

Lorain County Community College  
Lorain County, Ohio

Single Audit

July 1, 2008, through June 30, 2009  
Fiscal Year Audited Under GAGAS: 2009



**Balestra, Harr & Scherer, CPAs, Inc.**

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528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Lorain County Community College  
1005 North Abbe Road  
Elyria, Ohio 44035

We have reviewed the *Independent Accountants' Report* of the Lorain County Community College, Lorain County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period July 1, 2008 through June 30, 2009. 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 Lorain County Community College is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 14, 2010

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LORAIN COUNTY COMMUNITY COLLEGE

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**BALESTRA, HARR & SCHERER, CPAs, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Lorain County Community College  
1005 North Abbe Road  
Elyria, Ohio 44035

We have audited the accompanying financial statements of the business-type activities of the Lorain County Community College (the College), as of and for the year ended June 30, 2009, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Lorain County Community College Foundation which is the only discretely presented component unit of the College. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the discretely presented component unit is based on the report of 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 an opinion on the internal control over financial reporting 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 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees  
Lorain County Community College  
REPORT OF INDEPENDENT ACCOUNTANTS  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by 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. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
December 23, 2009

**LORAIN COUNTY COMMUNITY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Introduction**

The following discussion and analysis provides an overview of the financial position and activities of Lorain County Community College (the College) for the year ended June 30, 2009. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Lorain County Community College is part of Ohio's system of state supported and state assisted institutions of higher education. It is one of the 24 community and technical colleges in Ohio. Located in the City of Elyria, with off-campus facilities at (St. Joseph's Learning Center, Wellington Center, and Lorain County Growth Partnership Learning Center), the College is a local institution. A majority of the College's students commute daily from their homes in Lorain County and the surrounding counties.

**Using the Annual Financial Report**

The College's financial report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with accounting principles promulgated by the Governmental Accounting Standards Board (GASB). In 2002, the College adopted GASB Statement No. 35, *Basic Financial Statements- and Management's Discussion and Analysis- for Public Colleges and Universities*. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the financial condition, the changes in financial condition, and the cash flows of the College as a whole. Many other non-financial factors also must be considered in assessing the overall health of the College, such as enrollment trends, student retention, strength of the faculty, condition of the buildings, and the safety of the campus.

The financial statements prescribed by GASB Statement No. 35 (the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Under the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Lorain County Community College Foundation, Inc. (the Foundation) is treated as a component unit of the College's basic financial statements. The Foundation is excluded from Management's Discussion and Analysis.

**Statement of Net Assets**

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year and includes all assets and liabilities. The difference between assets and liabilities— net assets— is one indicator of the current financial condition of the College, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

A summary of the College's assets, liabilities, and net assets at June 30, 2009 and 2008 is as follows:

	<b><u>2009</u></b>	<b><u>2008</u></b>
Current assets	\$62,943,741	\$66,900,322
Noncurrent assets:		
Capital assets, net	94,770,485	75,765,222
Other	<u>148,055</u>	<u>141,488</u>
Total assets	\$157,862,281	\$142,807,032
Current liabilities	\$19,487,679	\$17,900,144
Noncurrent liabilities	<u>7,470,007</u>	<u>7,815,771</u>
Total liabilities	\$26,957,686	\$25,715,915
Net assets	<u>\$130,904,595</u>	<u>\$117,091,117</u>



Current assets consist primarily of cash, operating investments, accounts receivable, inventories, and prepaid expenses. Current liabilities consist primarily of accounts payable, accrued payroll liabilities, and deferred income. The College's current ratio (current assets divided by current liabilities) of 3.2 indicates that current assets are more than adequate to cover current liabilities as they become due.

Lorain County Community College's financial position, as a whole, improved during the fiscal year ending June 30, 2009. Net Assets increased by \$13,813,478 or 12% over the previous year. Capital Assets increased by \$19,005,263 (about 25%) due to the construction of a new building and ongoing renovations to existing buildings. Current Assets decreased by \$3,956,581 or 6% due mainly to an increase in capital expenditures. Noncurrent Liabilities decreased \$345,908 or 4% due to the retirement of debt.

### **Capital and Debt Activities**

One critical factor affecting the quality of the College's programs is the development and renewal of its capital assets. Capital additions totaled \$24.2 million in 2009. Capital additions included construction, repair and renovation of existing facilities, and acquisition of equipment. Current year capital asset additions were funded primarily by capital appropriations from local appropriations and from the State of Ohio.

Notes and bonds payable totaled \$6.0 million at June 30, 2009. Of this debt, \$7.16 million were issued five years ago to finance construction and renovation of facilities. One indicator of financial health is the viability ratio (expendable net assets divided by long-term debt). A ratio of 1:1 or greater indicates that financial viability is strong. At June 30, 2009, the College's viability ratio was 5.6:1. For more information regarding the College's capital assets and long term debt, see Notes 6 and 7 to the basic financial statements, respectively.

### **Net Assets**

Net assets represent the residual interest in the College's assets after liabilities are deducted. The College's net assets at June 30, 2009 and 2008 are summarized as follows:

	<b><u>2009</u></b>	<b><u>2008</u></b>
Invested in capital assets, net of related debt	\$88,735,485	\$69,235,249
Restricted – expendable	7,699,961	5,612,546
Unrestricted	<u>34,469,149</u>	<u>42,243,322</u>
Total net assets	<u>\$130,904,595</u>	<u>\$117,091,117</u>

Net assets invested in capital assets, net of related debt represent the College's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted-expendable net assets are subject to externally imposed restrictions governing their use. Unrestricted net assets are not subject to externally imposed stipulations.

Invested in capital assets, net of related debt, increased by \$19,500,236 (about 28%) due to net capital acquisitions and normal depreciation of assets and retirement of capital related debt. Restricted Net Assets increased by \$2,087,415 or 37% due to an increase in revenues for grant funded activities; and Unrestricted Net Assets decreased by \$7,774,173 or 18%. This decrease is attributed to an increase in construction project expenses paid from accumulated College fund balances.

**Statement of Revenues, Expenses and Changes in Net Assets**

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. As a public institution, the College's dependency on State aid results in an operating deficit because the financial reporting model classifies State appropriations as nonoperating revenue. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Summarized revenues, expenses, and changes in net assets for the year ended June 30, 2009 and 2008 are as follows:

<b>Revenues</b>	<b>FY2009</b>	<b>FY2008</b>
Operating Revenues:		
Student Tuition and Fees, Net	\$ 17,960,681	\$ 18,303,106
Federal Grants and Contracts	2,980,191	2,521,872
State Grants and Contracts	6,820,470	6,885,879
Local Grants and Contracts	276,004	278,000
Private Grants and Contracts	5,438,309	4,735,893
Sales and Services	1,194,990	1,222,726
Auxiliary Enterprises	7,992,117	7,458,330
Other Sources	1,423,343	980,712
Total Operating Revenues	<u>44,086,105</u>	<u>42,386,518</u>
 <b>Expenses</b>		
Operating Expenses:		
Instruction	29,281,772	28,058,584
Public Service	14,234,685	14,742,269
Academic Support	4,791,760	3,899,486
Student Services	6,176,148	5,471,052
Institutional Support	10,035,199	10,364,144
Operation and Maintenance of Plant	5,188,280	4,789,935
Scholarships and Fellowships	8,524,122	6,234,633
Auxiliary Enterprises	8,074,378	6,965,003
Other	8,399,816	2,086,609
Depreciation	4,799,816	3,961,102
Total Operating Expenses	<u>99,505,976</u>	<u>86,572,817</u>
 Operating Loss	<u>(55,419,871)</u>	<u>(44,186,299)</u>
 <b>Nonoperating Revenues (Expenses)</b>		
State Share of Instruction	22,485,006	19,797,734
State Appropriations	12,236,193	7,738,154
Local Appropriations	18,778,352	18,711,695
Federal Grants and Contracts	12,136,562	9,284,587
State Grants and Contracts	2,886,976	1,168,681
Gifts	22,330	24,794
Investment Income	1,319,204	2,416,390
Interest on Debt	(224,742)	(239,552)
Loss on Disposal of Assets	(408,442)	(10,506)
Other Nonoperating Revenues (Expenses)	1,910	103,467
Net Nonoperating Revenues	<u>69,233,349</u>	<u>58,995,444</u>
Increase (Decrease) in Net Assets	13,813,478	14,809,145
 <b>Net Assets</b>		
Net Assets at Beginning of Year	<u>117,091,117</u>	<u>102,281,972</u>
Net Assets at End of Year	<u>\$ 130,904,595</u>	<u>\$ 117,091,117</u>

The most significant sources of operating revenues for the College are student tuition and fees (\$18.0 million), grants and contracts (\$15.5) million, and auxiliary services (\$8.0 million).

Operating expenses include the costs of instruction, public service, general administration, utilities, libraries, and auxiliary services. Operating expenses also include depreciation of \$8.0 million.

Sources of nonoperating revenue include State share of instruction (\$22.5 million), local appropriations (\$18.8 million), federal grants and contracts (\$12.1 million), and state appropriations of (\$12.2 million).

Changes in operating revenues were the result of the following factors:

- The College began providing cafeteria services which was previously outsourced.
- For the Academic Year 2008-2009, the College experienced an enrollment increase of 6.6%.

Changes in operating expenses were the result of the following factors:

- The institution experienced an increase in faculty overload and part-time salaries related to increased enrollment.
- The College experienced an increase in health care benefits costs for employees.
- Increases in enrollment resulted in significant increases in PELL grant expenses.

Changes in nonoperating revenues (expenses) were the result of the following factors:

- Federal Grants for PELL increased significantly related to increases in enrollment.
- State appropriations increased significantly from the previous period.

### **Statement of Cash Flows**

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing and related investing activities, and helps measure the ability to meet financial obligations as they mature. A summary of the statement of cash flows for the year ended June 30, 2009 and 2008 is as follows:

Net cash provided (used) by:	<b><u>2009</u></b>	<b><u>2008</u></b>
Operating activities	\$ (51,770,717)	\$ (37,860,895)
Noncapital financing activities	68,547,329	56,829,112
Capital financing activities	(24,990,567)	(18,696,283)
Investing activities	<u>1,319,204</u>	<u>2,416,390</u>
Net increase(decrease) in cash	\$ (6,894,751)	\$ 2,688,324
Cash at beginning of year	<u>48,715,880</u>	<u>46,027,556</u>
Cash at end of year	\$ <u>41,821,129</u>	\$ <u>48,715,880</u>

Major sources of cash included state share of instruction (\$22.5 million), state appropriations (\$12.2 million), local appropriations (\$18.8 million), student tuition and fees (\$18.6 million), and grants and contracts (\$18.6 million). The largest payments were for employees (\$55.0 million) and suppliers of goods and services (\$27.8 million).

## **Operating Highlights**

For Fiscal Year 2009 the College support from the State of Ohio increase by 13.6%. This amount includes the State Share of Instruction (SSI) as well as Access Challenge line items. However, over the past several years, state support has not kept pace with inflation and enrollment increases. In fact state support has been reduced by 7% per full-time equivalent (FTE) student over the past four years. Since the SSI and Access Challenge line items account for approximately one third of the total unrestricted general fund revenues, reductions in funding have a substantial impact on the overall operations of the College. In order to address the State budget cuts over the past several years, the College implemented cost containment measures to offset the reduction in funding.

## **Looking Ahead**

Paramount to the College's continuing success is its ongoing accreditation by the North Central Association, which awarded Lorain County Community College a ten-year renewal with enthusiasm and without condition in 2009. The College continues its commitment to quality education, in order to confront new challenges, and to meet the needs of its constituents.

The ability of the College to fulfill its mission and execute its strategic plan is directly influenced by enrollment, State support, and the cost of health care, utilities, employee compensation and unfunded State and Federal mandates. The College faces significant cost pressures in the future. These relate to attracting and retaining high quality faculty and staff, dealing with increasing medical care and prescription drug costs, volatile energy prices, and other issues.

The College has three primary sources of revenue: levy support, tuition income and state subsidy. Lorain County voters have supported two levies that provide 1.5 mills each for campus operations and the University Partnership. There is a direct relationship between the level of State support and the College's ability to maintain tuition growth, as declines in State appropriations generally result in increased tuition levels. The State increased the appropriation of the State Share of Instruction in the current biennium, which means the State is increasing its support for higher education. However, even though there is a nominal increase in state share of instruction support, this is not adequate funding to offset increased costs due to higher enrollment. Therefore, the state is allowing Colleges and Universities to raise tuition by a maximum of 3.5% each year of the biennium in order to maintain current services. The State's capital appropriations continue to support construction and renovation of the College's facilities albeit at a relatively low level, compared to the investment of local funds in capital projects.

Economic pressures impacting the State may affect the State's future support of the College. While it is not possible to predict the ultimate results, management believes that the College's financial condition is strong enough to weather any economic uncertainties since it has strong local financial support.

## **Contacting the College's Financial Management**

This financial report is designed to provide the Ohio Board of Regents, our citizens, taxpayers, creditors, and other interested parties with a general overview of the College's financial position and to show the College's accountability for the money it received. This report is proof of our commitment to quality education, our ability to confront challenges, and our dedication to meeting the needs of our customers. If you have any questions about this report or need additional financial information, please contact the following:

<u>Name</u>	<u>Title</u>	<u>Address</u>	<u>Phone</u>
David J. Cummins	VP for Administrative Services & Treasurer	1005 N. Abbe Road Elyria, OH 44035	440-366-4051
Georgio S. Efpraxias	Controller	1005 N. Abbe Road Elyria, OH 44035	440-366-7590

**Lorain County Community College**  
**Statement of Net Assets**  
**June 30, 2009**

	Primary Institution	Component Unit
	Lorain County Community College	Lorain County Community College Foundation
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 41,821,129	\$ 167,592
Investments	-	19,695,567
Accounts Receivable, Net	10,290,294	530,000
Unbilled Charges	9,123,070	-
Unconditional Promises to Give	-	932,306
Prepaid Expenses and Deferred Charges	650,284	1,721
Inventories, Lower of Cost or Market	1,058,964	-
Other Assets	-	-
Total Current Assets	62,943,741	21,327,186
Noncurrent Assets:		
Unconditional Promises to Give	-	1,677,963
Notes Receivable, Net	148,055	-
Capital Assets, Net	94,770,485	8,165
Total Noncurrent Assets	94,918,540	1,686,128
Total Assets	\$ 157,862,281	\$ 23,013,314
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 4,266,277	\$ 301,868
Accrued Liabilities	5,079,288	45,082
Accrued Interest Payable	18,119	-
Deferred Revenue	9,828,995	17,838
Long-Term Liabilities - Current Portion	295,000	-
Total Current Liabilities	19,487,679	364,788
Noncurrent Liabilities:		
Accrued Liabilities	1,730,007	-
Long-Term Liabilities	5,740,000	-
Total Noncurrent Liabilities	7,470,007	-
Total Liabilities	26,957,686	364,788
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	88,735,485	-
Restricted:		
Nonexpendable	-	17,046,606
Expendable	7,699,961	5,224,958
Unrestricted:		
Unappropriated	34,469,149	376,962
Total Net Assets	\$ 130,904,595	\$ 22,648,526

*The accompanying notes are an integral part of the financial statements.*

**Lorain County Community College**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Year Ended June 30, 2009**

	Primary Institution	Component Unit
	Lorain County Community College	Lorain County Community College Foundation
<b>Revenues</b>		
Operating Revenues:		
Student Tuition and Fees, Net	\$ 17,960,681	\$ -
Federal Grants and Contracts	2,980,191	-
State Grants and Contracts	6,820,470	-
Local Grants and Contracts	276,004	-
Private Grants and Contracts	5,438,309	-
Contributions and Fundraising	-	3,799,491
Sales and Services	1,194,990	-
Auxiliary Enterprises	7,992,117	-
Other Sources	1,423,343	-
Total Operating Revenues	44,086,105	3,799,491
<b>Expenses</b>		
Operating Expenses:		
Instruction	29,281,772	-
Public Service	14,234,685	-
Academic Support	4,791,760	-
Student Services	6,176,148	-
Intitutional Support	10,035,199	1,887,315
Operation and Maintenance of Plant	5,188,280	-
Scholarships and Fellowships	8,524,122	658,678
Auxiliary Enterprises	8,074,378	-
Other	8,399,816	437,056
Depreciation	4,799,816	4,437
Total Operating Expenses	99,505,976	2,987,486
Operating Income/(Loss)	(55,419,871)	812,005
<b>Nonoperating Revenues (Expenses)</b>		
State Share of Instruction	22,485,006	-
State Appropriations	12,236,193	-
Local Appropriations	18,778,352	-
Federal Grants and Contracts	12,136,562	-
State Grants and Contracts	2,886,976	-
Gifts	22,330	-
Investment Income (Loss)	1,319,204	(2,791,667)
Interest on Debt	(224,742)	-
Loss on Disposal of Assets	(408,442)	-
Other Nonoperating Revenues (Expenses)	1,910	634,956
Net Nonoperating Revenues	69,233,349	(2,156,711)
Increase (Decrease) in Net Assets	13,813,478	(1,344,706)
<b>Net Assets</b>		
Net Assets at Beginning of Year	117,091,117	23,993,232
Net Assets at End of Year	\$ 130,904,595	\$ 22,648,526

*The accompanying notes are an integral part of the financial statements.*

**Lorain County Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2009**

	<u>Year Ended June 30, 2009</u>
<b>Cash Flows from Operating Activities</b>	
Tuition and Fees	\$ 17,104,898
Grants and Contracts	15,722,818
Payments to or On Behalf of Employees	(55,000,413)
Payments to Vendors	(30,661,435)
Auxiliary Enterprises	(82,261)
Other Receipts	1,145,676
Net Cash Used by Operating Activities	<u>(51,770,717)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
State Share of Instruction	22,485,006
State Appropriations	12,236,193
Local Appropriations	18,778,352
Grants and Contracts	15,023,538
Gifts	22,330
Cash Provided by Federal Family Education Loans	(11,963,885)
Cash Used by Federal Family Education Loans	11,963,885
Cash Provided by Agency Fund Activities	125,804
Cash Used by Agency Fund Activities	(123,894)
Net Cash Flows Provided by Noncapital Financing Activities	<u>68,547,329</u>
<b>Cash Flows from Capital Financing Activities</b>	
Purchases of Capital Assets	(24,270,852)
Principal Paid on Capital Debt and Leases	(494,973)
Interest Paid on Capital Debt and Leases	(224,742)
Net Cash Used by Capital Financing Activities	<u>(24,990,567)</u>
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	1,319,204
Net Cash Provided by Investing Activities	<u>1,319,204</u>
Net Increase in Cash	(6,894,751)
Cash at Beginning of Year	48,715,880
Cash at End of Year	<u>\$ 41,821,129</u>

*The accompanying notes are an integral part of the financial statements.*

**Lorain County Community College  
Statement of Cash Flows  
For the Year Ended June 30, 2009  
(Continued)**

	<u>Years ended June 30, 2009</u>
<b>Reconciliation of Net Operating Loss to Cash Used by Operating Activities</b>	
Operating Loss	\$ (55,419,871)
Adjustments:	
Depreciation Expense	4,799,816
Changes in Assets and Liabilities:	
Accounts Receivables	(624,686)
Unbilled Charges	(1,495,906)
Inventories	(464,379)
Prepaid Expenses and Deferred Charges	(353,199)
Accrued Liabilities	614,940
Accounts Payable	(646,566)
Accrued Interest Payable	(2,917)
Deferred Revenue (Tuition Income)	1,822,051
Long-Term Liabilities - Current Portion	<u>0</u>
Cash Used by Operating Activities	<u><u>\$ (51,770,717)</u></u>

*The accompanying notes are an integral part of the financial statements.*



**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Basis of Presentation**

Lorain County Community College (the College) was established by the General Assembly of the State of Ohio in 1961 by statutory act and chartered under Chapter 3354 of the Revised Code of the State of Ohio and is governed by a board of nine trustees. As such, it is a joint venture of the State of Ohio. The College is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

Lorain County Community College Foundation (Foundation) is a legally separate, tax-exempt organization supporting Lorain County Community College. The Foundation was established to foster excellence in teaching and learning by encouraging philanthropic support for students, faculty, programs and facilities of the College. Because the majority of the distribution of the resources held by the Foundation are received by the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. See Note 16 for specific disclosures relating to the Foundation.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

The College applies GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net asset categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted:**
  - Nonexpendable:** Net assets which include endowments and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.
- **Restricted:**
  - Expendable:** Net assets whose use by the College is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted:**
  - Unappropriated:** Net assets that are not subject to externally-imposed stipulations.
  - Appropriated:** Net assets subject to internally-imposed stipulations.

The statement of Net Assets reports \$7,699,961 of restricted net assets none of which is restricted by enabling legislation.

GASB Statement No. 35 also requires that the statements of net assets, revenues, expenses and changes in net assets, and cash flows be reported on a consolidated basis.

**Summary of Significant Accounting Policies**

The accompanying financial statements have been prepared on the accrual basis of accounting. The College reports as a Business Type Activity, as defined by GASB Statement No. 35. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

Investments are recorded at fair value, as established by the major securities markets. Investment income is recorded on the accrual basis.

Capital assets are stated at cost or fair value at date of gift. The College's capital asset threshold is \$5,000. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives (five to forty years) of the respective assets.

Deferred revenue consists primarily of amounts received in advance of an event, such as student fees and advance ticket sales related to future fiscal years.

Student tuition and fees revenues are presented net of scholarships and fellowships applied to student accounts.

Auxiliary enterprise revenues primarily represent revenues generated by the bookstore, food service, information technology, tech park development and training programs.

The College's policy for defining operating activities as reported on the statement of revenues, expenses and changes in net assets are those that result from exchange transactions such as payments received for providing services and payments made for goods or services received. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including state share of instruction and investment income.

**Compensated Absences**

The College follows GASB Statement No.16 when recording its compensated absences liability. Classified employees earn vacation at rates specified under State of Ohio law. Full time administrators and twelve-month faculty earn vacation at a rate of 20 days per year. The maximum amount of vacation that an employee can carry over from one fiscal year to the next is 5 days. The College has accrued a liability for all accumulated vacation hours, plus an estimate of the amount of sick leave based on a maximum of 30 days that will be paid upon retirement. Salary-related fringe benefits have also been accrued.

**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 accompanying notes. Actual results may differ from those estimates.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE 3 – CASH AND INVESTMENTS**

Legal Requirements

Statutes require the classification of monies held by the College into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the College Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the College's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer, by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Regulations permit interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligations or securities issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies of instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the College, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the College had \$20,614 in undeposited cash on hand, which is included on the Statement of Net Assets of the College as part of cash and cash equivalents.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*.

**Cash and Investments**

In accordance with Statement No. 3 of the Government Accounting Standards Board, cash deposits are categorized to give an indication of the level of risk assumed by the College. The categories are as follows:

- Category 1 - Insured or collateralized with securities held by the College or by its agent in the College's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the College's name.
- Category 3 - Uncollateralized (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the College's name.)

The carrying amount of the College's deposits is \$21,143,952 and the bank balance is \$21,143,952. Any difference between cash carrying amount and bank balance represents normal reconciling items (outstanding checks, cash on hand, and deposits in transit). At June 30, 2009, \$21,143,952 of the College's deposits was insured by FDIC (Category 1); the remaining bank balances were category 3.

Statement No. 3 of the Government Accounting Standards Board requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year-end. These categories are as follows:

- Category 1 - Investments that are insured or registered, or for which securities are held by the College or its agent in the name of the College.
- Category 2 - Investments that are uninsured and unregistered, with securities held by the broker's trust department or agent in the College's name.
- Category 3 - Investments that are uninsured and unregistered, with the securities held by the broker or dealer, or by its trust department or agent, but not in the College's name.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

The College held \$17,299,384 in Star Ohio investments at June 30, 2009, which is an external investment pool and is considered a cash equivalent under GASB Statement No. 9. Oversight of the pool is through the Treasurer of State. The fair value of the College's position in the pool is the same as the value of its pool share. Such investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statement No. 3. All other investments are Category 3. The following summarizes the market value of investments:

***Primary Government - College***

<u>Description</u>	<u>Market Value</u>	<u>Investment Maturities</u> <u>Less than 1 year</u>
<b>June 30, 2009:</b>		
Star Ohio	\$17,299,384	\$ 17,299,384
Repurchase Agreement	<u>3,357,179</u>	<u>3,357,179</u>
Total Investments	<u>\$20,656,563</u>	<u>\$ 20,656,563</u>

**Interest Rate Risk**- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The College has a formal investment policy that authorizes it to make investments of available monies in securities authorized by State law.

**Credit Risk**- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The College limits its investments to those authorized by State law.

At June 30, 2009, the college's investments in StarOhio were rated AAAM by Standard & Poor's.

**Concentration of Credit Risk**- Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. More than 5 percent of the College's investments are invested in Star Ohio and a repurchase agreement. These investments were 90.2% and 9.8%, respectively of the College's total investments of \$20,656,563.

The College's investment policy places no limit on the amount the College may invest in any one issuer.

**Custodial Credit Risk**- Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The College's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of June 30, 2009, the College's bank balance of \$21,143,952 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter-party, the college will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2009, \$3,357,179 of the College's investment balance was exposed to custodial risk as follows:

June 30, 2009:

Uninsured and collateral held by the  
pledging bank's trust department, but not  
in the College's name - \$ 3,357,179

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE 4 – RECEIVABLES**

The composition of accounts receivable at June 30, 2009 is summarized as follows:

	<u>2009</u>
Student accounts	\$ 6,945,000
Local appropriations	3,885,504
Grants	1,500,543
Other	<u>2,488,448</u>
Total accounts receivable	14,819,495
Less allowance for uncollectable accounts	<u>(4,529,201)</u>
Accounts receivable – net	<u>\$ 10,290,294</u>

**NOTE 5 – STATE SUPPORT**

The College is a state-assisted institution of higher education, which receives a student-based share of instruction from the State of Ohio. This state share of instruction is determined annually, based upon a formula devised by the Ohio Board of Regents.

In addition, the State of Ohio provides some of the funding to construct major 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 causes the construction and subsequent lease of the facility, by the Ohio Board of Regents. Upon completion, the Board of Regents turns over control of the facility to the College. Neither the obligation for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. These are currently being funded through appropriations to the Board of Regents by the General Assembly.

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

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE 6 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2009 is summarized as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u> <u>and</u> <u>Reclassified</u>	<u>Ending</u> <u>Balance</u>
Non-Depreciable Capital Assets:				
Land	\$ 1,429,863	\$ 0	\$ 0	\$ 1,429,863
Construction in Progress	<u>18,378,576</u>	<u>11,378,192</u>	<u>(16,693,942)</u>	<u>13,062,826</u>
Total Non-Depreciable Capital Assets	<u>19,808,439</u>	<u>11,378,192</u>	<u>(16,693,942)</u>	<u>14,492,689</u>
Depreciable Capital Assets:				
Improvements	20,407,855	256,098	0	20,663,953
Buildings	83,228,323	25,480,118	(344,183)	108,364,258
Leasehold Improvements	0	549,377	0	549,377
Equipment	<u>15,359,722</u>	<u>3,203,678</u>	<u>(136,024)</u>	<u>18,282,893</u>
Total Depreciable Capital Assets	<u>118,995,900</u>	<u>29,489,271</u>	<u>(480,207)</u>	<u>147,860,481</u>
Less Accumulated Depreciation:				
Improvements	(13,091,457)	(1,049,127)	0	(14,140,584)
Buildings	(39,922,554)	(1,930,207)	27,746	(41,825,015)
Leasehold Improvements	(0)	(204,822)	0	(204,822)
Equipment	<u>(10,025,106)</u>	<u>(1,615,660)</u>	<u>228,502</u>	<u>(11,412,264)</u>
Total Accumulated Depreciation	<u>(63,039,117)</u>	<u>(4,799,816)</u>	<u>256,248</u>	<u>(67,582,685)</u>
Depreciable Capital Assets, Net	<u>55,956,783</u>	<u>(24,689,455)</u>	<u>(368,442)</u>	<u>80,277,796</u>
Total Capital Assets, Net	<u>\$ 75,765,222</u>	<u>\$ 36,067,647</u>	<u>\$(17,062,384)</u>	<u>\$ 94,770,485</u>

**NOTE 7 – LONG-TERM DEBT**

Long-term debt activity for the year ended June 30, 2009 is summarized as follows:

	<u>Beginning</u> <u>Balance</u>	<u>New</u> <u>Debt</u>	<u>Principal</u> <u>Repayment</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
Energy Conservation Project \$	204,973	\$ 0	\$ (204,973)	\$ 0	\$ 0
Bond Issue	<u>6,325,000</u>	<u>0</u>	<u>(290,000)</u>	<u>6,035,000</u>	<u>295,000</u>
Total debt	<u>\$ 6,529,973</u>	<u>\$ 0</u>	<u>\$ (494,973)</u>	<u>\$ 6,035,000</u>	<u>\$ 295,000</u>

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE 7 – LONG-TERM DEBT (Continued)**

The College has two general debt issues outstanding. The general receipt bonds to finance the building of the Business Growth and Development Center. These bonds were issued in March of 2005 with an interest rate of 3.99%, and they will be repaid over a period of 20 years. The College also had energy conservation project notes outstanding related to the H.B. 7 Energy Conservation project. These notes were issued in fiscal year 1999, have an interest rate of 4.75% and matured in fiscal year 2009.

In connection with the general receipt bonds described above, the College has pledged general receipts, net of State Appropriation receipts and Ad Valorem Tax receipts, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds are payable, through their final maturities as listed above, solely from these revenues pledged. Total principal and interest remaining to be paid on these bonds is \$8,177,665 as detailed below.

Principal and interest payments for the next twenty years are as follows:

Year Ended June 30:	General Receipts Bonds	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 295,000	\$ 217,428
2011	300,000	210,053
2012	310,000	202,178
2013	315,000	193,653
2014	330,000	183,415
2015-19	1,815,000	740,013
2020-25	2,670,000	395,925
Total \$	<u>6,035,000</u>	<u>2,142,665</u>

**NOTE 8 – GOVERNMENT LOAN ADVANCES**

Fund balances related to the National Direct Student Loan and other federal programs principally represent advances which are ultimately refundable to the federal government. The records of the College indicate the last National Direct Student Loan advances were in fiscal year 1975-76, with loans aggregating \$444,978 that have been made to 1,041 students since the establishment of the program at the College. On June 30, 2009 approximately 2.5% of student loans receivable in repayment status were in default ranging from 2 1/2 years to over ten years past due.



**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE 9 – RETIREMENT PLANS**

**Public Employees Retirement System (OPERS)**

The Ohio Revised Code (ORC) provides OPERS statutory authority for employee and employer contributions. The required contribution rates for plan members and employers at June 30, 2008 were 10% and 14% of covered payroll, respectively. Contributions made, which represent 100% of the required contributions, for the years ended June 30, 2009, 2008, and 2007, were \$2,654,175, \$2,344,095, and \$2,219,680 from the College and \$1,895,848, \$1,641,918, and \$1,490,480 from the employees which met the required percentages.

**State Teachers Retirement System (STRS)**

The College contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3371 or calling (614) 227-4090 or (888) 227-7877.

Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's beneficiary is entitled to receive the member's account balance.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE 10 – POST-EMPLOYMENT BENEFITS**

Effective July 1, 2003, the member contribution rate was increased to the statutory maximum of 10%. The College was required to contribute 14%. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The College's required contributions for pension obligations for the fiscal years ended June 30, 2009, 2008, and 2007, were \$2,782,730, \$2,575,480, and \$2,447,171 from the College and \$1,987,697, \$1,839,633, and \$1,747,985 respectively from employees.

OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other postemployment benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7277.

The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expensed as a percentage of the covered payroll of active members. In 2007, state employers contributed at a rate of 13.77% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2007, the employer contribution allocated to the health care plan from January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5.0% and 6.0% of covered payroll, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**State Teachers Retirement System (STRS)**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans.

Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008, and 2007. The 14% employer contribution rate is the maximum rate established under Ohio law. For the fiscal years ended June 30, 2009, 2008, and 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund.

**NOTE 11 – LITIGATION AND CONTINGENCIES**

Grants

The College receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of the College administration, any such disallowed claims will not have a material effect on the College's financial statements or on the overall financial position of the College at June 30, 2009.

Litigation

During the normal course of its operations, the College has become a defendant in various legal actions. It is not possible to estimate the outcome of these legal actions; however, in the opinion of legal counsel and the College administration, the disposition of these pending cases will not have a material adverse effect on the financial condition or operations of the College.

**NOTE 12 - LEASES**

The College has entered into various lease agreements, which are considered operating leases. Total rental expense under operating leases during the year ended June 30, 2009 amount to \$225,713.

Future minimum lease payments as of June 30, 2009 under all operating leases, are as follows:

<u>Year Ending June 30</u>	<u>Operating Leases</u>
2010	\$ 225,713
2011	225,713
2012	<u>225,713</u>
Total minimum lease payments	\$ <u>677,139</u>

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE 13 - RISK MANAGEMENT**

The College maintains property and casualty liability insurance. The College has not incurred significant reductions in insurance coverage from coverage in the prior year. Settled claims against College liability policies have not exceeded policy limits in any of the past fiscal years.

The College also has self-insured health and dental coverage for its employees. The College's risk exposure is limited to claims incurred and stop-loss insurance is held. Medical Mutual of Ohio administers claims for the College. The claims liability of \$1,066,030 at June 30, 2009 is recorded as part of accrued liabilities in the Statement of Net Assets and is based on the requirements of GASB Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

Changes in claims activity for the past three fiscal years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2007	\$779,519	\$3,321,058	\$(3,213,352)	\$887,225
2008	887,225	3,959,349	(3,780,544)	1,066,030
2009	1,066,030	3,543,320	(3,543,320)	1,066,030

**NOTE 14 – 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 Lorain County, Ohio. The electors within the county must approve any College property tax. The College collects property taxes for operating, capital and University Partnership purposes from two levies approved by the County voters. Each levy has 1.5 mil stated rate and is for a ten year period. The first 1.5 mil levy was approved in November of 2001 and expires with the last collection in calendar year 2011. The second 1.5 mil levy was approved by the Lorain County voters in November of 2004 and expires with the last collection in calendar year 2014.

**NOTE 15 – EARLY RETIREMENT INCENTIVE**

The College implemented Governmental Accounting Standard Board Statement Number 47, "Accounting for Termination Benefits". Accordingly, \$2,026,986 of termination benefits were reported as of June 30, 2009. During the current fiscal year, cash payments were \$289,099 and \$296,979 is a current liability recorded as part of accrued liabilities for future retirements that the College has recognized will occur between July 1, 2009 and June 30, 2010. The College Board of Trustees approved a one-time Early Retirement Incentive program (ERI) in 1997. In spring of 1999, the College Board of Trustees approved a second ERI that would be available to all employees who had accrued 20 or more years of service at the College and qualify for and retire under either the STRS or OPERS, with specified credit and age criteria. The second ERI program is effective for the period beginning May 31, 1999 through June 30, 2009; just ended. Individuals who qualify and elect the ERI had the option of establishing a ten-year annuity incentive program or taking a lump sum payment of one-half of the total annuity value that would have accumulated in the ten-year annuity option. The undiscounted future benefit payments are based on the employees' annual salary at the time of retirement.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE 16 – LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Lorain County Community College Foundation, Inc. (the Foundation), a non-governmental, non-profit organization established under the laws of the State of Ohio, was established to foster excellence in teaching and learning by encouraging philanthropic support for students, faculty, programs and facilities of Lorain County Community College (the College).

**Basis of Accounting**

The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Furthermore, the accounting policies adhered to by the Foundation are generally consistent with the *Audit and Accounting Guide for Not-For-Profit Organizations* issued by the American Institute of Certified Public Accountants.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Financial statement presentation also follows the recommendations of FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

**Comparative Financial Information**

The financial statements include certain prior year summarized comparative financial information. Such information does not include sufficient detail to constitute a full financial statement presentation. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Foundation classifies its checking and money market accounts as cash. Any cash or cash equivalents maintained in any professional managed account is classified as investments, due to the overall non-current investment strategy of their investment philosophy.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

The Foundation has adopted Statement of Financial Accounting Standards No. 124 (SFAS 124), *Accounting for Certain Investments Held by Not-for-Profit Organizations*. SFAS 124 provides that certain investments in equity and debt securities be reported at fair value.

**Fair Value Reporting**

The Foundation has adopted Statement of Financial Accounting Standards No. 157 (SFAS No. 157) *Fair Value Measurements*, which provides clarification and guidance regarding reporting of financial instruments at fair value. In accordance with SFAS No. 157, fair value is defined as the price that the Foundation would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. SFAS No. 157 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Foundation's investments. The inputs are summarized in the three broad levels listed below:

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of the investments)

The input or methodology used for valuation of securities is not necessarily an indication of the risk associated with investing in those securities.

The Foundation's investments are summarized in Note C to the financial statements. Fair value for these investments has been determined by quoted prices in active markets (Level 1 inputs) for these assets.

**Grants Receivable**

Grants receivable are comprised primarily of prospective and reimbursable awards committed from various funding agencies for use in the Foundation's activities. All grants receivable are expected to be collected within one year. The foundation has not recorded a provision for doubtful accounts since it is the opinion of management that these receivables are collectible in full.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equipment**

Equipment is recorded at historical cost or fair market value in case of donation. Depreciation is recorded on the straight-line method over the useful lives of the respective assets, which generally ranges from three to seven years. The Foundation capitalizes all long-lived assets that cost more than \$500 and have a useful life in excess of one year. Depreciation expense for the years ended June 30, 2009 and 2008 was \$4,437 and \$3,461, respectively. Accumulated depreciation at June 30, 2009 and 2008 was \$68,540 and \$64,103, respectively.

**Contributions**

The Foundation has adopted Statement of Financial Accounting Standards No. 116 (SFAS 116), *Accounting for Contributions Received and Contributions Made*. SFAS 116 provides that contributions be recognized as revenue in the period in which the pledge (promise to give) is received.

The Foundation has also adopted Statement of Financial Accounting Standards No. 136 (SFAS 136), *Transfers of Assets to a Not-for-Profit Organization or Charitable trust that Raises or Holds Contributions for Others*. SFAS 136 provides that when a donor transfers assets to the Foundation and the transfers are revocable, repayable or reciprocal, the transfer does not constitute a contribution to the Foundation. Such transactions and subsequent activity relating to these funds are separately identified as “funds held as fiscal agent” in the Foundation’s financial statements.

**Donated Services**

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Note G to the financial statements discloses the value of services donated by Lorain County Community College to the Foundation during the years ended June 30, 2009 and 2008.

**Unrestricted Net Assets**

This category includes net assets not subject to donor-imposed stipulations. This category periodically includes net assets designated by the Board. At June 30, 2009 and 2008 there were no board designated net assets.

**Temporarily Restricted Net Assets**

This category includes net assets subject to donor-imposed stipulations that may or will be met by actions of the Board/Organization and/or the passage of time.

**Permanently Restricted Net Assets**

This category includes net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Administration Fee**

The Foundation allocates a 1.25% administration fee on temporarily and permanently restricted net assets, excluding unconditional promises to give, to provide for indirect program, general management and fundraising expenses. The total amount charged to net assets related to this fee was \$263,310 and \$221,643 for the years ended June 30, 2009 and 2008, respectively.

**Functional Allocation of Expenses**

The cost of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

**Income Taxes**

The Foundation is exempt from income taxes under Section 501(c) (3) as a non-governmental, non-profit entity under provisions of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi) of the Internal Revenue Code.

**Innovation Fund Awards**

The innovation fund bestows awards in two categories, type A awards and type B awards. Type A awards are \$25,000 and contain no right of replenishment. Type B awards are greater than \$25,000 and contain a right of replenishment as disclosed in Note J to the financial statements. It is the policy of the foundation to fully reserve against the possibility of replenishment at the time of the award based on insufficient financial information regarding the future collectability of these awards, creating a net \$-0- effect to receivables. If the right of replenishment is exercised for an award, the receivable will be recorded at that time the Foundation determines an entity is financially viable for repayment of its innovation fund award. During the years ended June 30, 2009 and 2008, the Organization made innovation award payments of \$914,532 and \$335,000, respectively, to entities selected by the Innovation Fund Committee. At June 30, 2009 and 2008, the Foundation had \$-0- and \$40,000, respectively, included within accounts, support and awards payable for awards authorized but not paid. At June 30, 2009 and 2008, the Foundation had additional unpaid awards which were considered conditional and therefore not included within accounts payable of \$892,000 and \$150,000, respectively.

**Subsequent Events**

The Foundation has evaluated subsequent events through December 8, 2009, the date which the financial statements were available to be issued.

**Reclassifications**

Certain amounts from 2008 have been reclassified to conform to the 2009 presentation.



**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE B - PROMISES TO GIVE**

Unconditional promises to give at June 30, 2009 and 2008 are as follows:

	2009	2008
Receivable in less than one year	\$ 607,007	\$ 410,390
Receivable in one to five years	1,499,880	203,077
Receivable in six to ten years	653,000	658,000
Total unconditional promises to give	2,759,887	1,271,467
Less discounts to present value	( 149,618)	( 122,458)
 Net unconditional promises to give	 \$2,610,269	 \$1,149,009

The discount rate used on long-term promises to give was 2.00% and 2.10% at June 30, 2009 and 2008, respectively. Certain promises to give do not designate a payment term but management does not anticipate payment of these obligations within the next 5 - 10 years so they have been estimated as payable in 10 years.

The Foundation has not recorded a reserve for uncollectible promises to give because the amount would be immaterial. During the years ended June 30, 2009 and 2008, the Foundation wrote off uncollectible promises to give of \$-0- and \$25,000, respectively.

**NOTE C - INVESTMENTS**

Investments consist of debt and equity securities and mutual funds. Investments are carried at fair value and are summarized as follows:

	June 30, 2009		June 30, 2008	
	Cost	Fair Value	Cost	Fair Value
Common equity securities	\$ 882,779	\$ 912,705	\$ 804,578	\$ 1,171,814
Mutual equity funds	11,363,079	8,905,348	9,213,437	10,024,188
Mutual bond funds	7,887,657	7,501,199	6,974,133	6,825,774
Cash and cash equivalents	2,376,315	2,376,315	4,060,506	4,060,506
	<u>\$22,509,829</u>	<u>\$19,695,567</u>	<u>\$21,052,654</u>	<u>\$22,082,282</u>

Investment income for the years ended June 30, 2009 and 2008 consisted of the following:

	2009	2008
Interest and dividends	\$ 697,541	\$ 563,459
Net gains (losses)	( 3,440,236)	( 1,572,996)
Management fees	( 48,972)	( 54,280)
 Total investment income (loss)	 (\$ 2,791,667)	 (\$ 1,063,817)

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE D - CHARITABLE REMAINDER UNITRUSTS**

**Charitable Remainder Trusts**

The Foundation was named co-beneficiary of a charitable remainder unitrust. Despite the fact the trust is irrevocably funded, no amount has been recorded in the accompanying financial statements, as the naming and changing of the charities in the trust is revocable by the trustees.

**Charitable Gift Annuities**

The Foundation has two charitable gift annuity agreements with a donor. The Foundation was named as trustee and beneficiary. At June 30, 2009 and 2008, the related asset is included within investments of the accompanying financial statements. At June 30, 2009 and 2008, an annuity obligation liability of \$7,967 and \$9,126, respectively, was recorded for the present value of the expected liability based on fixed quarterly payments for the remainder of the annuitants lives.

**NOTE E - TEMPORARILY RESTRICTED NET ASSETS**

Net assets as of June 30, 2009 and 2008 were temporarily restricted for the following purposes:

	2009	2008
Support of the College's faculty, programs, facilities and Foundation's operation	\$3,343,203	\$ 2,152,724
Scholarships	1,879,917	976,541
Passage of time	1,838	2,299
Total temporarily restricted net assets	<u>\$5,224,958</u>	<u>\$3,131,564</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended June 30, 2009 and 2008:

	2009	2008
Support of the College's faculty, programs, facilities and Foundation's operation	\$ 506,792	\$ 459,623
Innovation fund awards	914,531	335,000
Scholarships	658,678	563,327
Management and general	62,047	-0-
Collection of unrestricted promises to give	150,500	3,133
Total restrictions released	<u>\$2,292,548</u>	<u>\$ 1,361,083</u>

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE F - ENDOWMENTS**

During 2008, the State of Ohio adopted the Unified Prudent Management of Institutional Funds Act (UPMIFA), which became effective June 1, 2009. In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, to address the net asset classification of donor-restricted endowment funds for nonprofit organizations that are subject to an enacted version of the UPMIFA. In addition, however, the FASB decided to use FSP FAS 117-1 as an opportunity to improve the disclosures about endowments. Accordingly, FSP FAS 117-1 requires certain disclosures applicable to all nonprofit organizations that have endowments, even if an organization is not yet subject to a version of UPMIFA or if it only has board-designated endowment funds.

The Foundation's endowment includes 134 scholarship funds and 8 program funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Unified Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Ohio, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE F - ENDOWMENTS (CONTINUED)**

**Investment Return Objectives, Risk Parameters and Strategies**

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also preserving the fair value of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes cash and cash equivalents, mutual equity and bond funds, and common equity securities intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions at the Board's discretion up to 4.5% of the fair value of investments. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return in excess of 6% which allows for transfers of endowed net assets in accordance with both the spending policy and administrative fee policy, while maintaining growth within the endowment. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**Spending Policy**

The Foundation has a policy of appropriating for distribution on an annual basis, up to 4.5% of the fair market value of its investment portfolio as approved by the board, plus the administrative fee described in Note A to the financial statements. The Foundation charges an administrative fee to offset the costs of operating the Foundation. In establishing these policies, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment to grow over the long-term. This is consistent with the Foundation's objective to preserve the fair value of the endowment assets as well as to provide additional real growth through new gifts and investment return. All withdrawals or transfers to other funds are subject to approval by the board of directors.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE F - ENDOWMENTS (CONTINUED)**

Changes in endowment net assets as of June 30, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 589,582	\$1,905,893	\$ 20,259,484	\$ 22,754,959
Investment return:				
Administrative fee	263,428	( 16,009)	( 243,071)	4,348
Transfers	116,474	562,565	(679,039)	-0-
Investment income	<u>( 55,382)</u>	<u>( 227,403)</u>	<u>(2,466,952)</u>	<u>( 2,749,737)</u>
Total investment return	324,520	319,153	( 3,389,062)	( 2,745,389)
Contributions	21,571	120,000	165,571	307,142
Innovation fund income	-0-	634,956	-0-	634,956
Special events	-0-	-0-	10,676	10,676
Appropriation of endowment assets for expenditure	<u>( 567,158)</u>	<u>( 1,590,629)</u>	<u>-0-</u>	<u>( 2,157,787)</u>
Endowment net assets, end of year	<u>\$ 368,515</u>	<u>\$1,389,373</u>	<u>\$ 17,046,669</u>	<u>\$ 18,804,557</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with the donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets. The Foundation had no funds with deficiencies at June 30, 2009 and 2008.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE G - PERMANENTLY RESTRICTED NET ASSETS**

Net assets as of June 30, 2009 and 2008 were permanently restricted for the following purposes:

	<u>2009</u>	<u>2008</u>
Support of the College's faculty, programs, and facilities	\$ 4,155,384	\$ 4,804,663
Scholarships	9,874,369	11,816,026
Operations and general support	<u>3,016,853</u>	<u>3,638,795</u>
Total permanently restricted net assets	<u>\$17,046,606</u>	<u>\$20,259,484</u>

**NOTE H - RELATED PARTY**

As described in Note A, the Foundation is affiliated with Lorain County Community College. During the years ended June 30, 2009 and 2008, the College provided the Foundation with professional staffing valued at \$65,324 and \$44,748, respectively. The value of those services are included as contributions in the financial statement and expensed on a functional basis based on the type of service provided by the employee.

During the years ended June 30, 2009 and 2008, the Foundation provided scholarships and support to the College of \$1,165,470 and \$1,185,382, respectively.

At June 30, 2009 and 2008, amounts due to the College totaled \$254,158 and \$557,352, respectively.

During the year ended June 30, 2008, the College forgave \$300,000 of the engineering building payable.

The foundation is also related to Citizens for LCCC. The foundation made contributions of \$-0- and \$290,000, respectively, to Citizens for LCCC during the years ended June 30, 2009 and 2008. These contributions fall within the mission of the Foundation as Citizens for LCCC supports the growth of the College through support for tax levies benefiting the College.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE I - CONCENTRATIONS**

The Foundation maintains cash balances at a bank. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. These limits are subject to change by the FDIC. The Foundation's cash balances may exceed this amount from time to time.

At June 30, 2009, one donor's promise to give represented approximately 63% of the outstanding promises to give. At June 30, 2008, a separate donor's promise to give represented approximately 55% of the outstanding promises to give. This amount was received in full during the year ended June 30, 2009.

**NOTE J - CONDITIONAL EVENTS**

**Innovation Award Replenishment**

As described in Note A to the financial statements, the Foundation holds a right of replenishment over all Type B funds awarded. The awards specify an organization may repay the Foundation without interest the amount of the award within two years. Subsequent to the two year anniversary of the award, the Foundation may exercise its right of replenishment through the fifth year, at which point the right of replenishment is forfeited.

The Foundation holds the right of replenishment on 19 Type B Innovation Awards maturing in:

Years Ending	Amount
2010	\$ 500,000
2011	900,000
2012	<u>500,000</u>
	<u>\$ 1,900,000</u>

The purpose of the Innovation Fund is to reward innovation and ingenuity. The Foundation's objective in providing these awards was not the return of principal, which is why Innovation Fund awards are expensed when all conditions of the award are fulfilled. The Foundation has not recorded an estimate of funds receivable from award replenishment because the amount cannot be reasonably estimated. As such, the Foundation's ability to realize these amounts is based on the success of the organizations receiving Innovation Fund awards.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**NOTE I - CONDITIONAL EVENTS (CONTINUED)**

**Grants Receivable**

Subsequent to year end, the Foundation was awarded a \$1,500,000 conditional grant by the Ohio Department of Development to support the Innovation Fund. The Foundation was approved to receive the funds over a 3 year period through June 2012. The Foundation may request reimbursement of funds disbursed as Innovation Fund Awards by submitting fund requests based on pre-approval of the program and compliance with specific limitations of the awards and financial reporting requirements of the Foundation and the sponsored organizations. The grant is similar to a \$500,000 conditional grant the Foundation received from the Ohio Department of Development in September 2008 to support the Innovation Fund, for which all conditions were met during fiscal year 2009 and reimbursement was requested from the grant.

**Awards Payable**

As described in Note A to the financial statements, the Foundation's Innovation Fund involves multi-year conditional awards provided to start-up businesses that create or enhance technology. The Foundation has awarded \$2,400,000 to date and has commitments outstanding under Type B awards of \$892,000. These awards are expected to be paid out over the next two years once the sponsored organizations fulfill required conditions which may include completion and testing of a prototype, filing and protection of necessary patents, and meeting certain financial reporting metrics. The conditional obligations are measured by Great Lakes Innovation and Development Enterprise ("GLIDE"), which monitors the organizations and reports progress of the organizations to the Foundation, which then approves payment of the conditional portion of the awards.

As these awards are conditional, no liability has been recorded for the \$892,000 at June 30, 2009.



Lorain County Community College  
Lorain County, Ohio  
Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>United States Department of Education</b>			
<i>Direct from the Federal Agency</i>			
<i>Student Financial Aid Cluster:</i>			
Federal Work Study Program	P033A	84.033	\$160,000
Federal Family Education Loan Program	N/A	84.032	11,963,885
Academic Competitiveness Grant	P375A	84.375C	167,227
Federal Pell Grant Program	P063P	84.063	<u>11,548,507</u>
<i>Total Student Financial Aid Cluster</i>			<u>23,839,619</u>
Improvement of Postsecondary Education	P116Z080106	84.116Z	335,043
<i>Passed through the Ohio Department of Education</i>			
Vocational Education: Basic Grants to States	CDP-P	84.048	194,343
Tech Prep Education	TP-FB	84.243	<u>163,439</u>
Subtotal			<u>357,782</u>
<b>Total United States Department of Education</b>			<u>24,532,444</u>
<b>United States Department of Health and Human Services</b>			
<i>Direct from the Federal Agency</i>			
Scholarships for Health Professions Students from Disadvantaged Backgrounds	N/A	93.925	10,840
<i>Passed through the Ohio Board of Regents</i>			
Temporary Assistance for Needy Families Educational Awards Program	G994235/LCDJFE	93.558	<u>293,840</u>
<b>Total United States Department of Health and Human Services</b>			<u>304,680</u>
<b>United States Department of Labor</b>			
<i>Workforce Investment Act (WIA) Cluster</i>			
<i>Passed through Lorain County</i>			
WIA Youth Activities	N	17.259	145,459
<i>Direct from Federal Government</i>			
WIA Dislocated Workers	N/A	17.260	<u>588,931</u>
<i>Total WIA Cluster</i>			<u>734,390</u>
<b>Total United States Department of Labor</b>			<u>734,390</u>
<b>Corporation for National and Community Services</b>			
<i>Passed through American Association of Community Colleges</i>			
Learn and Serve America_Higher Education	AACC-SL-2006-04	94.005	<u>16,000</u>
<b>Total Corporation for National and Community Services</b>			<u>16,000</u>
<b>National Science Foundation</b>			
<i>Direct from the Federal Agency</i>			
Education and Human Resources	N/A	47.076	1,245,417
<i>Passed through Bowling Green State University</i>			
Education and Human Resources	10250117-58910	47.050	<u>12,398</u>
<b>Total National Science Foundation</b>			<u>1,257,815</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$26,845,329</u></u>

NA - Direct from the federal government

N - Pass through entity numbers could not be located by the College

See accompanying notes to the schedule of federal awards expenditures

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**June 30, 2009**

**NOTE 1 – BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis. Amounts presented are total federal expenditures for each program.

**NOTE 2 – FAMILY EDUCATION LOANS**

During the fiscal year ended June 30, 2009, the College processed new loans under the Guaranteed Student Loan Program. Several banks act as lenders for the College. The amount shown reflects the fiscal year amount that has been certified by the College.

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**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**

Board of Trustees  
Lorain County Community College  
1005 North Abbe Road  
Elyria, Ohio 44035

We have audited the financial statements of the business-type activities of the Lorain County Community College (the College), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 23, 2009. We did not audit the financial statements of the Lorain County Community College Foundation which is included as a discretely presented component unit in the College's basic financial statements. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion inasmuch as it relates to the amounts included for the Lorain County Community College Foundation, is based on the report of 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.

**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 College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

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

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

Board of Trustees

Lorain County Community College

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*

Page 2

**Compliance and Other Matters**

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

This report is intended solely for the information and use of the management, the audit committee, members of the Board, and 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.



Balestra, Harr & Scherer, CPAs, Inc.  
December 23, 2009

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528 South West Street, P.O. Box 687

Piketon, Ohio 45661

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Fax (740) 289-3639

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## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Lorain County Community College  
1005 North Abbe Road  
Elyria, Ohio 44035

### **Compliance**

We have audited the compliance of the Lorain County 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, 2009. The College's major federal programs 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 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 of the College's compliance with those requirements.

In our opinion, Lorain County Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### **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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

Board of Trustees

Lorain County Community College

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Page 2

### **Internal Control Over Compliance (Continued)**

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the College's internal control.

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

This report is intended solely for the information and use of the management, the audit committee, members of the Board, and 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.



Balestra, Harr & Scherer, CPAs, Inc.

December 23, 2009

**LORAIN COUNTY COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 SECTION .505**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**1. SUMMARY OF AUDITOR' S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program' s Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: Federal Work- Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063, Academic Competitiveness Grant, #84.375; Federal Family Education Loans CFDA# 84.032
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**LORAIN COUNTY COMMUNITY COLLEGE**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*OMB CIRCULAR A-133 SECTION .505*  
*FOR THE FISCAL YEAR ENDED JUNE 30, 2009*  
 (CONTINUED)

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**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	None
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	





**Mary Taylor, CPA**  
Auditor of State

**LORAIN COUNTY COMMUNITY COLLEGE**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 28, 2010**