

**LORAIN COUNTY COMMUNITY COLLEGE**

Financial Condition

As of

June 30, 2001

Together with Auditors' Report





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

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The Board of Trustees  
Lorain County Community College  
1005 North Abbe Road  
Lorain, Ohio 44035

We have reviewed the independent auditor's report of the Lorain County Community College, Lorain County, prepared by Kevin L. Penn, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lorain County Community College is responsible for compliance with these laws and regulations.

JIM PETRO  
Auditor of State

December 11, 2001

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**LORAIN COUNTY COMMUNITY COLLEGE**

**FINANCIAL CONDITION**

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Penn, Inc.

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## **Independent Auditor's Report**

The Board of Trustees Lorain County Community College  
1005 N. Abbe Road  
Elyria, Ohio 44035

I have audited the accompanying balance sheet of Lorain County Community College, as of and for the year ended June 30, 2001 and the related statements of changes in fund balances and current funds, revenues, expenditures and other changes for the year ended June 30, 2001. These financial statements are the responsibility of the Lorain County Community College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards 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 I 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. I believe that my audit provides a reasonable basis

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lorain County Community College, as of June 30, 2001, and the changes in fund balances and current funds, revenues, expenditures and other changes for the year ended June 30, 2001 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 29, 2001 on my consideration of the Lorain County Community College's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the financial statements of Lorain County Community College, taken as a whole. The accompanying schedule of expenditures of federal awards 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 has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Kevin L. Penn, Inc.

October 29, 2001





**LORAIN COUNTY COMMUNITY COLLEGE**  
**Balance Sheet**  
June 30, 2001

**ASSETS**

**LIABILITIES AND FUND BALANCE**

**CURRENT FUNDS**

**Unrestricted:**

Educational and General:	
Cash and Cash Equivalents	
Cash	\$10,600
Repurchase Agreement	67,094
	-----
	\$ 77,694
Investments	1,711,156
Accounts Receivable, (Net of Allowance of \$ 744,207)	6,325,100
Due From Renewals and Replacement Plant	3,108,951
Due From Auxiliary Enterprises	660,692
Due From Restricted Funds	163,795
Other Deferred Charges	243,638
	-----
Total Educational and General	12,291,026

**Auxiliary Enterprises:**

Cash and Cash Equivalents	
Cash	2,486
Accounts Receivable, (Net of Allowance of \$36,238)	304,921
Inventories, lower of cost or market	639,638
Deferred Charges – Other	4,873
Notes Receivable, (Net of Allowance of \$3,593)	145,513
	-----
Total Auxiliary Enterprises	1,097,431

**Restricted Funds:**

Accounts Receivable - Government	3,523,214
Accounts Receivable - Other	573,761
	-----
Total Restricted Funds	4,096,975
	-----
<b>TOTAL CURRENT FUNDS</b>	<b>17,485,432</b>
	=====

**Unrestricted:**

Educational and General:	
Accounts Payable	\$441,449
Sales Tax Payable	765
Accrued Wages and Benefits	2,964,596
Deposits Refundable	79,652
Deferred Tuition Income	3,844,968
Other Deferred Income	7,372
Fund Balances:	
Appropriated for Contingencies	1,772,398
Appropriated for Encumbrances	97,290
Appropriated for Sick Leave	1,402,065
Appropriated for Unemployment Claims	26,450
Appropriated for Future Operations	1,554,021
Unappropriated	100,000
	-----
Total Educational and General	12,291,026

**Auxiliary Enterprises:**

Accounts Payable	15,790
Sales Tax Payable	9,484
Due to Educational & General Fund	660,692
Accrued Wages and Benefits	13,782
Fund Balances:	
Appropriated for Encumbrances	54,132
Unappropriated	343,551
	-----
Total Auxiliary Enterprises	1,097,431

**Restricted Funds:**

Accounts Payable	362,270
Accrued Wages and Benefits	9,552
Deferred Revenues	5,971
Due to Educational & General Fund	163,795
Fund Balance: Unappropriated Fund Balance	3,555,387
	-----
Total Restricted Funds	4,096,975
	-----
<b>TOTAL CURRENT FUNDS</b>	<b>17,485,432</b>
	=====

See accompanying notes to financial statements

**LORAIN COUNTY COMMUNITY COLLEGE**  
**Balance Sheet**  
June 30, 2001

<b>ASSETS</b>		<b>LIABILITIES AND FUND BALANCE</b>	
		<b>PLANT FUNDS</b>	
<b><u>Unexpended Plant:</u></b>			
Accounts Receivable – Government	\$152,035	Accounts Payable	\$142,923
Due from Renewals and Replacements Plant	170,286		
		Fund Balance:	
		Appropriated for Encumbrances	151,490
		Unappropriated	27,908
	-----		-----
Total Unexpended Plant	322,321	Total Unexpended Plant	322,321
<b><u>Renewals and Replacements:</u></b>			
Accounts Receivable – Government	3,670,726	Accounts Payable	162,412
Accounts Receivable – Other	2,006,496	Due to Educational and General Funds	3,108,951
Deferred Charges - Other	47,638	Due to Unexpended Plant	170,286
Pledges Receivable	989,454	Due to Retirement of Indebtness in Plant	306,372
		Fund Balance:	
		Appropriated for Encumbrances	2,915,293
		Unappropriated	51,000
	-----		-----
Total Renewals and Replacements	6,714,314	Total Renewals and Replacements	6,714,314
<b><u>Retirement of Indebtedness:</u></b>			
Due from Renewals and Replacements Plant	306,372	Accrued Interest Payable	18,177
Accounts Receivable - Other	1,474	Deferred Tuition Income	141,829
		Fund Balance - Unappropriated	147,840
	-----		-----
Total Retirement of Indebtedness	307,846	Total Retirement of Indebtedness	307,846
<b><u>Investment In Plant:</u></b>			
Land	1,433,979	Tax Anticipation Notes Payable	5,804,943
Improvements Other Than Buildings	15,244,309	Installment Notes Payable	1,425,119
Buildings	65,408,172		
Movable Equipment, Furniture and Library Books	25,859,857	Fund Balance:	
Construction in Progress	6,075,611	Net Investment in Plant	106,791,866
	-----		-----
Total Investment In Plant	114,021,928	Total Investment In Plant	114,021,928
	-----		-----
<b>TOTAL PLANT FUNDS</b>	<b>\$121,366,409</b>	<b>TOTAL PLANT FUNDS</b>	<b>\$121,366,409</b>
	=====		=====

See accompanying notes to financial statements

**LORAIN COUNTY COMMUNITY COLLEGE**  
 Balance Sheet  
 June 30, 2001

<b>ASSETS</b>		<b>LIABILITIES AND FUND BALANCE</b>
		<b>LOAN FUND</b>
Cash and Cash Equivalents		Accounts Payable
Investments	\$31,376	Deposits Payable
Notes Receivable, Net of Allowance of \$10,051	51,610	Fund Balance:
		Schell Loan Fund
		National Direct Student Loans
		Other
<b>TOTAL LOAN FUNDS</b>	<u><u>\$82,986</u></u>	<b>TOTAL LOAN FUNDS</b>
		<u><u>\$82,986</u></u>
		<b>AGENCY FUND</b>
Investments	\$29,193	Accounts Payable
Deferred Charges - Other	1,105	Deposits Held in Custody for Others
<b>TOTAL AGENCY FUNDS</b>	<u><u>\$30,298</u></u>	<b>TOTAL AGENCY FUNDS</b>
		<u><u>\$30,298</u></u>

See accompanying notes to financial statements

**LORAIN COUNTY COMMUNITY COLLEGE**  
Statement of Current Funds - Revenues, Expenditures, and Other Changes  
For the Year Ended June 30, 2001

	<u>Unrestricted Current Funds</u>			<u>Restricted Current Funds</u>		
	<u>Educational and General</u>	<u>Auxiliary Enterprises</u>	<u>Total Unrestricted</u>	<u>Educational and General</u>	<u>Total Restricted</u>	<u>Total (Memo Only)</u>
<u>Revenues:</u>						
Tuition, fees and other charges	\$10,376,393	\$0	\$10,376,393	\$43,969	\$43,969	\$10,420,362
State appropriations	14,432,030	0	14,432,030	0	0	14,432,030
Local appropriations	4,438,000	0	4,438,000	116,464	116,464	4,554,464
Federal grants and contracts	0	0	0	5,738,075	5,738,075	5,738,075
State - Challenge Grants	2,412,811	0	2,412,811	0	0	2,412,811
State - Other Grants	0	0	0	7,977,027	7,977,027	7,977,027
Local government contracts	3,800	0	3,800	237,758	237,758	241,558
Private gifts, grants and contracts	1,285,978	0	1,285,978	1,909,712	1,909,712	3,195,690
Sales and services	694,156	3,885,590	4,579,746	300,542	300,542	4,880,288
Other revenues	510,900	0	510,900	415,496	415,496	926,396
<b>Total Revenues</b>	<b>34,154,068</b>	<b>3,885,590</b>	<b>38,039,658</b>	<b>16,739,043</b>	<b>16,739,043</b>	<b>54,778,701</b>
<u>Expenditures - Educational and General:</u>						
Instructional support	15,349,304	0	15,349,304	200,821	200,821	15,550,125
Academic support	2,659,464	0	2,659,464	10,526	10,526	2,669,990
Student services	3,636,591	0	3,636,591	160,977	160,977	3,797,568
Scholarships and grants	569,841	0	569,841	6,447,264	6,447,264	7,017,105
Plant operations and maintenance	3,302,560	0	3,302,560	0	0	3,302,560
Institutional support	4,539,569	0	4,539,569	278,255	278,255	4,817,824
Public services	3,679,693	0	3,679,693	9,641,200	9,641,200	13,320,893
<b>Total Expenditures - Educ. and Gen.</b>	<b>33,737,022</b>	<b>0</b>	<b>33,737,022</b>	<b>16,739,043</b>	<b>16,739,043</b>	<b>50,476,065</b>
Expenditures - Auxiliary Enterprises	0	3,810,416	3,810,416	0	0	3,810,416
<b>Total Expenditures</b>	<b>33,737,022</b>	<b>3,810,416</b>	<b>37,547,438</b>	<b>16,739,043</b>	<b>16,739,043</b>	<b>54,286,481</b>
<u>Transfers Additions/(Deductions):</u>						
Nonmandatory - from/(to):						
Support - Current Funds	(59,300)	(25,000)	(84,300)	84,300	84,000	0
Support - Loan Funds	1,847	0	1,847	0	0	1,847
Support - Plant Funds	(355,325)	0	(355,325)	489,057	489,057	133,732
Prior Year Adjustments	(22,511)	755	(21,756)	90,767	90,767	69,011
Adjust Health Claims Liability	(35,663)	0	(35,663)	0	0	(35,663)
Appropriated Fund Balances	53,906	(16,657)	37,249	(731,418)	(731,418)	(694,169)
Excess/(Deficit) of Restricted Receipts over Transfer to Revenue	0	0	0	89,380	89,380	89,380
<b>Total Transfers</b>	<b>(417,046)</b>	<b>(40,902)</b>	<b>(457,948)</b>	<b>22,086</b>	<b>22,086</b>	<b>(435,862)</b>
<b>Net Increase/(Decrease) in Fund Balance</b>	<b>\$0</b>	<b>\$34,272</b>	<b>\$34,272</b>	<b>\$22,086</b>	<b>\$22,086</b>	<b>\$56,358</b>

See accompanying notes to financial statements

**LORAIN COUNTY COMMUNITY COLLEGE**  
Statement of Changes in Fund Balance  
For the Year Ended June 30, 2001

	<b>Unrestricted Current Funds</b>			<b>Restricted Current Funds</b>		
	<u>Educational and General</u>	<u>Auxiliary Enterprises</u>	<u>Total Unrestricted</u>	<u>Educational and General</u>	<u>Total Restricted</u>	<u>Total (Memo Only)</u>
<b><u>Revenues and Other Additions:</u></b>						
Unrestricted Current Fund Revenues	\$34,154,068	\$3,885,590	\$38,039,658	\$0	\$0	\$38,039,658
Seminars and Workshops – Restricted	0	0	0	43,969	43,969	43,969
Federal Grants – Restricted	0	0	0	5,819,273	5,819,273	5,819,273
State Grants – Restricted	0	0	0	7,977,027	7,977,027	7,977,027
Local Appropriations – Restricted	0	0	0	354,222	354,222	354,222
Private Gifts, Grants and Contracts – Restricted	0	0	0	1,917,894	1,917,894	1,917,894
Investment Income	0	0	0	192,860	192,860	192,860
Other Revenues	0	0	0	523,178	523,178	523,178
	-----	-----	-----	-----	-----	-----
Total Revenues and Other Additions	34,154,068	3,885,590	38,039,658	16,828,423	16,828,423	54,868,081
<b><u>Expenditures and Other Deductions:</u></b>						
Educational and General Expenditures	33,737,022	0	33,737,022	16,739,043	16,739,043	50,476,065
Auxiliary Enterprises	0	3,810,416	3,810,416	0	0	3,810,416
	-----	-----	-----	-----	-----	-----
Total Expenditures and Other Deductions	33,737,022	3,810,416	37,547,438	16,739,043	16,739,043	54,286,481
<b><u>Transfers Additions/(Deductions):</u></b>						
Nonmandatory						
Current Funds - Intra-Fund Transfers	(59,300)	(25,000)	(84,300)	84,300	84,300	0
Plant Funds - Renewals and Replacements	(45,325)	0	(43,325)	489,057	489,057	443,732
Plant Funds - Debt Retirement	(310,000)	0	(310,000)	0	0	(310,000)
Prior Year Adjustments	(22,511)	755	(21,756)	90,767	90,767	69,011
Adjust Health Claims Liability	(35,663)	0	(35,663)	0	0	(35,663)
Loan Funds	1,847	0	1,847	0	0	1,847
Refund to Grantor	0	0	0			
	-----	-----	-----	-----	-----	-----
Appropriated Fund Balances	53,906	(16,657)	37,249	(731,418)	(731,418)	(731,418)
	-----	-----	-----	-----	-----	-----
Total Transfers	(417,046)	(40,902)	(457,948)	(67,294)	(67,294)	(525,242)
	-----	-----	-----	-----	-----	-----
Net Increase/(Decrease) in Fund Balance	0	34,272	34,272	22,086	22,086	56,358
Beginning Fund Balance - 7/1/00	100,000	309,279	409,279	3,533,301	3,533,301	3,942,580
	-----	-----	-----	-----	-----	-----
Ending Fund Balance - 6/30/01	\$100,000	\$343,551	\$443,551	\$3,555,387	\$3,555,387	\$3,998,938
	=====	=====	=====	=====	=====	=====

See accompanying notes to financial statements

**LORAIN COUNTY COMMUNITY COLLEGE**  
Statement of Changes in Fund Balance  
For the Year Ended June 30, 2001

	<b>Plant Fund</b>					<b>Total Plant (Memo Only)</b>
	<b>Loan Funds</b>	<b>Unexpended</b>	<b>Renewals and Replacements</b>	<b>Investment in Plant</b>	<b>Retirement of Indebtedness</b>	
<u>Revenues and Other Additions:</u>						
State Appropriations and Grants	\$0	\$676,701	\$2,404,990	\$2,166	\$0	\$3,083,857
Local Appropriations	0	2,069,418	678,100	0	2,242,580	4,990,098
Federal Grant	0	0	0	222,959	0	222,959
Investment Income	0	134,125	41,895	0	0	176,020
Capital Acquisitions	0	0	0	10,719,209	0	10,719,209
Private Gifts and Donations	35,250	0	0	152,250	0	152,250
Other Revenues	750	386,434	224,230	0	247,012	857,676
<b>Total Revenues and Other Additions</b>	<b>36,000</b>	<b>3,266,678</b>	<b>3,349,215</b>	<b>11,096,584</b>	<b>2,489,592</b>	<b>20,202,069</b>
<u>Expenditures and Other Deductions:</u>						
Expended for Capital Purchases	0	1,870,999	6,117,952	0	0	7,988,951
Expended for Non-capital Purchases	0	212,486	626,865	0	38,383	877,734
Principal Paid of Debt	0	0	0	0	2,576,151	2,576,151
Issuance of Debt	0	0	0	0	0	0
Interest Expense	0	0	0	0	412,760	412,760
Disposal of Assets	0	0	0	3,976,539	0	3,976,539
<b>Total Expenditures and Other Deductions</b>	<b>0</b>	<b>2,083,485</b>	<b>6,744,817</b>	<b>3,976,539</b>	<b>3,027,294</b>	<b>15,832,135</b>
<u>Transfers Additions/(Deductions):</u>						
Nonmandatory - from/(to):						
Prior Year Adjustments	0	0	(962)	0	0	(962)
Support - Current Funds	(1,847)	(137,264)	(306,468)	0	310,000	(133,732)
Plant Funds – Intra-Fund Transfers	0	(1,879,986)	2,131,961	0	(251,975)	0
Appropriated Fund Balances - Plant	0	820,979	1,584,691	0	0	2,405,670
<b>Total Transfers</b>	<b>(1,847)</b>	<b>(1,196,271)</b>	<b>3,409,222</b>	<b>0</b>	<b>58,025</b>	<b>2,270,976</b>
<b>Net Increase/(Decrease) in Fund Balance</b>	<b>34,153</b>	<b>(13,078)</b>	<b>13,620</b>	<b>7,120,045</b>	<b>(479,677)</b>	<b>6,640,910</b>
<b>Beginning Fund Balance - 7/1/00</b>	<b>48,129</b>	<b>40,986</b>	<b>37,380</b>	<b>99,671,821</b>	<b>627,517</b>	<b>100,377,704</b>
<b>Ending Fund Balance - 6/30/01</b>	<b>\$82,282</b>	<b>\$27,908</b>	<b>\$51,000</b>	<b>\$106,791,866</b>	<b>\$147,840</b>	<b>\$107,018,614</b>

See accompanying notes to financial statements

# LORAIN COUNTY COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2001

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The significant accounting policies followed by Lorain County Community College (College), are describe below to enhance the usefulness of the financial statements to the reader.

### Organization

Lorain County Community College (College), was established on October 20, 1961, and is governed by a board of nine Trustees. The College is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income. The College is a primary government with no component units.

### Accrual Basis

The financial statements of the College have been prepared on the accrual basis in accordance with generally accepted accounting principles for colleges and universities. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when incurred, without regard to the time of receipt or payment. The statement of current fund revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operation or the net income or loss as would a statement of income or statement of revenues and expenses.

### Fund Accounting

Under this accounting method, resources for various purposes are classified into funds in accordance with specific activities or objectives, with separate accounts maintained for each fund. For reporting purposes, funds with similar characteristics are combined into fund groups, and financial transactions are recorded and reported by such fund groups.

With in each fund group, fund balances restricted by outside sources are so indicated and are distinguished from internally designated and unrestricted funds. Restricted funds may only be utilized in accordance with the purpose established by the source of such funds. Internally designated funds are unrestricted funds that, at the discretion of the Board of Trustees, have been designated for specific purposes.

Unrestricted and internally designated funds are accounted for initially in the unrestricted current fund group, and then in the fund group designated by the Board of Trustees. Restricted revenues are accounted for in the appropriate restricted fund and are reported as revenues when utilized for current operating purposes. All gains and losses arising from the sale, collection or other disposition of investments and noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables and the like is accounted for in the fund owning such assets.

All accounts are classified into the following groups:

- Current Funds
- Loan Funds
- Plant Funds
- Agency Funds

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (continued)

Fund Accounting (continued)

Current Funds are available for current operations and are subdivided as follows:

Unrestricted Educational and General funds are unrestricted and available for general operating purposes.

Auxiliary Enterprise (Bookstore, Cafeteria, and Vending Services) funds are available for the operation of the bookstore, cafeteria, and vending services primarily for students and staff.

Restricted funds are available for current operating purposes but only in compliance with restrictions specified by donors or grantors.

Loan Funds are available for loans to students. Loans granted are receivables until repaid at which time such monies are then available for new loans.

Plant Funds:

Physical properties are stated at cost. In accordance with the practice generally followed by educational institutions, depreciation is not provided. However, to the extent that current funds are used to finance plant assets, the amounts so provided are accounted for (a) as expenditures of current funds and additions to property and equipment in the plant funds, in the case of moveable equipment, (b) as mandatory transfers in the case of required provisions for debt amortization and interest, and (c) as transfers of a non-mandatory nature in other cases, principally provisions for renewals and replacements.

Unexpended funds include resources derived from various sources to finance the acquisition of long-life assets.

Investment in Plant includes all long-life assets in the service of the College and construction in progress. Physical properties, which include land, buildings, improvements, and equipment are principally stated at cost. In accordance with generally accepted accounting principles for colleges and universities, depreciation is not provided.

Renewals and Replacements include estimating future requirements for major maintenance and renovation of buildings and equipment. The cost of meeting these requirements is provided through regular transfers from current operating funds to funds reserved for renewal and replacement of plant.

Agency Funds include resources held by the College on behalf of others in the capacity as custodian of fiscal agent.

Cash and Cash Equivalents

Cash consists primarily of petty cash, cash held in demand accounts, and certificates of deposit.



## LORAIN COUNTY COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2001

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (continued)

#### Cash and Cash Equivalents (continued)

Investments are carried at the lower of amortized cost or market, where the decline is considered to be other than temporary.

Investment income is recognized on an accrual basis; interest is recorded when earned.

#### Inventories

The College's inventories consist principally of books and supplies of the bookstores. Bookstores inventories at year end are stated at the lower of cost or market basis (first-in, first-out).

#### Gifts and Pledges

Gifts, bequests, grants, and other receipts restricted as to use by outside grantors or agencies are recorded when collected as additions directly in the fund group appropriate to the restricted nature of the receipt. Unrestricted gifts, bequests, and grants are recorded as unrestricted current fund revenues and recorded only when collected. Pledges are recorded as either conditional (restricted) or unconditional (unrestricted) contribution revenues, at the time the written agreement is received.

#### Income Taxes

The College is exempt from income taxes under Section 115 of the Internal Revenue Service Code, as a political subdivision.

#### Schedule of Expenditures of Federal Awards

The schedule of expenditures of federal awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

### 2. DEPOSITS AND INVESTMENTS

The College's Board of Trustees is responsible for selecting depositories and investing funds. Protection for the College's deposits is provided by the federal deposit insurance corporation, qualified securities pledged in the name of the college and held at the federal reserve, or by a collateral pool created by the financial institution to cover all local governmental deposits. The face value of the pooled collateral must equal at least 110% of the public funds on deposit. At least quarterly the College determines that the collateral has a market value adequate to cover the deposits. Collateral is held by trustees including the Federal Reserve Bank and the Federal Home Loan Bank Board.

At year end, the College has \$13,086 in undeposited cash on hand which is included on the balance sheet of the College as part of "Cash". This amount is uninsured and uncollateralized.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2001

2. DEPOSITS AND INVESTMENTS (continued)

At year end, the carrying amount of the College's deposits was \$0 and the bank balance was \$1,243,507. On the bank balance:

1. \$ 200,000 was covered by federal depository insurance.
2. \$1,143,507 was uninsured and collateralized as defined by the Governmental

Accounting Standards Board in that the collateral was pooled rather than held in the College's name.

GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments, classified by risk. The College's investments are categorized as either (1) insured or registered or for which the securities are held by the College or its agent in the College's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the College's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the College's name.

	<u>RISK CATEGORY</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase Agreement	-	-	67,094	67,094	67,094
StarOhio	-	-	-	<u>1,771,725</u>	<u>1,771,725</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,094</u>	<u>\$ 1,838,819</u>	<u>\$ 1,838,819</u>

Star Ohio investments are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2001

3. INVESTMENT IN PLANT

A summary of investment in plant activity for the year ended June 30, 2001 is as follows:

<u>Description</u>	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Plant</u>	<u>Reduction &amp; Deletions</u>	<u>Balance June 30, 2001</u>
Land	\$ 1,412,730	\$ 21,249	\$ -	\$ -	\$ 1,433,979
Improvements Other than Buildings	15,229,470	34,767	-	( 19,928)	15,244,309
Buildings	62,497,067	2,897,669	860,194	( 846,758)	65,408,172
Construction in Progress	4,880,297	-	5,497,087	( 4,301,773)	6,075,611
Moveable Equip- ment, Furniture, Library Books	<u>25,458,469</u>	<u>1,900,820</u>	<u>1,631,670</u>	<u>( 3,131,102)</u>	<u>25,859,857</u>
Total Plant	<u>\$109,478,033</u>	<u>\$ 4,854,505</u>	<u>\$ 7,988,951</u>	<u>\$( 8,299,561)</u>	<u>\$114,021,928</u>

4. STATE AND COUNTY SUPPORT

The College is a state-assisted institution of higher education which receives a student enrollment-based instructional subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the Ohio Board of Regents, adjusted to state resources available.

In addition to the current operating subsidies, the State of Ohio provides a portion of the funding for the construction of major plant facilities on the College campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn initiates the construction and subsequent lease of the facility by the Ohio Board of Regents.

Such facilities are reflected as building or construction in progress in the accompanying balance sheet. Neither the obligation for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. Debt service is funded through appropriations to the Ohio Board of Regents by the General Assembly.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2001

4. STATE AND COUNTY SUPPORT (continued)

The facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, the Board of Regents may assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the state.

Countywide support has been demonstrated with the renewal of a tax levy of 1.20 mills. The renewal was approved by the electorate in November of 1992 for a ten year collection period. The new period began January, 1993 and continues through 2002. On November 7, 1995, an additional 1.20 mill levy was approved by the electorate for a ten year period commencing of January 1, 1996.

5. LONG-TERM DEBT

The following is a summary of the College's long-term debt transaction for the fiscal year ended June 30, 2001:

Tax Anticipation Notes

Debt outstanding as of July 1, 2000	\$ 7,722,771
Addition of new debt	-
Retirement and repayment	<u>(1,917,828)</u>
Debt outstanding as of June 30, 2001	<u>\$ 5,804,943</u>

Presented below is a summary of debt service requirements to maturity by fiscal years:

<u>Year</u>	<u>Total Payment</u>
2001	\$ 1,255,000
2002	1,694,943
2003	1,390,000
2004	<u>1,465,000</u>
Total	<u>\$ 5,804,943</u>

On December 19, 1996, the Board of Trustees of the College approved the issuance of \$10,000,000 of Tax Anticipation Notes. These notes are dated March 1, 1997 and have an interest rate of 4.99%, payable on June 1, and December 1 of each year. The notes issued for the purpose of paying the College's portion of the costs of constructing, furnishing, and equipping the new Classroom/Conferencing Facility building on the College campus.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2001

5. LONG-TERM DEBT (continued)

Installment Notes Payable

In May of 1994, the College entered into an agreement with the IBM Corporation for the purchase of hardware and software. The principle amount outstanding as of June 30, 2001 has interest rates on the hardware from 5.65% to 6.40% and on the software from 5.96% to 6.77%. The installment note maturity date is December 1, 2001.

Debt outstanding as of July 1, 2000	\$ 543,267
Addition of new debt	-
Retirement and repayment	<u>(517,527)</u>
Debt outstanding as of June 30, 2001	<u>\$ 25,740</u>

Presented below is a summary of debt service requirements to maturity by years:

<u>Year</u>	<u>Total Payment</u>
2001	<u>25,740</u>
Total	<u>\$ 25,740</u>

Energy Conservation Project

In February of 1999, the College entered into an agreement with Honeywell Inc., for the acquisition of equipment to provide an energy savings retrofit program, in accordance with House Bill #7. The principle amount outstanding as of June 30, 2001 has interest rates of 4.75%. The installment note maturity date is April 30, 2019.

Debt outstanding as of July 1, 2000	\$ 1,540,174
Addition of new debt	-
Retirement and repayment	<u>140,795</u>
Debt outstanding as of June 30, 2001	<u>\$ 1,399,379</u>

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2001

5. LONG-TERM DEBT (continued)

Energy Conservation Project (continued)

Presented below is a summary of debt service requirements to maturity by years:

<u>Year</u>	<u>Total Payment</u>
2001	\$ 72,915
2002	150,796
2003	158,328
2004	165,939
2005	173,915
Thereafter	<u>677,486</u>
Total	<u>\$ 1,399,379</u>

6. GOVERNMENT LOAN ADVANCES

Fund balances related to the National Direct Student Loan and other federal programs principally represent advances which are ultimately refundable to the federal government. The records of the College indicate the last National Direct Student Loan advances were in fiscal year 1975-76, with loans aggregating \$444,978 that have been made to 1,041 students since the establishment of the program at the College. On June 30, 2001, approximately 2.5% of student loans receivable in repayment status were in default ranging from 2 1/2 years to over ten years past due.

7. DEFINED BENEFIT PENSION PLANS

State Teachers Retirement System (STRS)

All employees of the College performing duties that require a certificate issued by the Ohio Department of Education are required to contribute to the State Teachers Retirement System (STRS), a cost-sharing multiple employer public employee retirement system.

STRS is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution, or other agency wholly controlled, managed, and supported in whole, or in part, by the State or any political subdivision thereof. Any member who has (1) five years of service credit and attained age sixty, (2) twenty-five years of service credit and attained age 55, or (3) thirty years of service credit regardless of age may retire. The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money purchase benefit" calculation. Under the "formula benefit" the retirement allowance is based on years of credited service and final average salary, which is the average of the members three highest years' salary. The annual allowance is determined by multiplying final average salary. Under the "money purchase benefit" calculation, a members lifetime contributions plus interest at specified rates are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

## LORAIN COUNTY COMMUNITY COLLEGE

### Notes to the Financial Statements

June 30, 2001

#### 7. DEFINED BENEFIT PENSION PLANS (continued)

##### State Teachers Retirement System (STRS) (continued)

A member under the age of 60 with five or more years' credited service who becomes disabled is entitled to a disability allowance. Survivor benefits are available to eligible spouses and dependents of active members who die before retirement. A death benefits of \$1,000 is payable to the beneficiary of each deceased retired member. Additional death benefit coverage of \$1,000 or \$2,000 can be purchased.

For the year ended June 30, 2001, the contribution requirements were 9.25% for covered employees and 14% for employers. The College's total payroll for the year ended June 30, 2001 was \$23,640,044; the payroll for covered employees was \$11,212,886. The contribution requirements for the years ended June 30, 2001, 2000 and 1999 were \$1,569,732, \$1,510,515 and \$1,390,999 from the College and \$1,042,751, \$1,011,084 and \$924,021 from employees. The required employer contribution rate (14%) is allocated to basic retirement benefits and health care by the STRS Retirement Board.

The "pension benefits obligation," which is the actuarial present value of credited projected benefits, is a standard disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess STRS' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and among employers. STRS issues a stand-alone financial report. The report may be obtained by writing to STRS, 275 East Broad Street, Columbus, OH 43215-3371, or by calling (614) 227-4090.

##### Public Employees Retirement System of Ohio (PERS)

All employees other than certified employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee defined benefit plan. Benefits are calculated on a basis of age, final average salary, and service credit. Members are eligible for retirement at age 60 with a minimum of 5 years of service credit, or at age 55 with a minimum of 25 years of service credit, or at any age with a minimum of 30 years of service credit. The retirement benefit, payable monthly of life, equals 2.1% of the final average salary for each year of credited service up to 30 years. Employees are entitled to 2.5% of their final average salary for each year of service credit over 30 years. Final average salary is the employee's average salary over the highest 3 years of earnings. Pension benefits fully vest on reaching 5 years of service credit. Individuals retiring with less than 30 years of service or at less than age 65 receive reduced retirement benefits. PERS provides additional benefits including disability, survivor, health care coverage, early retirement incentive and special retirement options for law enforcement officers. These additional benefits vest at different lengths of service credit. Benefits are established by state statute.

## LORAIN COUNTY COMMUNITY COLLEGE

### Notes to the Financial Statements

June 30, 2001

#### 7. DEFINED BENEFIT PENSION PLANS (continued)

##### Public Employees Retirement System of Ohio (PERS)(continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. Covered employees are required by the System's Retirement Board to contribute 8.5% of their salary to the plan. The employer contribution rate was 13.55% for fiscal year 2001, of which 8.44% was used to fund pension obligations, with the balance being applied towards the health care program for retirants. The College's total payroll for covered employees was \$11,443,849. The College's 2001 total contribution was \$1,243,389.

The contribution requirement to fund the pension obligation for the year ended June 30, 2001, 2000 and 1999 were \$1,747,126, \$1,898,730 and \$1,689,137 which consisted of \$774,480, \$945,982 and \$841,582 from the College and \$972,646, \$952,748 and \$847,555 from the employees which met the required percentages. The College's 2001 contribution represented .09% of total contributions required of all participating entities.

The pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and pension benefit obligation for individual employers. PERS issues a stand-alone financial report. The report may be obtained by writing PERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 466-2085.

#### 8. POST EMPLOYMENT BENEFITS

##### State Teachers Retirement System (STRS)

The State Teachers Retirement System of Ohio provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to STRS is set aside for the funding postretirement health care based on authority granted by State statute.

The employer contribution rate was 14% of covered payroll for the years ended June 30, 2001; 2.0% was the portion that was used to fund health care. Benefits are advanced-funded using the entry age normal cost method. Significant actuarial assumptions include a rate of return on investments of 7.50% for 2001; active employee payroll increases range from 4.5% to 10.5% based on age of employee. Included in these percentages are additional annual pay increases.



## LORAIN COUNTY COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2001

### 8. POST EMPLOYMENT BENEFITS

#### State Teachers Retirement System (STRS)(continued)

Short-term securities consisting of cash equivalents, repurchase agreements, and corporate and government notes are carried at cost with related discounts or premiums amortized using the effective yield method. Equity securities and investments are carried at amortized cost, using the effective yield method of amortization. Common and preferred stock and venture capital investments are valued at cost, subject to adjustment for market declines judged to be other than temporary. All investments are subject to adjustment for market declines judged to be other than temporary.

The college's actual contribution for 2001 which were used to fund post employment benefits was \$215,788. The actual contribution and the actuarially required contribution amount is the same. The Retirement System's net assets available for payment of benefits at June 30, 2000 was \$3,419,000,000.

The Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute.

The employer contribution rate was 13.55% of covered payroll for the year ended June 30, 2001. 4.87% was the portion that was used to fund health care. Benefits are advanced-funded using the entry age normal cost method. Significant actuarial assumptions include a rate of return on investments of 7.75%; active employee payroll increases of 5.50% for inflation and an increase of between zero and 4.00% based on additional annual pay increases. Health care premiums were assumed to increase 5.50% annually.

Short-term securities consisting of commercial paper, U.S. Treasury obligations are carried at cost. Equity securities and investments in real estate are carried at cost. Fixed income investments are carried at amortized cost, using the effective interest rate method of amortization. All investments are subject to adjustment for market decline judged to be other than temporary. For actuarial valuation purposes, assets are adjusted to reflect 20% of unrealized market appreciation or depreciation on investment assets.

#### Public Employee Retirement System of Ohio (PERS)

The College's actual contribution for 2001 which were used to fund post employment benefits were \$468,882. The actual contribution and the actuarially required contribution amounts are the same. The Retirement System's net assets available for payment of benefits at December 31, 1999 (the latest information available) was \$10,805,500,000.

## LORAIN COUNTY COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2001

### 8. POST EMPLOYMENT BENEFITS

The College also offers eligible employees an alternative retirement program. The College is required to contribute to STRS 5.76% of earned compensation for those employees participating in the alternative retirement program. The College's contribution for the year ended June 30, 2001 was \$5,494, which equals 5.76% of earned compensation.

### 9. Pending Litigation

The College receives significant financial assistance from the U.S. Department of Education. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that receives the grant.

As of June 30, 2001, there was one pending claim against the College which may be subjected to loss contingency. The College has appealed the claim and is vigorously contesting the potential liability. Further, the case is subject to several stages of litigation before any final decision is reached.

### 10. Compensated Absences

During the 1998 fiscal year, the College has implemented the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and those the College has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year end, taking into consideration any limits specified in the College's termination policy.

The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2001

11. Contributions Receivable

Contributions receivable as of June 30, 2001, represents an unrestricted conditional promises to give, pertaining to the naming of a facility. The is to be received by the College for years subsequent to June 30, 2001, and are deemed to be fully collectible by management.

Receivable in less than one year	\$ 200,000
Receivable in one to ten years	<u>989,454</u>
Total contributions receivable	\$ <u>1,189,454</u>

The conditional promises to give is reflected at the present value of estimated future cash flows using a discount rate of 4.15%.

12. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lorain County Community College and is presented on the accrued basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

13. Leases

The College has entered into various lease agreements, which are considered operating leases. Total rental expense under operating leases during the year ended June 30, 2001 amount to \$10,823.

Future minimum lease payments as of June 30, 2001 under all capital and operating leases, are as follows:

<u>Year Ending June 30</u>	<u>Operating Leases</u>
2002	\$ 9,182
2003	<u>3,599</u>
Total minimum lease payments	\$ <u>12,781</u>

LORAIN COUNTY COMMUNITY COLLEGE  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2001

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Award Amount	Federal Expenditures
Direct Programs:				
Department of Education:				
Student Financial Aid -				
Pell Grant	84.063			\$2,976,517
College Work Study	84.033			71,566
				-----
Total Student Financial Assistance				3,048,083
				-----
VO-ED Office of Special Needs	84.048	VECPHIII-P01-400	\$111,670	97,409
Title III Strengthening Institutions Program	84.031	PO31A50212	\$228,822	42,819
Tech Prep Grant	84.243	VETP-2001-16-SA	\$3,244	3,244
	84.243	VETP-2001-16-IT	\$44,643	44,643
	84.243	VETP-2001-16-FPI/A2	\$204,952	204,952
	84.243	VETP-2001-16-TG	\$7,140	7,140
				-----
Total Tech Prep Grant				259,979
				-----
Total Department of Education				3,448,290
				-----
Pass-through Programs:				
Department of Human Services:				
Lorain County Employment and Training				
Administration	93.558	98-TANF-LCC-001	\$81,399	2,392
	93.558	00-TANF-LCC-001	\$69,770	64,337
	93.558	00-TANF-LCC-002	\$4,259	3,833
	93.558	00-PRC-LCC-001	\$51,561	48,001
				-----
Subtotal				118,563
Pass-through Lorain County				
Human Services				
JOBS Program	93.558	JOB Prep. 99-00	\$211,013	1,332
	93.558	JOB Prep. 00-01	\$139,269	139,260
	93.558		\$10,400	3,875

See accompanying notes to financial statements.

LORAIN COUNTY COMMUNITY COLLEGE  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2001

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Award Amount	Federal Expenditures
Ohio Board of Regents Pass-through Columbus State Community College JOBS Program	93.558	JOB Prep. 99-00	\$88,000	34,811
Subtotal				----- 179,278 -----
Total Department of Human Services				297,841
University of Connecticut Health Center	93.596	MAPS Program	\$30,497	8,732
Subtotal				----- 8,732 -----
Department of Labor				
National Science Foundation - Advance Technological Education Grant	47.076	DUE-9850288	\$74,878	22,501
	47.041	DUE-9987020	\$12,500	3,750
Subtotal				----- 26,251 -----
St. Joseph's	17.246	00-A170-VPB8-4123-5PR00	\$600,000	218,207
Engineering Development	17.249	00-A187-VND7-4123-5WD50	\$927,000	302,127
Lorain County Employment and Training Administration	17.255	00-WTP-LCC-001	\$74,600	57,213
	17.255	00-WIA-LCC-001	\$164,387	159,244
Subtotal				----- 216,457 -----
Total Department of Labor				763,042
Total Federal Assistance				----- \$4,517,905 =====

Guaranteed Student Loans - Federal CFDA Number  
84.032

During the fiscal year ended June 30, 2001, the College processed and offered \$1,827,981 of new loans under the Guaranteed Student Loan program.

See accompanying notes to financial statements.



Kevin L.  
enn, Inc.

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Fax: (216) 283-5724

## **Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

The Board of Trustees Lorain County Community College  
1005 N. Abbe Road  
Elyria, Ohio 44035

I have audited the financial statements of Lorain County Community College as of and for the year ended June 30, 2001, and have issued my report thereon dated October 29, 2001. I conducted my audit in accordance with generally accepted auditing standards 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.

### Compliance

As part of obtaining reasonable assurance about whether Lorain County Community College's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2001-4.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lorain County Community College's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Lorain County Community College's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2001-1; 2001-2; 2001-3; and 2001-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the board of trustees, management the Auditor of the State of Ohio, U.S. Department of Education, and applicable federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

October 29, 2001



Kevin L.  
enn, Inc.

Certified Public Accountant  
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Cleveland, Ohio 44120  
(216) 283-1535  
Fax: (216) 283-5724

## **Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133**

The Board of Trustees Lorain County Community College  
1005 N. Abbe Road  
Elyria, Ohio 44035

### Compliance

I have audited the compliance of Lorain County Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. Lorain County Community College'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 Lorain County Community College's management. My responsibility is to express an opinion on Lorain County Community College's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards 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 I 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 Lorain County Community College's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Lorain County Community College's compliance with those requirements.

In my opinion, Lorain County Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2001-4.

### Internal Control Over Compliance

The management of Lorain County Community College 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 my audit, I considered Lorain County Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the board of trustees, management the Auditor of the State of Ohio, U.S. Department of Education, and applicable federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

October 29, 2001

LORAIN COUNTY COMMUNITY COLLEGE  
**Schedule of Findings and Questioned Costs**  
 June 30, 2001

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

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes
Identification of major programs:	
84.063; 84.032; 84.033 & 17.249	Student Financial Aid (Pell Grant; College Work Study & Guaranteed Student Loans and School to Work) Employment Training and Job Training Pilots
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000 (Type A)
Auditee qualified as low-risk auditee?	No

LORAIN COUNTY COMMUNITY COLLEGE  
**Schedule of Findings and Questioned Costs**  
June 30, 2001

**Section II - Financial Statement Findings**

2001-1

**Fixed Assets Inspection**

Condition:

It was noted, during the inspection of fixed asset additions, the inventory listing did not reflect the proper location of capitalized purchases.

Criteria:

The inventory listing should reflect the proper location for each capitalized purchase.

Effect:

Could result in an overstatement of fixed assets if property is disposed of, or stolen.

Cause:

Oversight by management.

Recommendation:

I recommend that the inventory listing be updated (assign one individual to account for fixed assets in each office), in order to properly take a physical inventory at year end and therefore, reduce the risk of overstating capitalized purchases.

2001-2

**Fixed Asset Inventory**

Condition:

There were instances whereby, the schedule of tagged items, did not provide a fixed asset tag number for each item purchased, from the prior year.

Criteria:

Fixed assets purchased by the College, should be tagged and recorded on the inventory ledger.

Effect:

Could result in system of internal controls being deemed inadequate, due to the lack of proper safeguarding of fixed assets.

Cause:

Oversight by management.

LORAIN COUNTY COMMUNITY COLLEGE  
**Schedule of Findings and Questioned Costs**  
June 30, 2001

2001-2

**Fixed Asset Inventory** (continued)

Recommendation:

I recommend that each fixed asset be tagged, prior to being placed into service. In addition, each fixed asset should be recorded in the inventory ledger and reconciled, on an annual basis. Performing these procedure, will reduce the risk of improper safeguarding of fixed assets.

2001-3

**Donated Art Work**

Condition:

Donated art work, was not based on a measurement, indicating fair value.

Criteria:

Donated collection items should be measured at fair value, which should be based on a quoted market prices of similar items, or an appraisal.

Effect:

Could result in a misstated of the financial statement.

Cause:

Oversight by management.

Recommendation:

I recommend that an appraisal of the art work, be obtained in order to properly value the assets.

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

2001-4

**U.S. DOL Engineering Development Center - Financial Status Report** (CFDA # 17.249)

Condition:

The Financial Status Report, reflected "federal share of net outlays", which was overstated by \$23,100 as a result of including equipment purchased prior to the grant being approved.

Criteria:

When a funding period is specified, a non-federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs, authorized by the federal program.

LORAIN COUNTY COMMUNITY COLLEGE  
**Schedule of Findings and Questioned Costs**  
June 30, 2001

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

2001-4

**U.S. DOL Engineering Development Center - Financial Status Report (CFDA # 17.249)**  
(continued)

Effect:

The transaction did not occur within the period of availability; therefore, could result in questioned costs of \$23,100, if not corrected.

Cause:

Oversight by management.

Recommendation:

I recommend that the Financial Status Report, reflect only allowable costs. In addition, the College should request approval from the funding source, prior to requesting federal funds, relating to transactions, which occurred before the federal grant was received. By performing this procedure, the risk of submitting inaccurate financial information and the potential of incurring questioned costs will be significantly reduced.

Lorain County Community College  
**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 2001

2000-1

**Deleted Equipment**

Condition:

Two vehicles which were the result of trade-ins, were not recorded on the "Deleted Equipment" report. Therefore, overstating fixed assets as of June 30, 2001.

Recommendation:

I recommend that equipment, disposed of during the fiscal year, should be recorded on the "Deleted Equipment" report. Performing this procedure, will reduce the risk of overstating fixed assets.

Current Status:

The finding has been corrected, and does not warrant further action.

2000-2

**Accounts Receivable - Aging**

Condition:

The aging of accounts receivable, were not performed on each accounts receivable balance throughout the fiscal year.

Recommendation:

I recommend the aging of each accounts receivable balances throughout the fiscal year. By performing this procedure, the risk of overstating accounts receivable will be significantly reduced.

Current Status:

The finding has been corrected, and does not warrant further action.

2000-3

**Fixed Assets Inspection**

Condition:

It was noted, during the inspection of fixed asset additions, the inventory listing did not reflect the proper location of capitalized purchases.

Recommendation:

I recommend that the inventory listing be updated (assign one individual to account for fixed assets in each office), in order to properly take a physical inventory at year end and therefore, reduce the risk of overstating capitalized purchases.

Lorain County Community College  
**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 2001

2000-3

**Fixed Assets Inspection** (continued)

Current Status:

The finding has been repeated in the 2001 audit.

2000-4

**Fixed Asset Inventory**

Condition:

Fixed assets purchased during the 2000 fiscal year, was not always assigned a fixed asset tag.

Recommendation:

I recommend that each fixed asset be tagged, prior to being placed into service. In addition, each fixed asset should be recorded in the inventory ledger and reconciled, on an annual basis. Performing these procedure, will reduce the risk of improper safeguarding of fixed assets.

Current Status:

The finding has been repeated in the 2001 audit.

2000-5

**School to Work Grant - Required Information** (CFDA # 17.249)

Condition:

The subrecipient was not provided with the CFDA title and number, relating to the federal program. In addition, the total funding awarded, was not allocated between state and federal.

Recommendation:

I recommend that the College, upon providing the initial contract, provide the each subrecipient with the CFDA title and number, and the amount of federal funding to be awarded.

By performing this procedure, the risk of noncompliance and the overstatement of federal expenditures, by the subrecipient will be significantly reduced.

Current Status:

The finding has been corrected, and does not warrant further action.

Lorain County Community College  
**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 2001

2000-6

School to Work Grant - Expenditures (CFDA # 17.249)

Condition:

Total expenditures to date, reported on the "School to Work Federal Grant Cash Request" report, did not reflect the actual expenditures.

Recommendation:

I recommend that the quarterly "School to Work Federal Grant Cash Request" report, reflect actual expenditure. By performing this procedure, the risk of submitting inaccurate financial information will be significantly reduced.

Current Status:

The grant has been closed and the finding was corrected.



**CORRECTIVE ACTION PLAN**

June 30, 2001

Oversight Agency for Audit: Department of Education

Lorain County Community College, respectfully submits the following corrective action plan for the year ended June 30, 2001.

Name and address of independent public accounting firm: Kevin L. Penn, Inc. 13212 Shaker Square, Suite 100, Cleveland, Ohio 44120.

Audit Period: June 30, 2001.

The findings from the June 30, 2001 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

REPORTABLE CONDITIONS

2001-1

**Fixed Assets Inspection**

Recommendation:

I recommend that the inventory listing be updated (assign one individual to account for fixed assets in each office), in order to properly take a physical inventory at yearend and therefore, reduce the risk of overstating capitalized purchases.

Auditee's Response:

The Purchasing Department is responsible for accounting for fixed assets, as well as coordinating and verifying that physical assets are located where reported in the purchasing inventory system. During the current year a fixed asset inventory was completed in two College buildings. Annually, starting in January 2002, budget administrators will verify and confirm fixed assets located in their areas.

2001-2

**Fixed Asset Inventory**

Recommendation:

I recommend that each fixed asset be tagged, prior to being placed into service. In addition, each fixed asset should be recorded in the inventory ledger and reconciled, on an annual basis. Performing these procedure, will reduce the risk of improper safeguarding of fixed assets.

Auditee's Response:

The Receiving Department is responsible for properly affixing inventory tags to capital items received. For the current year, all asset items were tagged and recorded properly on the general ledger. The omissions in question occurred in prior years. Currently, all untagged items have been identified and are being tagged.

2001-3

**Donated Art Work**

Recommendation:

I recommend that an appraisal of the art work, be obtained in order to properly value the assets.

Auditee's Response:

The artwork in question was donated by the LCCC Foundation. This artwork throughout the years has been held and insured by the College. The appraised value of the art is conservatively recorded at the donor's book value, which is lower than it's insured value. For these reasons, LCCC recorded the donated artwork at the donor's book value. An appraisal firm will be contracted to do an appraisal of the artwork before the end of the next reporting period.

2001-4

**U.S. DOL Engineering Development Center - Financial Status Report (CFDA # 17.249)**

Recommendation:

I recommend that the Financial Status Report, reflect only allowable costs. In addition, the College should request approval from the funding source, prior to requesting federal funds, relating to transactions, which occurred before the federal grant was received. By performing this procedure, the risk of submitting inaccurate financial information and the potential of incurring questioned costs will be significantly reduced.

Auditee's Response:

The transaction in question was corrected before the second quarter report was submitted for the period ending September 30, 2001. Since the oversight was discovered early, the College did not request to draw down federal funds for this transaction. The timeframe to adjust the transaction is still within the current contract period, which will end February 28, 2002. Therefore, presently there are no questionable costs relating to this DOL grant.

If the Department of Education, has questions regarding this plan, please call Georgio S. Efpraxias, CPA, CGFM, Controller at (440) 365-5222, Ext. 7590.

Sincerely yours,

Joseph A. Sarnovsky

Joseph A. Sarnovsky, Vice President Administrative Services  
Lorain County Community College





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**LORAIN COUNTY COMMUNITY COLLEGE**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 18, 2001**