

Lorain County Community College

**Basic Financial Statements
June 30, 2014**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lorain County Community College, Lorain County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 20, 2015

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Lorain County Community College

For the Year Ended June 30, 2014

<u>Table of Contents</u>	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	13
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	42
Schedule of Expenditures of Federal Awards	45
Notes to Schedule of Expenditures of Federal Awards	46
Schedule of Findings OMB Circular A-133 Section .505	47

Independent Auditor's Report

Board of Trustees
Lorain County Community College
Elyria, Ohio 44035

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Lorain County Community College (the "College"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Lorain County Community College Foundation, Inc. which is the only discretely presented component unit of the College. Those financial 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 discretely presented component unit, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Board of Trustees
Lorain County Community College

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the College, as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the basic financial statements, in 2014, the College adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Ciuni & Paricki, Inc.

Cleveland, Ohio
December 18, 2014

LORAIN COUNTY COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2014
Unaudited

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Lorain County Community College (the College) for the year ended June 30, 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, that follow this section.

Lorain County Community College is part of Ohio's system of State supported and State assisted institutions of higher education. It is one of the 24 community and technical colleges in Ohio. Located in the City of Elyria, with off-campus facilities (in Lorain, Wellington, Brunswick, and North Ridgeville), the College is a local institution. A majority of the College's students commute daily from their homes in Lorain County and the surrounding counties.

Using the Annual Financial Report

The College's financial report includes three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These financial statements are prepared in accordance with accounting principles promulgated by the Governmental Accounting Standards Board (GASB). In 2002, the College adopted GASB Statement No. 35, Basic Financial Statements- and Management's Discussion and Analysis- for Public Colleges and Universities. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the financial condition, the changes in financial condition, and the cash flows of the College as a whole. Many other non-financial factors also must be considered in assessing the overall health of the College, such as enrollment trends, student retention, strength of the faculty, condition of the buildings, and the safety of the campus.

In 2013, the College adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. These statements identified net position, rather than net assets, as the residual of all other elements presented in a Statement of Net Position and introduce and define deferred outflows of resources and deferred inflows of resources as elements of the annual financial report and incorporate these elements in the computation of net position. These elements represent the consumption (deferred outflows) or acquisition (deferred inflows) of resources that are applicable to a future reporting period, but do not require any further exchange of goods or services.

Under the provisions of GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, the Lorain County Community College Foundation, Inc. (the Foundation) is treated as a component unit of the College's basic financial statements. The Foundation is excluded from Management's Discussion and Analysis.

Statement of Net Position

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net position is one indicator of the current financial condition of the College. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

LORAIN COUNTY COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2014
Unaudited

A summary of the College's assets, liabilities, and net position at June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Current assets	\$ 57,338,349	\$ 52,060,331
Noncurrent assets:		
Capital assets, net	178,867,385	180,913,603
Other	<u>113,939</u>	<u>123,974</u>
Total assets	<u>236,319,673</u>	<u>233,097,908</u>
Current liabilities	19,580,764	18,100,158
Noncurrent liabilities	<u>69,915,923</u>	<u>68,677,376</u>
Total liabilities	<u>89,496,687</u>	<u>86,777,534</u>
Net position	<u>\$146,822,986</u>	<u>\$146,320,374</u>

Current assets consist primarily of cash, operating investments, accounts receivable, inventories, and prepaid expenses. Current liabilities consist primarily of accounts payable, accrued payroll liabilities, and unearned income. The College's current ratio (current assets divided by current liabilities) of 2.93 indicates that current assets are more than adequate to cover current liabilities as they become due.

Lorain County Community College's financial position, as a whole, improved during the fiscal year ended June 30, 2014. Net position increased by \$502,612 versus a decrease of \$2,124,747 the previous year. This change is due to an increase in Local Appropriations related to the passage of a 2.1 mill levy, consisting of a 1.5 mill renewal and 0.6 mill increase in November, 2013 and careful implementation of cost-savings measures as part of the College's "Transformations" initiative. Capital assets, net decreased by \$2,046,218 or 1.1%, after depreciation of \$8,285,035. Current assets increased by \$5,278,018 or 10.1% related to the levy and cost-savings measures. Noncurrent liabilities increased by \$1,238,547 or 1.8% related to a change in accounting estimate for compensated absences.

Capital and Debt Activities

One critical factor affecting the quality of the College's programs is the development and renewal of its capital assets. Capital additions totaled \$6.3 million in 2014. Capital additions included construction, repair and renovation of existing facilities, and acquisition of equipment. Current year capital asset additions were funded by capital from local appropriations, the State of Ohio, and prior years' bond proceeds.

Bonds payable totaled \$67,645,000 at June 30, 2014. The original 20 year debt of \$7,160,000 was issued in fiscal year 2004 to finance construction and renovation of facilities. In fiscal year 2012 additional 30 year debt of \$64,715,000 was issued to finance construction and renovation of facilities. One indicator of financial health is the viability ratio (expendable net assets divided by long-term debt). A ratio of 1:1 or greater indicates that financial viability is strong. At June 30, 2014, the College's viability ratio was 0.49:1. For more information regarding the College's capital assets and long term debt, see Notes 5 and 6 of the basic financial statements, respectively.

Net Position

Net position represents the residual interest in the College's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The College's net position at June 30, 2014 and 2013 are summarized as follows:

	<u>2014</u>	<u>2013</u>
Net investment in capital assets	\$114,098,163	\$118,970,985
Restricted – expendable	5,903,547	5,486,979
Unrestricted	<u>26,821,276</u>	<u>21,862,410</u>
Total net position	<u>\$146,822,986</u>	<u>\$146,320,374</u>

LORAIN COUNTY COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2014
Unaudited

Net investment in capital assets consists of capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted-expendable net position consists of restricted assets reduced by liabilities related to those assets subject to externally imposed restrictions governing their use. Unrestricted net position is not subject to externally imposed stipulations.

Net investment in capital assets decreased by \$4,872,822 (4.1%) as prior years' bond proceeds were used for capital acquisitions and depreciation was applied to assets. Restricted net position increased by \$416,568 or 7.6% due to an increase in grant revenue and a decrease in grant funded spending. Unrestricted net position increased by \$4,958,866 or 22.7% as levy revenue increased and the College implemented cost savings measures as part of its "Transformations" initiative.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the Revenues earned and Expenses incurred during the year. Activities are reported as either Operating or Nonoperating. As a public institution, the College's dependence on State aid results in an operating deficit because the financial reporting model classifies State Appropriations as Nonoperating Revenue. The utilization of capital assets is reflected in the financial statements as Depreciation, which amortizes the cost of an asset over its expected useful life. Summarized Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2014 and 2013 are as follows:

Revenues	FY 2014	FY 2013
Operating Revenues:		
Student Tuition and Fees, Net	\$ 16,225,494	\$ 18,106,815
Federal Grants and Contracts	1,439,027	1,989,170
State Grants and Contracts	5,035,421	3,445,317
Local Grants and Contracts	71,562	193,328
Private Grants and Contracts	4,576,376	5,162,257
Sales and Services	1,607,415	1,627,863
Auxiliary Enterprises	10,122,256	10,691,340
Other Sources	1,976,737	1,988,297
Total Operating Revenues	41,054,288	43,204,387
Expenses		
Operating Expenses:		
Instruction	33,550,724	31,876,850
Public Service	11,932,975	11,168,617
Academic Support	6,445,857	6,146,543
Student Services	7,315,587	7,373,957
Institutional Support	10,747,322	10,987,567
Operation and Maintenance of Plant	5,689,590	5,052,850
Scholarships and Fellowships	12,068,379	13,294,589
Auxiliary Enterprises	9,630,297	10,536,383
Other	2,031,713	4,228,337
Depreciation	8,285,035	6,746,483
Total Operating Expenses	107,697,479	107,412,176
Operating Loss	(66,643,191)	(64,207,789)

LORAIN COUNTY COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2014
Unaudited

	FY 2014	FY 2013
Nonoperating Revenues (Expenses)		
State Share of Instruction	23,474,769	23,206,628
State Appropriations	2,060,232	313,264
Local Appropriations	24,258,687	20,455,213
Federal Grants and Contracts	19,819,749	20,678,094
State Grants and Contracts	205,907	221,862
Gifts	198,762	36,302
Investment Income	44,703	99,956
Interest on Debt	(2,916,106)	(2,942,522)
Gain on Asset Disposal	-	5,851
Other Nonoperating Revenues	(900)	8,394
Net Nonoperating Revenues	67,145,803	62,083,042
Increase (Decrease) in Net Position	502,612	(2,124,747)
Net Position		
Net Position at Beginning of Year	146,320,374	148,445,121
Net Position at End of Year	\$ 146,822,986	\$ 146,320,374

The most significant sources of operating revenues for the College are student tuition and fees (\$16.2 million), grants and contracts (\$11.1) million, and auxiliary services (\$10.1 million).

Operating expenses include the costs of instruction, public service, general administration, utilities, libraries, and auxiliary services. Operating expenses also includes depreciation of \$8.3 million.

Sources of nonoperating revenue include State Share of Instruction (\$23.5 million), local appropriations (\$24.3 million), and federal grants and contracts (\$19.8 million).

Changes in operating revenues were the result of the following factors:

- The College raised tuition in accordance with the State's guidelines; however, there was a decrease in enrollment, resulting in a decrease in student tuition and fees, net of discount.
- The College experienced an increase in the volume of State grants and contracts.

Changes in operating expenses were the result of the following factors:

- Scholarships and Fellowships expenses decreased related to reduced enrollment.
- Bookstore and other auxiliary expenditures decreased as a result of decreased activity.
- Other expenses, consisting of non-capital moveable equipment, furniture and related purchases decreased as a result of cost savings measures.

Changes in nonoperating revenues (expenses) were the result of the following factors:

- State appropriations for capital projects increased.
- Local appropriations increased as a result of the passage of the renewal levy with increase.
- Reduced enrollment resulted in decreased PELL funding for scholarships.

LORAIN COUNTY COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2014
Unaudited

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing and related investing activities, and helps measure ability to meet financial obligations as they mature. A summary of the statement of cash flows for the years ended June 30, 2014 and 2013 is as follows:

Net cash provided (used) by:	<u>2014</u>	<u>2013</u>
Operating activities	\$(50,753,544)	\$(64,049,024)
Noncapital financing activities	67,824,349	65,513,504
Capital financing activities	(10,278,936)	(34,408,609)
Investing activities	<u>54,890</u>	<u>161,124</u>
Net increase (decrease) in cash	6,846,759	(32,783,005)
Cash at beginning of year	<u>24,175,346</u>	<u>56,958,351</u>
Cash at end of year	<u>\$ 31,022,105</u>	<u>\$ 24,175,346</u>

Major sources of cash included State Share of Instruction (\$23.5 million), local appropriations (\$22.2 million), student tuition and fees (\$18.2 million), and grants and contracts (\$11.9 million). The largest payments were for employees (\$53.3 million) and suppliers of goods and services (\$33.9 million).

Operating Highlights

Over the past several years, state support has not kept pace with inflation and enrollment increases. In fact, state support has been reduced per full-time equivalent (FTE) student over the past several years. Since the State Share of Instruction line items account for approximately one third of the total unrestricted general fund revenues, reductions in funding have a substantial impact on the overall operations of the College. In order to address the State budget cuts over the past several years, the College continues to consider cost containment measures to offset reductions in funding.

Looking Ahead

Paramount to the College's continuing success is its ongoing accreditation by the North Central Association, which awarded Lorain County Community College a ten-year renewal with enthusiasm and without condition in 2009. The College continues its commitment to quality education, in order to confront new challenges, and to meet the needs of its constituents.

The ability of the College to fulfill its mission and execute its strategic plan is directly influenced by enrollment, State support, and the cost of health care, utilities, employee compensation and unfunded State and Federal mandates. The College faces significant cost pressures in the future. These relate to attracting and retaining high quality faculty and staff, dealing with increasing medical care and prescription drug costs, volatile energy prices, and other issues.

The College has three primary sources of revenue: levy support, tuition income and state subsidy. Lorain County voters have supported two levies that provide for campus operations and the University Partnership. There is a direct relationship between the level of State support and the College's ability to maintain tuition growth, as declines in State appropriations generally result in increased tuition levels. The State changed the methodology for allocating State Share of Instruction among two year higher education institutions; 50% is based on course enrollments, 25% on course completion, and 25% on success points. The State is allowing Colleges to raise tuition by a maximum of \$200 in each year of the biennium in order to maintain current services. The State's capital appropriations continue to support construction and renovation of the College's facilities albeit at a relatively low level, compared to the investment of College funds in capital projects.

Economic pressures impacting the State may affect the State's future support of the College. While it is not possible to predict the ultimate results, management believes that the College's financial condition is strong enough to weather any economic uncertainties since it has strong local financial support.

LORAIN COUNTY COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2014
Unaudited

Contacting the College's Financial Management

This financial report is designed to provide the Ohio Board of Regents, our citizens, taxpayers, creditors, and other interested parties with a general overview of the College's financial position and to show the College's accountability for the money it received. This report is proof of our commitment to quality education, our ability to confront challenges, and our dedication to meeting the needs of our customers. If you have any questions about this report or need additional financial information, please contact the following:

<u>Name</u>	<u>Title</u>	<u>Address</u>	<u>Phone</u>
Thomas J. Hayes	VP for Administrative Services & Treasurer	1005 N. Abbe Road Elyria, OH 44035	440-366-4051
Georgio S. Efpraxias	Controller	1005 N. Abbe Road Elyria, OH 44035	440-366-7590

LORAIN COUNTY COMMUNITY COLLEGE
Statement of Net Position
June 30, 2014

	Primary Institution	Component Unit
	Lorain County Community College	Lorain County Community College Foundation
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 31,022,105	\$ 824,241
Investments	-	32,909,847
Accounts Receivable, Net	24,603,595	-
Prepaid Expenses	610,620	14,807
Inventories, Lower of Cost or Market	1,102,029	-
Total Current Assets	57,338,349	33,748,895
Noncurrent Assets:		
Unconditional Promises to Give	-	4,646,841
Notes Receivable, Net	113,939	-
Capital Assets, Net	178,867,385	13,677
Total Noncurrent Assets	178,981,324	4,660,518
Total Assets	\$ 236,319,673	\$ 38,409,413
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,965,657	\$ 175,034
Accrued Liabilities	5,543,392	1,200
Accrued Interest Payable	241,846	-
Unearned Revenue	10,182,869	14,410
Long Term Liabilities - Current Portion	1,295,000	-
Compensated Absences	352,000	-
Total Current Liabilities	19,580,764	190,644
Noncurrent Liabilities:		
Accrued Liabilities	735,256	-
Compensated Absences	2,830,667	-
Long Term Liabilities	66,350,000	-
Total Noncurrent Liabilities	69,915,923	-
Total Liabilities	\$ 89,496,687	\$ 190,644
NET POSITION		
Net investment in capital assets	\$ 114,098,163	\$ -
Restricted:		
Nonexpendable	-	24,664,008
Expendable	5,903,547	13,192,928
Unrestricted:		
Unappropriated	26,821,276	361,833
Total Net Position	\$ 146,822,986	\$ 38,218,769

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY COMMUNITY COLLEGE
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2014

	<u>Primary Institution</u>	<u>Component Unit</u>
	<u>Lorain County Community College</u>	<u>Lorain County Community College Foundation</u>
Revenues		
Operating Revenues:		
Student Tuition and Fees (Net of Scholarship Allowances of \$10,051,870)	\$ 16,225,494	\$ -
Federal Grants and Contracts	1,439,027	-
State Grants and Contracts	5,035,421	-
Local Grants and Contracts	71,562	-
Private Grants and Contracts	4,576,376	-
Contributions and Fundraising	-	1,365,503
Sales and Services	1,607,415	-
Auxiliary Enterprises	10,122,256	-
Other Sources	1,976,737	-
Total Operating Revenues	<u>41,054,288</u>	<u>1,365,503</u>
Expenses		
Operating Expenses:		
Instruction	33,550,724	-
Public Service	11,932,975	-
Academic Support	6,445,857	-
Student Services	7,315,587	580,605
Institutional Support	10,747,322	2,655,749
Operation and Maintenance of Plant	5,689,590	-
Scholarships and Fellowships	12,068,379	-
Auxiliary Enterprises	9,630,297	-
Other	2,031,713	433,650
Depreciation	8,285,035	2,644
Total Operating Expenses	<u>107,697,479</u>	<u>3,672,648</u>
Operating Loss	<u>(66,643,191)</u>	<u>(2,307,145)</u>
Nonoperating Revenues (Expenses)		
State Share of Instruction	23,474,769	-
State Appropriations	2,060,232	-
Local Appropriations	24,258,687	-
Federal Grants and Contracts	19,819,749	-
State Grants and Contracts	205,907	-
Gifts	198,762	-
Investment Income	44,703	4,758,399
Interest on Debt	(2,916,106)	-
Other Nonoperating Revenues (Expenses)	(900)	1,055,332
Net Nonoperating Revenues	<u>67,145,803</u>	<u>5,813,731</u>
Increase in Net Position	502,612	3,506,586
Net Position		
Net Position at Beginning of Year	146,320,374	34,712,093
Net Position at End of Year	<u>\$ 146,822,986</u>	<u>\$ 38,218,679</u>

The accompanying notes are an integral part of the financial statements.

**Lorain County Community College
Statement of Cash Flows
For The Year Ended June 30, 2014**

	<u>Year Ended June 30, 2014</u>
Cash Flows from Operating Activities	
Tuition and Fees	\$ 18,176,152
Grants and Contracts	11,857,820
Payments to or on Behalf of Employees	(53,300,492)
Payments to Vendors	(33,865,645)
Auxiliary Enterprises	491,959
Other Receipts	5,886,662
Net Cash Used by Operating Activities	<u>(50,753,544)</u>
Cash Flows from Noncapital Financing Activities	
State Share of Instruction	23,474,769
State Appropriations	2,060,232
Local Appropriations	22,249,398
Grants and Contracts	20,025,656
Cash Provided by Federal Direct Student Loans	15,702,623
Cash Used by Federal Direct Student Loans	(15,702,623)
Cash Provided by Agency Fund Activities	133,975
Cash Used by Agency Fund Activities	(119,681)
Net Cash Provided by Noncapital Financing Activities	<u>67,824,349</u>
Cash Flows from Capital Financing Activities	
Purchases of Capital Assets	(6,055,249)
Principal Paid on Capital Debt	(1,305,000)
Interest Paid on Capital Debt	(2,918,687)
Net Cash Used by Capital Financing Activities	<u>(10,278,936)</u>
Cash Flows from Investing Activities	
Collection of Noncurrent Notes Receivables	10,035
Interest on Investments	44,855
Net Cash Provided by Investing Activities	<u>54,890</u>
Net Increase in Cash	6,846,759
Cash at Beginning of Year	24,175,346
Cash at End of Year	<u>\$ 31,022,105</u>

The accompanying notes are an integral part of the financial statements.

Lorain County Community College
Statement of Cash Flows
For The Year Ended June 30, 2014
(Continued)

		Year ended June 30, 2014
Reconciliation of Net Operating Loss to Cash Used by Operating Activities		
Operating Loss	\$	(66,643,191)
Adjustments:		
Depreciation Expense		8,285,035
Changes in Assets and Liabilities:		
Accounts Receivable		3,813,272
Inventories		(11,853)
Prepaid Expenses		(223,541)
Accounts Payable		(300,362)
Accrued Liabilities		235,021
Unearned Revenue		1,175,330
Compensated Absences		2,916,745
Cash Used by Operating Activities	\$	<u><u>(50,753,544)</u></u>

The accompanying notes are an integral part of the financial statements.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

Lorain County Community College (the College) was established by the General Assembly of the State of Ohio in 1961 by statutory act and chartered under Chapter 3354 of the Revised Code of the State of Ohio and is governed by a board of nine trustees. As such, it is a joint venture of the State of Ohio. The College is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

Lorain County Community College Foundation (Foundation) is a legally separate, tax-exempt organization supporting Lorain County Community College. The Foundation was established to foster excellence in teaching and learning by encouraging philanthropic support for students, faculty, programs and facilities of the College. Because the majority of the distribution of the resources held by the Foundation is made to the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. See Note 17 for specific disclosures relating to the Foundation.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

The College applies GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. GASB Statement No. 35 established standards for external financial reporting for public colleges and universities. The College adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* in 2014. These statements require that resources be classified for accounting and reporting purposes into the following four net position categories:

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted:**
 - Nonexpendable:** Net position which includes endowments and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.
- **Restricted:**
 - Expendable:** Net position whose use by the College is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted:**
 - Unappropriated:** Net position not subject to internally or externally-imposed stipulations.
 - Appropriated:** Net position subject to internally-imposed stipulations.

GASB Statement No. 65 introduces and defines *deferred outflows of resources* and *deferred inflows of resources* as elements of the annual financial report and incorporates these elements in the computation of net position. These elements represent the consumption (deferred outflows) or acquisition (deferred inflows) of resources that are applicable to a future reporting period, but do not require any further exchange of goods or services.

The Statement of Net Position reports \$5,903,547 of restricted net position none of which is restricted by enabling legislation.

GASB Statement No. 35 also requires that the Statements of Net Position, Revenues, Expenses and Changes in Net Position, and Cash Flows be reported on a consolidated basis.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when obligations have been incurred. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

Investments are recorded at fair value, as established by the major securities markets. Investment income is recorded on the accrual basis.

Capital assets are stated at cost or fair value at date of gift. The College's capitalization threshold is \$5,000. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives (five to forty years) of the respective assets.

Unearned revenue consists primarily of amounts received in advance of an event, such as student fees and advance ticket sales related to future fiscal years.

Student tuition and fees revenues are presented net of scholarships and fellowships applied to student accounts.

Auxiliary enterprise revenues primarily represent revenues generated by the bookstore, food service, and information technology services.

The College's policy for defining operating activities as reported on the Statement of Revenues, Expenses and Changes in Net Position are those that result from exchange transactions such as payments received for providing services and payments made for goods or services received. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including State Share of Instruction and Local Appropriations.

Inventories

Inventories are presented at lower of cost or market on a first-in, first-out basis and are expended/expensed when used. Inventory consists primarily of books and supplies in the College's bookstore.

Compensated Absences

Full-time employees begin earning paid vacation on their first day of hire. The amount of vacation earned is based on the number of work/contract days paid in the previous fiscal year and on employee classification, with a maximum number of 25 days per year. Employees may carry a maximum of five (5) days vacation from one fiscal year to the next. Part-time employees who work eight-hundred (800) or more hours during a fiscal year accumulate Earned Time Off (ETO) to a maximum of 5 days. ETO cannot be rolled over from one year to the next.

Full-time employees are also granted paid sick leave each year to a maximum of 15 days. Unused sick leave days automatically roll over each year and accrue up to a maximum of two hundred (200) days. Upon retirement from the College, employees are compensated for twenty-five percent (25%) of their accumulated sick leave, not to exceed forty-five (45) days. Employees with less than ten (10) years of service are not eligible for this benefit.

The College follows GASB Statement No. 16 when recording its compensated absences liability. As such, the College has accrued a liability for all accumulated vacation and ETO hours. The liability for sick leave is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the financial statement date, and on leave balances accumulated for other employees who are expected to become eligible in the future to receive such payments. Included in the compensated absences liability is an amount accrued for salary-related fringe benefits (the employer's share of Medicare taxes).

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 accompanying notes. Actual results may differ from those estimates.

Reclassifications

Certain prior year financial statement amounts have been reclassified to conform to the current year's presentation.

NOTE 2 – CASH AND INVESTMENTS

Legal Requirements

Statutes require the classification of monies held by the College into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the College Treasury, in commercial accounts payable or withdrawable on demand or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the College's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer, by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Regulations permit interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligations or securities issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pools (Star Ohio and Star Plus);

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

NOTE 2 – CASH AND INVESTMENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty (180) days in an amount not to exceed twenty-five percent (25%) of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the College, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the College had \$19,460 in undeposited cash on hand, which is included on the Statement of Net Position of the College as part of cash and cash equivalents.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, cash deposits are categorized to give an indication of the level of risk assumed by the College. The categories are as follows:

- Category 1 - Insured or collateralized with securities held by the College or by its agent in the College's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the College's name.
- Category 3 - Uncollateralized (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the College's name.)

The carrying amount of the College's deposits is \$8,227,280 and the bank balance is \$9,471,353. Any difference between cash carrying amount and bank balance represents normal reconciling items (outstanding checks, cash on hand, and deposits in transit). At June 30, 2014, \$7,122,434 of the College's deposits was insured by FDIC (Category 1) and \$2,348,919 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department or agent, but not in the College's name.

Statement No. 3 of the Governmental Accounting Standards Board requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year-end. These categories are as follows:

- Category 1 - Investments that are insured or registered, or for which securities are held by the College or its agent in the name of the College.
- Category 2 - Investments that are uninsured and unregistered, with securities held by the broker's trust department or agent in the College's name.
- Category 3 - Investments that are uninsured and unregistered, with the securities held by the broker or dealer, or by its trust department or agent, but not in the College's name.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

NOTE 2 – CASH AND INVESTMENTS (Continued)

The College held \$11,352 in Star Ohio investments and \$15,054,431 in Star Plus investments at June 30, 2014, which are external investment pools and are considered cash equivalents under GASB Statement No. 9. Oversight of the pools is through the Treasurer of State. The fair value of the College’s position in the pool is the same as the value of its pool share. Such investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statement No. 3. All other investments are Category 3. The following summarizes the market value of investments:

<i>Primary Government – College</i>	<u>June 30, 2014</u>	
<u>Description</u>	<u>Market Value</u>	<u>Investment Maturities Less than 1 year</u>
Star Ohio	\$ 11,352	\$ 11,352
Star Plus	15,054,431	15,054,431
Money Market	4,074,931	4,074,931
Repurchase Agreement	<u>3,634,651</u>	<u>3,634,651</u>
Total Investments	<u>\$ 22,775,365</u>	<u>\$ 22,775,365</u>

Interest Rate Risk- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The College has a formal investment policy that authorizes it to make investments of available monies in securities authorized by State law.

Credit Risk- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The College limits its investments to those authorized by State law.

At June 30, 2014, the College’s investments in Star Ohio were rated AAAM by Standard & Poor’s. The Star Plus investments leverage the safety of the Federal Deposit Insurance Corporation (FDIC).

Concentration of Credit Risk- Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Star Ohio/Star Plus, repurchase agreement and money market accounts represent 66.1%, 16.0% and 17.9%, respectively of the College’s total investments of \$22,775,365.

The College’s investment policy places no limit on the amount the College may invest in any one issuer.

Custodial Credit Risk- Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. According to State law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The College's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of June 30, 2014, the College's bank balance of \$9,471,353 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

NOTE 3 – RECEIVABLES

The composition of Accounts Receivable, Net at June 30, 2014 is summarized as follows:

Student accounts	\$ 17,279,547
Local appropriations	11,472,504
Government agencies	2,047,602
Other	3,286,432
Total accounts receivable	34,086,085
Less allowance for uncollectable accounts	(9,482,490)
Accounts Receivable, Net	<u>\$ 24,603,595</u>

The composition of Notes Receivable, Net at June 30, 2014 is summarized as follows:

Student emergency loan notes receivable	\$ 23,132
Employee computer purchases notes receivable	91,245
Total notes receivable	114,377
Less allowance for uncollectable accounts	(438)
Notes Receivable, Net	<u>\$ 113,939</u>

NOTE 4 – 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 Lorain County, Ohio. The electors within the county must approve any College property tax. The College collects property taxes for operating, capital and University Partnership purposes from two levies approved by the County voters. The levies were both passed for a ten year period. The 1.8 mill levy was approved in November of 2010 and expires with the last collection in calendar year 2020. The second levy, approved in November of 2013, consists of a 1.5 mill renewal and 0.6 mill increase and expires with the last collection in calendar year 2023. This second levy replaced a 1.5 mill levy approved in November of 2004.

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in Lorain County. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes, levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State Statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represent collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, levied after April 1, 2013, and collected in 2014 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received from telephone companies during calendar 2014 were levied after October 1, 2013, on the value as of December 31, 2013. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the College prior to June 30.

Property taxes are levied and assessed on a calendar year basis while the College fiscal year runs from July through June. The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the College. First-half tax collections are received by the College in the second half of the fiscal year. Second-half tax collections occur in the first half of the following fiscal year, and are reflected in Accounts Receivable, Net. Second-half tax collections are available to finance fiscal year 2014 operations.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 is summarized as follows:

	Beginning Balance	Additions	Retirements and and Reclassified	Ending Balance
Non-Depreciable Capital Assets:				
Land	\$ 3,238,944	\$ 28,827	\$ -	\$ 3,267,771
Construction in Progress	14,957,482	631,007	(14,957,482)	631,007
Total Non-Depreciable Capital Assets	18,196,426	659,834	(14,957,482)	3,898,778
Depreciable Capital Assets:				
Improvements	21,702,672	130,315	-	21,832,987
Buildings	196,773,934	3,738,040	14,957,482	215,469,456
Leasehold Improvements	794,849	-	-	794,849
Indisputable Right of Use	462,202	-	-	462,202
Equipment	28,501,761	1,712,811	(126,930)	30,087,642
Software	6,519,001	15,015	-	6,534,016
Total Depreciable Capital Assets	254,754,419	5,596,181	14,830,552	275,181,152
Less Accumulated Depreciation:				
Improvements	(17,725,352)	(449,930)	-	(18,175,282)
Buildings	(54,211,887)	(4,882,893)	-	(59,094,780)
Leasehold Improvements	(476,376)	(218,961)	-	(695,337)
Indisputable Right of Use	(462,202)	-	-	(462,202)
Equipment	(16,907,231)	(2,081,226)	109,732	(18,878,725)
Software	(2,254,194)	(652,025)	-	(2,906,219)
Total Accumulated Depreciation	(92,037,242)	(8,285,035)	109,732	(100,212,545)
Depreciable Capital Assets, Net	162,717,177	(2,688,854)	14,940,284	174,968,607
Total Capital Assets, Net	\$ 180,913,603	\$ (2,029,020)	\$ (17,198)	\$ 178,867,385

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

NOTE 6 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2014 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt obligations:					
General Receipts Bonds, 2004	\$ 4,815,000	\$ -	\$ 330,000	\$ 4,485,000	\$ 340,000
General Receipts Bonds, 2011	39,410,000	-	595,000	38,815,000	605,000
General Receipts Bonds, 2012	<u>24,725,000</u>	<u>-</u>	<u>380,000</u>	<u>24,345,000</u>	<u>350,000</u>
Total	68,950,000	-	1,305,000	67,645,000	1,295,000
Other Noncurrent obligations:					
Early Retirement Incentive included in Accrued Liabilities	1,356,483	-	324,105	1,032,378	297,122
Compensated Absences	<u>265,922</u>	<u>3,150,092</u>	<u>233,347</u>	<u>3,182,667</u>	<u>352,000</u>
Total Noncurrent Liabilities	<u>\$ 70,572,405</u>	<u>\$ 3,150,092</u>	<u>\$ 1,862,452</u>	<u>\$ 71,860,045</u>	<u>\$ 1,944,122</u>

Series 2004 Bond Issue

General receipts Series 2004 bonds were issued in March of 2004 with an all-inclusive (AIC) rate of 4.15%, and repayment over a period of 20 years. The proceeds were used to finance the building of the Entrepreneurship Innovation Center.

Series 2011 Bond Issue

In July, 2011 the College issued Series 2011 bonds totaling \$39,990,000 with an all-inclusive (AIC) rate of 4.75% and repayment over a period of 30 years. The proceeds were used to finance costs of the (i) renovation of the i-Loft building on the Elyria campus for use for classrooms and housing the Social Services and Human Services Division of the College, (ii) construction of a new two-story building on the Elyria campus to house academic classrooms and labs for curricula in culinary arts, digital arts and broadcasting, and (iii) construction of a new outreach center in North Ridgeville.

Series 2012 Bond Issue

In March, 2012 the College issued Series 2012 bonds totaling \$24,725,000 with an all-inclusive (AIC) rate of 3.90% and repayment over a period of 30 years. The proceeds are being used to finance the costs of (i) constructing, equipping and furnishing a new laboratory sciences building; (ii) campus roadway, parking lot and sidewalk improvements, including pavement replacement and upgrading lighting fixtures; (iii) renovating, rehabilitating and refurbishing the existing physical sciences building; (iv) improvements to existing facilities to obtain energy efficiency; and (v) such other Facilities included in the District's capital improvement program.

In connection with the general receipt bonds described above, the College has pledged general receipts, net of State Appropriation receipts and Ad Valorem Tax receipts, to repay these debts. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds are payable, through their final maturities as listed above, solely from these revenues pledged. Total principal and interest remaining to be paid on these bonds is \$119,055,105 as detailed below.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

NOTE 6 – NONCURRENT LIABILITIES (Continued)

Principal and interest payments on long-term debt obligations are due are as follows:

Years Ended June 30:	<u>Series 2004 Bonds</u>		<u>Series 2011 Bonds</u>		<u>Series 2012 Bonds</u>		<u>Total General Receipts Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 340,000	\$ 166,527	\$ 605,000	\$ 1,789,847	\$ 350,000	\$ 930,788	\$ 1,295,000	\$ 2,887,162
2016	350,000	154,459	620,000	1,773,344	375,000	923,738	1,345,000	2,851,541
2017	360,000	142,252	635,000	1,752,950	400,000	916,187	1,395,000	2,811,389
2018	375,000	129,203	650,000	1,732,069	425,000	908,137	1,450,000	2,769,409
2019	390,000	115,237	670,000	1,710,619	440,000	899,587	1,500,000	2,725,443
2020-24	2,180,000	332,108	3,670,000	8,136,469	2,890,000	4,295,094	8,740,000	12,763,671
2025-29	490,000	10,106	6,035,000	7,119,440	3,935,000	3,576,663	10,460,000	10,706,209
2030-34	-	-	8,310,000	5,436,781	4,810,000	2,688,800	13,120,000	8,125,581
2035-39	-	-	10,230,000	3,173,750	5,870,000	1,635,000	16,100,000	4,808,750
2040-43	-	-	7,390,000	565,750	4,850,000	395,200	12,240,000	960,950
Total	<u>\$4,485,000</u>	<u>\$1,049,892</u>	<u>\$38,815,000</u>	<u>\$33,191,019</u>	<u>\$24,345,000</u>	<u>\$17,169,194</u>	<u>\$67,645,000</u>	<u>\$51,410,105</u>

Interest paid during the fiscal year ended June 30, 2014 amounted to \$2,918,687.

As indicated in Note 16 – Subsequent Events, in November, 2014 the College refunded the outstanding balance of its Series 2004 Bonds of \$4,145,000 with new Series 2014 General Receipts Bonds, at a rate of 2.19% over the same repayment period remaining for the original Series 2004 Bonds.

NOTE 7 – EARLY RETIREMENT INCENTIVE

The College implemented Governmental Accounting Standards Board Statement Number 47, *Accounting for Termination Benefits*. The College Board of Trustees approved a one-time Early Retirement Incentive program (ERI) in 1997. In spring of 1999, the College Board of Trustees approved a second ERI available to all employees who had accrued 20 or more years of service at the College and qualify for and retire under either the STRS Ohio or OPERS, with specified credit and age criteria. The second ERI program was effective for the period beginning May 31, 1999 ended June 30, 2009. Individuals who qualified and elected the ERI had the option of selecting a ten-year annuity incentive payment or a lump sum payment of one-half of the total annuity value that would have accumulated in the ten-year annuity option. The undiscounted future benefit payments were based on the employees' annual salary at the time of retirement. Accordingly, \$691,326 of termination benefits are included in liabilities as of June 30, 2014, of which \$192,183 is included in current accrued liabilities. Early retirement incentive payments of \$208,111 were made during the current fiscal year.

In spring of 2012, the College Board of Trustees approved a third ERI that would be available to all employees who had accrued 15 or more years of service at the College and qualify for and retire under either the STRS Ohio or OPERS, with specified credit and age criteria. The third ERI program was effective for faculty for the period beginning January 31, 2012 ended March 31, 2012. Individuals who qualified and elected the ERI will receive an annuity incentive payment to an IRS 403(b) retirement fund, up to \$50,000 annually until the ERI value is reached. The ERI future benefit amounts are based on the employees' annual salary at the time of retirement, times years of service, times 98%. Early retirement incentive payments of \$11,054 were made during the current fiscal year and \$0 of termination benefits are included in liabilities as of June 30, 2014.

Furthermore, the third ERI program was effective for non-faculty employees for the period beginning October 1, 2012 ended December 30, 2012. Individuals who qualified and elected the ERI will receive an annuity incentive payment to an IRS 403(b) retirement fund; this amount is to be paid quarterly over a period of five years. The ERI future benefit amounts are based on the employees' annual salary at the time of retirement, times years of service, times 98%. Accordingly, \$341,052 of termination benefits are included in liabilities as of June 30, 2014, of which \$104,939 is included in current accrued liabilities. Early retirement incentive payments of \$104,939 were made during the current fiscal year.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

NOTE 8 – COMPENSATED ABSENCES

As indicated in Note 1 – Summary of Significant Accounting Policies, the College follows GASB Statement No. 16 when recording its compensated absences liability. As such, during 2014 the College re-evaluated its accounting estimate to recognize additional compensated absences liability. The affect of this change in estimate on future periods has not been determined as of June 30, 2014.

The College has accrued a liability for all accumulated vacation and ETO hours. The liability for sick leave is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the financial statement date, and on leave balances accumulated for other employees who are expected to become eligible in the future to receive such payments. Included in the compensated absences liability is an amount accrued for salary-related fringe benefits (the employer's share of Medicare taxes).

NOTE 9 – STATE SUPPORT

The College is a State-assisted institution of higher education, which receives a student-based share of instruction from the State of Ohio. The State Share of Instruction is determined annually, based upon a formula devised by the Ohio Board of Regents.

In addition, the State of Ohio provides some of the funding to construct major 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 causes the construction and subsequent lease of the facility, by the Ohio Board of Regents. Upon completion, the Board of Regents turns over control of the facility to the College. Neither the obligation for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. These are currently being funded through appropriations to the Ohio Board of Regents by the General Assembly.

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

NOTE 10 – RETIREMENT PLANS

Ohio Public Employees Retirement System (OPERS)

Plan Description – The College participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20.0 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the valued of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

NOTE 10 – RETIREMENT PLANS (Continued)

Ohio Public Employees Retirement System (OPERS)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Statutory member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10.0 percent of covered payroll for members in state and local divisions. For the fiscal years ended June 30, 2014 and 2013, the contribution rate for members in the state and local classification was 10.0 percent. For fiscal 2014, member and contribution rates were consistent across all three plans.

The College's 2014 and 2013 contribution rate was 14.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1.0 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2.0 percent. Employer contribution rates are actuarially determined.

The College's required contributions for pension obligations to OPERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,826,729, \$3,007,888, and \$2,779,203, respectively. As of June 30, 2014, 92.8 percent has been contributed with the balance being reported as an accrued liability. The full amount has been contributed for fiscal years 2013 and 2012. Plan member contributions to OPERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,019,141, \$2,148,499, and \$1,983,362, respectively, which met the required percentages.

State Teachers Retirement System (STRS Ohio)

Plan Description - The College participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11.0 percent for members and 14.0 percent for employers. The statutory maximum employee contribution rate was increased by one percent July 1, 2013, and will be increased one percent each year until it reaches 14.0 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11.0 percent of their annual covered salary. The College was required to contribute 14.0 percent; 13.0 percent was the portion used to fund pension obligations.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

NOTE 10 – RETIREMENT PLANS (Continued)

State Teachers Retirement System (STRS Ohio)

The College's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,909,257, \$3,041,543, and \$3,284,798, respectively. As of June 30, 2014, 97.0 percent has been contributed with the balance being reported as an accrued liability. The full amount has been contributed for fiscal years 2013 and 2012. Plan member contributions to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,278,117, \$2,172,530, and \$2,346,284, respectively, which met the required percentages.

NOTE 11 – POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS)

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2.0 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

Ohio Public Employees Retirement System (OPERS)

Changes to the health care plan were adopted by the OPERS Board of Trustee on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0 percent of the employer contributions toward the health care fund after the end of the transition period. The College's contributions allocated to fund post-employment health care benefits for the fiscal years ended June 30, 2014, 2013, and 2012 were \$201,828, \$859,354, and \$794,018, respectively. As of June 30, 2014, 92.8 percent has been contributed with the balance being reported as an accrued liability. The full amount had been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System (STRS Ohio)

Plan Description – The College participates in the cost-sharing, multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined Pension Plans offered by STRS Ohio. Ohio law authorizes STRS to offer this Plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1.0 percent of covered payroll to post-employment health care. For the fiscal years ended June 30, 2014, 2013 and 2012, the College's contributions to post-employment healthcare were \$207,800, \$217,253, and \$234,628, respectively. As of June 30, 2014, 97.0 percent has been contributed with the balance being reported as an accrued liability. The full amount had been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current 1.0 percent allocation to the health care fund effective July 1, 2014.

NOTE 12 – LITIGATION AND CONTINGENCIES

Grants

The College receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of the College administration, any such disallowed claims will not have a material effect on the College's financial statements or on the overall financial position of the College at June 30, 2014.

Litigation

During the normal course of its operations, the College has become a defendant in various legal actions. It is not possible to estimate the outcome of these legal actions; however, in the opinion of legal counsel and the College administration, the disposition of these pending cases will not have a material adverse effect on the financial condition or operations of the College.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

NOTE 13 – OPERATING LEASE COMMITMENTS

The College has entered into various lease agreements that are considered operating leases. Total rental expense under operating leases during the year ended June 30, 2014 amounted to \$1,502,189.

Future minimum lease payments as of June 30, 2014 under all operating leases, are as follows:

<u>Year Ending June 30</u>	<u>Operating Leases</u>
2015	\$ 798,325
2016	373,885
2017	307,891
2018	83,595
2019	<u>28,132</u>
Total minimum lease payments	<u>\$ 1,591,828</u>

NOTE 14 - RISK MANAGEMENT

The College maintains property and casualty liability insurance. The College has not incurred significant reductions in insurance coverage from coverage in the prior year. Settled claims against College liability policies have not exceeded policy limits in any of the past three fiscal years.

The College also has self-insured health and dental coverage for its employees. The College's risk exposure is limited to claims incurred and stop-loss insurance is held. Medical Mutual of Ohio administers claims for the College. The claims liability of \$1,375,041 at June 30, 2014 is included in accrued liabilities in the Statement of Net Position and is based on the requirements of GASB Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

Changes in claims activity for the past three fiscal years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2012	\$1,255,740	\$5,080,810	\$(5,019,051)	\$1,317,499
2013	1,317,499	5,231,137	(4,911,796)	1,636,840
2014	1,636,840	4,764,794	(5,026,593)	1,375,041

NOTE 15 – NEW ACCOUNTING PRONOUNCEMENTS, NOT YET ADOPTED

The College will be required to implement the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, effective with the fiscal year ending June 30, 2015. The College will be required to address modifications to certain requirements for financial reporting of pension plans. The College has not yet determined the full impact of this standard on its financial statements.

NOTE 16 – SUBSEQUENT EVENT

In November, 2014 the College refunded the outstanding balance of its Series 2004 Bonds of \$4,145,000 with new Series 2014 General Receipts Bonds, at a rate of 2.19% over the same repayment period remaining for the original Series 2004 Bonds.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

NOTE 17 – LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION

Note A. Summary of Significant Accounting Policies

- A. Nature of Activities – Lorain County Community College Foundation, Inc. (the Foundation), a non-governmental, non-profit Foundation established under the laws of the State of Ohio, was established to foster excellence in teaching and learning by encouraging philanthropic support for students, faculty, programs and facilities of Lorain County Community College (the College).
- B. Accounting Method – The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation has reported information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets

This category includes net assets not subject to donor-imposed stipulations. This category periodically includes net assets designated by the Board. At June 30, 2014 and 2013, there were no Board designated net assets.

Temporarily Restricted Net Assets

This category includes net assets subject to donor-imposed stipulations that may or will be met by actions of the Board/Foundation and/or the passage of time. It also includes earnings from the donor restricted endowment net of amounts appropriated by the Board of Directors.

Permanently Restricted Net Assets

This category includes net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

- C. Equity Transfers – From time to time, the Foundation's donors reconsider the nature of gifts to the Foundation and request reclassification of net asset balances to more closely align with the intention of their donations. The Foundation records these net asset reclassifications as equity transfers between net asset classifications.
- D. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- E. Comparative Financial Information – The financial statements include certain prior year summarized comparative financial information. Such information does not include sufficient detail to constitute a full financial statement presentation. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2013, from which the summarized information was derived.
- F. Cash and Cash Equivalents – The Foundation classifies its checking and money market accounts as cash. Any cash or cash equivalents maintained within professionally managed accounts are classified as investments, due to the overall non-current investment strategy of their investment philosophy.
- G. Investments – Investment income includes realized and unrealized gains and losses, and interest and dividends that are reported in the changes in net assets in the accompanying statement of activities.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

Note A. Summary of Significant Accounting Policies (Continued)

- H. Fair Value Reporting – Under accounting principles generally accepted in the United States of America, financial and nonfinancial assets and liabilities are required to be remeasured on an annual basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) and establishes a fair value hierarchy based upon the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities (for example, exchange quoted prices).

Level 2 – Inputs to the valuation methodology are observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not sufficiently active to qualify as Level 1, other observable inputs or inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs to the valuation methodology are significant to the fair value measurement and unobservable (for example, supported by little or no market activity).

Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The Foundation has determined the fair value of the investments to be within Levels 1, 2 and 3, as summarized herein, of the hierarchy. The Foundation's investments in cash and cash equivalents, equity securities and mutual funds are valued with quoted prices in active markets that are considered to be Level 1 inputs. Investments in limited partnerships which are based on the change in the equity partnership are considered to be Level 3 inputs.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

Note A. Summary of Significant Accounting Policies (Continued)

H. Fair Value Reporting (Continued)

The following is a summary of the inputs used as of June 30, 2014 and 2013 in valuing the Foundation's investments carried at fair value:

	2014			
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 37,479	\$ 37,479	\$ -	\$ -
Common equity securities	1,489,320	1,489,320	-	-
Mutual equity funds	22,745,478	22,745,478	-	-
Mutual bond funds	7,823,915	7,823,915	-	-
Real estate	735,149		-	735,149
Limited partnership	78,506	-	-	78,506
	\$ 32,909,847	\$ 32,096,192	\$ -	\$ 813,655

	2013			
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 267,168	\$ 267,168	\$ -	\$ -
Common equity securities	1,701,725	1,701,725	-	-
Mutual equity funds	19,060,338	19,060,338	-	-
Mutual bond funds	7,704,096	7,704,096	-	-
Real estate	735,149		-	735,149
Limited partnership	33,865	-	-	33,865
	\$ 29,502,341	\$ 28,733,327	\$ -	\$ 769,014

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

Note A. Summary of Significant Accounting Policies (Continued)

H. Fair Value Reporting (Continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follow:

	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 769,014	\$ 39,900
Contributions	50,000	735,149
Management fee	(5,000)	(5,000)
Unrealized loss	<u>(359)</u>	<u>(1,035)</u>
Ending balance	<u>\$ 813,655</u>	<u>\$ 769,014</u>

I. Grants Receivable – Grants receivable are comprised primarily of prospective and reimbursable awards committed from various funding agencies for use in the Foundation's activities. All grants receivable are expected to be collected within one year. The Foundation has recorded a provision of \$300,000 for the years ended June 30, 2014 and 2013.

J. Equipment – Equipment is recorded at historical cost or fair market value in case of donation. Depreciation is recorded on the straight-line method over the useful lives of the respective assets, which generally range from three to seven years. The Foundation capitalizes all long-lived assets that cost more than \$1,000 and have a useful life in excess of one year. Depreciation expense was \$2,644 and \$3,713 for the years ended June 30, 2014 and 2013, respectively. Accumulated depreciation at June 30, 2014 and 2013 was \$33,836 and \$31,192, respectively.

K. Contributions – The Foundation recognizes contributions as revenue in the period in which the pledge (promise to give) is received.

Grants from the State of Ohio and collaborating colleges and universities related to the Innovation Fund are conditional based on criteria included within the grant and collaboration agreements. The Innovation Fund recognizes revenue from these agencies when the conditions are fulfilled and the Foundation has requested reimbursement.

L. Donated Services – Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Foundation. Note H to the financial statements discloses the value of services donated by the College to the Foundation during the years ended June 30, 2014 and 2013.

M. Administration Fee – The Foundation allocates a 1.25% administration fee on temporarily and permanently restricted net assets, excluding unconditional promises to give, to provide for indirect program, general management and fundraising expenses. The total amount charged to temporarily and permanently restricted net assets related to this fee was \$350,709 and \$304,435 for the years ended June 30, 2014 and 2013, respectively.

N. Functional Allocation of Expenses – The cost of providing various programs and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

Note A. Summary of Significant Accounting Policies (Continued)

- O. Income Taxes – The Foundation is exempt from income taxes under Section 501(c) (3) as a non-governmental, non-profit entity under provisions of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi) of the Internal Revenue Code.

The Foundation believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. As of June 30, 2014, the Foundation's income tax years from 2010 and thereafter remain subject to examination by the Internal Revenue Service, as well as various state and local taxing authorities.

- P. Innovation Fund Awards – The innovation fund bestows awards in two categories, Type A awards and Type B awards. Type A awards are up to \$25,000 and contain no right of replenishment. Type B awards are greater than \$25,000 and up to \$100,000 and contain a right of replenishment as disclosed in Note K to the financial statements. It is the policy of the Foundation to fully reserve against the possibility of replenishment at the time of the award based on insufficient financial information regarding the future collectability of these awards, creating a net \$-0- effect to receivables. If the right of replenishment is exercised for an award, the receivable will be recorded at the time the Foundation determines an entity is financially viable for repayment of its innovation fund award. During the years ended June 30, 2014 and 2013, the Foundation made innovation award payments of \$1,235,150 and \$1,372,000, respectively, to entities selected by the Innovation Fund Committee. At June 30, 2014 and 2013, the Foundation had additional unpaid awards of \$798,301 and \$948,451, respectively, which were considered conditional and, therefore, not included within accounts payable.
- Q. Reclassifications – Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation.
- R. Subsequent Events – The Foundation has evaluated subsequent events through October 14, 2014, the date which the financial statements were available to be issued.

Note B. Unconditional Promises to Give

Unconditional promises to give at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 1,214,238	\$ 1,353,420
Receivable in one to five years	3,912,500	3,373,227
Receivable in six to ten years	1,150,000	2,300,000
Receivable in greater than ten years	<u>153,000</u>	<u>153,000</u>
Total unconditional promises to give	6,429,738	7,179,647
Less discounts to present value	(412,978)	(517,484)
Less valuation reserves for uncollectible promises to give	<u>(1,369,919)</u>	<u>(1,477,046)</u>
Net unconditional promises to give	<u>\$ 4,646,841</u>	<u>\$ 5,185,117</u>

The discount rate used on long-term promises to give was 2.00% at June 30, 2014 and 2013. Pledges receivable restricted for long-term purposes of \$48,737 are due in less than one year.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

Note B. Unconditional Promises to Give (Continued)

The Foundation has estimated a reserve for uncollectible promises to give based upon management's review of current outstanding promises to give, current economic conditions and historical collections of \$1,369,919 and \$1,477,046 at June 30, 2014 and 2013, respectively. During the years ended June 30, 2014 and 2013, the Foundation directly wrote off uncollectible promises to give of \$500 and \$569, respectively. During the years ended June 30, 2014 and 2013, the Foundation recognized a (decrease) increase in the reserve for uncollectible promises to give of \$(107,127) and \$(1,476,087), respectively.

Note C. Investments

Investments consist of equity securities, mutual funds and cash and cash equivalents. Investments are carried at fair value and are summarized as follows:

	June 30, 2014		June 30, 2013	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 37,479	\$ 37,479	\$ 267,168	\$ 267,168
Common equity securities	814,545	1,489,320	1,074,511	1,701,725
Mutual equity funds	16,790,730	22,745,478	15,996,240	19,060,338
Mutual bond funds	7,660,943	7,823,915	7,700,665	7,704,096
Real estate	-	735,149	-	735,149
Limited partnership	100,000	78,506	50,000	33,865
	<u>\$ 25,403,697</u>	<u>\$ 32,909,847</u>	<u>\$ 25,088,584</u>	<u>\$ 29,502,341</u>

Investment income for the years ended June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 922,954	\$ 999,532
Net gains	3,918,061	2,249,238
Management fees	<u>(82,616)</u>	<u>(75,669)</u>
Total investment income	<u>\$ 4,758,399</u>	<u>\$ 3,173,101</u>

Mutual Capital Partners Fund Partnership

During 2011, the Foundation's Board approved program support of \$50,000 per year for five years with Mutual Capital Partners (MCP). Under this agreement, MCP will provide specific deliverables to enhance the College's entrepreneurship program including: internships and jobs for Lorain County Community College students with MCP companies, build an entrepreneurial speaker series and mentor Innovation Fund and GLIDE companies and initiatives.

This programmatic relationship qualified the Foundation as an investor in the Mutual Capital Partners Fund II, an Ohio limited partnership. Two payments of \$50,000 have been made. As of June 30, 2014, the Foundation has an outstanding commitment of \$150,000. At June 30, 2014, the valuation of this investment was \$78,506. The partnership assesses a \$5,000 annual administrative fee.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

Note D. Charitable Remainder Unitrusts

Charitable Remainder Trusts

The Foundation was named co-beneficiary of a charitable remainder unitrust. Despite the fact the trust is irrevocably funded, no amount has been recorded in the accompanying financial statements, as the naming and changing of the charities in the trust is revocable by the trustees.

Charitable Gift Annuities

The Foundation has two charitable gift annuity agreements with a donor. The Foundation was named as trustee and beneficiary. At June 30, 2014 and 2013, the related asset is included within investments of the accompanying financial statements. At June 30, 2014 and 2013, an annuity obligation liability of \$1,200 and \$2,265, respectively, was recorded for the present value of the expected liability based on fixed quarterly payments for the remainder of the annuitants' lives.

Note E. Temporarily Restricted Net Assets

Net assets as of June 30, 2014 and 2013 were temporarily restricted for the following purposes:

	<u>2014</u>	<u>2013</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$ 12,242,579	\$ 11,365,077
Scholarships	947,226	804,666
Passage of time	<u>3,123</u>	<u>3,259</u>
 Total temporarily restricted net assets	 <u>\$ 13,192,928</u>	 <u>\$ 12,173,002</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or passage of time for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$ 1,147,679	\$ 876,727
Innovation fund awards	1,236,031	1,372,569
Scholarships	<u>563,518</u>	<u>564,295</u>
 Total restrictions released	 <u>\$ 2,947,228</u>	 <u>\$ 2,813,591</u>

Note F. Endowments

The Foundation's endowment includes 153 scholarship funds and 13 program funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Ohio, 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.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

Note F. Endowments (Continued)

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 various funds, (2) the purposes of the donor-restricted endowment funds, (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 and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also preserving the fair value of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes cash and cash equivalents, mutual equity and bond funds, common equity securities and alternatives intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions in accordance with the Foundation's Investment and Allocation Policy of up to 4.5% of the audited June 30 trailing three year moving market value average of permanently restricted endowment funds. By this practice, the Foundation expects its endowment assets, over time, to produce an average rate of return in excess of 6% which allows for transfers of endowed net assets in accordance with both the spending policy and administrative fee policy, while maintaining growth within the endowment. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Foundation has a policy of appropriating for distribution on an annual basis, up to 4.5% of the fair market value of permanently restricted endowment funds as approved by the Board, plus the administrative fee described in Note A to the financial statements. The Foundation charges an administrative fee to offset the costs of operating the Foundation. In establishing these policies, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment to grow over the long-term. This is consistent with the Foundation's objective to preserve the fair value of the endowment assets as well as to provide additional real growth through new gifts and investment return. All withdrawals or transfers to other funds are subject to approval by the Board of Directors.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

Note F. Endowments (Continued)

Changes in endowment net assets as of June 30, 2014 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 1,418,901	\$ 22,152,205	\$ 23,571,106
Investment return:				
Administrative fee	281,352	(12,470)	(268,882)	-
Scholarship and program transfers	149,647	1,178,969	(1,328,616)	-
Investment income	-	-	794,762	794,762
Net appreciation (realized and unrealized)	-	234,375	2,802,769	3,037,144
Total investment return - endowed	430,999	1,400,874	2,000,033	3,831,906
Contributions	-	141	380,163	380,304
Special events	-	372	19,993	20,365
Equity transfers	-	-	18,516	18,516
Appropriation of endowment assets for expenditure	(430,999)	(793,788)	-	(1,224,787)
Endowment net assets, end of year	\$ -	\$ 2,026,500	\$ 24,570,910	\$ 26,597,410

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

Note F. Endowments (Continued)

Changes in endowment net assets as of June 30, 2013 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,320,940	\$ 20,404,484	\$ 21,725,424
Investment return:				
Administrative fee	257,937	(10,500)	(247,437)	-
Scholarship and program transfers	152,973	805,782	(958,755)	-
Investment income	-	-	875,814	875,814
Net depreciation (realized and unrealized)	<u>-</u>	<u>158,989</u>	<u>1,583,115</u>	<u>1,742,104</u>
Total investment return - endowed	410,910	954,271	1,252,737	2,617,918
Contributions	-	1,015	458,676	459,691
Special events	-	-	26,308	26,308
Equity transfers	-	(40,000)	10,000	(30,000)
Appropriation of endowment assets for expenditure	<u>(410,910)</u>	<u>(817,325)</u>	<u>-</u>	<u>(1,228,235)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,418,901</u>	<u>\$ 22,152,205</u>	<u>\$ 23,571,106</u>

Note G. Permanently Restricted Net Assets

Permanently restricted net assets as of June 30, 2014 and 2013 were comprised of the following amounts, the earnings of which were available for the following purposes:

	<u>2014</u>	<u>2013</u>
Support of the College's faculty, programs and facilities	\$ 6,629,906	\$ 6,263,992
Scholarships	14,741,883	13,057,785
Operations and general support	<u>3,292,219</u>	<u>2,983,652</u>
Total permanently restricted net assets	<u>\$ 24,664,008</u>	<u>\$ 22,305,429</u>

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

Note H. Related Party

As described in Note A, the Foundation is affiliated with the College. During the years ended June 30, 2014 and 2013, the College provided the Foundation with professional staffing valued at \$72,564 and \$89,769, respectively. The value of those services is included as contributions in the financial statements and expensed on a functional basis based on the type of service provided by the employee.

During the years ended June 30, 2014 and 2013, the Foundation provided scholarships and support to the College of \$1,654,631 and \$1,394,542, respectively.

At June 30, 2014 and 2013, amounts due to the College and included within "accounts, support and grants payable" totaled \$161,263 and \$248,371, respectively.

The Foundation made contributions of \$170,000 to Citizens for LCCC during the years ended June 30, 2014 and 2013, respectively, and are included in support for the College. Citizens for LCCC is a non-profit political action committee organized to enhance public support for the College. These contributions fall within the mission of the Foundation as Citizens for LCCC supports the growth of the College through support for tax levies benefiting the College.

Note I. Concentrations

The Foundation maintains cash balances at a bank. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. These limits are subject to change by the FDIC. The Foundation's cash balances may exceed this amount from time to time.

At June 30, 2014 and 2013, one donor's promise to give represented approximately 70% of the outstanding promises to give.

Note J. Conditional Events

Innovation Award Replenishment

As described in Note A to the financial statements, the Foundation holds a right of replenishment over all Type B funds awarded. The awards specify a recipient may repay the Foundation without interest the amount of the award within two years. Subsequent to the two year anniversary of the award, the Foundation may exercise its right of replenishment through the fifth year, at which point the right of replenishment is forfeited. Effective September 30, 2011, for new awards, the repayment schedule is three years without interest and the Foundation's right to replenishment is through the sixth year.

The Foundation made 66 Type B Innovation Fund Awards since inception of the program. Of these 66 Type B Innovation Fund Awards, the Foundation holds the right of replenishment on 48 awards expiring in:

<u>Years Ending June 30.</u>	
2015	\$ 974,667
2016	700,000
2017	75,000
2018	858,000
2019	736,000
2020	659,500
	<u>\$ 4,003,167</u>

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

Note J. Conditional Events (Continued)

The purpose of the Innovation Fund is to foster entrepreneurship and jobs growth. The Foundation's objective in providing these awards was not the return of principal, which is why Innovation Fund awards are expensed when all conditions of the award are fulfilled. The Foundation has not recorded an estimate of funds receivable from award replenishment because the amount cannot be reasonably estimated. As such, the Foundation's ability to realize these amounts is based on the financial success of the recipients. During the years ended June 30, 2014 and 2013, the Foundation received \$155,333 and \$151,666, respectively, of Innovation Fund replenishment income.

During the year ended June 30 2013, the Foundation accepted an offer from Segmint, Inc. to take an equity position in an Innovation Fund award recipient company in lieu of its \$100,000 replenishment right. The Foundation accepted the offer and received 60,000 shares of restricted common stock. As the restricted stock cannot be transferred or sold, the Foundation has not recorded an estimate of the stock's value as the amount cannot be reasonably estimated.

Grants Receivable

During the year ended June 30 2011, the Foundation was awarded a \$2,000,000 conditional grant (11-084) by the Ohio Department of Development to support the Innovation Fund. The Foundation was approved to receive the funds over a three year period from April 2011 through March 2014. For the years ended June 30, 2014 and 2013, the Foundation has fulfilled some requirements pertaining to the grant and received \$741,667 and \$567,500 respectively. Subsequent to June 30, 2014, the Foundation fulfilled additional requirements and submitted \$200,000 for reimbursement.

Awards Payable

As described in Note A to the financial statements, the Foundation's Innovation Fund involves multi-year conditional awards provided to start-up businesses that create or enhance technology. The Foundation has made award commitments of \$8,660,000, of which \$840,830 has been forfeited to date. The net remaining award commitment is \$798,301. These awards are expected to be paid out over the next two years once the sponsored recipients fulfill required conditions which may include completion and testing of a prototype, filing and protection of necessary patents and meeting certain financial reporting metrics. The conditional obligations are measured by Great Lakes Innovation and Development Enterprise, which monitors the recipients and reports progress of the recipients to the Foundation, which then approves payment of the conditional portion of the awards.

As these awards are conditional, no liability has been recorded at June 30, 2014 and 2013.

Grants

The Fund for Our Economic Future (the Fund) is a nonprofit tax exempt public charity which started as a pooled grant fund to dramatically improve the economic climate in Northeast Ohio by organizations with the potential to strengthen the region as a whole. Over \$72 million has been raised by over 100 foundations, corporations and individuals in the Northeast Ohio region. The Fund received tax exempt 501(c)(3) status and entered into its third three year phase in 2010. All grant recipients of the Fund are non-profit organizations and tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Grants are awarded by the Fund based on extensive due diligence and approval by the members of the Board. The Board is comprised of representatives from member organizations contributing at least \$100,000 over a three year period (phase).

The Foundation had previously made a \$100,000 conditional commitment to Phase II of the Fund, all of which was paid as of November 24, 2009.

The Foundation has made a conditional commitment to Phase III of the Fund for a total of \$100,000. During 2013, the Foundation made the third and final \$33,333 payment toward this commitment.

LORAIN COUNTY COMMUNITY COLLEGE

Notes to The Financial Statements

June 30, 2014

Note J. Conditional Events (Continued)

The Foundation has made a conditional commitment to Phase IV of the Fund for a total of \$100,000. During 2014, the first of three \$33,333 payments was paid toward the commitment. As the grant is conditional, no liability has been recorded for this account at June 30, 2014.

Note K. Gift and Land and Building

In December 2012, the Foundation took title to the land and building at 225 Burns Road in Elyria, Ohio. The location of the property is adjacent to the college campus. The real estate was gifted to the Foundation in partial fulfillment of a larger pledge booked during the year ended June 30, 2010.

During the year ended June 30, 2013, upon receipt of title to the land and building, the Foundation booked the value of the real estate at \$735,149 based upon the estimated net realizable value upon sale.

The property is not deemed to be part of the Foundation's endowment and costs or gains related to the property are not deemed to be part of the endowment fund.

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

Board of Trustees
Lorain County Community College
Elyria, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Lorain County Community College (the "College"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 18, 2014, wherein we noted that the College implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as disclosed in Note 1.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cini & Paricki, Inc.

Cleveland, Ohio
December 18, 2014

**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133**

Board of Trustees
Lorain County Community College
Elyria, Ohio

Report on Compliance for Each Major Federal Program

We have audited the Lorain County Community College’s (the “College”) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College’s major federal programs for the year ended June 30, 2014. The College’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the College’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College’s compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of 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, 2014.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Board of Trustees
Lorain County Community College

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities of the College as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated December 18, 2014, which contained an unmodified opinion on those financial statements wherein we noted the College adopted GASB Statement No. 65, as disclosed in Note 1. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Ciuni & Paricchi, Inc.

Cleveland, Ohio
December 18, 2014

Lorain County Community College
Lorain County, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
<i>Direct from the Federal Agency</i>			
<i>Student Financial Aid Cluster:</i>			
Federal Work Study Program	P033A	84.033	\$ 221,982
Federal Pell Grant Program	P063P	84.063	19,029,636
Federal Supplemental Educational Opportunity Grant	P007A	84.007	567,437
Federal Direct Student Loans	P0268K	84.268	15,703,475
<i>Total Student Financial Assistance</i>			<u>35,522,530</u>
 <i>Passed Through the Ohio Department of Education</i>			
Career Technical Education - Basic Grants to States	CDP-P	84.048	210,196
Race to the Top - Ohio Early College	TP-FB	84.395	88,800
Sub-Total			<u>298,996</u>
Total United States Department of Education			<u>35,821,526</u>
United States Department of Labor			
<i>Direct from the Federal Agency</i>			
H-1B Job Training Grants	N/A	17.268	271,773
<i>Passed through Mathematica Policy Research, Inc.</i>			
Evaluation of the Self-Employment Training SET Demonstration	N/A	17.201	15,320
Total United States Department of Labor			<u>287,093</u>
National Science Foundation			
<i>Direct from the Federal Agency</i>			
Education and Human Resources-NCWET	N/A	47.076	837,344
<i>Passed through Fox Valley Technical College</i>			
Education and Human Resources	DUE-1104199	47.076	26,337
Total National Science Foundation			<u>863,681</u>
US Small Business Administration			
<i>Passed through Ohio Department of Communications Development</i>			
Small Business Development Centers	SBAHQ-13-B-0011	59.037	81,877
Total US Small Business Administration			<u>81,877</u>
United States Department of Commerce			
<i>Economic Development Administration</i>			
Investments for Public Works and Economic Development Facilities	N/A	11.300	11,607
Total United States Department of Commerce			<u>11,607</u>
Total Federal Financial Assistance			<u>\$ 37,065,784</u>

See accompanying notes to the schedule of expenditures of federal awards

Lorain County Community College

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

NOTE 1 – BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis. Amounts presented are total federal expenditures for each program.

NOTE 2 – FEDERAL DIRECT STUDENT LOANS

During the fiscal year ended June 30, 2014 the College processed new loans under the Federal Direct Student Loan Program. The amount shown reflects the fiscal year amount that has been certified by the College.

Lorain County Community College

Schedule of Findings
OMB Circular A-133 Section .505

For the Year Ended June 30, 2014

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs	Student Financial Aid Cluster: CFDA # 84.033, 84.007, 84.063, 84.268
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required To Be Reported In Accordance With GAGAS

None noted.

3. Findings for Federal Awards

None noted.



Dave Yost • Auditor of State

LORAIN COUNTY COMMUNITY COLLEGE

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 3, 2015**