade projects. The principal and interest on the note are payable in monthly installments of \$10,002.24. The note matures on November 20, 2014. Annual requirements for planned repayment of the note payable at June 30, 2007, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 92,598.21	\$ 27,428.67	\$ 120,026.88
2009	96,195.04	23,831.84	120,026.88
2010	99,855.06	20,171.82	120,026.88
2011	103,654.30	16,372.58	120,026.88
2012	107,566.07	12,460.81	120,026.88
2013-2015	273,584.76	12,832.85	286,417.61
Total	\$ 773,453.44	\$ 113,098.57	\$ 886,552.01

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2007, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$1,751,008.26. The College's current portion of the compensated absences liability was determined based on the anticipated payout in the next fiscal year.

11. RETIREMENT PROGRAMS

Florida Retirement System. Most employees working in regularly established positions of the College are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS 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 to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before

**LAKE CITY COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

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 an 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 Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2006-07 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions for the fiscal years ended June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$475,761, \$524,196, and \$683,066, respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. College employees already participating in the State Community College System Optional Retirement Program or the DROP are not eligible to participate in this program. 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 (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the

LAKE CITY COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

individual members allocate contributions and account balances among various approved investment choices. There were 40 College participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$166,852.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

State Community College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible community college instructors and administrators. The Program is designed to aid community colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing community college contributes, on behalf of the participant, 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the community college to the participant's annuity account.

There were 12 College participants during the 2006-07 fiscal year. Required employer contributions made to the Program totaled \$101,430.

**12. SENIOR MANAGEMENT SERVICE CLASS
LOCAL ANNUITY PROGRAM**

Section 121.055, Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for Florida Retirement System, Senior Management Service Class may elect to withdraw from the Florida Retirement System altogether and participate in a lifetime monthly annuity program offered by the local agency. Employees in eligible positions are allowed to make an irrevocable election to participate in the program, rather than the Florida Retirement System. Under the program, the College contributes the same percentage of the participant's salary as would have

**LAKE CITY COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

been contributed to the Florida Retirement System, Senior Management Service Optional Annuity Program toward an annuity provided by approved fund sponsors. As of June 30, 2007, three College employees had opted to participate in the Local Annuity program. Contributions made by the College to the program totaled \$29,890 during the 2006-07 fiscal year.

13. CONSTRUCTION COMMITMENTS

The College’s major construction commitments at June 30, 2007, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Building 18, Renovation:			
Architect	\$ 124,256.91	\$ 118,529.43	\$ 5,727.48
General Contractor	1,653,261.05	1,258,376.24	394,884.81
Building 21, Renovation:			
Architect	124,200.00	18,630.00	105,570.00
Total	\$ 1,901,717.96	\$ 1,395,535.67	\$ 506,182.29

14. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida Community Colleges Risk Management Consortium, which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public community colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide community college risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$115 million. Insurance coverage obtained through the Consortium included health, dental, fire and extended property, general and automobile liability, workers’ compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

15. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the Community College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college's apportionment considering the following components: base budget, which includes the State appropriation

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to the Community College Program Fund in the current year plus the related student tuition and fees assigned in the current General Appropriations Act; the cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which are determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates are deducted from the sum of these components to determine the net annual State apportionment to each college.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the College on an annual basis. The College is authorized to receive and expend these resources only upon applying for and receiving an encumbrance authorization from the Florida Department of Education.

The following is a summary of State revenue sources and amounts:

<u>Source</u>	<u>Amount</u>
Community College Program Fund	\$ 11,874,725.00
Gross Receipts Tax (Public Education Capital Outlay)	5,640,645.00
Restricted Contracts and Grants	1,611,205.41
Education Enhancement Trust Fund (Lottery)	1,459,872.00
Bright Futures Scholarship Program	543,647.67
Florida Student Assistance Grants	455,680.01
Performance Based Incentives	191,287.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	117,627.84
Total	<u><u>\$ 21,894,689.93</u></u>

16. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

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<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 9,635,276.93
Academic Support	1,871,388.98
Student Services	1,784,899.18
Institutional Support	5,053,854.44
Operation and Maintenance of Plant	3,347,504.42
Scholarships and Fellowships	2,026,483.19
Depreciation	911,928.51
Auxiliary Enterprises	1,442,459.06
Total Operating Expenses	<u><u>\$ 26,073,794.71</u></u>

17. SUBSEQUENT EVENT

As discussed in note 1, at June 30, 2007, the College had \$8,761,134.66 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On December 4, 2007, the State Board of Administration restructured the Pool and implemented temporary restrictions on the withdrawal of moneys that were on deposit including the requirement that a redemption fee be paid for withdrawals in excess of amounts to be periodically set by the State Board of Administration. Information regarding the restructuring and withdrawal restrictions is available from the College and the State Board of Administration. The College had \$4,226,757.63 invested in the Pool as of March 13, 2008.