

SINGLE AUDIT REPORT

**Lake County Community College District
Year Ended June 30, 2000**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

Board of Trustees
Lake County Community College District

We have reviewed the Independent Auditor's Report of the Lake County Community College District, Lake County, prepared by Ernst & Young LLP, for the audit period July 1, 1999 to June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

November 28, 2000

Lake County Community College District

Single Audit Report

Year Ended June 30, 2000

Contents

Audited Financial Statements

Report of Independent Auditors	1
Balance Sheet	2
Statement of Changes in Fund Balances	4
Statement of Current Funds Revenues, Expenditures and Other Changes	6
Notes to Financial Statements	8

Schedule of Expenditures of Federal Awards	21
---	-----------

Reports on Compliance and Internal Controls

Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24
Report of Independent Auditors on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	26

Schedule of Findings and Questioned Costs	28
--	-----------



Ernst & Young LLP
1300 Huntington Building
925 Euclid Avenue
Cleveland, Ohio 44115-1405

Phone: (216) 861-5000
www.ey.com

Report of Independent Auditors

Board of Trustees
Lake County Community College District

We have audited the accompanying balance sheet of the Lake County Community College District (the College) as of June 30, 2000, and the related statements of changes in fund balances, and current funds revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2000 and the changes in its fund balances and its current funds revenues, expenditures and other changes, for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2000 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the College taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2000 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Ernst & Young LLP

August 24, 2000

Lake County Community College District

Balance Sheet

Year Ended June 30, 2000 with Comparative Totals at June 30, 1999

	Current Funds			Student Loan Funds	Endowment and Similar Funds	Plant Funds			Agency Funds	Totals (Memorandum Only)		
	Unrestricted		Restricted			Unexpended	Renewals and Replacements	Retirement Of Indebtedness		Investment in Plant	2000	1999
	Educational and General	Auxiliary Enterprises	Educational And General									
Assets												
Cash and cash equivalents	\$ 1,694,866	\$ 113,333	\$ 50,587	\$ 1,559	\$ 315,670	\$ 1,076,096	\$ 1,386,365	\$ 233,240	\$ 100,173	\$ 4,971,889	\$ 7,854,270	
Investments	17,459,983						1,993,751			19,453,734	21,144,025	
Accounts receivable, less allowance for uncollectible accounts of \$150,502	659,084	435,996	661,307	23,846		446,442	43,708		10,607	2,280,990	2,037,893	
Notes receivable, less allowance for uncollectible accounts of \$357,873				510,040						510,040	426,857	
Due from other funds	100,000		700,000				900,000			1,700,000	542,479	
Inventories, at cost	58,725	742,873								801,598	426,881	
Prepaid expenses	630,079	1,160	8,789						400	640,428	584,942	
Investment in plant:												
Land									\$ 723,289	723,289	723,289	
Buildings									48,485,619	48,485,619	48,102,337	
Improvements, other than buildings									4,542,104	4,542,104	4,403,380	
Movable equipment, furniture, library books, vehicles and software									19,667,442	19,667,442	17,592,348	
Construction in progress									8,414,072	8,414,072	388,169	
Total assets	\$ 20,602,737	\$1,293,362	\$1,420,683	\$ 535,445	\$ 315,670	\$ 1,522,538	\$ 4,323,824	\$ 233,240	\$ 81,832,526	\$ 111,180	\$ 112,191,205	\$ 104,226,870

Lake County Community College District

Balance Sheet (continued)

	Current Funds			Student Loan Funds	Endowment and Similar Funds	Plant Funds				Totals (Memorandum Only)		
	Unrestricted		Restricted			Unexpended	Renewals And Replacements	Retirement Of Indebtedness	Investment in Plant	Agency Funds	2000	1999
	Educational and General	Auxiliary Enterprises	Educational and General									
Liabilities and fund balances												
Liabilities:												
Accounts payable	\$ 1,577,613	\$ 328,904	\$ 60,458		\$ 5,000	\$ 1,102,407	\$ 1,267,150		\$ 5,813	\$ 4,347,345	\$ 1,763,555	
Accrued liabilities	715,030	52,959	25,547	\$ 184		18,010			314	812,044	823,710	
Deposits	98,047	42,227	82,525						105,053	327,852	244,055	
Deferred revenue	1,164,504	9,000	1,670			126,114				1,301,288	1,416,211	
Due to other funds	1,600,000			100,000						1,700,000	542,479	
Reserve for compensated absences	1,016,205									1,016,205	987,858	
Obligation for early retirement incentive plan	2,051,793									2,051,793	2,808,759	
Capital lease obligation								\$ 1,405,224		1,405,224	1,453,734	
Long-term debt						5,040,000				5,040,000	5,040,000	
Total liabilities	8,223,192	433,090	170,200	100,184	5,000	6,286,531	1,267,150		1,405,224	111,180	18,001,751	15,080,361
Fund balances:												
Current funds:												
Undesignated	12,379,545	860,272									13,239,817	14,884,388
Restricted			1,250,483								1,250,483	601,766
Loan funds:												
Government grants:												
Perkins loans				183,333							183,333	170,854
Nursing student loans				115,202							115,202	111,395
College funds:												
Restricted				136,726							136,726	77,930
Endowment and similar funds					310,670						310,670	302,203
Plant funds:												
Unexpended						(4,763,993)					(4,763,993)	(350,986)
Renewals and replacements							3,056,674				3,056,674	3,481,942
Retirement of indebtedness:												
Restricted								\$ 233,240			233,240	111,228
Investment in plant— Note A									80,427,302		80,427,302	69,755,789
Total fund balances	12,379,545	860,272	1,250,483	435,261	310,670	(4,763,993)	3,056,674	233,240	80,427,302		94,189,454	89,146,509
Total liabilities and fund balances	\$ 20,602,737	\$ 1,293,362	\$ 1,420,683	\$ 535,445	\$ 315,670	\$ 1,522,538	\$ 4,323,824	\$ 233,240	\$ 81,832,526	\$ 111,180	\$ 112,191,205	\$ 104,226,870

See notes to financial statements.

Lake County Community College District

Statement of Changes in Fund Balances

Year Ended June 30, 2000 with Comparative
Totals for Year Ended June 30, 1999

	Current Funds			Plant Funds					Totals (Memorandum Only)		
	Unrestricted		Restricted	Student Loan Funds	Endowment and Similar Funds	Renewals And Replacements		Retirement Of Indebtedness	Investment in Plant	2000	1999
	Educational and General	Auxiliary Enterprises	Educational And General			Unexpended	Investment	2000		1999	
Revenues and other additions											
Unrestricted current fund revenues	\$ 38,006,716	\$ 4,550,181				\$ 355,463			\$ 42,912,360	\$ 41,256,182	
State appropriations (Note B)			\$ 969,608						969,608	599,963	
Federal grants and contracts			2,294,080	\$ 8,527					2,302,607	2,321,021	
State and local grants and contracts (Note B)			1,872,795			3,215,193			5,087,988	2,188,642	
Private gifts and grants			519,134						519,134	440,062	
Investment income			16,142	220	\$ 16,863	155,026	\$ 171,261		359,512	200,372	
Loan processing fees				43,670					43,670	43,000	
Interest on loans receivable				22,509					22,509	18,457	
Acquisition of plant facilities, including \$420,118 charged to current fund expenditures								\$ 10,285,201	10,285,201	1,199,417	
Retirement of indebtedness								386,312	386,312	260,934	
Proceeds from issuance of long-term debt, net						611			611	4,973,123	
Other additions			23,902	2,814			16,030		42,746	32,026	
Total revenues and other additions	38,006,716	4,550,181	5,695,661	77,740	16,863	3,726,293	187,291	10,671,513	62,932,258	53,533,199	
Expenditures and other deductions											
Educational and general	36,501,844		1,305,336		5,000				37,812,180	35,716,639	
Auxiliary enterprises		4,316,961							4,316,961	4,015,246	
Expended for plant facilities						8,362,884	3,161,102		11,523,986	2,273,462	
Loan cancellations and write-offs				8,683					8,683	75,872	
Collection costs				23,975					23,975	23,522	
Scholarships and grants			3,745,728		3,396				3,749,124	4,082,669	
Issuance of indebtedness									-	5,040,000	
Retirement of indebtedness								\$ 386,311	386,311	260,934	
Interest on indebtedness								68,093	68,093	97,709	
Total expenditures and other deductions	36,501,844	4,316,961	5,051,064	32,658	8,396	8,362,884	3,161,102	454,404	57,889,313	51,586,053	

Lake County Community College District
Statement of Changes in Fund Balances (continued)

	Current Funds			Student Loan Funds	Endowment and Similar Funds	Plant Funds			Totals		
	Unrestricted		Restricted			Unexpended	Renewals And Replacements	Retirement of Indebtedness	Investment in Plant	(Memorandum Only)	
	Educational and General	Auxiliary Enterprises	Educational And General							2000	1999
Transfers among funds— additions (deductions)											
Mandatory	(800,000)				223,584		576,416				
Nonmandatory	(2,373,093)	(209,570)	4,120	30,000		2,548,543					
Net (decrease) increase in fund balances	(1,668,221)	23,650	648,717	75,082	8,467	(4,413,007)	(425,268)	122,012	10,671,513	5,042,945	1,947,146
Fund balances at beginning of year	14,047,766	836,622	601,766	360,179	302,203	(350,986)	3,481,942	111,228	69,755,789	89,146,509	87,199,363
Fund balances at end of year	<u>\$ 12,379,545</u>	<u>\$ 860,272</u>	<u>\$ 1,250,483</u>	<u>\$ 435,261</u>	<u>\$ 310,670</u>	<u>\$(4,763,993)</u>	<u>\$ 3,056,674</u>	<u>\$ 233,240</u>	<u>\$ 80,427,302</u>	<u>\$ 94,189,454</u>	<u>\$ 89,146,509</u>

See notes to financial statements.

Lake County Community College District

Statement of Current Funds Revenues, Expenditures, and Other Changes

Year Ended June 30, 2000 with Comparative
Totals for Year Ended June 30, 1999

	Unrestricted			Restricted	Totals	
	Educational and General	Auxiliary Enterprises	Total	Educational and General	(Memorandum Only)	
					2000	1999
Revenues						
Tuition, fees and other student charges	\$ 11,423,298		\$ 11,423,298		\$ 11,423,298	\$ 11,280,009
State appropriations (<i>Note B</i>)	14,586,130		14,586,130	\$ 618,530	15,204,660	14,280,142
Local appropriations (<i>Note C</i>)	10,507,301		10,507,301		10,507,301	10,392,767
Federal grants and contracts				2,294,080	2,294,080	2,308,379
State and local grants and contracts (<i>Note B</i>)	9,551		9,551	2,223,873	2,233,424	1,733,149
Private gifts and grants	5,000		5,000	519,134	524,134	445,062
Sales and services	340,825	\$ 4,550,142	4,890,967		4,890,967	4,633,719
Income from temporary investments	1,107,495	39	1,107,534	16,142	1,123,676	1,206,308
Other sources	27,116		27,116	23,902	51,018	75,382
Total revenues	38,006,716	4,550,181	42,556,897	5,695,661	48,252,558	46,354,917
Expenditures						
Educational and general:						
Instruction and departmental research	16,523,244		16,523,244	152,298	16,675,542	15,964,358
Academic support	1,393,937		1,393,937	395,428	1,789,365	1,608,799
Student services	5,048,714		5,048,714	165,933	5,214,647	5,039,865
Institutional support	7,153,747		7,153,747	2,610	7,156,357	6,409,920
Operating and maintenance of plant	3,989,682		3,989,682		3,989,682	3,992,229
Public service	2,159,507		2,159,507	589,067	2,748,574	2,643,670
Scholarships and grants	233,013		233,013	3,745,728	3,978,741	4,132,339
Auxiliary enterprises		4,316,961	4,316,961		4,316,961	4,015,246
Total expenditures	36,501,844	4,316,961	40,818,805	5,051,064	45,869,869	43,806,426

Lake County Community College District

Statement of Current Funds Revenues, Expenditures, and Other Changes (continued)

	Unrestricted			Restricted	Totals	
	Educational and General	Auxiliary Enterprises	Total	Educational and General	(Memorandum Only)	
					2000	1999
Transfers and other deductions						
Mandatory:						
Principal and interest	(800,000)		(800,000)		(800,000)	(420,000)
Nonmandatory:						
Support to other funds	(2,373,093)	(209,570)	(2,582,663)	4,120	(2,578,543)	(1,490,000)
Net (decrease) increase in fund balances	\$ (1,668,221)	\$ 23,650	\$ (1,644,571)	\$ 648,717	\$ (995,854)	\$ 638,491

See notes to financial statements.

Lake County Community College District

Notes to Financial Statements

June 30, 2000

A. Summary of Significant Accounting and Reporting Policies

Accrual and Fund Accounting

The accompanying financial statements of the Lake County Community College District (College) have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to governmental colleges as prescribed by the American Institute of Certified Public Accountants' College Guide Model. The College is a primary government with no component units.

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 1999, from which the summarized information was derived.

The College is a political subdivision of the State of Ohio and is exempt from filing a federal tax return based upon the ruling it received from the Internal Revenue Service dated August 27, 1968.

In order to ensure observance of limitations and restrictions placed on the use of the resources of the College, the accounts of the College are maintained in accordance with the principles of "fund accounting". This is a procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Board of Trustees. Externally restricted funds may only be utilized in accordance with the purpose established by the source of such funds and are in contrast with unrestricted funds over which the Board of Trustees retains full control to use in achieving any of its institutional purposes.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, the College's financial statements are included as a discrete entity, on the State of Ohio's Consolidated Annual Financial Report.

Lake County Community College District

Notes to Financial Statements (continued)

A. Summary of Significant Accounting and Reporting Policies

Current Funds

Generally unrestricted and internally designated funds are accounted for initially in the unrestricted current fund group and then in the fund group designated by the Board of Trustees. Restricted revenues are accounted for in the appropriate restricted fund and are reported as revenues when utilized for current operating purposes. All gains and losses arising from the sale, collection, or other disposition of investments and noncash assets are accounted for in the fund which owned such assets. Income derived from investments and notes receivable are accounted for in the fund owning such assets, except for income derived from investments of endowment funds, which is accounted for in the fund to which it is restricted.

Student Loan Funds

Loan funds are comprised of resources initially received from gifts and grants to be used for loans to students. A significant portion of the fund balance represents grants from the federal government. In some cases the grant requires a partial match of College funds.

Endowment and Similar Funds

Endowment and similar funds are subject to the restrictions of gift instruments or board designations and are accounted for accordingly.

Plant Funds

Plant funds consist of funds to be used for the acquisition of physical properties which are unexpended at the date of reporting, funds set aside for the renewal and replacement of College properties, funds set aside for debt service charges and for the retirement of indebtedness, and funds expended for and thus invested in College properties.

Interfund Activity

Interfund borrowings are recorded in each fund as due to/due from other funds.

Lake County Community College District

Notes to Financial Statements (continued)

A. Summary of Significant Accounting and Reporting Policies (continued)

Accrual Basis

The financial statements of the College have been prepared on the accrual basis in accordance with generally accepted accounting principles of fund accounting for educational institutions. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Cash and Cash Equivalents

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

Investments

All investments are measured at fair value, based on quoted market prices, in the balance sheet.

Inventories

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

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost at date of acquisition or fair value at date of donation in the case of gifts. To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of library books and tapes, (2) mandatory transfers, in the case of required provisions for principal and interest payments, equipment renewal and replacement, and land and building improvements, and (3) transfers of a nonmandatory nature for all other cases. When plant assets are sold or otherwise disposed of, the carrying value of such assets is removed from the accounts and the net investment in plant is reduced accordingly. Depreciation on plant and equipment is not recorded.

Lake County Community College District

Notes to Financial Statements (continued)

A. Summary of Significant Accounting and Reporting Policies (continued)

Deferred Revenue

Revenues and expenditures related to academic terms conducted over different fiscal years, such as summer sessions, are recognized in the fiscal year in which the program is predominantly conducted.

Reserve for Compensated Absences

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

Financial Statement Presentation

Data presented in the total columns of the accompanying financial statements have been included to provide a basis for comparison between fiscal years and present summarized information only, without regard to restrictions by individual fund. As such, this data does not present financial position or results of operations in conformity with generally accepted accounting principles.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosure in the footnotes. Actual results could differ from those estimates.

B. State Support

The College is a state-assisted institution of higher education which receives a student-based subsidy from the State of Ohio (State). This subsidy is determined annually based upon a formula devised by the State.

In addition to the student subsidies, the State provides funding for the construction of major academic plant facilities on the College campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC) which in turn is used for the construction and subsequent transfer of the facility to the College.

Lake County Community College District

Notes to Financial Statements (continued)

B. State Support (continued)

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

As a result of the above described financial assistance provided by the State to the College, outstanding debt issued by OPFC is not included on the College's balance sheet. In addition, the appropriations by the General Assembly to the Ohio Board of Regents for payments of debt service are not reflected and the related debt service payments are not recorded in the College's accounts.

The College follows the general educational institution practice of recording state appropriations released but not yet expended for plant facilities as accounts receivable and additions to deferred revenue in the unexpended plant fund.

C. Local Appropriations

The College receives funds from property taxes levied on all real and public utility property and tangible personal property used in businesses located in Lake County. This levy of 1.7 stated mills has no expiration date.

On June 2, 1992, an additional levy of 1.5 stated mills for ten years commencing with the 1993 tax year was passed by Lake County voters.

D. Deposits

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

Lake County Community College District

Notes to Financial Statements (continued)

D. Deposits (continued)

At June 30, 2000, the carrying amount of the College's deposits was \$877,915. The bank balance totaled \$109,263. The difference represents outstanding checks payable, repurchase agreements, and normal reconciling items. The entire bank balance was covered by federal depository insurance.

E. Investments

The College records investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pool* which requires most investments to be recorded at fair value and the recognition of unrealized gains and losses in the statement of revenues and expenses.

The College's investment policies are governed by state statutes which authorize the College to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; U.S. Government money market funds and repurchase transactions. Such repurchase transactions must be purchased from financial institutions as discussed in "Deposits" above or registered broker/dealers.

Investments are categorized to give an indication of the level of risk assumed by the College at year end. The categorized investments include those which are classified as cash and cash equivalents in accordance with the provisions of GASB Statement No. 9.

The College's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

Lake County Community College District

Notes to Financial Statements (continued)

E. Investments (continued)

At June 30, 2000, investments reported in cash and cash equivalents and investments include:

Type of Investment	Category (2)	Category (3)	Cost	Fair Value
Repurchase agreement		\$ 1,984,344	\$ 1,984,344	\$ 1,984,344
U.S. Government T-Notes	<u>\$19,549,579</u>		19,549,579	19,453,734
	<u>\$19,549,579</u>	<u>\$ 1,984,344</u>		
State Treasurer Asset Reserve Fund (Star Ohio)				<u>4,093,974</u>
Total investments				25,532,052
Less repurchase agreements (Note D)				(1,984,344)
Plus cash (Note D)				<u>877,915</u>
Cash and cash equivalents and investments				<u>\$ 24,425,623</u>

Investments classified in category 2 are held in banks' trust departments due to legal restrictions required by trust indentures and codified ordinances. Assets held by these trust departments as custodial agents are considered legally separate from the assets of the commercial side of the bank and are held strictly on a fiduciary basis. These trust departments are authorized by and regulated under various state and federal laws. Investments classified in category 3 are uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the College's name.

Star Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. Star Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Star Ohio are valued at Star Ohio's share price which is the price the investment could be sold for on June 30, 2000. The deposits invested with Star Ohio are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 3.

Lake County Community College District

Notes to Financial Statements (continued)

F. Retirement Plans

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

The State Teachers Retirement System of Ohio Comprehensive Annual Financial Report may be obtained by writing to The State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771. The School Employees Retirement System of Ohio Comprehensive Annual Financial Report may be obtained by writing to School Employees Retirement System of Ohio, 45 North Fourth Street, Columbus, Ohio 43215-5853. The Ohio Revised Code (ORC) provides statutory authority for employee and employer contributions. The employee contribution rates are 9.3% and 9% for STRS and SERS, respectively, of covered payroll and the College is required to contribute 14% of covered payroll. The College's contributions to STRS for the years ended June 30, 2000, 1999 and 1998 were \$1,991,653, \$1,934,907 and \$ 1,837,869, respectively, equal to the required contributions for each year. The College's contributions to SERS for the years ended June 30, 2000, 1999 and 1998 were \$1,403,139, \$1,335,808 and \$1,249,573, respectively, equal to the required contributions for each year.

Amended Substitute House Bill 586 requires all Ohio public colleges to offer at least three alternative retirement plans to certain new and existing full-time employees. For those employees electing to participate in an alternative retirement plan (Plan), the College will contribute 8% of covered payroll to the Plan. The College is also required to contribute an additional 6% of participating employees' covered payroll to the non-participating state retirement system. The employee contribution rate is equal to the rate in effect under the state-administered retirement plan in which the employee is qualified. The Plans have an effective date of July 1, 1999.

Lake County Community College District

Notes to Financial Statements (continued)

G. Postemployment Benefit

State Teachers Retirement System

STRS provides comprehensive health care benefits to retired teachers and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the ORC, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions equal to 2% of covered payroll to the health care reserve fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1999, the board allocated employer contributions equal to 8% of covered payroll to the health care reserve fund. The balance in the health care reserve fund was \$2,783 billion on June 30, 1999. The health care reserve fund allocation for the year ended June 30, 2000, will be 8% of covered payroll.

For the year ended June 30, 1999, the net health care costs paid by STRS Ohio were \$249,929,000. There were 95,976 eligible benefit recipients.

School Employees Retirement System

SERS provides post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with 10 or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on and after August 1, 1989 with less than 25 years of qualified service credit pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate is 6.30%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Lake County Community College District

Notes to Financial Statements (continued)

G. Postemployment Benefit (continued)

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$188.0 million.

For the year ended June 30, 1999, the net health care costs paid by SERS were \$126,380,984. The number of retirees and covered dependents currently receiving benefits is approximately 51,000.

H. Early Retirement Incentive Plan

During fiscal year 1998, the College entered into an agreement with the Lakeland Faculty Association, which included an early retirement incentive plan for the fiscal years 1999, 2000, and 2001. In accordance with the terms of the plan, members of STRS who meet certain eligibility requirements and choose to participate can take early retirement. The cost of retirement incentive credits for individuals participating in the plan is determined by STRS and is paid entirely by the College. The estimated cost of the early retirement incentive plan as of June 30, 2000 is \$2,051,793.

I. Leases

The College has entered into various lease agreements, which are considered operating leases. Total rental expense under operating leases during the years ended June 30, 2000 and 1999 amounted to \$203,374 and \$186,586, respectively.

The capital leased assets consist of computer hardware and software, implementation costs, and other equipment. Capital leased assets recorded as moveable equipment, furniture, library books, vehicles and software on the balance sheet at June 30, 2000 amounted to \$2,169,023.

Lake County Community College District

Notes to Financial Statements (continued)

I. Leases (continued)

Future minimum lease payments as of June 30, 2000 under all capital and operating leases, along with the present value of net minimum capital lease payments are as follows:

<u>Year Ending June 30</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2001	\$ 480,551	\$ 206,325
2002	480,551	210,798
2003	349,803	218,600
2004	181,962	226,402
2005 and thereafter	26,377	—
Total minimum lease payments	1,519,244	<u>\$ 862,125</u>
Less amount representing interest	<u>114,020</u>	
Present value of net minimum capital lease payments	<u>\$1,405,224</u>	

J. Long-Term Debt

Effective March 15, 1999 and May 13, 1999, the College issued \$1,740,000 of General Receipts Bonds, Series 1999 (Series 1999 Bonds), and \$3,300,000 of General Receipts Bond Anticipation Notes, Series 1999 (Series 1999 Notes), respectively, to pay part of the cost of renovating and adding to the College's Athletic Fitness Center (AFC). The proceeds and related indebtedness have been recorded as assets and liabilities of the College.

The Series 1999 Bonds were issued pursuant to a Master Trust Agreement dated March 15, 1999, acting by and through the College's Board of Trustees and the Bond Trustee. The Series 1999 Bonds are subject to mandatory or optional redemption, with stated interest rates ranging from 3.60 percent to 5.125 percent. The final maturity of the Series 1999 Bonds is December 1, 2019.

The Series 1999 Notes carry a stated interest rate of 4.30 percent, with principal in full maturing June 1, 2001.

Lake County Community College District

Notes to Financial Statements (continued)

J. Long-Term Debt (continued)

The Series 1999 Bonds and Series 1999 Notes are special obligations of the College. Bond or note holders have no right to have excises or taxes levied by the State of Ohio General Assembly, or by the College, for their payment. Principal on the bonds and interest on both the bonds and notes, are payable solely from and secured by a pledge of the College's general receipts and bond proceeds. State appropriations, local ad valorem property tax receipts, and other restricted receipts are specifically excluded from general receipts. The principal of the Series 1999 Notes is payable solely from the bonds anticipated or renewal notes. The College has covenanted that it will include in its budget for each fiscal year amounts of general receipts at least sufficient to pay debt service charges payable that fiscal year from general receipts, as well as to satisfy other requirements.

Schedule principal maturities and total debt service of the Series 1999 Bonds for fiscal years subsequent to June 30, 2000 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Principal and Interest</u>
2001	\$ 45,000	\$ 125,875
2002	60,000	138,925
2003	60,000	136,615
2004	65,000	139,145
2005	65,000	136,528
Thereafter	1,445,000	2,051,193
	<u>\$ 1,740,000</u>	<u>\$ 2,728,281</u>

K. Legal Actions

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

Lake County Community College District

Notes to Financial Statements (continued)

L. Foundation (Unaudited)

The Lakeland Foundation (Foundation) was formed in 1981 to obtain private financing support for the promotion of excellence at the College. The Foundation provides scholarships to financially disadvantaged students and merit scholarships to those students demonstrating excellent academic abilities. The Foundation also provides support to specific educational departments and programs of the College. The accounting records for the Foundation are maintained at the College in Kirtland, Ohio. Certain administrative expenses of the Foundation are borne directly by the College. The Foundation has total assets of \$2,872,000 at June 30, 2000 and revenues of \$675,000 for the year then ended.

Lake County Community College District
 Schedule of Expenditures of Federal Awards

Year Ended June 30, 2000

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
Student Financial Aid (Cluster)		
Department of Education:		
Direct Programs:		
Federal Pell Grant Program	84.063	\$ 1,824,653
Federal Work-Study Program	84.003	137,630
Federal Supplemental Educational Opportunity Grant Program	84.007	171,900
Federal Perkins Loan Program (<i>Note B</i>)	84.038	36,525
Federal Family Loan Program (<i>Note C</i>)	84.032	1,141,526
		<u>3,312,234</u>
Department of Health and Human Services:		
Direct Program:		
Nursing Student Loan Program (<i>Note D</i>)	93.364	22,536
Total student financial aid-cluster		<u>3,334,770</u>
Other programs		
Department of Education:		
Direct Programs:		
Technical preparatory grant	84.243	272,985
Two year college Perkins grant	84.048	57,166
		<u>330,151</u>
Department of Labor:		
Pass-Through Programs From:		
Job Training Partnership Act:		
Geauga County	17.246	4,996
Cuyahoga County	17.246	8,374
Lake County II	17.246	63,147
Ashtabula County	17.246	29,951
		<u>106,468</u>
National Science Foundation:		
Direct Program:		
Bio-science technology grant	47.076	23,639
Pass-Through Programs From:		
Cleveland State University	47.076	5,439
Cuyahoga County Community College / NASA	47.076	63,008
		<u>92,086</u>
Total expenditures of federal awards		<u><u>\$ 3,863,475</u></u>

Lake County Community College District

Schedule of Expenditures of Federal Awards (continued)

A. Summary of Significant Account Policies

Basis of Presentation

The schedule of expenditures of federal awards includes federal grant transactions of the College recorded on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

B. Federal Perkins Loan Program

The College administers the following loan program:

	<u>CFDA Number</u>	<u>Outstanding Balance at June 30, 2000</u>
Federal Perkins Loan Program	84.038	\$172,642

Total loan expenditures and disbursements of the Department of Education student financial assistance program for the fiscal year are identified below:

	<u>CFDA Number</u>	<u>Disbursements</u>
Federal Perkins Loan Program	84.038	\$ 36,525

The above expenditures for the Federal Perkins Loan Program include disbursements and expenditures such as loans to students and administrative expenditures. The Schedule of Expenditures of Federal Awards only includes administrative expenditures, if any, of the loan program.

Lake County Community College District

Schedule of Expenditures of Federal Awards (continued)

C. Federal Family Loan Program

During the fiscal year ending June 30, 2000, the College processed the following amount of new loans under the Federal Family Loan Program (which includes Stafford Loans and Parents' Loans for Undergraduate Students):

	<u>CFDA Number</u>	<u>Loans Processed</u>
Federal Family Loan Program	84.032	\$ 1,141,526

D. Nursing Student Loan Program

The College administers the following federal loan program:

	<u>CFDA Number</u>	<u>Outstanding Balance at June 30, 2000</u>
Nursing Student Loan Program	93.364	\$ 97,697

Total loan expenditures and disbursements of the Department of Health and Human Services student financial assistance programs for the fiscal year are identified below:

	<u>CFDA Number</u>	<u>Disbursements</u>
Nursing Student Loan Program	93.364	\$ 22,536

The above expenditures for the Nursing Student Loan Program include disbursements and expenditures such as loans to students and administrative expenditures. The Schedule of Expenditures of Federal Awards only includes administrative expenditures, if any, of the loan program.



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

Board of Trustees
Lake County Community College District

We have audited the financial statements of the Lake County Community College District (the College) as of and for the year ended June 30, 2000 and have issued our report thereon dated August 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated August 24, 2000.

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

Ernst & Young LLP

August 24, 2000

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

Board of Trustees
Lake County Community College District

Compliance

We have audited the compliance of Lake County Community College District (the College) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to its major federal program for the year ended June 30, 2000. The College's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program are the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over compliance that we have reported to management in a separate letter dated August 24, 2000.

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

Ernst & Young LLP

August 24, 2000

Lake County Community College District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2000

Part I—Summary of Auditor’s Results

Financial Statement Section

Type of auditor’s report issued:		<u>Unqualified Opinion</u>		
Internal control over financial reporting:				
Material weakness(es) identified?	<u> </u> yes	<u> ✓ </u> no		
Reportable condition(s) identified not considered to be material weaknesses?	<u> </u> yes	<u> ✓ </u> none noted		
Noncompliance material to financial statements noted?	<u> </u> yes	<u> ✓ </u> no		

Federal Awards Section

Dollar threshold used to determine Type A programs:		<u>\$300,000</u>		
Auditee qualified as low-risk auditee?	<u> ✓ </u> yes	<u> </u> no		
Type of auditor’s report on compliance for major programs:		<u>Unqualified Opinion</u>		

Lake County Community College District

Schedule of Findings and Questioned Costs (continued)

Part I—Summary of Auditor’s Results (continued)

Internal Control over compliance:

Material weakness(es) identified?	_____	yes	_____	✓	no
Were reportable condition(s) identified not considered to be material weakness(es)?	_____	yes	_____	✓	none noted
Any audit findings disclosed that are required to be reported in accordance with Circular A-133?	_____	yes	_____	✓	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063	Student Financial Aid Cluster
84.003	
84.007	
84.038	
84.032	
93.364	

Lake County Community College District

Schedule of Findings and Questioned Costs (continued)

Part II—Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

None.

Part III—Schedule of Federal Award Findings and Questioned Costs

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by Circular A-133 Section .510.

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

LAKE COUNTY COMMUNITY COLLEGE DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 14, 2000**