

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

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**Financial Report  
with Supplemental Information  
June 30, 2010**

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Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lake County Community College District d/b/a Lakeland Community College, Lake County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 29, 2010

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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 (the "College") as of and for the years ended June 30, 2010 and 2009, 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 the College, whose statements reflect total assets of \$3,061,678 and \$2,758,518 as of June 30, 2010 and 2009, respectively, and total revenue of \$1,102,976 and \$858,187 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 the College and its discretely presented component unit as of June 30, 2010 and 2009 and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2010 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the year ended June 30, 2010. 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 15 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*

October 26, 2010

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

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

The management's discussion and analysis of Lake County Community College District d/b/a Lakeland Community College's ("Lakeland Community College," "Lakeland," or the "College") annual financial statements provide an overview of the College's financial activities for the years ended June 30, 2010, 2009, and 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. Revenue 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 revenue earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies that state and local appropriations, as well as gifts, are treated as nonoperating revenue. Since dependency on the State of Ohio and local aid is recognized as nonoperating revenue under accounting principles generally accepted in the United States of America, a public college normally presents operating results as a deficit. The utilization of long-lived assets, primarily capital assets, is presented in the financial statements as depreciation.

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



# 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 fundraising via friend-raising. It is a legally separate entity governed by its own board of directors. Discrete condensed financial information is presented on page 20 and in Notes 1 and 13.

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

	Year Ended June 30		
	2010	2009	2008
<b>Operating Revenue</b>			
Student tuition and fees - Net	\$ 11,300,648	\$ 14,909,105	\$ 14,773,014
Grants, contracts, and other revenue	1,967,973	3,692,652	3,288,191
Auxiliary enterprises	5,000,437	5,219,862	5,083,386
Total operating revenue	18,269,058	23,821,619	23,144,591
<b>Operating Expenses</b>	66,453,603	66,015,622	63,966,651
<b>Operating Loss</b>	(48,184,545)	(42,194,003)	(40,822,060)
<b>Nonoperating Revenue</b>			
State appropriations	23,172,294	22,193,288	19,796,240
Local appropriations	10,599,945	10,985,034	11,324,929
Pell grant revenue - Net of refunds	12,782,907	6,251,072	6,457,495
Other nonoperating income and expenses - Net	(111,632)	264,143	652,068
Total nonoperating revenue	46,443,514	39,693,537	38,230,732
<b>Loss - Before other changes</b>	(1,741,031)	(2,500,466)	(2,591,328)
<b>Other Changes</b>			
Capital appropriations from the State of Ohio	1,221,101	2,612,450	1,603,643
Capital grants and gifts	10,907	8,000	40,250
Total other changes	1,232,008	2,620,450	1,643,893
<b>(Decrease) Increase in Net Assets</b>	(509,023)	119,984	(947,435)
<b>Net Assets - Beginning of year</b>	39,620,297	39,500,313	40,447,748
<b>Net Assets - End of year</b>	<b>\$ 39,111,274</b>	<b>\$ 39,620,297</b>	<b>\$ 39,500,313</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 revenue for the years ended June 30, 2010 and 2009 was \$65.9 million and \$66.1 million, respectively, of which operating revenue amounted to \$18.3 million and \$23.8 million, respectively. Operating revenue decreased \$5.5 million, or 23.3 percent. Total operating expenses for the years ended June 30, 2010 and 2009 were \$66.5 million and \$66.0 million, respectively. Operating expenses increased \$0.5 million, or 0.7 percent. The College's operating loss amounted to \$48.2 million during 2010 compared to \$42.2 million in 2009, which represented an additional increase of \$6.0 million, or 14.2 percent.

Total revenue for the years ended June 30, 2009 and 2008 was \$66.1 million and \$63.0 million, respectively, of which operating revenue amounted to \$23.8 million and \$23.1 million, respectively. Operating revenue increased \$0.7 million, or 2.9 percent. Total operating expenses for the years ended June 30, 2009 and 2008 were \$66.0 million and \$64.0 million, respectively. Operating expenses increased \$2.0 million, or 3.2 percent. The College's operating loss amounted to \$42.2 million during 2009 compared to \$40.8 million in 2008, which represented an increase of \$1.4 million, or 3.4 percent.

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

### Credit and Noncredit Instruction Revenue

	Year Ended June 30		
	2010	2009	2008
	(dollars in millions)		
Credit instruction	\$ 20.1	\$ 17.9	\$ 17.7
Less Pell grants and scholarship allowances	(11.2)	(5.3)	(5.7)
Net credit instruction	8.9	12.6	12.0
Noncredit instruction	1.4	1.4	1.9
Other	1.0	0.9	0.9
Total	<u>\$ 11.3</u>	<u>\$ 14.9</u>	<u>\$ 14.8</u>

Student tuition and fees, net, decreased \$3.6 million, or 24.2 percent, during 2010 as compared to 2009.

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

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

Credit instruction tuition and fees, net, were lower during 2010 as compared to 2009. Gross credit instruction and fees increased by 11.2 percent. The increase is related to a 3.5 percent increase in tuition rates commencing with the fall semester, and an 8.8 percent enrollment growth compared to prior year (7.0 percent in summer, 6.4 percent in fall, and 12.2 percent in spring). Gross credit instruction and fees are offset by Pell grants and other scholarship allowances of \$11.2 million during 2010 as compared to \$5.3 million during 2009. The significant increase in Pell grants and allowances is attributable to increased student demand and the elimination of State programs for tuition support (Ohio College Opportunity Grant and Ohio Incentive Grant).

There was no change in noncredit instruction revenue during 2010 as compared to 2009, primarily due to higher recreation, health, business and professional programs, offset by lower enrollments in certain community learning classes (e.g., computer and personal skills), and training contracts for the Center for Business and Industry.

Credit instruction tuition and fees, net was slightly higher during 2009 as compared to 2008. Gross credit instruction and fees increased by 1.1 percent. The increase is related to summer enrollment growth of 7.8 percent, but with very slight enrollment increases for fall and spring as compared to the prior year. In honoring the governor's Higher Education Compact and the then-enacted budget bill, no increase in tuition rates occurred for the fiscal year 2009 academic year. Gross credit instruction and fees is offset by Pell grants and other scholarship allowances of \$5.3 million during 2009 as compared to \$5.7 million during 2008.

Noncredit instruction revenue decreased by 26.3 percent during 2009 as compared to 2008. Noncredit revenue initially experienced a strong summer kids camp along with the successful start of the College's electronic registration for community education (ACEWARE). However, due to the economic climate, the above favorable areas were more than offset by reduced community learning revenue in personal skills, professional/workforce programs, and Center for Business and Industry training. The reduction in this community learning revenue was partially offset by reduced costs, resulting from reduced course offerings.

Grants, contracts, and other revenue decreased by \$1.7 million during 2010, primarily attributable to the elimination of the Ohio Board of Regents Ohio College Opportunity Grant (OCOG) and the Ohio Instructional Grant.

The increase for 2009 was \$0.4 million, primarily attributable to an increase in the Workforce Incentive Act and Perkins Grants during 2009 as compared to 2008.

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

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

Auxiliary enterprises revenue is comprised primarily of bookstore and event services and campus dining revenue. Operating revenue decreased by 3.8 percent for these operations during 2010 compared to 2009, primarily attributable to increased bookstore sales, more than offset by an increase in Pell grants that was used for bookstore purchases. Revenue increased by 2.7 percent for these operations during 2009 compared to 2008, also primarily attributable to increased bookstore sales.

The College's nonoperating revenue is comprised primarily of the State of Ohio (the "State") and local appropriations and federal Pell grant revenue. State appropriations include the State's Share of Instructional Support (SSIS) and Access Challenge funds, as well as replacement state taxes on property tax law changes.

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

### State Appropriations

	Year Ended June 30		
	2010	2009	2008
	(dollars in millions)		
SSIS and Access Challenge	\$ 17.7	\$ 20.0	\$ 17.9
Federal fiscal stabilization funds	3.0	-	-
Replacement state taxes on property tax law changes	2.5	2.2	1.9
Total	<u>\$ 23.2</u>	<u>\$ 22.2</u>	<u>\$ 19.8</u>

The College's State funding for operational support is determined by the Ohio Board of Regents (OBR) allocation formula and is primarily based on projected subsidy-eligible enrollment and available State funds. The College receives its State of Ohio Support based on the Ohio Board of Regents distribution schedule.

In 2010, the College received \$20.7 million in the State's Share of Instructional Support (SSIS). This was an increase of 3.5 percent from 2009 (combined SSIS and Access Challenge funding). There was no Access Challenge funding in 2010. Federal stimulus money received during 2010 totaled \$3.0 million, or 14.5 percent, of State support appropriated to the College.

SSIS and Access Challenge funding for 2009 increased 11.7 percent as compared to 2008 and reflects the biennium second year increase as approved by the State, and the impact of higher Lakeland enrollments as compared to the State-wide average, slightly offset by cuts in Access Challenge Funding due to the State's tax base erosion.

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

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

Replacement property taxes on property tax law changes represent legislated, time-limited State funding guarantees on local property tax reductions attributable to (a) elimination of certain electric and natural gas utilities personal property taxes commencing in calendar 2002 and as (b) the phased-out elimination of tangible personal property taxes of general business, telephone and telecommunications companies, and railroads commencing in calendar year 2006. Replacement State taxes on property tax law changes increased by 13.6 percent during 2010 as compared to 2009, and 15.8 percent during 2009 as compared to 2008. Both increases were primarily attributable to the escalation in eliminating the tangible personal property taxes of general businesses, telephone and telecommunications companies, and railroads, and the related increase in the legislated guarantee.

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 3.6 percent, during 2010 as compared to 2009, primarily due to the loss of tangible personal property tax revenue that the State of Ohio is phasing out, partially offset by a slight increase in real estate tax collections. Local appropriations decreased by \$0.3 million, or 2.7 percent, during 2009 as compared to 2008, primarily due to the loss of tangible personal property tax revenue that the State of Ohio is phasing out, and lower real estate tax collections attributable to the economy.

Other nonoperating income and expenses increased by \$6.1 million during 2010 as compared to 2009. The increase is primarily attributable to a significant increase in Pell grants revenue (\$12.8 million in 2010 compared to \$6.3 million in 2009), and a decrease in investment income due to the decline in interest rates.

Other nonoperating income and expenses declined by \$0.6 million during fiscal year 2009 as compared to fiscal year 2008. The decrease is primarily attributable to a decrease in investment income due to the significant decline in interest rates. During July 2008, the College issued \$8,500,000 in Series 2008 Tax Anticipation Notes. Under generally accepted accounting principles, investment income from the debt proceeds will be initially netted against interest expense and capitalized into the energy conservation project (see Note 5).

# 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

	Year Ended June 30		
	2010	2009	2008
	(dollars in millions)		
Educational and general:			
Salaries and wages	\$ 36.0	\$ 35.9	\$ 34.1
Benefits	10.3	10.2	9.7
Operating expenses	10.5	10.7	11.4
Total educational and general	56.8	56.8	55.2
Auxiliary enterprises	6.2	6.0	5.7
Depreciation	3.4	3.2	3.1
Total	<u>\$ 66.4</u>	<u>\$ 66.0</u>	<u>\$ 64.0</u>

The slight increase in salaries and wages during 2010 was primarily attributable to higher faculty teaching pay (due to an increase in enrollment), less open positions in summer 2009 as compared to the prior year, offset by the deferral of salary step and general salary adjustments for faculty, staff, and management that did not take place until January 2010.

The increase in salaries and wages during both 2009 and 2008 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.

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, the College recognized \$172,144 in ERIP charges. The total ERIP liability for 2006-2008 amounts to \$506,182. There is no ERIP cost for 2009 or 2010.

During 2010, the board of trustees approved the College's Voluntary Separation Program (VSP). A total of 14 employees elected the VSP. The 2010 VSP cost totaled \$495,480.

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

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

Benefits include retirement and nonretirement benefits and increased \$0.1 million or 1.0 percent during 2010. The increase is attributable to (a) the change in salaries and wages commensurate with the increase in retirement benefits, (b) new hires subject to Medicare that replace employees who retired or resigned that were not subject to this benefit cost, and (c) a slight reduction in net healthcare costs due to no increase in 2010 premium rates, no healthcare rebate paid to employees during the current year, and an increase in employee contributions.

Benefits increased \$0.5 million, or 5.3 percent, during 2009 compared to an increase of \$0.8 million, or 9.0 percent, during 2008. The increase was 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) healthcare cost increases attributable to higher premiums, partially offset by increases in employee contributions.

Nonlabor-related expenses were lower by 0.9 percent when compared to 2009. The 2010 decrease is primarily attributable to lower utility costs due to our energy conservation efforts (as well as better natural gas pricing), lower postage and printing costs, lower independent contractor costs due to lower CBI revenue, and various other cost-saving measures.

Nonlabor-related operating expenses were lower by 6.1 percent in 2009 than 2008. The decrease is primarily due to reduced expenses related to lower noncredit revenue, and cost containment and deferred efforts in the number of areas (e.g., supplies, postage, advertising, utilities).

Auxiliary enterprises expense increased by 3.3 percent during 2010 and by 5.2 percent during 2009. Auxiliary enterprises expense increased by 5.2 percent during 2009 and by 1.8 percent during 2008. The changes were attributable to an increase in expenses in bookstore operations due to higher revenue as well as higher event services and campus dining costs.

Depreciation expense is slightly higher during 2010 and 2009 because of capital assets acquired (e.g., Center for Learning and Energy Conservation projects).

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

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

From a budgetary perspective, the College utilizes fund-based accounting to control unrestricted revenue, expenditures, and transfers. A summary for the year ended June 30, 2010 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	2010	
	Adopted Budget	Actual
	(dollars in millions)	
General operating	\$ 0.1	\$ 0.3
Auxiliary	(0.1)	-
Plant	-	0.3
Total	<u>\$ -</u>	<u>\$ 0.6</u>

### Net Assets

	June 30		
	2010	2009	2008
<b>Assets</b>			
Current assets	\$ 31,277,607	\$ 26,079,468	\$ 27,170,337
Noncurrent assets:			
Capital	35,516,812	35,186,789	29,891,468
Other	6,259,902	11,174,926	7,572,121
Total assets	<u>\$ 73,054,321</u>	<u>\$ 72,441,183</u>	<u>\$ 64,633,926</u>
<b>Liabilities</b>			
Current liabilities	\$ 24,881,126	\$ 22,541,236	\$ 21,586,708
Noncurrent liabilities	9,061,921	10,279,650	3,546,905
Total liabilities	33,943,047	32,820,886	25,133,613
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	25,961,813	26,566,549	26,583,042
Restricted	974,989	1,797,525	1,577,850
Unrestricted	12,174,472	11,256,223	11,339,421
Total net assets	<u>39,111,274</u>	<u>39,620,297</u>	<u>39,500,313</u>
Total liabilities and net assets	<u>\$ 73,054,321</u>	<u>\$ 72,441,183</u>	<u>\$ 64,633,926</u>



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

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

### Analysis of Overall Financial Position

At June 30, 2010, current assets amounted to \$31.3 million as compared to \$26.1 million at June 30, 2009, an increase of \$5.2 million. Current liabilities at June 30, 2010 amounted to \$24.9 million and current liabilities at June 30, 2009 amounted to \$22.5 million, an increase of \$2.4 million. The College's working capital ratio was 1.3 and 1.2 at June 30, 2010 and 2009, respectively. The increase in current assets is primarily attributable to the shift to short-term investments from long-term investments, and an increase in accounts receivable due to increased enrollment and utilization of the College's tuition payment plan. The increase in current liabilities is attributable to an increase in deferred revenue due to higher summer enrollment, and timing of federal financial aid receipts, partially offset by lower accounts payable and other accruals.

At June 30, 2009, current assets amounted to \$26.1 million as compared to \$27.2 million at June 30, 2008, a decrease of \$1.1 million. Current liabilities at June 30, 2009 amounted to \$22.5 million and current liabilities at June 30, 2008 amounted to \$21.6 million, an increase of \$0.9 million. The College's working capital ratio was 1.2 and 1.3 at June 30, 2009 and 2008, respectively. The decrease in current assets is primarily attributable to the shift of short-term investments to longer-term investments. The increase in current liabilities is attributable to the increase in the current maturities of long-term debt associated with the issuance of the Series 2008 Tax Anticipation Notes.

Noncurrent assets are comprised of capital assets, restricted cash, investments, and loans receivable. The decrease in noncurrent assets (\$4.6 million) during 2010 is primarily due to the spending of the remaining proceeds from the issuance of the \$8.5 million Series 2008 Tax Anticipation Notes (\$2.5 million) and by an increase in moving long-term investments to short-term investments (\$2.2 million).

The increase in noncurrent assets (\$8.9 million) during 2009 is due to the increase in the College's capital assets (\$5.3 million) primarily associated with current year capital additions (e.g., completion of the Center for Learning Innovations, in process efforts of the College's major energy conservatism project), an increase in cash of \$2.4 million attributable to the unspent proceeds from the issuance of the \$8.5 million Series 2008 Tax Anticipation Notes, and by an increase in moving short-term investments to long-term investments (\$1.1 million).

The decrease in noncurrent liabilities (\$1.2 million) in 2010 is primarily attributable to principal payments on the College's Series 2008 and Series 2003 Tax Anticipation Notes and Series 1999 General Receipts Bonds. The College is in full compliance with all debt issuance provisions.

The increase in the College's noncurrent liabilities during 2009 is primarily attributable the issuance of \$8.5 million of the Series 2008 Tax Anticipation Notes, offset by principal payments on the Series 2003 Tax Anticipation Notes, and Series 1999 General Receipts Bonds.

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

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

The College's net assets amounted to \$39.1 million, \$39.6 million, and \$39.5 million at June 30, 2010, 2009, and 2008, respectively. The \$0.5 million decrease in the College's net assets during 2010 was primarily attributable to utilization/spending of the Series 2008 Tax Anticipation Note proceeds, partially offset by the timing of federal financial aid receipts.

### **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 2010, the College utilized \$1.2 million in state capital appropriations, \$2.8 million in debt proceeds, and purchased \$3.7 million of capital assets.

During 2009, the College utilized \$2.6 million in state capital appropriations, \$5.7 million in debt proceeds, \$0.2 million of internal funds, and purchased \$8.5 million of capital assets.

The College's long-term debt is comprised of Series 1999 General Receipts Bonds, Series 2003 Tax Anticipation Notes, and Series 2008 Tax Anticipation Notes. As previously mentioned, the College issued notes in the amount of \$8.5 million, with fixed interest rates and a final maturity date in 2018. The proceeds of the notes were used to pay costs associated with the implementation of energy conservation measures that are intended to significantly reduce the College's energy consumption and the operating costs of its buildings. A portion of the proceeds of the notes was also used to pay costs associated with the acquisition of technology equipment and other capital improvements. During 2010, 2009, and 2008, the College paid \$1.5 million, \$0.8 million, and \$0.7 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.

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

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

### Statement of Cash Flows

#### Cash Flows for the Year Ended June 30

	2010	2009	2008
<b>Net Cash and Cash Equivalents (Used in) Provided by</b>			
Operating activities	\$ (44,402,657)	\$ (39,591,062)	\$ (37,420,985)
Noncapital financing activities	46,290,553	39,427,423	37,520,596
Capital and related financing activities	(4,650,193)	2,125,653	(1,241,555)
Investing activities	455,381	411,919	187,722
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(2,306,916)</b>	<b>2,373,933</b>	<b>(954,222)</b>
<b>Cash and Cash Equivalents - Beginning of year</b>	<b>5,440,208</b>	<b>3,066,275</b>	<b>4,020,947</b>
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 3,133,292</b>	<b>\$ 5,440,208</b>	<b>\$ 3,066,725</b>

Major sources of cash included student tuition and fees of \$10.9 million in 2010, \$9.3 million in 2009, and \$9.8 million in 2008; state appropriations of \$23.2 million in 2010, \$22.2 million in 2009, and \$19.8 million in 2008; local appropriations of \$10.3 million in 2010, \$11.0 million in 2009, and \$11.3 million in 2008; grants and contracts of \$0.6 million in 2010, \$2.3 million in 2009, and \$2.0 million in 2008; and auxiliary sales and services of \$4.8 million in 2010, \$5.1 million in 2009, and \$5.0 million in 2008.

The largest payments were for employee compensation and benefits totaling \$48.6 million in 2010, \$47.4 million in 2009, and \$44.5 million in 2008; suppliers of goods and services totaling \$15.9 million in 2010, \$15.4 million in 2009, and \$16.7 million in 2008; and purchases of capital assets totaling \$2.9 million in 2010, \$5.5 million in 2009, and \$0.1 million in 2008.

### 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. 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 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.

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

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

Local appropriations in the form of property taxes are another critical element of support. The electors within the County of Lake, Ohio (the "County") must approve any Lakeland Community College property tax. The 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. The College continues to closely monitor the shift in "guarantees" funding associated with State laws that deregulated electric and natural gas utilities, and the phase-out of business tangible personal property taxes.

The College was notified in April 2010 that its fiscal year 2011 state support would be reduced by \$0.6 million. Although the College continues to experience enrollment increases, the limit of dedicated state support to higher education for two-year colleges, coupled with more significant enrollment increases at other community colleges, has reallocated and pulled this amount of state support from Lakeland.

Additionally, the College recently received notice from the Ohio Board of Regents that there will be a reduction in state support due to the State of Ohio needing to balance its fiscal year 2011 budget. This will result in a \$1.3 million funding cut to Lakeland in its fiscal year 2011 state support.

In light of the current economic climate and the State's budget cuts, the College's board of trustees seek to replace its existing \$1.7 mill levy. If the levy is approved by the Lake County voters, the College will use those incremental "replacement" proceeds to offset State funding cuts, as well as add classroom space and technology improvements.

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

## Statement of Net Assets

	June 30	
	2010	2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 2,778,969	\$ 2,594,709
Restricted cash and cash equivalents (Note 2)	354,323	354,142
Short-term investments (Note 2)	3,402,338	1,199,573
Intergovernmental receivables	10,122,009	9,563,536
Loans and other receivables - Net (Note 3)	11,858,846	10,056,400
Inventories	1,145,144	734,091
Prepaid assets	1,615,978	1,577,017
Total current assets	31,277,607	26,079,468
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	-	2,491,357
Investments (Note 2)	6,243,734	8,636,440
Loans receivable - Net (Note 3)	16,168	47,129
Capital assets - Net (Note 4)	35,516,812	35,186,789
Total noncurrent assets	41,776,714	46,361,715
Total assets	73,054,321	72,441,183
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	3,642,215	5,133,500
Deferred revenue	18,342,819	14,459,296
Other liabilities	274,832	371,601
Debt payable (Note 5)	1,552,842	1,505,504
Compensated absences (Note 5)	1,068,418	1,071,335
Total current liabilities	24,881,126	22,541,236
Noncurrent liabilities (Note 5):		
Other liabilities	323,000	125,000
Debt payable	8,037,805	9,590,647
Compensated absences	411,802	279,017
Refundable federal student loans	289,314	284,986
Total noncurrent liabilities	9,061,921	10,279,650
Total liabilities	33,943,047	32,820,886
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	25,961,813	26,566,549
Restricted for:		
Nonexpendable for endowment purposes	354,323	354,142
Expendable for instructional purposes	620,666	1,443,383
Unrestricted	12,174,472	11,256,223
Total net assets	<u>\$ 39,111,274</u>	<u>\$ 39,620,297</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	
	2010	2009
<b>Operating Revenue</b>		
Student tuition and fees - Net of \$11,157,012 and \$5,273,778 in Pell and scholarship allowances in 2010 and 2009, respectively	\$ 11,300,648	\$ 14,909,105
Federal grants and contracts	612,652	769,130
State grants and contracts	115,665	1,048,874
Private grants and contracts	(77)	380,296
Sales and services	802,659	1,026,259
Auxiliary enterprises	5,000,437	5,219,862
Other operating revenue	437,074	468,093
Total operating revenue	18,269,058	23,821,619
<b>Operating Expenses</b>		
Educational and general:		
Instruction and departmental research	27,238,142	26,180,989
Public service	2,440,999	3,178,081
Academic support	3,570,487	3,383,884
Student services	8,096,429	7,990,132
Institutional support	8,916,853	8,879,328
Operation and maintenance of facilities	6,521,915	7,194,682
Total educational and general	56,784,825	56,807,096
Auxiliary enterprises	6,236,521	5,972,078
Depreciation	3,432,257	3,236,448
Total operating expenses	66,453,603	66,015,622
<b>Operating Loss</b>	(48,184,545)	(42,194,003)
<b>Nonoperating Revenue (Expense)</b>		
State appropriations (Note 7)	20,212,127	22,193,288
Federal fiscal stabilization funds	2,960,167	-
Local appropriations (Note 8)	10,599,945	10,985,034
Pell grant revenue - Net of refunds	12,782,907	6,251,072
Unrestricted investment income - Net of investment expense	254,533	417,489
Restricted investment income - Net of investment expense	503	4,852
Interest on capital asset - Related debt	(368,998)	(159,460)
Other nonoperating revenue - Net	2,330	1,262
Net nonoperating revenue	46,443,514	39,693,537
<b>Loss - Before other changes</b>	(1,741,031)	(2,500,466)
<b>Other Changes</b>		
Capital appropriations from the State of Ohio (Note 7)	1,221,101	2,612,450
Capital grants and gifts	10,907	8,000
Total other changes	1,232,008	2,620,450
<b>(Decrease) Increase in Net Assets</b>	(509,023)	119,984
<b>Net Assets - Beginning of year</b>	39,620,297	39,500,313
<b>Net Assets - End of year</b>	<b>\$ 39,111,274</b>	<b>\$ 39,620,297</b>

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

## Statement of Cash Flows

	Year Ended June 30	
	2010	2009
<b>Cash Flows from Operating Activities</b>		
Tuition and fees - Net	\$ 10,908,352	\$ 9,308,986
Grants and contracts	611,820	2,341,545
Payments to suppliers and utilities	(15,910,581)	(15,373,906)
Payments for compensation and benefits	(48,738,340)	(47,370,141)
Federal draw-downs	20,484,037	16,275,435
Federal draw-downs applied to tuition - Disbursed to students	(17,815,569)	(11,319,090)
Auxiliary sales and services	4,822,240	5,053,585
Other	1,235,384	1,492,524
Net cash used in operating activities	(44,402,657)	(39,591,062)
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	20,212,127	22,193,288
Federal fiscal stabilization funds	2,960,167	
Local appropriations	10,335,352	10,983,063
Federal Pell - Net of refunds	12,782,907	6,251,072
Net cash provided by noncapital financing activities	46,290,553	39,427,423
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital appropriations	38,218	46,218
Proceeds from issuance of debt	-	8,549,923
Purchases of capital assets	(2,844,371)	(5,468,888)
Principal paid on capital debt and leases - Net	(1,505,504)	(762,198)
Interest paid on capital debt and leases	(338,536)	(160,941)
Bond issue costs	-	(78,461)
Net cash (used in) provided by capital and related financing activities	(4,650,193)	2,125,653
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	6,201,750	11,591,476
Purchase of investments	(5,995,630)	(11,625,378)
Interest on investments	249,261	445,821
Net cash provided by investing activities	455,381	411,919
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(2,306,916)	2,373,933
<b>Cash and Cash Equivalents - Beginning of year</b>	5,440,208	3,066,275
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 3,133,292</b>	<b>\$ 5,440,208</b>
<b>Classification of Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 2,778,969	\$ 2,594,709
Restricted cash and cash equivalents	354,323	2,845,499
Total cash and cash equivalents	<b>\$ 3,133,292</b>	<b>\$ 5,440,208</b>

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

## Statement of Cash Flows (Continued)

	Year Ended June 30	
	2010	2009
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (48,184,545)	\$ (42,194,003)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	3,432,257	3,236,448
(Increase) decrease in assets:		
Accounts receivable	(2,505,389)	(1,579,528)
Inventories	(411,053)	50,180
Other assets	(64,054)	(102,318)
(Decrease) increase in liabilities:		
Accounts payable and accrued liabilities	(1,588,054)	356,162
Deferred revenue	4,783,987	888,315
Deposits held for others	4,326	(134,618)
Compensated absences	129,868	(111,700)
Net cash used in operating activities	<u>\$ (44,402,657)</u>	<u>\$ (39,591,062)</u>



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

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

		June 30	
		2010	2009
<b>Assets</b>			
Cash and cash equivalents	\$	284,967	\$ 269,610
Cash held for others		18,503	20,938
Investments (Note 2)		2,447,214	2,142,935
Receivables		301,049	317,180
Other assets		9,945	7,855
Total assets		<u>\$ 3,061,678</u>	<u>\$ 2,758,518</u>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts payable	\$	35,600	\$ 89,031
Due to custodial funds		18,503	20,938
Total liabilities		54,103	109,969
<b>Net Assets</b>			
Unrestricted		1,586,142	176,986
Temporarily restricted		1,299,004	1,005,752
Permanently restricted		122,429	1,465,811
Total net assets		<u>3,007,575</u>	<u>2,648,549</u>
Total liabilities and net assets		<u>\$ 3,061,678</u>	<u>\$ 2,758,518</u>

### Statement of Activities

		Year Ended June 30	
		2010	2009
<b>Support and Revenue</b>			
Contributions and grants	\$	905,983	\$ 1,109,780
Investment income (loss) - Net		196,993	(251,593)
Total support and revenue		1,102,976	858,187
<b>Program and Support Services</b>			
Program services:			
Scholarships		314,348	329,219
Educational and related programs		244,800	399,994
Support services - Administration		184,802	254,664
Total program and support expenses		<u>743,950</u>	<u>983,877</u>
<b>Increase (Decrease) in Net Assets</b>		359,026	(125,690)
<b>Net Assets - Beginning of year</b>		<u>2,648,549</u>	<u>2,774,239</u>
<b>Net Assets - End of year</b>		<u>\$ 3,007,575</u>	<u>\$ 2,648,549</u>

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

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## Notes to Financial Statements June 30, 2010 and 2009

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

The 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. The Foundation is a private organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to the Foundation financial information included in the College's financial report to account for these differences. Separate financial statements of the Foundation may be obtained by contacting The Lakeland Foundation, 7700 Clocktower Drive, Kirtland, Ohio 44094-5198.

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

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

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## Notes to Financial Statements June 30, 2010 and 2009

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

**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.

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

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

**Restricted Cash and Cash Equivalents** - As of June 30, 2010, restricted cash and cash equivalents of \$354,323 was for endowment purposes. As of June 30, 2009, restricted cash and cash equivalents of \$2,845,499 consist of unspent proceeds from the Tax Anticipation Notes, Series 2008 (\$2,491,357) and restricted cash of \$354,142 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.

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

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## Notes to Financial Statements June 30, 2010 and 2009

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

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

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

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

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

**Deferred Revenue** - Deferred revenue 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. Deferred revenue also includes amounts billed to students for the fall semester of fiscal year 2011 that have not yet been earned.

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

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

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## Notes to Financial Statements June 30, 2010 and 2009

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

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

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

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

### Note 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, 2010 and 2009, the carrying amount of the College's cash balance was \$126,706 and \$231,193, respectively. The bank balance at June 30, 2010 and 2009 totaled \$1,604,551 and \$4,760,881, respectively. The difference represents outstanding checks payable, deposits in transit, and normal reconciling items.

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

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## Notes to Financial Statements June 30, 2010 and 2009

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

A total of \$250,000 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.

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, 2010 and 2009 is made up of 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 2010 or 2009. 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, 2010 and 2009

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

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The College's investment policy places no limitation on the amount that may be invested in a single issuer. At June 30, 2010 and 2009, the College did not have more than 5 percent of its fixed-income investments in any single issuer.

At June 30, 2010 and 2009, the College's investment portfolio and credit ratings consisted of the following:

2010	Fair Market Value	Less Than One Year	1-2 years	NRSRO Rating
State Treasurer Asset Reserve Fund (STAR Ohio)	\$ 1,268,564	\$ 1,268,564	\$ -	AAA
Money market	1,864,728	1,864,728	-	AAA
U.S. government agency	9,646,072	3,402,338	6,243,734	AAA
Total investments	<u>\$ 12,779,364</u>	<u>\$ 6,535,630</u>	<u>\$ 6,243,734</u>	

  

2009	Fair Market Value	Less Than One Year	1-2 years	NRSRO Rating
State Treasurer Asset Reserve Fund (STAR Ohio)	\$ 4,465,333	\$ 4,465,333	\$ -	AAA
Money market	974,875	974,875	-	AAA
U.S. government agency	9,836,013	1,199,573	8,636,440	AAA
Total investments	<u>\$ 15,276,221</u>	<u>\$ 6,639,781</u>	<u>\$ 8,636,440</u>	

At June 30, 2010 and 2009, the Foundation's investments consisted of the following:

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
Corporate bonds	\$ 103,089	\$ 103,551	\$ 172,316	\$ 173,107
Municipal bonds	612,121	613,239	202,774	204,088
Agency bonds	50,235	50,045	102,602	100,986
Foreign bonds	-	-	25,688	25,754
Fixed income mutual funds	477,416	459,388	539,413	552,116
Equity mutual funds	791,982	893,130	667,102	878,665
International mutual funds	258,258	265,196	131,535	159,026
Alternative assets	134,386	123,095	48,389	44,131
Money market/Cash reserves	19,727	19,727	253,116	253,116
Total	<u>\$ 2,447,214</u>	<u>\$ 2,527,371</u>	<u>\$ 2,142,935</u>	<u>\$ 2,390,989</u>

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

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## Notes to Financial Statements June 30, 2010 and 2009

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

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

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

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

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

Securities purchased for the College are held in a safekeeping account established by the College (PNC), 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 2010 or 2009.



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

## Notes to Financial Statements June 30, 2010 and 2009

### 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 \$2,256,584 and \$1,854,079 at June 30, 2010 and 2009, respectively. The following schedule is an analysis of loans and other receivable balances as of June 30, 2010 and 2009:

	2010		2009	
	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	25,973	8,598	27,710	37,157
Employee computer financing	65,251	6,070	63,343	8,472
Student accounts	11,422,594	-	9,640,146	-
Auxiliary receivables	207,707	-	203,020	-
Interest receivable	40,178	-	52,751	-
Sales and service receivables	97,143	-	69,430	-
<b>Total</b>	<b>\$ 11,858,846</b>	<b>\$ 16,168</b>	<b>\$ 10,056,400</b>	<b>\$ 47,129</b>

### Note 4 - Capital Assets

Capital asset activity for the years ended June 30, 2010 and 2009 was as follows:

	July 1, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
Nondepreciable assets:				
Land	\$ 723,289	\$ -	\$ -	\$ 723,289
Construction in progress	6,297,723	353,069	(6,228,406)	422,386
Depreciable assets:				
Land improvements	3,352,306	48,600	-	3,400,906
Infrastructure	4,092,196	1,822,852	-	5,915,048
Buildings and improvements	63,339,394	6,244,340	(22,500)	69,561,234
Equipment and vehicles	5,867,779	818,889	(48,692)	6,637,976
Software and library books	8,558,009	707,435	-	9,265,444
<b>Total capital assets</b>	<b>92,230,696</b>	<b>9,995,185</b>	<b>(6,299,598)</b>	<b>95,926,283</b>
Less accumulated depreciation:				
Land improvements	2,249,978	113,335	-	2,363,313
Infrastructure	2,267,885	170,000	(18,000)	2,419,885
Buildings and improvements	40,552,632	2,208,408	-	42,761,040
Equipment and vehicles	4,148,160	509,645	(48,693)	4,609,112
Software and library books	7,825,252	430,869	-	8,256,121
<b>Total accumulated depreciation</b>	<b>57,043,907</b>	<b>3,432,257</b>	<b>(66,693)</b>	<b>60,409,471</b>
<b>Capital assets - Net</b>	<b>\$ 35,186,789</b>	<b>\$ 6,562,928</b>	<b>\$ (6,232,905)</b>	<b>\$ 35,516,812</b>

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

## Notes to Financial Statements June 30, 2010 and 2009

### Note 4 - Capital Assets (Continued)

	July 1, 2008 Balance	Additions	Retirements	June 30, 2009 Balance
Nondepreciable assets:				
Land	\$ 723,289	\$ -	\$ -	\$ 723,289
Construction in progress	1,471,486	7,463,138	(2,636,901)	6,297,723
Depreciable assets:				
Land improvements	3,208,510	143,796	-	3,352,306
Infrastructure	4,092,196	-	-	4,092,196
Buildings and improvements	60,846,288	2,493,106	-	63,339,394
Equipment and vehicles	5,045,505	901,899	(79,625)	5,867,779
Software and library books	8,390,471	167,538	-	8,558,009
Total capital assets	83,777,745	11,169,477	(2,716,526)	92,230,696
Less accumulated depreciation:				
Land improvements	2,141,322	108,656	-	2,249,978
Infrastructure	2,132,670	135,215	-	2,267,885
Buildings and improvements	38,565,576	1,987,056	-	40,552,632
Equipment and vehicles	3,792,822	434,156	(78,818)	4,148,160
Software and library books	7,253,887	571,365	-	7,825,252
Total accumulated depreciation	53,886,277	3,236,448	(78,818)	57,043,907
Capital assets - Net	\$ 29,891,468	\$ 7,933,029	\$ (2,637,708)	\$ 35,186,789

### Note 5 - Noncurrent Liabilities

Noncurrent liability activity for the years ended June 30, 2010 and 2009 was as follows:

2010	June 30, 2009			June 30, 2010	
	Balance	Additions	Reductions	Balance	Current Portion
Long-term debt and lease obligations:					
Tax Anticipation Note, Series 2008	\$ 8,500,000	\$ -	\$ 725,000	\$ 7,775,000	\$ 750,000
Premium on Tax Anticipation Note	42,398	-	7,624	34,774	6,969
Tax Anticipation Note, Series 2003	1,150,000	-	440,000	710,000	710,000
Premium on Tax Anticipation Note	3,753	-	2,880	873	873
General Receipts Bonds, Series 1999	1,400,000	-	330,000	1,070,000	85,000
Total	11,096,151	-	1,505,504	9,590,647	1,552,842
Other noncurrent obligations:					
Reserve for compensated absences	1,350,352	129,868	-	1,480,220	1,068,418
Reserve for federal student loans	284,986	4,328	-	289,314	-
Other liabilities	125,000	198,000	-	323,000	-
Total noncurrent liabilities	\$12,856,489	\$ 332,196	\$ 1,505,504	\$11,683,181	\$ 2,621,260

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

## Notes to Financial Statements June 30, 2010 and 2009

### Note 5 - Noncurrent Liabilities (Continued)

2009	July 1, 2008 Balance	Additions	Reductions	June 30, 2009 Balance	Current Portion
Long-term debt and lease obligations:					
Tax Anticipation Note, Series 2008	\$ -	\$ 8,500,000	\$ -	\$ 8,500,000	\$ 725,000
Premium on Tax Anticipation Note	-	49,923	7,525	42,398	7,625
Tax Anticipation Note, Series 2003	1,230,000	-	80,000	1,150,000	80,000
Premium on Tax Anticipation Note	8,426	-	4,673	3,753	2,879
General Receipts Bonds, Series 1999	2,070,000	-	670,000	1,400,000	690,000
Total	3,308,426	8,549,923	762,198	11,096,151	1,505,504
Other noncurrent obligations:					
Reserve for compensated absences	1,462,052	-	111,700	1,350,352	1,071,335
Reserve for federal student loans	419,604	9,322	143,940	284,986	-
Other liabilities	125,000	-	-	125,000	-
Total noncurrent liabilities	<u>\$ 5,315,082</u>	<u>\$ 8,559,245</u>	<u>\$ 1,017,838</u>	<u>\$12,856,489</u>	<u>\$ 2,576,839</u>

**Tax Anticipation Notes, Series 2008, Tax Anticipation Notes, Series 2003, General Receipts Bonds, Series 1999** - Effective July 10, 2008, the College issued Tax Anticipation Notes (Series 2008 Notes) in anticipation of the proceeds of a 1.7 mill ad valorem property tax approved by the electors of the District at an election held on November 3, 1970. The notes are in the amount of \$8,500,000, with fixed interest rates and a maturity date of 2018. The proceeds of the notes are being used to pay costs associated with the implementation of energy conservation measures that are intended to significantly reduce the College's energy consumption and operating costs of its buildings. A portion of the proceeds of the notes is also being used to pay costs associated with the acquisition of technology equipment and other capital improvements.

The Series 2008 Notes are issued pursuant to authorized legislation and the Ohio Revised Code, adopted by the board of trustees of the District on June 5, 2008. The notes are being issued in anticipation of the collection of a fraction of the proceeds from the tax levy, commencing with distributions from the District in calendar year 2008 and ending with collection year 2018. Under law authorizing this financing, notes may be issued from time to time during the life of the tax levy. The amount of principal payments may not in aggregate exceed 75 percent of the total anticipated proceeds of the levy to be collected during the particular calendar year.

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.

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

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## Notes to Financial Statements June 30, 2010 and 2009

### Note 5 - Noncurrent Liabilities (Continued)

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 2008 Notes, 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 2008 Notes are subject to mandatory redemption, with stated interest rates ranging from 3.25 percent to 3.75 percent. The final maturity of the Series 2008 Notes is December 1, 2018. 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 2008 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 1.7 mill property tax levy approved by the Lake County, Ohio electors at the November 3, 1970 election.

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.

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.

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

**Notes to Financial Statements  
June 30, 2010 and 2009**

**Note 5 - Noncurrent Liabilities (Continued)**

Scheduled principal maturities and total debt service on the Series 2008 Notes, Series 2003 Notes, and Series 1999 Bonds for fiscal years subsequent to June 30, 2010 are as follows:

	Bonds and Notes Payable		
	Principal	Interest	Total
2011	\$ 1,545,000	\$ 326,802	\$ 1,871,802
2012	865,000	284,933	1,149,933
2013	895,000	252,928	1,147,928
2014	930,000	219,537	1,149,537
2015	960,000	184,837	1,144,837
2016-2020	<u>4,360,000</u>	<u>363,435</u>	<u>4,723,435</u>
Total	<u>\$ 9,555,000</u>	<u>\$ 1,632,472</u>	<u>\$ 11,187,472</u>

**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, 2010 and 2009 amounted to \$202,829 and \$199,147, respectively. The operating leases have various maturity dates through September 1, 2014.

Future minimum lease payments as of June 30, 2010 under operating leases are as follows:

2011	\$ 206,521
2012	155,659
2013	161,886
2014	168,361
2015	<u>21,000</u>
Total	<u>\$ 713,427</u>

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

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## Notes to Financial Statements June 30, 2010 and 2009

### 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.

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 2010 was \$1,047,652 as compared to \$1,059,866 in 2009. Also included in replacement state taxes was \$1,454,174 and \$1,148,290 during 2010 and 2009, 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 2010 and 2009. Replacement state excise taxes were measurable at June 30, 2010 and 2009; 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.

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

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## Notes to Financial Statements June 30, 2010 and 2009

### 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.

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 2010 until October 2010, 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, 2010. 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 2010 operations, the receivable amount is recorded as deferred revenue.

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

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## Notes to Financial Statements June 30, 2010 and 2009

### 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.

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, 2010, 2009, and 2008 were \$2,923,450, \$2,815,994, and \$2,697,403, respectively, equal to the required contributions for each year. The College's contribution to SERS for the years ended June 30, 2010, 2009, and 2008 were \$2,044,329, \$2,075,693, and \$1,964,069, 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.



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

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## Notes to Financial Statements June 30, 2010 and 2009

### 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.

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, 2009 and 2008, 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 Stabilization Fund was approximately \$2.7 billion on June 30, 2009.

For the year ended June 30, 2009, the net healthcare costs paid by STRS Ohio were approximately \$298.1 million. There were 129,659 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 2010 and 2009, 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, 2009, the net healthcare costs paid by SERS were approximately \$215.4 million. At June 30, 2009, the SERS' net assets available for payment of healthcare benefits were approximately \$376.5 million. The number of retirees and covered dependents currently receiving benefits was 65,518.

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

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## Notes to Financial Statements June 30, 2010 and 2009

### 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").

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, 2009 amounted to \$5.5 million. LCSC member contributions and other income for the year ended June 30, 2010 amounted to \$27.0 million and healthcare program and related costs amounted to \$26.9 million, leaving \$5.6 million as net assets at June 30, 2010.

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

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## Notes to Financial Statements June 30, 2010 and 2009

### Note 12 - Risk Management

The College 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 2010 or 2009 that exceeded the coverage outlined in its insurance program.

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 \$135,041 and \$154,724 for the years ended June 30, 2010 and 2009, respectively. The Foundation distributed \$680,544 and \$826,134 for the years ended June 30, 2010 and 2009, respectively. The Foundation also distributed to the College \$24,757 and \$9,591 in gifts in-kind for the years ended 2010 and 2009, respectively. The Foundation had receivables from the College of \$1,341 and \$20,926 as of June 30, 2010 and 2009, respectively. The Foundation had payables to the College of \$8,430 and \$62,118 as of June 30, 2010 and 2009, respectively.

# **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 financial statements of Lake County Community College District d/b/a Lakeland Community College (the "College") as of and for the year ended June 30, 2010 and have issued our report thereon dated October 26, 2010. Our report was modified to include reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of The Lakeland Foundation, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 the 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 management, the board of trustees, others within the College, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 26, 2010

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 (the "College") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The major federal programs of the 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 the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

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

### **Internal Control Over Compliance**

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

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

*Plante & Moran, PLLC*

October 26, 2010



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

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Clusters:			
Student Financial Aid Cluster - U.S. Department of Education - Direct program:			
ARRA Federal Pell Grant Program (not separated by Fed)	84.063	P063P092857	\$ 12,854,922
Federal Work Study Program	84.033	P0033A096053	118,344
ARRA - Federal Work Study Program	84.033	N/A	49,740
Federal Supplemental Educational Opportunity Grant Program	84.007	P007A096053	286,930
Academic Competitiveness Grant	84.375	P375A092857	139,461
Federal Family Loan Program	84.032	N/A	<u>20,209,393</u>
Total Student Financial Aid Cluster			33,658,790
WIA Cluster - U.S. Department of Labor:			
Passed through the Ohio Department of Job and Family Services - Job Training Partnership Act:			
Geauga One Stop	17.258 - 17.260	G-1011-15-0261	9,267
ARRA - Geauga WIA	17.260	N/A	4,459
Cuyahoga County	17.258 - 17.260		13,965
ARRA - Cuyahoga County	17.260	N/A	3,157
Lake County	17.258 - 17.260	G-1011-15-0262	82,984
Geauga, Ashtabula & Portage Partnership	17.258 - 17.260	G-1011-15-0261	7,945
Passed through the Ohio Department of Job and Family Services - Ohio Skills Bank Initiative - Year 2			
	17.258 - 17.260	G-89-15-1486	113
Passed through the Edison Biotechnology - Center d/b/a BioOhio - Bioscience Industry Workforce Preparedness Project			
	17.275	GJ-20076-10-60-A-39	<u>8,255</u>
Total WIA Cluster			130,145
American Recovery and Reinvestment Act - Passed through State Fiscal Stabilization Fund Cluster - ARRA - Education Stabilization Subsidy funding			
	84.394	N/A	2,960,167
Other federal programs:			
U.S. Department of Health and Human Services - Direct Program:			
Health Information Technology Education & Training	84.116Z	P116Z090096	265,794
Health Resources and Services Administration - Health Care Equipment	93.887	C76HF10235-01-01	<u>25</u>
Total Department of Health and Human Services			265,819
Nuclear Regulatory Commission - Passed through the Ohio State Great Lakes Regional Scholarship			
	77.008	NRC-38-08-931	55,269
U.S. Department of Energy - National Nuclear Security Administration - Passed through the Central State University - STEM Upgrade and Outreach Project			
	81.123	8417-001	14,276

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

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Other federal programs (Continued):			
U.S. Department of Education - Passed through the Ohio Department of Education:			
Two-year College Perkins	84.048	063347-20C3-2009	\$ 191,959
Perkins Non-Traditional We Are IT	84.048	063347-VENT-09-LCC	2,382
Technical Preparatory	84.243	063347-3ETC-2009	173,615
Ohio Rehabilitation Service Center- Vocational Rehabilitation	84.126A		<u>25,810</u>
Total U.S. Department of Education			<u>393,766</u>
Total federal awards			<u><b>\$ 37,478,232</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, 2010

### Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lake County Community College District d/b/a Lakeland Community College (the "College") under programs of the federal government for the year ended June 30, 2010. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

### Note 2 - Loans Outstanding

The College had the following loan balances outstanding at June 30, 2010. These loan balances are not included in the federal expenditures presented in the Schedule.

Cluster/Program Title	CFDA Number	Amount Outstanding
Federal Perkins Loan Program	84.038	\$ 123,466
Nursing Student Loan Program	93.364	<u>39,698</u>
Total student loans outstanding		<u>\$ 163,164</u>

### Note 3 - Adjustments and Transfers

During the year ended June 30, 2010, the College transferred \$71,202 of the 2009-2010 Federal Work Study (FWS) Program (84.033) award to the Supplemental Educational Opportunity Grant (SEOG) Program (84.007). In addition, the College carried forward \$8,356 of the 2009-2010 FWS award to the 2010-2011 award year.

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

## Schedule of Findings and Questioned Costs Year Ended June 30, 2010

### 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?    \_\_\_ Yes     X  None reported

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.032, 84.033, 84.038, 84.063, 84.375, and 93.364 84.394	Student Financial Aid Cluster ARRA - State Fiscal Stabilization Fund 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**

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**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2010**

**Section II - Financial Statement Audit Findings**

None

**Section III - Federal Program Audit Findings**

None

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

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## Summary of Prior Year Audit Findings Year Ended June 30, 2010

<u>Prior Year Finding Number</u>	<u>Federal Program</u>	<u>Status</u>
2009-01	Federal Pell Grant Program - 84.063	Corrective action has been taken
2009-02	Student Financial Aid Cluster - 84.032, 84.038, and 93.364	Corrective action has been taken



**Mary Taylor, CPA**  
Auditor of State

**LAKELAND COMMUNITY COLLEGE**

**LAKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 9, 2010**