Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

LORAIN COUNTY COMMUNITY COLLEGE
LORAIN COUNTY

Single Audit

For the Year Ended June 30, 2012
Fiscal Year Audited Under GAGAS: 2012

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

We have reviewed the *Independent Auditor's Report* of the Lorain County Community College, Lorain County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

January 16, 2013

This page intentionally left blank.

LORAIN COUNTY COMMUNITY COLLEGE
TABLE OF CONTENTS

This page intentionally left blank.

Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities of the Lorain County Community College, Lorain County, Ohio (the College), as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lorain County Community College Foundation Inc. which is the only discretely presented component unit of the College. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the 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 the Comptroller General of the United States' *Government Auditing Standards.* Those standards require that we plan and perform the audit to reasonably assure 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 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 Lorain County Community College, Lorain County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, 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 18, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

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

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
December 18, 2012

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Lorain County Community College (the College) for the year ended June 30, 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

Using the Annual Financial Report

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

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

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

Statement of Net Assets

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

A summary of the College's assets, liabilities, and net assets at June 30, 2012 and 2011 is as follows:

	2012	2011
Current assets	$ 81,663,480	$ 46,209,002
Noncurrent assets:		
Capital assets, net	153,677,433	124,134,303
Other	130,323	163,050
Total assets	$235,471,236	$170,506,355

Current liabilities	21,508,020	19,950,808
Noncurrent liabilities	69,860,652	6,268,405
Total liabilities	$ 91,368,672	$ 26,219,213
Net assets	$144,102,564	$144,287,142

Current assets consist primarily of cash, operating investments, accounts receivable, inventories, and prepaid expenses. Current liabilities consist primarily of accounts payable, accrued payroll liabilities, and deferred income. The College's current ratio (current assets divided by current liabilities) of 3.8 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, remained about the same during the fiscal year ended June 30, 2012. Net Assets decreased by $184,578 or 0.1% over the previous year. Capital Assets increased by $29,543,130 (about 23.8%) due to the construction of a new building. Current Assets increased by $35,454,478 or 76.7% primarily due to issuance of new debt. Noncurrent Liabilities increased $63,592,247 or 1014.5% due to the issuance of new debt.

Capital and Debt Activities

One critical factor affecting the quality of the College's programs is the development and renewal of its capital assets. Capital additions totaled $36.1 million in 2012. Capital additions included construction, repair and renovation of existing facilities, and acquisition of equipment. Current year capital asset additions were funded by capital from local appropriations, the State of Ohio, and bond proceeds.

Bonds payable totaled $69,845,000 at June 30, 2012. The original 20 year debt of $7,160,000 was issued in fiscal year 2004 to finance construction and renovation of facilities. In fiscal year 2012 additional 30 year debt of $64,715,000 was issued to finance construction and renovation of facilities. One indicator of financial health is the viability ratio (expendable net assets divided by long-term debt). At June 30, 2012, the College's viability ratio was 0.48:1. For more information regarding the College's capital assets and long term debt, see Notes 5 and 6 of the basic financial statements, respectively.

Net Assets

Net assets represent the residual interest in the College's assets after liabilities are deducted. The College's net assets at June 30, 2012 and 2011 are summarized as follows:

	2012	2011
Invested in capital assets, net of related debt	$110,761,867	$118,694,303
Restricted – expendable	4,811,856	5,340,907
Unrestricted	28,528,841	20,251,932
Total net assets	$144,102,564	$144,287,142

Invested in capital assets, net of related debt represents 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 $7,932,436 (6.7%) due to bond issuance, net capital acquisitions, and normal depreciation of assets. Restricted Net Assets decreased by $529,051or 9.9% due to an increase in grant funded spending; and Unrestricted Net Assets increased by $8,276,909 or 40.9%. This increase is attributed to the issuance of bonds for the construction and renovation of various facilities.

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 dependence 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 amortize the cost of an asset over its expected useful life. Summarized revenues, expenses, and changes in net assets for the years ended June 30, 2012 and 2011 are as follows:

Revenues	**FY 2012**	**FY 2011**
Operating Revenues:		
Student Tuition and Fees, Net	$ 16,973,425	$ 16,020,679
Federal Grants and Contracts	2,579,377	2,563,293
State Grants and Contracts	3,649,956	3,320,791
Local Grants and Contracts	196,106	186,468
Private Grants and Contracts	4,397,963	4,798,592
Sales and Services	1,609,870	1,413,756
Auxiliary Enterprises	10,744,491	11,194,711
Other Sources	1,702,685	1,935,949
Total Operating Revenues	41,853,873	41,434,239
Expenses		
Operating Expenses:		
Instruction	34,126,003	32,446,424
Public Service	12,394,222	13,169,178
Academic Support	6,068,676	5,214,032
Student Services	7,229,111	6,653,370
Institutional Support	10,121,145	12,283,646
Operation and Maintenance of Plant	5,149,642	5,418,586
Scholarships and Fellowships	15,282,656	15,249,968
Auxiliary Enterprises	10,763,522	11,044,809
Other	4,164,121	5,272,178
Depreciation	6,547,345	6,301,257
Total Operating Expenses	111,846,443	113,053,448
Operating Loss	(69,992,570)	(71,619,209)

Nonoperating Revenues (Expenses)		
State Share of Instruction	23,704,044	26,896,544
State Appropriations	2,158,029	1,054,943
Local Appropriations	21,840,877	22,575,582
Federal Grants and Contracts	23,788,200	25,706,303
State Grants and Contracts	222,306	215,799
Gifts	40,740	131,315
Investment Income	138,368	154,057
Interest on Debt	(2,249,424)	(205,459)
Gain (Loss) on Asset Disposal	4,968	0
Other Nonoperating Revenues (Expenses)	159,884	(22,194)
Net Nonoperating Revenues	69,807,992	76,506,890
Increase (Decrease) in Net Assets	(184,578)	4,887,681
Net Assets		
Net Assets at Beginning of Year	144,287,142	139,399,461
Net Assets at End of Year	$ 144,102,564	$ 144,287,142

The most significant sources of operating revenues for the College are student tuition and fees ($17.0 million), grants and contracts ($10.8) million, and auxiliary services ($10.7 million).

Operating expenses include the costs of instruction, public service, general administration, utilities, libraries, and auxiliary services. Operating expenses also includes depreciation of $6.5 million.

Sources of nonoperating revenue include State Share of Instruction ($23.7 million), local appropriations ($21.8 million), federal grants and contracts ($23.8 million), and state appropriations ($2.2 million).

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

- The College experienced an increase in the volume of State grants and contracts.
- Bookstore and cafeteria auxiliary services decreased.

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

- Instructional expenses increased due to a faculty early retirement incentive costs and increase in health insurance costs.
- Public Service expenses decreased due to a reduction in Targeted Industries Training Programs and Sensor Project activity.
- Academic Support expenses increased primarily to an increase in P-16 Council grant activity.
- Student Services expenses increased due an increase in Student Connection Center support.
- Institutional Support expenses decreased related to support of the ERP system.
- Bookstore and other auxiliary expenditures decreased as a result of decreased activity.
- Other expenses consist of non-capital moveable equipment, furniture and related purchases.

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

- State appropriations for capital funding increased.
- Local appropriations decreased as a result of a reduction in tangible personal property reimbursement from the State.
- Changes in Federal funding resulted in decreased PELL funding for scholarships.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing and related investing activities, and helps measure the ability to meet financial obligations as they mature. A summary of the statement of cash flows for the years ended June 30, 2012 and 2011 is as follows:

Net cash provided (used) by:	2012	2011
Operating activities	$ (58,913,502)	$ (69,858,800)
Noncapital financing activities	71,512,166	76,251,763
Capital financing activities	62,600,693	(505,459)
Investing activities	(36,770,368)	(17,837,189)
Net decrease in cash	$ 38,428,989	$ (11,949,685)
Cash at beginning of year	18,529,362	30,479,047
Cash at end of year	$ 56,958,351	$ 18,529,362

Major sources of cash included State Share of Instruction ($23.7 million), state appropriations ($2.1 million), local appropriations ($21.7 million), student tuition and fees ($16.9 million), and grants and contracts ($37.2 million). The largest payments were for employees ($57.8 million) and suppliers of goods and services ($32.9 million).

Operating Highlights

Over the past several years, state support has not kept pace with inflation and enrollment increases. In fact, state support has been reduced per full-time equivalent (FTE) student over the past several years. Since the SSI line items account for approximately one third of the total unrestricted general fund revenues, reductions in funding have a substantial impact on the overall operations of the College. In order to address the State budget cuts over the past several years, the College continues to consider cost containment measures to offset reductions in funding.

The College has experienced significant growth in student enrollment over the past decade. In order to accommodate this growth, during fiscal year 2012 the College issued 30 year debt to finance the construction and renovation of various facilities. For more information regarding the College's debt, see Note 6 of the Notes to the Financial Statements.

Looking Ahead

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

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

The College has three primary sources of revenue: levy support, tuition income and state subsidy. Lorain County voters have supported two levies that provide 1.5 mills and 1.8 mills for campus operations and the University Partnership. There is a direct relationship between the level of State support and the College's ability to maintain tuition growth, as declines in State appropriations generally result in increased tuition levels. The State decreased the appropriation of the State Share of Instruction in the new biennium, which results in reduced financial support for higher education. The reduction in State Share of Instruction support means there is not adequate funding to offset increased costs due to inflation and enrollment changes. Therefore, the State is allowing Colleges to raise tuition by a maximum of $200 in each year of the biennium in order to maintain current services. The State's capital appropriations continue to support construction and renovation of the College's facilities albeit at a relatively low level, compared to the investment of College funds in capital projects.

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

Contacting the College's Financial Management

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

Name	Title	Address	Phone
Quentin D. Potter	VP for Administrative Services & Treasurer	1005 N. Abbe Road Elyria, OH 44035	440-366-4051
Georgio S. Efpraxias	Controller	1005 N. Abbe Road Elyria, OH 44035	440-366-7590

LORAIN COUNTY COMMUNITY COLLEGE
Statement of Net Assets
June 30, 2012

	Primary Institution	Component Unit
	Lorain County Community College	**Lorain County Community College Foundation Inc.**
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 56,958,351	$ 358,403
Investments	-	25,524,131
Accounts Receivable, Net	14,190,501	300,000
Unbilled Charges	9,120,610	-
Prepaid Expenses and Deferred Charges	282,237	6,378
Inventories, Lower of Cost or Market	1,111,781	-
Total Current Assets	81,663,480	26,188,912
Noncurrent Assets:		
Unconditional Promises to Give	-	7,084,051
Notes Receivable, Net	130,323	
Capital Assets, Net	153,677,433	11,045
Total Noncurrent Assets	153,807,756	7,095,096
Total Assets	$ 235,471,236	$ 33,284,008
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 5,826,419	$ 108,653
Accrued Liabilities	5,048,272	8,649
Accrued Interest Payable	429,238	-
Deferred Revenue	9,309,091	15,600
Long Term Liabilities - Current Portion	895,000	-
Total Current Liabilities	21,508,020	132,902
Noncurrent Liabilities:		
Accrued Liabilities	910,652	-
Long Term Liabilities	68,950,000	-
Total Noncurrent Liabilities	69,860,652	-
Total Liabilities	$ 91,368,672	$ 132,902
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 110,761,867	$ -
Restricted:		
Nonexpendable	-	20,800,889
Expendable	4,811,856	11,957,041
Unrestricted:		
Unappropriated	28,528,841	393,176
Total Net Assets	$ 144,102,564	$ 33,151,106

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, 2012

	Primary Institution	Component Unit
	Lorain County Community College	Lorain County Community College Foundation Inc.
Revenues		
Operating Revenues:		
Student Tuition and Fees, Net	$ 16,973,425	$ -
Federal Grants and Contracts	2,579,377	-
State Grants and Contracts	3,649,956	-
Local Grants and Contracts	196,106	-
Private Grants and Contracts	4,397,963	-
Contributions and Fundraising	-	977,197
Sales and Services	1,609,870	-
Auxiliary Enterprises	10,744,491	-
Other Sources	1,702,685	-
Total Operating Revenues	41,853,873	977,197
Expenses		
Operating Expenses:		
Instruction	34,126,003	-
Public Service	12,394,222	-
Academic Support	6,068,676	-
Student Services	7,229,111	-
Institutional Support	10,121,145	2,258,336
Operation and Maintenance of Plant	5,149,642	-
Scholarships and Fellowships	15,282,656	539,875
Auxiliary Enterprises	10,763,522	-
Other	4,164,121	450,815
Depreciation	6,547,345	2,837
Total Operating Expenses	111,846,443	3,251,863
Operating Loss	(69,992,570)	(2,274,666)
Nonoperating Revenues (Expenses)		
State Share of Instruction	23,704,044	-
State Appropriations	2,158,029	-
Local Appropriations	21,840,877	-
Federal Grants and Contracts	23,788,200	-
State Grants and Contracts	222,306	-
Gifts	40,740	-
Investment Income	138,368	(124,799)
Interest on Debt	(2,249,424)	-
Gain (Loss) on Asset Disposal	4,968	-
Other Nonoperating Revenues (Expenses)	159,884	1,132,084
Net Nonoperating Revenues	69,807,992	1,007,285
Increase (Decrease) in Net Assets	(184,578)	(1,267,381)
Net Assets		
Net Assets at Beginning of Year	144,287,142	34,418,487
Net Assets at End of Year	$ 144,102,564	$ 33,151,106

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, 2012

		Year Ended June 30, 2012
Cash Flows from Operating Activities		
Tuition and Fees	$	17,897,099
Grants and Contracts		13,209,763
Payments to or on Behalf of Employees		(57,762,010)
Payments to Vendors		(32,946,331)
Auxiliary Enterprises		(19,031)
Other Receipts		707,008
Net Cash Used by Operating Activities		(58,913,502)
Cash Flows from Noncapital Financing Activities		
State Share of Instruction		23,704,044
State Appropriations		2,158,029
Local Appropriations		21,665,663
Grants and Contracts		24,010,506
Cash Provided by Federal Family Education Loans		1,354
Cash Used by Federal Family Education Loans		(1,354)
Cash Provided by Federal Direct Student Loans		16,658,062
Cash Used by Federal Direct Student Loans		(16,658,062)
Cash Provided by Agency Fund Activities		142,316
Cash Used by Agency Fund Activities		(168,392)
Net Cash Flows Provided by Noncapital Financing Activities		71,512,166
Cash Flows from Investing Activities		
Purchases of Capital Assets		(36,908,736)
Interest on Investments		138,368
Net Cash Used by Capital Financing Activities		(36,770,368)
Cash Flows from Capital Financing Activities		
Proceeds from Bond Issuance		64,715,000
Payment of Long Term Accrued Liabilities		32,727
Principal Paid on Capital Debt and Leases		(310,000)
Interest Paid on Capital Debt and Leases		(1,837,034)
Net Cash Provided by Investing Activities		62,600,693
Net Increase in Cash		38,428,989
Cash at Beginning of Year		18,529,362
Cash at End of Year	$	56,958,351

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, 2012
(Continued)

		Year ended June 30, 2012
Reconciliation of Net Operating Loss to Cash Used by Operating Activities		
Operating Loss	$	(69,992,570)
Adjustments:		
Depreciation Expense		6,547,345
Changes in Assets and Liabilities:		
Accounts Receivable		2,466,615
Unbilled Charges		162,784
Inventories		281,813
Prepaid Expenses and Deferred Charges		63,299
Accounts Payable		1,291,192
Accrued Liabilities		(416,328)
Accrued Interest Payable		412,390
Deferred Revenue		(315,042)
Long-Term Liabilities - Current Portion		585,000
Cash Used by Operating Activities	$	(58,913,502)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

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

Lorain County Community College Foundation (Foundation) is a legally separate, tax-exempt organization supporting Lorain County Community College. The Foundation was established to foster excellence in teaching and learning by encouraging philanthropic support for students, faculty, programs and facilities of the College. Because the majority of the distribution of the resources held by the Foundation is made to the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. See Note 14 for specific disclosures relating to the Foundation.

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

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

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted:**
  Nonexpendable: Net assets which include endowments and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.

- **Restricted:**
  Expendable: Net assets whose use by the College is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted:**
  Unappropriated: Net assets that are not subject to externally-imposed stipulations.
  Appropriated: Net assets subject to internally-imposed stipulations.

The statement of Net Assets reports $4,811,856 of restricted net assets none of which is restricted by enabling legislation.

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

Summary of Significant Accounting Policies

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

Compensated Absences

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

Use of Estimates

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

NOTE 2 – CASH AND INVESTMENTS

Legal Requirements
Statutes require the classification of monies held by the College into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the College Treasury, in commercial accounts payable or withdrawable on demand, 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.

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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

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

1. United States treasury notes, bills, bonds, or any other obligations or securities issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

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

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 $22,020 in undeposited cash on hand, which is included on the Statement of Net Assets of the College as part of cash and cash equivalents.

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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

Category 1 - Insured or collateralized with securities held by the College or by its agent in the College's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the College's name.

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

The carrying amount of the College's deposits is $53,195,985 and the bank balance is $53,195,985. Any difference between cash carrying amount and bank balance represents normal reconciling items (outstanding checks, cash on hand, and deposits in transit). At June 30, 2012, $53,195,985 of the College's deposits was insured by FDIC (Category 1).

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

Category 1 - Investments that are insured or registered, or for which securities are held by the College or its agent in the name of the College.

Category 2 - Investments that are uninsured and unregistered, with securities held by the broker's trust department or agent in the College's name.

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

The College held $2,011,162 in Star Ohio investments at June 30, 2012, which is an external investment pool and is considered a cash equivalent under GASB Statement No. 9. Oversight of the pool is through the Treasurer of State. The fair value of the College's position in the pool is the same as the value of its pool share. Such investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statement No. 3. All other investments are Category 3. The following summarizes the market value of investments:

Primary Government - College

Description	Market Value	Investment Maturities Less than 1 year
June 30, 2012:		
Star Ohio	$ 2,011,162	$ 2,011,162
Repurchase Agreement	1,729,184	1,729,184
Total Investments	$ 3,740,346	$ 3,740,346

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

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

At June 30, 2012, the college's investments in StarOhio were rated AAAm by Standard & Poor's.

Concentration of Credit Risk- Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Less than 7 percent of the College's investments are invested in Star Ohio and a repurchase agreement. These investments were 53.8% and 46.2%, respectively of the College's total investments of $3,740,346.

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

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

As of June 30, 2012, the College's bank balance of $53,195,985 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter-party, the college will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2012, $1,729,184 of the College's investment balance was exposed to custodial risk as follows:

June 30, 2012:	Uninsured and collateral held by the pledging bank's trust department, but not in the College's name - $1,729,184

NOTE 3 – RECEIVABLES

The composition of accounts receivable at June 30, 2012 is summarized as follows:

	2012
Student accounts	$ 7,517,663
Local appropriations	5,657,519
Government agencies	2,591,285
Other	5,636,831
Total accounts receivable	21,403,298
Less allowance for uncollectable accounts	(7,212,797)
Accounts receivable, net	$ 14,190,501

NOTE 4 – STATE SUPPORT

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

NOTE 4 – STATE SUPPORT (Continued)

In addition, the State of Ohio provides some of the funding to construct major plant facilities on the College's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and subsequent lease of the facility, by the Ohio Board of Regents. Upon completion, the Board of Regents turns over control of the facility to the College. Neither the obligation for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. These are currently being funded through appropriations to the Board of Regents by the General Assembly.

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

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 is summarized as follows:

	Beginning Balance	Additions	Retirements and Reclassified	Ending Balance
Non-Depreciable Capital Assets:				
Land	$ 3,253,708	$ -	$ (14,764)	$ 3,238,944
Construction in Progress	10,094,237	24,173,702	(6,833,407)	27,434,532
Total Non-Depreciable Capital Assets	13,347,945	24,173,702	(6,848,171)	30,673,476
Depreciable Capital Assets:				
Improvements	21,132,386	329,144	-	21,461,530
Buildings	139,252,947	8,470,096	6,813,685	154,536,728
Leasehold Improvements	635,423	159,426	-	794,849
Indisputable Right of Use	462,202	-	-	462,202
Equipment	21,776,436	2,990,249	(110,732)	24,655,953
Software	6,519,001	-	-	6,519,001
Total Depreciable Capital Assets	189,778,395	11,948,915	6,702,953	208,430,263
Less Accumulated Depreciation:				
Improvements	(16,221,360)	(1,057,991)	-	(17,279,351)
Buildings	(47,225,675)	(3,120,663)	-	(50,346,338)
Leasehold Improvements	(323,607)	(68,576)	-	(392,183)
Indisputable Right of Use	(154,067)	(154,067)	-	(308,134)
Equipment	(14,116,934)	(1,494,148)	113,076	(15,498,006)
Software	(950,394)	(651,900)	-	(1,602,294)
Total Accumulated Depreciation	(78,992,037)	(6,547,345)	113,076	(85,426,306)
Depreciable Capital Assets, Net	110,786,358	5,401,570	6,816,029	123,003,957
Total Capital Assets, Net	$124,134,303	$ 29,575,272	$ (32,142)	$153,677,433

NOTE 6 – LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2012 is summarized as follows:

	Beginning Balance	New Debt	Principal Repayment	Ending Balance	Current Portion
Bond Issues	$ 5,440,000	$ 64,715,000	$ (310,000)	$ 69,845,000	$ 895,000
Total debt	$ 5,440,000	$ 64,715,000	$ (310,000)	$ 69,845,000	$ 895,000

A – Series 2004 Bond Issue

General receipts Series 2004 bonds, were issued in March of 2004 with an interest rate of 3.99%, and with repayment over a period of 20 years. The proceeds were used to finance the building of the Entrepreneurship Innovation Center.

B – Series 2011 Bond Issue

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

C – Series 2012 Bond Issue

In March, 2012 the College issued Series 2012 bonds totaling $24,725,000 with an interest rate of 3.9% and with repayment over a period of 30 years. The proceeds are being used to finance the costs of (i) constructing, equipping and furnishing a new laboratory sciences building; (ii) campus roadway, parking lot and sidewalk improvements, including pavement replacement and upgrading lighting fixtures; (iii) renovating, rehabilitating and refurnishing the existing physical sciences building; (iv) improvements to existing facilities to obtain energy efficiency; and (v) such other Facilities included in the District's capital improvement program.

In connection with the general receipt bonds described above, the College has pledged general receipts, net of State Appropriation receipts and Ad Valorem Tax receipts, to repay these debts. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds are payable, through their final maturities as listed above, solely from these revenues pledged. Total principal and interest remaining to be paid on these bonds is $69,845,000 as detailed below.

NOTE 6 – LONG-TERM DEBT (Continued))

Principal and interest payments are due are as follows:

Year Ended June 30:	Series 2004 Bonds Principal	Series 2004 Bonds Interest	Series 2011 Bonds Principal	Series 2011 Bonds Interest	Series 2012 Bonds Principal	Series 2012 Bonds Interest	Total General Receipts Bonds Principal	Total General Receipts Bonds Interest
2013	$ 315,000	$ 188,534	$ 580,000	$ 1,815,081	$ -	$ 1,123,718	$ 895,000	$ 3,127,333
2014	330,000	178,053	595,000	1,802,597	380,000	938,038	1,305,000	2,918,688
2015	340,000	166,527	605,000	1,789,847	350,000	930,788	1,295,000	2,887,162
2016	350,000	154,459	620,000	1,773,344	375,000	923,738	1,345,000	2,851,541
2017	360,000	142,252	635,000	1,752,950	400,000	916,187	1,395,000	2,811,389
Thereafter	3,435,000	586,654	36,955,000	27,874,878	23,220,000	14,398,481	63,610,000	42,860,013
Total	$5,130,000	$1,416,479	$39,990,000	$36,808,697	$24,725,000	$19,230,950	$69,845,000	$ 57,456,126

Interest paid during the fiscal year ended June 30, 2012 amounted to $1,837,034.

NOTE 7 – RETIREMENT PLANS

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

The Ohio Revised Code (ORC) provides OPERS statutory authority for employee and employer contributions. The required contribution rates for plan members and employers at June 30, 2012 were 10% and 14% of covered payroll, respectively. Contributions made, which represent 100% of the required contributions, for the years ended June 30, 2012, 2011, and 2010, were $2,779,203, $2,865,732, and $2,819,704, respectively from the College and $1,983,362, $2,046,951, and $1,945,909, respectively from the employees which met the required percentages.

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

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

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

NOTE 7 – RETIREMENT PLANS (Continued)

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

Effective July 1, 2003, the member contribution rate was increased to the statutory maximum of 10%. The College was required to contribute 14%. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The College's required contributions for pension obligations for the fiscal years ended June 30, 2012, 2011, and 2010, were $3,284,798, $3,204,077, and $2,969,832, respectively from the College and $2,346,284 $2,288,626, and $2,121,313, respectively from employees.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS

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

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

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

OPERS issues a stand-alone financial report that may be obtained by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7277.

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

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

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

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

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

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011, and 2010. The 14% employer contribution rate is the maximum rate established under Ohio law. For the fiscal years ended June 30, 2012, 2011, and 2010, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund.

NOTE 9 – LITIGATION AND CONTINGENCIES

Grants

The College receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of the College administration, any such disallowed claims will not have a material effect on the College's financial statements or on the overall financial position of the College at June 30, 2012.

Litigation

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

NOTE 10 - LEASES

The College has entered into various lease agreements that are considered operating leases. Total rental expense under operating leases during the year ended June 30, 2012 amounted to $1,516,978.

Future minimum lease payments as of June 30, 2012 under all operating leases, are as follows:

Year Ending June 30	Operating Leases
2013	$ 790,056
2014	411,956
2015	326,223
2016	275,680
2017	238,696
Thereafter	16,460
Total minimum lease payments	$ 2,059,071

NOTE 11 - RISK MANAGEMENT

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

The College also has self-insured health and dental coverage for its employees. The College's risk exposure is limited to claims incurred and stop-loss insurance is held. Medical Mutual of Ohio administers claims for the College. The claims liability of $1,317,499 at June 30, 2012 is included in 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:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2010	$1,066,030	$3,864,584	$(3,674,874)	$1,255,740
2011	1,255,740	3,920,188	(3,920,188)	1,255,740
2012	1,255,740	5,080,810	(5,019,051)	1,317,499

NOTE 12 – LOCAL APPROPRIATIONS

The College receives local appropriations in the form of property taxes levied against real, public utility, and tangible (used in business) personal property located in Lorain County, Ohio. The electors within the county must approve any College property tax. The College collects property taxes for operating, capital and University Partnership purposes from two levies approved by the County voters. The levies have 1.8 and 1.5 mill stated rates and both are for a ten year period. The first 1.8 mill levy was approved in November of 2010 and expires with the last collection in calendar year 2020. The second 1.5 mill levy was approved by the Lorain County voters in November of 2004 and expires with the last collection in calendar year 2014.

NOTE 13 – EARLY RETIREMENT INCENTIVE

The College implemented Governmental Accounting Standards Board Statement Number 47, *Accounting for Termination Benefits*. The College Board of Trustees approved a one-time Early Retirement Incentive program (ERI) in 1997. In spring of 1999, the College Board of Trustees approved a second ERI available to all employees who had accrued 20 or more years of service at the College and qualify for and retire under either the STRS or OPERS, with specified credit and age criteria. The second ERI program was effective for the period beginning May 31, 1999 ended June 30, 2009. Individuals who qualified and elected the ERI had the option of selecting a ten-year annuity incentive payment or a lump sum payment of one-half of the total annuity value that would have accumulated in the ten-year annuity option. The undiscounted future benefit payments were based on the employees' annual salary at the time of retirement. Accordingly, $1,145,785 of termination benefits are included in liabilities as of June 30, 2012, of which $235,133 is included in current accrued liabilities. Early retirement incentive payments of $262,387 were made during the current fiscal year.

In spring of 2012, the College Board of Trustees approved a third ERI that would be available to all employees who had accrued 15 or more years of service at the College and qualify for and retire under either the STRS or OPERS, with specified credit and age criteria. The third ERI program was effective for faculty for the period beginning January 31, 2012 ended March 31, 2012. Individuals who qualified and elected the ERI will receive an annuity incentive payment to an IRS 403(b) retirement fund, up to $50,000 annually until the ERI value is reached. The ERI future benefit amounts are based on the employees' annual salary at the time of retirement, times years of service, times 98%. Accordingly, $509,005 of termination benefits are included in liabilities as of June 30, 2012, of which $509,005 is included in current accrued liabilities. Early retirement incentive payments of $0 were made during the current fiscal year.

NOTE 14 – LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION

Note A. Summary of Significant Accounting Policies

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

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

Unrestricted Net Assets
This category includes net assets not subject to donor-imposed stipulations. This category periodically includes net assets designated by the Board. At June 30, 2012 and 2011, there were no Board designated net assets.

Temporarily Restricted Net Assets
This category includes net assets subject to donor-imposed stipulations that may or will be met by actions of the Board/Foundation and/or the passage of time. It also includes earnings from the donor restricted endowment net of amounts appropriated by the Board of Directors.

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

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

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

E. Comparative Financial Information – The financial statements include certain prior year summarized comparative financial information. Such information does not include sufficient detail to constitute a full financial statement presentation. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

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

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

Note A. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Note A. Summary of Significant Accounting Policies (Continued)

H. Fair Value Reporting (Continued)

The following is a summary of the inputs used as of June 30, 2012 and 2011 in valuing the Foundation's investments carried at fair value:

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

	2011			
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 899,564	$ 899,564	$ -	$ -
Common equity securities	1,341,915	1,341,915	-	-
Mutual equity funds	16,272,715	16,272,715	-	-
Mutual bond funds	7,025,972	7,025,972	-	-
Limited partnership	43,975	-	-	43,975
	$ 25,584,141	$ 25,540,166	$ -	$ 43,975

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

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

	2012	2011
Beginning balance	$ 43,975	$ -
Purchases	-	50,000
Management fee	(5,000)	(5,000)
Unrealized gain (loss)	925	(1,025)
Ending balance	$ 39,900	$ 43,975

Note A. Summary of Significant Accounting Policies (Continued)

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

J. Equipment – Equipment is recorded at historical cost or fair market value in case of donation. Depreciation is recorded on the straight-line method over the useful lives of the respective assets, which generally ranges from three to seven years. The Foundation capitalizes all long-lived assets that cost more than $1,000 and have a useful life in excess of one year. Depreciation expense was $2,837 and $1,700 for the years ended June 30, 2012 and 2011, respectively. Accumulated depreciation at June 30, 2012 and 2011 was $27,479 and $24,642, respectively.

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

Accounting principles generally accepted in the United States of America provide that when a donor transfers assets to the Foundation and the transfers are revocable, repayable or reciprocal, the transfer does not constitute a contribution to the Foundation. Such transactions and subsequent activity relating to these funds are separately identified as "due to fund" in the Foundation's financial statements.

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

L. Donated Services – Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Foundation. Note H to the financial statements discloses the value of services donated by the College to the Foundation during the years ended June 30, 2012 and 2011.

M. Administration Fee – The Foundation allocates a 1.25% administration fee on temporarily and permanently restricted net assets, excluding unconditional promises to give, to provide for indirect program, general management and fundraising expenses. The total amount charged to net assets related to this fee was $312,090 and $251,850 for the years ended June 30, 2012 and 2011, respectively, and is shown in net investment income.

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

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

The Foundation believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. As of June 30, 2012, the Foundation's income tax years from 2008 and thereafter remain subject to examination by the Internal Revenue Service, as well as various state and local taxing authorities.

Note A. Summary of Significant Accounting Policies (Continued)

P. Innovation Fund Awards – The innovation fund bestows awards in two categories, Type A awards and Type B awards. Type A awards are up to $25,000 and contain no right of replenishment. Type B awards are greater than $25,000 and up to $100,000 and contain a right of replenishment as disclosed in Note K to the financial statements. It is the policy of the Foundation to fully reserve against the possibility of replenishment at the time of the award based on insufficient financial information regarding the future collectability of these awards, creating a net $-0- effect to receivables. If the right of replenishment is exercised for an award, the receivable will be recorded at the time the Foundation determines an entity is financially viable for repayment of its innovation fund award. During the years ended June 30, 2012 and 2011, the Foundation made innovation award payments of $1,342,800 and $801,250, respectively, to entities selected by the Innovation Fund Committee. At June 30, 2012 and 2011, the Foundation had additional unpaid awards which were considered conditional and, therefore, not included within accounts payable of $1,422,200 and $1,315,000, respectively.

Q. Reclassifications – Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 presentation.

R. Subsequent Events – The Foundation has evaluated subsequent events through November 15, 2012, the date which the financial statements were available to be issued.

Note B. Unconditional Promises to Give

Unconditional promises to give at June 30, 2012 and 2011 are as follows:

	2012	2011
Receivable in less than one year	$ 1,822,927	$ 1,328,620
Receivable in one to five years	6,084,860	6,740,833
Receivable in six to ten years	2,600,000	3,325,000
Receivable in greater than ten years	153,000	128,000
Total unconditional promises to give	10,660,787	11,522,453
Less discounts to present value	(623,603)	(829,852)
Less valuation reserves and for uncollectible promises to give	(2,953,133)	(2,930,724)
Net unconditional promises to give	$ 7,084,051	$ 7,761,877

The discount rate used on long-term promises to give was 2.00% at June 30, 2012 and 2011.

The Foundation has estimated a reserve for uncollectible promises to give of $2,953,133 and $2,930,724 at June 30, 2012 and 2011, respectively. During the years ended June 30, 2012 and 2011, the Foundation directly wrote off uncollectible promises to give of $2,808 and $-0-, respectively. During the years ended June 30, 2012 and 2011, the Foundation recognized an increase in the reserve for uncollectible promises to give of $22,409 and $31,118, respectively.

Note C. Investments

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

	June 30, 2012		June 30, 2011	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	$ 326,991	$ 326,991	$ 899,564	$ 899,564
Common equity securities	948,458	1,361,850	947,229	1,341,915
Mutual equity funds	15,495,055	16,601,359	14,481,962	16,272,715
Mutual bond funds	6,865,046	7,194,031	6,850,478	7,025,972
Limited partnership	50,000	39,900	50,000	43,975
	$ 23,685,550	$ 25,524,131	$ 23,229,233	$ 25,584,141

Investment income for the years ended June 30, 2012 and 2011 consisted of the following:

	2012	2011
Interest and dividends	$ 737,598	$ 557,856
Net (losses) gains	(798,399)	4,030,489
Management fees	(63,998)	(60,643)
Total investment income	$ (124,799)	$ 4,527,702

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

This programmatic relationship qualified the Foundation as an investor in the Mutual Capital Partners Fund II, an Ohio limited partnership. The first payment of $50,000 was made and no additional funding calls have been made. As of June 30, 2012, the Foundation has an outstanding commitment of $200,000. At June 30, 2012, the valuation of this investment was $39,900.

Note D. Charitable Remainder Unitrusts

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

Note D. Charitable Remainder Unitrusts (Continued)

Charitable Gift Annuities

The Foundation has two charitable gift annuity agreements with a donor. The Foundation was named as trustee and beneficiary. At June 30, 2012 and 2011, the related asset is included within investments of the accompanying financial statements. At June 30, 2012 and 2011, an annuity obligation liability of $3,869 and $5,347, respectively, was recorded for the present value of the expected liability based on fixed quarterly payments for the remainder of the annuitants' lives.

Note E. Temporarily Restricted Net Assets

Net assets as of June 30, 2012 and 2011 were temporarily restricted for the following purposes:

	2012	2011
Support of the College's faculty, programs, facilities and Foundation's operation	$ 11,171,485	$ 11,322,327
Scholarships	782,040	835,232
Passage of time	3,516	3,898
Total temporarily restricted net assets	$ 11,957,041	$ 12,161,457

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or passage of time for the years ended June 30, 2012 and 2011 are as follows:

	2012	2011
Support of the College's faculty, programs, facilities and Foundation's operation	$ 376,337	$ 360,851
Innovation fund awards	1,343,572	801,250
Scholarships	554,468	485,887
Total restrictions released	$ 2,274,377	$ 1,647,988

Note F. Endowments

The Foundation's endowment includes 145 scholarship funds and 13 program funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Ohio, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Note F. Endowments (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies
The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also preserving the fair value of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes cash and cash equivalents, mutual equity and bond funds, common equity securities and alternatives intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions in accordance with the Foundation's Investment and Allocation Policy of up to 4.5% of the audited June 30 trailing three year moving market value average of investments. By this practice, the Foundation expects its endowment assets, over time, to produce an average rate of return in excess of 6% which allows for transfers of endowed net assets in accordance with both the spending policy and administrative fee policy, while maintaining growth within the endowment. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

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

Note F. Endowments (Continued)

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

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

Note F. Endowments (Continued)

Changes in endowment net assets as of June 30, 2011 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 1,092,710	$ 18,127,497	$ 19,220,207
Investment return:				
Administrative fee	228,970	(10,272)	(218,698)	-
Scholarship and program transfers	138,652	638,611	(777,263)	-
Investment income	-	383,123	42,755	425,878
Net appreciation (realized and unrealized)	-	-	3,092,477	3,092,477
Total investment return - endowed	367,622	1,011,462	2,139,271	3,518,355
Contributions	-	31,600	605,396	636,996
Special events	-	-	30,011	30,011
Equity transfers	-	(2,099)	5,397	3,298
Appropriation of endowment assets for expenditure	(367,622)	(562,015)	-	(929,637)
Endowment net assets, end of year	$ -	$ 1,571,658	$ 20,907,572	$ 22,479,230

Note G. Permanently Restricted Net Assets

Permanently restricted net assets as of June 30, 2012 and 2011 were comprised of the following amounts, the earnings of which were available for the following purposes:

	2012	2011
Support of the College's faculty, programs and facilities	$ 5,988,463	$ 6,270,514
Scholarships	11,992,243	12,498,996
Operations and general support	2,820,183	3,016,853
Total permanently restricted net assets	$ 20,800,889	$ 21,786,363

Note H. Related Party

As described in Note A, the Foundation is affiliated with the College. During the years ended June 30, 2012 and 2011, the College provided the Foundation with professional staffing valued at $155,136 and $205,775, respectively. The value of those services is included as contributions in the financial statement and expensed on a functional basis based on the type of service provided by the employee.

Under its direct support organization mission, the Foundation purchased property in North Ridgeville in support of the College's planned outreach center initiatives. In March 2011, the Foundation sold this property to the College so that development of the center could commence. The center will offer expanded associate and bachelor degree programs by the College and its University Partnership to this part of the community.

During the years ended June 30, 2012 and 2011, the Foundation provided scholarships and support to the College of $1,004,865 and $1,099,499, respectively.

At June 30, 2012 and 2011, amounts due to the College and included within "accounts, support and grants payable" totaled $84,742 and $191,425, respectively.

The Foundation made contributions of $167,850 and $210,460 to Citizens for LCCC during the years ended June 30, 2012 and 2011, respectively, and are included in support for the College. Citizens for LCCC is a non-profit political action committee organized to enhance public support for the College. These contributions fall within the mission of the Foundation as Citizens for LCCC supports the growth of the College through support for tax levies benefiting the College.

Note I. Concentrations

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

At June 30, 2012 and 2011, one donor's promise to give represented approximately 80% and 73%, respectively, of the outstanding promises to give.

Note J. Conditional Events

Innovation Award Replenishment

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

The Foundation made 47 Type B Innovation Fund Awards since inception of the program. Of these 47 Type B Innovation Fund Awards, the Foundation holds the right of replenishment on 36 awards expiring in:

Years Ending June 30,	
2013	$ 392,000
2014	549,666
2015	650,000
2016	710,000
2017	615,000
	$ 2,916,666

Note J. Conditional Events (Continued)

The purpose of the Innovation Fund is to foster entrepreneurship and jobs growth. The Foundation's objective in providing these awards was not the return of principal, which is why Innovation Fund awards are expensed when all conditions of the award are fulfilled. The Foundation has not recorded an estimate of funds receivable from award replenishment because the amount cannot be reasonably estimated. As such, the Foundation's ability to realize these amounts is based on the financial success of the recipients. During the year ended June 30, 2012, the Foundation received $124,084 of Innovation Fund replenishment income.

Grants Receivable
During the year ended June 30, 2010, the Foundation was awarded a $1,500,000 conditional grant by the Ohio Department of Development to support the Innovation Fund. The Foundation was approved to receive the funds over a 3 year period through June 2012. The Foundation may request reimbursement of funds disbursed as Innovation Fund Awards by submitting fund requests based on pre-approval of the program and compliance with specific limitations of the awards and financial reporting requirements of the Foundation and the sponsored organizations. The Foundation has fulfilled the requirements pertaining to the grant and has received $1,500,000.

During the year ended June 30 2011, the Foundation was awarded a $2,000,000 conditional grant (11-084) by the Ohio Department of Development to support the Innovation Fund. The Foundation was approved to receive the funds over a three year period from April 2011 through March 2014. The Foundation has fulfilled some requirements pertaining to the grant and received $300,000. Subsequent to year end, the Foundation fulfilled additional requirements and submitted $380,000 for reimbursement.

Awards Payable
As described in Note A to the financial statements, the Foundation's Innovation Fund involves multi-year conditional awards provided to start-up businesses that create or enhance technology. The Foundation has made award commitments of $6,150,000, of which $533,330 has been forfeited to date. The net remaining award commitment is $1,202,951. These awards are expected to be paid out over the next two years once the sponsored recipients fulfill required conditions which may include completion and testing of a prototype, filing and protection of necessary patents and meeting certain financial reporting metrics. The conditional obligations are measured by Great Lakes Innovation and Development Enterprise, which monitors the recipients and reports progress of the recipients to the Foundation, which then approves payment of the conditional portion of the awards.

As these awards are conditional, no liability has been recorded at June 30, 2012 and 2011.

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

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

The Foundation has made a conditional commitment to Phase III of the Fund for a total of $100,000. During 2012, the Foundation made the second of the three $33,333 payments toward this commitment. As the grant is conditional, no liability has been recorded for this account at June 30, 2012.

LORAIN COUNTY COMMUNITY COLLEGE
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
Direct from the Federal Agency			
Student Financial Aid Cluster:			
Federal Work Study Program	P033A	84.033	$ 260,000
Federal Family Education Loan Program	N/A	84.032	1,354
Federal Supplemental Education Opportunity Grant	N/A	84.007	472,417
Academic Competitiveness Grant	P375A	84.375C	845
Federal Direct Student Loans	P0268K	84.268	16,658,062
Federal Pell Grant Program	P063P	84.063	22,844,575
Total Student Financial Aid Cluster			40,237,253
Improvement of Postsecondary Education	P116Z080106	84.116W	238,579
Passed through the Ohio Department of Education			
Career and Technical Education - Basic Grants to States	CDP-P	84.048	209,821
Race to the Top	TP-FB	84.243	127,675
Subtotal			576,075
Total United States Department of Education			**40,813,328**
United States Department of Agriculture			
Direct from the Federal Agency			
Rural Utilities Service's Distance Learning and Telemedicine Loan and Grant Program	N/A	10.855	83,980
Total United States Department of Agriculture			**83,980**
United States Department of Labor			
Direct from the Federal Agency			
ETA-JA-STMA Program	N/A	17.368	23,329
Passed through Lorain County			
Community Based Job Training-Computer Classes	N/A	17.269B	22,817
Total United States Department of Labor			**46,146**
National Science Foundation			
Direct from the Federal Agency			
Education and Human Resources - STEM	N/A	47.076	12,164
Education and Human Resources - NCWET	N/A	47.076	1,427,049
Passed through Fox Valley Technical College			
Education and Human Resources	N/A	47.076	24,288
Passed through Case Western Reserve University			
Engineering Grants	N/A	47.041	30,209
Passed through Bowling Green State University			
Education and Human Resources	10250117-58910	47.050	12,837
Total National Science Foundation			**1,506,547**
US Small Business Administration			
Direct from the Federal Agency			
Small Business Teaming Program	N/A	59.000	17,000
Total US Small Business Administration			**17,000**
National Institute of Food and Agriculture			
Direct from the Federal Agency			
Secondary and Two-Year Postsecondary Agruculture Education Challenge Grant	N/A	10.226	23,673
Total National Institute of Food and Agriculture			**23,673**
Total Federal Financial Assistance			**$42,490,674**

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

See accompanying notes to the schedule of federal awards expenditures

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – FAMILY EDUCATION LOANS

During the fiscal year ended June 30, 2012, the College processed new loans under the Guaranteed Student Loan Program. Several banks act as lenders for the College. The amount shown reflects the fiscal year amount that has been certified by the College.

Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

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

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

We have audited the financial statements of the business-type activities of the Lorain County Community College, Lorain County, (the College), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 18, 2012. We did not audit the financial statements of the Lorain County Community College Foundation Inc. which is included as a discretely presented component unit in the College's basic financial statements. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insomuch as it relates to the amounts included for the Lorain County Community College Foundation Inc., is based on the report of other auditors. 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 Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the College's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the College's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the College's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Board of Trustees, federal awarding agencies, pass-through entities and others within the entity. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
December 18, 2012

Balestra, Harr & Scherer, CPAs, Inc.

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

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

Members of the 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 could directly and materially affect each of Lorain County Community College's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the College's major federal programs. The College's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, the Lorain County Community College complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The College's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the College's internal control over compliance.

Internal Control Over Compliance (Continued)

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

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

We intend this report solely for the information and use of the management, the audit committee, members of the Board, federal awarding agencies, pass-through entities, and others within the entity. It is not intended for anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
December 18, 2012

LORAIN COUNTY COMMUNITY COLLEGE
Schedule of Findings
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2012

1. SUMMARY OF AUDITOR′S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program′s Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Aid Cluster: Federal Work- Study Program, CFDA# 84.033; Federal Pell Grant Program, CFDA# 84.063, Academic Competitiveness Grant, #84.375; Federal Family Education Loans CFDA# 84.032, Federal Direct Student Loans CFDA #84.268, Federal Supplemental Education Opportunity Grant CFDA#84.007
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This page intentionally left blank.

LORAIN COUNTY COMMUNITY COLLAGE

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 29, 2013