

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

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**Financial Report  
with Supplemental Information  
June 30, 2008**





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 Auditor's Report* of the Lake County Community College District, Lake County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2007 through June 30, 2008. 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

November 25, 2008

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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, 2008 and 2007, 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 \$2,853,256 and \$2,832,610 as of June 30, 2008 and 2007, respectively, and total revenue of \$962,164 and \$1,203,089 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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Lake County Community College District d/b/a Lakeland Community College and its discretely presented component unit as of June 30, 2008 and 2007 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 November 7, 2008 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, 2008. 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 14 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

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

*Plante & Moran, PLLC*

November 7, 2008

# **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, 2008. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's administration.

### **Using this Report**

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

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

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

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



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

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

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

The College adheres to Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. In that regard, The Lakeland Foundation is recognized as a discretely presented component unit due to the significant operational and financial relationships maintained with the College. The Lakeland Foundation's purpose is to support and promote excellence at the College by 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 19 and in Notes 1 and 13.

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

	Years Ended June 30		
	2008	2007	2006
<b>Operating Revenues</b>			
Student tuition and fees - Net	\$ 14,773,014	\$ 14,699,977	\$ 13,040,520
Grants, contracts, and other revenues	3,288,191	4,244,167	2,570,673
Auxiliary enterprises	5,083,386	4,836,463	4,659,025
Total operating revenues	23,144,591	23,780,607	20,270,218
<b>Operating Expenses</b>	63,966,651	61,029,131	59,028,267
<b>Operating Loss</b>	(40,822,060)	(37,248,524)	(38,758,049)
<b>Nonoperating Revenue</b>			
State appropriations	19,796,240	18,325,787	17,913,905
Local appropriations	11,324,929	11,769,067	12,111,015
Pell grant revenue - Net of related expenses	6,457,495	5,407,276	4,720,352
Other nonoperating income and expenses - Net	652,068	678,025	488,886
Net nonoperating revenue	38,230,732	36,180,155	35,234,158
<b>Loss - Before other changes</b>	(2,591,328)	(1,068,369)	(3,523,891)
<b>Other Changes</b>			
Capital appropriations from the State of Ohio	1,603,643	702,211	2,779,513
Capital grants and gifts	40,250	-	114,361
Total other changes	1,643,893	702,211	2,893,874
<b>Decrease in Net Assets</b>	(947,435)	(366,158)	(630,017)
<b>Net Assets - Beginning of year</b>	40,447,748	40,813,906	41,443,923
<b>Net Assets - End of year</b>	<b>\$ 39,500,313</b>	<b>\$ 40,447,748</b>	<b>\$ 40,813,906</b>

# 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, 2008 and 2007 were \$63.0 million and \$60.7 million, respectively, of which operating revenues amounted to \$23.1 million and \$23.8 million, respectively. Operating revenues decreased \$0.6 million, or 2.7 percent. Total operating expenses for the years ended June 30, 2008 and 2007 were \$64.0 million and \$61.0 million, respectively. Operating expenses increased \$2.9 million, or 4.8 percent. The College's operating loss amounted to \$40.8 million during 2008 compared to \$37.2 million in 2007, which represented an additional increase of \$3.6 million, or 9.6 percent.

Total revenues for the years ended June 30, 2007 and 2006 were \$60.7 million and \$58.4 million, respectively, of which operating revenues amounted to \$23.8 million and \$20.3 million, respectively. Operating revenues increased \$3.5 million, or 17.3 percent. Total operating expenses for the years ended June 30, 2007 and 2006 were \$61.0 million and \$59.0 million, respectively. Operating expenses increased \$2.0 million, or 3.4 percent. The College's operating loss amounted to \$37.2 million during 2007 compared to \$38.8 million in 2006, which represented a decrease in operating loss of \$1.5 million, or 3.9 percent.

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

### Credit and Noncredit Instruction Revenues

	Years Ended June 30		
	2008	2007	2006
	(dollars in millions)		
Credit instruction	\$ 17.7	\$ 16.8	\$ 15.0
Less Pell grants and scholarship allowances	(5.7)	(4.7)	(4.2)
Net credit instruction	12.0	12.1	10.8
Noncredit instruction	1.9	1.7	1.4
Other	0.9	0.9	0.8
Total	<u>\$ 14.8</u>	<u>\$ 14.7</u>	<u>\$ 13.0</u>

Student tuition and fees, net, increased 0.5 percent during 2008 as compared to 2007.

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

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

Credit instruction tuition and fees, net, was slightly higher during 2008 as compared to 2007. Gross credit instruction and fees increased by 5.2 percent. The increase is related to increased summer, fall, and spring enrollments, in part attributable to enrollment and marketing efforts, such as increased distance learning courses, weekend college, and university partnerships. In honoring the governor's Higher Education Compact and the enacted budget bill, no increase in tuition rates occurred for the 2008 academic year. Gross credit instruction and fees is offset by Pell grants and other scholarship allowances which increased by \$1.0 million, or 21.3 percent.

Noncredit instruction revenue increased by 11.8 percent during 2008 as compared to 2007 and was attributable to increased Center for Business and Industry (CBI) training sales partially offset by lower community learning revenues. The increase in CBI sales reflects its continuing successful transition of its sales force and marketing efforts. Community learning sales showed improvement in summer kids camp enrollment, but this was more than offset by lower personal skills and professional revenues. The reduction in community learning revenues is in part impacted by a transition in key personnel due to last year's election by those employees in the College's voluntary separation program.

Student tuition and fees, net, increased 12.7 percent during 2007 as compared to 2006. Credit instruction tuition and fees, net, increased 12.0 percent during 2007 as compared to 2006. This increase is attributable to a 6.0 percent rate increase to credit instruction and general fees effective with fall term 2006, in addition to a 5.3 percent enrollment increase during 2007 as compared to 2006. The 2007 enrollment increase is due to delayed summer registrations in the prior year due to the College's system implementation, as well as successful enrollment efforts with Lakeland's distance learning courses, weekend college, and university partnerships. Noncredit instruction revenue increased by 21.4 percent during 2007 as compared to 2006 and was attributable to a strong summer kids camp as well as a very favorable increase in Center for Business and Industry training.

Grants, contracts, and other revenues decreased by \$1.0 million during 2008 and are primarily attributable to the decrease in the receipt of workforce development and outreach grants during 2008 as compared to 2007. The increase of \$1.7 million during 2007 is primarily attributable to the increase in workforce development and outreach grants in 2007 as compared to 2006.

Auxiliary enterprises revenues are comprised primarily of bookstore and event services and campus dining revenues. Revenues increased by 5.1 percent for these operations during 2008 compared to 2007, primarily attributable to increased bookstore sales. Revenues increased by 3.8 percent for these operations during 2007 compared to 2006, 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 and federal Pell grant revenues. 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.

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

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

Prior to the year ended June 30, 2008, the College included Pell grant revenues as part of operating revenue. Operating revenues, as reported on the statement of revenue, expenses, and changes in net assets, are defined as those revenue streams that generally result from exchange transactions such as payments received for providing goods or services. All of the University's expenses are from exchange transactions. Certain significant revenue streams relied on for operations are reported as nonoperating revenues as required by GASB Statement No. 35, including state appropriations, investment income, and state capital grants. As a result of recently issued authoritative guidance on GASB Statement No. 24, Pell grant revenue has been clarified to be a nonexchange transaction. As a result, the College has reclassified \$6.5 million, \$5.4 million, and \$4.7 million of federal Pell grant revenue from operating to nonoperating revenues for the years ended June 30, 2008, 2007, and 2006, respectively.

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

### State Appropriations

	Years Ended June 30		
	2008	2007	2006
	(dollars in millions)		
SSIS and Access Challenge	\$ 17.9	\$ 16.7	\$ 16.6
Replacement state taxes on property tax law changes	<u>1.9</u>	<u>1.6</u>	<u>1.3</u>
Total	<u><u>\$ 19.8</u></u>	<u><u>\$ 18.3</u></u>	<u><u>\$ 17.9</u></u>

The College's State funding for operational support is determined by legislation that combines, during the 2008-2009 biennium, a "guarantee" increase that is also averaged with the Ohio Board of Regents (OBR) allocation formula (based on projected subsidy-eligible enrollment). The College receives its State Share of Instructional Support (SSIS) and Access Challenge funding based on the Ohio Board of Regent's 2008 distribution schedule. As previously mentioned, SSIS funding for 2008 reflects the enacted budget bill that provides Lakeland with an increase attributable to sharing a higher funding guarantee as well as enrollment growth. Additionally, Access Challenge funding for 2008 reflects an increase attributable to Lakeland's enrollment allocation.

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

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## **Management's Discussion and Analysis (Unaudited) (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 certified that the annual loss to the College attributable to deregulation commencing with 2002 receipts annually amounts to \$1,238,070 through 2006. 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 amount received in 2008 and 2007 was \$1,026,839 and \$1,114,263, respectively. 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.

Local appropriations represent the receipt and collection of property taxes for operating and capital purposes from two levies approved by the Lake County voters: a 1.7 mill continuing levy and a 1.5 mill 10-year levy. Local appropriations decreased by \$0.4 million, or 3.8 percent, during 2008 as compared to 2007, primarily due to the loss of tangible personal property tax revenues that the State of Ohio is phasing out, and lower real estate tax collections attributable to the economy. Local appropriations decreased by \$0.3 million, or 2.8 percent, during 2007 as compared to 2006, primarily due to the loss of tangible personal property tax revenues that the State of Ohio is phasing out, partially offset by the increase in collections of real estate tax revenues.

Other nonoperating income and expenses remained relatively unchanged at \$0.7 million in 2008 and 2007. The increase of \$0.2 million during 2007 as compared to 2006 was primarily attributable to an increase in investment income due to an increase in investment yields partially offset by lower funds available to invest.

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

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

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

### Operating Expense Summary

	Years Ended June 30		
	2008	2007	2006
	(dollars in millions)		
Educational and general:			
Salaries and wages	\$ 34.1	\$ 32.7	\$ 31.9
Benefits	9.7	8.9	8.3
Operating expenses	<u>11.4</u>	<u>10.8</u>	<u>10.5</u>
Total educational and general	55.2	52.4	50.7
Auxiliary enterprises	5.7	5.6	5.3
Depreciation	<u>3.1</u>	<u>3.0</u>	<u>3.0</u>
Total	<u><u>\$ 64.0</u></u>	<u><u>\$ 61.0</u></u>	<u><u>\$ 59.0</u></u>

The increase in salaries and wages during both 2008 and 2007 was primarily attributable to negotiated cost of living and scheduled salary increases for employees, and higher summer faculty pay attributable to increased enrollment, partially offset by savings from planned delays in filling open and vacant positions. In addition to these factors, the increase in salary and wages during 2006 was also attributable to new hires starting at the lower end of their salary scales.

As part of its collective bargaining process, the College offered an Early Retirement Incentive Program (ERIP) to full-time faculty commencing in 2006 and continuing through 2008. During 2008, 2007, and 2006, 12 faculty elected the ERIP. During 2008, 2007, and 2006, the College recognized \$172,144, \$172,951, and \$161,087, respectively, in ERIP charges. The total ERIP liability for 2006-2008 amounts to \$506,182. During 2007, a Voluntary Separation Program (VSP) was offered to eligible staff and management. A total of 20 employees elected the VSP and a charge of \$398,288 was recognized in 2007. Salary and wage savings associated with the ERIP and VSP are reflected subsequent to those employees' departures.

Benefits include retirement and nonretirement benefits and increased \$0.8 million, or 9.0 percent, during 2008. The increase is attributable to (a) the change 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, and (c) a 13.6 percent net increase in the College's healthcare premium cost. The College's net healthcare increase during 2008 reflects a 13.9 percent actual premium increase, partially offset by the increased employee healthcare premium contributions as compared to 2007.

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

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

Benefits increased \$0.6 million, or 7.2 percent, during 2007. The increase is attributable to (a) the change 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 4.0 percent net increase in the College's healthcare premium cost, and (d) the 2007 impact of the College's Early Retirement Incentive Program (ERIP) and Voluntary Separation Program (VSP). The College's net healthcare increase during 2007 reflects a 6.2 percent actual premium increase, an employee rebate offered as an incentive to contribute to the cost of health care, partially offset by employee healthcare premium contributions.

Nonlabor-related operating expenses were higher by 5.6 percent in 2008 than 2007. The increase is primarily due to an increase in utilities, snow removal services, license fees, advertising expenses, and collection expenses (attributable to increased collection efforts by the State Attorney General). Nonlabor-related operating expenses were higher by 2.9 percent in 2007 than 2006. The increase is primarily due to (a) establishing an additional allowance for bad debts based on a current increase in financial aid activity, partially offset by (b) lower utilities due to a decrease in natural gas rates, and (c) the monitoring and control of other expenditures.

Auxiliary enterprises expense increased by 1.8 percent during 2008 and by 5.7 percent during 2007. The changes were attributable to an increase in expenses in bookstore operations due to higher revenues and higher event services and campus dining costs.

Depreciation expense is slightly higher during 2008 because of capital assets acquired during 2008. Depreciation expense is relatively unchanged during 2007.

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, 2008 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	2008	
	Adopted Budget	Actual
	(dollars in millions)	
General operating	\$ (1.0)	\$ (0.2)
Auxiliary	(0.1)	-
Plant	(0.1)	-
Total	<u>\$ (1.2)</u>	<u>\$ (0.2)</u>

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

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

	Net Assets		
	2008	June 30 2007	2006
<b>Assets</b>			
Current assets	\$ 27,170,337	\$ 29,168,636	\$ 27,760,998
Noncurrent assets:			
Capital	29,891,468	31,297,267	32,833,626
Other	7,572,121	3,724,596	3,038,249
Total assets	<u>\$ 64,633,926</u>	<u>\$ 64,190,499</u>	<u>\$ 63,632,873</u>
<b>Liabilities</b>			
Current liabilities	\$ 21,586,708	\$ 19,488,503	\$ 17,856,232
Noncurrent liabilities	3,546,905	4,254,248	4,962,735
Total liabilities	25,133,613	23,742,751	22,818,967
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	26,583,042	27,252,572	28,384,013
Restricted	1,577,850	1,652,551	1,034,899
Unrestricted	11,339,421	11,542,625	11,394,994
Total net assets	39,500,313	40,447,748	40,813,906
Total liabilities and net assets	<u>\$ 64,633,926</u>	<u>\$ 64,190,499</u>	<u>\$ 63,632,873</u>

### Analysis of Overall Financial Position

At June 30, 2008, current assets amounted to \$27.2 million as compared to \$29.2 million at June 30, 2007, a decrease of \$2.0 million. Current liabilities at June 30, 2008 amounted to \$21.6 million and current liabilities at June 30, 2007 amounted to \$19.5 million, an increase of \$2.1 million. The College's working capital ratio at June 30, 2008 and 2007 was 1.3 and 1.5, respectively. The decrease in current assets is primarily attributable to a decrease in cash and short-term investments of \$4.3 million (resulting from a shift to longer-term investments as compared to prior year), partially offset by an increase in receivables of \$1.8 million due to higher student accounts receivable and tuition loan plans attributable to the growth in enrollment, as well as the timing and receipt of student federal financial aid draw downs. The increase in current liabilities is primarily attributable to an increase in deferred revenue of \$2.1 million due to the summer and fall 2008 enrollment growth and the release of various state funded capital projects (e.g., Center for Learning Innovations) during 2008.



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

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

At June 30, 2007, current assets amounted to \$29.2 million as compared to \$27.8 million at June 30, 2006, an increase of \$1.4 million. Current liabilities at June 30, 2007 amounted to \$19.5 million and current liabilities at June 30, 2006 amounted to \$17.9 million, an increase of \$1.6 million. The College's working capital ratio at June 30, 2007 and 2006 was 1.5 and 1.6, respectively. The increase in current assets is primarily attributable to an increase in receivables of \$2.1 million due to higher student accounts receivable and tuition loan plans attributable to the growth in enrollment and the 6 percent tuition increase (commenced fall 2006), as well as the timing and receipt of student federal financial aid draw downs, partially offset by a decrease in cash and short-term investments of \$0.5 million (resulting from a shift to longer-term investments as compared to prior year). The increase in current liabilities is primarily attributable to higher accounts payable and other liabilities of \$1.2 million resulting primarily from the timing of payments to vendors and the establishment of the ERIP and VSP liabilities, as well as the increase in deferred revenue of \$0.4 million due to the summer and fall 2007 enrollment growth.

Noncurrent assets are comprised of capital assets, investments, and loans receivable. The increase in noncurrent assets (\$2.4 million) during 2008 is due to an increase in long-term investments with maturity dates beyond one year (\$3.9 million), partially offset by a decrease in the College's capital assets (\$1.4 million) which is primarily from depreciation expense being higher than new capital additions.

The decrease in noncurrent assets (\$0.9 million) during 2007 is due to the decrease in the College's capital assets (\$1.5 million) primarily associated with current year capital additions more than offset by depreciation, partially offset by an increase in long-term investments with maturity dates beyond one year (\$0.8 million).

The decrease in the College's noncurrent liabilities during both 2008 and 2007 is primarily attributable to scheduled principal payments on its issued debt. The College is in full compliance with all debt issuance provisions.

The College's net assets amounted to \$39.5 million, \$40.5 million, and \$40.8 million at June 30, 2008, 2007, and 2006, respectively. The \$1.0 million decrease in the College's net assets during 2008 and 2007 was primarily attributable to the decrease in the College's net plant investment and the planned reduction in the College's reserve position.

The \$0.3 million decrease in the College's net assets during 2007 was primarily attributable to the decrease in the College's net plant investment, partially offset by timing differences in the disbursement and receipt of federal financial aid.

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

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

### 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 2008, the College utilized \$1.6 million in state capital appropriations and internal funds and purchased \$1.6 million of capital assets.

During 2007, the College utilized \$0.7 million in state capital appropriations and internal funds and purchased \$1.5 million of capital assets.

The College's long-term debt is comprised of Series 1999 General Receipts Bonds and Series 2003 Tax Anticipation Notes. During 2008, 2007, and 2006, the College did not issue any additional debt and paid \$0.7 million, \$0.7 million, and \$0.8 million, respectively, in connection with debt maturities. The College is in compliance with all of its contractual long-term debt requirements and covenants.

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

Subsequent to year end, on July 10, 2008, the College issued Series 2008 Tax Anticipation Notes, as discussed in Note 14 of the financial statements.

### Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing and investing activities, and helps measure the ability to meet financial obligations as they mature. A summary of the statement of cash flows for the years ended June 30, 2008, June 30, 2007 and June 30, 2006 is as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net cash provided (used) by:			
Operating activities	\$(37,420,985)	\$(34,205,689)	\$(30,246,400)
Noncapital financing activities	37,520,596	35,497,522	30,149,975
Capital financing activities	(1,241,555)	(1,630,601)	(1,482,511)
Investing activities	<u>187,722</u>	<u>(1,886,851)</u>	<u>98,451</u>
Net increase (decrease) in cash	(954,222)	1,548,083	(1,480,485)
Cash at beginning of year	<u>4,020,947</u>	<u>2,472,864</u>	<u>3,953,349</u>
Cash at end of year	<u><b>\$ 3,066,275</b></u>	<u><b>\$ 4,020,947</b></u>	<u><b>\$ 2,472,864</b></u>

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

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

Major sources of cash included student tuition and fees of \$14.7 million in 2008, \$14.6 million in 2007, and \$13.4 million in 2006; state appropriations of \$19.8 million in 2008, \$18.3 million in 2007, and \$17.7 million in 2006; grants and contracts (operating and nonoperating) of \$9.7 million in 2008, \$9.6 million in 2007, and \$7.3 million in 2006; and auxiliary activities of \$5.7 million in 2008, \$5.5 million in 2007, and \$5.2 million in 2006.

The largest payments were for employee compensation and benefits totaling \$44.5 million in 2008, \$43.5 million in 2007, and \$41.5 million in 2006; suppliers of goods and services totaling \$16.7 million in 2008, \$13.1 million in 2007, and \$13.5 million in 2006; and purchases of capital assets totaling \$451 thousand in 2008, \$801 thousand in 2007, and \$573 thousand in 2006.

### **Factors Impacting Future Periods**

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

The College places significant reliance on state appropriations. The College is cautiously optimistic in the increased level of financial support in future State of Ohio biennium funding for SSIS and Access Challenge. State income and budget constraints may from time to time compel stabilization or reduction to levels of state assistance and support for higher education in general and the College in particular. In addition, the SSIS 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 the 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 d/b/a Lakeland Community College 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. As indicated earlier in this discussion and analysis, the College continues to closely monitor the shift in the continued erosion in "guarantees" funding associated with state laws that deregulated electric and natural gas utilities, and the phase-out of business tangible personal property taxes.

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

## Statement of Net Assets

	June 30	
	2008	2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 2,714,088	\$ 3,674,933
Restricted cash and cash equivalents (Note 2)	352,187	345,564
Short-term investments (Note 2)	2,229,030	5,538,570
Intergovernmental receivables	10,566,388	9,236,447
Loans and other receivables - Net (Note 3)	9,118,176	8,617,472
Inventories	784,271	518,326
Prepaid assets	1,406,197	1,237,324
Total current assets	<u>27,170,337</u>	<u>29,168,636</u>
Noncurrent assets:		
Investments (Note 2)	7,547,390	3,649,945
Loans receivable - Net (Note 3)	24,731	74,651
Capital assets - Net (Note 4)	29,891,468	31,297,267
Total noncurrent assets	<u>37,463,589</u>	<u>35,021,863</u>
Total assets	64,633,926	64,190,499
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	4,818,994	4,863,383
Deferred revenues	14,660,821	12,606,804
Other liabilities	338,715	310,001
Debt payable (Note 5)	754,673	736,269
Compensated absences (Note 5)	1,013,505	972,046
Total current liabilities	<u>21,586,708</u>	<u>19,488,503</u>
Noncurrent liabilities (Note 5):		
Other liabilities	125,000	125,000
Debt payable	2,553,753	3,308,426
Compensated absences	448,547	407,233
Refundable federal student loans	419,605	413,589
Total noncurrent liabilities	<u>3,546,905</u>	<u>4,254,248</u>
Total liabilities	<u>25,133,613</u>	<u>23,742,751</u>
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	26,583,042	27,252,572
Restricted for:		
Nonexpendable for endowment purposes	352,187	345,564
Expendable for instructional purposes	1,225,663	1,306,987
Unrestricted	11,339,421	11,542,625
Total net assets	<u><u>\$ 39,500,313</u></u>	<u><u>\$ 40,447,748</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	
	2008	2007
<b>Operating Revenue</b>		
Student tuition and fees - Net of \$5,658,941 and \$4,748,615 in Pell and scholarship allowances in 2008 and 2007, respectively	\$ 14,773,014	\$ 14,699,977
Federal grants and contracts	437,457	503,009
State grants and contracts	1,118,005	1,875,721
Private grants and contracts	468,168	393,452
Sales and services	815,657	796,879
Auxiliary enterprises	5,083,386	4,836,463
Other operating revenues	448,904	675,106
Total operating revenue	23,144,591	23,780,607
<b>Operating Expenses</b>		
Educational and general:		
Instruction and departmental research	25,024,523	23,694,474
Public service	3,538,351	3,565,415
Academic support	3,416,013	3,145,920
Student services	7,426,230	7,165,289
Institutional support	8,938,256	8,524,018
Operation and maintenance of facilities	6,795,470	6,353,524
Total educational and general	55,138,843	52,448,640
Auxiliary enterprises	5,716,378	5,564,185
Depreciation	3,111,430	3,016,306
Total operating expenses	63,966,651	61,029,131
<b>Operating Loss</b>	(40,822,060)	(37,248,524)
<b>Nonoperating Revenue (Expense)</b>		
State appropriations (Note 7)	19,796,240	18,325,787
Local appropriations (Note 8)	11,324,929	11,769,067
Pell grant revenue - Net of related expense	6,457,495	5,407,276
Unrestricted investment income - Net of investment expense	774,939	816,436
Restricted investment income - Net of investment expense	14,697	18,403
Interest on capital asset - Related debt	(134,753)	(153,461)
Other nonoperating revenues (expenses) - Net	(2,815)	(3,353)
Net nonoperating revenue	38,230,732	36,180,155
<b>Loss - Before other changes</b>	(2,591,328)	(1,068,369)
<b>Other Changes</b>		
Capital appropriations from the State of Ohio (Note 7)	1,603,643	702,211
Capital grants and gifts	40,250	-
Total other changes	1,643,893	702,211
<b>Decrease in Net Assets</b>	(947,435)	(366,158)
<b>Net Assets - Beginning of year</b>	40,447,748	40,813,906
<b>Net Assets - End of year</b>	<b>\$ 39,500,313</b>	<b>\$ 40,447,748</b>

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

## Statement of Cash Flows

	Year Ended June 30	
	2008	2007
<b>Cash Flows from Operating Activities</b>		
Tuition and fees - Net	\$ 9,795,260	\$ 9,196,078
Grants and contracts	2,001,869	2,316,595
Payments to suppliers and utilities	(16,683,835)	(13,094,156)
Payments for compensation and benefits	(44,457,112)	(43,516,105)
Federal draw-downs	14,710,904	11,779,673
Federal draw-downs applied to tuition - Disbursed to students	(9,447,242)	(7,454,281)
Auxiliary sales and services	5,000,237	4,766,207
Other	1,658,934	1,800,300
Net cash used in operating activities	(37,420,985)	(34,205,689)
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	19,796,240	18,325,787
Local appropriations	11,266,861	11,764,009
Federal Pell - Net of refunds	6,457,495	5,407,726
Net cash provided by noncapital financing activities	37,520,596	35,497,522
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital appropriations	77,734	42,348
Purchases of capital assets	(451,331)	(800,589)
Principal paid on capital debt and leases - Net	(736,269)	(722,626)
Interest paid on capital debt and leases	(131,689)	(149,734)
Net cash used in capital financing activities	(1,241,555)	(1,630,601)
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	13,395,000	11,120,000
Purchase of investments	(13,956,282)	(9,800,515)
Interest on investments	749,004	567,366
Net cash provided by investing activities	187,722	1,886,851
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(954,222)	1,548,083
<b>Cash and Cash Equivalents - Beginning of year</b>	4,020,497	2,472,864
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 3,066,275</b>	<b>\$ 4,020,947</b>
<b>Classification of Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 2,714,088	\$ 3,674,933
Restricted cash and cash equivalents	352,187	345,564
Total cash and cash equivalents	<b>\$ 3,066,275</b>	<b>\$ 4,020,497</b>

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

## Statement of Cash Flows (Continued)

	Year Ended June 30	
	2008	2007
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (40,822,060)	\$ (37,248,524)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	3,111,429	3,016,306
(Increase) decrease in assets:		
Accounts receivable	267,123	(1,855,449)
Inventories	(265,945)	142,426
Other assets	(189,709)	6,372
Increase in liabilities:		
Accounts payable and accrued liabilities	87,493	1,009,370
Deferred revenue	301,894	630,355
Deposits held for others	6,016	6,085
Compensated absences	82,774	87,370
Net cash used in operating activities	<u>\$ (37,420,985)</u>	<u>\$ (34,205,689)</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	
		2008	2007
<b>Assets</b>			
Cash and cash equivalents		\$ 254,107	\$ 248,904
Cash held for others		25,875	26,768
Investments (Note 2)		2,379,916	2,362,805
Receivables		187,436	193,299
Other assets		5,922	834
	Total assets	<u>\$ 2,853,256</u>	<u>\$ 2,832,610</u>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts payable		\$ 53,142	\$ 62,319
Due to custodial funds		25,875	26,768
Contingent liability		-	25,000
	Total liabilities	79,017	114,087
<b>Net Assets</b>			
Unrestricted		249,766	169,296
Temporarily restricted		777,112	760,899
Permanently restricted		1,747,361	1,788,328
	Total net assets	<u>2,774,239</u>	<u>2,718,523</u>
	Total liabilities and net assets	<u>\$ 2,853,256</u>	<u>\$ 2,832,610</u>

### Statement of Activities

		Year Ended June 30	
		2008	2007
<b>Support and Revenue</b>			
Contributions and grants		\$ 1,004,312	\$ 935,308
Investment income - Net		(42,148)	267,781
	Total support and revenue	962,164	1,203,089
<b>Program and Support Services</b>			
Program services:			
Scholarships		317,608	378,302
Educational and related programs		353,183	273,794
Support services - Administration		235,657	260,947
	Total program and support expenses	<u>906,448</u>	<u>913,043</u>
	Increase in Net Assets	55,716	290,046
	Net Assets - Beginning of year	<u>2,718,523</u>	<u>2,428,477</u>
	Net Assets - End of year	<u>\$ 2,774,239</u>	<u>\$ 2,718,523</u>



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

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## Notes to Financial Statements June 30, 2008 and 2007

### 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.

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

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

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## Notes to Financial Statements June 30, 2008 and 2007

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

**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.

**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, 2008, restricted cash consists of \$352,187 for endowment purposes. As of June 30, 2007, restricted cash consists of \$345,564 for endowment purposes.

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

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

**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.

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

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## Notes to Financial Statements June 30, 2008 and 2007

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

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

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

**Deferred 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.

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

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## Notes to Financial Statements June 30, 2008 and 2007

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

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

**Reclassifications** - Certain balances from the prior year were reclassified to be comparable with current year classifications. Recent guidance on GASB Statement No. 24 has resulted in reclassification of federal Pell grant revenue from operating to nonoperating revenues.

### 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, 2008 and 2007, the carrying amount of the College's cash balance was \$457,705 and \$311,309, respectively. The bank balance at June 30, 2008 and 2007 totaled \$2,837,631 and \$1,920,728, 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 specifically secured by U.S. government and municipal securities. The College also maintains a small on-hand cash balance to maintain day-to-day operations in the cashier's office, bookstore, and food service operations.

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

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

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## Notes to Financial Statements June 30, 2008 and 2007

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

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

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

**Liquidity Risk** - The portfolio remains sufficiently liquid to meet all current obligations of the College. Minimum liquidity levels are established in order to meet all current obligations without having to sell securities. The College forecasts its cash needs and maintains cash balances (related to daily receipts or for immediate expenditure needs) in an overnight "sweep" bank account (that earns interest in overnight repurchase agreements). In addition, funds are also invested in the State of Ohio treasurer's STAR investment program fund. The remaining portfolio at June 30, 2008 and 2007 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 2008 or 2007. 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.

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

## Notes to Financial Statements June 30, 2008 and 2007

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

At June 30, 2008 and 2007, the College's investment portfolio and credit ratings consisted of the following:

2008	Fair Market Value	Less than One Year	1-2 years	NRSRO Rating
State Treasurer Asset Reserve Fund (Star Ohio)	\$ 652,287	\$ 652,287	\$ -	AAA
Money market	2,413,988	2,413,988	-	AAA
U.S. government agency	9,776,420	2,229,030	7,547,390	AAA
Total investments	<u>\$ 12,842,695</u>	<u>\$ 5,295,305</u>	<u>\$ 7,547,390</u>	
2007	Fair Market Value	Less than One Year	1-2 years	NRSRO Rating
State Treasurer Asset Reserve Fund (Star Ohio)	\$ 1,082,122	\$ 1,082,122	\$ -	AAA
Money market	2,938,375	2,938,375	-	AAA
U.S. government agency	9,188,515	5,538,570	3,649,945	AAA
Total investments	<u>\$ 13,209,012</u>	<u>\$ 9,559,067</u>	<u>\$ 3,649,945</u>	

At June 30, 2008 and 2007, the Foundation's investments consisted of the following:

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
Corporate stocks	\$ 7,289	\$ 5,939	\$ 3,093	\$ 2,997
Corporate bonds	251,030	251,622	199,263	198,744
Municipal bonds	128,655	128,056		
Agency bonds	125,967	124,554	247,991	248,376
U.S. obligations			49,848	49,879
Fixed income mutual funds	508,053	512,503	466,919	475,000
Equity mutual funds	843,776	911,024	915,703	817,542
International mutual funds	217,606	229,597	289,714	244,679
Money market/Cash reserves	297,540	297,540	190,274	190,274
Total	<u>\$ 2,379,916</u>	<u>\$ 2,460,835</u>	<u>\$ 2,362,805</u>	<u>\$ 2,227,491</u>

**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.

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

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## Notes to Financial Statements June 30, 2008 and 2007

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

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 (National City Bank), 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 2008 or 2007.

**Declines in Investment Values** - Subsequent to year end, the College's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

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

## Notes to Financial Statements June 30, 2008 and 2007

### 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 \$1,600,420 and \$1,415,333 at June 30, 2008 and 2007, respectively. The following schedule is an analysis of loans and other receivable balances as of June 30, 2008 and 2007:

	2008		2007	
	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	35,922	14,172	33,661	51,006
Employee computer financing	65,024	9,059	42,923	22,145
Student accounts	8,451,817		8,073,589	-
Auxiliary receivables	182,202		241,646	-
Interest receivable	94,579		106,918	-
Sales and service receivables	288,632	-	118,735	-
<b>Total</b>	<b>\$ 9,118,176</b>	<b>\$ 24,731</b>	<b>\$ 8,617,472</b>	<b>\$ 74,651</b>

### Note 4 - Capital Assets

Capital asset activity for the years ended June 30, 2008 and 2007 was as follows:

	July 1, 2007 Balance	Additions	Retirements	June 30, 2008 Balance
Nondepreciable assets:				
Land	\$ 723,289	\$ -	\$ -	\$ 723,289
Construction in progress	2,862,191	1,625,685	(3,016,390)	1,471,486
Depreciable assets:				
Land improvements	3,208,510	-	-	3,208,510
Infrastructure	2,907,873	1,184,323	-	4,092,196
Buildings and improvements	59,445,150	1,401,138	-	60,846,288
Equipment and vehicles	4,893,567	289,782	(137,845)	5,045,504
Software and library books	8,159,563	230,908	-	8,390,471
<b>Total capital assets</b>	<b>82,200,143</b>	<b>4,731,836</b>	<b>(3,154,235)</b>	<b>83,777,744</b>
Less accumulated depreciation:				
Land improvements	2,038,825	102,497	-	2,141,322
Infrastructure	2,016,842	115,828	-	2,132,670
Buildings and improvements	36,671,590	1,893,986	-	38,565,576
Equipment and vehicles	3,581,300	339,550	(128,029)	3,792,821
Software and library books	6,594,319	659,568	-	7,253,887
<b>Total accumulated depreciation</b>	<b>50,902,876</b>	<b>3,111,429</b>	<b>(128,029)</b>	<b>53,886,276</b>
<b>Capital assets - Net</b>	<b>\$ 31,297,267</b>	<b>\$ 1,620,407</b>	<b>\$ (3,026,206)</b>	<b>\$ 29,891,468</b>



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

## Notes to Financial Statements June 30, 2008 and 2007

### Note 4 - Capital Assets (Continued)

	July 1, 2006 Balance	Additions	Retirements	June 30, 2007 Balance
Nondepreciable assets:				
Land	\$ 723,289	\$ -	\$ -	\$ 723,289
Construction in progress	2,146,099	733,306	(17,214)	2,862,191
Depreciable assets:				
Land improvements	3,208,510	-	-	3,208,510
Infrastructure	2,907,873	-	-	2,907,873
Buildings and improvements	59,258,939	186,211	-	59,445,150
Equipment and vehicles	4,717,637	318,667	(142,737)	4,893,567
Software and library books	7,895,385	264,178	-	8,159,563
Total capital assets	80,857,732	1,502,362	(159,951)	82,200,143
Less accumulated depreciation:				
Land improvements	1,934,048	104,777	-	2,038,825
Infrastructure	1,927,776	89,066	-	2,016,842
Buildings and improvements	34,797,613	1,873,977	-	36,671,590
Equipment and vehicles	3,407,875	310,961	(137,536)	3,581,300
Software and library books	5,956,794	637,525	-	6,594,319
Total accumulated depreciation	48,024,106	3,016,306	(137,536)	50,902,876
Capital assets - Net	\$ 32,833,626	\$ (1,513,944)	\$ (22,415)	\$ 31,297,267

### Note 5 - Noncurrent Liabilities

Noncurrent liability activity for the years ended June 30, 2008 and 2007 was as follows:

2008	July 1, 2007 Balance	Additions	Reductions	June 30, 2008 Balance	Current Portion
Long-term debt and lease obligations:					
Tax Anticipation Note, Series 2003	\$ 2,725,000	\$ -	\$ 655,000	\$ 2,070,000	\$ 670,000
Premium on Tax Anticipation Note	14,695	-	6,269	8,426	4,673
General Receipts Bonds, Series 1999	1,305,000	-	75,000	1,230,000	80,000
Total	4,044,695	-	736,269	3,308,426	754,673
Other noncurrent obligations:					
Reserve for compensated absences	1,379,279	82,773	-	1,462,052	1,013,505
Reserve for federal student loans	413,589	6,015	-	419,604	-
Other liabilities	125,000	-	-	125,000	-
Total noncurrent liabilities	\$ 5,962,563	\$ 88,788	\$ 736,269	\$ 5,315,082	\$ 1,768,178

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

## Notes to Financial Statements June 30, 2008 and 2007

### Note 5 - Noncurrent Liabilities (Continued)

2007	July 1, 2006			June 30, 2007	
	Balance	Additions	Reductions	Balance	Current Portion
Long-term debt and lease obligations:					
Tax Anticipation Note, Series 2003	\$ 3,370,000	\$ -	\$ 645,000	\$ 2,725,000	\$ 655,000
Premium on Tax Anticipation Note	22,321	-	7,626	14,695	6,269
General Receipts Bonds, Series 1999	1,375,000	-	70,000	1,305,000	75,000
Total	4,767,321	-	722,626	4,044,695	736,269
Other noncurrent obligations:					
Reserve for compensated absences	1,291,909	87,370	-	1,379,279	972,046
Reserve for federal student loans	407,504	6,085	-	413,589	-
Other liabilities	125,000	-	-	125,000	-
Total noncurrent liabilities	<u>\$ 6,591,734</u>	<u>\$ 93,455</u>	<u>\$ 722,626</u>	<u>\$ 5,962,563</u>	<u>\$ 1,708,315</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 were 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, 2008 and 2007**

**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.

Scheduled principal maturities and total debt service on the Series 2003 Notes and Series 1999 Bonds for fiscal years subsequent to June 30, 2008 are as follows:

	Bonds and Notes Payable		
	Principal	Interest	Total
2009	\$ 750,000	\$ 112,243	\$ 862,243
2010	770,000	89,080	859,080
2011	795,000	63,396	858,396
2012	90,000	47,745	137,745
2013	95,000	43,303	138,303
2014-2018	545,000	137,988	682,988
2019-2020	255,000	13,196	268,196
Total	<u>\$ 3,300,000</u>	<u>\$ 506,951</u>	<u>\$ 3,806,951</u>

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

## Notes to Financial Statements June 30, 2008 and 2007

### 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, 2008 and 2007 amounted to \$191,816 and \$188,354, respectively. The operating leases have various maturity dates through September 1, 2014.

Future minimum lease payments as of June 30, 2008 under operating leases are as follows:

2009	\$	197,215
2010		202,829
2011		208,669
2012		157,893
2013		164,209
2014-2019		<u>200,778</u>
Total	\$	<u>1,131,593</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's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC) which, in turn, is used for the construction and subsequent transfer of the facility to the College.

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

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

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

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## Notes to Financial Statements June 30, 2008 and 2007

### Note 7 - State Appropriations (Continued)

As part of legislation that deregulated the electric and natural gas utilities (SB3 and SB287), commencing with calendar year 2002, the College was to receive \$1,238,070 in replacement state taxes at a “100 percent guarantee” each year for a five-year period (to protect the College for lost public utility property taxes due to lowered valuations). The guarantee is reduced to an 80 percent level for years 6 through 10, and then proportionally reduced to zero in years 11 through 15. The amount received in 2008 was \$1,026,839 as compared to \$1,114,263 in 2007. Also included in replacement state taxes was \$829,090 and \$487,612 during 2008 and 2007, respectively, in “hold harmless” replacement taxes related to the State of Ohio phasing out the levying of tangible personal property taxes. The replacement state excise taxes related to the current year operations will be collected in two separate payments during March and September of each year. The College has recognized one-half year of the replacement state excise tax as an intergovernmental receivable in both 2008 and 2007. Replacement state excise taxes were measurable at June 30, 2008 and 2007; 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.

### 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, 2008 and 2007

### Note 8 - Local Appropriations (Continued)

The electors within the County must approve any Lake County Community College District d/b/a Lakeland Community College property tax. Lake County Community College District d/b/a Lakeland Community College collects property taxes for operating and capital purposes from two levies approved by the County voters: a 1.7 mill stated rate for a continuing period and a 1.5 mill stated rate for 10 years. The current 1.5 mill levy expires with the last collection in calendar year 2012.

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 2008 until October 2008, 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, 2008. 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 2008 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, STRS and SERS members have the additional options of a defined contribution plan and a combined plan. STRS and SERS provide retirement and disability benefits, annual cost of living adjustments, and death benefits for plan members and beneficiaries.

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

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## Notes to Financial Statements June 30, 2008 and 2007

### 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, 2008, 2007, and 2006 were \$2,697,403, \$2,388,544, and \$2,504,628, respectively, equal to the required contributions for each year. The College's contribution to SERS for the years ended June 30, 2008, 2007, and 2006 were \$1,964,069, \$1,905,795, and \$1,872,863, respectively.

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

### Note 10 - Postemployment Benefit

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

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

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## Notes to Financial Statements June 30, 2008 and 2007

### Note 10 - Postemployment Benefit (Continued)

The retirement board allocated employer contributions to the Health Care Stabilization Fund (the "Fund") from which healthcare benefits are paid. For the fiscal years ended June 30, 2007 and 2006, the board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Stabilization Fund. The balance in the Health Care Reserve Fund was approximately \$4.1 billion on June 30, 2007.

For the year ended June 30, 2007, the net healthcare costs paid by STRS Ohio were approximately \$266 million. There were 122,934 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing healthcare benefits. In addition, SERS levies a surcharge to fund healthcare benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal years 2008 and 2007, the minimum pay was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the healthcare fund.

Healthcare benefits are financed on a pay-as-you-go basis. For the year ended June 30, 2007, the net healthcare costs paid by SERS were approximately \$219.4 million. At June 30, 2007, the SERS' net assets available for payment of healthcare benefits were approximately \$386.4 million. The number of retirees and covered dependents currently receiving benefits was 63,529.

### 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 purpose of the LCSC is to undertake a joint program for the provision of healthcare benefits to the employees of those districts and their eligible dependents, as well as fostering cooperation among districts, from time to time, in other areas of educational services. As a related but separate agreement, the LCSC maintains a healthcare benefits consortium (the "Consortium").



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

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## Notes to Financial Statements June 30, 2008 and 2007

### 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 healthcare benefits provider. The LCSC in turn manages various healthcare benefit organizations to deliver those services.

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

Under its agreements and bylaws, the Consortium's fiscal year ends each June 30 and the treasurer of the LCSC is a position appointed by the board of directors of the LCSC. Prior to the beginning of each fiscal year, healthcare program and related costs and adjustments (program costs) are estimated and allocated to each member as a required contribution for that fiscal year. If contributions are insufficient to pay actual program costs during any fiscal year, members may be required to share in those additional costs or deficiencies during that fiscal year.

LCSC net assets at July 1, 2007 amounted to \$2.9 million. LCSC member contributions and other income for the year ended June 30, 2008 amounted to \$24.3 million and healthcare program and related costs amounted to \$23.7 million, leaving \$3.5 million as net assets at June 30, 2008.

### 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 2008 or 2007 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, 2008 and 2007

### 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 specific academic abilities. The Foundation also provides support to specific educational departments and programs of the College. The accounting records for the Foundation are maintained at the College in Kirtland, Ohio. Certain administrative expenses of the Foundation are borne directly by the College. The College made distributions to the Foundation of \$142,335 and \$157,327 for the years ended June 30, 2008 and 2007, respectively. The Foundation distributed \$714,336 and \$712,491 for the years ended June 30, 2008 and 2007, respectively. The Foundation also distributed to the College \$54,637 and \$49,021 in gifts in-kind for the years ended 2008 and 2007, respectively. The College had receivables from the Foundation of \$28,265 and \$36,343 as of June 30, 2008 and 2007, respectively. The College had payables to the Foundation of \$5,898 and \$9,995 as of June 30, 2008 and 2007, respectively.

### Note 14 - Subsequent Event

Subsequent to year end, on July 10, 2008, the College issued Series 2008 Tax Anticipation Notes. The notes are in the amount of \$8,500,000, with fixed interest rates and a maturity date in 2018. The proceeds of the notes will be used to pay costs associated with the implementation of energy conservation measures that are intended to significantly reduce the College's energy consumption and the operating costs of its buildings. A portion of the proceeds of the notes will also be used to pay costs associated with the acquisition of technology equipment and other capital improvements.

# **Federal Compliance Audit**

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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 basic financial statements of Lake County Community College District d/b/a Lakeland Community College (Lakeland Community College) as of and for the year ended June 30, 2008, which collectively comprise Lakeland Community College's basic financial statements, and have issued our report thereon dated November 7, 2008. 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 Lakeland Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lakeland Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lakeland Community College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

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

*Plante & Moran, PLLC*

November 7, 2008

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 (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, 2008. The major federal programs of 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 Lakeland Community College's management. Our responsibility is to express an opinion on 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 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 Lakeland Community College's compliance with those requirements.

In our opinion, 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, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-01.

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

## **Internal Control Over Compliance**

The management of Lakeland Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lakeland Community College's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness.

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

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 agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

November 7, 2008



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

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

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	\$ 6,519,873
Federal Work Study Program	84.033	P033A056053	113,913
Federal Supplemental Educational Opportunity Grant Program	84.007	P007A056053	180,298
ACG Grant	84.375	N/A	22,500
Federal Family Education Loan Program	84.032	N/A	<u>13,032,026</u>
Total Student Financial Aid Cluster			19,868,610
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	AG-14313-04-60	62,810
Geauga County	17.246	G-89-15-0616	18,328
Cuyahoga County	17.246	N/A	1,927
Lake County II	17.246	G-89-15-0587	77,283
Ashtabula County	17.246	G-89-15-0616	14,597
Passed through the Ohio Department of Job and Family Services - Ohio Skills Bank Initiative	17.261	G-89-15-1187	<u>10,205</u>
Total WIA Cluster			185,150
Other programs:			
U.S. Department of Health and Human Services - Passed through the Ohio Board of Regents - TANF Educational Awards Program	93.558	G994235	815
National Science Foundation - Passed through Moraine Valley Community College, IL Consortium for the Advance of System Security and Information Assurance	47.076	N/A	15,888
National Nuclear Security Administration - Passed through Central State University - Science, Technology, Engineering, and Mathematics Upgrade and Outreach Project	81.123	N/A	57,693

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

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
Other programs (Continued):			
U.S. Department of Education - Passed through the Ohio			
Department of Education:			
Two-year College Perkins	84.048	063347-20C3-2008	\$ 95,479
Perkins Non-Traditional We Are IT	84.048	063347-VENT-08-LCC	2,997
Technical Preparatory	84.243	063347-3ETC-2008	<u>170,033</u>
Total U.S. Department of Education			268,509
Department of Homeland Security - Passed through Ohio			
Department of Public Safety- Public Assistance Grant	97.036	085-U6MS4-00	<u>14,933</u>
Total federal awards			<u><b>\$20,411,598</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, 2008

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of 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 of expenditures of federal awards may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Loans Outstanding

Lakeland Community College had the following loan balances outstanding at June 30, 2008. 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	\$ 142,168
Nursing Student Loan Program	93.364	38,001
Total student loans outstanding		\$ 180,169

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

## Schedule of Findings and Questioned Costs Year Ended June 30, 2008

### 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
- Significant deficiency(ies) 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
- Significant deficiency(ies) identified that are not considered to be material weaknesses?     X  Yes    \_\_\_ 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 programs:

CFDA Numbers	Name of Federal Program or Cluster
84.063, 84.033, 84.007, 84.038, 84.032, 84.375, 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, 2008

### Section II - Financial Statement Audit Findings

None

### Section III - Federal Program Audit Findings

Reference Number	Findings
2008-01	<p><b>Program Name</b> - Student Financial Aid Cluster - 84.038, 84.032, and 93.364</p> <p><b>Finding Type</b> - Noncompliance - NSLDS data quality</p> <p><b>Criteria</b> - 34 CFR Section 682.610 requires Lake County Community College District d/b/a Lakeland Community College (the "College") to update NSLDS within 30 days after the date the institution determines that a student receiving 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> - None</p> <p><b>Context</b> - Out of 27 students tested, five 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 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 withdrawal.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Lakeland Community College will implement new procedures to update NSLDS once a month to allow for compliance with federal regulations.</p>

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

## Summary Schedule of Prior Year Audit Year Ended June 30, 2008

Reference Number	Findings
2007-01	<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> - Significant deficiency/Noncompliance - Timely return of Title IV refunds</p> <p><b>Criteria</b> - Return of Title IV funds is required to be refunded within 45 days after the date the institution determines that a student receiving the aid has withdrawn.</p> <p><b>Condition</b> - Upon notification from Lakeland Community College and confirmed during our testing, we noted that the return of funds was not being performed within 45 days of the date Lakeland Community College determined a withdrawal took place.</p> <p><b>Context</b> - Out of 25 students tested, four did not have the Title IV refund completed within 45 days after the withdrawal was determined to have taken place.</p> <p><b>Status</b> - Corrective action has been taken.</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**  
**DECEMBER 9, 2008**