Lake County Community College District

d/b/a Lakeland Community College

Financial Report

with Supplemental Information

June 30, 2014 and June 30, 2013

Dave Yost • Auditor of State

Board of Trustees
Lake County Community College District
d/b/a Lakeland Community College
7700 Clocktower Drive
Kirtland, OH 44094

We have reviewed the *Independent Auditor's Report* of the Lake County Community College District d/b/a Lakeland Community College, Lake County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

November 24, 2014

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Lake County Community College District
d/b/a Lakeland Community College

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Independent Auditor's Report

Board of Trustees
Lake County Community College District
d/b/a Lakeland Community College
Kirtland, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Lake County Community College District d/b/a Lakeland Community College (the "College"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the basic financial statements, in 2014, the College adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

June 30, 2013 Basic Financial Statements

The basis financial statements of the College as of and for the year ended June 30, 2013, were audited by other auditors whose report dated October 31, 2013, expressed an unmodified opinion on those statements.

Board of Trustees
Lake County Community College District
d/b/a Lakeland Community College

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 30, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Ciuni & Panichi, Inc.

Cleveland, Ohio
October 30, 2014

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Management's Discussion and Analysis (Unaudited)

The management's discussion and analysis of Lake County Community College District d/b/a Lakeland Community College's (Lakeland Community College, Lakeland, or the "College") annual financial statements provides an overview of the College's financial activities for the years ended June 30, 2014, 2013, and 2012. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's administration.

Using this Report

The College's annual report consists of a series of financial statements prepared in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.* The financial statements focus on the financial condition, the results of operations, and the impact on cash flows of the College as a whole.

One of the most important questions asked about the College's finances is whether the College as a whole is better off, or worse off, as a result of the current year's activities. The keys to understanding this question are the statements of net position, statements of revenue, expenses, and changes in net position, and statements of cash flows. These statements present financial information in a form similar to that used by corporations. The College's net position is one indicator of its financial health. Over time, increases or decreases in net position point out the improvement or erosion of the College's financial health when considered with nonfinancial facts (such as enrollment levels, state changes in funding, facility changes, etc.).

The statements of net position includes all assets and liabilities of the College. They are prepared using the accrual basis of accounting. Revenue and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the services, regardless of when cash is exchanged.

The statements of revenue, expenses, and changes in net position presents the revenue earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies that state and local appropriations, as well as gifts, are treated as nonoperating revenue. Since dependency on the State of Ohio and local aid is recognized as nonoperating revenue under accounting principles generally accepted in the United States of America, a public college normally presents operating results as a deficit. The utilization of long-lived assets, primarily capital assets, is presented in the financial statements as depreciation.

Another important factor to consider when evaluating the College's financial viability is the College's ability to meet financial obligations as they mature. One measure of this factor is the College's working capital or the relationship of its current assets less its current liabilities.

Management's Discussion and Analysis (Unaudited) (Continued)

The statements of cash flows presents the information related to cash inflows and outflows summarized by operating, capital and noncapital financing, and investing activities and illustrates the College's sources and uses of cash.

The College adheres to Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus*. In that regard, The Lakeland Foundation is recognized as a discretely presented component unit due to the significant operational and financial relationships maintained with the College. The Lakeland Foundation's purpose is to support and promote excellence at the College by fundraising. It is a legally separate entity governed by its own board of directors. Discrete condensed financial information is presented on page 21 and in Notes 1 and 14.

Condensed Statements of Revenue, Expenses, and Changes in Net Position

	Years Ended June 30		
	2014	2013	2012
Operating Revenue			
Student tuition and fees - Net	$ 10,577,449	$ 10,106,022	$ 9,121,040
Grants, contracts, and other revenue	1,610,716	2,354,007	2,173,927
Auxiliary enterprises - net	4,376,048	4,022,522	4,278,198
Total operating revenue	16,564,213	16,482,551	15,573,165
Operating Expenses	65,899,157	68,922,460	71,284,681
Operating Loss	(49,334,944)	(52,439,909)	(55,711,516)
Nonoperating Revenue			
State appropriations	17,597,078	17,676,460	18,206,337
Local appropriations	17,685,340	18,112,482	18,672,505
Pell grant revenue - Net of refunds	12,584,919	14,857,438	16,317,212
Other nonoperating income and expenses - Net	(330,729)	(415,940)	(404,717)
Total nonoperating revenue	47,536,608	50,230,440	52,791,337
Loss - Before other changes	(1,798,336)	(2,209,469)	(2,920,179)
Other Changes			
Capital appropriations from the State of Ohio	2,045,953	5,604,203	633,900
Capital grants and gifts	10,000	-	25,500
Total other changes	2,055,953	5,604,203	659,400
Increase (Decrease) in Net Position	257,617	3,394,734	(2,260,779)
Net Position - Beginning of year	42,780,309	39,385,575	41,646,354
Net Position - End of year	**$ 43,037,926**	**$ 42,780,309**	**$ 39,385,575**

Management's Discussion and Analysis (Unaudited) (Continued)

Analysis of Results of Operations

Total revenue for the years ended June 30, 2014 and 2013 was $66.2 million and $72.3 million, respectively, of which operating revenue amounted to $16.6 million and $16.5 million, respectively. Operating revenue increased $0.1 million, or 0.5 percent. Total operating expenses for the years ended June 30, 2014 and 2013 were $65.9 million and $68.9 million, respectively. Operating expenses decreased $3.0 million, or 4.4 percent. The College's operating loss amounted to $49.3 million during 2014 compared to $52.4 million in 2013, which represented a decrease of $3.1 million, or 5.9 percent.

Total revenue for the years ended June 30, 2013 and 2012 was $72.3 million and $69.0 million, respectively, of which operating revenue amounted to $16.5 million and $15.6 million, respectively. Operating revenue increased $0.9 million, or 5.8 percent. Total operating expenses for the years ended June 30, 2013 and 2012 were $68.9 million and $71.3 million, respectively. Operating expenses decreased $2.4 million, or 3.3 percent. The College's operating loss amounted to $52.4 million during 2013 compared to $55.7 million in 2012, which represented a decrease of $3.3 million, or 5.9 percent.

Net student tuition and fees are comprised of credit and noncredit instruction revenue. A breakdown and comparison of this revenue is as follows:

Credit and Noncredit Instruction Revenue

	Years Ended June 30		
	2014	2013	2012
	(dollars in millions)		
Credit instruction	$ 19.8	$ 21.0	$ 20.8
Less Pell grants and scholarship allowances	(10.9)	(12.8)	(13.9)
Net credit instruction	8.9	8.2	6.9
Noncredit instruction	0.9	1.0	1.3
Other	0.8	0.9	0.9
Total	**$ 10.6**	**$ 10.1**	**$ 9.1**

Net student tuition and fees was higher during 2014 as compared to 2013.

Net credit instruction tuition and fees increased by $0.7 million in 2014 as compared to 2013. Gross credit instruction and fees decreased by 5.7 percent. The decrease is primarily related to declines in summer, fall, and spring enrollments of 7.9 percent, 5.1 percent and 8.3 percent, respectively, partially offset by an increase in tuition rates commencing with fall 2013. Gross credit instruction and fees are offset by Pell grants and other scholarship allowances of $10.9 million during 2014 as compared to $12.8 million during 2013.

Management's Discussion and Analysis (Unaudited) (Continued)

Net credit instruction tuition and fees increased by $1.3 million in 2013 as compared to 2012. Gross credit instruction and fees increased by 1.0 percent. The increase is primarily related to a decline in Pell grants used for tuition and fees of $1.1 million and an increase in tuition rates commencing with fall 2012, offset by declines in summer, fall, and spring enrollments of 5.9 percent, 3.7 percent and 3.2 percent, respectively. Gross credit instruction and fees are offset by Pell grants and other scholarship allowances of $12.8 million during 2013 as compared to $13.9 million during 2012.

There was a 9.6 percent decrease in noncredit instruction revenue during 2014 as compared to 2013. The decrease is primarily due to the treatment of a contracted youth and recreation program where those revenues and expenses were presented at gross in the prior year and are shown at net in the current year. Related expenses are reduced by the corresponding decrease in revenue.

There was a 23.1 percent decrease in noncredit instruction revenue during 2013 as compared to 2012. The decrease is primarily due to enrollment declines in business professional, computer and personal skills, health professional, police academy, non-profit and CBI courses attributable to the economic climate and reorganization of the Community Learning Division, partially offset by enrollment increases in youth and recreation. Related expenses were reduced by the corresponding decrease in revenue as well as cost savings from the reorganization commencing at the start of this fiscal year.

Grants, contracts, and other revenue decreased by $0.7 million during 2014 as compared to 2013, primarily attributable to lower federal, state and local grants of $0.6 million and other operating revenue of $0.1 million.

Grants, contracts, and other revenue increased by $0.2 million during 2013 as compared to 2012, primarily attributable to increased partnership revenue from the Holden University Center and the Teaching Learning Center.

Auxiliary enterprises revenue is comprised primarily of bookstore and event services and campus dining revenue. Operating revenue increased by 8.8 percent for these operations during 2014 compared to 2013, primarily attributable to a decline in Pell grants used for bookstore purchases partially offset by a decrease in bookstore sales attributable to a decrease in enrollment and increased competition from on-line book sellers. Gross auxiliary bookstore revenue is offset by Pell grants of $1.7 million during 2014 compared to $2.0 million in 2013 and $2.4 million in 2012.

Auxiliary enterprises revenue decreased by 6.0 percent for these operations during 2013 compared to 2012, primarily attributable to a decrease in bookstore sales attributable to a decrease in enrollment and increased competition from on-line book sellers.

The College's nonoperating revenue is comprised primarily of the State of Ohio (the "State") and local appropriations and federal Pell grant revenue. State appropriations include the College's Share of Instructional Support and replacement state taxes on property tax law changes.

Management's Discussion and Analysis (Unaudited) (Continued)

A breakdown and comparison of state appropriations revenue are as follows:

State Appropriations

	Years Ended June 30		
	2014	2013	2012
	(dollars in millions)		
SSIS	$ 17.6	$ 17.6	$ 17.6
Replacement state taxes on property tax law changes	-	0.1	0.6
Total	**$ 17.6**	**$ 17.7**	**$ 18.2**

The College's State funding for operational support is determined legislatively and controlled through the Ohio Board of Regents (OBR). State Share of Instructional Support (SSIS) is a formula determined which allocates available 2014 State funds to each two year institution based on: (a) enrollment, (b) course completion, and (c) student success. Moreover, in 2014 there was a hold harmless guarantee that provided temporary stability to institutions where funding decreased precipitously.

Although State support during 2014 and 2013 is relatively flat with 2012, the College experienced a $2.4 million, or 12 percent, reduction in State support during 2012 as compared to 2011, primarily attributable to the loss of Federal stimulus money.

Replacement property taxes on property tax law changes represent legislated, time-limited State funding guarantees on local property tax reductions attributable to (a) legislation on deregulated electric and natural gas utilities (SB3 and SB287) and (b) the phase out on the tangible personal property tax of general business, telephone, telecommunications companies, and railroads (HB66). Guarantees were in place to transition and protect the College in the loss of those personal property taxes and were to be phased out over five years. In the state 2012-2013 Operating Biennium Budget, the guarantees mentioned above were eliminated: guarantees were reduced from $2.5 million during 2011, to $0.6 million during 2012, to $0.1 million during 2013, and then $-0- in 2014.

Local appropriations decreased by $0.4 million or 2.4 percent during 2014 as compared to 2013. The decrease is primarily attributable to lower real estate tax receipts due to a decline in real estate valuations, and the complete elimination of the property tax loss guarantee, partially offset by an increase in collections of delinquent accounts and the impact of new real estate construction taxes.

Local appropriations decreased by $0.6 million or 3.0 percent during 2013 as compared to 2012. The decrease is primarily attributable to lower real estate tax receipts due to a decline in valuations.

Pell grant revenues decreased by $2.3 million during 2014 ($12.6 million in 2014 compared to $14.9 million in 2013). Other nonoperating income and expenses increased by $0.1 million during 2014 compared to 2013.

Management's Discussion and Analysis (Unaudited) (Continued)

Pell grant revenues decreased by $1.4 million during 2013 ($14.9 million in 2013 compared to $16.3 million in 2012). Other nonoperating income and expenses decreased by 3.0 percent during 2013 compared to 2012.

Operating expenses include educational and general expenses, auxiliary enterprises, and depreciation. A breakdown and comparison of these expenses are as follows:

Operating Expense Summary

	Years Ended June 30		
	2014	2013	2012
	(dollars in millions)		
Educational and general:			
Salaries and wages	$ 36.6	$ 37.4	$ 38.1
Benefits	10.4	11.2	11.6
Operating expenses	9.7	10.9	11.9
Total educational and general	56.7	59.5	61.6
Auxiliary enterprises	5.2	5.6	6.3
Depreciation	4.0	3.8	3.4
Total	**$ 65.9**	**$ 68.9**	**$ 71.3**

Salaries and wages decreased by 2.1 percent during 2014. The decrease is primarily attributable to (a) lower part-time summer, fall, and spring faculty cost resulting from lower enrollment and increased class sizes, (b) replacing full-time faculty open positions at lower salaries, (c) management and staff salary savings due to the retire/rehire program, partially offset by (d) full-time faculty contract salary increases as well as staff and administrative salary increases effective January 1, 2014.

Benefits include retirement and non-retirement benefits. Total benefits decreased by 7.1 percent during 2014 and is attributable to the decrease in retirement benefits resulting from the decrease in salary and wages and a decrease in worker's compensation premiums.

Salaries and wages decreased by 1.8 percent during 2013. The decrease is primarily attributable to (a) no salary increases given to part-time faculty, staff, and management in FY 2013, (b) elimination of non-credit positions through reorganization, (c) freezing/delaying the hiring of certain open positions, (d) lower part-time faculty costs resulting from lower credit and noncredit enrollment in addition to increased credit class size, (e) replacing full-time faculty open positions at lower salaries, and (f) savings due to the retire/rehire program, partially offset by (g) higher full-time faculty costs resulting from contract salary increases.

Total benefits decreased by 3.4 percent during 2013. The decrease is attributable to a decrease in retirement benefits resulting from the decrease in salaries and wages, offset by a modest increase in health care premium rates.

Management's Discussion and Analysis (Unaudited) (Continued)

In 2014, total operating expenses were lower by 4.4 percent. The decrease is primarily attributable to the decrease in noncredit classes due to the treatment of a contracted youth and recreation program, as well as reduced costs associated with enrollment declines and cost containment measures initiated by the College, partially offset by higher licensing and software and other maintenance contracts.

In 2013, total operating expenses were lower by 3.4 percent. The decrease is primarily attributable to lower expenses related to the decrease in noncredit classes and various cost saving efforts, partially offset by the Holden University Center operating at a full year during 2013 versus ten months in its startup during 2012.

Auxiliary enterprises expense decreased by 7.1 percent during 2014 primarily resulting from lower expenses related to decreases in bookstore sales resulting from enrollment declines and competition from on-line book purchases.

Auxiliary enterprises expense decreased by 11.1 percent during 2013 primarily resulting from the favorable impact for event and food services staffing and salary adjustments, and lower bookstore costs resulting from lower sales during 2013.

Depreciation expense is higher by 5.3 percent during 2014 due to additional capital expenditures (C-Building project, S-Building roof replacement, welding lab and planned equipment replacements).

Depreciation expense is higher by 11.8 percent during 2013 due to additional capital expenditures (parking lot renovations, Holden University Center, and planned equipment replacements).

From a budgetary perspective, the College utilizes fund-based accounting to control unrestricted revenue, expenditures, and transfers. A summary for the year ended June 30, 2014 comparison of net changes to fund balance, budget versus actual, for the College's unrestricted funds are as follows:

Unrestricted Funds Budget to Actual Comparison

	2014	
Changes to Fund Balances by Unrestricted Fund Type	Adopted Budget	Actual
	(dollars in millions)	
General operating	$ (0.2)	$ (0.2)
Auxiliary	0.1	0.6
Plant	(0.3)	(0.2)
Total	**$ (0.4)**	**$ 0.2**

Management's Discussion and Analysis (Unaudited) (Continued)

Condensed Statements of Net Position

	June 30		
	2014	2013	2012
Assets			
Current assets	$ 33,515,768	$ 32,132,120	$ 33,231,398
Noncurrent assets:			
Capital	41,708,749	42,119,422	37,744,229
Other	10,496,321	9,332,539	8,863,250
Total assets	**$ 85,720,838**	**$ 83,584,081**	**$ 79,838,877**
Liabilities			
Current liabilities	$ 23,273,819	$ 19,393,271	$ 17,099,204
Noncurrent liabilities	11,564,093	13,281,139	14,863,639
Total liabilities	34,837,912	32,674,410	31,962,843
Deferred Inflows of Resources			
Deferred property taxes	7,845,000	8,129,362	8,490,459
Total deferred inflows	7,845,000	8,129,362	8,490,459
Net Position			
Net investment in capital assets	29,988,570	29,954,701	25,985,225
Restricted	376,934	469,044	625,986
Unrestricted	12,672,422	12,356,564	12,774,364
Total net position	**$ 43,037,926**	**$ 42,780,309**	**$ 39,385,575**

Analysis of Overall Financial Position

At June 30, 2014, current assets amounted to $33.5 million as compared to $32.1 million at June 30, 2013, an increase of $1.4 million. Current liabilities at June 30, 2014 amounted to $23.3 million and current liabilities at June 30, 2013 amounted to $19.4 million, an increase of $3.9 million. The College's working capital ratio was 1.4 and 1.7 at June 30, 2014 and 2013, respectively.

The increase in current assets at June 30, 2014 is primarily attributable to: an increase in intergovernmental receivables, partially offset by a decrease in loans and other receivables; slightly higher cash and investments resulting from a mix change between current and non-current classification, partially offset by the scheduled principal payments of the College's Series 2011 and 2008 Tax Anticipation Notes during 2014.

Management's Discussion and Analysis (Unaudited) (Continued)

The increase in current liabilities at June 30, 2014 is primarily attributable to issuance of the Series 2014 Tax Anticipation Notes ($3.0 million) issued on June 5, 2014 with a maturity date of June 5, 2015 and an increase in accounts payable and accrued liabilities attributable to the timing of payments to vendors and other changes in revenue and expense recognition.

At June 30, 2013, current assets amounted to $32.1 million as compared to $33.2 million at June 30, 2012, a decrease of $1.1 million.

Current liabilities at June 30, 2013 amounted to $19.4 million and current liabilities at June 30, 2012 amounted to $17.1 million, an increase of $2.3 million. The College's working capital ratio was 1.7 and 1.9 at June 30, 2013 and 2012, respectively.

The decrease in current assets at June 30, 2013 is primarily attributable to a decrease in cash and investments due to the scheduled principal payments of the College's Series 2011 and 2008 Tax Anticipation Notes, spending of the proceeds from the Series 2011 Tax Anticipation Notes, the planned reduction to reserves, as well as an increase of intergovernmental receivables, partially offset by a decrease in student loans and other receivables during 2013.

The increase in current liabilities at June 30, 2013 is attributable to the timing of payments to vendors, an increase in deferred revenue resulting from the earlier fall 2013 registration as compared to 2012, and an increase in the deferral of grant revenue. It should be noted that grant revenue is deferred until the corresponding disbursement is made.

Noncurrent assets are comprised of capital assets, restricted cash, investments, and loans receivable. The increase in noncurrent assets ($0.8 million) during 2014 is primarily due to the increase in restricted cash and investments from the sale of the Series 2014 Tax Anticipation Notes, partially offset by the spending of the remaining proceeds from the Series 2011 Tax Anticipation Notes and the reduction of capital assets (net) resulting from depreciation expense being higher than capital additions in 2014.

The increase in noncurrent assets ($4.8 million) during 2013 is primarily due to the increases in capital assets from various state and College funded projects and slightly higher long-term investments compared to 2012.

The decrease in noncurrent liabilities in 2014 ($1.7 million) is primarily attributable to scheduled principal payments on the College's debt.

The decrease in noncurrent liabilities in 2013 ($1.6 million) is primarily attributable to scheduled principal payments on the College's debt.

The College's net position amounted to $43.0 million, $42.8 million, and $39.4 million at June 30, 2014, 2013, and 2012, respectively. The $0.2 million increase in the College's net position during 2014 was primarily attributable to slightly higher ending fund balances in the Colleges unrestricted funds (general operating, auxiliary, and plant).

Management's Discussion and Analysis (Unaudited) (Continued)

Capital Assets and Long-term Debt Activity

The College utilizes state capital appropriations, internal funds, debt proceeds, and gifts and other grants for capital asset expenditures. State capital appropriations are on a biennium basis, and individual institutions' capital funding allocations are based on projects that meet the Governor's goals for the State.

During 2014, the College utilized $2.0 million in state capital appropriations, $1.6 million in internal funds including debt proceeds, and purchased $3.6 million of capital assets.

During 2013, the College utilized $5.6 million in state capital appropriations, $2.6 million in internal funds including debt proceeds, and purchased $8.2 million of capital assets.

The College's long-term debt is comprised of Series 2008 Tax Anticipation Notes, Series 2011 Tax Anticipation Notes, and Series 2014 Tax Anticipation Notes.

In 2014, the College issued notes in the amount of $3.0 million representing the par amount of the notes, at a fixed interest rate of 1.0 percent. The notes are dated June 5, 2014 and shall be subject to prior redemption by and at the sole option of the College, either in whole or in part, on or after December 5, 2014.

In 2011, the College issued notes in the amount of $9.5 million representing the par amount of the notes, at a fixed interest rate of 2.8 percent. The notes are dated June 29, 2011 and shall be payable as to principal and interest on December 1 in the years 2011 – 2021. The notes shall not be redeemable at the option of the College in whole or in part prior to stated maturity. The proceeds are to be used for technology, furniture, and equipment at The Holden University Center and other technology, furniture, equipment, and capital additions.

In 2009, the College issued notes in the amount of $8.5 million, with fixed interest rates ranging from 3.25% to 3.75% and a final maturity date in 2018. The proceeds of the notes were used to pay costs associated with the implementation of energy conservation measures that are intended to significantly reduce the College's energy consumption and the operating costs of its buildings. A portion of the proceeds of the notes was also used to pay costs associated with the acquisition of technology equipment and other capital improvements.

During 2014, 2013, and 2012, the College paid $1.7 million, $1.6 million, and $2.3 million, respectively, in connection with debt maturities. The College is in compliance with all of its contractual long-term debt requirements and covenants.

More detailed information about the College's capital assets and long-term debt is presented in Notes 4 and 5 of the financial statements.

Management's Discussion and Analysis (Unaudited) (Continued)

Statements of Cash Flows

Cash Flows for the Years Ended June 30

	2014	2013	2012
Net Cash and Cash Equivalents (Used in) Provided by			
Operating activities	$ (45,155,655)	$ (46,053,734)	$ (51,187,775)
Noncapital financing activities	47,947,406	51,077,495	54,149,947
Capital and related financing activities	(1,207,550)	(5,084,291)	(10,427,283)
Investing activities	2,154,196	1,012,798	(4,435,942)
Net Increase (Decrease) in Cash and Cash Equivalents	3,738,397	952,268	(11,901,053)
Cash and Cash Equivalents - Beginning of year	2,928,566	1,976,298	13,877,351
Cash and Cash Equivalents - End of year	**$ 6,666,963**	**$ 2,928,566**	**$ 1,976,298**

Major sources of cash included student tuition and fees of $11.3 million in 2014, $12.3 million in 2013, and $9.9 million in 2012; state appropriations of $17.6 million in 2014, $17.7 million in 2013, and $18.2 million in 2012; local appropriations of $17.8 million in 2014, $18.6 million in 2013, and $18.7 million in 2012; grants and contracts of $0.1 million in 2014, $0.7 million in 2013, and $1.3 million in 2012; and auxiliary sales and services of $4.5 million in 2014, $3.5 million in 2013, and $4.1 million in 2012.

The largest payments were for employee compensation and benefits totaling $52.1 million in 2014, $51.6 million in 2013, and $53.1 million in 2012; suppliers of goods and services totaling $10.0 million in 2014, $11.4 million in 2013, and $13.8 million in 2012; and purchases of capital assets totaling $2.2 million in 2014, $3.0 million in 2013, and $7.7 million in 2012.

Factors Impacting Future Periods

The level of state and local support, student tuition and fee increases, compensation, and other cost increases impact the College's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

The College places significant reliance on state appropriations. State income and budget constraints may from time to time compel stabilization or reduction to levels of State assistance and support for higher education in general and the College in particular. In addition, the SSIS appropriations are subject to subsequent limitations, which provide in part that if the Governor ascertains that the available revenue receipts and balances for the current fiscal year will in all probability be less than the appropriations for the year, he shall issue such orders to prevent the expenditure and incurred obligations from exceeding those revenue receipts and balances.

The College's State funding for operational support is determined legislatively and controlled through the Ohio Board of Regents. Under the new formula, the 2015 funding model for community and technical colleges will consist of three components; (1) course completion, (2) success points, and (3) degrees and certificates earned. Moreover, in 2015, there is a hold-harmless guarantee that provides temporary stability to institutions where their funding decreases precipitously.

Management's Discussion and Analysis (Unaudited) (Continued)

Local appropriations in the form of property taxes are another critical element of support. The electors within the County of Lake, Ohio (the "County") must approve any Lakeland Community College property tax. The College collects property taxes for operating and capital purposes from two levies approved by the County voters: a 1.7 mills stated rate for a continuing period and a 1.5 mills stated rate for 10 years. The 1.7 mills levy replacement was approved by Lake County voters on November 2, 2010 and the 1.5 mills stated rate was renewed on November 8, 2011. This replacement of the 1.7 mills levy generated approximately $4.0 million dollars in incremental funding for 2011, as compared to 2010, and has generated an incremental $8.0 million dollars in 2012 compared to 2010. Variations in funding, outside the levy mill amounts is threatened by property devaluations and the level of delinquent taxes collected each year.

Instructional fees are limited by both enrollment declines and the inability to raise tuition beyond a certain level as determined by the State Legislature. The 2015 budget reflects an enrollment decline of 10.5 percent for summer and a 6.8 percent decline for fall and spring.

Contacting the College's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paul Henschel, Controller and Bursar for Lakeland Community College, 7700 Clocktower Drive, Kirtland, Ohio 44094 or email at PHenschel@Lakelandcc.edu.

Lake County Community College District
d/b/a Lakeland Community College

Statements of Net Position

	June 30	
	2014	2013
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 3,037,781	$ 2,283,060
Short-term investments (Note 2)	2,894,000	3,102,973
Intergovernmental receivables	12,961,061	11,345,571
Loans and other receivables - Net (Note 3)	12,469,237	13,246,215
Inventories	853,256	798,588
Prepaid assets	1,300,433	1,355,713
Total current assets	33,515,768	32,132,120
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2)	3,629,183	645,506
Restricted Investments (Note 2)	-	1,199,173
Investments (Note 2)	6,836,613	7,471,962
Loans receivable - Net (Note 3)	30,525	15,898
Capital assets - Net (Note 4)	41,708,749	42,119,422
Total noncurrent assets	52,205,070	51,451,961
Total assets	**$ 85,720,838**	**$ 83,584,081**
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 5,043,498	$ 4,057,844
Unearned revenue	12,343,113	12,486,211
Other liabilities	231,161	266,208
Debt payable (Note 5)	4,708,572	1,649,766
Compensated absences (Note 5)	947,475	933,242
Total current liabilities	23,273,819	19,393,271
Noncurrent liabilities (Note 5):		
Other liabilities	248,000	248,000
Debt payable	10,327,271	12,026,245
Compensated absences	774,649	792,721
Refundable federal student loans	214,173	214,173
Total noncurrent liabilities	11,564,093	13,281,139
Total liabilities	34,837,912	32,674,410
Deferred Inflows of Resources		
Deferred property taxes	7,845,000	8,129,362
Total Deferred Inflows	7,845,000	8,129,362
Net Position		
Net investment in capital assets	29,988,570	29,954,701
Restricted for:		
Nonexpendable for endowment purposes	355,204	355,124
Expendable for instructional purposes	21,730	113,920
Unrestricted	12,672,422	12,356,564
Total net position	43,037,926	42,780,309
Total liabilities and net position	**$ 85,720,838**	**$ 83,584,081**

The Accompanying Notes are an Integral Part of these Financial Statements.

Lake County Community College District
d/b/a Lakeland Community College

Statements of Revenue, Expenses, and Changes in Net Position

	Years Ended June 30	
	2014	2013
Operating Revenue		
Student tuition and fees - Net of $10,914,699 and $12,835,200 in Pell and scholarship allowances in 2014 and 2013, respectively	$ 10,577,449	$ 10,106,022
Federal grants and contracts	93,771	231,327
State grants and contracts	90,601	131,877
Private grants and contracts	61,946	433,644
Sales and services	895,408	792,687
Auxiliary enterprises - Net of $1,670,220 and $2,022,238 in Pell and scholarship allowances in 2014 and 2013, respectively	4,376,048	4,022,522
Other operating revenue	468,990	764,472
Total operating revenue	16,564,213	16,482,551
Operating Expenses		
Educational and general:		
Instruction and departmental research	27,372,508	28,185,915
Public service	1,543,802	1,624,805
Academic support	4,871,491	5,118,898
Student services	7,128,505	7,968,079
Institutional support	9,078,057	9,806,532
Operation and maintenance of facilities	6,673,065	6,762,442
Total educational and general	56,667,428	59,466,671
Auxiliary enterprises	5,243,724	5,601,071
Depreciation	3,988,005	3,854,718
Total operating expenses	65,899,157	68,922,460
Operating Loss	(49,334,944)	(52,439,909)
Nonoperating Revenue (Expense)		
State appropriations (Note 7)	17,597,078	17,676,460
Local appropriations (Note 8)	17,685,340	18,112,482
Pell grant revenue - Net of refunds	12,584,919	14,857,438
Unrestricted investment income - Net of investment expense	81,814	40,891
Restricted investment income - Net of investment expense	887	5,643
Interest on capital asset - Related debt	(413,430)	(462,474)
Net nonoperating revenue	47,536,608	50,230,440
Loss - Before other changes	(1,798,336)	(2,209,469)
Other Changes		
Capital appropriations from the State of Ohio (Note 7)	2,045,953	5,604,203
Capital grants and gifts	10,000	-
Total other changes	2,055,953	5,604,203
Increase in Net Position	257,617	3,394,734
Net Position - Beginning of year	42,780,309	39,385,575
Net Position - End of year	**$ 43,037,926**	**$ 42,780,309**

The Accompanying Notes are an Integral Part of these Financial Statements.

Lake County Community College District
d/b/a Lakeland Community College

Statements of Cash Flows

	Years Ended June 30	
	2014	2013
Cash Flows from Operating Activities		
Tuition and fees - Net	$ 11,349,152	$ 12,291,978
Grants and contracts	134,865	745,078
Payments to suppliers and utilities	(9,981,933)	(11,420,612)
Payments for compensation and benefits	(52,124,474)	(51,597,718)
Federal draw-downs	20,569,267	21,502,285
Federal draw-downs applied to tuition - Disbursed to students	(20,729,551)	(23,038,039)
Auxiliary sales and services	4,497,769	3,531,006
Other	1,129,250	1,932,288
Net cash used in operating activities	(45,155,655)	(46,053,734)
Cash Flows from Noncapital Financing Activities		
State appropriations	17,597,078	17,676,460
Local appropriations	17,765,409	18,543,597
Federal Pell - Net of refunds	12,584,919	14,857,438
Net cash provided by noncapital financing activities	47,947,406	51,077,495
Cash Flows from Capital and Related Financing Activities		
Capital gift	10,000	-
Proceeds from issuance of debt	3,000,000	-
Purchases of capital assets	(2,174,113)	(3,040,322)
Principal paid on capital debt and leases - Net	(1,649,766)	(1,595,528)
Interest paid on capital debt and leases	(403,268)	(448,441)
Bond issue costs	9,598	-
Net cash used in capital and related financing activities	(1,207,549)	(5,084,291)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	10,600,000	9,725,225
Purchase of investments	(8,529,234)	(8,743,344)
Interest on investments	83,430	30,917
Net cash provided by investing activities	2,154,196	1,012,798
Net Increase in Cash and Cash Equivalents	3,738,398	952,268
Cash and Cash Equivalents - Beginning of year	2,928,566	1,976,298
Cash and Cash Equivalents - End of year	**$ 6,666,964**	**$ 2,928,566**
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	$ 3,037,781	$ 2,283,060
Restricted cash and cash equivalents	3,629,183	645,506
Total cash and cash equivalents	**$ 6,666,964**	**$ 2,928,566**

The Accompanying Notes are an Integral Part of these Financial Statements.

Statements of Cash Flows (Continued)

	Years Ended June 30	
	2014	2013
Reconciliation of Operating Loss to Net Cash from Operating Activities:		
Operating loss	$ (49,334,944)	$ (52,439,909)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	3,988,005	3,854,718
(Increase) Decrease in assets:		
Accounts receivable	(328,635)	280,094
Inventories	(54,669)	60,805
Other assets	55,280	244,559
Increase (Decrease) in liabilities:		
Accounts payable and accrued liabilities	950,607	1,208,401
Unearned revenue	(427,460)	801,705
Deposits held for others	-	(88,792)
Compensated absences	(3,839)	24,685
Net cash used in operating activities	**$ (45,155,655)**	**$ (46,053,734)**

The Accompanying Notes are an Integral Part of these Financial Statements.

Lake County Community College District
d/b/a Lakeland Community College

Statements of Financial Position and Condensed Statements of Activities
Component Unit – The Lakeland Foundation

Statements of Financial Position

	June 30 2014	June 30 2013
Assets		
Cash and cash equivalents	$ 483,413	$ 377,747
Cash held for others	21,335	11,182
Investments (Note 1, 14)	3,905,472	3,266,222
Receivables	231,847	414,683
Other assets	11,881	24,771
Total assets	**$ 4,653,948**	**$ 4,094,605**
Liabilities and Net Position		
Liabilities		
Accounts payable	$ 24,115	$ 52,628
Due to custodial funds	21,335	11,182
Total liabilities	45,450	63,810
Net Position		
Unrestricted	90,798	45,514
Temporarily restricted	2,193,868	1,888,793
Permanently restricted	2,323,832	2,096,488
Total net position	4,608,498	4,030,795
Total liabilities and net position	**$ 4,653,948**	**$ 4,094,605**

Condensed Statements of Activities

	Year Ended June 30 2014	Year Ended June 30 2013
Support and Revenue		
Contributions and grants	$ 960,091	$ 873,931
Investment income - Net	458,374	295,658
Total support and revenue	1,418,465	1,169,589
Program and Support Services		
Program services:		
Scholarships	371,549	452,762
Educational and related programs	255,276	265,849
Support services - Administration	213,937	224,684
Total program and support expenses	840,762	943,295
Increase in Net Position	577,703	226,294
Net Position - Beginning of year	4,030,795	3,804,501
Net Position - End of year	**$ 4,608,498**	**$ 4,030,795**

The Accompanying Notes are an Integral Part of these Financial Statements.

Notes to Financial Statements
June 30, 2014 and 2013

Note 1: Basis of Presentation and Significant Accounting Policies

Lake County Community College District d/b/a Lakeland Community College (the "College") is a two-year community college and a political subdivision of the State of Ohio (the "State"). The College is exempt from filing a federal tax return based upon the ruling it received from the Internal Revenue Service dated August 27, 1968.

The College reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The financial statements have been prepared in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. This standard requires examination of significant operational or financial relationships with the College and establishes criteria for identifying and presenting component units of the organization. Based on this examination and application of the criteria, the College has identified one component unit: The Lakeland Foundation. A component unit is a separate legal entity that is included in the College's reporting entity because of the significance of its operational financial relationships with the College.

The Lakeland Foundation (the "Foundation") is discretely reported as part of the College's reporting entity (although it is legally separate and governed by its own Board of Directors) because its sole purpose is to provide support for the College. The Foundation is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those under the GASB. No modifications have been made to the Foundation's financial information included in the College's financial report to account for these differences. Separate financial statements of the Foundation may be obtained by contacting The Lakeland Foundation, 7700 Clocktower Drive, Kirtland, Ohio 44094-5198.

Basis of Accounting – The accompanying financial statements of the College were prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the GASB.

Measurement Focus and Financial Statement Presentation – Operating revenue and expenses generally result from providing service in connection with the College's principal ongoing operations. The principal operating revenue is student tuition. The College also recognizes as operating revenue grants and contracts classified as exchange transactions and auxiliary activities. Operating expenses include educational costs, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition, including state and local appropriations, are reported as nonoperating revenue and expenses. When the College incurs an expense for which both unrestricted and restricted net assets are available, it is the College's policy to first apply restricted resources. Activity related to Internal Service Funds is eliminated to avoid "doubling up" revenue and expenses.

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

Notes to Financial Statements
June 30, 2014 and 2013

Note 1: Basis of Presentation and Significant Accounting Policies (continued)

Restricted Cash and Cash Equivalents – As of June 30, 2014, restricted cash and cash equivalents of $3,629,182 consist of the unspent proceeds from the Tax Anticipation Notes, Series 2014 ($3,004,535) issued on June 5, 2014, unspent proceeds from the Tax Anticipation Notes, Series 2011 ($269,443) issued on June 29, 2011, and for endowment purposes ($355,204). As of June 30, 2013, restricted cash and cash equivalents of $645,506 consisted of the unspent proceeds from the Tax Anticipation Notes, Series 2011 ($290,382) issued on June 29, 2011 and for endowment purposes ($355,124).

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

Investments – All investments are measured at fair value, based on quoted market prices, in the statement of net position. Investments maturing in one year or less are categorized as short-term.

Capital Assets – The College's policy on capitalization and depreciation adheres to the requirement of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Capital assets include land, land improvements, infrastructure, buildings, building improvements, construction in progress, equipment, furniture, vehicles, software, and library books.

Capital assets greater than $5,000 are capitalized at cost or, if acquired by donation, at appraised values as of the date received. When capital assets are sold or otherwise disposed of, the carrying value of such assets and any accumulated depreciation are removed from the statement of net position. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset's life are expensed.

Capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method. Equipment, furniture, and vehicles are based on date of acquisition and half-year straight-line method for all other capital assets:

Land improvements	20-30 years
Infrastructure	20-25 years
Buildings and building improvements	5-40 years
Equipment, furniture, and vehicles	3-15 years
Software and library books	3-5 years

Unearned Revenue – Unearned revenue includes tuition and fees for summer sessions and local government revenue. Summer tuition and fee revenue received and related expenses incurred are unearned in their entirety to the next fiscal year. This is consistent with the State of Ohio reporting model. Unearned revenue also includes amounts billed to students for the fall semester of fiscal year 2015 that have not yet been earned.

Note 1: Basis of Presentation and Significant Accounting Policies (continued)

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

Net Position – Net position is classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Nonexpendable, restricted net positions are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been gifted or granted for specific purposes, funds used for capital projects, and debt service. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Unrestricted net position is not subject to externally-imposed constraints and may be designated for specific purposes by action of the Board of Trustees (the “Board”) or may otherwise be limited by contractual agreements with outside parties.

Revenue Recognition – State appropriations are recognized when received or made available. Restricted funds are recognized as revenue only to the extent expended. Gifts and interest on student loans are recognized when received. The College’s policy for defining operating activities as reported on the statement of revenue, expenses, and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the College’s expenses are from exchange transactions.

Grants and Contracts – The College receives grants and contracts from federal, state, and private agencies to fund education programs, research, and other activities. Grants and contracts generally provide for the recovery of direct and indirect costs. Indirect costs recovery is recorded as a percentage of direct costs at negotiated fixed rates. Revenue received under grants and contracts is subject to the examination and retroactive adjustments by the awarding agency.

Pell Grant Reimbursements – Pell grant reimbursements are classified as nonoperating revenue due to their nonexchange nature. The amounts recorded as Pell revenue for 2014 and 2013 are $12,584,919 and $14,857,438, respectively.

Intergovernmental Receivables and Revenue – Local government revenue is recorded as receivables and revenue when the legal right to the funds has occurred. Other federal and state grants and assistance awards made on the basis of entitlement are recorded as intergovernmental receivables and revenue when entitlement occurs.

Comparative Data/Reclassifications – Certain reclassifications have been made to the 2013 financial statements in order to conform to the 2014 presentation.

Notes to Financial Statements
June 30, 2014 and 2013

Note 1: Basis of Presentation and Significant Accounting Policies (continued)

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 disclosures in the notes. Actual results could differ from the estimates.

Newly Adopted Accounting Pronouncements – In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. The provisions of this statement were effective for financial statements for periods beginning after December 15, 2012.

New Accounting Pronouncement, Not Yet Adopted – In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions.* Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information. The total pension liability will be computed on a different basis than the current actuarial accrued liability. The method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

Note 2: Cash and Cash Equivalents and Investments

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

At June 30, 2014 and 2013, the carrying amount of the College's cash balance was $1,995,908 and $2,115,434, respectively. The bank balance at June 30, 2014 and 2013 totaled $2,626,118 and $283,802, respectively. The difference represents outstanding checks payable, deposits in transit, and normal reconciling items.

A total of $250,000 of the bank balance was covered by the federal depository insurance for the years ended June 30, 2014 and 2013. The remainder was specifically secured by U.S. government and municipal securities. The College also maintains a small on-hand cash balance to maintain day-to-day operations in the cashier's office, bookstore, and food service operations.

Note 2: Cash and Cash Equivalents and Investments (continued)

Investments – The College's investment policy approved by the Board of Trustees establishes priorities and guidelines regarding the investment management of the College's funds. These priorities and guidelines are based upon Chapters 3354.10, 3345.05, and 135.14 of the Ohio Revised Code (ORC) and prudent money management principles.

The investment objectives of the College, in priority order, include compliance with all federal and state laws, safety of principal, liquidity, and yield. Market risks (including interest rate risk and liquidity risk) and credit risk are managed by Board policies as described below.

Interest Rate Risk – The market value of securities in the College's portfolio will increase or decrease based upon changes in the general level of interest rates. The effects of market value fluctuations will be minimized by maintaining adequate liquidity to pay current obligations, diversification of maturities, and diversification of assets.

Liquidity Risk – The portfolio remains sufficiently liquid to meet all current obligations of the College. Minimum liquidity levels are established in order to meet all current obligations without having to sell securities. The College forecasts its cash needs and maintains cash balances (related to daily receipts or for immediate expenditure needs) in an interest bearing bank account. In addition, funds are also invested in the State of Ohio treasurer's STAR investment program fund. The remaining portfolio at June 30, 2014 and 2013 is made up of United States Treasury and agency issues, and commercial paper. These investments are structured so that securities mature concurrently with cash needs.

Credit Risk – Credit risk is the risk of loss due to the failure of a security issuer to pay principal or interest or the failure of the issuer to make timely payments of principal. Eligible investments affected by credit risk include certificates of deposit, commercial paper, and bankers' acceptances. The College had $669,397 in commercial paper in 2014 and $1,499,481 in 2013. Credit risk is minimized by (1) diversifying assets by issuer, (2) ensuring that required minimum credit ratings exist prior to the purchase of commercial paper and bankers' acceptances, and (3) maintaining adequate collateralization of certificates of deposits.

Custodial Credit Risk – Investments under management are directed by the College's investment manager, United American Capital Corporation. The investment manager shall be either registered with the Securities and Exchange Commission or be licensed by the division of securities under Section 1707.141 ORC, and will possess experience in the management of public funds, specifically in the area of state and local government investment portfolios, or an eligible institution referenced in 135.03 ORC.

The investment advisor is authorized to manage the investment funds of the College, which includes the selection of eligible investment assets as defined under applicable sections of the ORC, and the selection of eligible broker dealer firms based upon the criteria as determined by the investment advisor.

The investment advisor may execute the purchase and/or sale of securities with eligible Ohio financial institutions, primary securities dealers regularly reporting to the New York Federal Reserve Bank, and regional securities firms or broker dealers licensed with the Ohio Department of Commerce, Division of Securities to transact business in the state of Ohio.

Note 2: Cash and Cash Equivalents and Investments (continued)

The investment advisor, eligible financial institutions, and broker/dealers transacting investment business with the College are required to sign the College's investment policy as an acknowledgment and understanding of the contents of said policy.

Securities purchased for the College are held in a safekeeping account established by the College as provided in Section 135.37 ORC. Securities held in safekeeping by the custodian are evidenced by a monthly statement describing such securities. The custodian may safe keep the College's securities in (1) Federal Reserve Bank book entry form, (2) Depository Trust Company (DTC) book entry form in the account of the custodian or the custodian's correspondent bank, or (3) nonbook entry (physical) securities held by the custodian or the custodian's correspondent bank. Therefore, the custodial risk is limited.

Foreign Currency Risk – The College did not invest in any foreign instruments in 2014 or 2013.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The College's investment policy places no limitation on the amount that may be invested in a single issuer. The College held commercial paper with General Electric Capital Corporation that had fair values of five percent or more of total investments as of June 30, 2013. There were no other issuers over five percent in 2013 or 2014.

At June 30, 2014 and 2013, the College's investment portfolio and credit ratings consisted of the following:

2014	Fair Market Value	Less Than One Year	1-4 Years	NRSRO Rating
State Treasurer Asset Reserve Fund (STAR Ohio)	$ 4,366,330	$ 1,006,590	$ 3,359,740	AAA
Money market	304,726	35,283	269,443	AAA
Commercial Paper	669,397	669,397	-	P-1
U.S. Treasury	500,235	500,235	-	AAA
U.S. government agency	8,560,981	1,724,368	6,836,613	AAA
Total investments	$ 14,401,669	$ 3,935,873	$ 10,465,796	

2013	Fair Market Value	Less Than One Year	1-4 Years	NRSRO Rating
State Treasurer Asset Reserve Fund (STAR Ohio)	$ 406,519	$ 406,519	$ -	AAA
Money market	406,613	116,231	290,382	AAA
Commercial Paper	1,499,481	499,586	999,895	P-1
U.S. Treasury	500,176	-	500,176	AAA
U.S. government agency	9,774,451	2,603,387	7,171,064	AAA
Total investments	$ 12,587,240	$ 3,625,723	$ 8,961,517	

Notes to Financial Statements
June 30, 2014 and 2013

Note 3: Loans and Other Receivables

Loans and other receivables relate to several activities including tuition and fees, auxiliary sales, and miscellaneous sales and services. Loans and other receivables are recorded net of allowances for uncollectible accounts of $3,827,304 and $3,442,464 at June 30, 2014 and 2013, respectively.

	2014		2013	
	Current Portion - Net	Noncurrent Portion - Net	Current Portion - Net	Noncurrent Portion - Net
In-house student loans	$ -	$ 1,500	$ -	$ 1,500
Federal Perkins and nursing student loans	3,458	15,325	12,526	-
Employee computer financing	24,020	13,700	30,058	14,398
Student accounts	11,934,556	-	12,739,596	-
Auxiliary receivables	262,402	-	249,732	-
Interest receivable	6,830	-	7,715	-
Sales and service receivables	237,971	-	206,588	-
Total	$ 12,469,237	$ 30,525	$ 13,246,215	$ 15,898

The decrease in loans and other receivables is primarily attributable to lower enrollment in 2014 compared to 2013.

Federal Direct Loans processed for students by the College totaled $18,520,243 and $21,308,215 during the years ended June 30, 2014 and June 30, 2013, respectively. The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loans Program and, accordingly, these loans are not included in the College's financial statements.

Notes to Financial Statements
June 30, 2014 and 2013

Note 4: Capital Assets

Capital asset activity for the years ended June 30, 2014 and 2013 was as follows:

	June 30, 2013 Balance	Additions	Retirements and Transfers	June 30, 2014 Balance
Nondepreciable assets:				
Land	$ 723,289	$ -	$ -	$ 723,289
Construction in progress	5,667,560	1,498,271	(5,589,240)	1,576,591
Depreciable assets:				
Land improvements	4,595,057	26,743	-	4,621,800
Infrastructure	6,200,609	-	-	6,200,609
Buildings and improvements	71,405,177	6,712,898	-	78,118,075
Equipment and vehicles	12,966,280	680,415	(141,339)	13,505,356
Software and library books	10,271,902	256,994	-	10,528,896
Total capital assets	111,829,874	9,175,321	(5,730,579)	115,274,616
Less accumulated depreciation:				
Land improvements	2,752,627	145,797	-	2,898,424
Infrastructure	3,056,539	202,530	-	3,259,069
Buildings and improvements	49,285,488	1,978,729	(668,983)	50,595,234
Equipment and vehicles	5,350,161	1,294,497	527,643	7,172,301
Software and library books	9,265,637	375,202	-	9,640,839
Total accumulated depreciation	69,710,452	3,996,755	(141,340)	73,565,867
Capital assets - Net	$ 42,119,422	$ 5,178,566	$ (5,589,239)	$ 41,708,749

	June 30, 2012 Balance	Additions	Retirements and Transfers	June 30, 2013 Balance
Nondepreciable assets:				
Land	$ 723,289	$ -	$ -	$ 723,289
Construction in progress	515,940	5,151,620	-	5,667,560
Depreciable assets:				
Land improvements	4,020,330	574,727	-	4,595,057
Infrastructure	6,200,609	-	-	6,200,609
Buildings and improvements	71,059,334	345,843	-	71,405,177
Equipment and vehicles	12,615,774	1,600,321	(1,249,815)	12,966,280
Software and library books	9,700,852	571,050	-	10,271,902
Total capital assets	104,836,128	8,243,561	(1,249,815)	111,829,874
Less accumulated depreciation:				
Land improvements	2,610,247	142,380	-	2,752,627
Infrastructure	2,853,312	203,227	-	3,056,539
Buildings and improvements	46,926,487	2,359,001	-	49,285,488
Equipment and vehicles	5,792,209	802,866	(1,244,914)	5,350,161
Software and library books	8,909,644	355,993	-	9,265,637
Total accumulated depreciation	67,091,899	3,863,467	(1,244,914)	69,710,452
Capital assets - Net	$ 37,744,229	$ 4,380,094	$ (4,901)	$ 42,119,422

Notes to Financial Statements
June 30, 2014 and 2013

Note 5: Noncurrent Liabilities

Noncurrent liability activity for the years ended June 30, 2014 and 2013 was as follows:

2014	June 30, 2013 Balance	Additions	Reductions	June 30, 2014 Balance	Current Portion
Long-term debt and lease obligations:					
Tax Anticipation Note, Series 2014	$ -	$ 3,000,000	$ -	$ 3,000,000	$ 3,000,000
Premium on Tax Anticipation Note	-	9,598	-	9,598	9,598
Tax Anticipation Note, Series 2011	8,210,000	-	815,000	7,395,000	835,000
Tax Anticipation Note, Series 2008	5,450,000	-	830,000	4,620,000	860,000
Premium on Tax Anticipation Note	16,011	-	4,766	11,245	3,974
Total	13,676,011	3,009,598	1,649,766	15,035,843	4,708,572
Other noncurrent obligations:					
Reserve for compensated absences	1,725,963	-	3,839	1,722,124	947,475
Reserve for federal student loans	214,173	-	-	214,173	-
Other liabilities	248,000	-	-	248,000	-
Total noncurrent liabilities	$ 15,864,147	$ 3,009,598	$ 1,653,605	$ 17,220,140	$ 5,656,047

2013	June 30, 2012 Balance	Additions	Reductions	June 30, 2013 Balance	Current Portion
Long-term debt and lease obligations:					
Tax Anticipation Note, Series 2011	$ 9,000,000	$ -	$ 790,000	$ 8,210,000	$ 815,000
Tax Anticipation Note, Series 2008	6,250,000	-	800,000	5,450,000	830,000
Premium on Tax Anticipation Note	21,539	-	5,528	16,011	4,766
Total	15,271,539	-	1,595,528	13,676,011	1,649,766
Other noncurrent obligations:					
Reserve for compensated absences	1,701,278	24,685	-	1,725,963	933,242
Reserve for federal student loans	302,965	-	88,792	214,173	-
Other liabilities	248,000	-	-	248,000	-
Total noncurrent liabilities	$ 17,523,782	$ 24,685	$ 1,684,320	$ 15,864,147	$ 2,583,008

Tax Anticipation Notes Series 2014, Series 2011, Series 2008 – The Tax Anticipation Notes Series 2014 is one of an authorized issue of Notes of the College in the aggregate principal amount of $3,000,000.

The Series 2014 Notes are issued for the purpose of providing funds for the acquisition of sites; the erection, furnishing, and equipment of buildings; the acquisition, construction, or improvement of any property which the Board of Trustees of the community college district is authorized to acquire, construct, or improve, and which has an estimated life of usefulness of five years or more as certified by the fiscal officer; and issued in anticipation of the collection of a fraction of the proceeds to be received from the collection of a 1.7 mills ad valorem property tax in excess of the 10 mills limitation (the “Tax Levy”) for that purpose approved by the electors of the College at an election held on November 3, 1970 and replaced by a vote of the electors on November 2, 2010.

Note 5: Noncurrent Liabilities (continued)

The Series 2014 Notes are payable as to both principal and interest from the proceeds of the Tax Levy, and is issued under authority of and pursuant to the laws of the State of Ohio, particularly Sections 3354.12 and 133.24 of the Revised Code, the requisite majority vote of the electors of the College cast at an election held on November 2, 2010 upon the question of the Tax Levy, and a resolution adopted by the board of trustees of the College on May 1, 2014 and a Certificate of Award dated May 20, 2014 for the Series 2014 Notes (collectively, the "Note Legislation").

The Series 2014 Notes shall be subject to prior redemption by and at the sole option of the College, either in whole or in part, on or after December 5, 2014, at par plus accrued interest to redemption date, upon 30 days notice.

The Tax Anticipation Notes Series 2011 is one of an authorized issue of Notes of the College in the aggregate principal amount of $9,500,000.

The Series 2011 Notes are issued for the purpose of providing funds for the acquisition of sites; the erection, furnishing, and equipment of buildings; the acquisition, construction, or improvement of any property which the board of trustees of the community college district is authorized to acquire, construct, or improve, and which has an estimated life of usefulness of five years or more as certified by the fiscal officer; and the payment of operating costs of the College, and issued in anticipation of the collection of a fraction of the proceeds to be received from the collection of a 1.7 mills ad valorem property tax in excess of the 10 mills limitation (the "Tax Levy") for that purpose approved by the electors of the College at an election held on November 3, 1970 and replaced by a vote of the electors on November 2, 2010.

The Series 2011 Notes are payable as to both principal and interest from the proceeds of the Tax Levy and is issued under authority of and pursuant to the laws of the State of Ohio, particularly Sections 3354.12 and 133.24 of the Revised Code, the requisite majority vote of the electors of the College cast at an election held on November 2, 2010 upon the question of the Tax Levy, and a resolution adopted by the Board of Trustees of the College on June 2, 2011 for the Series 2011 Notes and a Certificate of Award dated June 13, 2011 for the Series 2011 Notes (collectively, the "Note Legislation").

The Notes are not subject to optional redemption prior to stated maturity. The Notes are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amount.

Effective July 10, 2008, the College issued Tax Anticipation Notes (Series 2008 Notes) in anticipation of the proceeds of a 1.7 mills ad valorem property tax approved by the electors of the College at an election held on November 3, 1970. The notes are in the amount of $8,500,000, with fixed interest rates and a maturity date of 2018. The proceeds of the notes are being used to pay costs associated with the implementation of energy conservation measures that are intended to significantly reduce the College's energy consumption and operating costs of its buildings. A portion of the proceeds of the notes is also being used to pay costs associated with the acquisition of technology equipment and other capital improvements.

Note 5: Noncurrent Liabilities (continued)

The Series 2008 Notes are issued pursuant to authorized legislation and the Ohio Revised Code, adopted by the Board of Trustees of the College on June 5, 2008. The notes are being issued in anticipation of the collection of a fraction of the proceeds from the tax levy, commencing with distributions from the College in calendar year 2008 and ending with collection year 2018. Under law authorizing this financing, notes may be issued from time to time during the life of the tax levy. The amount of principal payments may not in aggregate exceed 75 percent of the total anticipated proceeds of the levy to be collected during the particular calendar year.

The Series 2014 Notes, Series 2011 Notes and Series 2008 Notes were issued pursuant to a master trust agreement dated March 15, 1999, acting by and through the College's Board of Trustees and the bond trustee. The Series 2014 Notes are subject to mandatory redemption with a fixed interest rate of 1.00 percent. The final maturity of the Series 2014 notes is June 5, 2015. The Series 2011 Notes are subject to mandatory redemption, with a fixed interest rate of 2.80 percent. The final maturity of the Series 2011 Notes is December 1, 2021.

The Series 2008 Notes are subject to mandatory redemption, with stated interest rates ranging from 3.25 percent to 3.75 percent. The final maturity of the Series 2008 Notes is December 1, 2018.

The Series 2014 Notes are special obligations of the College. Pursuant to authorizing legislation and the Ohio Revised Code, amounts necessary to pay debt service as it comes due shall be appropriated for that purpose from the proceeds of the 1.7 mills property tax levy approved by the Lake County, Ohio, electors at the November 3, 1970 election and replaced by a vote of the electors at the November 2, 2010 election.

The Series 2011 Notes are special obligations of the College. Pursuant to authorizing legislation and the Ohio Revised Code, amounts necessary to pay debt service as it comes due shall be appropriated for that purpose from the proceeds of the 1.7 mills property tax levy approved by the Lake County, Ohio, electors at the November 3, 1970 election and replaced by a vote of the electors at the November 2, 2010 election.

The Series 2008 Notes are special obligations of the College. Pursuant to authorizing legislation and the Ohio Revised Code, amounts necessary to pay debt service as it comes due shall be appropriated for that purpose from the proceeds of the 1.7 mills property tax levy approved by the Lake County, Ohio, electors at the November 3, 1970 election.

Note 5: Noncurrent Liabilities (continued)

Scheduled principal maturities and total debt service on the Series 2014 Notes, Series 2011 Notes, and Series 2008 Notes for fiscal years subsequent to June 30, 2014 are as follows:

Fiscal Years Ending		Principal	Interest	Total
2015		$ 4,695,000	$ 376,895	$ 5,071,895
2016		1,750,000	292,540	2,042,540
2017		1,805,000	236,435	2,041,435
2018		1,865,000	177,299	2,042,299
2019		1,930,000	114,906	2,044,906
2020-2021		2,970,000	126,420	3,096,420
	Total	$ 15,015,000	$ 1,324,495	$ 16,339,495

Note 6: Operating Lease Obligations

The College has entered into various lease agreements, which are considered operating leases. Total rental expense under operating leases during the years ended June 30, 2014 and 2013 amounted to $1,085,107 and $1,076,732, respectively. On January 27, 2010, the Lakeland Board of Trustees approved a formal agreement with PF Kirtland, LLC for leasing a facility located on Kirtland Road and the necessary "build out" for use as an educational facility. The lease is consistent with the plans, specifications, and costs submitted to and reviewed by the Board. The lease will be for an initial period of 15 years with three five-year options, together with the option to purchase the facility. Rents payable under the lease shall be limited to available receipts of the College as permitted under Ohio Revised Code Section 3345.12(4). One other operating lease was for real estate property rentals for Lakeland's campus in Madison.

Future minimum lease payments as of June 30, 2014 under operating leases in Kirtland and Madison are as follows:

2015		$ 1,040,969
2016		1,036,505
2017		1,041,430
2018		1,116,827
2019		1,145,846
2020-2024		4,109,534
2025-2027		3,584,934
	Total	$ 13,076,045

Note 7: State Appropriations

The College is a state-assisted institution of higher education and receives student-based support from the State. This support is determined annually based upon a formula devised by the State. In addition to this student support, the State provides funding for the construction of major academic 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, is used for the construction and subsequent transfer of the facility to the College.

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

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

For a number of years, the College received guarantees on previously lost personal property taxes. Those guarantees were expected to be continued and phased out over five years. In the State 2012 – 2013 Operating Biennium Budget, the guarantees mentioned above were eliminated: guarantees were reduced from $0.6 million in FY 2012, to $0.1 million in FY 2013, to $-0- million in FY 2014.

Note 8: Local Appropriations

The College receives local appropriations in the form of property taxes levied against real and public utility property in the County of Lake, Ohio (the "County"). Real property taxes and public utility taxes are levied after October 1 on assessed value listed as of January 1, the lien date. Taxes collected on "real property" in one calendar year are levied in the preceding calendar year.

The electors within the County must approve any Lake County Community College District d/b/a Lakeland Community College property tax. Lake County Community College District d/b/a Lakeland Community College receives property taxes for operating and capital purposes from two levies approved by the County voters: a 1.7 mills stated rate for a continuing period and a 1.5 mills stated rate for 10 years. On November 2, 2010, Lake County voters approved a "replacement" of the 1.7 mills continuing levy. With this replacement levy approved, the incremental revenue was approximately $8.0 million effective in 2012 after generating $4.0 million for half year assessments in 2011. On November 8, 2011, the 1.5 mills levy was renewed by the Lake County voters.

Note 8: Local Appropriations (continued)

Revenue authorization is recognized based on the taxing authority's amounts to be distributed to the tax district and its certification of the College's annual budget. The taxing authority does not authorize the distribution of the tax assessment for the calendar year 2014 until October 2014, thus not legally making it available to the College until after the end of the College's fiscal year for that year's calendar assessment. The College has recognized one-half year of its real property and public utility property tax receipts due as an intergovernmental receivable in the current fiscal year. Property taxes receivable represent outstanding real and public utility property taxes, which were measurable at June 30, 2014. Total property tax collections for the next fiscal year are measurable amounts. However, since these revenue collections to be received during the available period are not intended to finance 2014 operations, the receivable amount is recorded as deferred inflows of resources.

Note 9: Retirement Plans

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

The State Teachers Retirement System of Ohio Comprehensive Annual Financial Report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, and is also located on their website. The School Employees' Retirement System of Ohio Comprehensive Annual Financial Report may be obtained by writing to School Employees' Retirement System of Ohio, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, and is also on their website. The Ohio Revised Code (ORC) provides statutory authority for employee and employer contributions. The employee contribution rates are 11.0 percent for STRS and 10.0 percent for SERS of covered payroll and the College is required to contribute 14.0 percent of covered payroll.

The College's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were $2,846,641, $2,951,310, and $3,095,012, respectively, equal to the required contributions for each year. The College's contribution to SERS for the years ended June 30, 2014, 2013, and 2012 were $2,098,191, $2,134,484, and $2,272,756, respectively, equal to the required contributions for each year.

Amended Substitute House Bill 586 requires all Ohio public colleges to offer at least three alternative retirement plans to certain new and existing full-time employees. For those employees electing to participate in an alternative retirement plan (ARP), the College currently will contribute 9.5 percent of covered payroll to the plan for STRS and 8 percent to the plan for SERS. The difference from the 14 percent overall College contribution rate of both STRS and SERS employee-covered payrolls is to be paid to STRS and SERS, respectively, to mitigate any negative financial impact of ARPs on the state systems.

Note 10: Post-Employment Benefits

State Teachers Retirement System – STRS provides comprehensive health care benefits to retired teachers and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Pursuant to the ORC, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The retirement board allocated employer contributions to the Health Care Stabilization Fund (the "Fund") from which health care benefits are paid. For the fiscal years ended June 30, 2013, 2012, and 2011, the board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Stabilization Fund. The balance in the Health Care Reserve Stabilization Fund was approximately $3.3 billion on June 30, 2013.

For the year ended June 30, 2013, the net health care costs paid by STRS Ohio were approximately $600 million. There were 149,221 eligible benefit recipients.

School Employees' Retirement System – SERS provides post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with 10 or more years of qualifying service credit and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premiums. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal years 2014 and 2013, the minimum pay was established at $20,250 and $20,525 respectively. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. For the year ended June 30, 2013, the net health care costs paid by SERS were approximately $190.5 million. At June 30, 2013, the SERS' net assets available for payment of health care benefits were approximately $379.2 million. The number of retirees and covered dependents currently receiving benefits was 70,771.

Note 11: Lake County Schools' Health Care Consortium

Effective November 1, 2001, the College joined the Lake County Schools Council (LCSC). Under state law, the LCSC was formed as a council of governments and includes a number of the boards of education in Lake County. The purpose of the LCSC is to undertake a joint program for the provision of health care benefits to the employees of those districts and their eligible dependents, as well as fostering cooperation among districts, from time to time, in other areas of educational services. As a related but separate agreement, the LCSC maintains a health care benefits consortium (the "Consortium").

Notes to Financial Statements
June 30, 2014 and 2013

Note 11: Lake County Schools' Health Care Consortium (continued)

The Consortium allows each political district to maintain its current plan designs (through selected providers) and allows efficiencies and economic benefits to occur through the group's buying power. The College, as well as the other LCSC members, utilizes the LCSC as its health care benefits administrator. The LCSC in turn manages various health care benefit organizations to deliver those services.

Since its inception, LCSC has built up its net assets and LCSC members are responsible for funding and setting aside reserves to pay its various health care benefit obligations. As part of joining the LCSC, the College's Board of Trustees authorized payment to the LCSC in the amount of $680,239 as the College's assessment for inclusion in the LCSC's health care benefits program as a member of equal standing. The assessment was in two equal installments (at inception on November 1, 2001 and on November 1, 2002). The entire assessment was expensed in fiscal year 2002 since the assessment is not guaranteed to be refunded to the College should the College at any time voluntarily withdraw from the LCSC.

Under its agreements and bylaws, the Consortium's fiscal year ends each June 30, and the treasurer of the LCSC is a position appointed by the board of directors of the LCSC. Prior to the beginning of each fiscal year, health care program and related costs and adjustments (program costs) are estimated and allocated to each member as a required contribution for that fiscal year. If contributions are insufficient to pay actual program costs during any fiscal year, members may be required to share in those additional costs or deficiencies during that fiscal year. The LCSC has purchased a stop-loss insurance policy with a maximum loss of $500,000 per claimant. LCSC net assets at June 30, 2014 (unaudited) amounted to $7.1 million. The LCSC audit report is available at the Ohio Auditor of State website (https://ohioauditor.gov) or upon request.

Note 12: Risk Management

On November 1, 2011, the College joined with seven other state-assisted community colleges in Ohio to form an insurance-purchasing pool for the acquisition of commercial property, casualty, and general liability insurance. The College pays annual premiums to the pool for coverage based on its percentage of the total insurable value to the pool. There are eleven members as of June 30, 2014 in the pool.

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

Note 13: Subsequent Events

On January 29, 2011, the College signed a lease agreement with PF Kirtland, LLC for what would become the building housing the Arlene and Arthur Holden University Center (HUC). Included in the lease agreement was the College's "Right of First Offer." Under this provision, should PF Kirtland, LLC decide to place the property up for sale, the College would get the first opportunity to acquire the land and building for a fair market price. The College was advised after June 30, 2014 by PF Kirtland, LLC that they were exercising the "Right of First Offer" by offering the property to the College for $13,500,000.

Note 13: Subsequent Events (continued)

Two appraisals were conducted on the property, which showed that the offer of $13,500,000 was a fair market price. The College's Board of Trustees approved the purchase at its September 4, 2014 meeting. The College will sell long-term bonds to pay for the facility. The purchase is contingent upon approval by the Controlling Board of the State of Ohio. The issuance of bonds is contingent upon approval by the Chancellor of the Ohio Board of Regents of the College's request for a pledge of student fees. The result of the purchase will substantially reduce operating cost for the HUC; the long-term cost to own the facility will be less than the cost of the existing 30-year lease.

Note 14: Discretely Presented Component Unit

1. Nature of Activities

The Lakeland Foundation (the "Foundation") was formed in 1981 to obtain private financing support for the promotion of excellence at Lakeland Community College ("the College") and operates for the benefit and is a component unit of the College. The Foundation provides scholarships, support, and loans to financially disadvantaged students, students demonstrating excellent academic abilities, and students meeting criteria of specific donor stipulations. The Foundation also provides support to specific educational departments and programs of the College. The accounting records for the Foundation are maintained at the College in Kirtland, Ohio. Certain administrative expenses of the Foundation are paid directly by the College.

The Foundation serves as fiscal agent for Partners in Science Excellence ("PSE"). PSE is a separate organization with its own board. The cash on hand and due to PSE is reflected on the statement of financial position as "Cash held for others" and "Due to custodial funds."

The Foundation's primary sources of revenue are endowment income and public support through grants and donations from individuals, corporations, foundations, and trusts located primarily in northeastern Ohio.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Foundation follows authoritative guidance issued by the Financial Accounting Standards Board ("FASB") which established the FASB Accounting Standards Codification ("ASC") as the single source of authoritative accounting principles generally accepted in the United States of America.

Note 14: Discretely Presented Component Unit (continued)

2. Summary of Significant Accounting Policies (continued)

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.
- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Foundation. Generally, the donors of such assets permit the Foundation to use all or part of the income earned on the assets for general or specific purposes.

Comparative Financial Statements

The financial statements include certain prior-year comparative total amounts. Such comparative total amounts do not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such amounts should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2013, from which the comparative total amounts were derived.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and liquid debt instruments that may be used within one year. Money market investments are considered investments.

Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents, investments, and pledges receivable.

Note 14: Discretely Presented Component Unit (continued)

2. Summary of Significant Accounting Policies (continued)

The Foundation has significant investments in equity and debt securities and is, therefore, subject to concentrations of credit risk. Investments are managed by investment advisors who are overseen by a committee. Though the market value of investments is subject to fluctuations on a year-to-year basis, the committee believes that the investment policy is prudent for the long-term welfare of the Foundation.

Credit risk with respect to pledges receivable is limited due to the number and credit worthiness of the foundations, corporations, governmental units, and individuals who comprise the contributor base.

At various times during the year ended June 30, 2014, the Foundation's cash in bank balances may have exceeded the federal insured limits.

Investments

Investments in marketable securities are stated at fair market value.

The Foundation's practice with respect to contributions of equity securities is to sell the securities upon receipt for their current fair market value.

Contributions

The Foundation accounts for donations in accordance with ASC 958. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions upon which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Tax Status

The Foundation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The Foundation accounts for income taxes in accordance with the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. The Foundation classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. As of June 30, 2014, the Foundation has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

The Foundation files its Form 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Ohio. The Foundation is generally no longer subject to examination by the Internal Revenue Service for fiscal years before 2011.

Notes to Financial Statements
June 30, 2014 and 2013

Note 14: Discretely Presented Component Unit (continued)

2. Summary of Significant Accounting Policies (continued)

Pledges Receivable

Pledges receivable are funds primarily committed as part of the major gifts campaign. The Foundation provides for uncollectible pledges receivable using the allowance method. Management estimates an allowance based on an aging schedule and a calculation using past due pledges receivable. Pledges receivable past due less than one year use an allowance percentage of 50% of the past due amount and pledges receivable past due greater than one year use an allowance percentage of 100% of the past due amount. Pledges receivable are written-off when they are determined to be uncollectible.

Loans Receivable

Loans receivable are funds committed to qualifying students in the C. Schell Loan Program. This revolving student loan program grants interest-free loans with various repayment terms. The Foundation provides for uncollectible loans receivable using the allowance method. Management estimates an allowance based on historical collection percentages, an aging schedule, and a calculation based on maturity dates of individual loans. Loans receivable are written-off when they are determined to be uncollectible.

Donated Administrative Expenses

Certain administrative functions of the Foundation are performed by administrative employees of Lakeland Community College at no charge to the Foundation. The value of these services is not recognized in these financial statements. The dollar value is not significant in relation to the financial statements taken as a whole.

Donated Fundraising Expenses

Significant time has been provided by many volunteers in fundraising activities; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Subsequent Events

The date to which events occurring after June 30, 2014 have been evaluated for possible adjustment to the financial statements or disclosure is October 14, 2014, which is the date on which the financial statements were available to be issued. No events were identified that would require adjustment to or disclosure in the financial statements.

Note 14: Discretely Presented Component Unit (continued)

3. Investments

Investments are recorded at fair value. The historical cost and fair value at June 30, 2014 and 2013 were as follows:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Municipal bonds	$ 519,344	$ 517,064	$ 764,323	$ 757,815
Corporate bonds	284,151	284,786	29,867	28,760
Fixed-income mutual funds	612,206	646,191	554,473	563,241
Equities	329,086	417,539	233,516	284,236
Equity mutual funds	889,207	1,254,922	852,219	1,072,317
International mutual funds	468,391	554,775	233,368	267,778
Alternative assets	175,591	187,790	223,514	215,101
Money market/cash and reserves	42,405	42,405	76,974	76,974
	$ 3,320,381	$ 3,905,472	$ 2,968,254	$ 3,266,222

Fair Value of Financial Instruments – The Foundation adopted applicable sections of the ASC 820: *Fair Value Measurements and Disclosures* for financial assets and financial liabilities. In accordance with ASC 820, fair value is defined as the price the Foundation would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the asset or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs may be used in determining the value of the Foundation's investments. The inputs are summarized in the three broad levels below:

Level 1 – quoted prices in active markets for identical assets and liabilities

Level 2 – other significant observable inputs (including quoted prices for similar assets and liabilities, interest rates, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of the assets and liabilities)

The input or methodology used for valuing securities is not necessarily an indication of the risk associated with maintaining those investments.

Note 14: Discretely Presented Component Unit (continued)

3. Investments (continued)

The following is a summary of the inputs used as of June 30, 2014, in valuing the Foundation's investments carried at fair value:

	Level 1	Level 2	Level 3	Total
Municipal bonds	$ -	$ 517,064	$ -	$ 517,064
Corporate bonds	-	284,786	-	284,786
Fixed-income mutual funds	646,191	-	-	646,191
Equities	417,539	-	-	417,539
Equity mutual funds	1,254,922	-	-	1,254,922
International mutual funds	554,775	-	-	554,775
Alternative assets	187,790	-	-	187,790
Money market/cash and reserves	42,405	-	-	42,405
Investments	$ 3,103,622	$ 801,850	$ -	$ 3,905,472

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

	Level 1	Level 2	Level 3	Total
Municipal bonds	$ -	$ 757,815	$ -	$ 757,815
Corporate bonds	-	28,760	-	28,760
Fixed-income mutual funds	563,241	-	-	563,241
Equities	284,236	-	-	284,236
Equity mutual funds	1,072,317	-	-	1,072,317
International mutual funds	267,778	-	-	267,778
Alternative assets	215,101	-	-	215,101
Money market/cash and reserves	76,974	-	-	76,974
Investments	$ 2,479,647	$ 786,575	$ -	$ 3,266,222

The Foundation's municipal bonds and corporate bonds are valued based on bid-side quotations from dealers, or if a bond has not been traded recently, it is valued using a "matrix-based" pricing model. This pricing model analyzes bonds with similar attributes from the same issuer or other issuers.

4. Net Assets

Unrestricted Funds

These funds have no donor-imposed stipulations and the funds are used for general operating purposes deemed necessary by the Board of Directors.

Note 14: Discretely Presented Component Unit (continued)

4. Net Assets (continued)

Temporarily Restricted Funds

The Foundation has funds which have been designated temporarily restricted. These funds include private and corporate contributions and earnings on the endowment funds which have been temporarily restricted for specific purposes. Earnings on investments of these funds are included in the unrestricted funds unless such earnings have been stipulated as temporarily restricted by donors.

Temporarily restricted net assets are available for the following purposes as of June 30, 2014 and 2013:

	2014	2013
Scholarships	$ 958,534	$ 823,678
Loans (Note 6)	18,373	18,109
Educational and related programs	355,309	515,314
Portion of endowment fund classified as temporarily restricted	861,652	531,692
Total temporarily restricted net assets	$ 2,193,868	$ 1,888,793

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors or transferred in accordance with donor intentions as follows:

	2014	2013
Scholarships	$ 371,549	$ 452,762
Loans (Note 6)	(264)	1,433
Educational and related programs	242,678	254,360
Administration/fundraising	118,957	101,839
Transferred – permanently restricted	50,680	3,191
Transferred – undesignated	41,795	25,837
Total net assets released from donor restrictions or transferred	$ 825,395	$ 839,422

Permanently Restricted Funds

The endowment fund includes contributions restricted in perpetuity or for terms designated by the donor. Earnings on investments of the endowment fund are classified as temporarily restricted net assets. However, the earnings may be used for current purposes of the Foundation. A majority of endowment activity is restricted for the use of scholarships.

Note 14: Discretely Presented Component Unit (continued)

4. Net Assets (continued)

Net Asset Classification of Endowment Funds

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") 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, (b) the original value of subsequent gifts, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds:

(1) Preservation of the fund
(2) The purpose of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The investment policies of the Foundation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundation
(7) The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 861,652	$ 2,267,134	$ 3,128,786
Total funds	$ -	$ 861,652	$ 2,267,134	$ 3,128,786

Endowment Net Asset Composition by Type of Fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 531,692	$ 1,989,090	$ 2,520,782
Total funds	$ -	$ 531,692	$ 1,989,090	$ 2,520,782

Notes to Financial Statements
June 30, 2014 and 2013

Note 14: Discretely Presented Component Unit (continued)

4. Net Assets (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 531,692	$ 1,989,090	$ 2,520,782
Investment return:				
Interest and dividends	-	47,186	-	47,186
Net realized and unrealized gain	-	399,546	-	399,546
Total investment return	-	446,732	-	446,732
Contributions	-	-	227,364	227,364
Appropriation of endowment assets for expenditure	-	(89,726)	-	(89,726)
Management fee	-	(27,046)	-	(27,046)
Transfers in	-	-	50,680	50,680
Endowment net assets, end of year	$ -	$ 861,652	$ 2,267,134	$ 3,128,786

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (48,920)	$ 389,391	$ 1,817,637	$ 2,158,108
Investment return:				
Interest and dividends	-	51,708	-	51,708
Net realized and unrealized gain	48,920	188,043	-	236,963
Total investment return	48,920	239,751	-	288,671
Contributions	-	-	168,262	168,262
Appropriation of endowment assets for expenditure	-	(78,097)	-	(78,097)
Management fee	-	(19,353)	-	(19,353)
Transfers in	-	-	3,191	3,191
Endowment net assets, end of year	$ -	$ 531,692	$ 1,989,090	$ 2,520,782

Note 14: Discretely Presented Component Unit (continued)

4. Net Assets (continued)

Below is a reconciliation of permanently restricted net assets included in the endowment fund to total permanently restricted net assets:

	2014	2013
Permanently restricted net assets within the endowment fund	$ 2,267,134	$ 1,989,090
Permanently restricted contributions included in pledges receivable	56,698	107,398
Total permanently restricted net assets	$ 2,323,832	$ 2,096,488

The temporarily restricted endowment includes a $321,355 endowment that by the donor's restrictions is temporarily restricted. The Board of Directors has determined that the donation will be maintained similar to a permanent endowment.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for the endowment fund. The policy goal for the Foundation's endowment investment portfolio is to provide a real total return that preserves the purchasing power of the endowment assets, while providing an income stream to support the Foundation's activities in support of Lakeland Community College. Assets for the investment pool include those assets of donor-restricted funds that the Foundation must hold in perpetuity. The Foundation engages an investment manager whose performance is measured against respective benchmarks. The endowment's real total return is sought from an investment strategy that provides an opportunity for superior total returns within acceptable levels of risk and volatility. The Foundation recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the potential loss in purchasing power due to inflation are present to some degree with all types of investment vehicles. While high levels of risk are to be avoided, the assumption of a moderate level of risk is warranted and encouraged in order to allow the investment portfolio the opportunity to achieve satisfactory results consistent with the objectives and character of the portfolio.

Strategies Employed for Achieving Objectives

For the long-term (defined as a rolling five-year period), the primary investment objective for the endowment portfolio is to earn a total return (net of portfolio management and custody fees) within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the endowment's assets and support a desired annual spending policy of up to 4.5% of the five-year average of the market value of the endowment portfolio.

Note 14: Discretely Presented Component Unit (continued)

4. Net Assets (continued)

The Foundation's asset allocation guidelines are reviewed periodically by the Foundation Investment Committee with changes approved by the Board of Directors. The portfolio's major allocation guidelines allow an allocation of the portfolio to be invested in equity securities. Remaining portfolio funds may be invested in either fixed income, alternatives, or cash equivalent securities.

Portfolio Allocation – Strategic Target and Tactical Range

	Low	Target	High
Equities	60%	67%	80%
Fixed-income	20%	26%	40%
Alternatives	0%	5%	10%
Cash equivalents	0%	2%	10%
		100%	

Spending Policy

The Lakeland Foundation spending policy is based on a total return approach in order to maintain stable cash flows over an extended period of time, to protect endowment funds against inflation, and to preserve the purchasing power of endowment funds by improving investment growth and management. The spending policy allows up to a maximum of 4.5% of the five-year average market value of a designated endowment fund. Spending may include net realized gains earnings over that five-year period and is offset by any previously designated spending amounts. All returns (gains, losses, and income-net of external and internal fees and previously designated spending amount) above 4.5% will be reinvested in the endowment fund's portfolio. The spending policy is closely monitored by the Investment Committee and recommendations for any changes are forwarded to the Executive Committee and full Board for review and approval.

5. Pledges Receivable

Pledges were discounted to their net present value assuming their respective terms (up to five years) and a discount rate of 6%. The pledges receivable, net as of June 30, 2014 and June 30, 2013 are scheduled to be collected as follows:

	2014	2013
Pledges receivable:		
Payable within one year	$ 82,428	$ 61,775
Payable in one to five years	172,025	383,602
Total pledges receivable	254,453	445,377
Less: discount to net present value	(26,314)	(33,259)
Less: allowance for uncollectible pledges	(42,964)	(42,260)
Pledges receivable, net at June 30	$ 185,175	$ 369,858

Note 14: Discretely Presented Component Unit (continued)

6. Loans Receivable

As of June 30, 2014 and 2013, loans receivable totaled $95,832 and $93,782, respectively. During the fiscal year ended June 30, 2014, $4,200 was distributed to qualifying students in a revolving student loan from the C. Schell Loan Program. The loans are interest-free and have various repayment terms. During the fiscal year ended June 30, 2014, $2,150 had been repaid. The related allowance for uncollectible loans is $88,277 and $88,541 at June 30, 2014 and 2013, respectively.

7. Related-Party Transactions

The College made distributions to the Foundation of $142,485 and $137,403 for the years ended June 30, 2014 and 2013, respectively. The Foundation distributed $757,230 and $844,244 during the years ended June 30, 2014 and 2013, respectively, to the College. The Foundation also distributed $18,065 and $7,510 in Gifts-in-Kind during the years ended June 30, 2014 and 2013, respectively. The Foundation had receivables from the College of $5,060 and $4,762 as of June 30, 2014 and 2013, respectively. The Foundation had payables to the College of $9,534 and $876 as of June 30, 2014 and 2013, respectively.

Federal Compliance Audit

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Lake County Community College District
d/b/a Lakeland Community College
Kirtland, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of the Lake County Community College District d/b/a Lakeland Community College (the "College"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 30, 2014, wherein we noted that the College implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as disclosed in Note 1.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ciuni & Panichi, Inc.

Cleveland, Ohio
October 30, 2014

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Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Trustees
Lake County Community College District
d/b/a Lakeland Community College
Kirtland, Ohio

Report on Compliance for Each Major Federal Program

We have audited the Lake County Community College District d/b/a Lakeland Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2014. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Board of Trustees
Lake County Community College District
d/b/a Lakeland Community College

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of the College as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 30, 2014, which contained unmodified opinions on those financial statements, wherein we noted that the College implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as disclosed in Note 1. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Ciuni & Panichi, Inc.

Cleveland, Ohio
October 30, 2014

Lake County Community College District
d/b/a Lakeland Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Agency/Pass-through-Agency/Program Title	CFDA Number	Pass-Through Entity Project/ Grant Number	FY 2014 Expenditures
Clusters:			
Student Financial Aid Cluster - U.S Department of Education - Direct program:			
Federal Pell Grant Program	84.063	P063P102857	$ 12,590,211
Federal Work Study Program	84.033	P0033A106053	194,323
Federal Supplemental Educational Opportunity Grant Program	84.007	P007A106053	200,067
Federal Perkins Loan Program	84.038		399
Federal Direct Student Loans Program	84.268		18,520,243
Subtotal U.S. Department of Education			31,505,243
Student Financial Aid Cluster - U.S. Department of Health and Human Services - Direct Program			
Nursing Student Loan Program	93.364		8,765
Subtotal Student Financial Aid Cluster			31,514,008
WIA Cluster - U.S. Department of Labor: Passed through the Ohio Department of Job and Family Services - Job Training Partnership Act:			
Lake County	17.246	G-1011-15-0262	15,861
Subtotal WIA Cluster			15,861
Other Federal Programs:			
U. S. Department of Education - Passed through the Ohio Department of Education:			
Two-Year College Perkins	84.048	063347-20C3-2009	140,898
Subtotal Other Federal Programs			140,898
U.S Department of Defense - Passed through Defense Logistics Agency (DLA)			
Procurement Technical Assistance for Business Firms (PTAC)	12.002		53,910
Total Expenditures of Federal Awards			$ 31,724,677

The notes to the schedule of federal awards receipts and expenditures are an integral part of this schedule.

Lake County Community College District
d/b/a Lakeland Community College

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Note 1: Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lake County Community College District d/b/a Lakeland Community College (the "College") under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the College, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of the College. Pass-through entity identifying numbers are presented where available.

Lake County Community College District
d/b/a Lakeland Community College

Schedule of Findings
OMB Circular A-133 Section .505

For the Year Ended June 30, 2014

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs	Student Financial Aid Cluster: CFDA # 84.063, 84.033, 84.007, 84.038, 84.268, 93.364
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required To Be Reported In Accordance With GAGAS

None noted.

3. Findings for Federal Awards

None noted.

Lake County Community College District
d/b/a Lakeland Community College

Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)

For the Year Ended June 30, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2013-001	The College is required to implement effective internal controls over the classification of net position, including net investment in capital assets and restricted and unrestricted net position. The 2012 amount was incorrectly classified in the financial statements, resulting in a reclassification and prior period adjustment in the amount of $2,838,794 during 2013. Management identified the error during their review of the calculation in 2013.	Yes	Fully corrected

Dave Yost • Auditor of State

LAKE COUNTY COMMUNITY COLLEGE DISTRICT DBA LAKELAND COMMUNITY COLLEGE

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 4, 2014