LORAIN COUNTY COMMUNITY COLLEGE
LORAIN COUNTY

Single Audit

For the Year Ended June 30, 2013
Fiscal Year Audited Under GAGAS: 2013

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lorain County Community College, Lorain County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2012 through June 30, 2013. 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.

Dave Yost
Auditor of State

January 8, 2014

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LORAIN COUNTY COMMUNITY COLLEGE
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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

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

To the Members of the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and the discretely presented component unit of the Lorain County Community College, Lorain County, Ohio (the College), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of Lorain County Community College Foundation Inc. 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 amounts included for the discretely presented component unit is based solely 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 financial audit standards in the Comptroller General of the United States' *Government Auditing Standards.* Those standards require us to plan and perform the audit to reasonably assure the financial statements are free form material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the College's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 respective financial position of the business-type activities and the discretely presented component unit of the Lorain County Community College, Lorain County, Ohio, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, during the year ended June 30, 2013, the College adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the College's basic financial statements taken as a whole.

The Schedule of Federal Awards Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial. This statement was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
November 26, 2013

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, 2013. 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, Midpoint Campus 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 Position, the Statement of Revenues, Expenses and Changes in Net Position, 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. Previously, financial statements focused on the accountability of individual fund groups rather than on 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.

In 2013, the College adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. Accordingly, revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources are recognized using the accrual basis of accounting. GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the College's financial statements; however, there was no effect on beginning net position.

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 Position

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net position is one indicator of the current financial condition of the College. 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 position at June 30, 2013 and 2012 is as follows:

	2013	**2012**
Current assets(2012 restated)	$ 52,060,331	$ 86,006,037
Noncurrent assets:		
Capital assets, net	180,913,603	153,677,433
Other	123,974	130,323
Total assets	$ 233,097,908	$ 239,813,793
Current liabilities	18,100,158	21,508,020
Noncurrent liabilities	68,677,376	69,860,652
Total liabilities	$ 86,777,534	$ 91,368,672
Net position (2012 restated)	$146,320,374	$148,445,121

During 2013, the College restated the June 30, 2012 Current assets and Net position to reflect an increase in Accounts Receivable related to one of the College tax levies.

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 unearned income. The College's current ratio (current assets divided by current liabilities) of 2.87 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, declined slightly during the fiscal year ended June 30, 2013. Net Position decreased by $2,124,747 or 1.4% over the previous year. Capital Assets increased by $27,236,170 or 17.7% which is net of depreciation of $6,746,483 and Current Assets decreased by $33,945,706 or 39.5% due to the expenditure of bond proceeds on construction, renovation and equipment of new buildings. Noncurrent Liabilities decreased by $1,183,276 or 1.7% related to principal payments of debt and early retirement incentive payments.

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 $34.0 million in 2013. Capital additions included construction, repair and renovation of existing facilities, and acquisition of equipment. Current year capital asset additions were funded by capital from local appropriations, the State of Ohio, and bond proceeds.

Bonds payable totaled $68,950,000 at June 30, 2013. The original 20 year debt of $7,160,000 was issued in fiscal year 2004 to finance construction and renovation of facilities. In fiscal year 2012 additional 30 year debt of $64,715,000 was issued 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, 2013, the College's viability ratio was 0.40:1. For more information regarding the College's capital assets and long term debt, see Notes 5 and 6 of the basic financial statements, respectively.

Net Position

Net position represents the residual interest in the College's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The College net position at June 30, 2013 and 2012 are summarized as follows:

	2013	2012
Net investment in capital assets	$118,970,985	$ 110,761,867
Restricted – expendable	5,486,979	4,811,856
Unrestricted (2012 restated)	21,862,410	32,871,398
Total net position	$146,320,374	$148,445,121

Net investment in capital assets consists of 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 position consists of restricted assets reduced by liabilities related to those assets subject to externally imposed restrictions governing their use. Unrestricted net position is not subject to externally imposed stipulations.

Net investment in capital assets increased by $8,209,118 (7.4%) as bond proceeds were used for capital acquisitions and depreciation was applied to assets. Restricted Net Position increased by $675,123 or 14.0% due to a decrease in grant funded spending; and Unrestricted Net Position decreased by $11,008,988 or 33.5% as bond proceeds were expended for construction and capital acquisitions.

Statement of Revenues, Expenses, and Change in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenue earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. As a public institution, the College's dependence on State aid results in an operating deficit because the financial reporting model classifies State appropriations as nonoperaing 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 position for the years ended June 30, 2013 and 2012 are as follows:

Revenues	FY 2013	FY 2012
Operating Revenues:		
Student Tuition and Fees, Net	$ 18,106,815	$ 16,973,425
Federal Grants and Contracts	1,989,170	2,579,377
State Grants and Contracts	3,445,317	3,649,956
Local Grants and Contracts	193,328	196,106
Private Grants and Contracts	5,162,257	4,397,963
Sales and Services	1,627,863	1,609,870
Auxiliary Enterprises	10,691,340	10,744,491
Other Sources	1,988,297	1,702,685
Total Operating Revenues	43,204,387	41,853,873

Expenses		
Operating Expenses:		
Instruction	31,876,850	34,126,003
Public Service	11,168,617	12,394,222
Academic Support	6,146,543	6,068,676
Student Services	7,373,957	7,229,111
Institutional Support	10,987,567	10,121,145
Operation and Maintenance of Plant	5,052,850	5,149,642
Scholarships and Fellowships	13,294,589	15,282,656
Auxiliary Enterprises	10,536,383	10,763,522
Other	4,228,337	4,164,121
Depreciation	6,746,483	6,547,345
Total Operating Expenses	107,412,176	111,846,443
Operating Loss	(64,207,789)	(69,992,570)
Nonoperating Revenues (Expenses)		
State Share of Instruction	23,206,628	23,704,044
State Appropriations	313,264	2,158,029
Local Appropriations	20,455,213	21,840,877
Federal Grants and Contracts	20,678,094	23,788,200
State Grants and Contracts	221,862	222,306
Gifts	36,302	40,740
Investment Income	99,956	138,368
Interest on Debt	(2,942,522)	(2,249,424)
Gain on Asset Disposal	5,851	4,968
Other Nonoperating Revenues	8,394	159,884
Net Nonoperating Revenues	62,083,042	69,807,992
(Decrease) in Net Position	(2,124,747)	(184,578)
Net Position		
Net Position at Beginning of Year , Restated	148,445,121	148,629,699
Net Position at End of Year, Restated	$ 46,320,374	$ 148,445,121

The most significant sources of operating revenues for the College are student tuition and fees ($18.1 million), grants and contracts ($10.8) million, and auxiliary services ($10.7 million).

Operating expenses include the costs of instruction, public service, general administration, utilities, libraries, and auxiliary services. Operating expenses also includes depreciation of $6.7 million.

Sources of nonoperating revenue include State Share of Instruction ($23.2 million), local appropriations ($20.4 million), and federal grants and contracts ($20.7 million).

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

- The College raised tuition in accordance with the State's guidelines; therefore, there was an increase in student tuition and fees, net of discount.
- The College experienced an increase in the volume of private gifts and contracts.

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

- Instructional expenses decreased due to decrease in enrollment and better management of the course schedule.
- Public Service expenses decreased due to reductions in Weld Ed Training Center and Sensor and CYC Broadband Project activity.
- Student Services expenses increased due to implementation of additional advising to assist students with career choices and advancement towards completion.
- Institutional Support expenses increased due to added security services provided at the main campus and outreach centers, and increases in marketing and development efforts.
- Bookstore and other auxiliary expenditures decreased as a result of decreased activity.
- Other expenses consist of non-capital moveable equipment, furniture and related purchases.

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

- State Share of Instruction and State appropriations for capital funding decreased.
- Local appropriations decreased as a result of a reduction in property valuations.
- Changes in Federal funding resulted in decreased on PELL and direct loan funding for scholarships.

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 years ended June 30, 2013 and 2012 is as follows:

Net cash provided (used) by:	2013	2012
Operating activities	$ (64,049,024)	$ (58,913,502)
Noncapital Financing activities	65,513,504	71,512,166
Capital financing activities	(4,022,333)	62,600,693
Investing activities	(30,225,152)	(36,770,368)
Net increase (decrease) in cash	(32,783,005)	38,428,989
Cash at beginning of year	56,958,351	18,529,362
Cash at end of year	$ 24,175,346	$ 56,958,351

Major sources of cash included State Share of Instruction ($23.2 million), local appropriations ($21.0 million), student tuition and fees ($18.6 million), and grants and contracts ($20.9 million). The largest payments were for employees ($55.7 million) and suppliers of goods and services ($39.7 million).

Operating Highlights

Over the past several years, state support has not kept pace with inflation and enrollment increases. In fact, state support has been reduced per full-time equivalent (FTE) student over the past several years. Since the SSI 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 continues to consider cost containment measures to offset reductions 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 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 changed the methodology for allocating State Share of Instruction among two year higher education institutions; 50% is based on course enrollments, 25% on course completion, and 25% on success points. The State is allowing Colleges to raise tuition by a maximum of $200 in 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 College 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:

Name	Title	Address	Phone
Quentin D. Potter	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 Position
June 30, 2013

	Primary Institution	Component Unit
	Lorain County Community College	**Lorain County Community College Foundation Inc.**
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 24,175,346	$ 320,407
Investments	-	29,502,341
Accounts Receivable, Net	26,407,730	-
Prepaid Expenses and Deferred Charges	387,079	8,388
Inventories, Lower of Cost or Market	1,090,176	-
Total Current Assets	52,060,331	29,831,136
Noncurrent Assets:		
Unconditional Promises to Give	-	5,185,117
Notes Receivable, Net	123,974	-
Capital Assets, Net	180,913,603	9,150
Total Noncurrent Assets	181,037,577	5,194,267
Total Assets	$ 233,097,908	$ 35,025,403
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 2,266,019	$ 286,550
Accrued Liabilities	5,277,173	2,265
Accrued Interest Payable	244,427	-
Unearned Revenue	9,007,539	24,495
Long Term Liabilities - Current Portion	1,305,000	-
Total Current Liabilities	18,100,158	313,310
Noncurrent Liabilities:		
Accrued Liabilities	1,032,376	-
Long Term Liabilities	67,645,000	-
Total Noncurrent Liabilities	68,677,376	-
Total Liabilities	$ 86,777,534	$ 313,310
NET POSITION		
Net investment in net position	$ 118,970,985	$ -
Restricted:		
Nonexpendable	-	22,305,429
Expendable	5,486,979	12,173,002
Unrestricted:		
Unappropriated	21,862,410	233,662
Total Net Position	$ 146,320,374	$ 34,712,093

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

LORAIN COUNTY COMMUNITY COLLEGE
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2013

	Primary Institution	Component Unit
	Lorain County Community College	**Lorain County Community College Foundation Inc.**
Revenues		
Operating Revenues:		
Student Tuition and Fees, Net	$ 18,106,815	$ -
Federal Grants and Contracts	1,989,170	-
State Grants and Contracts	3,445,317	-
Local Grants and Contracts	193,328	-
Private Grants and Contracts	5,162,257	-
Contributions and Fundraising	-	1,166,974
Sales and Services	1,627,863	-
Auxiliary Enterprises	10,691,340	-
Other Sources	1,988,297	-
Total Operating Revenues	43,204,387	1,166,974
Expenses		
Operating Expenses:		
Instruction	31,876,850	-
Public Service	11,168,617	-
Academic Support	6,146,543	-
Student Services	7,373,957	-
Institutional Support	10,987,567	2,534,004
Operation and Maintenance of Plant	5,052,850	-
Scholarships and Fellowships	13,294,589	564,873
Auxiliary Enterprises	10,536,383	-
Other	4,228,337	512,332
Depreciation	6,746,483	3,713
Total Operating Expenses	107,412,176	3,614,922
Operating Loss	(64,207,789)	(2,447,948)
Nonoperating Revenues (Expenses)		
State Share of Instruction	23,206,628	-
State Appropriations	313,264	-
Local Appropriations	20,455,213	-
Federal Grants and Contracts	20,678,094	-
State Grants and Contracts	221,862	-
Gifts	36,302	-
Investment Income	99,956	3,173,101
Interest on Debt	(2,942,522)	-
Gain (Loss) on Asset Disposal	5,851	-
Other Nonoperating Revenues (Expenses)	8,394	835,834
Net Nonoperating Revenues	62,083,042	4,008,935
Increase (Decrease) in Net Position	(2,124,747)	1,560,987
Net Position		
Net Position at Beginning of Year	148,445,121	33,151,106
Net Position at End of Year	$ 146,320,374	$ 34,712,093

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, 2013

	Year Ended June 30, 2013
Cash Flows from Operating Activities	
Tuition and Fees	$ 18,658,354
Grants and Contracts	10,598,321
Payments to or on Behalf of Employees	(55,739,063)
Payments to Vendors	(39,757,627)
Auxiliary Enterprises	154,957
Other Receipts	2,036,034
Net Cash Used by Operating Activities	(64,049,024)
Cash Flows from Noncapital Financing Activities	
State Share of Instruction	23,206,628
State Appropriations	313,264
Local Appropriations	20,992,074
Grants and Contracts	20,899,956
Change in Non Current Accrued Liabilities	121,724
Cash Provided by Federal Direct Student Loans	21,113,477
Cash Used by Federal Direct Student Loans	(21,113,477)
Cash Provided by Agency Fund Activities	182,845
Cash Used by Agency Fund Activities	(202,987)
Net Cash Flows Provided by Noncapital Financing Activities	65,513,504
Cash Flows from Investing Activities	
Collection of Noncurrent Notes Receivables	6,349
Sales of Capital Assets	5,851
Purchases of Capital Assets	(30,392,127)
Interest on Investments	154,775
Net Cash Used by Investing Activities	(30,225,152)
Cash Flows from Capital Financing Activities	
Principal Paid on Capital Debt and Leases	(895,000)
Interest Paid on Capital Debt and Leases	(3,127,333)
Net Cash Used by Capital Financing Activities	(4,022,333)
Net Decrease in Cash	(32,783,005)
Cash at Beginning of Year	56,958,351
Cash at End of Year	$ 24,175,346

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, 2013
(Continued)

		Year ended June 30, 2013
Reconciliation of Net Operating Loss to Cash Used by Operating Activities		
Operating Loss	$	(64,207,789)
Adjustments:		
Depreciation Expense		6,746,483
Changes in Assets and Liabilities:		
Accounts Receivable		(3,096,619)
Inventories		21,605
Prepaid Expenses and Deferred Charges		(104,842)
Accounts Payable		(3,560,400)
Accrued Liabilities		228,901
Accrued Interest Payable		(184,811)
Unearned Revenue		(301,552)
Long-Term Liabilities - Current Portion		410,000
Cash Used by Operating Activities	$	(64,049,024)

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

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 is made to the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. See Note 17 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 35 established standards for external financial reporting for public colleges and universities. The GASB statements require that resources be classified for accounting and reporting purposes into the following four net position categories:

- **Net investment in capital assets:** 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 position which includes 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 position 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 position that are not subject to externally-imposed stipulations.
  Appropriated: Net position subject to internally-imposed stipulations.

The statement of Net Position reports $5,486,979 of restricted net position none of which is restricted by enabling legislation.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Basis of Accounting

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when obligations have been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by providers have been met.

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.

Unearned 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 position 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, professional and technical employees 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. 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.

NOTE 2 – 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 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 or 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 and STAR Plus);

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,

NOTE 2 – CASH AND INVESTMENTS (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 $19,560 in undeposited cash on hand, which is included on the Statement of Net Position 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 Governmental 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 $10,119,502 and the bank balance is $10,119,502. 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, 2013, $10,119,502 of the College's deposits was insured by FDIC (Category 1).

Statement No. 3 of the Governmental 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.

NOTE 2 – CASH AND INVESTMENTS (Continued)

The College held $11,337 in Star Ohio investments and $12,025,378 in Star Plus investments at June 30, 2013, which are external investment pools and are considered cash equivalents under GASB Statement No. 9. Oversight of the pools 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	**June 30, 2013**	
	Market	Investment Maturities
Description	Value	Less than 1 year
Star Ohio	$ 11,337	$ 11,337
Star Plus	12,025,378	12,025,378
Money Market	154,232	154,232
Repurchase Agreement	1,845,337	1,845,337
Total Investments	$ 14,036,284	$ 14,036,284

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, 2013, the college's investments in Star Ohio were rated AAAm by Standard & Poor's. The Star Plus investments leverage the safety of the Federal Deposit Insurance Corporation (FDIC).

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. Approximately 49.8 percent of the College's investments are invested in Star Ohio and Star Plus. Star Ohio/Star Plus and the repurchase agreement represent 85.8% and 13.1%, respectively of the College's total investments of $14,036,284.

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, 2013, the College's bank balance of $10,119,502 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

NOTE 2 – CASH AND INVESTMENTS (Continued)

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, 2013, $1,845,337 of the College's investment balance was exposed to custodial risk as follows:

June 30, 2013: Uninsured and collateral held by the pledging bank's trust department, but not in the College's name - $1,845,337

NOTE 3 – RECEIVABLES

The composition of accounts receivable at June 30, 2013 is summarized as follows:

		2013
Student accounts	$	17,059,411
Local appropriations		9,463,215
Government agencies		2,783,036
Other		5,589,094
Total accounts receivable		34,894,756
Less allowance for uncollectable accounts		(8,487,026)
Accounts receivable, net	$	26,407,730

NOTE 4 – 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.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 is summarized as follows:

	Beginning Balance	Additions	Retirements and Reclassified	Ending Balance
Non-Depreciable Capital Assets:				
Land	$ 3,238,944	$ -	$ -	$ 3,238,944
Construction in Progress	27,434,532	12,107,915	(24,584,965)	14,957,482
Total Non-Depreciable Capital Assets	30,673,476	12,107,915	(24,584,965)	18,196,426
Depreciable Capital Assets:				
Improvements	21,461,530	241,142	-	21,702,672
Buildings	154,536,728	18,019,067	24,218,139	196,773,934
Leasehold Improvements	794,849	-	-	794,849
Indisputable Right of Use	462,202	-	-	462,202
Equipment	24,655,953	3,614,529	231,279	28,501,761
Software	6,519,001	-	-	6,519,001
Total Depreciable Capital Assets	208,430,263	21,874,738	24,449,418	254,754,419
Less Accumulated Depreciation:				
Improvements	(17,279,351)	(446,001)	-	(17,725,352)
Buildings	(50,346,338)	(3,865,549)	-	(54,211,887)
Leasehold Improvements	(392,183)	(84,193)	-	(476,376)
Indisputable Right of Use	(308,134)	(154,068)	-	(462,202)
Equipment	(15,498,006)	(1,544,772)	135,547	(16,907,231)
Software	(1,602,294)	(651,900)	-	(2,254,194)
Total Accumulated Depreciation	(85,426,306)	(6,746,483)	135,547	(92,037,242)
Depreciable Capital Assets, Net	123,003,957	15,128,255	24,584,965	162,717,177
Total Capital Assets, Net	$153,677,433	$ 27,236,170	$ -	$180,913,603

NOTE 6 – LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2013 is summarized as follows:

	Beginning Balance	New Debt	Principal Repayment	Ending Balance	Current Portion
Bond Issues	$ 69,845,000	$ -	$ (895,000)	$ 68,950,000	$ 1,305,000
Total debt	$ 69,845,000	$ -	$ (895,000)	$ 68,950,000	$ 1,305,000

A – Series 2004 Bond Issue

General receipts Series 2004 bonds, were issued in March of 2004 with an all-inclusive (AIC) rate of 4.15%, and with repayment over a period of 20 years. The proceeds were used to finance the building of the Entrepreneurship Innovation Center.

B – Series 2011 Bond Issue

In July, 2011 the College issued Series 2011 bonds totaling $39,990,000 with an all-inclusive (AIC) rate of 4.75% and with repayment over a period of 30 years. The proceeds are being used to finance costs of the (i) renovation of the i-Loft building on the Elyria campus for use for classrooms and housing the Social Services and Human Services Division of the College, (ii) construction of a new two-story building on the Elyria campus to house academic classrooms and labs for curricula in culinary arts, digital arts and broadcasting, and (iii) construction of a new outreach center in North Ridgeville.

C – Series 2012 Bond Issue

In March, 2012 the College issued Series 2012 bonds totaling $24,725,000 with an all-inclusive (AIC) rate of 3.90% and with repayment over a period of 30 years. The proceeds are being used to finance the costs of (i) constructing, equipping and furnishing a new laboratory sciences building; (ii) campus roadway, parking lot and sidewalk improvements, including pavement replacement and upgrading lighting fixtures; (iii) renovating, rehabilitating and refurnishing the existing physical sciences building; (iv) improvements to existing facilities to obtain energy efficiency; and (v) such other Facilities included in the District's capital improvement program.

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 these debts. 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 $68,950,000 as detailed below.

NOTE 6 – LONG-TERM DEBT (Continued))

Principal and interest payments are due are as follows:

Year Ended June 30:	Series 2004 Bonds		Series 2011 Bonds		Series 2012 Bonds		Total General Receipts Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 330,000	$ 178,053	$ 595,000	$ 1,802,597	$ 380,000	$ 938,038	$ 1,305,000	$ 2,918,688
2015	340,000	166,527	605,000	1,789,847	350,000	930,788	1,295,000	2,887,162
2016	350,000	154,459	620,000	1,773,344	375,000	923,738	1,345,000	2,851,541
2017	360,000	142,252	635,000	1,752,950	400,000	916,187	1,395,000	2,811,389
2018	375,000	129,203	650,000	1,732,069	425,000	908,137	1,450,000	2,769,409
Thereafter	3,060,000	457,451	36,305,000	26,142,809	22,795,000	13,490,344	62,160,000	40,090,604
Total	$ 4,815,000	$1,227,945	$39,410,000	$34,993,616	$24,725,000	$18,107,232	$68,950,000	$54,328,793

Interest paid during the fiscal year ended June 30, 2013 amounted to $3,127,333.

NOTE 7 – RETIREMENT PLANS

Public Employees Retirement System (OPERS)
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.

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, 2013 were 10% and 14% of covered payroll, respectively. Contributions made, which represent 100% of the required contributions, for the years ended June 30, 2013, 2012, and 2011, were $3,007,888, $2,779,203, and $2,865,732, respectively from the College and $2,148,499, $1,983,362, and $2,046,951, respectively 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 by 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.

NOTE 7 – RETIREMENT PLANS (Continued)

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a onetime 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.

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, 2013, 2012, and 2011, were $3,041,543, $3,284,798, and $3,204,077, respectively from the College and $2,172,530, $2,346,284, and $2,288,626, respectively from employees.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS

Public Employees Retirement System (OPERS)
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 another post-employment 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 that may be obtained 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.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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.

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 Chapter 3307 of the Ohio 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 or by requesting a copy by calling toll-free (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, 2013, 2012, and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. For the fiscal years ended June 30, 2013, 2012, and 2011, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund.

NOTE 9 – 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, 2013.

NOTE 9 – LITIGATION AND CONTINGENCIES (continued)

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 10 - LEASES

The College has entered into various lease agreements that are considered operating leases. Total rental expense under operating leases during the year ended June 30, 2013 amounted to $1,617,868.

Future minimum lease payments as of June 30, 2013 under all operating leases, are as follows:

Year Ending June 30	Operating Leases
2014	$779,913
2015	695,984
2016	294,188
2017	257,769
2018	33,070
Total minimum lease payments	$2,060,924

NOTE 11 - 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 $1,636,840 at June 30, 2013 is included in accrued liabilities in the Statement of Net Position 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:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2011	$1,255,740	$3,920,188	$(3,920,188)	$1,255,740
2012	1,255,740	5,080,510	(5,019,051)	1,317,499
2013	1,317,499	5,231,137	(4,911,796)	1,636,840

NOTE 12 – 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. The levies have 1.8 and 1.5 mill stated rates and both are for a ten year period. The first 1.8 mill levy was approved in November of 2010 and expires with the last collection in calendar year 2020. The second 1.5 mill levy was approved by the Lorain County voters in November of 2004 and expires with the last collection in calendar year 2014.

NOTE 13 – EARLY RETIREMENT INCENTIVE

The College implemented Governmental Accounting Standards Board Statement Number 47, *Accounting for Termination Benefits*. 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 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 was effective for the period beginning May 31, 1999 ended June 30, 2009. Individuals who qualified and elected the ERI had the option of selecting a ten-year annuity incentive payment or 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 were based on the employees' annual salary at the time of retirement. Accordingly, $899,437 of termination benefits are included in liabilities as of June 30, 2013, of which $208,114 is included in current accrued liabilities. Early retirement incentive payments of $246,348 were made during the current fiscal year.

In spring of 2012, the College Board of Trustees approved a third ERI that would be available to all employees who had accrued 15 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 third ERI program was effective for faculty for the period beginning January 31, 2012 ended March 31, 2012. Individuals who qualified and elected the ERI will receive an annuity incentive payment to an IRS 403(b) retirement fund, up to $50,000 annually until the ERI value is reached. The ERI future benefit amounts are based on the employees' annual salary at the time of retirement, times years of service, times 98%. Accordingly, $11,054 of termination benefits are included in liabilities as of June 30, 2013, of which $11,054 is included in current accrued liabilities. Early retirement incentive payments of $497,950 were made during the current fiscal year.

Furthermore, the third ERI program was effective for non-faculty employees for the period beginning October 1, 2012 ended December 30, 2012. Individuals who qualified and elected the ERI will receive an annuity incentive payment to an IRS 403(b) retirement fund; this amount is to be paid quarterly over a period of five years. The ERI future benefit amounts are based on the employees' annual salary at the time of retirement, times years of service, times 98%. Accordingly, $445,992 of termination benefits are included in liabilities as of June 30, 2013, of which $104,939 is included in current accrued liabilities. Early retirement incentive payments of $78,704 were made during the current fiscal year.

NOTE 14 – RESTATEMENT OF NET POSITION

Net Position has been restated as of the beginning of the year to reflect an increase in Accounts Receivable related to one of the College tax levies.

Net Position, June 30, 2012	$144,102,564
Accounts Receivable Adjustment	4,342,557
Net Position Restated, June 30, 2012	$148,445,121

NOTE 15 – SUBSEQUENT EVENT

On November 5, 2013 the residents of Lorain County passed a 2.1 mill levy, consisting of a 1.5 mill renewal and 0.6 mill increase. This levy replaces the 1.5 mill levy which was approved in November of 2004.

NOTE 16 – CHANGES IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2013, the College implemented Governmental Accounting Standard Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", and Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position".

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements. This statement had no impact on the College's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. This change was incorporated in the College's 2013 financial statements; however there was no effect on beginning net position.

NOTE 17 – LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION

Note A. Summary of Significant Accounting Policies

A. Nature of Activities – Lorain County Community College Foundation, Inc. (the Foundation), a non-governmental, non-profit Foundation 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).

B. Accounting Method – The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation has reported information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

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, 2013 and 2012, 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/Foundation and/or the passage of time. It also includes earnings from the donor restricted endowment net of amounts appropriated by the Board of Directors.

Note A. Summary of Significant Accounting Policies (Continued)

Permanently Restricted Net Assets
This category includes net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

C. Equity Transfers – From time to time, the Foundation's donors reconsider the nature of gifts to the Foundation and request reclassification of net asset balances to more closely align with the intention of their donations. The Foundation records these net asset reclassifications as equity transfers between net asset classifications.

D. 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.

E. 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, 2012, from which the summarized information was derived.

F. Cash and Cash Equivalents – The Foundation classifies its checking and money market accounts as cash. Any cash or cash equivalents maintained within professionally managed accounts are classified as investments, due to the overall non-current investment strategy of their investment philosophy.

G. Investments – Investment income includes realized and unrealized gains and losses, and interest and dividends that are reported in the changes in net assets in the accompanying statement of activities.

H. Fair Value Reporting – Under accounting principles generally accepted in the United States of America, financial and nonfinancial assets and liabilities are required to be remeasured on an annual basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) and establishes a fair value hierarchy based upon the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities (for example, exchange quoted prices).

Level 2 – Inputs to the valuation methodology are observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not sufficiently active to qualify as Level 1, other observable inputs or inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs to the valuation methodology are significant to the fair value measurement and unobservable (for example, supported by little or no market activity).

Note A. Summary of Significant Accounting Policies (Continued)

H. Fair Value Reporting (Continued)

Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The Foundation has determined the fair value of the investments to be within Levels 1, 2 and 3, as summarized herein, of the hierarchy. The Foundation's investments in cash and cash equivalents, equity securities and mutual funds are valued with quoted prices in active markets that are considered to be Level 1 inputs. Investments in limited partnerships which are based on the change in the equity partnership are considered to be Level 3 inputs.

The Foundation has determined the fair value of the investments to be within Levels 1, 2 and 3, as summarized herein, of the hierarchy. The Foundation's investments in cash and cash equivalents, equity securities and mutual funds are valued with quoted prices in active markets that are considered to be Level 1 inputs. Investments in limited partnerships which are based on the change in the equity partnership are considered to be Level 3 inputs.

The following is a summary of the inputs used as of June 30, 2013 and 2012 in valuing the Foundation's investments carried at fair value:

	2013			
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 267,168	$ 267,168	$ -	$ -
Common equity securities	1,701,725	1,701,725	-	-
Mutual equity funds	19,060,338	19,060,338	-	-
Mutual bond funds	7,704,096	7,704,096	-	-
Real estate	735,149	-	-	735,149
Limited partnership	33,865	-	-	33,865
	$ 29,502,341	$ 28,733,327	$ -	$ 769,014

Note A. Summary of Significant Accounting Policies (Continued)

H. Fair Value Reporting (Continued)

	2012							
	Fair Value		Level 1		Level 2		Level 3	
Cash and cash equivalents	$	326,991	$	326,991	$	-	$	-
Common equity securities		1,361,850		1,361,850		-		-
Mutual equity funds		16,601,359		16,601,359		-		-
Mutual bond funds		7,194,031		7,194,031		-		-
Limited partnership		39,900		-		-		39,900
	$	25,524,131	$	25,484,231	$	-	$	39,900

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follow:

	2013		2012	
Beginning balance	$	39,900	$	43,975
Contributions		735,149		-
Management fee		(5,000)		(5,000)
Unrealized gain (loss)		(1,035)		925
Ending balance	$	769,014	$	39,900

I. Grants Receivable – Grants receivable are comprised primarily of prospective and reimbursable awards committed from various funding agencies for use in the Foundation's activities. The Foundation has recorded a provision of $300,000 and $-0- for the years ended June 30, 2013 and 2012, respectively.

J. Property and 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 range from three to seven years. The Foundation capitalizes all long-lived assets that cost more than $1,000 and have a useful life in excess of one year. Depreciation expense was $3,713 and $2,837 for the years ended June 30, 2013 and 2012, respectively. Accumulated depreciation at June 30, 2013 and 2012 was $31,192 and $27,479, respectively.

Note A. Summary of Significant Accounting Policies (Continued)

K. Contributions – The Foundation recognizes contributions as revenue in the period in which the pledge (promise to give) is received.

Accounting principles generally accepted in the United States of America provide 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 "due to fund" in the Foundation's financial statements.

Grants from the State of Ohio and collaborating colleges and universities related to the Innovation Fund are conditional based on criteria included within the grant and collaboration agreements. The Innovation Fund recognizes revenue from these agencies when the conditions are fulfilled and the Foundation has requested reimbursement.

L. Donated Services – Donated services are recognized as contributions 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 H to the financial statements discloses the value of services donated by the College to the Foundation during the years ended June 30, 2013 and 2012.

M. 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 temporarily and permanently restricted net assets related to this fee was $304,435 and $312,090 for the years ended June 30, 2013 and 2012, respectively.

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

O. 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.

The Foundation believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. As of June 30, 2013, the Foundation's income tax years from 2009 and thereafter remain subject to examination by the Internal Revenue Service, as well as various state and local taxing authorities.

Note A. Summary of Significant Accounting Policies (Continued)

P. Innovation Fund Awards – The innovation fund bestows awards in two categories, Type A awards and Type B awards. Type A awards are up to $25,000 and contain no right of replenishment. Type B awards are greater than $25,000 and up to $100,000 and contain a right of replenishment as disclosed in Note K 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 the time the Foundation determines an entity is financially viable for repayment of its innovation fund award. During the years ended June 30, 2013 and 2012, the Foundation made innovation award payments of $1,372,000 and $1,342,800, respectively, to entities selected by the Innovation Fund Committee. At June 30, 2013 and 2012, the Foundation had additional unpaid awards of $948,451 and $1,422,200, respectively, which were considered conditional and, therefore, not included within accounts payable.

Q. Reclassifications – Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 presentation.

R. Subsequent Events – The Foundation has evaluated subsequent events through October 8, 2013, the date which the financial statements were available to be issued.

Note B. Unconditional Promises to Give

Unconditional promises to give at June 30, 2013 and 2012 are as follows:

	2013	2012
Receivable in less than one year	$ 1,353,420	$ 1,822,927
Receivable in one to five years	3,373,227	6,084,860
Receivable in six to ten years	2,300,000	2,600,000
Receivable in greater than ten years	153,000	153,000
Total unconditional promises to give	7,179,647	10,660,787
Less discounts to present value	(517,484)	(623,603)
Less valuation reserves and for uncollectible promises to give	(1,477,046)	(2,953,133)
Net unconditional promises to give	$ 5,185,117	$ 7,084,051

The discount rate used on long-term promises to give was 2.00% at June 30, 2013 and 2012. Pledges receivable restricted for long-term purposes of $180,420 are due in less than one year.

The Foundation has estimated a reserve for uncollectible promises to give based upon management's review of current outstanding promises to give, current economic conditions and historical collections of $1,477,046 and $2,953,133 at June 30, 2013 and 2012, respectively. During the years ended June 30, 2013 and 2012, the Foundation directly wrote off uncollectible promises to give of $569 and $2,808, respectively. During the years ended June 30, 2013 and 2012, the Foundation recognized a (decrease) increase in the reserve for uncollectible promises to give of $(1,476,087) and $22,409, respectively.

Note C. Investments

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

	June 30, 2013		June 30, 2012	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	$ 267,168	$ 267,168	$ 326,991	$ 326,991
Common equity securities	1,074,511	1,701,725	948,458	1,361,850
Mutual equity funds	15,994,871	19,060,338	15,495,055	16,601,359
Mutual bond funds	7,715,652	7,704,096	6,865,046	7,194,031
Real estate	-	735,149	-	-
Limited partnership	50,000	33,865	50,000	39,900
	$ 25,102,202	$ 29,502,341	$ 23,685,550	$ 25,524,131

Investment income for the years ended June 30, 2013 and 2012 consisted of the following:

	2013	2012
Interest and dividends	$ 999,532	$ 737,598
Net (losses) gains	2,249,238	(798,399)
Management fees	(75,669)	(63,998)
Total investment income	$ 3,173,101	$ (124,799)

Mutual Capital Partners Fund Partnership

During 2011, the Foundation's Board approved program support of $50,000 per year for five years with Mutual Capital Partners (MCP). Under this agreement, Mutual Capital Partners will provide specific deliverables to enhance the College's entrepreneurship program including: internships and jobs for Lorain County Community College students with MCP companies, build an entrepreneurial speaker series and mentor Innovation Fund and GLIDE companies and initiatives. The partnership assesses a $5,000 annual administrative fee.

This programmatic relationship qualified the Foundation as an investor in the Mutual Capital Partners Fund II, an Ohio limited partnership. The first payment of $50,000 was made and, subsequent to June 30, 2013, an additional funding call of $50,000 has been made. As of June 30, 2013, the Foundation has an outstanding commitment of $200,000. At June 30, 2013, the valuation of this investment was $33,865.

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, 2013 and 2012, the related asset is included within investments of the accompanying financial statements. At June 30, 2013 and 2012, an annuity obligation liability of $2,265 and $3,869, 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, 2013 and 2012 were temporarily restricted for the following purposes:

	2013	2012
Support of the College's faculty, programs, facilities and Foundation's operation	$ 11,365,077	$ 11,171,485
Scholarships	804,666	782,040
Passage of time	3,259	3,516
Total temporarily restricted net assets	$ 12,173,002	$ 11,957,041

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or passage of time for the years ended June 30, 2013 and 2012 are as follows:

	2013	2012
Support of the College's faculty, programs, facilities and Foundation's operation	$ 876,727	$ 376,337
Innovation fund awards	1,372,569	1,343,572
Scholarships	564,295	554,468
Total restrictions released	$ 2,813,591	$ 2,274,377

Note F. Endowments

The Foundation's endowment includes 148 scholarship funds and 13 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 Uniform 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.

Note F. Endowments (Continued)

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.

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, common equity securities and alternatives intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions in accordance with the Foundation's Investment and Allocation Policy of up to 4.5% of the audited June 30 trailing three year moving market value average of investments. By this practice, 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.

Note F. Endowments (Continued)

Changes in endowment net assets as of June 30, 2013 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 1,320,940	$ 20,404,484	$ 21,725,424
Investment return:				
Administrative fee	257,937	(10,500)	(247,437)	-
Scholarship and program transfers	152,973	805,782	(958,755)	-
Investment income	-	-	875,814	875,814
Net appreciation (realized and unrealized)	-	158,989	1,583,115	1,742,104
Total investment return - endowed	410,910	954,271	1,252,737	2,617,918
Contributions	-	1,015	458,676	459,691
Special events	-	-	26,308	26,308
Equity transfers	-	(40,000)	10,000	(30,000)
Appropriation of endowment assets for expenditure	(410,910)	(817,325)	-	(1,228,235)
Endowment net assets, end of year	$ -	$ 1,418,901	$ 22,152,205	$ 23,571,106

Note F. Endowments (Continued)

Changes in endowment net assets as of June 30, 2012 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 1,571,658	$ 20,907,572	$ 22,479,230
Investment return:				
Administrative fee	265,808	(12,431)	(253,377)	-
Scholarship and program transfers	271,326	551,360	(822,686)	-
Investment income	-	(4,722)	581,730	577,008
Net depreciation (realized and unrealized)	-	-	(676,944)	(676,944)
Total investment return - endowed	537,134	534,207	(1,171,277)	(99,936)
Contributions	-	-	600,858	600,858
Special events	-	-	26,272	26,272
Equity transfers	-	10,629	41,059	51,688
Appropriation of endowment assets for expenditure	(537,134)	(795,554)	-	(1,332,688)
Endowment net assets, end of year	$ -	$ 1,320,940	$ 20,404,484	$ 21,725,424

Note G. Permanently Restricted Net Assets

Permanently restricted net assets as of June 30, 2013 and 2012 were comprised of the following amounts, the earnings of which were available for the following purposes:

	2013	2012
Support of the College's faculty, programs and facilities	$ 6,263,992	$ 5,988,463
Scholarships	13,057,785	11,992,243
Operations and general support	2,983,652	2,820,183
Total permanently restricted net assets	$ 22,305,429	$ 20,800,889

Note H. Related Party

As described in Note A, the Foundation is affiliated with the College. During the years ended June 30, 2013 and 2012, the College provided the Foundation with professional staffing valued at $89,769 and $155,136, respectively. The value of those services is 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, 2013 and 2012, the Foundation provided scholarships and support to the College of $1,402,462 and $1,004,865, respectively.

At June 30, 2013 and 2012, amounts due to the College and included within "accounts, support and grants payable" totaled $248,371 and $84,742, respectively.

The Foundation made contributions of $170,000 and $167,850 to Citizens for LCCC during the years ended June 30, 2013 and 2012, respectively, and are included in support for the College. Citizens for LCCC is a non-profit political action committee organized to enhance public support for the College. 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.

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, 2013 and 2012, one donor's promise to give represented approximately 70% and 80%, respectively, of the outstanding promises to give.

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 a recipient 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. Effective September 30, 2011, for new awards, the repayment schedule is three years without interest and the Foundation’s right to replenishment is through the sixth year.

Note J. Conditional Events (Continued)

The Foundation made 57 Type B Innovation Fund Awards since inception of the program. Of these 57 Type B Innovation Fund Awards, the Foundation holds the right of replenishment on 43 awards expiring in:

Years Ending June 30,	
2014	$ 179,000
2015	368,833
2016	582,167
2017	720,000
2018	917,000
2019	708,000
	$ 3,475,000

The purpose of the Innovation Fund is to foster entrepreneurship and jobs growth. 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 financial success of the recipients. During the years ended June 30, 2013 and 2012, the Foundation received $151,666 and $124,084, respectively, of Innovation Fund replenishment income.

During the year ended June 30 2013, the Foundation accepted an offer from Segmint, Inc. to take an equity position in an Innovation Fund award recipient company in lieu of its $100,000 replenishment right. The Foundation accepted the offer and received 60,000 shares of restricted common stock. As the restricted stock cannot be transferred or sold, the Foundation has not recorded an estimate of the stock's value as the amount cannot be reasonably estimated.

Grants Receivable

During the year ended June 30, 2010, 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 Foundation has fulfilled the requirements pertaining to the grant and has received $1,500,000.

During the year ended June 30 2011, the Foundation was awarded a $2,000,000 conditional grant (11-084) by the Ohio Department of Development to support the Innovation Fund. The Foundation was approved to receive the funds over a three year period from April 2011 through March 2014. For the years ended June 30, 2013 and 2012, the Foundation has fulfilled some requirements pertaining to the grant and received $567,500 and $300,000 respectively. Subsequent to June 30, 2013, the Foundation fulfilled additional requirements and submitted $175,000 for reimbursement.

Note J. Conditional Events (Continued)

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 made award commitments of $7,410,000, of which $675,830 has been forfeited to date. The net remaining award commitment is $948,451. These awards are expected to be paid out over the next two years once the sponsored recipients 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, which monitors the recipients and reports progress of the recipients to the Foundation, which then approves payment of the conditional portion of the awards.

As these awards are conditional, no liability has been recorded at June 30, 2013 and 2012.

Grants

The Fund for Our Economic Future (the Fund) is a nonprofit tax exempt public charity which started as a pooled grant fund to dramatically improve the economic climate in Northeast Ohio by organizations with the potential to strengthen the region as a whole. Over $72 million has been raised by over 100 foundations, corporations and individuals in the Northeast Ohio region. The Fund received tax exempt 501(c)(3) status and entered into its third three year phase in 2010. All grant recipients of the Fund are non-profit organizations and tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Grants are awarded by the Fund based on extensive due diligence and approval by the members of the Board. The Board is comprised of representatives from member organizations contributing at least $100,000 over a three year period (phase).

The Foundation had previously made a $100,000 conditional commitment to Phase II of the Fund, all of which was paid as of November 24, 2009.

The Foundation has made a conditional commitment to Phase III of the Fund for a total of $100,000. During 2013, the Foundation made the third and final $33,333 payment toward this commitment.

The Foundation has made a conditional commitment to Phase IV of the Fund for a total of $100,000. No payments on this third commitment have been paid. As the grant is conditional, no liability has been recorded for this account at June 30, 2013.

Note K. Gift of Land and Building

In December 2012, the Foundation took title to the land and building at 225 Burns Road in Elyria, Ohio. The location of the property is adjacent to the college campus. The real estate was gifted to the Foundation in partial fulfillment of a larger pledge booked during the year ended June 30, 2010.

During the year ended June 30, 2013, upon receipt of title to the land and building, the Foundation booked the value of the real estate at $735,149 based upon the estimated net realizable value upon sale.

The property is not deemed to be part of the Foundation’s endowment and costs or gains related to the property are not deemed to be part of the endowment fund.

LORAIN COUNTY COMMUNITY COLLEGE
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
Direct from the Federal Agency			
Student Financial Aid Cluster:			
Federal Work Study Program	P033A	84.033	$ 277,837
Federal Supplemental Education Opportunity Grant	P007A	84.007	278,032
Federal Direct Student Loans	P0268K	84.268	16,970,515
Federal Pell Grant Program	P063P	84.063	20,389,457
Total Student Financial Aid Cluster			37,915,841
Improvement of Postsecondary Education	P116W090096	84.116W	35,550
Passed through the Ohio Department of Education			
Career and Technical Education - Basic Grants to States	CDP-P	84.048	211,499
Race to the Top - Ohio Early College	TP-FB	84.243	88,800
Subtotal			335,849
Total United States Department of Education			**38,251,690**
United States Department of Labor			
Direct from the Federal Agency			
H-1B Job Training Grants	N/A	17.268	245,899
Passed through Westmoreland Community College			
Trade Adjustment Assistance Community College and Career Training Grants	SGA-DFA-PY-11-08	17.282	16,895
Total United States Department of Labor			**262,794**
National Science Foundation			
Direct from the Federal Agency			
Education and Human Resources - STEM	N/A	47.076	44,183
Education and Human Resources - NCWET	N/A	47.076	1,137,474
Passed through Case Western Reserve University			
Engineering Grants	IIP-0917940	47.041	7,917
Passed through Fox Valley Technical College			
Education and Human Resources	DUE-1104199	47.076	25,746
Total National Science Foundation			**1,215,320**
US Small Business Administration			
Direct from the Federal Agency			
To advance the completion of the construction for the remaining shell space in the Enterprensurship Innovation Center building	SBAHQ-08-1-0172	59.000	76,532
Pass through Ohio Department of Communications Development			
Small Business Development Centers	SBAHQ-13-B-0011	59.037	50,605
Total US Small Business Administration			**127,137**
National Institute of Food and Agriculture			
Direct from the Federal Agency			
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grant	2010-38414-21027	10.226	20,439
Total National Institute of Food and Agriculture			**20,439**
United States Department of Commerce			
National Telecommunications and Information Administration			
Passed through the Cleveland Housing Network			
Broadband Technology Opportunities Program - ARRA	39-43-B10506	11.557	105,029
Total United Stated Department of Commerce			105,029
Total Federal Financial Assistance			**$39,982,409**

N/A - Pass through entity numbers could not be located by the College or not applicable

See accompanying notes to the schedule of federal awards expenditures

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – FEDERAL DIRECT STUDENT LOANS

The College participates in the Federal Direct Student Loan Program. The dollar amounts listed in the schedule of federal awards expenditures represents new loans advanced during the fiscal year ended June 30, 2013. The College is a direct lender for these loan funds; however, they are not responsible for collecting these loans in future periods.

Report on Internal Control over Financial Reporting and on Compliance and Other Matter Required by *Government Auditing Standards*

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

To the Members of the Board of Trustees

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards,* the financial statements of the business-type activities of the Lorain County Community College, Lorain County, (the College), as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2013, wherein we noted the College adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net position*. We did not audit the financial statements of the Lorain County Community College Foundation Inc. 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 insomuch as it relates to the amounts included for the Lorain County Community College Foundation Inc., is based on the report of other auditors.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the College's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the College's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the College's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
November 26, 2013

Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments
www.bhscpas.com

Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

To the Members of the Board of Trustees

Report on Compliance for Each Major Federal Program

We have audited the Lorain County Community College's (the College) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of the Lorain County Community College's major federal programs for the year ended June 30, 2013. The Summary of Auditor's Results section in the accompanying schedule of findings identifies the College's major federal programs.

Management's Responsibility

The College's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the College's compliance for each of the College's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the College's major programs. However, our audit does not provide a legal determination of the College's compliance

Opinion on Each Major Federal Program

In our opinion, Lorain County Community College complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The College's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the College's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
November 26, 2013

LORAIN COUNTY COMMUNITY COLLEGE
Schedule of Findings
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(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	Unmodified
(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, Federal Direct Student Loans CFDA #84.268, Federal Supplemental Education Opportunity Grant CFDA#84.007 Education and Human Resources, CFDA# 47.076
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None Noted

III. FINDINGS FOR FEDERAL AWARDS

None Noted

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Dave Yost • 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 21, 2014

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