

Lorain County Community College

Single Audit

July 1, 2003 through June 30, 2004

Fiscal Year Audited Under GAGAS: 2004

**BALESTRA, HARR & SCHERER, CPAs, INC.**

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

---

Telephone (740) 289-4131

Fax (740) 289-3639

[www.bhscpas.com](http://www.bhscpas.com)





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Lorain County Community College  
1005 N. Abbe Rd.  
Elyria, OH 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, 2003 through June 30, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 13, 2005

**This Page is Intentionally Left Blank.**

LORAIN COUNTY COMMUNITY COLLEGE

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants .....	1
Management ' s Discussion and Analysis .....	3
Basic Financial Statements:	
Statement of Net Assets .....	7
Statement of Revenues, Expenses and Changes in Net Assets .....	8
Statement of Cash Flows .....	9
Notes to Financial Statements .....	11
Schedule of Federal Awards Expenditures .....	27
Notes to Schedule of Federal Awards Expenditures .....	28
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	29
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	30
Schedule of Findings & Questioned Costs OMB Circular A-133 Section .505 .....	32
Schedule of Prior Year Findings.....	34

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

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

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**REPORT OF INDEPENDENT ACCOUNTANTS**

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Lorain County Community College (the College), as of and for the year ended June 30, 2004, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Lorain County Community College Foundation which is the only discretely presented component unit of the College. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the discretely presented component unit is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2004 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

As described in Note 2 to the basic financial statements, the College implemented Governmental Accounting Standards Board Statement Number 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14 (May 2002)*.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.  
December 16, 2004

# LORAIN COUNTY COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Introduction

The following discussion and analysis provides an overview of the financial position of Lorain County Community College (the College) for the year ended June 30, 2004. 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 15 community colleges in Ohio. Located in the City of Elyria, with an off-campus facility in Lorain (St. Joseph's Learning Center), the College is a local institution. A majority of the College's students commute daily from their homes in Lorain County and the surrounding counties.

### Using the Annual Financial Report

The College's financial report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with accounting principles promulgated by the Governmental Accounting Standards Board (GASB). In 2002, the College adopted GASB Statement No. 35, *Basic Financial Statements- and Management's Discussion and Analysis- for Public Colleges and Universities*. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the College as whole, with resources classified into four net asset categories. Previously, financial statements focused on the accountability of individual fund groups rather than on the College as a whole. The College adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14 (May 2002)*, in the current year which resulted in the College including the Lorain County Community College Foundation as a discretely presented component unit in its basic financial statements.

### Statement of Net Assets

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

A summary of the College's assets, liabilities, and net assets at June 30, 2004 and 2003 is as follows:

	<u>2004</u>	<u>2003</u>
Current assets	\$ 40,506,210	\$ 26,368,741
Noncurrent assets:		
Capital assets, net	49,492,474	51,616,515
Other	<u>804,667</u>	<u>1,009,065</u>
Total assets	\$ 90,803,351	\$ 78,994,321
Current liabilities	13,952,993	12,570,790
Noncurrent liabilities	<u>7,925,194</u>	<u>2,400,074</u>
Total liabilities	\$ 21,878,187	\$ 14,970,864
Net assets	\$ <u>68,925,164</u>	\$ <u>64,023,457</u>



Current assets consist primarily of cash, operating investments, accounts receivable, inventories, and prepaid expenses. Current liabilities consist primarily of accounts payable, accrued payroll liabilities, and deferred income. The College's current ratio (current assets divided by current liabilities) of 2.9 indicates that current assets are more than adequate to cover current liabilities as they become due.

Lorain County Community College's financial position, as a whole, improved during the fiscal year ending June 30, 2004. Net Assets increased by \$4,901,707 or 7.7% over the previous year. Capital Assets decreased by \$2,124,041 (about 4.1%) due to normal depreciation and disposal of assets. Current Assets increased by \$14,137,469 or 53.6% due to the proceeds from the issuance of \$7.16 million debt, a reduction in capital project expenditures from the previous year, and increases in plant fund revenues. Noncurrent Liabilities increased \$5,525,120 or 330.2% due to the issuance of \$7.16 million in new debt and retirement of \$1.64 million in current debt.

Overall, the Lorain County Community College Foundation's total assets increased by \$1.4 million and net assets increased by \$1.6 million mainly due to an increase in the value of its investments of \$2 million.

### **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 \$1.4 million in 2004. Capital additions included construction, repair and renovation of existing facilities, and acquisition of equipment. Current year capital asset additions were funded primarily by capital appropriations from local appropriations and from the State of Ohio.

Notes payable totaled \$9.6 million at June 30, 2004. Of these notes \$7.16 million were issued during the current years to finance construction or 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, 2004, the College's viability ratio was 7.1. For more information regarding the College's capital assets and long term debt, see Notes 7 and 8 to the basic financial statements, respectively.

### **Net Assets**

Net assets represent the residual interest in the College's assets after liabilities are deducted. The College's net assets at June 30, 2004 and 2003 are summarized as follows:

	<b><u>2004</u></b>	<b><u>2003</u></b>
Invested in capital assets, net of related debt	\$ 47,092,400	\$ 47,664,352
Restricted – expendable	3,925,876	4,265,902
Unrestricted	<u>17,906,888</u>	<u>12,093,203</u>
Total net assets	<u>\$ 68,925,164</u>	<u>\$ 64,023,457</u>

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

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

Invested in capital assets, net of related debt, decreased by \$571,952 (about 1.2%) due to normal depreciation and disposal of assets. Restricted Net Assets decreased by \$340,026 or 8.0% due to an increase in state expenditures for Enterprise Ohio training programs; and Unrestricted Assets increased by \$5,813,685 or 4.8%. This increase is attributed to an increase in enrollment, a reduction in major capital project expenses, and an increase in government supported capital grants.

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

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. As a public institution, the College's dependency on State aid results in an operating deficit because the financial reporting model classifies State appropriations as nonoperating revenue. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Summarized revenues, expenses, and changes in net assets for the year ended June 30, 2004 and 2003 are as follows:

<b>Revenues</b>	<b>FY2004</b>	<b>FY2003</b>
Operating Revenues:		
Student Tuition and Fees, Net	\$ 11,368,524	\$ 9,733,285
Federal Grants and Contracts	1,522,342	1,226,461
State Grants and Contracts	8,842,154	2,184,530
Local Grants and Contracts	404,606	466,958
Private Grants and Contracts	3,723,272	3,748,128
Sales and Services	743,999	808,930
Auxiliary Enterprises	5,670,880	5,554,954
Other Sources	697,086	573,575
Total Operating Revenues	<u>32,972,863</u>	<u>24,296,821</u>
<b>Expenses</b>		
Operating Expenses:		
Instruction	19,812,872	18,877,062
Public Service	17,382,996	9,941,756
Academic Support	3,329,835	3,350,693
Student Services	4,575,937	4,332,025
Institutional Support	6,473,706	5,482,893
Operation and Maintenance of Plant	3,926,736	3,722,059
Scholarships and Fellowships	8,781,495	7,040,653
Auxiliary Enterprises	5,093,366	5,047,368
Other	1,126,632	6,464,217
Depreciation	3,408,313	2,717,952
Total Operating Expenses	<u>73,911,888</u>	<u>66,976,678</u>
Operating Loss	<u>(40,939,025)</u>	<u>(42,679,857)</u>
<b>Nonoperating Revenues (Expenses)</b>		
State Share of Instruction	14,558,662	14,122,114
State Appropriations	4,415,675	2,937,552
Local Appropriations	13,689,044	13,430,599
Federal Grants and Contracts	11,793,642	10,029,968
State Grants and Contracts	1,373,802	1,419,670
Gifts	24,078	245,383
Investment Income	222,293	212,683
Interest on Debt	(174,164)	(217,732)
Loss on Disposal of Assets	(80,397)	-
Other Nonoperating Revenues (Expenses)	18,097	(18,574)
Net Nonoperating Revenues	<u>45,840,732</u>	<u>42,161,663</u>
Increase (Decrease) in Net Assets	4,901,707	(518,194)
<b>Net Assets</b>		
Net Assets at Beginning of Year	64,023,457	64,541,651
Net Assets at End of Year	<u>\$ 68,925,164</u>	<u>\$ 64,023,457</u>

The most significant sources of operating revenues for the College are student tuition and fees (\$11.4 million), grants and contracts (\$14.5) million, and auxiliary services (\$5.7 million).

Operating expenses include the costs of instruction, public service, general administration, utilities, libraries, and auxiliary services. Operating expenses also include depreciation of \$3.4 million.

Sources of nonoperating revenue include State share of instruction (\$14.6 million), local appropriations (\$13.7 million), federal grants and contracts (\$11.8 million), and state appropriations of (\$1.4 million).

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

- The Board of Trustees approved a 4% increase in tuition effective for Summer Semester 2003.
- For the Academic Year 2003-2004, the College experienced an enrollment increase of 9%.
- There was an increase in State grant pass-through revenues for Enterprise Ohio Training. The College serves as fiscal agent for the State of Ohio.

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

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

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

- Federal Grants for PELL and FFEL increased significantly related to increases in enrollment.
- State appropriations increased by 6.4% over last year.

The Lorain County Community College Foundation's total revenues increased \$1.2 million mainly due to an increase in investment income of \$2 million.

### **Statement of Cash Flows**

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing and related investing activities, and helps measure the ability to meet financial obligations as they mature. A summary of the statement of cash flows for the year ended June 30, 2004 and 2003 is as follows:

Net cash provided (used) by:	<b><u>2004</u></b>	<b><u>2003</u></b>
Operating activities	\$ (37,158,409)	\$ (37,325,038)
Noncapital financing activities	37,745,442	39,862,500
Capital financing activities	12,417,251	2,020,801
Investing activities	<u>222,293</u>	<u>7,023,160</u>
Net increase in cash	\$ 13,226,577	\$ 11,581,423
Cash at beginning of year	<u>12,237,241</u>	<u>655,818</u>
Cash at end of year	\$ <u>25,463,818</u>	\$ <u>12,237,241</u>

Major sources of cash included state appropriations (\$14.6 million), local appropriations (\$6.8 million), student tuition and fees (\$11.6 million), grants and contracts (\$24.2 million), issuance of bonds (\$7.16 million), and capital appropriations (\$8.3 million). The largest payments were for employees (\$36.7 million) and suppliers of goods and services (\$25.0 million).

The most significant change in the statement of cash flows was due to proceeds of \$7.16 million from the issuance of general revenue bonds. Other revenues increases occurred in State grants and support. Also, capital equipment and project expenditures declined over the previous year.

## **Operating Highlights**

During fiscal year 2004, the State of Ohio announced cuts in higher education support of 4%. However, the State Share of Instruction – the main subsidy that supports colleges and universities - was exempted from the cuts. Over the past four years, the College has experienced six state budget reductions totaling nearly \$3 million. In this past fiscal year the College implemented cost cutting measures to offset significant increases in health insurance costs that grew by 46% over the prior year.

In March 2004 the College issued nearly \$7.16 million in General Receipts Bonds for the purpose of building the Great Lakes Business Growth and Development Center and making other capital improvements to the campus. The bonds will mature over the next 20 years. In anticipation of the bond issuance, the College pursued its first bond rating. Moody's rated the College A2.

## **Looking Ahead**

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.

Paramount to the College's continuing success is its continual accreditation by the North Central Association, which awarded Lorain County Community College a ten-year renewal with enthusiasm and without condition in 1999.

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. In November the college will ask the Lorain County voters to replace and increase its University Partnership Levy from 1.2 mills to 1.5 mills. The College continues its commitment to quality education, to confront new challenges, and to meet the needs of its constituents.

Another critical element to the College's future is its relationship with the State of Ohio. There is a direct relationship between the level of State support and the College's ability to control tuition growth, as declines in State appropriations generally result in increased tuition levels. The State's capital appropriations continue to support construction and renovation of the College's facilities. Economic pressures affecting 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 these economic uncertainties since it has strong local financial support.

**Lorain County Community College**  
**Statement of Net Assets**  
**June 30, 2004**

	Primary Institution	Component Unit
	Lorain County Community College	Lorain County Community College Foundation
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 25,463,818	\$ 117,179
Investments	-	15,180,146
Accounts Receivable, Net	7,112,225	160
Unbilled Charges	6,977,629	-
Unconditional Promises to Give	-	413,500
Prepaid Expenses and Deferred Charges	180,044	7,227
Inventories, Lower of Cost or Market	772,494	-
Other Assets	-	48,000
Total Current Assets	40,506,210	15,766,212
Noncurrent Assets:		
Pledges Receivable	589,454	-
Unconditional Promises to Give	-	1,277,526
Notes Receivable, Net	215,213	-
Capital Assets, Net	49,492,474	22,766
Total Noncurrent Assets	50,297,141	1,300,292
Total Assets	\$ 90,803,351	\$ 17,066,504
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 1,325,159	\$ 54,359
Accrued Liabilities	3,970,319	182,408
Accrued Interest Payable	45,006	-
Deferred Revenue	6,977,629	-
Long-Term Liabilities - Current Portion	1,634,880	-
Total Current Liabilities	13,952,993	236,767
Noncurrent Liabilities:		
Long-Term Liabilities	7,925,194	592,574
Total Noncurrent Liabilities	7,925,194	592,574
Total Liabilities	21,878,187	829,341
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	47,092,400	22,766
Restricted:		
Nonexpendable	-	13,792,022
Expendable	3,925,876	1,737,140
Unrestricted:		
Appropriated	5,742,290	-
Unappropriated	12,164,598	685,235
Total Net Assets	\$ 68,925,164	\$ 16,237,163

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

**Lorain County Community College**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Year Ended June 30, 2004**

	Primary Institution	Component Unit
	Lorain County Community College	Lorain County Community College Foundation
<b>Revenues</b>		
Operating Revenues:		
Student Tuition and Fees, Net	\$ 11,368,524	\$ -
Federal Grants and Contracts	1,522,342	-
State Grants and Contracts	8,842,154	-
Local Grants and Contracts	404,606	-
Private Grants and Contracts	3,723,272	-
Contributions and Fundraising	-	943,108
Sales and Services	743,999	-
Auxiliary Enterprises	5,670,880	-
Other Sources	697,086	43
Total Operating Revenues	32,972,863	943,151
<b>Expenses</b>		
Operating Expenses:		
Instruction	19,812,872	-
Public Service	17,382,996	-
Academic Support	3,329,835	-
Student Services	4,575,937	-
Institutional Support	6,473,706	591,708
Operation and Maintenance of Plant	3,926,736	-
Scholarships and Fellowships	8,781,495	557,834
Auxiliary Enterprises	5,093,366	-
Other	1,126,632	169,105
Depreciation	3,408,313	9,349
Total Operating Expenses	73,911,888	1,327,996
Operating Loss	(40,939,025)	(384,845)
<b>Nonoperating Revenues (Expenses)</b>		
State Share of Instruction	14,558,662	-
State Appropriations	4,415,675	-
Local Appropriations	13,689,044	-
Federal Grants and Contracts	11,793,642	-
State Grants and Contracts	1,373,802	-
Gifts	24,078	-
Investment Income	222,293	2,024,189
Interest on Debt	(174,164)	-
Loss on Disposal of Assets	(80,397)	-
Other Nonoperating Revenues (Expenses)	18,097	-
Net Nonoperating Revenues	45,840,732	2,024,189
Increase (Decrease) in Net Assets	4,901,707	1,639,344
<b>Net Assets</b>		
Net Assets at Beginning of Year	64,023,457	14,597,819
Net Assets at End of Year	\$ 68,925,164	\$ 16,237,163

*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, 2004**

	<u>Primary Institution</u> <u>Lorain County Community College</u>
<b>Cash Flows from Operating Activities</b>	
Tuition and Fees	\$ 11,585,872
Grants and Contracts	10,495,248
Payments to or On Behalf of Employees	(36,662,804)
Payments to Vendors	(25,044,860)
Auxiliary Enterprises	973,034
Other Receipts	1,495,101
Net Cash Used by Operating Activities	<u>(37,158,409)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
State Share of Instruction	14,558,662
State Appropriations	2,699,631
Local Appropriations	6,760,517
Grants and Contracts	13,708,535
Cash Provided by Federal Family Education Loans	4,519,383
Cash Used by Federal Family Education Loans	(4,519,383)
Cash Provided by Agency Fund Activities	130,604
Cash Used by Agency Fund Activities	(112,507)
Net Cash Flows Provided by Noncapital Financing Activities	<u>37,745,442</u>
<b>Cash Flows from Capital Financing Activities</b>	
Capital Appropriations - State and Local	8,252,070
Purchases of Capital Assets	(1,242,343)
Sales of Capital Assets	14,952
Proceeds from Bond Issue	7,160,000
Principal Paid on Capital Debt and Leases	(1,552,089)
Interest Paid on Capital Debt and Leases	(215,339)
Net Cash Used by Capital Financing Activities	<u>12,417,251</u>
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	222,293
Net Cash Provided by Investing Activities	<u>222,293</u>
Net Increase in Cash	13,226,577
Cash at Beginning of Year (Restated - See Note 3)	12,237,241
Cash at End of Year	<u>\$ 25,463,818</u>

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

**Lorain County Community College**  
**Lorain County, Ohio**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2004**  
**(Continued)**

**Reconciliation of Net Operating Loss to Cash Used by Operating Activities**

Operating Loss	\$	(40,939,025)
Adjustments:		
Depreciation Expense		3,408,313
Changes in Assets and Liabilities:		
Accounts Receivables		(372,561)
Unbilled Charges		(502,184)
Notes Receivables		4,398
Inventories		(42,832)
Prepaid Expenses and Deferred Charges		6,685
Accrued Liabilities		560,618
Accounts Payable		215,995
Deferred Revenue (Tuition Income)		502,184
Cash Used by Operating Activities	\$	<u><u>(37,158,409)</u></u>

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



## LORAIN COUNTY COMMUNITY COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2004

#### 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 component unit of the State of Ohio. The College is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

Lorain County Community College Foundation (Foundation) is a legally separate, tax-exempt organization supporting Lorain County Community College. The Foundation was established to foster excellence in teaching and learning by encouraging philanthropic support for students, faculty, programs and facilities of the College. Because the majority of the distribution of the resources held by the Foundation are received by the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. See Note 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 No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net asset categories:

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

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

##### Summary of Significant Accounting Policies

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

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

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

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

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

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

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

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

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

**Compensated Absences**

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE**

The College implemented Governmental Accounting Standards (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14 (May 2002)*, for the fiscal year ended June 30, 2004. As a result of the implementation of GASB Statement No 39, the College now includes the Lorain County Community College Foundation as a discretely presented component unit in the College's financial statements.

## LORAIN COUNTY COMMUNITY COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2004

#### **NOTE 3 – RESTATEMENT OF CASH**

For the year ended June 30, 2003, cash was restated to reflect the total investment and cash balances as cash and cash equivalents beginning July 1, 2003.

#### **NOTE 4 – CASH AND INVESTMENTS**

##### Legal Requirements

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

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

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

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

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

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

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 4 – 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 \$7,000 in undeposited cash on hand, which is included on the Statement of Net Assets of the College as part of cash.

At year end, the carrying amount of the College's deposits was \$12,969,964 and the bank balance was \$15,000,463. On the bank balance:

1. \$ 300,000 was covered by federal depository insurance.
2. \$ 14,700,463 was uninsured and collateralized as defined by the Governmental Accounting Standards Board in that the collateral was pooled rather than held in the College's name.

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

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

The College's investment in STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

**RISK CATEGORY**

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase Agreement	-	-	\$ 1,017,356	\$ 1,017,356	\$ 1,017,356
STAROhio	-	-	-	<u>11,469,498</u>	<u>11,469,498</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,356</u>	<u>\$12,486,854</u>	<u>\$ 12,486,854</u>

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 4 – CASH AND INVESTMENTS (Continued)**

The classification of cash and cash equivalents and investments on the Statement of Net Assets is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. A reconciliation between the classifications of cash and cash equivalents and investments on the Statement of Net Assets and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash & Cash Equivalents	Investments
GASB 9 Balances	\$25,463,818	\$0
Cash on Hand	(7,000)	0
Repurchase Agreement	(1,017,356)	1,017,356
STAROhio	(11,469,498)	11,469,498
GASB 3	\$12,969,964	\$12,486,854

**NOTE 5 – RECEIVABLES**

The composition of accounts receivable at June 30, 2004 is summarized as follows:

	2004
Student accounts	\$ 3,303,288
Local appropriations	3,618,670
Grants	2,548,146
Other	634,784
Total accounts receivable	10,104,888
Less allowance for uncollectable accounts	(2,992,663)
Accounts receivable – net	\$ 7,112,225

Pledges receivable applies to contributions receivable as of June 30, 2004 pertaining to the naming of a facility. These receivables are deemed to be fully collectible by management.

**NOTE 6 – 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.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 6 – STATE SUPPORT (Continued)**

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 7 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2004 is summarized as follows:

	Beginning		Retirements and		Ending
	<u>Balance</u>	<u>Additions</u>	<u>Reclassified</u>		<u>Balance</u>
Non-Depreciable Capital Assets:					
Land	\$ 1,414,863	\$ 0	\$ 0		\$ 1,414,863
Construction in Progress	<u>289,393</u>	<u>578,446</u>	<u>(147,450)</u>		<u>720,389</u>
Total Non-Depreciable Capital Assets	<u>1,704,256</u>	<u>578,446</u>	<u>(147,450)</u>		<u>2,135,252</u>
Depreciable Capital Assets:					
Improvements	18,035,132	178,104	22,025		18,235,261
Buildings	68,210,590	220,558	107,895		68,539,043
Equipment	<u>10,728,967</u>	<u>387,561</u>	<u>(722,561)</u>		<u>10,393,967</u>
Total Depreciable Capital Assets	<u>96,974,689</u>	<u>786,223</u>	<u>(592,641)</u>		<u>97,168,271</u>
Less Accumulated Depreciation:					
Improvements	(8,256,704)	(911,763)	0		(9,168,467)
Buildings	(31,347,728)	(1,755,813)	0		(33,103,541)
Equipment	<u>(7,457,998)</u>	<u>(740,737)</u>	<u>659,694</u>		<u>(7,539,041)</u>
Total Accumulated Depreciation	<u>(47,062,430)</u>	<u>(3,408,313)</u>	<u>659,694</u>		<u>(49,811,049)</u>
Depreciable Capital Assets, Net	<u>49,912,259</u>	<u>(2,622,090)</u>	<u>67,053</u>		<u>47,357,222</u>
Total Capital Assets, Net	<u>\$ 51,616,515</u>	<u>\$ (2,043,644)</u>	<u>\$ (80,397)</u>		<u>\$ 49,492,474</u>

**NOTE 8 – LONG-TERM DEBT**

Long-term debt activity for the year ended June 30, 2004 is summarized as follows:

	Beginning		New		Principal		Ending		Current
	<u>Balance</u>		<u>Debt</u>		<u>Repayment</u>		<u>Balance</u>		<u>Portion</u>
Tax Anticipation									
Notes Payable	\$ 2,855,000	\$ 0	\$ (1,390,000)	\$ 1,465,000	\$ 1,465,000		\$ 1,465,000		\$ 1,465,000
Energy Conservation Project	1,097,163	0	(162,089)	935,074	169,880		935,074		169,880
Bond Issue	<u>0</u>	<u>7,160,000</u>	<u>0</u>	<u>7,160,000</u>	<u>0</u>		<u>7,160,000</u>		<u>0</u>
Total debt	<u>\$ 3,952,163</u>	<u>\$ 7,160,000</u>	<u>\$ (1,552,089)</u>	<u>\$ 9,560,074</u>	<u>\$ 1,634,880</u>		<u>\$ 9,560,074</u>		<u>\$ 1,634,880</u>

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 8 – LONG-TERM DEBT (Continued)**

During fiscal year 2004, the Lorain County Community College issued \$7.16 million in general receipt bonds to finance the building of the Business Growth and Development Center. The College has recorded a long-term liability in that amount as of June 30, 2004. The interest rate is 3.99%, and the bonds will be repaid over a period of 20 years. None of the proceeds from the issuance of bonds were spent as of June 30, 2004.

The College has two other general debt issues outstanding. The tax anticipation notes relate to the construction of the University Partnership Center. This note has an interest rate of 4.8% and final payment is due in December of 2004. The College also has energy conservation project notes outstanding related to the H.B. 7 Energy Conservation project. These notes were issued in fiscal year 1999, have an interest rate of 4.75% and mature in fiscal year 2009.

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

Year Ended June 30:	Anticipation Notes Payable		Energy Conservation Notes Payable		General Obligation Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,465,000	\$ 29,300	\$ 169,880	\$ 42,424	\$ 0	\$ 286,540
2006	0	0	178,045	34,259	275,000	235,011
2007	0	0	186,603	25,701	275,000	230,680
2008	0	0	195,573	16,732	285,000	225,579
2009	0	0	204,973	7,331	290,000	220,328
2010-14	0	0	0	0	1,550,000	984,356
2015-19	0	0	0	0	1,815,000	707,679
2020-24	0	0	0	0	2,180,000	331,807
2025	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>490,000</u>	<u>10,106</u>
Total	\$ <u>1,465,000</u>	\$ <u>29,300</u>	\$ <u>935,074</u>	\$ <u>126,447</u>	\$ <u>7,160,000</u>	\$ <u>3,232,086</u>

**NOTE 9 – GOVERNMENT LOAN ADVANCES**

Fund balances related to the National Direct Student Loan and other federal programs principally represent advances which are ultimately refundable to the federal government. The records of the College indicate the last National Direct Student Loan advances were in fiscal year 1975-76, with loans aggregating \$444,978 that have been made to 1,041 students since the establishment of the program at the College. On June 30, 2004 approximately 2.5% of student loans receivable in repayment status were in default ranging from 2 1/2 years to over ten years past due.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 10 – RETIREMENT PLANS**

State Teachers Retirement System (STRS)

The College contributes to the State Teachers Retirement System Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614)227-4090 or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The College's total payroll for the year ended June 30, 2004 was \$29,100,145; the payroll for covered employees was \$12,968,613. The required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$2,009,187, \$1,924,375, and \$1,629,301, from the College and \$1,439,975, \$1,321,663, and 1,125,494 respectively from employees.

Ohio Public Employees Retirement System (OPERS)

All employees other than certified employees participate in the Ohio Public Employees Retirement System. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The Traditional Pension Plan (TP) is a cost-sharing multiple-employer defined benefit pension plan. The Member-Directed Plan (MD) is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The Combined Plan (CO) is a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan. OPERS provides retirement and disability, survivor and death benefits and annual cost of living adjustments to the Traditional Plan and Combined Plans. Members of the Member-Director Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

OPERS issues a stand alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Covered employees are required by the System's Retirement Board to contribute 8.5% of their salary to the plan. The employer contribution rate was 13.55% for fiscal year 2004, of which 8.44% was used to fund pension obligations, with the balance being applied towards the health care program for retirements. The College's total payroll for covered employees was \$ 13,844,796. The College's 2004 total contribution was \$ 1,176,810.

The contribution requirement to fund the pension obligation for the year ended June 30, 2004, 2003 and 2002 were \$3,052,764, \$3,09,267 and \$2,169,964 which consisted of \$1,176,810, \$1,910,673 and \$1,081,133 from the College and \$1,875,923, \$1,198,593 and \$1,088,831 from the employees which met the required percentages. The College's 2004 contribution represented .09% of total contributions required of all participating entities.



**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 10 – RETIREMENT PLANS (Continued)**

Alternative Retirement Plan

The College also offers eligible employees an alternative retirement program. The College is required to contribute to STRS 3.5% of earned compensation for those employees participating in the alternative retirement program. The College's contribution for the year ended June 30, 2004 was \$4,288, which equals 3.5% of earned compensation.

**NOTE 11 – POST-EMPLOYMENT BENEFITS**

The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the Ohio Public Employees Retirement System (OPERS).

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the College, this amount equaled \$583,588 during the 2004 fiscal year. The balance in the Health Care Reserve Fund was \$3.011 billion at June 30, 2003. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000. There were 108,294 eligible benefit recipients.

Ohio Public Employees Retirement System administers three separate pension plans: The Traditional Pension Plan (TP) is a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) is a defined contribution plan; and the Combined Plan (CO) is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio Service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2002 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00 annually.

OPEBs are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The College's contribution to fund postemployment benefits was \$434,243.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)**

\$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care Choices Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired in an OPERS covered-position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggest, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year cliff eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a spending account feature, enabling the benefit recipient to apply his or her allowance toward specific medical expenses, much like a Medical Spending Account.

**NOTE 12 – 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 Current Fund or other applicable funds. 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, 2004.

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 13 - CONTRIBUTION RECEIVABLE**

Contribution receivable as of June 30, 2004, represents an unrestricted conditional promises to give, pertaining to the naming of a facility. This is to be received by the College for years subsequent to June 30, 2004, and are deemed to be fully collectible by management.

Receivable in less than one year	\$ 200,000
Receivable in one to ten years	<u>389,454</u>
Total contributions receivable	<u>\$ 589,454</u>

The conditional promises to give is reflected at the present value of estimated future cash flows using a discount rate of 0.75%.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 14 - LEASES**

The College has entered into various lease agreements, which are considered operating leases. Total rental expense under operating leases during the year ended June 30, 2004 amount to \$91,591.

Future minimum lease payments as of June 30, 2004 under all capital and operating leases, are as follows:

<u>Year Ending June 30</u>	<u>Operating Leases</u>
2005	\$ 105,276
2006	110,751
2007	<u>115,571</u>
Total minimum lease payments	\$ <u>331,598</u>

**NOTE 15 - 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 \$610,646 at June 30, 2004 is recorded as part of accrued liabilities in the Statement of Net Assets and is based on the requirements of GASB Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

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

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2002	\$409,359	\$1,734,875	\$1,740,994	\$403,240
2003	403,240	1,701,035	1,621,495	482,780
2004	482,780	2,593,141	2,465,275	610,646

**NOTE 16 – SUBSEQUENT EVENTS**

On November 2, 2004, the College passed a 1.5 mill tax levy pursuant to the provisions of Section 3354.12 of the Ohio Revised Code, for the purposes of paying operating costs and improvements to property. The levy was passed for a ten year period commencing in 2004, first due in calendar year 2005.

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 17 – COMPONENT UNIT DISCLOSURES – LORAIN COUNTY COMMUNITY COLLEGE  
FOUNDATION**

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

**Nature of Activities**

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

**Basis of Accounting**

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

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in Its Statement of Financial Accounting Standards (SFAS) No 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

With the exceptions of the necessary presentation adjustments to conform to the College's GASB reporting format, no modifications have been made to the Foundation's financial information in the College's report.

**Cash and Cash Equivalents**

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**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 is generally five years. The Foundation capitalizes all long-lived assets that cost more than \$500 and have a useful life in excess of one year. Depreciation expense for the year ended June 30, 2004, was \$9,349. Accumulated depreciation at June 30, 2004 was \$59,483.

**Donated Services**

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation..

**Unrestricted Net Assets**

Net assets not subject to donor-imposed stipulations. This category includes net assets designated by the Board.

**Temporarily Restricted Net Assets**

Net assets subject to donor imposed stipulations that may or will be met by actions of the Board/Organization and/or the passage of time

LORAIN COUNTY COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004

**NOTE 17 – COMPONENT UNIT DISCLOSURES – LORAIN COUNTY COMMUNITY COLLEGE  
FOUNDATION (Continued)**

**Permanently Restricted Net Assets**

Net assets subject to donor-Imposed stipulations that they be maintained permanently by the Organization.

**Administration Fee**

The Foundation allocates a 0.9% administration fee on temporarily and permanently restricted net assets, excluding unconditional promises to give, to provide for indirect program, management and general, and fundraising expenses. The total amount charged to net assets related to this fee was \$116,143 for the year ended June 30, 2004.

**Functional Allocation of Expenses**

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

**NOTE B - TAXES**

The Foundation is exempt from income taxes under Section 501 (c)(3) as a Non-Governmental, Non Profit entity 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 1 70(b)(1)(A)(vi).

**NOTE C - CHARITABLE REMAINDER UNITRUSTS**

The Foundation was named co-beneficiary of three charitable remainder unitrusts. Despite the fact the trusts are irrevocably funded, no amounts have been recorded in the accompanying financial statements, as the naming and changing of the charities in each trust are revocable by the trustees.

The Foundation has a charitable gift annuity agreement with a donor. The Foundation was named as trustee and beneficiary. At June 30, 2004 the related asset is included in investments in the accompanying financial statements.

**NOTE D - INVESTMENTS**

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

	<u>June 30, 2004</u>	
	<u>Cost</u>	<u>Fair Value</u>
Common equity securities	\$ 906,331	\$ 1,732,157
Mutual equity funds	8,095,256	9,433,703
Mutual bond funds	3,411,687	3,304,280
Cash and cash equivalents	<u>710,006</u>	<u>710,006</u>
	<u>\$13,123,280</u>	<u>\$ 15,180,146</u>

Investment income for the years ended June 30, 2004 consisted of the following:

	<u>2004</u>
Interest and dividends	\$ 296,732
Net gains (losses)	1,786,341
Management fees	<u>( 58,884)</u>
Total investment income (loss)	<u>\$2,024,189</u>

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 17 – COMPONENT UNIT DISCLOSURES – LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION (Continued)**

**NOTE E - PROMISES TO GIVE**

Unconditional promises to give at June 30, 2004 are as follows:

	<u>2004</u>
Receivable in less than one year	\$ 413,500
Receivable in one to five years	1,243,000
Receivable after five years	<u>50,000</u>
Total unconditional promises to give	1,706,500
Less discounts to present value	<u>( 15,474)</u>
Net unconditional promises to give	\$ <u>1,691,026</u>

The discount rate used on long-term promises to give was 0.50% at June 30, 2004.

**NOTE F - ENGINEERING BUILDING SUPPORT PAYABLE**

The Foundation has committed to funding support for the College's engineering building. The following payments due under this commitment for the year ended June 30, 2004 are as follows:

	<u>2004</u>
Payable In less than one year	\$ 150,000
Payable In one to five years	600,000
Payable after five years	<u>0</u>
Total committed support payable	750,000
Less discounts to present value	<u>( 7,426)</u>
Net engineering building support payable	\$ <u>742,574</u>

The discount rate used on long-term support payable was 0.50% at June 30, 2004.

**NOTE G - TEMPORARILY RESTRICTED NET ASSETS**

Net assets as of June 30, 2004 were temporarily restricted for the following purposes:

	<u>2004</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$ 192,596
Scholarships	<u>1,544,544</u>
Total temporarily restricted net assets	\$ <u>1,737,140</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended June 30, 2004:

	<u>2004</u>
Support of the College faculty, programs, facilities and Foundation's operation	\$ 193,614
Scholarships	473,840
Collection of unrestricted promises to give	<u>0</u>
Total restrictions released	\$ <u>667,454</u>

**NOTE H - PERMANENTLY RESTRICTED NET ASSETS**

Net assets as of June 30, 2004 were permanently restricted for the following purposes:

	<u>2004</u>
Support of the College's faculty, programs, and facilities	\$ 1,638,815
Scholarships	9,093,098
Operations and general support	<u>2,997,109</u>
Total permanently restricted net assets	\$ <u>13,729,022</u>

**LORAIN COUNTY COMMUNITY COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2004**

**NOTE 17 – COMPONENT UNIT DISCLOSURES – LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION (Continued)**

Permanently restricted net asset investment income available for expenditure is limited to 4.5% of the trailing three year average of the permanently restricted net asset balance, with any excess invest income added to permanently restricted net assets. The Foundation's intent is that the spending policy and the administrative fee will result in long-term preservation of permanently restricted net asset corpus.

**NOTE I – CONCENTRATIONS**

The Foundation may, from time to time, maintain cash balances that exceed federal depository limits. At June 30, 2004, one donor's promise represented approximately 50% of the unconditional promises to give balance.

**NOTE J -RELATED PARTY**

As described In Note A, the Foundation is affiliated with the College. During the year ended June 30, 2004, the College provided the Foundation with professional services valued at \$139,627. The value of those services are included as contributions in the financial statement and expensed on a functional basis based on the type of service.

During the year ended June 30, 2004, the Foundation provided scholarships and support to the College of \$1,175,410.

At June 30, 2004 , amounts due to the College totaled \$759,706.

Lorain County Community College  
Lorain County, Ohio  
Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>United States Department of Education</b>			
<i>Direct from the Federal Agency</i>			
<i>Student Financial Aid Cluster:</i>			
Federal Work Study Program	P033A	84.033	\$139,031
Federal Pell Grant Program	P063P	84.063	7,138,128
<i>Total Student Financial Aid Cluster</i>			<u>7,277,159</u>
Undergraduate International Studies & Foreign Language Programs	P016A	84.016A	57,572
Fund for the Improvement of Postsecondary Education	P116Z	84.116Z	434,566
<i>Passed through the League for Innovation in the Community College</i>			
Vocational Education_National Centers for Career and Technical Education	V051B	84.051B	136,109
<i>Passed through the Ohio Department of Education</i>			
Vocational Education: Basic Grants to States	20C3	84.048	139,784
Tech Prep Education	3ETC	84.243	158,001
Improving Teacher Quality State Grants	TRSP	84.367	3,150
Subtotal			<u>300,935</u>
<b>Total United States Department of Education</b>			<u>8,206,341</u>
<b>United States Department of Housing and Urban Development</b>			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grants/Brownfields Economic Development	B-01-SP-OH-0496	14.246	68,448
<b>Total United States Department of Housing and Urban Development</b>			<u>68,448</u>
<b>United States Department of Labor</b>			
<i>Workforce Investment Act Cluster</i>			
<i>Passed through the Ohio Department of Education</i>			
WIA Adult Program	WFHS	17.258	31,894
<i>Passed through Lorain County</i>			
WIA Youth Activities	N	17.259	465,401
<i>Direct from the Federal Government</i>			
WIA Dislocated Workers	N/A	17.260	349,544
<i>Total Workforce Investment Act Cluster</i>			<u>846,839</u>
<b>Total United States Department of Labor</b>			<u>846,839</u>
<b>National Aeronautics and Space Administration</b>			
<i>Passed through the Paragon TEC</i>			
NASA Education Services Program	N	43.001	41,723
<b>Total National Aeronautics and Space Administration</b>			<u>41,723</u>
<b>National Science Foundation</b>			
<i>Direct from the Federal Agency</i>			
Education and Human Resources	N/A	47.076	49,385
<i>Passed through the Cleveland State University</i>			
Education and Human Resources	DUE-0101675	47.076	3,210
<b>Total National Science Foundation</b>			<u>52,595</u>
<b>United States Department of Health and Human Services</b>			
<i>Passed through the Workforce Institute of Lorain County</i>			
Temporary Assistance for Needy Families	N	93.558	3,120
<b>Total United States Department of Health and Human Services</b>			<u>3,120</u>
<b>Total Federal Financial Assistance</b>			<u>\$9,219,066</u>

NA - Direct from the federal government

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

See accompanying notes to the schedule of federal awards expenditures



**LORAIN COUNTY COMMUNITY COLLEGE**  
**LORAIN COUNTY**  
**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**June 30, 2004**

**NOTE 1 – BASIS OF PRESENTATION**

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

**NOTE 2 – FAMILY EDUCATION LOANS**

While not listed in the accompanying schedules, the College also participates in the Federal Family Education Loan Program, CFDA No. 84.032. The dollar amounts are not listed in the Schedule of Expenditures of Federal Awards, as the College is not the recipient of the funds. Such programs are considered as a component of the student financial assistance major program. New loans made to eligible students and families during the year ended June 30, 2004, totaled \$4,517,428.

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

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

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Lorain County Community College (the College) and its discretely presented component unit as of and for the year ended June 30, 2004, and have issued our report thereon dated December 16, 2004, in which we indicated the College adopted GASB Statement No. 39. We did not audit the financial statements of the Lorain County Community College Foundation which is included as a discretely presented component unit in the College's basic financial statements. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the Lorain County Community College Foundation, is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

**Compliance**

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

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.  
December 16, 2004

# BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

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

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

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

### **Compliance**

We have audited the compliance of Lorain County Community College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. Lorain County Community 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 is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, Lorain County Community College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

### **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 the internal control over compliance in accordance with OMB Circular A-133.

Board of Trustees

Lorain County Community College

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

Page 2

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 reportable 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 caused by error or fraud 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.

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

December 16, 2004

**LORAIN COUNTY COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 SECTION .505**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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

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

**LORAIN COUNTY COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 SECTION .505**  
**FOR THE YEAR ENDED JUNE 30, 2004**

---

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

Finding Number	None
----------------	------

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

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

LORAIN COUNTY COMMUNITY COLLEGE

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

FOR THE YEAR ENDED JUNE 30, 2004

---

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Internal Controls over Physical Inventory	Yes	
2003-002	Workforce Investment Act Dislocated Workers - Eligibility	Yes	







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
FEBRUARY 10, 2005**