

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

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**Financial Report  
Including Supplemental Information  
June 30, 2006**





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Lake County Community College District  
7700 Clocktower Drive  
Kirtland, Ohio 44094

We have reviewed the *Independent Accountants' Report* of the Lake County Community College District, Lake County, prepared by Plante & Moran, PLLC for the audit period July 1, 2005 through June 30, 2006. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 11, 2007

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

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## Independent Auditor's Report

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

We have audited the accompanying basic financial statements of Lake County Community College District d/b/a Lakeland Community College as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. These basic financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of The Lakeland Foundation, a discretely presented component unit of Lake County Community College District d/b/a Lakeland Community College, whose statements reflect total assets of \$2,560,325 and \$2,438,620 as of June 30, 2006 and 2005, respectively, and total revenue of \$1,200,968 and \$971,382 for the years then ended, respectively. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for The Lakeland Foundation, is based solely on the report of the other auditors.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Lake County Community College District d/b/a Lakeland Community College and its discretely presented component unit as of June 30, 2006 and 2005 and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 4, 2006 on our consideration of Lake County Community College District d/b/a Lakeland Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the year ended June 30, 2006. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis presented on pages 3 through 13 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

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

*Plante & Moran, PLLC*

October 4, 2006

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

## Management's Discussion and Analysis - Unaudited

The discussion and analysis of Lake County Community College District d/b/a Lakeland Community College's (Lakeland Community College, Lakeland, or the "College") annual financial statements provide an overview of the College's financial activities for the year ended June 30, 2006. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College administration.

### Using this Report

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

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

The statement of net assets includes all assets and liabilities of the College. It is prepared using the accrual basis of accounting. 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 assets presents the revenues 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 revenues. 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 in the financial statements as depreciation.

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

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

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

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

During 2004, the College adopted Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The impact of implementing this statement brought in The Lakeland Foundation 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 fund-raising via friend-raising. It is a legally separate entity governed by its own board of directors. Discrete condensed financial information is presented on page 18 and in Notes I and 13.

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

	Years Ended June 30		
	2006	2005	2004
<b>Operating Revenues</b>			
Student tuition and fees - Net	\$ 17,021,744	\$ 16,225,303	\$ 15,558,338
Grants, contracts, and other revenues	2,570,673	3,045,964	2,500,768
Auxiliary enterprises	5,398,153	5,252,378	5,060,703
Total operating revenues	24,990,570	24,523,645	23,119,809
<b>Operating Expenses</b>	59,028,267	56,729,269	53,535,023
<b>Operating Loss</b>	(34,037,697)	(32,205,624)	(30,415,214)
<b>Nonoperating Revenues</b>			
State appropriations	17,913,905	17,789,047	16,223,664
Local appropriations	12,111,015	11,941,451	11,763,651
Other nonoperating income and expenses - Net	488,886	85,719	57,374
Net nonoperating revenues	30,513,806	29,816,217	28,044,689
<b>Loss - Before other changes</b>	(3,523,891)	(2,389,407)	(2,370,525)
<b>Other Changes</b>			
Capital appropriations from the State of Ohio	2,779,513	997,238	579,478
Capital grants and gifts	114,361	40,541	3,675
Total other changes	2,893,874	1,037,779	583,153
<b>Decrease in Net Assets</b>	(630,017)	(1,351,628)	(1,787,372)
<b>Net Assets - Beginning of year</b>	41,443,923	42,795,551	44,582,923
<b>Net Assets - End of year</b>	<u>\$ 40,813,906</u>	<u>\$ 41,443,923</u>	<u>\$ 42,795,551</u>

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

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

### Analysis of Results of Operations

Total revenues for the years ended June 30, 2006 and 2005 were \$58.4 million and \$55.4 million, respectively, of which operating revenues amounted to \$25.0 million and \$24.5 million, respectively. Operating revenues increased \$0.5 million, or 1.9 percent. Total operating expenses for the years ended June 30, 2006 and 2005 were \$59.0 million and \$56.7 million, respectively. Operating expenses increased \$2.3 million, or 4.1 percent. The College's operating loss amounted to \$34.0 million during 2006 compared to \$32.2 million in 2005, which represented an increase of \$1.8 million, or 5.7 percent.

Total revenues for the years ended June 30, 2005 and 2004 were \$55.4 million and \$51.8 million, respectively, of which operating revenues amounted to \$24.5 million and \$23.1 million, respectively. Operating revenues increased \$1.4 million, or 6.1 percent. Total operating expenses for the years ended June 30, 2005 and 2004 were \$56.7 million and \$53.5 million, respectively. Operating expenses increased \$3.2 million, or 6.0 percent. The College's operating loss amounted to \$32.2 million during 2005 compared to \$30.4 million in 2004, which represented an increase of \$1.8 million, or 5.9 percent.

Student tuition and fees, net are comprised of credit and noncredit instruction revenues. A breakdown and comparison of these revenues is as follow:

### Credit and Noncredit Instruction Revenues

	Years Ended June 30		
	2006	2005	2004
	(dollars in millions)		
Credit instruction	\$ 15.0	\$ 14.2	\$ 13.3
Noncredit instruction	1.4	1.4	1.6
Other	0.6	0.6	0.7
Total	<u>\$ 17.0</u>	<u>\$ 16.2</u>	<u>\$ 15.6</u>

Student tuition and fees, net increased 4.9 percent during 2006 as compared to 2005. Credit instruction tuition and fees increased 5.3 percent during 2006 as compared to 2005. This increase is attributable to a 6.0 percent rate increase to credit instruction and general fees effective with fall term 2005, partially offset by a slight enrollment decrease during 2006 as compared to 2005. Noncredit instruction revenue decreased by 3.8 percent during 2006 as compared to 2005 and was attributable to lower enrollments in senior citizen and professional development programs, partially offset by increases in health professional skills, computer and personal skills, youth and recreation programs, and economic development programs.

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

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

Student tuition and fees, net increased 4.3 percent during 2005 as compared to 2004. Credit instruction tuition and fees increased 5.4 percent during 2005 as compared to 2004. This reflects a 0.7 percent enrollment increase in credit instruction during 2005 compared to 2004. Additionally, the increase reflects a 5.25 percent rate increase to credit instruction tuition and general fees effective with fall term 2004. Non-credit instruction revenue decreased by 9.1 percent during 2005 as compared to 2004 and was attributable to lower enrollments caused by delays in certain center for business and industry program offerings during its management transition in 2005.

Grants, contracts, and other revenues decreased by \$0.5 million during 2006 and are primarily attributable to the one-time receipt of the U.S. Department of Labor Biotechnology Grant during 2005, offset by an increase in various private grants.

Auxiliary enterprises revenues are primarily comprised of bookstore and food service sales and facility rentals. Revenues increased by 2.8 percent for these operations during 2006 compared to 2005, primarily attributable to increased bookstore sales. Revenues increased by 3.8 percent for these operations during 2005 compared to 2004, also primarily attributable to increased bookstore sales.

The College's nonoperating revenues are comprised primarily of the State of Ohio (the "State") and local appropriations. State appropriations include the State's share of instructional support (SSIS) and access challenge funds, as well as replacement state taxes on property tax law changes.

A breakdown and comparison of state appropriations revenues is as follows:

### State Appropriations

	Years Ended June 30		
	2006	2005	2004
	(dollars in millions)		
SSIS and Access Challenge	\$ 16.6	\$ 16.6	\$ 15.0
Replacement state taxes on property tax law changes	1.3	1.2	1.2
Total	<u>\$ 17.9</u>	<u>\$ 17.8</u>	<u>\$ 16.2</u>

SSIS and Access Challenge funding is based on the Ohio board of regents' annual distribution schedules and the State of Ohio approved biennium budget. Available resources to higher education on a state-wide level allowed funding to increase during 2005, with funding remaining flat during 2006.

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

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

As part of the legislation that deregulated the electric and natural gas utilities, commencing with calendar year 2002, the College began receiving \$1,238,070 in replacement state excise taxes at a "100 percent guarantee" each year for a five-year period (to protect the College from lost public utility taxes due to lowered valuations). This amount is being received from the State in two equal semiannual installments. The guarantee will be reduced to an 80 percent level for years 6 through 10 and proportionately reduced to zero in years 11 through 15. Also included in state appropriations during 2006 is \$62,595 in "hold harmless" replacement taxes for commencement of the State of Ohio phasing out the levying of tangible personal property taxes. This "hold harmless" replacement tax will significantly increase during 2007 and the College will be fully protected for several years.

Local appropriations increased by \$0.2 million, or 1.4 percent, during 2006 as compared to 2005. Local appropriations also increased by \$0.2 million, or 1.5 percent, during 2005 as compared to 2004. Local appropriations represent the receipt and collection of property taxes for operating and capital purposes from two levies approved by the Lake County voters: a 1.7 mill continuing levy and a 1.5 mill 10-year levy. The slight increase in each year is primarily attributable to increased real estate taxes, partially offset by a decline in personal property tax receipts.

Other nonoperating income and expenses, net, increased by \$0.4 million during 2006 as compared to both 2005 and 2004, was primarily attributable to an increase in investment income due to an increase in investment yields partially offset by lower funds available to invest.

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

### Operating Expense Summary

	Years Ended June 30		
	2006	2005	2004
	(dollars in millions)		
Educational and general:			
Salaries and wages	\$ 31.9	\$ 30.8	\$ 29.5
Benefits	8.3	7.9	7.2
Operating expenses	10.5	10.0	9.3
Total educational and general	50.7	48.7	46.0
Auxiliary enterprises	5.3	5.2	4.9
Depreciation	3.0	2.8	2.6
Total	<u>\$ 59.0</u>	<u>\$ 56.7</u>	<u>\$ 53.5</u>

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

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## **Management's Discussion and Analysis - Unaudited (Continued)**

The increase in salaries and wages during 2006 was primarily attributable to negotiated cost of living and scheduled salary increases for employees and increased overtime and additional staff who were dedicated to the College's "Banner" integrated management information system's implementation, partially offset by savings attributable to delays in filling open positions.

The increase in salaries and wages during 2005 was primarily attributable to negotiated cost of living and scheduled salary increases for employees, offset by reductions in credit faculty costs (summer 2004) and noncredit faculty costs.

Benefits include retirement and nonretirement benefits and increased \$0.4 million, or 4.8 percent during 2006. The increase is attributable to (a) the increase in wages and salary commensurate with the increase in retirement benefits, (b) new hires subject to Medicare replacing long-term employees not subject to this benefit cost, (c) a 3.7 percent net increase in the College's health care premium cost, and (d) the 2006 impact of the College's early retirement incentive program (ERIP).

The 3.7 percent net health care increase during 2006 reflects a 2.6 percent actual premium increase, an employee rebate offered as an incentive to contribute to the cost of health care, partially offset by newly established employee contributions. The 2.6 percent actual health care premium increase also reflects a significant movement of covered employees from a more costly HMO plan to a less costly PPO plan. These changes are primarily attributable to collective bargaining revisions.

As part of that collective bargaining process, the College also recognized a \$161,087 charge for an ERIP for full-time faculty during 2006. The estimated total ERIP liability for fiscal years 2006 to 2008 amounts to \$738,000. Savings associated with the ERIP will be reflected in 2007.

Benefits increased during 2005 by \$0.7 million, or 9.7 percent, and were attributable to increases in retirement benefits proportional to the increase in salaries and wages, new hires subject to Medicare replacing long-term employees not subject to these employer costs, and an increase in the school employees retirement system annual surcharge. Additionally, nonretirement benefit costs increased by 14.6 percent. This increase is attributable to health care benefit costs increasing by 17.3 percent (primarily attributable to increased premiums and a budgeted increase in employee's eligible for benefits) and higher worker's compensation premiums.

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

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## **Management's Discussion and Analysis - Unaudited (Continued)**

Nonlabor-related operating expenses were 5.0 percent higher in 2006 than 2005. The increase is primarily due to planned additional advertising, printing, and higher utility costs, partially offset by reduced professional services, instructional supplies, and the monitoring of other expenditures. The increase in nonlabor-related operating expenses during 2005 as compared to 2004 was primarily attributable to higher maintenance costs, utilities, legal and collection fees, various supplies, and advertising, offset by reduced rental costs at Lakeland East, lower county auditor fees, and purchases of noncapitalized equipment, as well as various cost-saving measures to offset lower than budgeted revenues.

Auxiliary enterprises expense increased by 2.1 percent during 2006 and by 4.8 percent during 2005. These changes were attributable to an increase in overall revenues and an improved contribution in bookstore operations for both years, more than offset by higher food service operating costs. The increase in depreciation expense during 2006 and 2005 is attributable to various capital assets acquired during those years.

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

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

From a budgetary perspective, the College utilizes fund-based accounting to control unrestricted revenues, expenditures, and transfers. A summary for the year ended June 30, 2006 comparison of net changes to fund balance, budget versus actual, to the College's unrestricted funds is as follows:

### Unrestricted Funds Budget to Actual Comparison

Changes to Fund Balances by Unrestricted Fund Type	2006	
	Adopted Budget	Actual
	(dollars in millions)	
General operating	\$ (0.8)	\$ (0.5)
Auxiliary	0.1	0.2
Plant	(0.3)	(0.2)
Total	<u>\$ (1.0)</u>	<u>\$ (0.5)</u>

### Net Assets

	Years Ended June 30		
	2006	2005	2004
<b>Assets</b>			
Current assets	\$ 27,417,688	\$ 26,272,588	\$ 28,500,508
Noncurrent assets:			
Capital	32,833,626	32,443,296	32,145,935
Other	3,038,249	2,683,617	206,808
Total assets	<u>\$ 63,289,563</u>	<u>\$ 61,399,501</u>	<u>\$ 60,853,251</u>
<b>Liabilities</b>			
Current liabilities	\$ 17,512,922	\$ 14,327,265	\$ 11,615,336
Noncurrent liabilities	4,962,735	5,628,313	6,442,364
Total liabilities	<u>22,475,657</u>	<u>19,955,578</u>	<u>18,057,700</u>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	28,384,013	27,727,811	29,241,235
Restricted	1,034,899	1,151,316	1,042,840
Unrestricted	11,394,994	12,564,796	12,511,476
Total net assets	<u>40,813,906</u>	<u>41,443,923</u>	<u>42,795,551</u>
Total liabilities and net assets	<u>\$ 63,289,563</u>	<u>\$ 61,399,501</u>	<u>\$ 60,853,251</u>

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

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

### Analysis of Overall Financial Position

At June 30, 2006, current assets amounted to \$27.4 million as compared to \$26.3 million at June 30, 2005, an increase of \$1.1 million. Current liabilities at June 30, 2006 amounted to \$17.5 million and current liabilities at June 30, 2005 amounted to \$14.3 million, an increase of \$3.2 million. The College's working capital ratio at June 30, 2006 and 2005 was 1.6 and 1.8, respectively. The increase in current assets is primarily attributable to an increase in receivables of \$2.7 million due to the earlier summer and fall registration in 2006 as compared to 2005, partially offset by a decrease in cash and short-term investments of \$1.6 million resulting from capital purchases made with the proceeds from the College's issuance of \$4 million in tax anticipation notes in November 2003, as well the planned reduction in reserve positions. The increase in current liabilities is primarily attributable to an increase in deferred revenue of \$2.4 million due to the earlier summer and fall registration in 2006 as compared to 2005, partially offset by the recognition of revenue on state construction contracts in 2006 as compared to 2005 and higher accounts payable and other liabilities of \$.8 million primarily resulting from the timing of payments to vendors.

At June 30, 2005, current assets amounted to \$26.3 million, as compared to \$28.5 million at June 30, 2004, a decrease of \$2.2 million. Current liabilities at June 30, 2005, as compared to June 30, 2004, amounted to \$14.3 million and \$11.6 million, respectively, and increase of \$2.7 million. The college's working capital ratio at June 30, 2005 and 2004 was 1.8 and 2.45, respectively. The decrease in current assets is primarily attributable to a decrease in cash and short-term investments resulting from capital purchases made with the proceeds from the College's issuance of \$4 million in Tax Anticipation Notes in November 2003, lengthening the College's investment portfolio in light of hiring an independent investment advisor and an improvement in overall market interest rates and lower inventories in the bookstore due to timing of purchases and sales offset partially by an increase in intergovernmental receivables from state capital project funding and slightly higher deferral of faculty labor cost from summer 2005. The increase in current liabilities is primarily attributable to higher deferred revenue from summer 2005 tuition and fees, first year principal payments of \$630,000 due on the College's \$4.0 million series 2003 Tax Anticipation Notes, and various timing impacts on accounts payable and other accrued liabilities.

Noncurrent assets are comprised of capital assets, investments, and loans receivable. The growth in noncurrent assets during 2006 is due to the increase in the College's capital assets (\$0.7 million) primarily associated with current year capital additions exceeding depreciation (\$0.4 million) and investments with maturity dates beyond one year (\$0.3 million).

The growth in noncurrent assets during 2005 is due to the increase in the College's capital assets, primarily associated with current year capital additions exceeding depreciation expenses. The increase in other noncurrent assets is primarily due to a shift in short-term to longer-term investments in the College's investment portfolio as previously explained.

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

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## **Management's Discussion and Analysis - Unaudited (Continued)**

The decrease in the College's noncurrent liabilities during both 2006 and 2005 is primarily attributable to scheduled principle payments on its issued debt. Also, the College's capital lease debt was fully paid off during 2006. The College is in full compliance with all debt issuance provisions.

The College's net assets amounted to \$40.8 million, \$41.4 million, and \$42.8 million at June 30, 2006, 2005, and 2004, respectively. The \$0.6 million decrease in the College's net assets during 2006 was primarily attributable to the increase in the College's net plant investment, slightly more than offset by the planned reduction in reserve positions. The \$1.4 million decrease in the College's net assets during 2005 was primarily attributable to its change in capital assets invested, net of related debt.

### **Capital Assets and Long-term Debt Activity**

The College utilizes state capital appropriations, internal funds, debt proceeds, and gifts and other grants for capital asset expenditures. State capital appropriations are on a biennium basis, and individual institutions' capital funding allocations are based largely on enrollment. During 2006, the College utilized \$2.8 million in state capital appropriations and \$0.6 million in debt proceeds and internal funds and purchased \$3.4 million of capital assets. During 2005, the College utilized \$1.0 million in state capital appropriations and \$2.6 million in debt proceeds and internal funds and purchased \$3.6 million of capital assets.

The College's long-term debt is comprised of Series 1999 General Receipts Bonds, Series 2003 Tax Anticipation Notes and capital lease obligations. During 2006, the College did not issue any additional debt and paid \$0.8 million in connection with debt maturities. During 2005, the College did not issue any additional debt and paid \$0.2 million 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 and lease obligations is presented in Notes 4 and 5 of the financial statements.

### **Factors Impacting Future Periods**

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

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

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## **Management's Discussion and Analysis - Unaudited (Continued)**

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 State's share of instructional support and access challenge appropriations are subject to subsequent limitations, which provide in part that if the governor ascertains that the available revenue receipts and balances for the current fiscal year will in all probability be less than the appropriations for the year, he or she shall issue such orders to prevent their expenditure and incurred obligations from exceeding those revenue receipts and balances.

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 Lake County Community College District property tax. 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 10 years. The current 1.5 mill levy expires with the last collection in calendar year 2012.

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

## Statement of Net Assets

	June 30	
	2006	2005
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 1,465,189	\$ 2,803,287
Restricted cash and cash equivalents (Note 2)	664,365	1,150,062
Short-term investments (Note 2)	7,552,185	7,381,047
Intergovernmental receivables - Net	9,384,627	11,616,897
Loans and other receivables - Net (Note 3)	6,378,954	1,424,311
Inventories	660,752	569,738
Prepaid assets	1,311,616	1,327,246
Total current assets	<u>27,417,688</u>	<u>26,272,588</u>
Noncurrent assets:		
Investments (Note 2)	2,805,201	2,462,662
Loans receivable - Net (Note 3)	233,048	220,955
Capital assets - Net (Note 4)	<u>32,833,626</u>	<u>32,443,296</u>
Total noncurrent assets	<u>35,871,875</u>	<u>35,126,913</u>
Total assets	<u>63,289,563</u>	<u>61,399,501</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	3,312,506	2,700,952
Deferred revenues	12,162,222	9,713,831
Other liabilities	409,195	253,955
Debt payable (Note 5)	722,626	763,676
Compensated absences (Note 5)	<u>906,373</u>	<u>894,851</u>
Total current liabilities	<u>17,512,922</u>	<u>14,327,265</u>
Noncurrent liabilities (Note 5):		
Other liabilities	125,000	125,000
Debt payable	4,044,695	4,772,320
Compensated absences	385,536	328,320
Refundable federal student loans	<u>407,504</u>	<u>402,673</u>
Total noncurrent liabilities	<u>4,962,735</u>	<u>5,628,313</u>
Total liabilities	<u>22,475,657</u>	<u>19,955,578</u>
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	28,384,013	27,727,811
Restricted for:		
Nonexpendable for endowment purposes	335,737	329,551
Expendable for instructional purposes	699,162	821,765
Unrestricted	<u>11,394,994</u>	<u>12,564,796</u>
Total net assets	<u><u>\$ 40,813,906</u></u>	<u><u>\$ 41,443,923</u></u>

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

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

	Year Ended June 30	
	2006	2005
<b>Operating Revenue</b>		
Student tuition and fees - Net of \$176,842 and \$240,486 in scholarship allowances in 2006 and 2005, respectively	\$ 17,021,744	\$ 16,225,303
Federal grants and contracts	429,514	470,868
State grants and contracts	768,280	1,008,739
Private grants and contracts	342,018	280,150
Sales and services	645,654	700,051
Auxiliary enterprises	5,398,153	5,252,378
Other operating revenues	385,207	586,156
Total operating revenue	24,990,570	24,523,645
<b>Operating Expenses</b>		
Educational and general:		
Instruction and departmental research	22,611,693	21,524,948
Public service	2,925,259	3,307,052
Academic support	3,398,550	3,100,917
Student services	7,213,149	7,013,600
Institutional support	7,894,966	7,564,143
Operation and maintenance of facilities	6,687,958	6,219,094
Total educational and general	50,731,575	48,729,754
Auxiliary enterprises	5,285,444	5,174,700
Depreciation	3,011,248	2,824,815
Total operating expenses	59,028,267	56,729,269
<b>Operating Loss</b>	(34,037,697)	(32,205,624)
<b>Nonoperating Revenue (Expense)</b>		
State appropriations (Note 7)	17,913,905	17,789,047
Local appropriations (Note 8)	12,111,015	11,941,451
Unrestricted investment income - Net of investment expense	651,297	265,891
Restricted investment income - Net of investment expense	14,261	6,730
Interest on capital asset - Related debt	(178,822)	(186,902)
Other nonoperating revenues - Net	2,150	-
Net nonoperating revenue	30,513,806	29,816,217
<b>Loss - Before other changes</b>	(3,523,891)	(2,389,407)
<b>Other Changes</b>		
Capital appropriations from the State of Ohio	2,779,513	997,238
Capital grants and gifts	114,361	40,541
Total other changes	2,893,874	1,037,779
<b>Decrease in Net Assets</b>	(630,017)	(1,351,628)
<b>Net Assets - Beginning of year</b>	41,443,923	42,795,551
<b>Net Assets - End of year</b>	<b>\$ 40,813,906</b>	<b>\$ 41,443,923</b>

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

## Statement of Cash Flows

	Year Ended June 30	
	2006	2005
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 13,554,479	\$ 13,780,912
Grants and contracts	1,408,575	1,892,616
Payments to suppliers and utilities	(13,550,047)	(13,847,614)
Payments for compensation and benefits	(41,860,406)	(39,937,030)
Federal draw downs	14,853,645	5,448,640
Federal draw downs applied to tuition - Disbursed to students	(11,300,282)	(2,209,717)
Auxiliary sales and services	5,508,098	5,252,378
Other	796,228	1,291,598
Net cash used in operating activities	(30,589,710)	(28,328,217)
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	17,913,905	17,789,047
Local appropriations	12,121,709	11,795,678
Private grants and gifts	114,361	40,541
Net cash provided by noncapital financing activities	30,149,975	29,625,266
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital appropriations	38,218	44,680
Purchases of capital assets	(573,231)	(1,991,736)
Principal paid on capital debt and leases - Net	(768,676)	(178,661)
Interest paid on capital debt and leases	(178,822)	(186,902)
Net cash used in capital financing activities	(1,482,511)	(2,312,619)
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	10,013,182	3,500,000
Purchase of investments	(10,344,795)	(11,930,026)
Interest on investments	430,064	301,240
Net cash (used in) provided by investing activities	98,451	(8,128,786)
<b>Net Decrease in Cash and Cash Equivalents</b>	(1,823,795)	(9,144,356)
<b>Cash and Cash Equivalents - Beginning of year</b>	3,953,349	13,097,705
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 2,129,554</b>	<b>\$ 3,953,349</b>
<b>Classification of Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 1,793,817	\$ 3,623,798
Restricted cash and cash equivalents	335,737	329,551
Total cash and cash equivalents	<b>\$ 2,129,554</b>	<b>\$ 3,953,349</b>

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

## Statement of Cash Flows (Continued)

	Year Ended June 30	
	2006	2005
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (34,037,697)	\$ (32,205,624)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	3,011,248	2,824,815
(Increase) decrease in assets:		
Accounts receivable	(4,507,463)	1,638,229
Inventories	(12,093)	117,327
Other assets	(20,391)	(135,158)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	507,384	164,084
Deferred revenue	4,395,733	(758,102)
Deposits held for others	4,831	9,839
Compensated absences	68,738	91,373
Other liabilities	-	(75,000)
Net cash used in operating activities	<u>\$ (30,589,710)</u>	<u>\$ (28,328,217)</u>

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

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

### Balance Sheet

		June 30	
		2006	2005
<b>Assets</b>			
Cash and cash equivalents		\$ 292,247	\$ 290,849
Cash held for others		19,114	19,832
Investments		1,968,660	1,812,935
Receivables		280,304	307,827
Prepaid expenses		-	7,177
	Total assets	<u>\$ 2,560,325</u>	<u>\$ 2,438,620</u>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts payable		\$ 62,734	\$ 111,197
Due to custodial funds		19,114	19,832
Contingent liability		50,000	75,000
	Total liabilities	131,848	206,029
<b>Net Assets</b>			
Unrestricted		240,993	275,366
Temporarily restricted		690,230	651,425
Permanently restricted		1,497,254	1,305,800
	Total net assets	<u>2,428,477</u>	<u>2,232,591</u>
	Total liabilities and net assets	<u>\$ 2,560,325</u>	<u>\$ 2,438,620</u>

### Statement of Activities

		Year Ended June 30	
		2006	2005
<b>Support and Revenue</b>			
Contributions and grants		\$ 1,107,780	\$ 881,542
Investment income - Net		93,189	89,840
	Total support and revenue	1,200,969	971,382
<b>Program and Support Services</b>			
Program services:			
Scholarships		361,712	365,341
Educational and related programs		391,218	177,357
Support services - Administration		252,153	225,764
	Total program and support expenses	<u>1,005,083</u>	<u>768,462</u>
	Increase in Net Assets	195,886	202,920
	Net Assets - Beginning of year	<u>2,232,591</u>	<u>2,029,671</u>
	Net Assets - End of year	<u>\$ 2,428,477</u>	<u>\$ 2,232,591</u>

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

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## Notes to Financial Statements June 30, 2006 and 2005

### Note I - Basis of Presentation and Significant Accounting Policies

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

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

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

The Lakeland Foundation (the "Foundation") is discretely reported as part of the College's reporting entity (although it is legally separate and governed by its own board of directors) because its sole purpose is to provide support for the College. 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 the accounting principles generally accepted in the United States of America (GAAP) as prescribed by the GASB.

**Measurement Focus and Financial Statement Presentation** - Operating revenues 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 revenues and expenses not meeting this definition, including state and local appropriations, are reported as nonoperating revenues 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" revenues and expenses.

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

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## Notes to Financial Statements June 30, 2006 and 2005

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

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

**Restricted Cash and Cash Equivalents** - As of June 30, 2006, restricted cash consists of \$328,628 of unspent Tax Anticipation Note proceeds that will be spent in the next year as well as \$335,737 for endowment purposes. As of June 30, 2005, restricted cash consisted of \$820,511 of unspent Tax Anticipation Note proceeds as well as \$329,551 for endowment purposes.

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

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

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

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

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

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

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

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## Notes to Financial Statements June 30, 2006 and 2005

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

**Deferred Revenues** - Deferred revenues include tuition and fees for summer sessions and local government revenue. Summer tuition and fee revenue received and related expenses incurred are deferred in their entirety to the next fiscal year. This is consistent with the State of Ohio reporting model.

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

**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. Revenues received under grants and contracts are subject to the examination and retroactive adjustments by the awarding agency.

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

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

**Reclassifications** - Certain balances from the prior year were reclassified to be comparable with current year classifications.

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

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## Notes to Financial Statements June 30, 2006 and 2005

### Note 2 - Cash and Cash Equivalents and Investments

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

At June 30, 2006 and 2005, the carrying amount of the College's cash balance was (\$1,036,996) and (\$1,672,906), respectively. The bank balance at June 30, 2006 and 2005 totaled \$518,490 and \$21,289, respectively. The difference represents outstanding checks payable, deposits in transit, and normal reconciling items. A total of \$100,000 of the bank balance was covered by the federal depository insurance. The remainder was secured by collateral pools of the U.S. government and municipal securities. The College also maintains a small on-hand cash balance to maintain day-to-day operations in the cashier's office, bookstore, and food service operations.

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

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

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

# Lake County Community College District

## d/b/a Lakeland Community College

### Notes to Financial Statements

#### June 30, 2006 and 2005

#### Note 2 - 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 overnight "sweep" bank account (that earns interest in overnight repurchase agreements). In addition, funds are also invested in the State of Ohio treasurer's STAR investment program fund. The remaining portfolio at June 30, 2006 and 2005 is made up of Treasury bills, Treasury notes, and federal agency issues. 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 did not invest in any of these instruments in 2006 or 2005. In the event the College invests in these instruments in the future, credit risk will be minimized by (1) diversifying assets by issuer, (2) ensuring that required minimum credit ratings exist prior to the purchase of commercial paper and bankers' acceptances, and (3) maintaining adequate collateralization of certificates of deposits.

At June 30, 2006 and 2005, the College's investment portfolio and credit ratings consisted of the following:

	Fair Market Value	Less than One Year	1-2 years	NRSRO Rating
2006				
Repurchase agreements	\$ 1,301,606	\$ 1,301,606	\$ -	AAA
State Treasurer Asset Reserve Fund (Star Ohio)	1,800,922	1,800,922	-	AAA
Money market	64,022	64,022	-	AAA
U.S. government treasuries	2,486,406	2,486,406	-	AAA
U.S. government agency	<u>7,870,980</u>	<u>5,065,779</u>	<u>2,805,201</u>	AAA
Total investments	<u>\$ 13,523,936</u>	<u>\$ 10,718,735</u>	<u>\$ 2,805,201</u>	
2005				
Repurchase agreements	\$ 1,335,535	\$ 1,335,535	\$ -	AAA
State Treasurer Asset Reserve Fund (Star Ohio)	4,076,857	4,076,857	-	AAA
Money market	195,913	195,913	-	AAA
U.S. government treasuries	9,352,409	6,889,747	2,462,662	AAA
U.S. government agency	<u>491,300</u>	<u>491,300</u>	-	AAA
Total investments	<u>\$ 15,452,014</u>	<u>\$ 12,989,352</u>	<u>\$ 2,462,662</u>	

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

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## Notes to Financial Statements June 30, 2006 and 2005

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

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

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

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

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

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

**Foreign Currency Risk** - The College did not invest in any foreign instruments in 2006 or 2005.

### Note 3 - Loans and Other Receivables

Loans and other receivables relate to several activities including tuition and fees, auxiliary sales, and miscellaneous sales and services. Loans and other receivables are recorded net of allowances for uncollectible accounts of \$1,235,989 and \$1,024,110 at June 30, 2006 and 2005, respectively.

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

## Notes to Financial Statements June 30, 2006 and 2005

### Note 3 - Loans and Other Receivables (Continued)

The following schedule is an analysis of loans and other receivable balances as of June 30, 2006 and 2005:

	2006		2005	
	Current Portion - Net	Noncurrent Portion - Net	Current Portion - Net	Noncurrent Portion - Net
In-house student loans	\$ -	\$ 1,500	\$ -	\$ 1,500
Federal Perkins and nursing student loans	43,316	204,804	48,036	190,809
Employee computer financing	53,954	26,744	51,084	28,646
Student accounts	5,738,240	-	786,735	-
Auxiliary receivables	286,687	-	236,873	-
Interest receivable	54,598	-	33,815	-
Sales and service receivables	202,159	-	267,768	-
<b>Total</b>	<b>\$ 6,378,954</b>	<b>\$ 233,048</b>	<b>\$ 1,424,311</b>	<b>\$ 220,955</b>

The increase in student accounts receivable is attributable to an earlier start and marketing efforts in current year summer and fall registrations.

### Note 4 - Capital Assets

Capital asset activity for the years ended June 30, 2006 and 2005 was as follows:

	July 1, 2005 Balance	Additions	Retirements	June 30, 2006 Balance
Nondepreciable assets:				
Land	\$ 723,289	\$ -	\$ -	\$ 723,289
Construction in progress	-	2,157,099	(11,000)	2,146,099
Depreciable assets:				
Land improvements	3,208,510	-	-	3,208,510
Infrastructure	2,907,873	-	-	2,907,873
Buildings and improvements	59,121,915	137,024	-	59,258,939
Equipment and vehicles	4,342,486	552,842	(177,691)	4,717,637
Software and library books	7,325,812	569,573	-	7,895,385
<b>Total capital assets</b>	<b>77,629,885</b>	<b>3,416,538</b>	<b>(188,691)</b>	<b>80,857,732</b>
Less accumulated depreciation:				
Land improvements	1,831,338	102,710	-	1,934,048
Infrastructure	1,837,560	90,216	-	1,927,776
Buildings and improvements	32,896,423	1,901,190	-	34,797,613
Equipment and vehicles	3,251,872	329,734	(173,731)	3,407,875
Software and library books	5,369,396	587,398	-	5,956,794
<b>Total accumulated depreciation</b>	<b>45,186,589</b>	<b>3,011,248</b>	<b>(173,731)</b>	<b>48,024,106</b>
<b>Capital assets - Net</b>	<b>\$ 32,443,296</b>	<b>\$ 405,290</b>	<b>\$ (14,960)</b>	<b>\$ 32,833,626</b>

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

## Notes to Financial Statements June 30, 2006 and 2005

### Note 4 - Capital Assets (Continued)

	July 1, 2004 Balance	Additions	Retirements	June 30, 2005 Balance
Nondepreciable assets:				
Land	\$ 723,289	\$ -	\$ -	\$ 723,289
Construction in progress	500,000	-	(500,000)	-
Depreciable assets:				
Land improvements	3,178,105	30,405	-	3,208,510
Infrastructure	2,907,873	-	-	2,907,873
Buildings and improvements	57,158,013	1,963,902	-	59,121,915
Equipment and vehicles	3,929,340	488,277	(75,131)	4,342,486
Software and library books	6,176,656	1,149,156	-	7,325,812
Total capital assets	74,573,276	3,631,740	(575,131)	77,629,885
Less accumulated depreciation:				
Land improvements	1,724,829	106,509	-	1,831,338
Infrastructure	1,743,230	94,330	-	1,837,560
Buildings and improvements	31,059,004	1,837,419	-	32,896,423
Equipment and vehicles	2,985,100	332,338	(65,566)	3,251,872
Software and library books	4,915,178	454,218	-	5,369,396
Total accumulated depreciation	42,427,341	2,824,814	(65,566)	45,186,589
Capital assets - Net	<u>\$ 32,145,935</u>	<u>\$ 806,926</u>	<u>\$ (509,565)</u>	<u>\$ 32,443,296</u>

### Note 5 - Noncurrent Liabilities

Noncurrent liability activity for the years ended June 30, 2006 and 2005 was as follows:

2006	July 1, 2005 Balance	Additions	Reductions	June 30, 2006 Balance	Current Portion
Long-term debt and lease obligations:					
Tax Anticipation Note, Series 2003	\$ 4,000,000	\$ -	\$ 630,000	\$ 3,370,000	\$ 645,000
Premium on Tax Anticipation Note	31,106	-	8,785	22,321	7,626
General Receipts Bonds, Series 1999	1,445,000	-	70,000	1,375,000	70,000
Capital lease obligations	59,891	-	59,891	-	-
Total	5,535,997	-	768,676	4,767,321	722,626
Other noncurrent obligations:					
Reserve for compensated absences	1,223,171	68,738	-	1,291,909	906,373
Reserve for federal student loans	402,672	4,832	-	407,504	-
Other liabilities	125,000	-	-	125,000	-
Total noncurrent liabilities	<u>\$ 7,286,840</u>	<u>\$ 73,570</u>	<u>\$ 768,676</u>	<u>\$ 6,591,734</u>	<u>\$ 1,628,999</u>

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

## Notes to Financial Statements June 30, 2006 and 2005

### Note 5 - Noncurrent Liabilities (Continued)

2005	July 1, 2004			June 30, 2005	
	Balance	Additions	Reductions	Balance	Current Portion
Long-term debt and lease obligations:					
Tax Anticipation Note, Series 2003	\$ 4,000,000	\$ -	\$ -	\$ 4,000,000	\$ 630,000
Premium on Tax Anticipation Note	40,560	-	9,454	31,106	8,785
General Receipts Bonds, Series 1999	1,510,000	-	65,000	1,445,000	65,000
Capital lease obligations	164,099	-	104,208	59,891	59,891
Total	5,714,659	-	178,662	5,535,997	763,676
Other noncurrent obligations:					
Reserve for compensated absences	1,131,797	916,866	825,492	1,223,171	894,851
Reserve for federal student loans	392,833	9,839	-	402,672	-
Other liabilities	200,000	-	75,000	125,000	-
Total noncurrent liabilities	<u>\$ 7,439,289</u>	<u>\$ 926,705</u>	<u>\$ 1,079,154</u>	<u>\$ 7,286,840</u>	<u>\$ 1,658,527</u>

**Tax Anticipation Notes, Series 2003 and General Receipts Bonds, Series 1999** - Effective November 13, 2003, the College issued \$4,000,000 of Tax Anticipation Notes (Series 2003 Notes) in anticipation of the proceeds of a 1.5 mill tax levy that began in 2003 and ends in 2012. The proceeds are being used to pay for the costs of an integrated management information system, other technology projects, and other equipment and capital improvements.

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

The Series 2003 Notes and Series 1999 Bonds were issued pursuant to a Master Trust Agreement dated March 15, 1999, acting by and through the College's board of trustees and the bond trustee. The Series 2003 Notes are subject to mandatory redemption, with stated interest rates ranging from 2.00 percent to 3.25 percent. The final maturity of the Series 2003 Notes is December 1, 2010. The Series 1999 Bonds are subject to mandatory or optional redemption, with stated interest rates ranging from 3.60 percent to 5.12 percent. The final maturity of the Series 1999 Bonds is December 1, 2019.

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

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

## Notes to Financial Statements June 30, 2006 and 2005

### Note 5 - Noncurrent Liabilities (Continued)

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

**Capital Lease Obligations** - Capital lease assets consist of computer hardware and software, implementation costs, and other equipment. During fiscal year 1998, the College entered into a bank-qualified, tax-exempt master lease agreement primarily to finance the acquisition of an integrated management information system. The total amount financed was \$2,502,537. The debt balance at June 30, 2005 of \$59,891 was fully paid off during the year ended June 30, 2006.

Scheduled principal maturities and total debt service on the Series 2003 Notes and Series 1999 Bonds, as well as the present value of net minimum capital lease payments, for fiscal years subsequent to June 30, 2006 are as follows:

	Bonds and Notes Payable		
	Principal	Interest	Total
2007	\$ 715,000	\$ 150,810	\$ 865,810
2008	730,000	133,054	863,054
2009	750,000	112,243	862,243
2010	770,000	77,770	847,770
2011	795,000	63,396	858,396
2012-2016	495,000	190,728	685,728
2017-2020	490,000	51,504	541,504
Total	<u>\$ 4,745,000</u>	<u>\$ 779,505</u>	<u>\$ 5,524,505</u>

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

## Notes to Financial Statements June 30, 2006 and 2005

### Note 6 - Operating Lease Obligations

The College has entered into various lease agreements, which are considered operating leases. Total rental expense under operating leases during the years ended June 30, 2006 and 2005 amounted to \$153,273 and \$137,544, respectively.

Future minimum lease payments as of June 30, 2006 under operating leases are as follows:

2007	\$	188,354
2008		193,614
2009		199,085
2010		204,774
2011		210,691
Thereafter		<u>529,447</u>
Total	\$	<u>1,525,965</u>

### Note 7 - 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 campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC) which, in turn, is used for the construction and subsequent transfer of the facility to the College.

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

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

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

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## Notes to Financial Statements June 30, 2006 and 2005

### Note 7 - State Appropriations (Continued)

Due to enacted legislation related to deregulating public electric and natural gas utilities, the assessment percentage on various components of public utility tangible personal property was reduced starting with the College's calendar year 2002 tax receipts. The State Tax Commissioner's Office has certified that the annual loss to the College attributable to deregulation commencing with 2002 receipts annually amounts to \$1,238,070. However, with deregulation, the College will recover, under various guarantee provisions (SB3 and SB287), those lost collections through receipts of a replacement state excise tax, which is guaranteed at 100 percent for a five-year period to protect the College for lost public utility tangible personal property taxes; thereafter, the replacement tax will be phased out over an additional 10-year period. The replacement state excise taxes related to the current year operations will be collected in two separate payments during March and September of each year. The College has recognized one-half year of the replacement state excise tax as an intergovernmental receivable in both 2006 and 2005. Replacement state excise taxes were measurable at June 30, 2006 and 2005; however, since these revenue collections to be received in the available period are not intended to finance current year operations, the receivable amount is recorded as deferred revenue. Also included in 2006 is \$62,595 in "hold harmless" replacement taxes for commencement of the State of Ohio phasing out the levying of tangible personal property taxes. The hold harmless replacement tax will significantly increase during 2007 and the College will be fully protected for several years.

### Note 8 - Local Appropriations

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

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

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

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

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## **Notes to Financial Statements June 30, 2006 and 2005**

### **Note 8 - Local Appropriations (Continued)**

The electors within the County must approve any Lake County Community College District property tax. Lake County College 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 10 years. The current 1.5 mill levy expires with the last collection in calendar year 2012.

Revenue authorization is recognized based on the taxing authority's amounts to be distributed to the tax district and their certification of the College's annual budget. The taxing authority does not authorize the distribution of the tax assessment for the calendar year 2006 until October 2006, thus not legally making it available to the College until after the end of the College's fiscal year for that year's calendar assessment. The College has recognized one-half year of its real property and public utility property tax receipts due as an intergovernmental receivable in the current fiscal year. Property taxes receivable represent outstanding real property, public utility, and tangible personal property taxes, which were measurable at June 30, 2006. 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 2006 operations, the receivable amount is recorded as deferred revenue.

### **Note 9 - Retirement Plans**

All full-time employees of the College are covered by one of two state-administered retirement plans. Faculty and other qualified individuals participate in the State Teachers Retirement System of Ohio (STRS) and all other College employees participate in the School Employees Retirement System (SERS). The retirement programs are cost-sharing, multiple-employer defined benefit plans. In addition, effective July 1, 2001, STRS members have the additional options of a defined contribution plan and a combined plan. STRS and SERS provide retirement and disability benefits, annual cost of living adjustments, and death benefits for plan members and beneficiaries.

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

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## Notes to Financial Statements June 30, 2006 and 2005

### Note 9 - Retirement Plans (Continued)

The State Teachers Retirement System of Ohio Comprehensive Annual Financial Report may be obtained by writing to The State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771. The School Employees Retirement System of Ohio Comprehensive Annual Financial Report may be obtained by writing to School Employees Retirement System of Ohio, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. The Ohio Revised Code (ORC) provides statutory authority for employee and employer contributions. The employee contribution rates are 10.0 percent for STRS and SERS of covered payroll and the College is required to contribute 14.0 percent of covered payroll. The STRS defined contribution plan allows members to invest all their member and employer contributions equal to 10.5 percent of earned compensation. The combined plan offers features of the defined benefit and defined contribution plan. The College's contributions to STRS for the years ended June 30, 2006, 2005, and 2004 were \$2,504,628, \$2,393,322, and \$2,279,322, respectively, equal to the required contributions for each year. The College's contribution to SERS for the years ended June 30, 2006, 2005, and 2004 were \$1,872,863, \$1,805,500, and \$1,723,290, respectively.

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

### Note 10 - Post-employment 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. 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. All 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 percent of covered payroll.

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

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## Notes to Financial Statements June 30, 2006 and 2005

### Note 10 - Post-employment Benefit (Continued)

The retirement board allocated employer contributions to the Health Care Stabilization Fund (the "Fund") from which health care benefits are paid. For the fiscal year ended June 30, 2005, the board allocated employer contributions equal to 1.0 percent of covered payroll to the health care reserve fund. The balance in the Health Care Reserve Fund was approximately \$3.3 billion on June 30, 2005.

For the year ended June 30, 2005, the net health care costs paid by STRS Ohio were approximately \$444 million. There were 115,395 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2005, the allocation rate is 2.30 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. For the year ended June 30, 2005, the net health care costs paid by SERS were approximately \$218.8 million. At June 30, 2005, the SERS' net assets available for payment of health care benefits were approximately \$267.5 million. The number of retirees and covered dependents currently receiving benefits is 61,433.

### Note 11 - 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 purposes of the LCSC are 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").

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

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## Notes to Financial Statements June 30, 2006 and 2005

### Note 11 - Lake County School's Health Care Consortium (Continued)

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

Since its inception, LCSC has built up its reserves and at the time of the College's application for membership (November 1, 2001), the reserve balance approximated \$4.7 million. 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 LCSC in the amount of \$680,239 as the College's assessment for inclusion in the LCSC's health care benefits program as a member of equal standing. The assessment was in two equal installments (at inception on November 1, 2001 and at November 1, 2002). The entire assessment was expensed in fiscal year 2002 since the assessment is not guaranteed to be refunded to the College should the College at any time voluntarily withdraw from the LCSC.

Under its agreements and bylaws, the Consortium's fiscal year ends each June 30 and the treasurer of the LCSC is a position appointed by the board of directors of the LCSC. Prior to the beginning of each fiscal year, 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.

LCSC funds held at July 1, 2005 amounted to \$6.3 million. LCSC member contributions and other income for the year ended June 30, 2005 amounted to \$19.9 million and health care program and related costs amounted to \$20.2 million, leaving \$6.0 million as funds held in agency accounts at June 30, 2006.

### Note 12 - Risk Management

Lake County Community College District maintains a broad-based insurance program underwritten by A+ and A++ superior-rated insurance companies. The College engages the services of an insurance consulting/risk management firm to review and maintain its insurance program. This program includes commercial and umbrella liability, law enforcement liability, school leaders' errors and omissions liability, consultants' professional liability, and medical professional liability coverage. The College also maintains a comprehensive property insurance program. The College did not have any insurance settlements during fiscal years 2006 or 2005 that exceeded the coverage outlined in its insurance program.

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

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## **Notes to Financial Statements June 30, 2006 and 2005**

### **Note 12 - Risk Management (Continued)**

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

### **Note 13 - Foundation**

The Lakeland Foundation was formed in 1981 to obtain private financing support for the promotion of excellence at the College. The Foundation provides scholarships to financially disadvantaged students and merit scholarships to those students demonstrating 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.

## **Supplemental Information**

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

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

We have audited the financial statements of Lake County Community College District d/b/a Lakeland Community College as of and for the year ended June 30, 2006 and have issued our report thereon dated October 4, 2006. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lake County Community College District d/b/a Lakeland Community 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 an opinion 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 reportable 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 caused by error or fraud 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.

### Compliance

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

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

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

*Plante & Moran, PLLC*

October 4, 2006

Report on Compliance with Requirements Applicable to  
Each Major Program and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133

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

## Compliance

We have audited the compliance of Lake County Community College District d/b/a Lakeland Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The major federal programs of Lake County Community College District d/b/a Lakeland Community College are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lake County Community College District d/b/a Lakeland Community College's management. Our responsibility is to express an opinion on Lake County Community College District d/b/a Lakeland Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lake County Community College District d/b/a Lakeland Community 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 Lake County Community College District d/b/a Lakeland Community College's compliance with those requirements.

In our opinion, Lake County Community College District d/b/a Lakeland Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2006-01 and 2006-02.

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

### **Internal Control Over Compliance**

The management of Lake County Community College District d/b/a Lakeland Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lake County Community College District d/b/a Lakeland Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine 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 reportable 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 caused by error or fraud 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, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 4, 2006

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

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
Student Financial Aid Cluster:			
U.S. Department of Education - Direct Program:			
Federal Pell Grant Program	84.063	P063P052857	\$ 5,414,251
Federal Work Study Program	84.033	P033A056053	174,428
Federal Supplemental Educational Opportunity Grant Program	84.007	P007A056053	240,053
Federal Perkins Loan Program (Note 2)	84.038	P038A046053	17,478
Federal Family Education Loan Program	84.032	N/A	<u>8,693,189</u>
Total U.S. Department of Education			14,539,399
U.S. Department of Health and Human Services - Direct Program - Nursing Student Loan Program (Note 2)			
	93.364	N/A	<u>5,800</u>
Total Student Financial Aid Cluster			14,545,199
WIA Cluster - U.S. Department of Labor - Direct Program:			
Biotechnology Workforce Development Project Passed through the Ohio Department of Job and Family Services - Job Training Partnership Act:	17.260	N/A	58,713
Geauga County	17.246	G-67-15-2011	14,935
Cuyahoga County	17.246	N/A	3,826
Lake County II	17.246	G-67-15-0197	6,909
Summit County	17.246	G-67-15-0212	1,105
Ashtabula County	17.246	G-67-15-2011	<u>15,496</u>
Total WIA Cluster			100,984

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

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2006

Federal Agency/Pass-through Agency/ Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
Other Programs:			
National Science Foundation:			
Passed through the Science, Engineering, Mathematics, and Aerospace Academy - Paragon Tech/NASA	47.076	NAS3-02123-LCC	\$ 56,934
Passed through Moraine Valley Community College, IL Consortium for the Advance of System Security and Information Assurance	47.076	N/A	<u>58,972</u>
Total National Science Foundation			115,906
U.S. Department of Education:			
Passed through the Ohio Department of Education:			
Two-year College Perkins	84.048	063347-20C3-2006	73,372
Technical Preparatory	84.243	063347-3ETC-20	166,535
Passed through Community College of Allegheny County, PA - Globalizing Vocational Training Program for the Electrical Industry to World Class Standards	84.116j	N/A	<u>17,413</u>
Total U.S. Department of Education			<u>257,320</u>
Total federal awards			<u><b>\$ 15,019,409</b></u>

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

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lake County Community College District d/b/a Lakeland Community College and is presented on the same basis of accounting as the basic financial statements. 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 basic financial statements.

### Note 2 - Loans Outstanding

The College had the following loan balances outstanding at June 30, 2006. These loan balances are not included in the federal expenditures presented in the schedule of expenditures of federal awards.

Cluster/Program Title	CFDA Number	Amount Outstanding
Federal Perkins Loan Program	84.038	\$ 170,027
Nursing Student Loan Program	93.364	<u>90,243</u>
Total student loans outstanding		<u>\$ 260,270</u>

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

## Schedule of Findings and Questioned Costs Year Ended June 30, 2006

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

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?            \_\_\_ Yes     X  No
- Reportable condition(s) identified that are not considered to be material weaknesses?    \_\_\_ Yes     X  None reported

Noncompliance material to financial statements noted?            \_\_\_ Yes     X  No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified?            \_\_\_ Yes     X  No
- Reportable condition(s) identified that are not considered to be material weaknesses?    \_\_\_ Yes     X  None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

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

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.033, 84.007, 84.038, 84.032, and 93.364	Student Financial Aid Cluster

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

Auditee qualified as low-risk auditee?             X  Yes    \_\_\_ No

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

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

### Section II - Financial Statement Audit Findings

Reference Number	Findings
None	

### Section III - Federal Program Audit Findings

Reference Number	Findings
2006-01	<p><b>Program Name</b> - Student Financial Aid Cluster - 84.063, 84.033, 84.007, 84.038, 84.032, and 93.364</p> <p><b>Finding Type</b> - Noncompliance - Timely return of Title IV refunds</p> <p><b>Criteria</b> - Return of Title IV funds is required to be refunded within 30 days after the date the institution determines that a student receiving the aid has withdrawn.</p> <p><b>Condition</b> - Upon notification from the College and confirmed during our testing, we noted the return of funds was not being performed within 30 days of the date the College determined a withdrawal took place.</p> <p><b>Questioned Costs</b> - Unknown</p> <p><b>Context</b> - Out of 25 students tested, 14 did not have the Title IV refund completed within 30 days after the withdrawal was determined to have taken place.</p> <p><b>Cause and Effect</b> - The student financial aid office appears to be calculating the refunds within the required time frame; however, the office is not submitting the payment within the necessary time frame.</p> <p><b>Recommendation</b> - The student financial aid office should implement procedures to ensure that refunds are submitted within 30 days after student withdraws.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - During the fiscal year, prior to the audit, the financial aid office developed and implemented new procedures to work with the Banner computer system. The College is confident that these procedures will allow for compliance with federal regulations.</p>

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

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2006**

**Section III - Federal Program Audit Findings (Continued)**

Reference Number	Findings
2006-02	<p><b>Program Name</b> - Student Financial Aid Cluster - 84.063, 84.033, 84.007, 84.038, 84.032, and 93.364</p> <p><b>Finding Type</b> - Noncompliance - NSLDS data quality</p> <p><b>Criteria</b> - Title IV requires the College to update NSLDS within 30 days after the date the institution determines that a student receiving the aid has withdrawn.</p> <p><b>Condition</b> - Upon notification from the College and confirmed during our testing, we noted that student status changes were not being updated with NSLDS within 30 days of the date the College determined a withdrawal took place.</p> <p><b>Questioned Costs</b> - Unknown</p> <p><b>Context</b> - Out of 25 students tested, 11 did not have status changes updated with NSLDS within 30 days after the withdrawal was determined to have taken place.</p> <p><b>Cause and Effect</b> - The student financial aid office is not updating the student status changes within the necessary time frame.</p> <p><b>Recommendation</b> - The student financial aid office should implement procedures to ensure that student status changes are reported within 30 days after student withdrawals.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - During the fiscal year, prior to the audit, the financial aid office developed and implemented new procedures to work with the Banner computer system. The College is confident that these procedures will allow for compliance with federal regulations.</p>



**Mary Taylor, CPA**  
Auditor of State

**LAKE COUNTY COMMUNITY COLLEGE DISTRICT**

**LAKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 25, 2007**