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

Financial Report

with Supplemental Information

June 30, 2018

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lake County Community College District d/b/a Lakeland Community College, Lake County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2017 through June 30, 2018. 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 Lake County Community College District d/b/a Lakeland Community College is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

December 28, 2018

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

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Lake County Community College District d/b/a Lakeland Community College (the "College"), as of and for the year ended June 30, 2018, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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

C&P Advisors, LLC
Ciuni & Panichi, Inc.
C&P Wealth Management, LLC

25201 Chagrin Boulevard
Cleveland, Ohio 44122.5683
p. 216.831.7171
f. 216.831.3020
www.cp-advisors.com
Independent Member of
Geneva Group International

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of New Accounting Standards

As described in Note 2 to the basic financial statements, in 2018, the College adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and as a result restated their June 30, 2017 net position of the business-type activities. 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 and required schedules on pensions and postemployment benefits as listed in the table of contents 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 17, 2018, 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 solely 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 the effectiveness of the College's 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 + Panichi, Inc.

Cleveland, Ohio
December 17, 2018

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

Management's Discussion and Analysis (Unaudited)

The management's discussion and analysis of Lake County Community College District d/b/a Lakeland Community College's (Lakeland Community College, Lakeland, or the "College") annual financial statements provides an overview of the College's financial activities for the years ended June 30, 2018 and 2017. Management has prepared the financial statements and the related note disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's administration.

Using this Report

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

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

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

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

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

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

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

The College adheres to GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. In that regard, The Lakeland Foundation is recognized as a discretely presented component unit due to the significant operational and financial relationships maintained with the College. The Lakeland Foundation's purpose is to support and promote excellence at the College by fundraising. It is a legally separate entity governed by its own board of directors. Discrete condensed financial information is presented on page 17 and in Notes 1 and 15.

Condensed Statements of Net Position

	June 30 2018	June 30 2017
Assets		
Current assets	$ 34,122,374	$ 32,576,533
Noncurrent assets:		
Capital	118,353,054	85,312,494
Other	11,154,128	39,235,195
Total assets	163,629,556	157,124,222
Deferred Outflows of Resources		
Pensions	18,536,529	18,481,185
Other postemployment benefits	650,366	179,292
Total deferred outflows	19,186,895	18,660,477
Total assets and deferred outflows	**$ 182,816,451**	**$ 175,784,699**
Liabilities		
Current liabilities	$ 19,061,166	$ 19,813,253
Noncurrent liabilities	178,531,434	202,372,770
Total liabilities	197,592,600	222,186,023
Deferred Inflows of Resources		
Property taxes	9,334,029	9,607,076
Pensions	6,281,369	4,134,423
Other postemployment benefits	2,580,886	-
Total deferred inflows	18,196,284	13,741,499
Net Position		
Net investment in capital assets	40,587,156	32,803,025
Restricted	376,843	366,788
Unrestricted	(73,936,432)	(93,312,636)
Total net position	(32,972,433)	(60,142,823)
Total liabilities, deferred inflows and net position	**$ 182,816,451**	**$ 175,784,699**

Analysis of Overall Financial Position

At June 30, 2018, current assets amounted to $34.1 million as compared to $32.6 million at June 30, 2017, an increase of $1.5 million. Current liabilities at June 30, 2018 amounted to $19.1 million and current liabilities at June 30, 2017 amounted to $19.8 million, a decrease of $0.7 million. The College's working capital ratio was 1.8 and 1.6 at June 30, 2018 and 2017, respectively.

The increase in current assets at June 30, 2018 is primarily attributable to an increase in loans and other receivables of $5.0 million due mainly to debt proceeds receivable of $4.9 million related to the Series 2017B TAN, along with an increase in restricted cash and cash equivalents of $1.9 million, partially offset by decreases in unrestricted cash and cash equivalents and prepaid assets of $4.7 million and $0.8 million, respectively.

The slight decrease in current liabilities at June 30, 2018 is primarily attributable to a decrease of $1.9 million in accounts payable and accrued liabilities, due to a decrease in accruals related to various capital projects, as well as the timing of payments to vendors, along with a decrease of $0.7 million in unearned revenue, partially offset by an increase of $1.9 million in the current portion of debt payable.

Noncurrent assets are comprised of capital assets, restricted cash and cash equivalents, investments, and loans receivable. The increase in noncurrent assets of $5.0 million during 2018 is primarily attributable to an increase in capital assets related to various College and State funded projects including the renovation and expansion of the Health Building, safety and security projects, and the Athletic and Fitness Center (AFC) roofs, along with planned equipment replacements, and the proceeds from the issuance of the Series 2017B Tax Anticipation Notes, partially offset by the capital spending of the remaining proceeds from the Series 2016 Bonds, the Series 2017A Tax Anticipation Notes, and the Ohio Air Quality Development Authority (OAQDA) Loan.

The decrease in noncurrent liabilities in 2018 of $23.8 million is primarily due to a decrease in the College's pension liability recognized under GASB 68, in addition to a decrease in the College's other postemployment benefits (OPEB) liability recognized under GASB 75, partially offset by an increase in debt payable due to the issuance of the Series 2017B Tax Anticipation Notes in the amount of $10.0 million.

The net pension liability (NPL) is the second largest liability reported by the College at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the College adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the College's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OBEP liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the College's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the College is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the College's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the College is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $(36,642,513) to $(60,142,823).

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

The increase in deferred outflows of resources in 2018 of $0.5 million is due primarily to GASB 75 and reflects other postemployment benefits activity as reported by SERS and STRS.

The increase in deferred inflows of resources in 2018 of $4.5 million is primarily due to GASB 75, reflecting other postemployment benefit activity as reported by SERS and STRS, and GASB 68, reflecting pension activity as reported by SERS and STRS, offset in part by a decrease in property taxes.

The College's net position amounted to $(33.0) million and $(60.1) million at June 30, 2018, and 2017, respectively. The increase in the College's net position during 2018 was primarily attributable to a net credit to pension expense recognized under GASB 68, in addition to a net credit to other postemployment benefits (OPEB) expense recognized under GASB 75.

Capital Assets and Long-term Debt Activity

The College utilizes state capital appropriations, internal funds, debt proceeds, and gifts and other grants for capital asset expenditures. State capital appropriations are on a biennium basis, and individual institutions' capital funding allocations are based on projects that meet the Governor's goals for the State.

During 2018, the College utilized $4.1 million in state capital appropriations, $0.2 million in capital grants and gifts, $33.8 million in internal funds including debt proceeds, and purchased $38.1 million of capital assets.

The College's long-term debt is comprised of Series 2014 General Receipts Bonds, Series 2016A Bonds, Series 2016B Bonds, Series 2016C Bonds, 2016 Ohio Air Quality Development Authority (OAQDA) Loan, Series 2017A Tax Anticipation Notes, and Series 2017B Tax Anticipation Notes.

In 2017, the College issued the Series 2017B Notes in the amount of $10.0 million representing the par amount of the notes, at a fixed interest rate of 2.44 percent. The notes are dated July 19, 2017 and shall be payable as to principal and interest on December 1 in the years 2018 – 2027. The College will use the proceeds for the erection, furnishing and equipment of buildings and the improvement of various properties. Debt proceeds receivable related to the Series 2017B Notes totaled $4.95 million at June 30, 2018. This amount was drawn down August 1, 2018. The related liability is included in Debt payable in the Noncurrent liabilities section of the June 30, 2018 Statement of Net Position.

In 2017, the College issued the Series 2017A Notes in the amount of $10.0 million representing the par amount of the notes, at a fixed interest rate of 2.7 percent. The notes are dated January 18, 2017 and shall be payable as to principal and interest on December 1 in the years 2017 – 2027. The notes are issued for the purpose of providing funds for the acquisition of sites; the erection, furnishing, and equipment of buildings; the acquisition, construction or improvement of College property.

In 2016, the College issued the Series 2016A Bonds in the amount of $21.5 million representing the par amount of the bonds, at fixed interest rates ranging from 2.0 percent to 5.0 percent and a final maturity in 2042. The notes are dated February 9, 2016. Bond proceeds were used for all or a part of the cost of purchasing sites and for the erection, furnishing, and equipment of buildings, including buildings used for Applied Health Technology, Science and Bio-Science.

In 2016, the College issued the Series 2016B Bonds in the amount of $9.0 million representing the par amount of the bonds, at fixed interest rates ranging from 2.0 percent to 3.25 percent and a final maturity in

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

2025. The notes are dated February 9, 2016. Bond proceeds were used for defeasance of the Series 2008 and Series 2011 Tax Anticipation Notes.

In 2016, the College issued the Series 2016C Bonds in the amount of $8.6 million representing the par amount of the bonds, at fixed interest rates ranging from 3.5 percent to 4.0 percent and a final maturity in 2035. The notes are dated March 2, 2016. Bond proceeds were used for the purpose of retiring the College's Facilities Construction and Improvement Notes, Series 2015, issued for the purpose of financing all or a part of the cost of purchasing sites and for the erection, furnishing, and equipment of buildings, including buildings used for Applied Health Technology, Science and Bio-Science.

The 0.4 mills levy approved by Lake County voters on November 3, 2015 will fully fund the debt service requirements on the College's Series 2016 Bonds.

In 2016, the College entered into a $10.4 million loan agreement with the Ohio Air Quality Development Authority (OAQDA) at fixed interest rates ranging from 1.85 percent to 3.62 percent and a final maturity in 2029. The loan agreement is dated June 8, 2016. The proceeds were used to assist in the financing of certain air quality facilities in the form of energy conservation measures installed in the Lakeland Health Technology Building owned by the College.

In 2014, the College issued general receipts bonds in the amount of $20.7 million representing the par amount of the bonds, at fixed interest rates ranging from 3.25 percent to 5.0 percent and a final maturity in 2039. The notes are dated November 25, 2014. Bond proceeds were used to refund the Series 2014 Tax Anticipation Notes, acquire the Holden University Center property, and to renovate science labs.

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

In 2009, the College issued the Series 2008 Notes in the amount of $8.5 million, with fixed interest rates ranging from 3.25% to 3.75% and a final maturity date in 2018. The proceeds of the notes were used to pay costs associated with the implementation of energy conservation measures that are intended to significantly reduce the College's energy consumption and the operating costs of its buildings. A portion of the proceeds of the notes was also used to pay costs associated with the acquisition of technology equipment and other capital improvements.

The Series 2008 Notes and the Series 2011 Notes were defeased with the proceeds of the Series 2016B Bonds.

During 2018 and 2017, the College paid $1.7 million and $1.3 million, respectively, in connection with debt maturities. The College is in compliance with all of its contractual long-term debt requirements and covenants.

More detailed information about the College's capital assets and long-term debt is presented in Notes 5 and 6 of the financial statements.

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

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30	
	2018	2017
Operating Revenue		
Student tuition and fees - Net	$ 9,652,640	$ 10,269,005
Grants, contracts, and other revenue	3,840,405	3,801,003
Auxiliary enterprises - Net	3,186,515	3,719,490
Total operating revenue	16,679,560	17,789,498
Operating Expenses	40,840,788	70,214,186
Operating Loss	(24,161,228)	(52,424,688)
Nonoperating Revenue		
State appropriations	20,433,468	19,625,591
Local appropriations	20,783,174	20,536,994
Pell grant revenue - Net of refunds	7,849,915	8,254,629
Other nonoperating income and expenses - Net	(2,064,612)	(1,978,652)
Total nonoperating revenue	47,001,945	46,438,562
Gain (Loss) - Before other changes	22,840,717	(5,986,126)
Other Changes		
Capital appropriations from the State of Ohio	4,127,929	4,370,420
Capital grants and gifts	201,744	5,000
Total other changes	4,329,673	4,375,420
Increase (Decrease) in Net Position	27,170,390	(1,610,706)
Net Position - Beginning of year, restated	(60,142,823)	N/A
Net Position - End of year	**$ (32,972,433)**	**$ (60,142,823)**

Analysis of Results of Operations

Total revenue for the years ended June 30, 2018 and 2017 was $68.0 million and $68.6 million, respectively, of which operating revenue amounted to $16.7 million and $17.8 million, respectively. Operating revenue decreased $1.1 million, or 6.2 percent. Total operating expenses for the years ended June 30, 2018 and 2017 were $40.8 million and $70.2 million, respectively. Operating expenses decreased $29.4 million, or 41.8 percent. The College's operating loss amounted to $24.2 million during 2018 compared to $52.4 million in 2017, which represented an increase of $28.3 million, or 53.9 percent.

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

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

Credit and Noncredit Instruction Revenue

	Years Ended June 30	
	2018	2017
	(dollars in millions)	
Credit instruction	$ 15.1	$ 16.2
Less Pell grants and scholarship allowances	(7.0)	(7.3)
Net credit instruction	8.1	8.9
Noncredit instruction	0.5	0.6
Other	1.1	0.8
Total	**$ 9.7**	**$ 10.3**

Student tuition and fees, net, was lower during 2018 as compared to 2017.

Credit instruction tuition and fees, net, decreased by $0.8 million in 2018 as compared to 2017. Gross credit instruction and fees decreased by 6.8 percent. The decrease is primarily due to declines in fall, and spring enrollments of 7.3 percent and 6.3 percent respectively. Gross credit instruction and fees are offset by Pell grants and other scholarship allowances of $7.0 million during 2018 as compared to $7.3 million during 2017.

Noncredit instruction revenue decreased by $0.1 million during 2018 as compared to 2017. The decrease reflects eliminating several categories of non-credit programming, with related reductions in expenditures.

Grants, contracts, and other revenue was flat for 2018 as compared to 2017. Higher state and local grants and contracts of $0.1 million was offset by lower federal grants and contracts of $0.1 million.

Auxiliary enterprises revenue is comprised primarily of bookstore and event services and campus dining revenue. Revenue decreased by 14.3 percent for these operations during 2018 compared to 2017, primarily attributable to a decline in bookstore sales due to a decrease in enrollment and increased competition from on-line book sellers. This decrease was partially offset by an increase in Event services sales mainly attributable to higher revenue from events held at the Mooreland Educational Center, in addition to a change in the offset of gross auxiliary bookstore revenue related to Pell grants.

The College's nonoperating revenue is comprised primarily of the State of Ohio (the "State") and local appropriations and federal Pell grant revenue. State appropriations include the College's State Share of Instruction ("SSI") support.

The College's State funding for operational support is determined legislatively and controlled through the Ohio Department of Higher Education. SSI is formula determined and allocates available 2018 State funds

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

to each two year institution based on: (a) course completions, (b) success points, and (c) degrees and certificates earned. State support increased during 2018 by $0.8 million, or 4.1 percent, as compared with 2017. The increase is primarily due to the College's contribution of student success as compared to its peers for those years evaluated.

Local appropriations increased by approximately $0.2 million or 1.2 percent during 2018 as compared to 2017. The increase is primarily attributable to higher real estate tax collections due to increases in real estate valuations from new construction and sales.

Pell grant revenues decreased by $0.4 million during 2018 as compared to 2017, due to lower enrollment. Other nonoperating income and expenses decreased by $0.1 million during 2018 as compared to 2017, due in part to interest expense on the Series 2017B Tax Anticipation Notes. In addition, there was a decrease in net investment income due to a decrease in funds available to invest.

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

Operating Expense Summary

	Years Ended June 30	
	2018	2017
	(dollars in millions)	
Educational and general:		
Salaries and wages	$ 35.4	$ 35.0
Benefits - Net (reduction of) pension expense under GASB 68	(24.1)	3.8
Benefits - Net reduction of other postemployment benefits expense under GASB 75	(1.7)	-
Benefits - Other	11.7	11.7
Operating expenses	11.2	10.6
Total educational and general	32.5	61.1
Auxiliary enterprises	4.1	4.9
Depreciation	4.2	4.2
Total	**$ 40.8**	**$ 70.2**

Salaries and wages increased by 1.1 percent during 2018 as compared to 2017. The increase is primarily attributable to full-time faculty salary increases, replacing open positions that were vacant in the prior year, partially offset by lower part-time faculty cost resulting from lower enrollment, replacing open positions at lower salaries, and delays in filling open positions.

Benefits include retirement and non-retirement benefits. The decrease during 2018 as compared to 2017 is primarily attributable to a net credit to pension expense of $24.1 million recognized under GASB 68, in addition to a net credit to other postemployment benefits (OPEB) expense of $1.7 million recognized under GASB 75.

The increase in operating expenses in 2018 as compared to 2017 is primarily attributable to higher non-capitalized equipment expense, an increase in maintenance contracts, and higher vacation reserve expense,

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

partially offset by lower professional services expense, lower utilities expense, and lower photocopier lease expense.

Auxiliary enterprises expense decreased during 2018 by 17.1 percent as compared to 2017 primarily attributable to lower expenses related to decreases in bookstore sales resulting from enrollment declines and increased competition from on-line book purchases, in addition to a decrease in allocated pension expense recognized under GASB 68. The overall decrease was partially offset by an increase in other postemployment benefits (OPEB) expense recognized under GASB 75.

Depreciation expense is flat for 2018 as compared to 2017.

From a budgetary perspective, the College utilizes fund-based accounting to control unrestricted revenue, expenditures, and transfers. A summary for the year ended June 30, 2018 comparison of net changes to fund balance, budget versus actual, for the College's unrestricted funds are as follows:

Unrestricted Funds Budget to Actual Comparison

	2018	
Changes to Fund Balances by Unrestricted Fund Type	Adopted Budget	Actual
	(dollars in millions)	
General operating	$ (0.9)	$ (0.4)
Auxiliary	0.1	-
Plant	(1.0)	0.6
Total	**$ (1.8)**	**$ 0.2**

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

Statements of Cash Flows

Cash Flows for the Years Ended June 30

	2018	2017
Net Cash and Cash Equivalents (Used in) Provided by		
Operating activities	$ (47,901,391)	$ (46,685,451)
Noncapital financing activities	49,169,725	48,284,994
Capital and related financing activities	(32,168,209)	(12,835,370)
Investing activities	17,082,129	12,214,070
Net (Decrease) Increase in Cash and Cash Equivalents	(13,817,746)	978,243
Cash and Cash Equivalents - Beginning of year	21,013,887	20,035,644
Cash and Cash Equivalents - End of year	**$ 7,196,141**	**$ 21,013,887**

Major sources of cash included student tuition and fees of $9.1 million in 2018 and $10.5 million in 2017; state appropriations of $20.4 million in 2018 and $19.6 million in 2017; local appropriations of $20.9 million in 2018 and $20.4 million in 2017; grants and contracts of $2.1 million in 2018 and $2.0 million in 2017; auxiliary sales and services of $3.2 million in 2018 and $3.8 million in 2017; and proceeds from debt of $5.1 million in 2018 and $10.0 million in 2017.

Major uses of cash included employee compensation and benefits totaling $47.8 million in 2018 and $48.9 million in 2017; purchases of investments totaling $6.9 million in 2018 and $20.6 million in 2017; suppliers of goods and services totaling $15.5 million in 2018 and $15.7 million in 2017; principal payments on capital debt totaling $1.7 million in 2018 and $1.3 million in 2017; interest payments on capital debt totaling $2.1 million in 2018 and $1.4 million in 2017; and purchases of capital assets totaling $33.6 million in 2018 and $20.1 million in 2017.

Factors Impacting Future Periods

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

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

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

The College's state funding for operational support is determined legislatively and controlled through the Department of Higher Education. Under the new formula, the 2019 funding model for community and technical colleges will consist of three components: (1) course completions, (2) success points, and (3) degrees and certificates earned. Overall, State appropriations for higher education are flat in 2019 as compared to 2018.

Local appropriations in the form of property taxes are another critical element of support. The electors within the County of Lake, Ohio (the "County") must approve any Lakeland Community College property tax. The College collects property taxes for operating and capital purposes from three levies approved by the County voters: a 1.7 mills for a continuing period, a 1.5 mills for 10 years, and a 0.4 mills for 27 years. The 1.7 mills replacement levy was approved by Lake County voters on November 2, 2010 and the 1.5 mills stated rate levy was renewed on November 8, 2011. The 0.4 mills levy was approved by Lake County voters on November 3, 2015 and will be used to fund the debt service on the College's Series 2016 Bonds. Variations in funding, outside the levy mill amounts is threatened by property devaluations and the level of delinquent taxes collected each year.

Instructional fees are limited by both enrollment declines and the inability to raise tuition beyond a certain level as determined by the State Legislature. The College's 2019 budget reflects an anticipated enrollment decline of 3.0 percent from 2018. The State's current biennium budget froze tuition in FY 2018 and allows for an increase in tuition for FY 2019. Tuition for 2019 will increase by $10 per credit hour for both in-district and out-of-district students, and by $20 per credit hour for out-of-state students.

Contacting the College's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael Graff, Controller at Lakeland Community College, 7700 Clocktower Drive, Kirtland, Ohio 44094 or email at mgraff1@Lakelandcc.edu.

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

Statement of Net Position
June 30, 2018

Assets		
Current assets:		
Cash and cash equivalents (Note 3)	$	875,448
Restricted cash and cash equivalents (Note 3)		3,720,540
Short-term investments (Note 3)		2,078,362
Intergovernmental receivables - Net		11,417,330
Loans and other receivables - Net (Note 4)		14,377,191
Inventories		518,562
Prepaid assets		1,134,941
Total current assets		34,122,374
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)		2,600,153
Investments (Note 3)		8,539,887
Loans receivable - Net (Note 4)		14,088
Capital assets - Net (Note 5)		118,353,054
Total noncurrent assets		129,507,182
Total assets		163,629,556
Deferred Outflows of Resources		
Pensions		18,536,529
Other postemployment benefits		650,366
Total deferred outflows		19,186,895
Total assets and deferred outflows	**$**	**182,816,451**
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$	5,167,298
Unearned revenue		8,909,728
Debt payable (Note 6)		3,734,005
Compensated absences (Note 6)		1,029,281
Other liabilities		220,854
Total current liabilities		19,061,166
Noncurrent liabilities:		
Pensions (Note 6, 10)		71,444,924
Other postemployment benefits (Note 6, 11)		19,846,102
Debt payable (Note 6)		86,375,071
Compensated absences (Note 6)		715,337
Other liabilities (Note 6)		150,000
Total noncurrent liabilities		178,531,434
Total liabilities		197,592,600
Deferred Inflows of Resources		
Property Taxes		9,334,029
Pensions		6,281,369
Other postemployment benefits		2,580,886
Total deferred inflows		18,196,284
Net Position		
Net investment in capital assets		40,587,156
Restricted for:		
Nonexpendable for endowment purposes		374,134
Expendable for instructional purposes		2,709
Unrestricted		(73,936,432)
Total net position		(32,972,433)
Total liabilities, deferred inflows and net position	**$**	**182,816,451**

The Accompanying Notes are an Integral Part of these Financial Statements.

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

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

Operating Revenue		
Operating revenue:		
Tuition and fees - Net of $7,047,773 in Pell and scholarship allowances	$	9,652,640
Federal grants and contracts		558,899
State grants and contracts		740,964
Private grants and contracts		792,143
Sales and services		1,436,508
Auxilliary activities - Net of $802,142 in Pell and scholarship allowances		3,186,515
Other operating revenue		311,891
Total operating revenue		16,679,560
Operating Expenses		
Operating expenses:		
Educational and general:		
Instruction and departmental research		6,716,603
Public service		1,097,443
Academic support		4,122,682
Student services		6,249,420
Institutional support		8,862,336
Operation and maintenance of facilities		5,509,193
Total educational and general		32,557,677
Auxiliary enterprises		4,055,459
Depreciation and amortization		4,227,652
Total operating expenses		40,840,788
Operating Loss		(24,161,228)
Nonoperating Revenue (Expense)		
State appropriations (Note 8)		20,433,468
Local appropriations (Note 9)		20,783,174
Pell grant revenue - Net of refunds		7,849,915
Unrestricted investment income - Net of investment expense		270,276
Restricted investment income - Net of investment expense		31,178
Interest on capital asset - Related debt		(2,366,066)
Net nonoperating revenue		47,001,945
Gain - Before other changes		22,840,717
Other Changes		
Capital appropriations from the State of Ohio (Note 8)		4,127,929
Capital grants and gifts		201,744
Total other changes		4,329,673
Increase in Net Position		27,170,390
Net Position - Beginning of year, restated		(60,142,823)
Net Position - End of year	**$**	**(32,972,433)**

The Accompanying Notes are an Integral Part of these Financial Statements.

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

Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flows from Operating Activities	
Tuition and fees - Net	$ 9,105,880
Grants and contracts	2,069,529
Payments to suppliers and utilities	(15,462,169)
Payments for compensation and benefits	(47,815,305)
Federal drawdowns	9,900,899
Federal drawdowns applied to tuition - Disbursed to students	(10,786,245)
Auxiliary sales and services	3,164,780
Other	1,921,240
Net cash used in operating activities	(47,901,391)
Cash Flows from Noncapital Financing Activities	
State appropriations	20,433,468
Local appropriations	20,886,342
Federal Pell - Net of refunds	7,849,915
Net cash provided by noncapital financing activities	49,169,725
Cash Flows from Capital and Related Financing Activities	
Capital gift	201,744
Proceeds from issuance of debt	5,050,000
Purchases of capital assets	(33,599,742)
Principal paid on capital debt - Net	(1,692,749)
Interest paid on capital debt	(2,127,462)
Net cash used in capital and related financing activities	(32,168,209)
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	23,695,000
Purchase of investments	(6,936,743)
Interest on investments	323,872
Net cash provided by investing activities	17,082,129
Net Decrease in Cash and Cash Equivalents	(13,817,746)
Cash and Cash Equivalents - Beginning of year	21,013,887
Cash and Cash Equivalents - End of year	**$ 7,196,141**
Classification of Cash and Cash Equivalents	
Cash and cash equivalents	$ 875,448
Restricted cash and cash equivalents	6,320,693
Total cash and cash equivalents	**$ 7,196,141**

The Accompanying Notes are an Integral Part of these Financial Statements.

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

Statement of Cash Flows (Continued)
For the Year Ended June 30, 2018

Reconciliation of Operating Loss to Net Cash used in Operating Activities:		
Operating Loss	$	(24,161,228)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization expense		4,227,652
Net pension expense		(24,108,591)
Net other postemployment benefits (OPEB) expense		(1,723,688)
(Increase) Decrease in assets:		
Accounts receivable		(267,459)
Inventories		7,192
Other assets		835,504
Increase (Decrease) in liabilities:		
Accounts payable and accrued liabilities		(1,946,993)
Unearned revenue		(680,021)
Other liabilities		(18,618)
Net cash used in operating activities	**$**	**(47,901,391)**
Noncash Investing and Capital Activities		
State capital projects paid directly to vendors on College behalf	$	4,127,929
Capital assets purchased on credit		1,928,518
Unrealized (Loss) Gain on Investments		(107,739)

The Accompanying Notes are an Integral Part of these Financial Statements.

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

Statement of Financial Position and Condensed Statement of Activities
Component Unit – The Lakeland Foundation
As of and for the Year Ended June 30, 2018

Assets		
Cash and cash equivalents	$	898,477
Cash held for others		9,141
Investments (Note 3)		4,656,838
Receivables		285,733
Other assets		10,605
Total assets	**$**	**5,860,794**
Liabilities and Net Position		
Liabilities		
Accounts payable	$	9,700
Deferred revenue		46,416
Due to custodial funds		9,141
Total liabilities		65,257
Net Position		
Unrestricted		248,788
Temporarily restricted		2,973,785
Permanently restricted		2,572,964
Total net position		5,795,537
Total liabilities and net position	**$**	**5,860,794**

Condensed Statements of Activities

Support and Revenue		
Contributions and grants	$	1,990,467
Investment income - Net		273,339
Total support and revenue		2,263,806
Program and Support Services		
Program services:		
Scholarships		415,737
Educational and related programs		646,383
Support services - Administration and fund raising		297,291
Total program and support expenses		1,359,411
Increase (Decrease) in Net Position		904,395
Transfer out of Endowment		-
Change in Net Position		904,395
Net Position - Beginning of year		4,891,142
Net Position - End of year	**$**	**5,795,537**

The Accompanying Notes are an Integral Part of these Financial Statements.

Note 1: Basis of Presentation and Significant Accounting Policies

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

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

The financial statements have been prepared in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. This standard requires examination of significant operational or financial relationships with the College and establishes criteria for identifying and presenting component units of the organization. Based on this examination and application of the criteria, the College has identified one component unit: The Lakeland Foundation. A component unit is a separate legal entity that is included in the College's reporting entity because of the significance of its operational financial relationships with the College.

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

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

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

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

Note 1: Basis of Presentation and Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued)

During fiscal year 2018, the College invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio, is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The College measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Restricted Cash and Cash Equivalents – As of June 30, 2018, restricted cash and cash equivalents of $6,320,693 consist primarily of unspent proceeds from the Series 2017B TAN, and the debt service funds for the Series 2014 and Series 2016 Bonds.

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

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

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

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

Note 1: Basis of Presentation and Significant Accounting Policies (continued)

Capital Assets (continued)

Capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method. Equipment, furniture, and vehicles are based on date of acquisition and half-year straight-line method for all other capital assets:

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

Unearned Revenue – Unearned revenue includes tuition and fees for summer sessions and local government revenue. Summer tuition and fee revenue received and related expenses incurred are unearned in their entirety until the next fiscal year. Unearned revenue also includes amounts billed to students for the fall semester of fiscal year 2019 that have not yet been earned.

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

Net Position – Net position is classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Nonexpendable, restricted net positions are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been gifted or granted for specific purposes, funds used for capital projects, and debt service. 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. Unrestricted net position is not subject to externally-imposed constraints and may be designated for specific purposes by action of the Board of Trustees (the “Board”) or may otherwise be limited by contractual agreements with outside parties. For purposes where both restricted and unrestricted net position is available, the College first applies restricted resources when an expense is incurred.

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

Note 1: Basis of Presentation and Significant Accounting Policies (continued)

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

Pell Grant Reimbursements – Pell grant reimbursements are classified as nonoperating revenue due to their nonexchange nature. The amounts recorded as Pell revenue for 2018 total $7,849,915.

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

Deferred Outflows/ Inflows of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that apply to a future period and will not be recognized as an outflow of resources (expense) until then. For the College, deferred outflows of resources are reported for pensions (explained in Note 10) and other postemployment benefits (explained in Note 11).

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. For the College, deferred inflows of resources include property taxes, pensions, and net OPEB obligations. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. Deferred inflows of resources related to pensions are explained in Note 10. Deferred inflows of resources related to net OPEB obligations are explained in Note 11.

Pensions/Other Postemployment Benefits (OPEB) – For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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

Note 1: Basis of Presentation and Significant Accounting Policies (continued)

Newly Adopted Accounting Pronouncements

For fiscal year ended June 30, 2018, the College implemented the following Governmental Accounting Standards and Implementation Guide issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. These changes were incorporated in the College's fiscal year 2018 financial statements; and the effect on beginning net position is disclosed in Note 2 and additional information is presented in Note 11.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the College.

GASB Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of this GASB pronouncement did not result in any changes to the College's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources—that is, resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the purpose of extinguishing debt. The implementation of this GASB pronouncement did not result in any changes to the College's financial statements.

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This pronouncement is effective for reporting periods beginning after December 15, 2018. The College has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain

Note 1: Basis of Presentation and Significant Accounting Policies (continued)

Newly Issued Accounting Pronouncements, Not Yet Adopted (continued)

lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The effective date of this standard is reporting periods beginning after December 15, 2019. The College has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued in June 2018, establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period by simplifying accounting for interest cost incurred before the end of a construction period. The effective date for this standard is reporting periods beginning after December 15, 2019.

Note 2: Restatement of Net Position as a result of a Change in Accounting Principle

For fiscal year ended June 30, 2018, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. These changes were incorporated in the College's fiscal year 2018 financial statements. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	($36,642,513)
Adjustments:	
Net OPEB Liability	(23,679,602)
Deferred Outflow – Payments Subsequent to Measurement Date	179,292
Restated Net Position June 30, 2017	($60,142,823)

Other than payments subsequent to measurement date, the College made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 3: Cash and Cash Equivalents and Investments

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

Note 3: Cash and Cash Equivalents and Investments (continued)

Cash and Cash Equivalents (continued)

and its agencies, the State of Ohio, the Ohio Student Loan Commission, and any legally constituted taxing subdivision within the state of Ohio.

At June 30, 2018, the carrying amount of the College's cash balance was $773,646 and the bank balance totaled $1,586,990. The difference represents outstanding checks payable, deposits in transit, and normal reconciling items.

A total of $250,000 of the bank balance was covered by the federal depository insurance for the year ended June 30, 2018. The remainder was specifically secured by U.S. government and municipal securities. The College also maintains a small on-hand cash balance to maintain day-to-day operations in the cashier's office, bookstore, and food service operations.

The College has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the College and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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

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

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

Note 3: Cash and Cash Equivalents and Investments (continued)

Liquidity Risk – The portfolio remains sufficiently liquid to meet all current obligations of the College. Minimum liquidity levels are established in order to meet all current obligations without having to sell securities. The College forecasts its cash needs and maintains cash balances (related to daily receipts or for immediate expenditure needs) in an interest bearing bank account. In addition, funds are also invested in the State of Ohio treasurer's STAR investment program fund. The remaining portfolio at June 30, 2018 is made up of United States Treasury and agency issues, and commercial paper. These investments are structured so that securities mature concurrently with cash needs.

Credit Risk – Credit risk is the risk of loss due to the failure of a security issuer to pay principal or interest or the failure of the issuer to make timely payments of principal. Eligible investments affected by credit risk include certificates of deposit, commercial paper, and bankers' acceptances. The College had $852,330 in commercial paper in 2018. Credit risk is minimized by (1) diversifying assets by issuer, (2) ensuring that required minimum credit ratings exist prior to the purchase of commercial paper and bankers' acceptances, and (3) maintaining adequate collateralization of certificates of deposits.

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

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

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

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

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

Note 3: Cash and Cash Equivalents and Investments (continued)

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. In 2018, the College had investments in international equity mutual funds of $79,536 (included in the stock mutual fund balance of $277,808), representing less than 1 percent of the College's total investments.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The College's investment policy places no limitation on the amount that may be invested in a single issuer. The College is in full compliance with ORC 135.14 and its own investment policy regarding the concentration of credit risk.

At June 30, 2018, the College's investment portfolio consisted of the following:

2018	Fair Market Value	Less Than One Year	1-4 Years	NRSRO Rating
State Treasurer Asset Reserve Fund (STAR Ohio)	$ 6,191,833	$ 6,191,833	$ -	AAA
Money market	240,942	240,942	-	AAA
Commercial Paper	852,330	852,330	-	P-1
U.S. Treasury	743,270	-	743,270	AAA
U.S. government agency	8,621,614	2,078,362	6,543,252	AAA
Bond mutual funds	112,947	-	112,947	A
Stock mutual funds	277,808	-	277,808	N/A
Total cash equivalents and investments	$ 17,040,744	$ 9,363,467	$ 7,677,277	

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Note 3: Cash and Cash Equivalents and Investments (continued)

Investments

The College categorizes its fair value measurements at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets and Level 2 inputs are significant other observable inputs.

As of June 30, 2018 the College's investments had the following recurring fair value measurements:

Investment Type	2018	Level 1	Level 2
Money market	$ 240,942	$ 240,942	$ -
Commercial Paper	852,330	-	852,330
U.S. Treasury	743,270	-	743,270
U.S. government agency	8,621,614	-	8,621,614
Bond mutual funds	112,947	112,947	-
Stock mutual funds	277,808	277,808	-
Total investments	$ 10,848,911	$ 631,697	$ 10,217,214

The Star Ohio investment balance of $6,191,833 as of June 30, 2018 is not included in the table above as this investment is valued at amortized cost.

Level 1 investments include money market investments that are valued at amortized cost which approximates fair value. Level 1 investments also include directly held registered bond and stock mutual funds, and are valued using prices quoted in active markets that the custodian and College have the ability to access.

Level 2 investments include US government agencies and obligations and commercial paper. The evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities.

Note 4: Loans and Other Receivables

Loans and other receivables relate to several activities including tuition and fees, auxiliary sales, and miscellaneous sales and services. Loans and other receivables are recorded net of allowances for uncollectible accounts of $4,487,014 at June 30, 2018.

	Current Portion - Net	Noncurrent Portion - Net
Federal Perkins and nursing student loans	$ -	$ 7,792
Employee computer financing	15,034	6,296
Student accounts	8,836,539	-
Debt proceeds receivable	4,950,000	-
Auxiliary receivables	51,959	-
Interest receivable	35,776	-
Sales and service receivables	487,883	-
Total	$ 14,377,191	$ 14,088

Federal Direct Loans processed for students by the College totaled $9,522,499 during the year ended June 30, 2018. The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loans Program and, accordingly, these loans are not included in the College's financial statements.

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Notes to Financial Statements
June 30, 2018

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	June 30, 2017 Balance	Additions	Retirements and Transfers	June 30, 2018 Balance
Nondepreciable assets:				
Land	$ 2,793,744	$ -	$ -	$ 2,793,744
Construction in progress	26,482,022	33,588,990	(844,071)	59,226,941
Depreciable assets:				
Land improvements	4,608,988	78,796	-	4,687,784
Infrastructure	6,390,067	-	-	6,390,067
Buildings and improvements	102,853,041	2,241,509	-	105,094,550
Equipment and vehicles	16,116,348	1,574,624	(63,921)	17,627,051
Software and library books	11,397,303	637,112	-	12,034,415
Total capital assets	170,641,513	38,121,031	(907,992)	207,854,552
Less accumulated depreciation:				
Land improvements	3,327,118	135,312	-	3,462,430
Infrastructure	3,864,224	182,387	-	4,046,611
Buildings and improvements	56,578,380	2,324,474	-	58,902,854
Equipment and vehicles	10,927,826	1,248,330	(63,921)	12,112,235
Software and library books	10,631,471	345,897	-	10,977,368
Total accumulated depreciation	85,329,019	4,236,400 (1)	(63,921)	89,501,498
Capital assets - Net	$ 85,312,494	$ 33,884,631	$ (844,071)	$ 118,353,054

(1) Includes $8,748 capitalized interest amortization expense.

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Note 6: Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2018 was as follows:

	June 30, 2017 Balance	Additions	Reductions	June 30, 2018 Balance	Current Portion
Long-term debt obligations:					
Tax Anticipation Notes, Series 2017B	$ -	$ 10,000,000	$ -	$ 10,000,000	$ 985,000
Tax Anticipation Notes, Series 2017A	10,000,000	-	-	10,000,000	884,999
OAQDA Loan 2016	10,053,501	-	702,747	9,350,754	715,751
General Receipts Bonds, Series 2016A	21,510,000	-	155,000	21,355,000	155,000
Premium on General Receipts Bonds	1,516,257	-	59,267	1,456,990	59,267
General Receipts Bonds, Series 2016B	7,990,000	-	835,000	7,155,000	855,000
Premium on General Receipts Bonds	156,932	-	6,134	150,798	6,134
General Receipts Bonds, Series 2016C	8,575,000	-	-	8,575,000	-
Premium on General Receipts Bonds	987,431	-	69,890	917,541	51,936
General Receipts Bonds, Series 2014	20,700,000	-	-	20,700,000	-
Premium on General Receipts Bonds	468,911	-	20,918	447,993	20,918
Total	81,958,032	10,000,000	1,848,956	90,109,076	3,734,005
Net Pension Liability:					
SERS	37,478,601	-	7,989,793	29,488,808	-
STRS	60,166,516	-	18,210,400	41,956,116	-
Total	97,645,117	-	26,200,193	71,444,924	-
Net OPEB Liability:					
SERS	14,066,722	-	1,111,624	12,955,098	-
STRS	9,612,880	-	2,721,876	6,891,004	-
Total	23,679,602	-	3,833,500	19,846,102	-
Other noncurrent obligations:					
Reserve for compensated absences	1,809,759	-	65,141	1,744,618	1,029,281
Other liabilities	150,000	-	-	150,000	-
Total long-term obligations	$ 205,242,510	$ 10,000,000	$ 31,947,790	$ 183,294,720	$ 4,763,286

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Note 6: Long-Term Obligations (continued)

Tax Anticipation Notes Series 2017B, Tax Anticipation Notes Series 2017A, Ohio Air Quality Development Authority (OAQDA) Loan 2016, General Receipts Bonds 2016A, General Receipts Bonds 2016B, General Receipts Bonds 2016C, General Receipts Bonds Series 2014, Tax Anticipation Notes Series 2011, Series 2008 – Effective July 19, 2017, the College issued Tax Anticipation Notes (Series 2017B Notes) in anticipation of the collection of a fraction of the proceeds to be received from the collection of a 1.7 mills ad valorem property tax in excess of the 10 mills limitation (the "Tax Levy") for that purpose approved by the electors of the College at an election held on November 3, 1970 and replaced by a vote of the electors on November 2, 2010. The notes are in the amount of $10,000,000 at a fixed interest rate of 2.44 percent and a maturity date of 2027. The College will use the proceeds for the erection, furnishing and equipment of buildings and the improvement of various properties.

As of June 30, 2018, the Tax Anticipation Notes 2017B debt proceeds in the amount of $4,950,000 are receivable. The related receivable is included in Loans and other receivables in the Current Assets section of the June 30, 2018 Statement of Net Position. All of the draws from the proceeds of the Series 2017B Notes were completed as of August 1, 2018. The principal and interest on the Series 2017B Notes are to be paid from the proceeds of the tax levy as levied on all property subject to ad valorem taxes levied by the College's Board of Trustees. Semiannual interest payments will be due on June 1st and December 1st each year commencing on December 1, 2018. Custom annual principal payments will be due on December 1st of each year commencing on December 1, 2018.

Effective January 18, 2017, the College issued Tax Anticipation Notes (Series 2017A Notes) in anticipation of the collection of a fraction of the proceeds to be received from the collection of a 1.7 mills ad valorem property tax in excess of the Tax Levy for that purpose approved by the electors of the College at an election held on November 3, 1970 and replaced by a vote of the electors on November 2, 2010. The notes are in the amount of $10,000,000 at a fixed interest rate of 2.7 percent and a maturity date of 2027. The Series 2017A Notes are issued for the purpose of providing funds for the acquisition of sites; the erection, furnishing, and equipment of buildings; the acquisition, construction, or improvement of any property which the Board of Trustees of the community college district is authorized to acquire, construct, or improve, and which has an estimated life of usefulness of five years or more as certified by the fiscal officer; and the payment of operating costs of the College.

The Series 2017A Notes are payable as to both principal and interest from the proceeds of the Tax Levy, and are issued under authority of and pursuant to the laws of the State of Ohio, particularly Sections 3354.12 and 133.24 of the Revised Code, the requisite majority vote of the electors of the College cast at an election held on November 2, 2010 upon the question of the Tax Levy, and a resolution adopted by the board of trustees of the College on December 1, 2016 and a Certificate of Award dated January 18, 2017 (collectively, the "Note Legislation"). The Series 2017A Notes are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amount.

In 2016, the College and the Ohio Air Quality Development Authority (OAQDA) entered into a resolution where the OAQDA authorized issuance of revenue bonds in the aggregate principal amount of $10,388,237 at fixed interest rates ranging from 1.85 percent to 3.62 percent and a final maturity in 2029. The proceeds

Note 6: Long-Term Obligations (continued)

were used to assist in the financing of certain air quality facilities in the form of energy conservation measures to be installed in the Lakeland Health Technology Building owned by the College. This major energy conservation project includes electrical upgrades to include interior/exterior lighting and controls, mechanical upgrades and HVAC upgrades, building envelope R-30 roof replacement and window reglazing or replacement, and water efficiency.

In 2016, the College issued $21,510,000 in Series 2016A Bonds at fixed interest rates ranging from 2.0 percent to 5.0 percent and a final maturity in 2042, for all or part of the cost of purchasing sites and for the erection, furnishing, and equipment of buildings, including buildings used for Applied Health Technology, Science and Bio-Science, and for the acquisition or construction of any property which the board of trustees of a community college district is authorized to acquire or construct, including infrastructure improvements. The Series 2016A Bonds maturing on or after December 1, 2027 are subject to redemption at the option of the College, either in whole or in part, in such order of maturity as the College shall determine, on any date on or after December 1, 2026, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

In 2016, the College issued $8,990,000 in Series 2016B Bonds, at fixed interest rates ranging from 2.0 percent to 3.25 percent and a final maturity in 2025, to refund the 2008 Tax Anticipation Notes (Series 2008 Notes) previously issued on July 22, 2008 of $8,500,000 and the 2011 Tax Anticipation Notes (Series 2011 Notes) previously issued on June 29, 2011 of $9,500,000. The net proceeds were used to purchase direct obligations of the U.S. Government. Those securities were deposited in an irrevocable trust with an escrow agent. The securities and fixed earnings from the securities are sufficient to provide for all future debt service payments of the Series 2008 Notes and the Series 2011 Notes. As a result, the Series 2008 Notes and the Series 2011 Notes are considered defeased, and the College has removed the liabilities from its accounts. As the result of refunding, total debt service payments relating to the Series 2008 Notes, which were scheduled to mature in December 2018, were reduced by $3,202,335, and total debt service payments relating to the Series 2011 Notes, which were scheduled to mature in December 2021, were reduced by $6,509,850. The refunding of the Series 2008 Notes resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of $169,235. The refunding of the Series 2011 Notes resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of $317,890. As of June 30, 2018, $995,000 of the Series 2008 Notes remained outstanding and $3,905,000 of the Series 2011 Notes remained outstanding. The Series 2016B Bonds, Series 2008 Notes and Series 2011 Notes are not subject to redemption at the option of the College prior to their stated maturity.

In 2016, the College issued $8,575,000 in Series 2016C Bonds, at fixed interest rates ranging from 3.5 percent to 4.0 percent and a final maturity in 2035, for the purpose of retiring the College's Facilities Construction and Improvement Notes, Series 2015, issued for the purpose of financing all or a part of the cost of purchasing sites and for the erection, furnishing, and equipment of buildings, including buildings used for Applied Health Technology, Science and Bio-Science, and for the acquisition or construction of any property which the board of trustees of a community college district is authorized to acquire or construct, including infrastructure improvements, and repaying moneys previously borrowed, advanced, or granted and expended for such purpose. The Bonds are subject to redemption at the option of the College, either in whole or in part, in such order of maturity as the College shall determine, on any date on or after December

Note 6: Long-Term Obligations (continued)

1, 2025, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The Series 2016A, 2016B, and 2016C Bonds are issued in conformity with Revised Code Chapter 133, and are, therefore, lawful investments for banks, savings and loan associations, credit union share guaranty corporations, trust companies, trustees, fiduciaries, insurance companies, including domestic for life and domestic not for life, trustees or other officers having charge of sinking and bond retirement or other funds of the State, subdivisions and taxing districts, the Commissioners of the Sinking Fund of the State, the Administrator of Workers' Compensation, the State teachers, public employees, and school employees retirement systems, and the police and firemen's disability and pension fund, and are eligible as security for the repayment of the deposit of public moneys.

In 2014, the College issued general receipts bonds in the amount of $20.7 million representing the par amount of the bonds, at fixed interest rates ranging from 3.25 percent to 5.0 percent and a final maturity in 2039. The notes are dated November 25, 2014. Bond proceeds were used to refund the Series 2014 Tax Anticipation Notes, acquire the Holden University Center property, and to renovate science labs.

The Series 2014 Bonds are special obligations of the College. Bondholders have no right to have excises or taxes levied by the State of Ohio General Assembly or by the College for their payment. Principal and interest on the bonds are payable solely from and secured by a pledge of the College's general receipts and bond proceeds. State appropriations, local ad valorem property tax receipts, and other restricted receipts are specifically excluded from general receipts. According to bond covenants, the College includes in its budget for each fiscal year amounts from general receipts that are at least sufficient to pay debt service charges payable that fiscal year from general receipts, as well as to satisfy other requirements.

Scheduled principal maturities and total debt service on the Series 2017 Notes, OAQDA Loan, Series 2016 Bonds, and the Series 2014 Bonds for fiscal years subsequent to June 30, 2018 are as follows:

Fiscal Years Ending	Principal	Interest	Total
2019	$ 3,595,750	$ 3,094,080	$ 6,689,830
2020	4,313,991	2,780,923	7,094,914
2021	4,412,477	2,658,224	7,070,701
2022	4,531,213	2,533,697	7,064,910
2023	4,645,203	2,405,098	7,050,301
2024-2028	24,993,947	9,822,511	34,816,458
2029-2033	13,428,173	6,546,796	19,974,969
2034-2038	13,950,000	4,093,109	18,043,109
2039-2043	13,265,000	1,083,834	14,348,834
Total	$ 87,135,754	$ 35,018,272	$ 122,154,026

Note 7: Operating Lease Obligations

The College has entered into various lease agreements, which are considered operating leases. Total rental expense under operating leases during the year ended June 30, 2018 amounted to $203,055. Three operating leases are outstanding at June 30, 2018. One was for real estate property rentals for Lakeland's campus in Madison, one was for a motor vehicle, and the other was for office equipment.

Future minimum lease payments as of June 30, 2018 under operating leases are as follows:

2019	$	200,066
2020		198,804
2021		187,790
2022		122,902
2023		125,482
2024-2025		149,544
Total	$	984,588

Note 8: State Appropriations

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

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

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

Note 9: Local Appropriations

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

The electors within the County must approve any Lake County Community College District d/b/a Lakeland Community College property tax. Lake County Community College District d/b/a Lakeland Community College receives property taxes for operating and capital purposes from three levies approved by the County voters: a 1.7 mills stated rate for a continuing period, a 1.5 mills stated rate for 10 years, and a 0.4 mills for 27 years. On November 2, 2010, Lake County voters approved a "replacement" of the 1.7 mills continuing levy. With this replacement levy approved, the incremental revenue was approximately $8.0 million effective in 2012 after generating $4.0 million for half year assessments in 2011. The incremental $8.0 million dollars, as compared to 2010, is expected to continue unless another replacement is passed. On November 8, 2011, the 1.5 mills levy was renewed by the Lake County voters. The 0.4 mills levy was approved by Lake County voters on November 3, 2015.

Revenue authorization is recognized based on the taxing authority's amounts to be distributed to the tax district and its certification of the College's annual budget. The taxing authority does not authorize the distribution of the tax assessment for the calendar year 2018 until October 2018, thus not legally making it available to the College until after the end of the College's fiscal year for that year's calendar assessment. The College has recognized one-half year of its real property and public utility property tax receipts due as an intergovernmental receivable in the current fiscal year. Property taxes receivable represent outstanding real and public utility property taxes, which were measurable at June 30, 2018. Total property tax collections for the next fiscal year are measurable amounts. However, since these revenue collections to be received during the available period are not intended to finance 2018 operations, the receivable amount is recorded as deferred inflows of resources.

Tax Incentives and Tax Abatements

Several of the cities, villages and townships within Lake County have authorized, through the passage of public ordinances/resolutions, different real estate tax incentives. The first of these incentives, which is authorized pursuant to Ohio Revised Code Chapter 5709, is called Tax Increment Financing Agreements (TIF's). Under a TIF, the property owner makes Payments in Lieu of Taxes (PILOT's) in the same amount as the property tax, on improvements made to the respective property since the inception of the TIF. The PILOT's are used by the respective cities, villages and townships to finance infrastructure improvements to the properties included within the TIF. The revenue derived from the PILOT's is redirected from the "normal" distribution had the TIF not been established. With respect to College funds, none of the PILOT's are remitted to the College, but instead are remitted to the respective cities, villages and townships to finance the construction of the respective improvements.

Note 9: Local Appropriations (continued)

The following are the amounts that would have been received by the College, for the fiscal year ended June 30, 2018 had the TIF agreements not been established and the improvements still constructed:

District	Total
Mentor City	$ 154,265
Painesville City	41,803
Willowick City	18,988
Concord Township	10,466
Willoughby Hills City	6,105
Madison Township	858
Total	**$ 232,485**

The second of these incentives, which is authorized pursuant to Ohio Revised Code Chapter 3735, is called Community Reinvestment Areas (CRA's). In order to establish a CRA, a city, village or township must survey the housing within its jurisdiction and determine that all or part(s) of the jurisdiction has an area(s) that has housing facilities or structures of historical significance and that repair of these facilities and/or structures is currently lacking incentives. By establishing a CRA within its jurisdiction, the respective government can offer real estate tax abatements on improvements made to such facilities and/or structures. The percentage and length of time of these abatements is negotiated by the respective government and property owner. With respect to College funds, none of the abated tax revenue is received during the duration of the abatement.

The following are the amounts that would have been received by the College, for the fiscal year ended June 30, 2018 had the CRA's not been established and the improvements still constructed:

District	Total
Willoughby City	$ 34,442
Mentor City	17,245
Painesville City-Painesville Township School District	8,615
Willoughby Hills City	3,053
Eastlake City	1,732
Painesville City	1,629
Painesville Township	678
Total	**$ 67,394**

Note 10: Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that occurred in the past.

The net pension liability represents the College's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the College's obligation for this liability to annually required payments. The College cannot control benefit terms or the manner in which pensions are financed; however, the College does receive the benefit of employees' services in exchange for compensation including pension and other postemployment benefits (OPEB).

GASB Statement Nos. 68 and 75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for OPEB benefits, primarily health care. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium.

State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

With respect to the OPEB liability, the Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. However, the OPEB liability may be affected by legislative or board action. Resulting adjustments to the OPEB liability would be effective when the changes become legally enforceable.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires the College record a net pension liability based on its proportionate share of each retirement systems total net pension liability, deferred outflows and deferred inflows related to pensions and associated pension expense. The effect of year to year changes are reflected in the College's statement of net position and statement of revenues, ex-

Note 10: Defined Benefit Pension Plans (continued)

penses and changes in net position for the fiscal year ended June 30, 2018. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than for Pensions*, requires the College record a net OPEB liability based on its proportionate share of each retirement systems (along with other benefits subject to its guidelines) total net OPEB liability, deferred outflows and deferred inflows related to OPEB and associated OPEB expense. The effect of year to year changes are reflected in the College's statement of net position and statement of revenues, expenses and changes in net position for the fiscal year ended June 30, 2018 along with a restatement of net position resulting from recognizing the liability and related deferred outflows and deferred inflows as of June 30, 2017. Information related to the impact of the proportionate responsibility for pensions is presented in this Note by plan and in Note 11 for OPEB.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension and net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required pension and OPEB contribution outstanding at the end of the year is included as an accrued liability.

Plan Description - School Employees Retirement System (SERS)

Plan Description – College non-teaching employees participate in SERS, a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Note 10: Defined Benefit Pension Plans (continued)

Plan Description - School Employees Retirement System (SERS)

One year after an effective benefit date, a benefit recipient is entitled to a 3% cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit. Effective January 1, 2018, SERS COLA will change from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%, per House Bill 49. House Bill 49 also provided the SERS Retirement Board with the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W; however, any adjustment above or below CPI-W could only be enacted if the system's actuary determines it would not materially impair the fiscal integrity of the system, or is necessary to preserve the fiscal integrity of the system.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the College is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5% and the remaining 0.5% was made to the Health Care Fund.

The College's contractually required contribution to SERS was $2,311,162 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – College licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance, payable for life, based on the average of the member's five highest years of earnings multiplied by 2.2% for each year of credited service. For July 1, 2015 and earlier, the annual allowance is determined by multiplying final average salary (average of three highest years of earnings) by 2.2% for the first 30 years of credited service. Each year over 30 years is incrementally increased by 0.1% starting at 2.5% for the 31st year of contributing service up to a maximum allowance of 100% of final average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service are multiplied by 2.5%, and each year over 31 years is incrementally increased by 0.1% starting at 2.6% for the 32nd year. Members are eligible to retire at age 60 with five years of qualifying service credit,

Note 10: Defined Benefit Pension Plans (continued)

or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan benefits are established under Chapter 3307.80 to 3307.89 of the Ohio Revised Code. The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to help offset the defined benefit unfunded liability. 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. Employer contributions into member accounts are vested after the first anniversary of the first day of paid service. Members vest 20% per year in employer contributions and all gains and losses on those contributions. Members who become disabled are entitled only to their account balances. The member's beneficiary is entitled to receive the member's account balance should he/she die before retirement benefits begin.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate in fiscal year 2018 and 11.53% of the 14% member contribution rate goes to the DC Plan and the remaining amount is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1.0% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits.

A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans.

Alternative Retirement Plan – Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees

Note 10: Defined Benefit Pension Plans (continued)

have 120 days from their date of hire to select a retirement plan. For employees who select an ARP, employers are required to remit employer contributions to STRS Ohio at a rate of 4.47% of payroll in fiscal year 2018, previously 4.5% in fiscal year 2017.

Administrative Expenses – The costs of administering the Defined Benefit and postemployment health care plans are financed by investment income. The administrative costs of the Defined Contribution Plan are financed by participant fees.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal years ended June 30, 2018 and June 30, 2017 the employer rate was 14% and the plan members were also required to contribute 14% of covered salary.

The College's contractually required contributions to STRS was $2,718,386 for fiscal year 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense (income) at June 30, 2018:

	SERS	STRS	Total
Proportion of Net Pension Liability Current Measurement Date	0.4935548%	0.17661855%	
Proportion of Net Pension Liability Prior Measurement Date	0.5120673%	0.17974633%	
Change in Proportionate Share	-0.0185125%	-0.00312778%	
Proportionate Share of the Net Pension Liability	$ 29,488,808	$ 41,956,116	$ 71,444,924
Pension Expense	$ (1,658,407)	$ (17,420,636)	$ (19,079,043)

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the College's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five-year period beginning in the current year. Deferred

Note 10: Defined Benefit Pension Plans (continued)

outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 1,269,096	$ 1,620,148	$ 2,889,244
Net difference between projected and actual earnings on pension plan investments	(83,414)	-	(83,414)
Changes in assumptions	1,524,888	9,176,262	10,701,150
College contributions subsequent to the measurement date	2,311,162	2,718,386	5,029,548
Total Deferred Outflows of Resources	$ 5,021,732	$ 13,514,796	$ 18,536,528
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ 338,150	$ 338,150
Net difference between projected and actual earnings on pension plan investments	56,562	1,384,601	1,441,163
Changes in Proportionate Share and difference between College contributions and proportionate share of contributions	1,486,839	3,015,217	4,502,056
Total Deferred Inflows of Resources	$ 1,543,401	$ 4,737,968	$ 6,281,369

$5,029,548 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Note 10: Defined Benefit Pension Plans (continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ 585,666	$ 667,757	$ 1,253,423
2020	1,052,757	2,551,289	3,604,046
2021	216,191	2,293,871	2,510,062
2022	(687,445)	545,525	(141,920)
Total	$ 1,167,169	$ 6,058,442	$ 7,225,611

Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017 are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent, including inflation
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Note 10: Defined Benefit Pension Plans (continued)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used were based on the results of the most recent experience study which was completed on June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on

Note 10: Defined Benefit Pension Plans (continued)

pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net pension liability	$ 40,922,804	$ 29,488,808	$ 19,910,507

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	0.00 percent effective July 1, 2017
Payroll increase	3.00 percent

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Note 10: Defined Benefit Pension Plans (continued)

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	7.45 %

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25%, and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the net pension liability	$ 60,142,663	$ 41,956,116	$ 26,636,674

Note 10: Defined Benefit Pension Plans (continued)

Benefit Term Changes Since the Prior Measurement Date Effective July 1, 2017, the COLA was reduced to zero. Effective July 1, 2017, of the 14% employer contribution, 9.53% of salary is deposited into the member's DC plan while 4.47% of the salaries is used to amortize the unfunded actuarial accrued liability of the DB plan. In the prior fiscal year, the allocation was 9.5% and 4.5% to the DC plan and the DB plan, respectively.

Assumption Changes Since the Prior Measurement Date The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Note 11: Defined Benefit OPEB Plans

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions--between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the College's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the College's obligation for this liability to annually required payments. The College cannot control benefit terms or the manner in which OPEB are financed; however, the College does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion

Note 11: Defined Benefit OPEB Plans (continued)

Net OPEB Liability (continued)

of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The College contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate

Note 11: Defined Benefit OPEB Plans (continued)

more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the College's surcharge obligation was $170,033.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College's contractually required contribution to SERS was $252,575 for fiscal year 2018. Of this amount $170,033 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2019. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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Note 11: Defined Benefit OPEB Plans (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's proportion of the net OPEB liability was based on the College's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense (income):

	SERS	STRS	Total
Proportion of Net OPEB Liability			
Current Measurement Date	0.482726%	0.17661855%	
Proportion of Net OPEB Liability			
Prior Measurement Date	0.493505%	0.17974633%	
Change in Proportionate Share	-0.010779%	-0.00312778%	
Proportionate Share of the Net OPEB Liability	$ 12,955,098	$ 6,891,004	$ 19,846,102
OPEB Expense (Income)	$ 655,545	$ (2,126,658)	$ (1,471,113)

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Note 11: Defined Benefit OPEB Plans (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ -	$ 397,791	$ 397,791
College contributions subsequent to the measurement date	252,575	-	252,575
Total Deferred Outflows of Resources	$ 252,575	$ 397,791	$ 650,366
Deferred Inflows of Resources			
Changes in assumptions	$ 1,229,372	$ 555,093	$ 1,784,465
Net difference between projected and actual earnings on OPEB plan investments	34,211	294,538	328,749
Changes in proportionate share and difference between College contributions and proportionate share of contributions	$ 324,294	$ 143,378	467,672
Total Deferred Inflows of Resources	$ 1,587,877	$ 993,009	$ 2,580,886

$252,575 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ (571,475)	$ (123,747)	$ (695,222)
2020	(571,475)	(123,747)	(695,222)
2021	(436,374)	(123,747)	(560,121)
2022	(8,553)	(123,749)	(132,302)
2023	-	(50,113)	(50,113)
Thereafter	-	(50,115)	(50,115)
Total	$ (1,587,877)	$ (595,218)	$ (2,183,095)

Note 11: Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments
	expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense,	
including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

Note 11: Defined Benefit OPEB Plans (continued)

Actuarial Assumptions – SERS (continued)

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63%. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan.

Note 11: Defined Benefit OPEB Plans (continued)

Actuarial Assumptions – SERS (continued)

Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56%, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
College's proportionate share of the net OPEB liability	$ 15,644,930	$ 12,955,098	$ 10,824,064

	1% Decrease (6.50% deceasing to 4.00%)	Current Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%
College's proportionate share of the net OPEB liability	$ 10,512,091	$ 12,955,098	$ 16,188,459

Note 11: Defined Benefit OPEB Plans (continued)

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation		2.50 percent
Projected salary increases		12.50 percent at age 20 to
		2.50 percent at age 65
Investment Rate of Return		7.45 percent, net of investment
		expenses, including inflation
Payroll Increases		3 percent
Cost-of-Living Adjustments		0.0 percent, effective July 1, 2017
(COLA)		
Blended Discount Rate of Return		4.13 percent
Health Care Cost Trends		6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date Since the prior measurement date, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Benefit Term Changes Since the Prior Measurement Date Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning

Note 11: Defined Benefit OPEB Plans (continued)

Actuarial Assumptions – STRS (continued)

January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25%, and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58% as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13%, which represents the long-term expected rate of return of 7.45% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58% for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26% which represents the long term expected rate of return of 7.75% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85% for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Note 11: Defined Benefit OPEB Plans (continued)

Actuarial Assumptions – STRS (continued)

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
College's proportionate share of the net OPEB liability	$ 9,251,062	$ 6,891,004	$ 5,025,787

	1% Decrease	Current Trend Rate	1% Increase
College's proportionate share of the net OPEB liability	$ 4,787,574	$ 6,891,004	$ 9,659,364

Note 12: Lake County Schools' Health Care Consortium

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

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

Since its inception, LCSC has built up its net assets and LCSC members are responsible for funding and setting aside reserves to pay its various health care benefit obligations. As part of joining the LCSC, the College's Board of Trustees authorized payment to the LCSC in the amount of $680,239 as the College's assessment for inclusion in the LCSC's healthcare benefits program as a member of equal standing. The

Note 12: Lake County Schools' Health Care Consortium (continued)

entire assessment was expensed in fiscal year 2002 since the assessment is not guaranteed to be refunded to the College should the College at any time voluntarily withdraw from the LCSC.

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

Note 13: Risk Management

On November 1, 2011, the College joined with seven other state-assisted community colleges in Ohio to form an insurance-purchasing pool for the acquisition of commercial property, casualty, and general liability insurance. The College pays annual premiums to the pool for coverage based on its percentage of the total insurable value to the pool. There are twelve members in the pool as of June 30, 2018.

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

Note 14: Subsequent Events

On March 29, 2018, the College's Board of Trustees approved a Resolution authorizing the College to place a 0.4 mill capital improvement bond issue on the November 6, 2018 ballot. The bond issue proposal would have generated $40 million to be repaid over a maximum of 28 years. The money would have been used for capital investments and could not have been used for salaries or operating expenses. The proposed 0.4 mill bond issue would have cost $14 per year per hundred thousand dollars of property value. The bond issue did not pass.

Debt proceeds receivable related to the Series 2017B Tax Anticipation Notes totaled $4,950,000 as of June 30, 2018. This amount was drawn down on August 1, 2018. The related receivable is included in Loans and other receivables in the Current Assets section of the June 30, 2018 statement of net position. The related liability is included in Debt payable in the Noncurrent liabilities section of the June 30, 2018 statement of net position.

Note 15: Discretely Presented Component Unit

Note 1: Nature of Activities

The Lakeland Foundation (the "Foundation") was formed in 1981 to obtain private financing support for the promotion of excellence at Lakeland Community College (LCC) and operates for the benefit and is a component unit of LCC. The Foundation provides scholarships, support, and loans to financially disadvantaged students, students demonstrating excellent academic abilities, and students meeting criteria of specific donor stipulations. The Foundation also provides support to specific educational departments and programs of LCC. The accounting records for the Foundation are maintained at LCC in Kirtland, Ohio. Certain administrative expenses of the Foundation are paid directly by LCC.

The Foundation serves as fiscal agent for Partners in Science Excellence (PSE). PSE is a separate organization with its own board. The cash on hand and due PSE is reflected on the statement of financial position as "Cash held for others" and "Due to custodial funds."

The Foundation's primary sources of revenue are endowment income and public support through grants and donations from individuals, corporations, foundations, and trusts located primarily in northeastern Ohio.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Basis of Presentation

The Foundation follows authoritative guidance issued by the Financial Accounting Standards Board (FASB) which established the FASB Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.
- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Foundation. Generally, the donors of such assets permit the Foundation to use all or part of the income earned on the assets for general or specific purposes.

Note 15: Discretely Presented Component Unit (continued)

Note 2: 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 includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits and certificates of deposit. Money market investments are considered investments. Cash held for others is excluded from the definition of cash and cash equivalents.

Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents, investments, and pledges receivable.

The Foundation has significant investments in equity and debt securities and is, therefore, subject to concentrations of credit risk. Investments are managed by investment advisors who are overseen by a committee. Though the market value of investments is subject to fluctuations on a year-to-year basis, the committee believes that the investment policy is prudent for the long-term welfare of the Foundation.

Credit risk with respect to pledges receivable is limited due to the number and credit worthiness of the foundations, corporations, governmental units, and individuals who comprise the contributor base.

At various times during the year ended June 30, 2018, the Foundation's cash in bank balances may have exceeded the federal insured limits.

Investments

Investments in marketable securities are stated at fair market value.

The Foundation's practice with respect to contributions of equity securities is to sell the securities upon receipt for their current fair market value.

Contributions

The Foundation accounts for donations in accordance with ASC 958. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Note 15: Discretely Presented Component Unit (continued)

Note 2: Summary of Significant Accounting Policies (continued)

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor- imposed restrictions, if any, on the contributions.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities and Health Care Entities – Presentation of Financial Statements of Not-for-Profit Entities*. This ASU changes the current reporting requirements for nonprofit organizations and their required disclosures. The changes include: (a) requiring the presentation of only two classes of net assets, entitled "net assets without donor restriction" and "net assets with donor restrictions," (b) modifying the presentation and disclosures of underwater endowment funds, (c) requiring the use of the placed in service approach to recognize the releases from restriction for gifts utilized to acquire or construct long-lived assets, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes to the financial statements and to summarize the allocation methodologies utilized to allocate the costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity, and (f) modifying other financial statement reporting requirements and disclosures to enhance the usefulness of nonprofit financial statements. This ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 which deferred the effective date for the Foundation until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to address questions stemming from ASU 2014-09 regarding its implications on the grants and contracts of not-for-profit organizations. This ASU provides guidance on determining whether a transfer of assets is a contribution or an exchange transaction, and, if a contribution, whether the contribution is conditional. The ASU clarifies that a transfer of assets is an exchange transaction if the resource provider is receiving commensurate value in return for the resources transferred and provides points of consideration in making this determination. It also states that a contribution is conditional if the agreement includes both (a) a barrier that must be overcome before the recipient is entitled to the assets and (b) a right of return of the assets transferred or a right of release of a promisor's obligation to transfer assets. This ASU is effective for fiscal years beginning after December 15,

Note 15: Discretely Presented Component Unit (continued)

Note 2: Summary of Significant Accounting Policies (continued)

2018, with early adoption permitted. Retrospective application of the amendments in this update is permitted, although a modified prospective application is recommended.

The Foundation is evaluating the potential impact of adopting this guidance on its financial statements.

Tax Status

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The Foundation accounts for income taxes in accordance with the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. The Foundation classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. As of June 30, 2018, the Foundation has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

The Foundation files its Form 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Ohio.

Pledges Receivable

Pledges receivable are funds primarily committed as part of the major gifts campaign. The Foundation provides for uncollectible pledges receivable using the allowance method. Management estimates an allowance based on an aging schedule and a calculation using past due pledges receivable. Pledges receivable past due less than one year use an allowance percentage of 50% of the past due amount and pledges receivable past due greater than one year use an allowance percentage of 100% of the past due amount. Pledges receivable are written off when they are determined to be uncollectible.

Loans Receivable

Loans receivable are funds committed to qualifying students in the C. Schell Loan Program. This revolving student loan program grants interest-free loans with various repayment terms. The Foundation provides for uncollectible loans receivable using the allowance method. Management estimates an allowance based on historical collection percentages, an aging schedule, and a calculation based on maturity dates of individual loans. Loans receivable are written-off when they are determined to be uncollectible.

Donated Administrative Expenses

Certain administrative functions of the Foundation are performed by administrative employees of LCC at no charge to the Foundation. The value of these services is not recognized in these financial statements.

Note 15: Discretely Presented Component Unit (continued)

Note 2: Summary of Significant Accounting Policies (continued)

Donated Fundraising Expenses

Significant time has been provided by many volunteers in fundraising activities; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Subsequent Events

The date to which events occurring after June 30, 2018, have been evaluated for possible adjustment to the financial statements or disclosure is November 9, 2018, which is the date on which the financial statements were available to be issued. No events were identified that would require adjustment to or disclosure in the financial statements.

Note 3: Investments

Investments are recorded at fair value. The historical cost and fair value at June 30, 2018 was as follows:

	2018	
	Cost	Fair Value
Debt securities:		
Corporate bonds	$ 190,228	$ 189,569
Mutual funds:		
Fixed-income mutual funds	728,664	706,939
Large cap equity	808,756	1,017,257
Mid cap equity	590,410	636,531
Domestic equity mutual funds	586,775	578,704
International equities	646,655	685,977
International fixed-income	170,989	165,625
Alternative assets	478,011	467,556
Emerging markets equities	81,798	88,974
Money market/cash and reserves	119,706	119,706
	$ 4,401,992	$ 4,656,838

Fair Value of Financial Instruments – The Foundation adopted applicable sections of ASC 820: *Fair Value Measurements and Disclosures* for financial assets and financial liabilities. In accordance with ASC 820, fair value is defined as the price the Foundation would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the asset or liability. ASC 820 establishes a three-tier hierarchy to

Note 15: Discretely Presented Component Unit (continued)

Note 3: Investments (continued)

distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs may be used in determining the value of the Foundation's investments. The inputs are summarized in the three broad levels below:

Level 1 – quoted prices in active markets for identical assets and liabilities

Level 2 – other significant observable inputs (including quoted prices for similar assets and liabilities, interest rates, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of the assets and liabilities)

The input or methodology used for valuing securities is not necessarily an indication of the risk associated with maintaining those investments.

The following is a summary of the inputs used as of June 30, 2018, in valuing the Foundation's investments carried at fair value:

	Level 1	Level 2	Level 3	Total
Debt securities:				
Corporate bonds	$ -	$ 189,569	$ -	$ 189,569
Mutual funds:				
Fixed-income mutual funds	706,939	-	-	706,939
Large cap equity	1,017,257	-	-	1,017,257
Mid cap equity	636,531	-	-	636,531
Domestic equity mutual funds	578,704	-	-	578,704
International equities	685,977	-	-	685,977
International fixed-income	165,625	-	-	165,625
Alternative assets	467,556	-	-	467,556
Emerging markets equities	88,974	-	-	88,974
Money market/cash and reserves	119,706	-	-	119,706
Investments	$ 4,467,269	$ 189,569	$ -	$ 4,656,838

The Foundation's corporate bonds are valued based on bid-side quotations from dealers, or if a bond has not been traded recently, it is valued using a "matrix-based" pricing model. This pricing model analyzes bonds with similar attributes from the same issuer or other issuers.

Note 15: Discretely Presented Component Unit (continued)

Note 4: Net Assets

Unrestricted Funds

These funds have no donor-imposed stipulations and the funds are used for general operating purposes deemed necessary by the Board of Directors.

Temporarily Restricted Funds

The Foundation has funds which have been designated temporarily restricted. These funds include private and corporate contributions and earnings on the endowment funds which have been temporarily restricted for specific purposes. Earnings on investments of these funds are included in the unrestricted funds unless such earnings have been stipulated as temporarily restricted by donors.

Temporarily restricted net assets are available for the following purposes as of June 30, 2018:

	2018
Scholarships	$ 799,555
Loans (Note 6)	110,904
Educational and related programs	988,520
Portion of endowment fund classified as temporarily restricted	1,074,806
Total temporarily restricted net assets	$ 2,973,785

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors or transferred in accordance with donor intentions as follows:

	2018
Scholarships	$ 415,737
Loans (Note 6)	760
Educational and related programs	622,421
Administration/fundraising	45,547
Transferred – permanently restricted	-
Transferred – unrestricted	2,384
Total net assets released from donor restrictions or transferred	$ 1,086,849

Note 15: Discretely Presented Component Unit (continued)

Note 4: Net Assets (continued)

Permanently Restricted Funds

The endowment fund includes contributions restricted in perpetuity or for terms designated by the donor. Earnings on investments of the endowment fund are classified as temporarily restricted net assets. However, the earnings may be used for current purposes of the Foundation. A majority of endowment activity is restricted for the use of scholarships.

Net Asset Classification of Endowment Funds

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

(1) Preservation of the fund
(2) The purpose of the Foundation and the donor-restricted Endowment Fund
(3) General economic conditions
(4) The investment policies of the Foundation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundation
(7) The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,074,806	$ 2,567,598	$ 3,642,404
Board-designated endowment funds	30,046	-	-	30,046
Total funds	$ 30,046	$ 1,074,806	$ 2,567,598	$ 3,672,450

Note 15: Discretely Presented Component Unit (continued)

Note 4: Net Assets (continued)

Net Asset Classification of Endowment Funds, continued

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 29,573	$ 969,209	$ 2,466,971	$ 3,465,753
Investment return:				
Interest and dividends	521	57,264	-	57,785
Net realized and unrealized gain	118	207,913	-	208,031
Total investment return	639	265,177	-	265,816
Contributions	-	-	100,627	100,627
Appropriation of endowment assets for expenditure	-	(141,286)	-	(141,286)
Management fee	(166)	(18,294)	-	(18,460)
Endowment net assets, end of year	$ 30,046	$ 1,074,806	$ 2,567,598	$ 3,672,450

Below is a reconciliation of permanently restricted net assets included in the endowment fund to total permanently restricted net assets:

	2018
Permanently restricted net assets within the endowment fund	$ 2,567,598
Permanently restricted contributions included in pledges receivable	5,366
Total permanently restricted net assets	$ 2,572,964

The temporarily restricted endowment includes $352,596 of endowment net assets that by the donor's restrictions are temporarily restricted. The Board of Directors has determined that the donations will be maintained similar to a permanent endowment.

Note 15: Discretely Presented Component Unit (continued)

Note 4: Net Assets (continued)

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

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

Spending Policy

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

Note 15: Discretely Presented Component Unit (continued)

Note 5: Pledges Receivable

Pledges were discounted to their present value assuming their respective terms (up to five years) and a discount rate of 6%. The pledges receivable, net as of June 30, 2018 are scheduled to be collected as follows:

Pledges receivable:		
Payable within one year	$	155,507
Payable in one to five years		102,695
Total pledges receivable		258,202
Less: discount to net present value		(35,067)
Less: allowance for uncollectible pledges		(1,604)
Pledges receivable, net at June 30, 2018	$	221,531

Note 6: Loans Receivable

As of June 30, 2018, loans receivable totaled $104,729. During the fiscal year ended June 30, 2018, $4,468 was distributed to qualifying students in a revolving student loan from the C. Schell Loan Program. The loans are interest-free and have various repayment terms. During the fiscal year ended June 30, 2018, $2,780 was repaid. Repayment of the outstanding loans is poor primarily because, as a condition of the loan program, repayment is not to impose an undue burden on the borrower. The related allowance for uncollectible loans is $95,746 at June 30, 2018.

Note 7: Related-Party Transactions

LCC made distributions to the Foundation of $134,100 for the year ended June 30, 2018. LCC also made gifts of $300,000 to the Foundation during the year ended June 30, 2018. The Foundation distributed $789,273 during the year ended June 30, 2018, respectively, to LCC. The Foundation also distributed $360,736 in Gifts-in-Kind during the year ended June 30, 2018. The Foundation had receivables from LCC of $20,170 as of June 30, 2018. The Foundation had payables to LCC of $9,226 as of June 30, 2018.

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
College's Proportion of the Net Pension Liability	0.4935548%	0.5120673%	0.5141958%	0.515765%	0.515765%
College's Proportionate Share of the Net Pension Liability	$ 29,488,808	$ 37,478,601	$ 29,340,511	$ 26,102,573	$ 30,680,084
College's Covered Payroll	$ 16,563,529	$ 16,282,807	$ 15,874,543	$ 14,987,079	$ 15,246,314
College's Proportion of the Net Pension Liability as a Percentage of its Covered Payroll	178.03%	230.17%	184.83%	174.17%	201.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
College's Proportion of the Net Pension Liability	0.17661855%	0.17974633%	0.18922089%	0.20366947%	0.20366947%
College's Proportionate Share of the Net Pension Liability	$ 41,956,116	$ 60,166,516	$ 52,295,119	$ 49,539,464	$ 58,852,165
College's Covered Payroll	$ 19,431,507	$ 18,941,650	$ 19,396,064	$ 21,897,238	$ 22,702,385
College's Proportion of the Net Pension Liability as a Percentage of its Covered Payroll	215.92%	317.64%	269.62%	226.24%	259.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Required Supplementary Information

Schedule of the College's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	$ 2,311,162	$ 2,318,894	$ 2,279,593	$ 2,092,265	$ 2,077,209	$ 1,997,267	$ 2,061,714	$ 1,793,767	$ 1,866,180	$ 1,347,718
Contributions in Relation to Contractually Required Contributions	(2,311,162)	(2,318,894)	(2,279,593)	(2,092,265)	(2,077,209)	(1,997,267)	(2,061,714)	(1,793,767)	(1,866,180)	(1,347,718)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College Covered Payroll	$ 16,508,300	$ 16,563,529	$ 16,282,807	$ 15,874,543	$ 14,987,079	$ 15,246,314	$ 16,233,971	$ 15,188,543	$ 14,602,350	$ 14,826,379
Contribution as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.18%	13.86%	13.10%	12.70%	11.81%	12.78%	9.09%

See accompanying notes to the required supplementary information.

Required Supplementary Information

Schedule of the College's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	$ 2,718,386	$ 2,720,411	$ 2,651,831	$ 2,715,449	$ 2,846,641	$ 2,951,310	$ 3,095,012	$ 3,004,055	$ 2,923,450	$ 2,815,994
Contributions in Relation to Contractually Required Contributions	(2,718,386)	(2,720,411)	(2,651,831)	(2,715,449)	(2,846,641)	(2,951,310)	(3,095,012)	(3,004,055)	(2,923,450)	(2,815,994)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College Covered Payroll	$ 19,417,043	$ 19,431,507	$ 18,941,650	$ 19,396,064	$ 21,897,238	$ 22,702,385	$ 23,807,785	$ 23,108,115	$ 22,488,077	$ 21,661,492
Contribution as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
College's Proportion of the Net OPEB Liability	0.482726%	0.493505%
College's Proportionate Share of the Net OPEB Liability	$ 12,955,098	$ 14,066,722
College's Covered Payroll	$ 16,563,529	$ 16,282,807
College's Proportion of the Net OPEB Liability as a Percentage of its Covered Payroll	78.21%	86.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
College's Proportion of the Net OPEB Liability	0.17661855%	0.17974633%
College's Proportionate Share of the Net OPEB Liability	$ 6,891,004	$ 9,612,880
College's Covered Payroll	$ 19,431,507	$ 18,941,650
College's Proportion of the Net OPEB Liability as a Percentage of its Covered Payroll	35.46%	50.75%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

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

Required Supplementary Information

Schedule of the College's Contributions - OPEB
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	$ 252,575	$ 179,292	$ 159,381	$ 270,296	$ 155,873	$ 155,696	$ 330,286	$ 443,101	$ 398,468	$ 840,262
Contributions in Relation to Contractually Required Contributions	(252,575)	(179,292)	(159,381)	(270,296)	(155,873)	(155,696)	(330,286)	(443,101)	(398,468)	(840,262)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College Covered Payroll	$ 16,508,300	$ 16,563,529	$ 16,282,807	$ 15,874,543	$ 14,987,079	$ 15,246,314	$ 16,233,971	$ 15,188,543	$ 14,602,350	$ 14,826,379
OPEB Contribution as a Percentage of Covered Payroll	1.53%	1.08%	0.98%	1.70%	1.04%	1.02%	2.03%	2.92%	2.73%	5.67%

See accompanying notes to the required supplementary information.

Required Supplementary Information

Schedule of the College's Contributions - OPEB
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	$ -	$ -	$ -	$ -	$ 218,972	$ 227,024	$ 238,078	$ 231,081	$ 224,881	$ 216,615
Contributions in Relation to Contractually Required Contributions	-	-	-	-	(218,972)	(227,024)	(238,078)	(231,081)	(224,881)	(216,615)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College Covered Payroll	$ 19,417,043	$ 19,431,507	$ 18,941,650	$ 19,396,064	$ 21,897,238	$ 22,702,385	$ 23,807,785	$ 23,108,115	$ 22,488,077	$ 21,661,492
OPEB Contribution as a Percentage of Covered Payroll	- %	- %	- %	- %	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

Notes to the Required Supplementary Information
June 30, 2018

Note 1 - Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to the following:
    - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disable member was updated to the following:
    - RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Benefit Terms - SERS

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - STRS

Effective for fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

Notes to the Required Supplementary Information
June 30, 2018

Note 2 - Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:
- Fiscal year 2018 3.56 percent
- Fiscal year 2017 2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
- Fiscal year 2018 3.63 percent
- Fiscal year 2017 2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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Where Relationships Count.

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*

To the Board of Trustees
Lake County Community College District
d/b/a Lakeland Community College
Kirtland, 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 and the discretely presented component unit of Lake County Community College District d/b/a Lakeland Community College (the "College"), as of and for the year ended June 30, 2018, 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 17, 2018, wherein we noted that the College implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postretirement Benefits Other Than Pensions,* and as a result restated their June 30, 2017 net position of the business-type activities, as disclosed in Note 2.

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 opinions 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.

C&P Advisors, LLC
Ciuni & Panichi, Inc.
C&P Wealth Management, LLC

25201 Chagrin Boulevard
Cleveland, Ohio 44122.5683
p. 216.831.7171
f. 216.831.3020
www.cp-advisors.com
Independent Member of
Geneva Group International

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free 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.

Ciuni & Panichi, Inc.

Cleveland, Ohio
December 17, 2018

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Where Relationships Count.

Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Lake County Community College District d/b/a Lakeland Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2018. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

C&P Advisors, LLC
Ciuni & Panichi, Inc.
C&P Wealth Management, LLC

25201 Chagrin Boulevard
Cleveland, Ohio 44122.5683
p. 216.831.7171
f. 216.831.3020
www.cp-advisors.com
Independent Member of
Geneva Group International

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

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 its major federal program for the year ended June 30, 2018.

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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the discretely presented component unit of the College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated December 17, 2018, which contained unmodified opinions on those financial statements, wherein we noted that the College implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postretirement Benefits Other Than*

Pensions, and as a result restated their June 30, 2017 net position of the business-type activities, as disclosed in Note 2. Our audit was conducted for the purpose of forming opinions 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 the Uniform Guidance 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 & Panichi, Inc.

Cleveland, Ohio
December 17, 2018

Lake County Community College District
d/b/a Lakeland Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Agency/Pass-through-Agency/Program Title	CFDA Number	Pass-Through Entity Project/ Grant Number	Fiscal Year 2018 Expenditures
U.S Department of Education:			
Student Financial Aid Cluster -			
Federal Pell Grant Program	84.063	P063P102857	$ 7,831,466
Federal Work-Study Program	84.033	P0033A106053	163,062
Federal Supplemental Educational Opportunity Grants	84.007	P007A106053	215,338
Federal Direct Student Loans	84.268	N/A	9,522,499
Total Student Financial Aid Cluster			17,732,365
Passed through the Ohio Department of Education:			
Career and Technical Education- Basic Grants to States	84.048	063347-20C3-2009	160,982
Total U.S. Department of Education			17,893,347
U.S Department of Labor:			
WIA Cluster Passed through The Ohio Department of Job and Family Services - Job Training Partnership Act:			
WIA Dislocated Workers	17.278	G-1011-15-0262	2,685
Total WIA Cluster			2,685
Passed through Lorain County Community College			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC-26435-14-60-A-39	248,776
Total U.S. Department of Labor			251,461
Small Business Administration:			
Small Business Development Center (SBDC)	59.037	OSBDC-2016-01	100,906
Total Small Business Administration			100,906
U.S. Department of Health and Human Services:			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	SM062894	3,265
Total U.S. Department of Health and Human Services			3,265
U.S Department of Defense:			
Passed through Defense Logistics Agency (DLA):			
Procurement Technical Assistance for Business Firms (PTAC)	12.002	N/A	57,289
Total U.S Department of Defense			57,289
Total Expenditures of Federal Awards			$ 18,306,268

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Note 1: Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the federal grant activity of Lake County Community College District d/b/a Lakeland Community College (the "College") under programs of the federal government for the year ended June 30, 2018. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements.

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

Note 2: Federal Direct Student Loans

During the fiscal year ended June 30, 2018, the College processed new loans under the Federal Direct Student Loan Program. The amount shown in the accompanying schedule of expenditures of federal awards reflects the fiscal year amount certified by the College.

Note 3: Indirect Cost Rate

The College has not elected to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

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

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control 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 weaknesses in internal control reported for the major federal program?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for the major federal program?	No
(d)(1) (v)	Type of Major Program Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR Section 200.516(a)?	No
(d)(1)(vii)	Major Program	Student Financial Aid Cluster: CFDA # 84.063, 84.033, 84.007, 84.268
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >$750,000 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.

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

Schedule of Prior Audit Findings and Questioned Costs

For the Year Ended June 30, 2018

No prior year findings or questioned costs.

LAKELAND COMMUNITY COLLEGE

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 10, 2019