

**Lake County Community College District
d/b/a Lakeland Community College**

**Financial Report
with Supplemental Information
June 30, 2011**



Dave Yost • Auditor of State

Board of Trustees
Lake County Community College District
d/b/a Lakeland Community College
7700 Clock Tower
Kirtland, Ohio 44094

We have reviewed the *Independent Auditor's Report* of the Lake County Community College District, d/b/a Lakeland Community College, prepared by Plante & Moran, PLLC, for the audit period July 1, 2010 through June 30, 2011. 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. Lake County Community College District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 21, 2011

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Lake County Community College District d/b/a Lakeland Community College

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Independent Auditor's Report

To the Board of Trustees
Lake County Community College District
d/b/a Lakeland Community College

We have audited the accompanying basic financial statements of Lake County Community College District d/b/a Lakeland Community College (the "College") as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These basic financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of The Lakeland Foundation, a discretely presented component unit of the College, whose statements reflect total assets of \$3,499,394 and \$3,061,678 as of June 30, 2011 and 2010, respectively, and total revenue of \$1,367,554 and \$1,102,976, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for The Lakeland Foundation, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit as of June 30, 2011 and 2010 and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Lake County Community College District
d/b/a Lakeland Community College

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2011 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the year ended June 30, 2011. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control 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 audits.

The management's discussion and analysis presented on pages 3 through 15 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the 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 basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 24, 2011

Lake County Community College District d/b/a Lakeland Community College

Management's Discussion and Analysis (Unaudited)

The management's discussion and analysis of Lake County Community College District d/b/a Lakeland Community College's (Lakeland Community College, Lakeland, or the "College") annual financial statements provide an overview of the College's financial activities for the years ended June 30, 2011, 2010, and 2009. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's administration.

Using this Report

The College's annual report consists of a series of financial statements prepared in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. The financial statements focus on the financial condition, the results of operations, and the impact on cash flows of the College as a whole.

One of the most important questions asked about the College's finances is whether the College as a whole is better off, or worse off, as a result of the current year's activities. The keys to understanding this question are the statement of net assets, statement of revenue, expenses, and changes in net assets, and statement of cash flows. These statements present financial information in a form similar to that used by corporations. The College's net assets are one indicator of its financial health. Over time, increases or decreases in net assets point out the improvement or erosion of the College's financial health when considered with nonfinancial facts (such as enrollment levels, state changes in funding, facility changes, etc.).

The statement of net assets includes all assets and liabilities of the College. It is prepared using the accrual basis of accounting. Revenue and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the services, regardless of when cash is exchanged.

The statement of revenue, expenses, and changes in net assets presents the revenue earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies that state and local appropriations, as well as gifts, are treated as nonoperating revenue. Since dependency on the State of Ohio and local aid is recognized as nonoperating revenue under accounting principles generally accepted in the United States of America, a public college normally presents operating results as a deficit. The utilization of long-lived assets, primarily capital assets, is presented in the financial statements as depreciation.

Another important factor to consider when evaluating the College's financial viability is the College's ability to meet financial obligations as they mature. One measure of this factor is the College's working capital or the relationship of its current assets less its current liabilities.

Lake County Community College District d/b/a Lakeland Community College

Management's Discussion and Analysis (Unaudited) (Continued)

The statement of cash flows presents the information related to cash inflows and outflows summarized by operating, capital and noncapital financing, and investing activities and illustrates the College's sources and uses of cash.

The College adheres to Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. In that regard, The Lakeland Foundation is recognized as a discretely presented component unit due to the significant operational and financial relationships maintained with the College. The Lakeland Foundation's purpose is to support and promote excellence at the College by fundraising via friend-raising. It is a legally separate entity governed by its own board of directors. Discrete condensed financial information is presented on page 20 and in Notes I and 14.

Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30		
	2011	2010	2009
Operating Revenue			
Student tuition and fees - Net	\$ 9,084,515	\$ 11,300,648	\$ 14,909,105
Grants, contracts, and other revenue	2,335,879	1,967,973	3,692,652
Auxiliary enterprises	4,475,441	5,000,437	5,219,862
Total operating revenue	15,895,835	18,269,058	23,821,619
Operating Expenses	67,768,173	66,453,603	66,015,622
Operating Loss	(51,872,338)	(48,184,545)	(42,194,003)
Nonoperating Revenue			
State appropriations	22,505,312	23,172,294	22,193,288
Local appropriations	14,793,751	10,599,945	10,985,034
Pell grant revenue - Net of refunds	16,185,450	12,782,907	6,251,072
Other nonoperating income and expenses - Net	(206,224)	(111,632)	264,143
Total nonoperating revenue	53,278,289	46,443,514	39,693,537
Gain (Loss) - Before other changes	1,405,951	(1,741,031)	(2,500,466)
Other Changes			
Capital appropriations from the State of Ohio	1,114,629	1,221,101	2,612,450
Capital grants and gifts	14,500	10,907	8,000
Total other changes	1,129,129	1,232,008	2,620,450
Increase (Decrease) in Net Assets	2,535,080	(509,023)	119,984
Net Assets - Beginning of year	39,111,274	39,620,297	39,500,313
Net Assets - End of year	\$ 41,646,354	\$ 39,111,274	\$ 39,620,297

Lake County Community College District d/b/a Lakeland Community College

Management's Discussion and Analysis (Unaudited) (Continued)

Analysis of Results of Operations

Total revenue for the years ended June 30, 2011 and 2010 was \$70.3 million and \$65.9 million, respectively, of which operating revenue amounted to \$15.9 million and \$18.3 million, respectively. Operating revenue decreased \$2.4 million, or 13.0 percent. Total operating expenses for the years ended June 30, 2011 and 2010 were \$67.8 million and \$66.5 million, respectively. Operating expenses increased \$1.3 million, or 2.0 percent. The College's operating loss amounted to \$51.9 million during 2011 compared to \$48.2 million in 2010, which represented an increase of \$3.7 million, or 7.7 percent.

Total revenue for the years ended June 30, 2010 and 2009 was \$65.9 million and \$66.1 million, respectively, of which operating revenue amounted to \$18.3 million and \$23.8 million, respectively. Operating revenue decreased \$5.5 million, or 23.3 percent. Total operating expenses for the years ended June 30, 2010 and 2009 were \$66.5 million and \$66.0 million, respectively. Operating expenses increased \$0.5 million, or 0.7 percent. The College's operating loss amounted to \$48.2 million during 2010 compared to \$42.2 million in 2009, which represented an additional increase of \$6.0 million, or 14.2 percent.

Student tuition and fees, net, are comprised of credit and noncredit instruction revenue. A breakdown and comparison of this revenue is as follows:

Credit and Noncredit Instruction Revenue

	Year Ended June 30		
	2011	2010	2009
	(dollars in millions)		
Credit instruction	\$ 20.9	\$ 20.1	\$ 17.9
Less Pell grants and scholarship allowances	(14.0)	(11.2)	(5.3)
Net credit instruction	6.9	8.9	12.6
Noncredit instruction	1.3	1.4	1.4
Other	0.9	1.0	0.9
Total	<u>\$ 9.1</u>	<u>\$ 11.3</u>	<u>\$ 14.9</u>

Student tuition and fees, net, decreased \$2.2 million, or 19.6 percent, during 2011 as compared to 2010.

Lake County Community College District d/b/a Lakeland Community College

Management's Discussion and Analysis (Unaudited) (Continued)

Credit instruction tuition and fees, net, were lower during 2011 as compared to 2010. Gross credit instruction and fees increased by 4.0 percent. The increase is related to a 3.5 percent increase in tuition rates commencing with the summer semester, and 1.8 percent enrollment growth compared to prior year (12.9 percent increase in summer, 3.3 percent increase in fall, and 2.5 percent decrease in spring). Gross credit instruction and fees are offset by Pell grants and other scholarship allowances of \$14.0 million during 2011 as compared to \$11.2 million and \$5.3 million during 2010 and 2009, respectively. The significant increase in Pell grants and allowances since 2009 is attributable to increased student demand and the elimination of State programs for tuition support (Ohio College Opportunity Grant and Ohio Incentive Grant).

Credit instruction tuition and fees, net, were lower during 2010 as compared to 2009. Gross credit instruction and fees increased by 11.2 percent. The increase is related to a 3.5 percent increase in tuition rates commencing with the fall semester, and an 8.8 percent enrollment growth compared to prior year (7.0 percent in summer, 6.4 percent in fall, and 12.2 percent in spring). Gross credit instruction and fees are offset by Pell grants and other scholarship allowances of \$11.2 million during 2010 as compared to \$5.3 million during 2009. The significant increase in Pell grants and allowances is attributable to increased student demand and the elimination of State programs for tuition support (Ohio College Opportunity Grant and Ohio Incentive Grant).

There was a 7.2 percent decrease in noncredit instruction revenue during 2011 as compared to 2010, which is primarily due to a decrease in business professional development and senior citizens enrollments, partially offset by increased enrollment in healthcare development classes.

There was no change in noncredit instruction revenue during 2010 as compared to 2009, primarily due to higher recreation, health, business and professional programs, offset by lower enrollments in certain community learning classes (e.g., computer and personal skills), and training contracts for the Center for Business and Industry.

Grants, contracts, and other revenue increased by \$0.4 million during 2011, primarily attributable to an increase in federal grants (Bioscience Industry Workforce Preparedness Grant, Nuclear Regulatory Commission Great Lakes Grant). Other revenue is also higher primarily attributable to revenue generated from the College's university partnerships.

Grants, contracts, and other revenue decreased by \$1.7 million during 2010, primarily attributable to the elimination of the Ohio Board of Regents Ohio College Opportunity Grant (OCOG) and the Ohio Instructional Grant.

Lake County Community College District d/b/a Lakeland Community College

Management’s Discussion and Analysis (Unaudited) (Continued)

Auxiliary enterprises revenue is comprised primarily of bookstore and event services and campus dining revenue. Operating revenue decreased by 10.5 percent for these operations during 2011 compared to 2010, primarily attributable to an increase in Pell grants used for bookstore purchases partially offset by increased bookstore sales. Revenue decreased by 3.8 percent for these operations during 2010 compared to 2009, also attributable to an increase in student Pell grants used for bookstore purchases, partially offset by increased bookstore sales.

The College’s nonoperating revenue is comprised primarily of the State of Ohio (the “State”) and local appropriations and federal Pell grant revenue. State appropriations include the State’s Share of Instructional Support (SSIS) and replacement state taxes on property tax law changes.

A breakdown and comparison of state appropriations revenue are as follows:

State Appropriations

	Year Ended June 30		
	2011	2010	2009
	(dollars in millions)		
SSIS and Access Challenge	\$ 17.1	\$ 17.7	\$ 20.0
Federal fiscal stabilization funds	2.9	3.0	-
Replacement state taxes on property tax law changes	2.5	2.5	2.2
Total	\$ 22.5	\$ 23.2	\$ 22.2

The College’s State funding for operational support is determined legislatively and controlled by the Ohio Board of Regents (OBR) allocation formula. That formula is primarily based on projected subsidy-eligible enrollment and available State funds. The College receives its State of Ohio Support based on the Ohio Board of Regents FY 2011 distribution schedule.

The 2011 SSIS is lower than the 2010 amounts primarily due to: (a) a lower base of funding to public higher education in the second year of the State’s operating biennium budget (2011 versus 2010); (b) an additional reduction in funding (\$649,361) identified by OBR and attributable to the State’s funding formula reallocating monies from Lakeland to those two-year colleges that experienced significant annualized double digit enrollment growth the past few years; and (c) partially offset by an increase attributable to returning the \$914,722 deferral back in as 2011 receipts. Federal stimulus money received during 2011 accounted for \$2,914,848 or 14.6 percent of state support appropriated to Lakeland.

Lake County Community College District d/b/a Lakeland Community College

Management's Discussion and Analysis (Unaudited) (Continued)

With the approval of the State's 2012-2013 Operating Biennium Budget, SSIS revenue will be reduced by \$2.2 million in FY 2012.

In 2010, the College received \$20.7 million in the State's Share of Instructional Support (SSIS). This was an increase of 3.5 percent from 2009 (combined SSIS and Access Challenge funding). There was no Access Challenge funding in 2010. Federal stimulus money received during 2010 totaled \$3.0 million, or 14.5 percent, of State support appropriated to the College.

Replacement property taxes on property tax law changes represent legislated, time-limited State funding guarantees on local property tax reductions attributable to (a) elimination of certain electric and natural gas utilities personal property taxes commencing in calendar 2002 and as (b) the phased-out elimination of tangible personal property taxes of general business, telephone and telecommunications companies, and railroads commencing in calendar year 2006. Replacement State taxes on property tax law changes were slightly higher during 2011 as compared to 2010, and 13.6 percent higher during 2010 as compared to 2009. The increase during 2010 was primarily attributable to the escalation in eliminating the tangible personal property taxes of general businesses, telephone and telecommunications companies, and railroads, and the related increase in the legislated guarantee.

Local appropriations represent the receipt and collection of property taxes for operating and capital purposes from two levies approved by the Lake County voters: a 1.7 mill continuing levy and a 1.5 mill 10-year levy. Local appropriations increased by \$4.2 million, or 39.6 percent, during 2011 as compared to 2010, primarily due to increased real estate tax collections from incremental proceeds from the 1.7 mills continuing levy replacement approved by Lake County voters on November 2, 2010, partially offset by the loss of tangible personal property tax revenue that the State of Ohio is phasing out.

Local appropriations decreased by \$0.4 million, or 3.6 percent, during 2010 as compared to 2009, primarily due to the loss of tangible personal property tax revenue that the State of Ohio is phasing out, partially offset by a slight increase in real estate tax collections.

Other nonoperating income and expenses increased by \$3.3 million during 2011 as compared to 2010. The increase is primarily attributable to a significant increase in Pell grants revenue (\$16.2 million in 2011 compared to \$12.8 million in 2010), partially offset by a decrease in investment income due to the continuation of the lower investment yields on the College's portfolio.

Other nonoperating income and expenses increased by \$6.1 million during 2010 as compared to 2009. The increase is primarily attributable to a significant increase in Pell grant revenue (\$12.8 million in 2010 compared to \$6.3 million in 2009), and a decrease in investment income due to the decline due to the interest rates.

Lake County Community College District d/b/a Lakeland Community College

Management's Discussion and Analysis (Unaudited) (Continued)

Operating expenses include educational and general expenses, auxiliary enterprises, and depreciation. A breakdown and comparison of these expenses are as follows:

Operating Expense Summary

	Year Ended June 30		
	2011	2010	2009
	(dollars in millions)		
Educational and general:			
Salaries and wages	\$ 36.3	\$ 36.0	\$ 35.9
Benefits	10.7	10.3	10.2
Operating expenses	<u>11.3</u>	<u>10.5</u>	<u>10.7</u>
Total educational and general	58.3	56.8	56.8
Auxiliary enterprises	6.2	6.2	6.0
Depreciation	<u>3.3</u>	<u>3.4</u>	<u>3.2</u>
Total	<u>\$ 67.8</u>	<u>\$ 66.4</u>	<u>\$ 66.0</u>

The increase in salaries and wages during 2011 was primarily attributable to higher faculty summer teaching pay (due to an increase in summer enrollment of 12 percent), the filling of certain positions, and limited salary adjustments, partially offset by delays in filling open positions and hiring new replacements at lower starting salaries.

The slight increase in salaries and wages during 2010 was primarily attributable to higher faculty teaching pay (due to an increase in enrollment), less open positions in summer 2009 as compared to the prior year, offset by the deferral of salary step and general salary adjustments for faculty, staff, and management that did not take place until January 2010.

Benefits include retirement and non-retirement benefits. The 3.9 percent increase is attributable to: (a) the change in salaries and wages commensurate with the increase in retirement and medical benefits, (b) new hires subject to Medicare that replace employees who retired or resigned that were not subject to this benefit cost, and (c) a 9.1 percent increase in healthcare premiums.

During 2010, the board of trustees approved the College's Voluntary Separation Program (VSP). A total of 14 employees elected the VSP. The 2010 VSP cost totaled \$495,480. There was no VSP in FY 2011.

Lake County Community College District d/b/a Lakeland Community College

Management's Discussion and Analysis (Unaudited) (Continued)

Benefits include retirement and nonretirement benefits and increased \$0.1 million or 1.0 percent during 2010. The increase is attributable to (a) the change in salaries and wages commensurate with the increase in retirement benefits, (b) new hires subject to Medicare that replace employees who retired or resigned that were not subject to this benefit cost, and (c) a slight reduction in net healthcare costs due to no increase in 2010 premium rates, no healthcare rebate paid to employees during the current year, and an increase in employee contributions.

2011 operating expenses were higher by 7.7 percent when compared to 2010. The 2011 increase is primarily due to additional "build-out" costs for The Holden University Center and an increase in license fees (Touchnet), partially offset by a reduction in outside printing advertising and postage costs.

2010 operating expenses were lower by 0.9 percent when compared to 2009. The 2010 decrease is primarily attributable to lower utility costs due to our energy conservation efforts (as well as better natural gas pricing), lower postage and printing costs, lower independent contractor costs due to lower CBI revenue, and various other cost-saving measures.

Auxiliary enterprises expense decreased by 1.5 percent during 2011 and increased by 3.3 percent during 2010. The decrease during 2011 is primarily attributed to lower costs due to bookstore sales (net of Pell).

Depreciation expense is lower by 3.5 percent during 2011 due to capital assets that became fully depreciated in 2011.

From a budgetary perspective, the College utilizes fund-based accounting to control unrestricted revenue, expenditures, and transfers. A summary for the year ended June 30, 2011 comparison of net changes to fund balance, budget versus actual, to the College's unrestricted funds is as follows:

Unrestricted Funds Budget to Actual Comparison

<u>Changes to Fund Balances by Unrestricted Fund Type</u>	<u>2011</u>	
	<u>Adopted Budget</u>	<u>Actual</u>
	(dollars in millions)	
General operating	\$ 0.1	\$ 2.5
Auxiliary	(0.3)	(2.0)
Plant	-	0.6
Total	<u>\$ (0.2)</u>	<u>\$ 1.1</u>

Lake County Community College District d/b/a Lakeland Community College

Management's Discussion and Analysis (Unaudited) (Continued)

Condensed Statement of Net Assets

	June 30		
	2011	2010	2009
Assets			
Current assets	\$ 35,338,244	\$ 31,277,607	\$ 26,079,468
Noncurrent assets:			
Capital	34,051,670	35,516,812	35,186,789
Other	15,516,040	6,259,902	11,174,926
Total assets	<u>\$ 84,905,954</u>	<u>\$ 73,054,321</u>	<u>\$ 72,441,183</u>
Liabilities			
Current liabilities	\$ 25,999,741	\$ 24,881,126	\$ 22,541,236
Noncurrent liabilities	17,259,859	9,061,921	10,279,650
Total liabilities	43,259,600	33,943,047	32,820,886
Net Assets			
Invested in capital assets - Net of related debt	26,003,090	25,961,813	26,566,549
Restricted	587,703	974,989	1,797,525
Unrestricted	15,055,561	12,174,472	11,256,223
Total net assets	<u>41,646,354</u>	<u>39,111,274</u>	<u>39,620,297</u>
Total liabilities and net assets	<u>\$ 84,905,954</u>	<u>\$ 73,054,321</u>	<u>\$ 72,441,183</u>

Lake County Community College District d/b/a Lakeland Community College

Management's Discussion and Analysis (Unaudited) (Continued)

Analysis of Overall Financial Position

At June 30, 2011, current assets amounted to \$35.3 million as compared to \$31.3 million at June 30, 2010, an increase of \$4.0 million. Current liabilities at June 30, 2011 amounted to \$26.0 million and current liabilities at June 30, 2010 amounted to \$24.9 million, an increase of \$1.1 million. The College's working capital ratio was 1.4 and 1.3 at June 30, 2011 and 2010, respectively. The increase in current assets is primarily attributable to increased cash from property tax proceeds received by passage of the 1.7 mill replacement levy, increased receivables resulting from increased tuition rates and enrollment growth, and increased inter-government receivables resulting from the year-end property tax accrual for property taxes collected in 2011 not paid to the College until 2012. The increase in current liabilities is attributable to an increase in deferred revenue due to the year-end property tax revenue deferral mentioned above.

At June 30, 2010, current assets amounted to \$31.3 million as compared to \$26.1 million at June 30, 2009, an increase of \$5.2 million. Current liabilities at June 30, 2010 amounted to \$24.9 million and current liabilities at June 30, 2009 amounted to \$22.5 million, an increase of \$2.4 million. The College's working capital ratio was 1.3 and 1.2 at June 30, 2010 and 2009, respectively. The increase in current assets is primarily attributable to the shift to short-term investments from long-term investments and an increase in accounts receivable due to increased enrollment and utilization of the College's tuition payment plan. The increase in current liabilities is attributable to an increase in deferred revenue due to higher summer enrollment and timing of federal financial aid receipts partially offset by lower accounts payable and other accruals.

Noncurrent assets are comprised of capital assets, restricted cash, investments, and loans receivable. The increase in noncurrent assets (\$7.8 million) during 2011 is primarily due to cash proceeds received from the \$9.5 million Series 2011 Tax Anticipation Notes, a reduction in net capital assets of \$1.5 million, and a slight decrease in long-term investments.

The decrease in noncurrent assets (\$4.6 million) during 2010 is primarily due to the spending of the remaining proceeds from the issuance of the \$8.5 million Series 2008 Tax Anticipation Notes (\$2.5 million) and by an increase in moving long-term investments to short-term investments (\$2.2 million).

The increase in noncurrent liabilities (\$8.2 million) in 2011 is primarily attributable to an increase in debt payable due to the 2011 Tax Anticipation Notes (\$9.5 million), partially offset by scheduled principal payments on the College's Series 2008, 2003 Tax Anticipation Notes and its Series 1999 General Receipts Bond. The 2003 Tax Anticipation Notes were paid in full in November 2010. The College is in full compliance with all debt issuance provisions.

The decrease in noncurrent liabilities (\$1.2 million) in 2010 is primarily attributable to principal payments on the College's Series 2008 and Series 2003 Tax Anticipation Notes and Series 1999 General Receipts Bonds.

Lake County Community College District d/b/a Lakeland Community College

Management's Discussion and Analysis (Unaudited) (Continued)

The College's net assets amounted to \$41.6 million, \$39.1 million, and \$39.6 million at June 30, 2011, 2010, and 2009, respectively. The \$2.5 million increase in the College's net assets during 2011 was primarily attributable to increased real estate tax collections from incremental proceeds from the 1.7 mills continuing levy replacement approved by Lake County voters on November 2, 2010, partially offset by debt payments and the increase in operating expenses resulting from The Holden University Center.

Capital Assets and Long-term Debt Activity

The College utilizes state capital appropriations, internal funds, debt proceeds, and gifts and other grants for capital asset expenditures. State capital appropriations are on a biennium basis, and individual institutions' capital funding allocations are based largely on enrollment. During 2011, the College utilized \$1.1 million in state capital appropriations, \$0.8 million in internal funds, and purchased \$1.9 million of capital assets.

During 2010, the College utilized \$1.2 million in state capital appropriations, \$2.5 million in debt proceeds, and purchased \$3.7 million of capital assets.

The College's long-term debt is comprised of Series 1999 General Receipts Bonds, Series 2003 Tax Anticipation Notes, Series 2008 Tax Anticipation Notes, and Series 2011 Tax Anticipation Notes.

In 2011, the College issued notes in the amount of \$9.5 million representing the par amount of the notes, at a fixed interest rate of 2.8 percent. The notes are dated June 29, 2011 and shall be payable as to principal and interest on December 1 in the years 2011-2021. The notes shall not be redeemable at the option of the College in whole or in part prior to stated maturity. The proceeds are to be used for technology, furniture, and equipment at The Holden University Center and other technology, furniture, equipment, and capital additions.

In 2009, the College issued notes in the amount of \$8.5 million, with fixed interest rates and a final maturity date in 2018. The proceeds of the notes were used to pay costs associated with the implementation of energy conservation measures that are intended to significantly reduce the College's energy consumption and the operating costs of its buildings. A portion of the proceeds of the notes was also used to pay costs associated with the acquisition of technology equipment and other capital improvements. During 2011, 2010, and 2009, the College paid \$1.6 million, \$1.5 million, and \$0.8 million, respectively, in connection with debt maturities. The College is in compliance with all of its contractual long-term debt requirements and covenants. On September 1, 2011, the board of trustees issued a resolution to redeem the outstanding General Receipts Bonds, Series 1999. The bonds will be redeemed on or before December 1, 2011.

More detailed information about the College's capital assets and long-term debt is presented in Notes 4 and 5 of the financial statements.

Lake County Community College District d/b/a Lakeland Community College

Management's Discussion and Analysis (Unaudited) (Continued)

Statement of Cash Flows

Cash Flows for the Year Ended June 30

	2011	2010	2009
Net Cash and Cash Equivalents (Used in) Provided by			
Operating activities	\$ (55,118,083)	\$ (44,402,657)	\$ (39,591,062)
Noncapital financing activities	58,545,263	46,290,553	39,427,423
Capital and related financing activities	5,714,043	(4,650,193)	2,125,653
Investing activities	1,602,836	455,381	411,919
Net Increase (Decrease) in Cash and Cash Equivalents	10,744,059	(2,306,916)	2,373,933
Cash and Cash Equivalents - Beginning of year	3,133,292	5,440,208	3,066,275
Cash and Cash Equivalents - End of year	\$ 13,877,351	\$ 3,133,292	\$ 5,440,208

Major sources of cash included proceeds of \$9.5 million from the Series 2011 Tax Anticipation Notes in 2011; student tuition and fees of \$8.3 million in 2011, \$10.9 million in 2010, and \$9.3 million in 2009; state appropriations of \$22.5 million in 2011, \$23.2 million in 2010, and \$22.2 million in 2009; local appropriations of \$14.8 million in 2011, \$10.3 million in 2010, and \$11.0 million in 2009; grants and contracts of \$1.1 million in 2011, \$0.6 million in 2010, and \$2.3 million in 2009; and auxiliary sales and services of \$4.3 million in 2011, \$4.8 million in 2010, and \$5.1 million in 2009.

The largest payments were for employee compensation and benefits totaling \$49.7 million in 2011, \$48.7 million in 2010, and \$47.4 million in 2009; suppliers of goods and services totaling \$16.0 million in 2011, \$15.9 million in 2010, and \$15.4 million in 2009; and purchases of capital assets totaling \$1.9 million in 2011, \$2.8 million in 2010, and \$5.5 million in 2009.

Factors Impacting Future Periods

The level of state and local support, student tuition and fee increases, compensation, and other cost increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

The College places significant reliance on state appropriations. State income and budget constraints may from time to time compel stabilization or reduction to levels of state assistance and support for higher education in general and the College in particular. In addition, the SSIS appropriations are subject to subsequent limitations, which provide in part that if the governor ascertains that the available revenue receipts and balances for the current fiscal year will in all probability be less than the appropriations for the year, he shall issue such orders to prevent the expenditure and incurred obligations from exceeding those revenue receipts and balances.

Lake County Community College District d/b/a Lakeland Community College

Management's Discussion and Analysis (Unaudited) (Continued)

Local appropriations in the form of property taxes are another critical element of support. The electors within the County of Lake, Ohio (the "County") must approve any Lakeland Community College property tax. The College collects property taxes for operating and capital purposes from two levies approved by the County voters: a 1.7 mill stated rate for a continuing period and a 1.5 mill stated rate for 10 years. The 1.7 mill levy replacement was approved by Lake County voters on November 2, 2010. This replacement generated approximately \$4.0 million dollars in incremental funding for 2011, as compared to 2010, and is expected to generate an incremental \$8.0 million dollars in 2012 compared to 2010. The current 1.5 mill levy expires with the last collection in calendar year 2012. This levy will be on the November 8, 2011 ballot as a renewal. Passage of this levy renewal is critical for future funding.

Effective July 1, 2011, the College did not receive any federal or state support to offset the loss of federal fiscal stabilization funds (\$2.9 million annually); additionally, the State's FY2012-FY2013 operating budget significantly reduced or eliminated "guarantee" funding it previously received associated with State laws that deregulated electric and gas utilities, and the phase-out of business tangible personal property taxes (\$1.2 million annually). Furthermore, the State did not issue a capital bill for the FY2011-FY2012 biennium. Annualized, the College lost \$1.8 million of funding for capital improvements during FY2011 and is not expecting any funding in FY2012.

Lake County Community College District d/b/a Lakeland Community College

Statement of Net Assets

	June 30	
	2011	2010
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 4,022,871	\$ 2,778,969
Restricted cash and cash equivalents (Note 2)	354,480	354,323
Short-term investments (Note 2)	2,247,360	3,402,338
Intergovernmental receivables	11,752,452	10,122,009
Loans and other receivables - Net (Note 3)	13,652,016	11,858,846
Inventories	919,592	1,145,144
Prepaid assets	2,389,473	1,615,978
Total current assets	35,338,244	31,277,607
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	9,500,000	-
Investments (Note 2)	5,994,475	6,243,734
Loans receivable - Net (Note 3)	21,565	16,168
Capital assets - Net (Note 4)	34,051,670	35,516,812
Total noncurrent assets	49,567,710	41,776,714
Total assets	<u>\$ 84,905,954</u>	<u>\$ 73,054,321</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,747,727	\$ 3,642,215
Deferred revenue	19,556,359	18,342,819
Other liabilities	281,622	274,832
Debt payable (Note 5)	1,371,266	1,552,842
Compensated absences (Note 5)	1,042,767	1,068,418
Total current liabilities	25,999,741	24,881,126
Noncurrent liabilities (Note 5):		
Other liabilities	323,000	323,000
Debt payable	16,166,539	8,037,805
Compensated absences	476,596	411,802
Refundable federal student loans	293,724	289,314
Total noncurrent liabilities	17,259,859	9,061,921
Total liabilities	43,259,600	33,943,047
Net Assets		
Invested in capital assets - Net of related debt	26,003,090	25,961,813
Restricted for:		
Nonexpendable for endowment purposes	354,480	354,323
Expendable for instructional purposes	233,223	620,666
Unrestricted	15,055,561	12,174,472
Total net assets	41,646,354	39,111,274
Total liabilities and net assets	<u>\$ 84,905,954</u>	<u>\$ 73,054,321</u>

Lake County Community College District d/b/a Lakeland Community College

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2011	2010
Operating Revenue		
Student tuition and fees - Net of \$14,035,828 and \$11,157,011 in Pell and scholarship allowances in 2011 and 2010, respectively	\$ 9,084,515	\$ 11,300,648
Federal grants and contracts	750,569	612,652
State grants and contracts	438,108	115,665
Private grants and contracts	68,242	(77)
Sales and services	499,541	802,659
Auxiliary enterprises	4,475,441	5,000,437
Other operating revenue	579,419	437,074
Total operating revenue	15,895,835	18,269,058
Operating Expenses		
Educational and general:		
Instruction and departmental research	27,957,443	27,238,142
Public service	2,376,017	2,440,999
Academic support	3,927,487	3,570,487
Student services	7,911,580	8,096,429
Institutional support	9,464,077	8,916,853
Operation and maintenance of facilities	6,676,422	6,521,915
Total educational and general	58,313,026	56,784,825
Auxiliary enterprises	6,141,333	6,236,521
Depreciation	3,313,814	3,432,257
Total operating expenses	67,768,173	66,453,603
Operating Loss	(51,872,338)	(48,184,545)
Nonoperating Revenue (Expense)		
State appropriations (Note 8)	19,590,464	20,212,127
Federal fiscal stabilization funds	2,914,848	2,960,167
Local appropriations (Note 9)	14,793,751	10,599,945
Pell grant revenue - Net of refunds	16,185,450	12,782,907
Unrestricted investment income - Net of investment expense	160,047	254,533
Restricted investment income - Net of investment expense	387	503
Interest on capital asset - Related debt	(366,658)	(368,998)
Other nonoperating revenue - Net	-	2,330
Net nonoperating revenue	53,278,289	46,443,514
Gain (Loss) - Before other changes	1,405,951	(1,741,031)
Other Changes		
Capital appropriations from the State of Ohio (Note 8)	1,114,629	1,221,101
Capital grants and gifts	14,500	10,907
Total other changes	1,129,129	1,232,008
Increase (Decrease) in Net Assets	2,535,080	(509,023)
Net Assets - Beginning of year	39,111,274	39,620,297
Net Assets - End of year	\$ 41,646,354	\$ 39,111,274

The Accompanying Notes are an Integral
Part of this Financial Statement.

Lake County Community College District d/b/a Lakeland Community College

Statement of Cash Flows

	Year Ended June 30	
	2011	2010
Cash Flows from Operating Activities		
Tuition and fees - Net	\$ 8,290,132	\$ 10,908,352
Grants and contracts	1,121,273	611,820
Payments to suppliers and utilities	(15,982,269)	(15,910,581)
Payments for compensation and benefits	(49,686,752)	(48,738,340)
Federal draw-downs	21,963,790	20,484,037
Federal draw-downs applied to tuition - Disbursed to students	(25,895,456)	(17,815,569)
Auxiliary sales and services	4,286,319	4,822,240
Other	784,880	1,235,384
Net cash used in operating activities	(55,118,083)	(44,402,657)
Cash Flows from Noncapital Financing Activities		
State appropriations	19,590,464	20,212,127
Federal fiscal stabilization funds	2,914,848	2,960,167
Local appropriations	14,793,751	10,335,352
Federal Pell - Net of refunds	21,246,200	12,782,907
Net cash provided by noncapital financing activities	58,545,263	46,290,553
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	38,218	38,218
Proceeds from issuance of debt	9,500,000	-
Purchases of capital assets	(1,884,215)	(2,844,371)
Principal paid on capital debt and leases - Net	(1,552,842)	(1,505,504)
Interest paid on capital debt and leases	(349,118)	(338,536)
Bond issue costs	(38,000)	-
Net cash provided by (used in) capital and related financing activities	5,714,043	(4,650,193)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	10,455,000	6,201,750
Purchase of investments	(9,042,580)	(5,995,630)
Interest on investments	190,416	249,261
Net cash provided by investing activities	1,602,836	455,381
Net Increase (Decrease) in Cash and Cash Equivalents	10,744,059	(2,306,916)
Cash and Cash Equivalents - Beginning of year	3,133,292	5,440,208
Cash and Cash Equivalents - End of year	\$ 13,877,351	\$ 3,133,292
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 4,022,871	\$ 2,778,969
Restricted cash and cash equivalents	9,854,480	354,323
Total cash and cash equivalents	\$ 13,877,351	\$ 3,133,292

The Accompanying Notes are an Integral
Part of this Financial Statement.

Lake County Community College District d/b/a Lakeland Community College

Statement of Cash Flows (Continued)

	Year Ended June 30	
	2011	2010
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (51,872,338)	\$ (48,184,545)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	3,313,814	3,432,257
(Increase) decrease in assets:		
Accounts receivable	(1,969,888)	(2,505,389)
Inventories	225,552	(411,053)
Other assets	(1,646,362)	(64,054)
(Decrease) increase in liabilities:		
Accounts payable and accrued liabilities	112,297	(1,588,054)
Deferred revenue	(3,324,711)	4,783,987
Deposits held for others	4,410	4,326
Compensated absences	39,143	129,868
Net cash used in operating activities	<u>\$ (55,118,083)</u>	<u>\$ (44,402,657)</u>

Lake County Community College District d/b/a Lakeland Community College

Balance Sheet and Condensed Statement of Activities Component Unit - The Lakeland Foundation

Balance Sheet

	June 30	
	2011	2010
Assets		
Cash and cash equivalents	\$ 202,891	\$ 284,967
Cash held for others	16,051	18,503
Investments (Note 2)	2,900,864	2,447,214
Receivables	366,730	301,049
Other assets	12,858	9,945
Total assets	<u>\$ 3,499,394</u>	<u>\$ 3,061,678</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 50,476	\$ 35,600
Due to custodial funds	16,051	18,503
Total liabilities	66,527	54,103
Net Assets		
Unrestricted	108,911	122,429
Temporarily restricted	1,640,322	1,299,004
Permanently restricted	1,683,634	1,586,142
Total net assets	<u>3,432,867</u>	<u>3,007,575</u>
Total liabilities and net assets	<u>\$ 3,499,394</u>	<u>\$ 3,061,678</u>

Statement of Activities

	Year Ended June 30	
	2011	2010
Support and Revenue		
Contributions and grants	\$ 964,958	\$ 905,983
Investment income - Net	402,596	196,993
Total support and revenue	1,367,554	1,102,976
Program and Support Services		
Program services:		
Scholarships	394,134	314,348
Educational and related programs	300,647	244,800
Support services - Administration	247,481	184,802
Total program and support expenses	<u>942,262</u>	<u>743,950</u>
Increase in Net Assets	425,292	359,026
Net Assets - Beginning of year	<u>3,007,575</u>	<u>2,648,549</u>
Net Assets - End of year	<u>\$ 3,432,867</u>	<u>\$ 3,007,575</u>

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note I - Basis of Presentation and Significant Accounting Policies

Lake County Community College District d/b/a Lakeland Community College (the "College") is a two-year community college and a political subdivision of the State of Ohio (the "State"). The College is exempt from filing a federal tax return based upon the ruling it received from the Internal Revenue Service dated August 27, 1968.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, the College's financial statements are included as a joint venture on the State of Ohio's consolidated annual financial report.

The College reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the College has one component unit. A component unit is a separate legal entity that is included in the College's reporting entity because of the significance of its operational financial relationships with the College.

The Lakeland Foundation (the "Foundation") is discretely reported as part of the College's reporting entity (although it is legally separate and governed by its own board of directors) because its sole purpose is to provide support for the College. The Foundation is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those under the GASB. No modifications have been made to the Foundation's financial information included in the College's financial report to account for these differences. Separate financial statements of the Foundation may be obtained by contacting The Lakeland Foundation, 7700 Clocktower Drive, Kirtland, Ohio 44094-5198.

Basis of Accounting - The accompanying financial statements of the College were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the GASB.

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note I - Basis of Presentation and Significant Accounting Policies (Continued)

FASB Pronouncements - Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the FASB conflicts with the GASB. The College has elected not to apply FASB pronouncements issued after the applicable date.

Measurement Focus and Financial Statement Presentation - Operating revenue and expenses generally result from providing service in connection with the College's principal ongoing operations. The principal operating revenue is student tuition. The College also recognizes as operating revenue grants and contracts classified as exchange transactions and auxiliary activities. Operating expenses include educational costs, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition, including state and local appropriations, are reported as nonoperating revenue and expenses. When the College incurs an expense for which both unrestricted and restricted net assets are available, it is the College's policy to first apply restricted resources. Activity related to Internal Service Funds is eliminated to avoid "doubling up" revenue and expenses.

Cash and Cash Equivalents - Cash and cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

Restricted Cash and Cash Equivalents - As of June 30, 2011, restricted cash and cash equivalents of \$9,854,480 consist of the Tax Anticipation Notes, Series 2011 (\$9,500,000) issued on June 29, 2011 and for endowment purposes (\$354,480). As of June 30, 2010, restricted cash consists of \$354,323 for endowment purposes.

Inventories - Inventories consist primarily of books and supplies of the College's bookstore and are valued at the lower of cost (first-in, first-out) or market.

Investments - All investments are measured at fair value, based on quoted market prices, in the statement of net assets. Investments maturing in one year or less are categorized as short term.

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note I - Basis of Presentation and Significant Accounting Policies (Continued)

Capital Assets - The College's policy on capitalization and depreciation adheres to the requirement of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. Capital assets include land, land improvements, infrastructure, buildings, building improvements, construction in progress, equipment, furniture, vehicles, software, and library books.

Capital assets greater than \$5,000 are capitalized at cost or, if acquired by donation, at appraised values as of the date received. When capital assets are sold or otherwise disposed of, the carrying value of such assets and any accumulated depreciation are removed from the statement of net assets. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset's life are expensed.

Capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	20-30 years
Infrastructure	20-25 years
Building and building improvements	5-40 years
Equipment, furniture, and vehicles	3-15 years
Software and library books	3-5 years

Deferred Revenue - Deferred revenue includes tuition and fees for summer sessions and local government revenue. Summer tuition and fee revenue received and related expenses incurred are deferred in their entirety to the next fiscal year. This is consistent with the State of Ohio reporting model. Deferred revenue also includes amounts billed to students for the fall semester of fiscal year 2012 that have not yet been earned.

Reserve for Compensated Absences - Compensated absences, including accumulated unpaid vacation benefits and unpaid sick leave, are accrued to conform to GASB Statement No. 16, *Accounting for Compensated Absences*.

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

Net Assets - Net assets are classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Nonexpendable, restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted or granted for specific purposes, funds used for capital projects, and debt service.

Revenue Recognition - State appropriations are recognized when received or made available. Restricted funds are recognized as revenue only to the extent expended. Gifts and interest on student loans are recognized when received. The College's policy for defining operating activities as reported on the statement of revenue, expenses, and changes in net assets are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the College's expenses are from exchange transactions.

Grants and Contracts - The College receives grants and contracts from federal, state, and private agencies to fund education programs, research, and other activities. Grants and contracts generally provide for the recovery of direct and indirect costs. Indirect costs recovery is recorded as a percentage of direct costs at negotiated fixed rates. Revenue received under grants and contracts is subject to the examination and retroactive adjustments by the awarding agency.

Pell Grant Reimbursements - Pell grant reimbursements are classified as nonoperating revenue due to their nonexchange nature. The amounts received for 2011 and 2010 are \$16,185,450 and \$12,782,907, respectively.

Intergovernmental Receivables and Revenue - Local government revenue is recorded as receivables and revenue when the legal right to the funds has occurred. Other federal and state grants and assistance awards made on the basis of entitlement are recorded as intergovernmental receivables and revenue when entitlement occurs.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures in the notes. Actual results could differ from the estimates.

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

Upcoming Accounting Standards - In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses issues related to service concession arrangements which are a type of public-private or public-public partnership.

In November 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The requirements of Statements 60, 62, and 63 are effective for financial statements for periods beginning after December 15, 2011.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2012.

The College's management has not yet determined the impact that implementation of these GASB statements will have on the College's financial statements.

Note 2 - Cash and Cash Equivalents and Investments

Cash and Cash Equivalents - Ohio law requires that cash amounts be placed in eligible financial institutions located in Ohio. Any public depository in which the College places deposits must pledge as collateral eligible securities of aggregate fair value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation. Further, Ohio law requires such collateral amounts to exceed deposits by 2 percent. Collateral that may be pledged is limited to obligations of the following entities: the United States and its agencies, the State of Ohio, the Ohio Student Loan Commission, and any legally constituted taxing subdivision within the state of Ohio.

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 2 - Cash and Cash Equivalents and Investments (Continued)

At June 30, 2011 and 2010, the carrying amount of the College's cash balance was \$128,357 and \$126,706, respectively. The bank balance at June 30, 2011 and 2010 totaled \$1,805,353 and \$1,604,551, respectively. The difference represents outstanding checks payable, deposits in transit, and normal reconciling items.

A total of \$250,000 of the bank balance was covered by the federal depository insurance. The remainder was specifically secured by U.S. government and municipal securities. The College also maintains a small on-hand cash balance to maintain day-to-day operations in the cashier's office, bookstore, and food service operations.

Investments - The College's investment policy approved by the board of trustees establishes priorities and guidelines regarding the investment management of the College funds. These priorities and guidelines are based upon Chapters 3354.10, 3345.05, and 135.14 of the Ohio Revised Code (ORC) and prudent money management principles.

The investment objectives of the College, in priority order, include compliance with all federal and state laws, safety of principal, liquidity, and yield. Market risks (including interest rate risk and liquidity risk) and credit risk are managed by board policies as described below.

Interest Rate Risk - The market value of securities in the College's portfolio will increase or decrease based upon changes in the general level of interest rates. The effects of market value fluctuations will be minimized by maintaining adequate liquidity to pay current obligations, diversification of maturities, and diversification of assets.

Liquidity Risk - The portfolio remains sufficiently liquid to meet all current obligations of the College. Minimum liquidity levels are established in order to meet all current obligations without having to sell securities. The College forecasts its cash needs and maintains cash balances (related to daily receipts or for immediate expenditure needs) in an overnight "sweep" bank account (that earns interest in overnight repurchase agreements). In addition, funds are also invested in the State of Ohio treasurer's STAR investment program fund. The remaining portfolio at June 30, 2011 and 2010 is made up of federal agency issues. These investments are structured so that securities mature concurrently with cash needs.

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 2 - Cash and Cash Equivalents and Investments (Continued)

Credit Risk - Credit risk is the risk of loss due to the failure of a security issuer to pay principal or interest or the failure of the issuer to make timely payments of principal. Eligible investments affected by credit risk include certificates of deposit, commercial paper, and bankers' acceptances. The College did not invest in any of these instruments in 2011 or 2010. In the event the College invests in these instruments in the future, credit risk will be minimized by (1) diversifying assets by issuer, (2) ensuring that required minimum credit ratings exist prior to the purchase of commercial paper and bankers' acceptances, and (3) maintaining adequate collateralization of certificates of deposits.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The College's investment policy places no limitation on the amount that may be invested in a single issuer. The College's investment policy places no limitation on the amount that may be invested in a single issuer. At June 30, 2011 and 2010, the College did not have more than 5 percent of its fixed-income investments in any single issuer or any that were not issued by the U.S. government.

At June 30, 2011 and 2010, the College's investment portfolio and credit ratings consisted of the following:

2011	Fair Market Value	Less Than One Year	1-2 Years	NRSRO Rating
State Treasurer Asset Reserve Fund (STAR Ohio)	\$ 1,411,883	\$ 1,411,883	\$ -	AAA
Money market	12,465,468	2,965,468	9,500,000	AAA
U.S. government agency	<u>8,241,835</u>	<u>2,247,360</u>	<u>5,994,475</u>	AAA
Total investments	<u>\$ 22,119,186</u>	<u>\$ 6,624,711</u>	<u>\$ 15,494,475</u>	
2010	Fair Market Value	Less Than One Year	1-2 Years	NRSRO Rating
State Treasurer Asset Reserve Fund (STAR Ohio)	\$ 1,268,564	\$ 1,268,564	\$ -	AAA
Money market	1,864,728	1,864,728	-	AAA
U.S. government agency	<u>9,646,072</u>	<u>3,402,338</u>	<u>6,243,734</u>	AAA
Total investments	<u>\$ 12,779,364</u>	<u>\$ 6,535,630</u>	<u>\$ 6,243,734</u>	

Lake County Community College District

d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 2 - Cash and Cash Equivalents and Investments (Continued)

FASB accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. In accordance with the standard, fair value is defined as the price the Foundation would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Level 1 - Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets or liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

Level 3 - Uses inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models for which assumptions utilize management's estimates of market participant assumptions.

The following tables set forth by level within the fair value hierarchy the Foundation's investments that were accounted for at a fair value on a recurring basis as of June 30, 2011 and 2010. All investments were Level 1 inputs, as defined above for the years ended June 30, 2011 and 2010.

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
Corporate bonds	\$ 101,655	\$ 103,551	\$ 103,089	\$ 103,551
Municipal bonds	646,018	650,141	612,121	613,239
Agency bonds	-	-	50,235	50,045
Fixed-income mutual funds	453,170	436,814	477,416	459,388
Equity mutual funds	1,036,570	856,593	791,982	893,130
International mutual funds	395,300	331,021	258,258	265,196
Alternative assets	218,862	183,851	134,386	123,262
Money market/Cash reserves	49,289	49,289	19,727	19,727
Total	<u>\$ 2,900,864</u>	<u>\$ 2,611,260</u>	<u>\$ 2,447,214</u>	<u>\$ 2,527,538</u>

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 2 - Cash and Cash Equivalents and Investments (Continued)

Custodial Credit Risk - Investments under management are directed by the College's investment manager, United American Capital Corporation. The investment manager shall be either registered with the Securities and Exchange Commission, or be licensed by the division of securities under Section 1707.141 ORC, and will possess experience in the management of public funds, specifically in the area of state and local government investment portfolios, or is an eligible institution referenced in 135.03 ORC.

The investment advisor is authorized to manage the investment funds of the College, which includes the selection of eligible investment assets as defined under applicable sections of the ORC, and the selection of eligible broker/dealer firms based upon the criteria as determined by the investment advisor.

The investment advisor may execute the purchase and/or sale of securities with eligible Ohio financial institutions, primary securities dealers regularly reporting to the New York Federal Reserve Bank, and regional securities firms or broker dealers licensed with the Ohio Department of Commerce, Division of Securities to transact business in the state of Ohio.

The investment advisor, eligible financial institutions, and broker/dealers transacting investment business with the College are required to sign the College's investment policy as an acknowledgment and understanding of the contents of said policy.

Securities purchased for the College are held in a safekeeping account established by the College (PNC), as provided in Section 135.37 ORC. Securities held in safekeeping by the custodian are evidenced by a monthly statement describing such securities. The custodian may safe keep the College's securities in (1) Federal Reserve Bank book entry form, (2) Depository Trust Company (DTC) book entry form in the account of the custodian or the custodian's correspondent bank, or (3) non-book entry (physical) securities held by the custodian or the custodian's correspondent bank. Therefore, the custodial risk is limited.

Foreign Currency Risk - The College did not invest in any foreign instruments in 2011 or 2010.

**Lake County Community College District
d/b/a Lakeland Community College**

**Notes to Financial Statements
June 30, 2011 and 2010**

Note 3 - Loans and Other Receivables

Loans and other receivables relate to several activities including tuition and fees, auxiliary sales, and miscellaneous sales and services. Loans and other receivables are recorded net of allowances for uncollectible accounts of \$2,656,665 and \$2,256,584 at June 30, 2011 and 2010, respectively. The increase is primarily attributable to the planned growth in the uncollectible accounts provision attributable to: (a) enrollment growth and usage of the College's tuition payment plan and various student accounts receivables, as well as (b) the College's accounting change in only writing off receivables when informed by the Attorney General's collection division. This account is reviewed and reestablished at each year end. The following schedule is an analysis of loans and other receivable balances as of June 30, 2011 and 2010:

	2011		2010	
	Current Portion - Net	Noncurrent Portion - Net	Current Portion - Net	Noncurrent Portion - Net
In-house student loans	\$ -	\$ 1,500	\$ -	\$ 1,500
Federal Perkins and nursing student loans	21,057	1,417	25,973	8,598
Employee computer financing	44,013	18,648	65,251	6,070
Student accounts	13,182,300	-	11,422,594	-
Auxiliary receivables	335,096	-	207,707	-
Interest receivable	16,967	-	40,178	-
Sales and service receivables	52,583	-	97,143	-
Total	<u>\$ 13,652,016</u>	<u>\$ 21,565</u>	<u>\$ 11,858,846</u>	<u>\$ 16,168</u>

The increase in loans and other receivables is primarily attributable to: (a) increased student receivables resulting from increased tuition rates, enrollment, and summer financial aid deferred to FY 2012, and increase in (b) PSEO receivables, and (c) the College's accounting change in only writing off receivables when informed by the Attorney General's collection division (vs. what was previously an annual write-off).

Federal Direct Loans Program loans processed for students by the College during the year ended June 30, 2011 totaled \$21,936,977. The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loans Program and, accordingly, these loans are not included in the College's financial statements.

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 4 - Capital Assets

Capital asset activity for the years ended June 30, 2011 and 2010 was as follows:

	July 1, 2010 Balance	Additions	Retirements	June 30, 2011 Balance
Nondepreciable assets:				
Land	\$ 723,289	\$ -	\$ -	\$ 723,289
Construction in progress	422,386	1,217,485	(250,638)	1,389,233
Depreciable assets:				
Land improvements	3,400,906	230,798	-	3,631,704
Infrastructure	5,915,048	237,061	-	6,152,109
Buildings and improvements	69,561,234	44,151	-	69,605,385
Equipment and vehicles	6,637,976	213,298	(12,900)	6,838,374
Software and library books	9,265,444	163,296	(6,205)	9,422,535
Total capital assets	95,926,283	2,106,089	(269,743)	97,762,629
Less accumulated depreciation:				
Land improvements	2,363,313	110,577	-	2,473,890
Infrastructure	2,419,885	171,142	-	2,591,027
Buildings and improvements	42,761,040	2,087,479	-	44,848,519
Equipment and vehicles	4,609,112	541,651	(12,326)	5,138,437
Software and library books	8,256,121	402,965	-	8,659,086
Total accumulated depreciation	60,409,471	3,313,814	(12,326)	63,710,959
Capital assets - Net	<u>\$ 35,516,812</u>	<u>\$ (1,207,725)</u>	<u>\$ (257,417)</u>	<u>\$ 34,051,670</u>
	July 1, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
Nondepreciable assets:				
Land	\$ 723,289	\$ -	\$ -	\$ 723,289
Construction in progress	6,297,723	353,069	(6,228,406)	422,386
Depreciable assets:				
Land improvements	3,352,306	48,600	-	3,400,906
Infrastructure	4,092,196	1,822,852	-	5,915,048
Buildings and improvements	63,339,394	6,244,340	(22,500)	69,561,234
Equipment and vehicles	5,867,779	818,889	(48,692)	6,637,976
Software and library books	8,558,009	707,435	-	9,265,444
Total capital assets	92,230,696	9,995,185	(6,299,598)	95,926,283
Less accumulated depreciation:				
Land improvements	2,249,978	113,335	-	2,363,313
Infrastructure	2,267,885	170,000	(18,000)	2,419,885
Buildings and improvements	40,552,632	2,208,408	-	42,761,040
Equipment and vehicles	4,148,160	509,645	(48,693)	4,609,112
Software and library books	7,825,252	430,869	-	8,256,121
Total accumulated depreciation	57,043,907	3,432,257	(66,693)	60,409,471
Capital assets - Net	<u>\$ 35,186,789</u>	<u>\$ 6,562,928</u>	<u>\$ (6,232,905)</u>	<u>\$ 35,516,812</u>

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 5 - Noncurrent Liabilities

Noncurrent liability activity for the years ended June 30, 2011 and 2010 was as follows:

2011	June 30, 2010			June 30, 2011	
	Balance	Additions	Reductions	Balance	Current Portion
Long-term debt and lease obligations:					
Tax Anticipation Note, Series 2011	\$ -	\$ 9,500,000	\$ -	\$ 9,500,000	\$ 500,000
Tax Anticipation Note, Series 2008	7,775,000	-	750,000	7,025,000	775,000
Premium on Tax Anticipation Note	34,774	-	6,969	27,805	6,266
Tax Anticipation Note, Series 2003	710,000	-	710,000	-	-
Unamortized Debt Cost	873	-	873	-	-
General Receipts Bonds, Series 1999	1,070,000	-	85,000	985,000	90,000
Total	9,590,647	9,500,000	1,552,842	17,537,805	1,371,266
Other noncurrent obligations:					
Reserve for compensated absences	1,480,220	39,143	-	1,519,363	1,042,767
Reserve for federal student loans	289,314	4,410	-	293,724	-
Other liabilities	323,000	-	-	323,000	-
Total noncurrent liabilities	\$ 11,683,181	\$ 9,543,553	\$ 1,552,842	\$ 19,673,892	\$ 2,414,033
2010	June 30, 2009			June 30, 2010	
	Balance	Additions	Reductions	Balance	Current Portion
Long-term debt and lease obligations:					
Tax Anticipation Note, Series 2008	\$ 8,500,000	\$ -	\$ 725,000	\$ 7,775,000	\$ 750,000
Premium on Tax Anticipation Note	42,398	-	7,624	34,774	6,969
Tax Anticipation Note, Series 2003	1,150,000	-	440,000	710,000	710,000
Premium on Tax Anticipation Note	3,753	-	2,880	873	873
General Receipts Bonds, Series 1999	1,400,000	-	330,000	1,070,000	85,000
Total	11,096,151	-	1,505,504	9,590,647	1,552,842
Other noncurrent obligations:					
Reserve for compensated absences	1,350,352	129,868	-	1,480,220	1,068,418
Reserve for federal student loans	284,986	4,328	-	289,314	-
Other liabilities	125,000	198,000	-	323,000	-
Total noncurrent liabilities	\$ 12,856,489	\$ 332,196	\$ 1,505,504	\$ 11,683,181	\$ 2,621,260

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 5 - Noncurrent Liabilities (Continued)

Tax Anticipation Notes Series 2011, Series 2008, Series 2003, General Receipts Bonds, Series 1999 - The Tax Anticipation Notes Series 2011 is one of an authorized issue of Notes of the College in the aggregate principal amount of \$9,500,000 (the "Notes"). The Notes are issued for the purpose of providing funds for the acquisition of sites, the erection, furnishing, and equipment of buildings, the acquisition, construction, or improvement of any property which the board of trustees of the community college district is authorized to acquire, construct, or improve, and which has an estimated life of usefulness of five years or more as certified by the fiscal office, and the payment of operating costs of the College, and issued in anticipation of the collection of a fraction of the proceeds to be received from the collection of a 1.7 mill ad valorem property tax in excess of the 10-mill limitation (the "Tax Levy") for that purpose approved by the electors of the College at an election held on November 3, 1970 and replaced by a vote of the electors on November 2, 2010.

The Series 2011 Note is payable as to both principal and interest from the proceeds of the Tax Levy, and is issued under authority of and pursuant to the laws of the State of Ohio, particularly Sections 3354.12 and 133.24 of the Revised Code, the requisite majority vote of the electors of the College cast at an election held on November 2, 2010 upon the question of the Tax Levy, and a resolution adopted by the board of trustees of the College on June 2, 2011 and a Certificate of Award dated June 13, 2011 (collectively, the "Note Legislation").

The Notes are not subject to optional redemption prior to stated maturity. The Notes are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amount.

Effective July 10, 2008, the College issued Tax Anticipation Notes (Series 2008 Notes) in anticipation of the proceeds of a 1.7 mill ad valorem property tax approved by the electors of the College at an election held on November 3, 1970. The notes are in the amount of \$8,500,000, with fixed interest rates and a maturity date of 2018. The proceeds of the notes are being used to pay costs associated with the implementation of energy conservation measures that are intended to significantly reduce the College's energy consumption and operating costs of its buildings. A portion of the proceeds of the notes is also being used to pay costs associated with the acquisition of technology equipment and other capital improvements.

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 5 - Noncurrent Liabilities (Continued)

The Series 2008 Notes are issued pursuant to authorized legislation and the Ohio Revised Code, adopted by the board of trustees of the College on June 5, 2008. The notes are being issued in anticipation of the collection of a fraction of the proceeds from the tax levy, commencing with distributions from the College in calendar year 2008 and ending with collection year 2018. Under law authorizing this financing, notes may be issued from time to time during the life of the tax levy. The amount of principal payments may not in aggregate exceed 75 percent of the total anticipated proceeds of the levy to be collected during the particular calendar year.

Effective November 13, 2003, the College issued \$4,000,000 of Tax Anticipation Notes (Series 2003 Notes) in anticipation of the proceeds of a 1.5 mill tax levy that began in 2003 and ends in 2012. The proceeds were used to pay for the costs of an integrated management information system, other technology projects, and other equipment and capital improvements. The Series 2003 Notes were paid in full in November 2010.

Effective March 15, 1999, the College issued \$1,740,000 of General Receipts Bonds, Series 1999 (Series 1999 Bonds) to pay part of the cost of renovating and adding to the College's Athletic Fitness Center (AFC). The proceeds and related indebtedness outstanding have been recorded as assets and liabilities of the College.

The Series 2011 Notes, Series 2008 Notes, Series 2003 Notes, and Series 1999 Bonds were issued pursuant to a master trust agreement dated March 15, 1999, acting by and through the College's board of trustees and the bond trustee. The Series 2011 Notes are subject to mandatory redemption, with a fixed interest rate of 2.80 percent. The final maturity of the Series 2011 Notes is December 1, 2021. The Series 2008 Notes are subject to mandatory redemption, with stated interest rates ranging from 3.375 percent to 3.75 percent (an effective rate of 3.375 percent at June 30, 2011). The final maturity of the Series 2008 Notes is December 1, 2018. The Series 2003 Notes are subject to mandatory redemption, with stated interest rates ranging from 2.00 percent to 3.25 percent. The final maturity of the Series 2003 Notes was December 1, 2010. The Series 1999 Bonds are subject to mandatory or optional redemption, with stated interest rates ranging from 4.65 percent to 5.12 percent (an effective rate of 4.65 percent at June 30, 2011). The final maturity of the Series 1999 Bonds is December 1, 2019.

The Series 2011 Notes are special obligations of the College. Pursuant to authorizing legislation and the Ohio Revised Code, amounts necessary to pay debt service as it comes due shall be appropriated for that purpose from the proceeds of the 1.7 mill property tax levy approved by the Lake County, Ohio electors at the November 3, 1970 election and replaced by a vote of the electors at the November 2, 2010 election.

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 5 - Noncurrent Liabilities (Continued)

The Series 2008 Notes are special obligations of the College. Pursuant to authorizing legislation and the Ohio Revised Code, amounts necessary to pay debt service as it comes due shall be appropriated for that purpose from the proceeds of the 1.7 mill property tax levy approved by the Lake County, Ohio electors at the November 3, 1970 election.

The Series 2003 Notes are special obligations of the College. Pursuant to authorizing legislation and the Ohio Revised Code, amounts necessary to pay debt service as it comes due shall be appropriated for that purpose from the proceeds of the 1.5 mill property tax levy approved by the Lake County, Ohio electors at the May 7, 2002 election.

The Series 1999 Bonds are also special obligations of the College. Bondholders have no right to have excises or taxes levied by the State of Ohio General Assembly or by the College for their payment. Principal and interest on the bonds are payable solely from and secured by a pledge of the College's general receipts and bond proceeds. State appropriations, local ad valorem property tax receipts, and other restricted receipts are specifically excluded from general receipts. According to bond covenants, the College includes in its budget for each fiscal year amounts from general receipts that are at least sufficient to pay debt service charges payable that fiscal year from general receipts, as well as to satisfy other requirements.

Scheduled principal maturities and total debt service on the Series 2011 Notes, Series 2008 Notes, and Series 1999 Bonds for fiscal years subsequent to June 30, 2011 are as follows:

	Total Bonds and Notes Payable		
	Principal	Interest	Total
2012	\$ 1,365,000	\$ 523,244	\$ 1,888,244
2013	1,685,000	493,868	2,178,868
2014	1,745,000	438,007	2,183,007
2015	1,795,000	380,207	2,175,207
2016	1,860,000	320,471	2,180,471
2017-2021	9,060,000	706,564	9,766,564
Total	<u>\$ 17,510,000</u>	<u>\$ 2,862,361</u>	<u>\$ 20,372,361</u>

**Lake County Community College District
d/b/a Lakeland Community College**

**Notes to Financial Statements
June 30, 2011 and 2010**

Note 6 - Operating Lease Obligations

The College has entered into various lease agreements, which are considered operating leases. Total rental expense under operating leases during the years ended June 30, 2011 and 2010 amounted to \$222,920 and \$202,829, respectively. On January 27, 2010, the Lakeland board of trustees approved a formal agreement with PF Kirtland, LLC for leasing a facility located on Kirtland Road and the necessary "build out" for use as an educational facility. The lease is consistent with the plans, specifications, and costs submitted to and reviewed by the board. The lease will be for an initial period of 15 years with three five-year options, together with the option to purchase the facility. Rents payable under the lease shall be limited to available receipts of the College as permitted under Ohio Revised Code Section 3345.12(4). Other operating leases are for real estate property rentals for Lakeland's campus in Madison and Willowick.

Future minimum lease payments as of June 30, 2011 under operating leases are as follows:

2012	\$ 939,115
2013	1,073,879
2014	935,445
2015	914,759
2016	914,759
2017-2021	5,057,832
2022-2026	5,524,272
2027	287,418
Total	<u>\$ 15,647,479</u>

Note 7 - Endowment Funds

The Foundation's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

**Lake County Community College District
d/b/a Lakeland Community College**

**Notes to Financial Statements
June 30, 2011 and 2010**

Note 7 - Endowment Funds (Continued)

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2011

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 512,077</u>	<u>\$ 1,683,634</u>	<u>\$ 2,195,711</u>

**Lake County Community College District
d/b/a Lakeland Community College**

**Notes to Financial Statements
June 30, 2011 and 2010**

Note 7 - Endowment Funds (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2011

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets as of June 30, 2010	\$ 137,595	\$ 1,586,142	\$ 1,723,737
Investment return:			
Investment income	20,440	-	20,440
Net appreciation (realized and unrealized)	<u>374,554</u>	<u>-</u>	<u>374,554</u>
Total investment return	394,994	-	394,994
Contributions	57,962	83,235	141,197
Appropriations for expenditures	(57,244)		(57,244)
Management fee	(21,230)		(21,230)
Transfers in	<u>-</u>	<u>14,257</u>	<u>14,257</u>
Endowment net assets as of June 30, 2011	<u>\$ 512,077</u>	<u>\$ 1,683,634</u>	<u>\$ 2,195,711</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2010

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 137,595</u>	<u>\$ 1,586,142</u>	<u>\$ 1,723,737</u>

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 7 - Endowment Funds (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2010

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of June 30, 2009	\$ 15,452	\$ 1,465,811	\$ 1,481,263
Investment return:			
Investment income	14,845	-	14,845
Net appreciation (realized and unrealized)	<u>168,569</u>	<u>-</u>	<u>168,569</u>
Total investment return	183,414	-	183,414
Contributions	3,275	102,884	106,159
Appropriations for expenditures	(45,000)		(45,000)
Management fee	(19,546)		(19,546)
Transfers in	<u>-</u>	<u>17,447</u>	<u>17,447</u>
Endowment net assets as of June 30, 2010	<u>\$ 137,595</u>	<u>\$ 1,586,142</u>	<u>\$ 1,723,737</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The deficiencies of this nature that are included in temporarily restricted net assets attributed to the donor-restricted portion of the market value loss are \$0 and \$186,532 as of June 30, 2011 and 2010, respectively. These deficiencies result from unfavorable market fluctuations that occurred during the economic downturn that was experienced in the United States and worldwide.

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 7 - Endowment Funds (Continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for the endowment fund. This policy goal for the Foundation's endowment investment portfolio is to provide a real total return that preserves the purchasing power of the endowment assets, while providing an income stream to support the Foundation's activities in support of Lakeland Community College. Assets for the investment pool include those assets of donor-restricted funds that the Foundation must hold in perpetuity, as well as board-designated funds. The Foundation engages an investment manager whose performance is measured against respective benchmarks. The endowment's real total return is sought from an investment strategy that provides an opportunity for superior total returns within acceptable levels of risk and volatility. The Foundation recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the potential loss in purchasing power due to inflation are present to some degree with all types of investment vehicles. While high levels of risk are to be avoided, the assumption of a moderate level of risk is warranted and encouraged in order to allow the investment portfolio the opportunity to achieve satisfactory results consistent with the objectives and character of the portfolio.

Strategies Employed for Achieving Objectives

For the long term (defined as a rolling five-year period), the primary investment objective for the endowment portfolio is to earn a total return (net of portfolio management and custody fees) within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the endowment's assets and support a desired annual spending policy of up to 4.5 percent of the five-year average of the market value of the endowment portfolio.

The Foundation's asset allocation guidelines are reviewed periodically by the Foundation Investment Committee with changes approved by the board of directors. The portfolio's major allocation guidelines allow an allocation of the portfolio to be invested in equity securities. Remaining portfolio funds may be invested in either fixed income, alternatives, or cash equivalent securities.

Portfolio Allocation - Strategic Target and Tactical Range

	Low	Target	High
Equities	60%	67%	80%
Fixed income	20%	26%	40%
Alternatives	0%	5%	10%
Cash equivalents	0%	2%	10%
		<u>100%</u>	

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 7 - Endowment Funds (Continued)

Spending Policy

The Lakeland Foundation's spending policy is based on a total return approach in order to maintain stable cash flows over an extended period of time, to protect endowment funds against inflation, and to preserve the purchasing power of endowment funding by improving investment growth and management. The spending policy allows up to a maximum of 4.5 percent of the five-year average market value of a designated endowment fund. Spending may include net realized gains earnings over that five-year period, and is offset by any previously designated spending amounts. All returns (gains, losses, and income - net of external and internal fees and previously designated spending amount) above 4.5 percent will be reinvested in the endowment funds portfolio. The spending policy is closely monitored by the Investment Committee and recommendations for any changes are forwarded to the Executive Committee and full board for review and approval.

Note 8 - State Appropriations

The College is a state-assisted institution of higher education and receives student-based support from the State. This support is determined annually based upon a formula devised by the State. In addition to this student support, the State provides funding for the construction of major academic plant facilities on the College's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC) which, in turn, is used for the construction and subsequent transfer of the facility to the College.

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

As a result of the above described financial assistance provided by the State to the College, outstanding debt issued by OPFC is not included on the College's statement of net assets. In addition, the appropriations by the general assembly to the Ohio Board of Regents for payments of debt service are not reflected and the related debt service payments are not recorded in the College's accounts.

As part of legislation that deregulated the electric and natural gas utilities (SB3 and SB287), commencing with calendar year 2002, the College was to receive \$1,238,070 in replacement state taxes at a "100 percent guarantee" each year for a five-year period (to protect the College for lost public utility property taxes due to lowered valuations).

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 8 - State Appropriations (Continued)

The guarantee is reduced to an 80 percent level for years 6 through 10, and then proportionally reduced to zero in years 11 through 15. The amount received in 2011 was \$1,030,736 as compared to \$1,047,652 in 2010. Also included in replacement state taxes was \$1,476,201 and \$1,454,174 during 2011 and 2010, respectively, in “hold harmless” replacement taxes related to the State of Ohio phasing out the levying of tangible personal property taxes. The replacement state excise taxes related to the current year operations will be collected in two separate payments during March and September of each year. The College has recognized one-half year of the replacement state excise tax as an intergovernmental receivable in both 2011 and 2010. Replacement state excise taxes were measurable at June 30, 2011 and 2010; however, since these revenue collections to be received in the available period are not intended to finance current year operations, the receivable amount is recorded as deferred revenue.

The governor's 2012-2013 Biennium Budget (HB153) eliminates The Replacement Deregulation Guarantee effective for 2012 and The Personal Property Tax Replacement Guarantee (HB66) decreases this guarantee to \$0.6 million in 2012, \$0.1 million in 2013, and zero in subsequent years.

Note 9 - Local Appropriations

The College receives local appropriations in the form of property taxes levied against real, public utility, and tangible (used in business) personal property located in the County of Lake, Ohio (the “County”). Real property taxes and public utility taxes are levied after October 1 on assessed value listed as of January 1, the lien date. Taxes collected on “real property” in one calendar year are levied in the preceding calendar year.

Tangible personal property taxes attach as a lien and are levied on January 1. Taxes collected on tangible personal property in one calendar year are levied in the same calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of the preceding calendar year and at the tax rates determined in the preceding year.

Public utility (real and tangible personal) taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year.

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 9 - Local Appropriations (Continued)

The electors within the County must approve any Lake County Community College District d/b/a Lakeland Community College property tax. Lake County Community College District d/b/a Lakeland Community College collects property taxes for operating and capital purposes from two levies approved by the County voters: a 1.7 mill stated rate for a continuing period and a 1.5 mill stated rate for 10 years. The current 1.5 mill levy expires with the last collection in calendar year 2012. On November 2, 2010, Lake County voters approved a "replacement" of the 1.7 mills continuing levy. With this replacement levy approved, it is estimated that incremental revenue will approximate \$8.0 million for 2012 after generating incremental revenue in 2011 of \$4.0 million for half-year assessments.

Revenue authorization is recognized based on the taxing authority's amounts to be distributed to the tax district and its certification of the College's annual budget. The taxing authority does not authorize the distribution of the tax assessment for the calendar year 2011 until October 2011, thus not legally making it available to the College until after the end of the College's fiscal year for that year's calendar assessment. The College has recognized one-half year of its real property and public utility property tax receipts due as an intergovernmental receivable in the current fiscal year. Property taxes receivable represent outstanding real property, public utility, and tangible personal property taxes, which were measurable at June 30, 2011. Total property tax collections for the next fiscal year are measurable amounts. However, since these revenue collections to be received during the available period are not intended to finance 2011 operations, the receivable amount is recorded as deferred revenue.

Note 10 - Retirement Plans

All full-time employees of the College are covered by one of two state-administered retirement plans. Faculty and other qualified individuals participate in the State Teachers Retirement System of Ohio (STRS) and all other College employees participate in the School Employees Retirement System (SERS). The retirement programs are cost-sharing, multiple-employer defined benefit plans. In addition, STRS and SERS members have the additional options of a defined contribution plan and a combined plan. STRS and SERS provide retirement and disability benefits, annual cost of living adjustments, and death benefits for plan members and beneficiaries.

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 10 - Retirement Plans (Continued)

The State Teachers Retirement System of Ohio Comprehensive Annual Financial Report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771. The School Employees Retirement System of Ohio Comprehensive Annual Financial Report may be obtained by writing to School Employees Retirement System of Ohio, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. The Ohio Revised Code (ORC) provides statutory authority for employee and employer contributions. The employee contribution rates are 10.0 percent for STRS and SERS of covered payroll and the College is required to contribute 14.0 percent of covered payroll. The STRS defined contribution plan allows members to invest all their member and employer contributions equal to 10.5 percent of earned compensation. The combined plan offers features of the defined benefit and defined contribution plan.

The College's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$3,004,055, \$2,923,450, and \$2,815,994, respectively, equal to the required contributions for each year. The College's contribution to SERS for the years ended June 30, 2011, 2010, and 2009 were \$2,126,396, \$2,044,329, and \$2,075,693, respectively.

Amended Substitute House Bill 586 requires all Ohio public colleges to offer at least three alternative retirement plans to certain new and existing full-time employees. For those employees electing to participate in an alternative retirement plan (ARP), the College will contribute up to 14 percent of covered payroll to the plan for STRS- and SERS-eligible participants. The difference from the 14 percent overall College distribution rate of both STRS and SERS employee-covered payrolls is to be paid to STRS and SERS, respectively, to mitigate any negative financial impact of ARPs on the state systems.

Note 11 - Postemployment Benefit

State Teachers Retirement System - STRS provides comprehensive healthcare benefits to retired teachers and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Pursuant to the ORC, the State Teachers Retirement Board has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium. The ORC grants authority to STRS to provide healthcare coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 11 - Postemployment Benefit (Continued)

The retirement board allocated employer contributions to the Health Care Stabilization Fund (the "Fund") from which healthcare benefits are paid. For the fiscal years ended June 30, 2010, 2009, and 2008, the board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Stabilization Fund. The balance in the Health Care Reserve Stabilization Fund was approximately \$2.8 billion on June 30, 2010.

For the year ended June 30, 2010, the net healthcare costs paid by STRS Ohio were approximately \$592 million. There were 133,103 eligible benefit recipients.

School Employees Retirement System - SERS provides postretirement health care to retirees and their dependents. Coverage is made available to service retirees with 10 or more years of qualifying service credit and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their healthcare premiums. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing healthcare benefits. In addition, SERS levies a surcharge to fund healthcare benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal years 2011 and 2010, the minimum pay was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the healthcare fund.

Healthcare benefits are financed on a pay-as-you-go basis. For the year ended June 30, 2010, the net healthcare costs paid by SERS were approximately \$236.9 million. At June 30, 2009, the SERS' net assets available for payment of healthcare benefits were approximately \$325.0 million. The number of retirees and covered dependents currently receiving benefits was 66,127.

Note 12 - Lake County Schools' Health Care Consortium

Effective November 1, 2001, the College joined the Lake County Schools Council (LCSC). Under state law, the LCSC was formed as a council of governments and includes a number of the Boards of Education in Lake County. The purpose of the LCSC is to undertake a joint program for the provision of healthcare benefits to the employees of those districts and their eligible dependents, as well as fostering cooperation among districts, from time to time, in other areas of educational services. As a related but separate agreement, the LCSC maintains a healthcare benefits consortium (the "Consortium").

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 12 - Lake County Schools' Health Care Consortium (Continued)

The Consortium allows each political district to maintain its current plan designs (through selected providers) and allows efficiencies and economic benefits to occur through the group's buying power. The College, as well as the other LCSC members, utilizes the LCSC as its healthcare benefits provider. The LCSC in turn manages various healthcare benefit organizations to deliver those services.

Since its inception, LCSC has built up its net assets and LCSC members are responsible for funding and setting aside reserves to pay its various healthcare benefit obligations. As part of joining the LCSC, the College's board of trustees authorized payment to LCSC in the amount of \$680,239 as the College's assessment for inclusion in the LCSC's healthcare benefits program as a member of equal standing. The assessment was in two equal installments (at inception on November 1, 2001 and at November 1, 2002). The entire assessment was expensed in fiscal year 2002 since the assessment is not guaranteed to be refunded to the College should the College at any time voluntarily withdraw from the LCSC.

Under its agreements and bylaws, the Consortium's fiscal year ends each June 30 and the treasurer of the LCSC is a position appointed by the board of directors of the LCSC. Prior to the beginning of each fiscal year, healthcare program and related costs and adjustments (program costs) are estimated and allocated to each member as a required contribution for that fiscal year. If contributions are insufficient to pay actual program costs during any fiscal year, members may be required to share in those additional costs or deficiencies during that fiscal year. The LCSC has purchased a stop-loss insurance policy with a maximum loss of \$500,000 per claimant.

LCSC net assets at July 1, 2010 amounted to \$5.6 million. LCSC member contributions and other income for the year ended June 30, 2011 amounted to \$28.9 million and healthcare program and related costs amounted to \$28.0 million, leaving \$6.5 million as net assets at June 30, 2011.

Note 13 - Risk Management

The College maintains a broad-based insurance program underwritten by A+ and A++ superior-rated insurance companies. The College engages the services of an insurance consulting/risk management firm to review and maintain its insurance program. This program includes commercial and umbrella liability, law enforcement liability, school leaders' errors and omissions liability, consultants' professional liability, and medical professional liability coverage. The College also maintains a comprehensive property insurance program. The College did not have any insurance settlements during fiscal years 2011 or 2010 that exceeded the coverage outlined in its insurance program.

Lake County Community College District d/b/a Lakeland Community College

Notes to Financial Statements June 30, 2011 and 2010

Note 13 - Risk Management (Continued)

Through the normal course of operations, the College is occasionally named as a defendant in legal actions and claims. In the opinion of management and legal counsel, any liability which may ultimately be incurred will not have a material adverse effect on the financial condition of the College. The College purchases commercial insurance to cover general liability losses.

Note 14 - Foundation

The Lakeland Foundation was formed in 1981 to obtain private financing support for the promotion of excellence at the College. The Foundation provides scholarships to financially disadvantaged students and merit scholarships to those students demonstrating specific academic abilities. The Foundation also provides support to specific educational departments and programs of the College. The accounting records for the Foundation are maintained at the College in Kirtland, Ohio. Certain administrative expenses of the Foundation are borne directly by the College. The College made distributions to the Foundation of \$137,402 and \$135,041 for the years ended June 30, 2011 and 2010, respectively. The Foundation distributed \$793,795 and \$680,544 for the years ended June 30, 2011 and 2010, respectively. The Foundation also distributed to the College \$36,229 and \$24,757 in gifts in-kind for the years ended 2011 and 2010, respectively. The Foundation had receivables from the College of \$30,426 and \$1,341 as of June 30, 2011 and 2010, respectively. The Foundation had payables to the College of \$17,755 and \$8,430 as of June 30, 2011 and 2010, respectively.

Federal Compliance Audit

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Lake County Community College District
d/b/a Lakeland Community College

We have audited the financial statements of Lake County Community College District d/b/a Lakeland Community College (the "College") as of and for the year ended June 30, 2011 and have issued our report thereon dated October 24, 2011. Our report was modified to include 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 Lakeland Foundation, 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 opinion 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

To the Board of Trustees
Lake County Community College District
d/b/a Lakeland Community College

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, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, 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.

Plante & Morse, PLLC

October 24, 2011

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

To the Board of Trustees
Lake County Community College District
d/b/a Lakeland Community College

Compliance

We have audited the compliance of Lake County Community College District d/b/a Lakeland Community College (the "College") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The major federal programs of the College are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

To the Board of Trustees
Lake County Community College District
d/b/a Lakeland Community College

Internal Control Over Compliance

The management of the 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 our audit, we considered the 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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-01. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, 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.

Plante & Morse, PLLC

October 24, 2011

Lake County Community College District d/b/a Lakeland Community College

Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Clusters:			
Student Financial Aid Cluster - U.S Department of Education - Direct program:			
Federal Pell Grant Program	84.063	P063P102857	\$ 16,332,633
Federal Work Study Program	84.033	P0033A106053	144,859
Federal Supplemental Educational Opportunity Grant Program	84.007	P007A106053	242,703
Academic Competitiveness Grant	84.375	P375A102857	120,931
Federal Perkins Loan Program	84.038	N/A	111,968
Nursing Student Loan Program	93.364	N/A	40,506
Federal Direct Student Loans Program	84.268	N/A	21,936,977
Federal Family Education Loan Program	84.032	N/A	8,818
Total Student Financial Aid Cluster			38,939,395
WIA Cluster - U.S. Department of Labor: Passed through the Ohio Department of Job and Family Services - Job Training Partnership Act:			
Geauga One Stop	17.258-17.260	G-1011-15-0261	4,080
ARRA - Geauga WIA	17.260	N/A	3,295
Cuyahoga County	17.258-17.260	N/A	7,496
ARRA - Cuyahoga County	17.260	N/A	1,742
Lake County	17.258-17.260	G-1011-15-0262	67,216
Geauga, Ashtabula & Portage Partnership	17.258-17.260	G-1011-15-0261	1,912
Total WIA Cluster			85,741
American Recovery and Reinvestment Act - Passed through State Fiscal Stabilization Fund Cluster:			
ARRA - Education Stabilization - Subsidy funding	84.394	S394A090036	2,540,114
ARRA - Government Services - Subsidy funding	84.397	S397A090036	374,734
Total State Fiscal Stabilization Cluster			2,914,848
Other federal programs:			
U.S. Department of Labor - Passed through the Edison Biotechnology Center d/b/a BioOhio - ARRA - Bioscience Industry Workforce Preparedness Project			
	17.275	GJ-20076-10-60-A-39	151,609
U.S. Department of Health and Human Services - Direct Program:			
Health Resources and Services Administration - Health Outreach Special Initiative			
	93.888	I DIARH20106-01-00	133,335
Family Assistance - NRFI National Responsible Fatherhood Initiative			
	93.086	90-FB-0001	5,943
Total Department of Health and Human Services			139,278

Lake County Community College District d/b/a Lakeland Community College

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Other federal programs (Continued):			
Nuclear Regulatory Commission - Passed through the Ohio State Great Lakes Regional Scholarship	77.008	NRC-38-08-931	\$ 81,592
U.S. Department of Energy - National Nuclear Security Administration - Passed through the Central Sate University - STEM Upgrade and Outreach Project	81.123	8417-001	12,710
U.S. Department of Education - Passed through the Ohio Department of Education:			
Two-year College Perkins	84.048	063347-20C3-2009	171,058
Perkins Non-Traditional We Are IT	84.048	063347-VENT-09-LCC	2,353
Health Information Technology Education & Training	84.116Z	P116Z090096	56,921
Technical Preparatory	84.243	063347-3ETC-2009	173,916
Ohio Rehabilitation Service Center - Vocational Rehabilitation	84.126A		52,594
Total Department of Education			456,842
Total federal awards			\$ 42,782,015

Lake County Community College District d/b/a Lakeland Community College

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lake County Community College District d/b/a Lakeland Community College (the "College") under programs of the federal government for the year ended June 30, 2011. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of the College. Pass-through entity identifying numbers are presented where available.

Note 2 - Adjustments and Transfers

During the year ended June 30, 2011, the College transferred \$49,641 of the 2010-2011 Federal Work Study (FWS) Program (84.033) award to the Supplemental Educational Opportunity Grant (SEOG) Program (84.007). In addition, the College carried forward \$8,356 of the 2009-2010 FWS award to the 2010-2011 award year.

Lake County Community College District d/b/a Lakeland Community College

Schedule of Findings and Questioned Costs Year Ended June 30, 2011

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? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.032, 84.033, 84.038, 84.063, 84.268, 84.375, and 93.364 84.394 and 84.397	Student Financial Aid Cluster ARRA - State Fiscal Stabilization Fund Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Lake County Community College District d/b/a Lakeland Community College

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Finding
2011-01	<p>Program Name - Student Financial Aid Cluster - Federal Direct Student Loans Program - CFDA No. 84.268</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - Each month, the Common Origination and Disbursement (COD) provides institutions with a School Account Statement (SAS) data file which consists of a cash summary, cash detail, and loan detail records. The College is required to reconcile these files to its financial records. (34 CFR Sections 685.102(b), 685.301, and 303).</p> <p>Condition - The College did not perform the reconciliation procedure every month, and for those months when the reconciliation was performed, the College was unsuccessful in reconciling the COD data file to its internal financial records.</p> <p>Questioned Costs - None</p> <p>Context - The compliance requirement was unable to be tested during the 2010-2011 year given the reconciliations were not completed every month or were not successfully reconciled to supporting documentation.</p> <p>Cause and Effect - This was the College's first year administering the Direct Loan program. The College has developed written procedures to perform the monthly reconciliation process; however, it was unsuccessful in completing the process in a timely manner and had difficulty reconciling the COD data file to its internal financial records.</p> <p>Recommendation - In order to meet the compliance requirements of the Federal Direct Loan program, the College will need to implement better controls to ensure the reconciliation process is performed and reviewed on a monthly basis, and the COD data file is successfully reconciled to internal records. The College may also consider attending trainings and seminars or utilizing the Direct Loan School Guide to obtain further assistance with the reconciliation process.</p>

**Lake County Community College District
d/b/a Lakeland Community College**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011**

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-01 (Con't.)	Views of Responsible Officials and Planned Corrective Actions - The College has developed a timeline and written procedures to ensure that the reconciliation is being completed accurately and in compliance with federal regulations. To accomplish this, we worked with IT to develop reporting tools to assist us with the reconciliation process. We have also attended training and will continue to utilize our resources such as our colleagues knowledgeable in Direct Loan reconciliation, as well as the Department of Education.



Dave Yost • Auditor of State

LAKE COUNTY COMMUNITY COLLEGE DISTRICT

LAKE 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
JANUARY 3, 2012