

SINGLE AUDIT REPORT

**Lake County Community College District
Year Ended June 30, 2001**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

JIM PETRO
Auditor of State

December 12, 2001

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Lake County Community College District

Single Audit Report

Year Ended June 30, 2001

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Report of Independent Auditors

Board of Trustees
Lake County Community College District

We have audited the accompanying balance sheet of the Lake County Community College District (the College) as of June 30, 2001, and the related statements of changes in fund balances, and current funds revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2001 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the College taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



August 29, 2001

Ernst & Young LLP is a member of Ernst & Young International, Ltd.

Lake County Community College District

Balance Sheet

June 30, 2001 with Comparative Totals at June 30, 2000

	Current Funds				Plant Funds			Totals					
	Unrestricted		Restricted		Student Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	(Memorandum Only)	
	Educational and General	Auxiliary Enterprises	Educational and General	and Similar								2001	2000
Assets													
Cash and cash equivalents	\$ 1,015,970	\$ 20,785	\$ 614,488	\$ 320,427	\$ 77,420	\$ 1,295,355	\$ 185,473				\$ 122,693	\$ 3,652,611	\$ 4,971,889
Investments	14,041,305					2,010,566						16,051,871	19,453,734
Accounts receivable, less allowance for uncollectible accounts of \$120,831	1,343,371	539,820	1,777,851		351,302	43,726					1,373	4,057,443	2,280,990
Notes receivable, less allowance for uncollectible accounts of \$510,036													
Due from other funds	184,446											530,998	510,040
Inventories, at cost	60,210	688,563										184,446	1,700,000
Prepaid expenses	1,279,167	40	16,198			2,350						748,773	801,598
Investment in plant:												1,297,755	640,428
Land													
Buildings													
Improvements, other than buildings													
Movable equipment, furniture, library books, vehicles and software													
Construction in progress												4,565,813	4,542,104
Total assets	\$ 17,924,469	\$ 1,249,208	\$ 2,408,537	\$ 320,427	\$ 428,722	\$ 3,351,997	\$ 185,473	\$ 84,446,377	\$ 124,066	\$ 110,970,274	\$ 112,191,205	\$ 19,667,442	\$ 8,414,072

Lake County Community College District
Balance Sheet (continued)

	Current Funds		Restricted Educational and General	Student Loan Funds	Endowment and Similar Funds	Plant Funds		Investment in Plant	Agency Funds	Totals		
	Unrestricted	Auxiliary Enterprises				Renewals and Replacements	Retirement of Indebtedness			(Memorandum Only)	2001	2000
						Unexpended						
Liabilities and fund balances												
Liabilities:												
Accounts payable	\$ 1,519,294	\$ 338,558	\$ 619,670	\$ 529		\$ 62,463	\$ 336,512		\$ 1,939	\$ 2,878,965	\$ 4,347,345	
Accrued liabilities	743,938	49,773	19,588							813,299	812,044	
Deposits	102,194	57,220	22,918						122,127	304,459	327,852	
Deferred revenue	1,550,442	9,000	850,000			288,839				2,698,281	1,301,288	
Due to other funds		34,402		150,044						184,446	1,700,000	
Reserve for compensated absences	1,109,433									1,109,433	1,016,205	
Obligation for early retirement incentive plan	2,057,642							\$ 1,205,237		2,057,642	2,051,793	
Capital lease obligation										1,205,237	1,405,224	
Long-term debt						1,695,000				1,695,000	5,040,000	
Total liabilities	7,082,943	488,953	1,512,176	150,573		2,046,302	336,512	1,205,237	124,066	12,946,762	18,001,751	
Fund balances:												
Current funds:												
Undesignated	10,841,526	760,255	896,361							11,601,781	13,239,817	
Restricted										896,361	1,250,483	
Loan funds:												
Government grants:												
Perkins loans				245,055						245,055	183,333	
Nursing student loans				133,944						133,944	115,202	
College funds:												
Restricted				1,426						1,426	136,726	
Endowment and similar funds					\$ 320,427					320,427	310,670	
Plant funds:												
Unexpended						(1,617,580)				(1,617,580)	(4,763,993)	
Renewals and replacements							3,015,485			3,015,485	3,056,674	
Retirement of indebtedness:												
Restricted									\$ 185,473	185,473	233,240	
Investment in plant (Note A)								83,241,140		83,241,140	80,427,302	
Total fund balances	10,841,526	760,255	896,361	380,425	320,427	(1,617,580)	3,015,485	83,241,140	185,473	98,023,512	94,189,454	
Total liabilities and fund balances	\$ 17,924,469	\$ 1,249,208	\$ 2,408,537	\$ 530,998	\$ 320,427	\$ 428,722	\$ 3,351,997	\$ 84,446,377	\$ 124,066	\$ 110,970,274	\$ 112,191,205	

See notes to financial statements.

Lake County Community College District

Statement of Changes in Fund Balances

Year Ended June 30, 2001 with Comparative
Totals for Year Ended June 30, 2000

	Current Funds		Plant Funds				Totals	
	Unrestricted	Restricted	Student Loan Funds	Endowment and Similar Funds	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	(Memorandum Only)
	Educational and General	Educational and General			Unexpended			2001
	Auxiliary Enterprises				Replacements			2000
Revenues and other additions								
Unrestricted current fund revenues (Notes B, C)	\$ 39,644,823	\$ 4,600,818						\$ 44,245,641
State appropriations (Note B)		\$ 605,235						969,608
Federal grants and contracts		2,496,789	\$ 12,908					2,509,697
State and local grants and contracts (Note B)		1,693,637			\$ 3,826,344			5,519,981
Private gifts and grants		663,506						5,087,988
Investment income								519,134
Loan processing fees			3,159	\$ 18,437	8,509	\$ 214,981		245,086
Interest on loans receivable			58,610					359,512
Acquisition of plant facilities, including \$420,118 charged to current fund expenditures			69,981					43,670
Retirement of indebtedness								69,981
Proceeds from issuance of long-term debt, net								22,509
Other additions		35,032	4,260		3,220			42,512
Total revenues and other additions	39,644,823	4,600,818	148,918	18,437	3,834,853	218,201	2,813,838	56,774,087
Expenditures and other deductions								
Educational and general	38,508,515	2,124,021						40,632,536
Auxiliary enterprises		4,458,662		5,000				4,463,662
Expended for plant facilities					1,071,455	2,309,390		3,380,845
Loan cancellations and write-offs								203,870
Collection costs			203,870					8,683
Scholarships and grants			23,959					23,975
Retirement of indebtedness		3,730,800	5,925	3,680				3,740,405
Interest on indebtedness							\$ 434,622	386,311
Total expenditures and other deductions	38,508,515	4,458,662	5,854,821	8,680	1,071,455	2,309,390	494,752	52,940,029
			233,754	8,680	1,071,455	2,309,390	494,752	57,889,313

Lake County Community College District

Statement of Changes in Fund Balances (continued)

	Current Funds				Plant Funds			Totals		
	Unrestricted	Restricted	Student Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	(Memorandum Only)	
	Educational and General	Educational and General							2001	2000
Transfers among funds—										
additions (deductions)										
Mandatory	(830,000)				383,015	446,985				
Nonmandatory	(1,844,327)	6,500	30,000		2,050,000					
Net (decrease) increase in fund balances	(1,538,019)	(100,017)	(54,836)	9,757	3,146,413	(47,767)	2,813,838			5,042,945
Fund balances at beginning of year	12,379,545	860,272	435,261	310,670	(4,763,993)	3,056,674	233,240	80,427,302		94,189,454
Fund balances at end of year	<u>\$ 10,841,526</u>	<u>\$ 760,255</u>	<u>\$ 380,425</u>	<u>\$ 320,427</u>	<u>\$(1,617,580)</u>	<u>\$ 3,015,485</u>	<u>\$ 185,473</u>	<u>\$ 83,241,140</u>		<u>\$ 94,189,454</u>

See notes to financial statements.

Lake County Community College District

Statement of Current Funds Revenues, Expenditures, and Other Changes

Year Ended June 30, 2001 with Comparative
Totals for Year Ended June 30, 2000

	Unrestricted		Total	Restricted		Totals	
	Educational and General	Auxiliary Enterprises		Educational and General	(Memorandum Only)		
	2001	2000	2001	2000	2001	2000	2000
Revenues							
Tuition, fees and other student charges	\$ 10,983,916	\$ 10,983,916	\$ 10,983,916	\$ 10,983,916	\$ 10,983,916	\$ 11,423,298	
State appropriations (Note B)	16,327,854	16,327,854	16,327,854	605,235	16,933,089	15,204,660	
Local appropriations (Note C)	10,528,947	10,528,947	10,528,947		10,528,947	10,507,301	
Federal grants and contracts				2,496,789	2,496,789	2,294,080	
State and local grants and contracts (Note B)	1,437	1,437	1,437	1,693,637	1,695,074	2,233,424	
Private gifts and grants	5,000	5,000	5,000	663,506	668,506	524,134	
Sales and services	421,556	4,600,793	5,022,349		5,022,349	4,890,967	
Income from temporary investments	1,322,349	25	1,322,374		1,322,374	1,123,676	
Other sources	53,764		53,764	35,032	88,796	51,018	
Total revenues	39,644,823	4,600,818	44,245,641	5,494,199	49,739,840	48,252,558	
Expenditures							
Educational and general:							
Instructional and departmental research	16,776,409		16,776,409	305,526	17,081,935	16,675,542	
Academic support	2,066,322		2,066,322	872,144	2,938,466	1,789,365	
Student services	5,126,469		5,126,469	255,823	5,382,292	5,214,647	
Institutional support	7,451,936		7,451,936	4,960	7,456,896	7,156,357	
Operating and maintenance of plant	4,551,973		4,551,973		4,551,973	3,989,682	
Public service	2,312,305		2,312,305	675,829	2,988,134	2,748,574	
Scholarships and grants	223,101		223,101	3,740,539	3,963,640	3,978,741	
Auxiliary enterprises		4,458,662	4,458,662		4,458,662	4,316,961	
Total expenditures	38,508,515	4,458,662	42,967,177	5,854,821	48,821,998	45,869,869	

Lake County Community College District

Statement of Current Funds Revenues, Expenditures, and Other Changes (continued)

	Unrestricted		Restricted		Totals	
	Educational and General	Auxiliary Enterprises	Educational and General	Total	(Memorandum Only) 2001	2000
Transfers and other deductions						
Mandatory:						
Principal and interest	(830,000)			(830,000)	(830,000)	(800,000)
Nonmandatory:						
Support to other funds	(1,844,327)	(242,173)		(2,086,500)	6,500	(2,578,543)
Net decrease in fund balances	\$ (1,538,019)	\$ (100,017)	\$ (1,638,036)	\$ (354,122)	\$ (1,992,158)	\$ (995,854)

See notes to financial statements.

Lake County Community College District

Notes to Financial Statements

June 30, 2001

A. Summary of Significant Accounting and Reporting Policies

Accrual and Fund Accounting

The accompanying financial statements of the Lake County Community College District (College) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) applicable to governmental colleges as prescribed by the American Institute of Certified Public Accountants' College Guide Model. The College is a primary government with no component units.

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2001, from which the summarized information was derived.

The College is a political subdivision of the State of Ohio and is exempt from filing a federal tax return based upon the ruling it received from the Internal Revenue Service dated August 27, 1968.

In order to ensure observance of limitations and restrictions placed on the use of the resources of the College, the accounts of the College are maintained in accordance with the principles of fund accounting. This is a procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Board of Trustees. Externally restricted funds may only be utilized in accordance with the purpose established by the source of such funds and are in contrast with unrestricted funds over which the Board of Trustees retains full control to use in achieving any of its institutional purposes.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, the College's financial statements are included as a discrete entity, on the State of Ohio's Consolidated Annual Financial Report.

Lake County Community College District

Notes to Financial Statements (continued)

A. Summary of Significant Accounting and Reporting Policies (continued)

Current Funds

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

Student Loan Funds

Loan funds are comprised of resources initially received from gifts and grants to be used for loans to students. A significant portion of the fund balance represents grants from the federal government. In some cases the grant requires a partial match of College funds.

Endowment and Similar Funds

Endowment and similar funds are subject to the restrictions of gift instruments or board designations and are accounted for accordingly.

Plant Funds

Plant funds consist of funds to be used for the acquisition of physical properties which are unexpended at the date of reporting, funds set aside for the renewal and replacement of College properties, funds set aside for debt service charges and for the retirement of indebtedness, and funds expended for and thus invested in College properties.

Interfund Activity

Interfund borrowings are recorded in each fund as due to/due from other funds.

Lake County Community College District

Notes to Financial Statements (continued)

A. Summary of Significant Accounting and Reporting Policies (continued)

Accrual Basis

The financial statements of the College have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of fund accounting for educational institutions. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues 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.

Investments

All investments are measured at fair value, based on quoted market prices, in the balance sheet.

Inventories

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

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost at date of acquisition or fair value at date of donation in the case of gifts. To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of library books and tapes, (2) mandatory transfers, in the case of required provisions for principal and interest payments, equipment renewal and replacement, and land and building improvements, and (3) transfers of a nonmandatory nature for all other cases. When plant assets are sold or otherwise disposed of, the carrying value of such assets is removed from the accounts and the net investment in plant is reduced accordingly. Depreciation on plant and equipment is not recorded.

Lake County Community College District

Notes to Financial Statements (continued)

A. Summary of Significant Accounting and Reporting Policies (continued)

Deferred Revenue

Revenues and expenditures related to academic terms conducted over different fiscal years, such as summer sessions, are recognized in the fiscal year in which the program is predominantly conducted.

Reserve for Compensated Absences

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

Grants and Intergovernmental Revenue

Local government fund revenues are recorded as receivables and revenue when measurable and available. Other federal and state grants and assistance awards made on the basis of entitlement are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal and state reimbursement-type grants are recorded as receivables and revenue when the related expenditures/expenses are incurred.

Financial Statement Presentation

Data presented in the total columns of the accompanying financial statements have been included to provide a basis for comparison between fiscal years and present summarized information only, without regard to restrictions by individual fund. As such, this data does not present the financial position or results of operations in conformity with accounting principles generally accepted in the United States.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosure in the footnotes. Actual results could differ from those estimates.

Lake County Community College District

Notes to Financial Statements (continued)

A. Summary of Significant Accounting and Reporting Policies (continued)

Accounting Standards

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), statements and interpretations issued after November 30, 1989 which do no conflict or contradict GASB pronouncements.

The GASB has issued Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. GASB Statement No. 35 establishes comprehensive financial reporting standards including the basis financial statements and required supplementary information for public colleges and universities within the financial reporting guideline of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Application of this standard is required for fiscal 2002. GASB Statement No. 35 is expected to have a significant impact on financial reporting but no impact on the results or historical financial position of the College. The impact on future operating results as a result of adopting GASB Statement No. 35 has not been determined.

B. State Support

The College is a state-assisted institution of higher education which receives a student-based subsidy from the State of Ohio (State). This subsidy is determined annually based upon a formula devised by the State.

In addition to the student subsidies, the State provides funding for the construction of major academic plant facilities on the College campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC) which, in turn, 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 State. If sufficient monies are not available from this fund, the Ohio Board of Regents shall assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

Lake County Community College District

Notes to Financial Statements (continued)

B. State Support (continued)

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

The College follows the general educational institution practice of recording state appropriations released but not yet expended for plant facilities as accounts receivable and additions to deferred revenue in the unexpended plant fund.

C. Local Appropriations

The District receives local appropriations in the form of property taxes levied against all real, public utility, and tangible (used in business) property located in the County. Taxes collected on real property in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. Taxes collected on tangible personal property in one calendar year are levied in the same calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of the preceding calendar year. Public utility (real and tangible personal) property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year.

Any District property tax must be approved by the electors within the county. The District collects property taxes for operating and capital purposes from two levies approved by the County voters: a 1.7 mill stated rate for a continuing period, and a 1.5 mill stated rate for ten years. The 1.5 mill levy expires with the last collection in calendar year 2002.

Real property taxes are payable in two equal installments, the first generally in February and the second in July. Tangible personal property taxes for taxpayers owning property in more than one county are payable in September and for taxpayers owning property in one county are payable in two installments, in April and September. Revenue recognition on the District's local appropriations are budgeted and accounted for in its Unrestricted Educational and General Fund based on the applicable collection year and installments within that collection year.

Lake County Community College District

Notes to Financial Statements (continued)

D. Deposits

Ohio law requires that deposits 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 two percent. Collateral that may be pledged is limited to obligations of the following entities: the United States and its agencies, the State of Ohio, the Ohio Student Loan Commission and any legally constituted taxing subdivision within the State of Ohio.

At June 30, 2001, the carrying amount of the College's deposits was \$(617,176). The bank balance totaled \$279,439. The difference represents outstanding checks payable, repurchase agreements, and normal reconciling items. \$100,000 of the bank balance was covered by federal depository insurance. The remainder was secured by collateral pools of U.S. government and municipal securities and are thus a category (3) deposit risk.

E. Investments

The College records investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pool* which requires most investments to be recorded at fair value and the recognition of unrealized gains and losses in the statement of revenues and expenses.

The College's investment policies are governed by state statutes which authorize the College to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; U.S. Government money market funds and repurchase transactions. Such repurchase transactions must be purchased from financial institutions as discussed in "Deposits" above or registered broker/dealers.

Investments are categorized to give an indication of the level of risk assumed by the College at year end. The categorized investments include those which are classified as cash and cash equivalents in accordance with the provisions of GASB Statement No. 9.

The College's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

Lake County Community College District

Notes to Financial Statements (continued)

E. Investments (continued)

At June 30, 2001, investments reported in cash and cash equivalents and investments include:

Type of Investment	Category (2)	Category (3)	Cost	Fair Value
Repurchase agreements		\$ 118,167	\$ 118,167	\$ 118,167
U.S. Government T-Notes	<u>\$16,051,871</u>		16,051,871	16,051,871
	<u>\$16,051,871</u>	<u>\$ 118,167</u>		
State Treasurer Asset Reserve Fund (Star Ohio)				<u>4,269,787</u>
Total investments				20,439,825
Less repurchase agreements (Note D)				(118,167)
Plus cash (Note D)				<u>(617,176)</u>
Cash and cash equivalents and investments				<u>\$ 19,704,482</u>

Investments classified in category 2 are held in banks' trust departments due to legal restrictions required by trust indentures and codified ordinances. Assets held by these trust departments as custodial agents are considered legally separate from the assets of the commercial side of the bank and are held strictly on a fiduciary basis. These trust departments are authorized by and regulated under various state and federal laws. Investments classified in category 3 are uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the College's name.

Star Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. Star Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Star Ohio are valued at Star Ohio's share price which is the price the investment could be sold for on June 30, 2001. The deposits invested with Star Ohio are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 3.

Lake County Community College District

Notes to Financial Statements (continued)

F. Retirement Plans

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

The State Teachers Retirement System of Ohio Comprehensive Annual Financial Report may be obtained by writing to The State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771. The School Employees Retirement System of Ohio Comprehensive Annual Financial Report may be obtained by writing to School Employees Retirement System of Ohio, 45 North Fourth Street, Columbus, Ohio 43215. The Ohio Revised Code (ORC) provides statutory authority for employee and employer contributions. The employee contribution rates are 9.3% and 9% for STRS and SERS, respectively, of covered payroll and the College is required to contribute 14% of covered payroll. The College's contributions to STRS for the years ended June 30, 2001, 2000 and 1999 were \$2,084,103, \$1,991,653 and \$1,934,907, respectively, equal to the required contributions for each year. The College's contributions to SERS for the years ended June 30, 2001, 2000 and 1999 were \$1,504,426, \$1,403,139 and \$1,335,808, respectively, equal to the required contributions for each year.

Amended Substitute House Bill 586 requires all Ohio public colleges to offer at least three alternative retirement plans to certain new and existing full-time employees. For those employees electing to participate in an alternative retirement plan (Plan), the College will contribute 14% and 8.24% of covered payroll to the Plan for SERS and STRS eligible participants, respectively. The College is also required to contribute an additional 5.76% of participating employees' covered payroll to the non-participating state retirement system for STRS eligible participants. The employee contribution rate is equal to the rate in effect under the state-administered retirement plan in which the employee is qualified. The Plans have an effective date of July 1, 1999.

Lake County Community College District

Notes to Financial Statements (continued)

G. Postemployment Benefit

State Teachers Retirement System

STRS provides comprehensive health care benefits to retired teachers and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the ORC, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions equal to 2% of covered payroll to the health care reserve fund from which health care benefits are paid. However, for the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8% of covered payroll to the health care reserve fund. The balance in the health care reserve fund was \$3.419 billion on June 30, 2000. The health care reserve fund allocation for the year ended June 30, 2001, will be 4.5% of covered payroll.

For the year ended June 30, 2000, the net health care costs paid by STRS Ohio were \$283,137,000. There were 99,011 eligible benefit recipients.

School Employees Retirement System

SERS provides post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with 10 or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on and after August 1, 1989 with less than 25 years of qualified service credit pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

Lake County Community College District

Notes to Financial Statements (continued)

G. Postemployment Benefit (continued)

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.45%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. For the year ended June 30, 2000, the net health care costs paid by SERS were \$140,696,340. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$252 million. The number of retirees and covered dependents currently receiving benefits is approximately 50,000.

H. Early Retirement Incentive Plan

During fiscal year 1998, the College entered into an agreement with the Lakeland Faculty Association, which included an early retirement incentive plan for the fiscal years 1999, 2000, and 2001. In accordance with the terms of the plan, members of STRS who meet certain eligibility requirements and choose to participate can take early retirement. The cost of retirement incentive credits for individuals participating in the plan is determined by STRS and is paid entirely by the College. The estimated cost of the early retirement incentive plan as of June 30, 2001 is \$2,057,642.

I. Leases

The College has entered into various lease agreements, which are considered operating leases. Total rental expense under operating leases during the years ended June 30, 2001 and 2000 amounted to \$208,198 and \$203,374, respectively.

The capital leased assets consist of computer hardware and software, implementation costs, and other equipment. Capital leased assets recorded as moveable equipment, furniture, library books, vehicles and software on the balance sheet at June 30, 2001 amounted to \$2,403,658.

Lake County Community College District

Notes to Financial Statements (continued)

I. Leases (continued)

Future minimum lease payments as of June 30, 2001 under all capital and operating leases, along with the present value of net minimum capital lease payments are as follows:

<u>Year Ending June 30</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2002	\$ 533,647	\$ 215,945
2003	400,959	223,747
2004	229,218	231,549
2005	85,767	26,825
2006 and thereafter	38,875	26,825
Total minimum lease payments	1,288,466	<u>\$ 724,891</u>
Less amount representing interest	<u>83,229</u>	
Present value of net minimum capital lease payments	<u>\$1,205,237</u>	

J. Long-Term Debt

Effective March 15, 1999 and May 13, 1999, the College issued \$1,740,000 of General Receipts Bonds, Series 1999 (Series 1999 Bonds), and \$3,300,000 of General Receipts Bond Anticipation Notes, Series 1999 (Series 1999 Notes), respectively, to pay part of the cost of renovating and adding to the College's Athletic Fitness Center (AFC). The proceeds and related indebtedness outstanding have been recorded as assets and liabilities of the College.

The Series 1999 Bonds were issued pursuant to a Master Trust Agreement dated March 15, 1999, acting by and through the College's Board of Trustees and the Bond Trustee. The Series 1999 Bonds are subject to mandatory or optional redemption, with stated interest rates ranging from 3.60% to 5.12%. The final maturity of the Series 1999 Bonds is December 1, 2019.

The Series 1999 Notes were paid in full in June 2001.

Lake County Community College District

Notes to Financial Statements (continued)

J. Long-Term Debt (continued)

The Series 1999 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. The College has covenanted that it will include in its budget for each fiscal year amounts of general receipts 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 of the Series 1999 Bonds for fiscal years subsequent to June 30, 2001 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Principal and Interest</u>
2002	\$ 60,000	\$ 138,925
2003	60,000	136,615
2004	65,000	139,145
2005	65,000	136,528
2006	70,000	138,742
Thereafter	1,375,000	1,813,522
	<u>\$ 1,695,000</u>	<u>\$ 2,503,477</u>

K. Legal Actions

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.

Lake County Community College District

Notes to Financial Statements (continued)

L. Foundation (Unaudited)

The Lakeland Foundation (Foundation) was formed in 1981 to obtain private financing support for the promotion of excellence at the College. The Foundation provides scholarships to financially disadvantaged students and merit scholarships to those students demonstrating excellent academic abilities. The Foundation also provides support to specific educational departments and programs of the College. The accounting records for the Foundation are maintained at the College in Kirtland, Ohio. Certain administrative expenses of the Foundation are borne directly by the College. The Foundation has total assets and net assets of \$2,461,175 and \$2,349,965 at June 30, 2001, respectively, and revenues of \$374,528 for the year then ended.

Lake County Community College District
 Schedule of Expenditures of Federal Awards

Year Ended June 30, 2001

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
Student Financial Aid Cluster		
Department of Education:		
Direct Programs:		
Federal Pell Grant Program	84.063	\$ 2,052,082
Federal Work-Study Program	84.003	139,325
Federal Supplemental Educational Opportunity Grant Program	84.007	191,523
Federal Perkins Loan Program (<i>Note B</i>)	84.038	16,239
Federal Family Loan Program (<i>Note C</i>)	84.032	1,031,962
		<u>3,431,131</u>
Department of Health and Human Services:		
Direct Program:		
Nursing Student Loan Program (<i>Note D</i>)	93.364	12,000
Total student financial aid-cluster		<u>3,443,131</u>
Other programs		
Department of Education:		
Direct Programs:		
Technical preparatory grant	84.243	392,417
Two year college Perkins grant	84.048	72,458
		<u>464,875</u>
Department of Justice:		
Direct Program:		
Public Safety Partnership and Community Policing Grant	16.710	25,769
Department of Labor:		
Pass-Through Programs From:		
Job Training Partnership Act:		
Geauga County	17.246	737
Cuyahoga County	17.246	4,545
Lake County II	17.246	17,571
Ashtabula County	17.246	14,947
		<u>37,800</u>
National Science Foundation:		
Direct Program:		
Bio-science technology grant	47.076	50
Pass-Through Programs From:		
Cuyahoga County Community College / NASA	47.076	100,952
		<u>101,002</u>
Total expenditures of federal awards		<u><u>\$ 4,072,577</u></u>

Lake County Community College District

Schedule of Expenditures of Federal Awards (continued)

A. Summary of Significant Account Policies

Basis of Presentation

The schedule of expenditures of federal awards includes federal grant transactions of the Lake County Community College District (the College) on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

B. Federal Perkins Loan Program

The College administers the following loan program:

	CFDA Number	Outstanding Balance at June 30, 2001
Federal Perkins Loan Program	84.038	\$159,409

Total loan expenditures and disbursements of the Department of Education student financial assistance program for the fiscal year are identified below:

	CFDA Number	Disbursements
Federal Perkins Loan Program	84.038	\$ 16,239

The above expenditures for the Federal Perkins Loan Program include disbursements and expenditures such as loans to students and administrative expenditures. The Schedule of Expenditures of Federal Awards only includes administrative expenditures, if any, of the loan program.

Lake County Community College District

Schedule of Expenditures of Federal Awards (continued)

C. Federal Family Loan Program

During the fiscal year ending June 30, 2001, the College processed the following amount of new loans under the Federal Family Loan Program (which includes Stafford Loans and Parents' Loans for Undergraduate Students):

	CFDA Number	Loans Processed
Federal Family Loan Program	84.032	\$ 1,031,962

D. Nursing Student Loan Program

The College administers the following federal loan program:

	CFDA Number	Outstanding Balance at June 30, 2001
Nursing Student Loan Program	93.364	\$ 93,390

Total loan expenditures and disbursements of the Department of Health and Human Services student financial assistance programs for the fiscal year are identified below:

	CFDA Number	Disbursements
Nursing Student Loan Program	93.364	\$ 12,000

The above expenditures for the Nursing Student Loan Program include disbursements and expenditures such as loans to students and administrative expenditures. The Schedule of Expenditures of Federal Awards only includes administrative expenditures, if any, of the loan program.

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

Board of Trustees
Lake County Community College District

We have audited the financial statements of the Lake County Community College District (the College) as of and for the year ended June 30, 2001 and have issued our report thereon dated August 29, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated August 29, 2001.

This report is intended solely for the information and use of the Board of Trustees, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

August 29, 2001

Report on Compliance and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Trustees
Lake County Community College District

Compliance

We have audited the compliance of Lake County Community College District (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that is applicable to its major federal program for the year ended June 30, 2001. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program are the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of the Board of Trustees, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

August 29, 2001

Lake County Community College District
 Schedule of Findings and Questioned Costs

Year Ended June 30, 2001

Part I—Summary of Auditor’s Results

Financial Statement Section

Type of auditor’s report issued: Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified? yes ✓ no

Reportable condition(s) identified not considered to be material weaknesses? yes ✓ none noted

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards Section

Dollar threshold used to determine Type A programs: \$300,000

Auditee qualified as low-risk auditee? ✓ yes no

Type of auditor’s report on compliance for major programs: Unqualified Opinion

Lake County Community College District

Schedule of Findings and Questioned Costs (continued)

Part I—Summary of Auditor’s Results (continued)

Internal Control over compliance:

Material weakness(es) identified?	_____	yes	_____	✓	no
Were reportable condition(s) identified not considered to be material weakness(es)?	_____	yes	_____	✓	none noted
Any audit findings disclosed that are required to be reported in accordance with Circular A-133?	_____	yes	_____	✓	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063	Student Financial Aid Cluster
84.003	
84.007	
84.038	
84.032	
93.364	

Lake County Community College District

Schedule of Findings and Questioned Costs (continued)

Part II—Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

None.

Part III—Schedule of Federal Award Findings and Questioned Costs

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by Circular A-133 Section .510.

None.



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OFFICE OF THE AUDITOR

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LAKE COUNTY COMMUNITY COLLEGE DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 20, 2001**