Lorain County Community College

Basic Financial Statements
June 30, 2015

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lorain County Community College, Lorain County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

January 11, 2016

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Lorain County Community College

For the Year Ended June 30, 2015

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Independent Auditor's Report

Board of Trustees
Lorain Country Community College
Elyria, Ohio 44035

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Lorain County Community College (the "College"), as of and for the year ended June 30, 2015, 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of Lorain County Community College Foundation, Inc. which is the only discretely presented component unit of the College. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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.

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2015, 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 2 and Note 11 to the basic financial statements, in fiscal year 2015, the College adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and as a result restated their June 30, 2014 net position of the business-type activities. 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 4 to 10 and the schedules of the College's proportionate share of the net pension liability and schedules of the College's contributions on pages 50 to 53 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.

Board of Trustees
Lorain County Community College

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 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
December 21, 2015

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Lorain County Community College (the College) for the year ended June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, that follow this section.

Lorain County Community College is part of Ohio's system of State supported and State assisted institutions of higher education. It is one of the 23 community and technical colleges in Ohio. Located in the City of Elyria, with off-campus facilities (in Lorain, Wellington, Brunswick, and North Ridgeville), the College is a local institution. A majority of the College's students commute daily from their homes in Lorain County and the surrounding counties.

Using the Annual Financial Report

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

In 2013, the College adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. These statements identified net position, rather than net assets, as the residual of all other elements presented in a Statement of Net Position and introduce and define deferred outflows of resources and deferred inflows of resources as elements of the annual financial report and incorporate these elements in the computation of net position. These elements represent the consumption (deferred outflows) or acquisition (deferred inflows) of resources that are applicable to a future reporting period, but do not require any further exchange of goods or services.

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

During 2015, the College adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68, which significantly revise accounting for pension costs and liabilities. For reasons discussed below, many end users of these financial statements will gain a clearer understanding of the College's actual financial condition by adding deferred inflows relate do pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not have been sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the College's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange"- that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the College is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the College's statements prepared on an accrual basis of accounting include an annual pension expense for its proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68 and GASB 71, the College is reporting a net pension liability and deferred inflows/outflows of resources related to pensions on the accrual basis of accounting. The implementation also had the effect of restating net position at June 30, 2014 from $146,822,986 to $75,243,900.

Additional information about pensions is presented in Notes 2 and 11.

Statements of Net Position

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net position is one indicator of the current financial condition of the College. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

A summary of the College's assets, liabilities, deferred inflows/outflows, and net position at June 30, 2015 and 2014 (as restated for the impact of GASB 68) is as follows:

	2015	2014
Current assets	$ 57,539,303	$ 57,338,349
Noncurrent assets:		
Capital assets, net	176,936,225	178,867,385
Other	3,101,619	113,939
Total assets	237,577,147	236,319,673
Deferred outflows of resources-pensions	5,635,653	4,381,786
Current liabilities	16,589,534	19,580,764
Noncurrent liabilities	135,657,208	145,876,795
Total liabilities	152,246,742	165,457,559
Deferred inflows of resources-pensions	9,447,253	-
Net position	$ 81,518,805	$ 75,243,900

Current assets consist primarily of cash, operating investments, accounts receivable, inventories, and prepaid expenses. Current liabilities consist primarily of accounts payable, accrued payroll liabilities, and unearned income. The College's current ratio (current assets divided by current liabilities) of 3.47 indicates that current assets are more than adequate to cover current liabilities as they become due.

Lorain County Community College's financial position, as a whole, improved during the fiscal year ended June 30, 2015. Noncurrent assets increased by $1,056,520, related to a long-term investment, and net position increased by $6,274,905 compared to the previous year increase of $502,612. These changes are related to an increase in State Share of Instruction and State Appropriations revenue, and careful implementation of cost-savings measures as part of the College's "Transformations" initiative. Capital assets, net decreased by $1,931,160 or 1.08%, after depreciation of $8,260,344. Current liabilities decreased by $2,991,230 or 15.28% and noncurrent liabilities decreased by $10,219,587 or 7.01% related to principal payments of debt, early retirement incentive payments, and a decrease in the College's pension liability recognized under GASB 68.

Capital and Debt Activities

One critical factor affecting the quality of the College's programs is the development and renewal of its capital assets. Capital additions totaled $6.4 million in 2015. Capital additions included construction, repair and renovation of existing facilities, and acquisition of equipment. Current year capital asset additions were funded by capital from local appropriations, the State of Ohio, and prior years' bond proceeds.

Bonds payable totaled $66,165,000 at June 30, 2015. The original 20 year debt of $7,160,000 was issued in fiscal year 2004 to finance construction and renovation of facilities, and was refunded during fiscal year 2015 with new Series 2014 General Receipts Bonds, at a lower interest rate over the same repayment period. In fiscal year 2012 additional 30 year debt of $64,715,000 was issued to finance construction and renovation of facilities. For more information regarding the College's capital assets and long term debt, see Notes 6 and 7 of the basic financial statements, respectively.

Net Position

Net position represents the residual interest in the College's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The College's net position at June 30, 2015 and 2014 (as restated for the impact of GASB 68) are summarized as follows:

	2015	2014	
Net investment in capital assets	$111,053,577	$114,098,163	Restricted
– expendable	7,133,383	5,903,547	
Unrestricted	(36,668,155)	(44,757,810)	
Total net position	$ 81,518,805	$ 75,243,900	

Net investment in capital assets consists of capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted-expendable net position consists of restricted assets reduced by liabilities related to those assets subject to externally imposed restrictions governing their use. Unrestricted net position is not subject to externally imposed stipulations.

Net investment in capital assets decreased by $3,044,586 as prior years' bond proceeds were used for capital acquisitions and depreciation was applied to assets. Restricted net position increased by $1,229,836 due to a decrease in grant funded spending. Unrestricted net position increased by $8,089,655 as State Share of Instruction and State Appropriations increased, the College implemented cost savings measures as part of its "Transformations" initiative, and the College recognized a net credit to pension expense due to the impact of GASB 68.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the Revenues earned and Expenses incurred during the year, and changes in net position. Activities are reported as either Operating or Nonoperating. As a public institution, the College's dependence on State aid results in an operating deficit because the financial reporting model classifies State Appropriations as Nonoperating Revenue. The utilization of capital assets is reflected in the financial statements as Depreciation, which amortizes the cost of an asset over its expected useful life.

LORAIN COUNTY COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2015
Unaudited

Summarized Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2015 and 2014 are as follows:

	FY 2015	FY 2014
Revenues		
Operating Revenues:		
Student Tuition and Fees, Net	$ 15,838,700	$ 16,225,494
Federal Grants and Contracts	1,524,913	1,439,027
State Grants and Contracts	3,010,730	5,035,421
Local Grants and Contracts	78,951	71,562
Private Grants and Contracts	4,447,722	4,576,376
Sales and Services	1,737,105	1,607,415
Auxiliary Enterprises	9,269,938	10,122,256
Other Sources	2,175,808	1,976,737
Total Operating Revenues	38,083,867	41,054,288
Expenses		
Operating Expenses:		
Instruction	30,734,733	33,550,724
Public Service	10,349,374	11,932,975
Academic Support	6,379,426	6,445,857
Student Services	7,604,826	7,315,587
Institutional Support	10,485,817	10,747,322
Operation and Maintenance of Plant	6,537,140	5,689,590
Scholarships and Fellowships	10,954,769	12,068,379
Auxiliary Enterprises	9,234,571	9,630,297
Other	979,001	2,031,713
Depreciation	8,260,344	8,285,035
Total Operating Expenses	101,520,001	107,697,479
Operating Loss	(63,436,134)	(66,643,191)
Nonoperating Revenues (Expenses)		
State Share of Instruction	24,563,332	23,474,769
State Appropriations	779,109	1,220,891
State Capital Appropriations	3,390,335	839,341
Local Appropriations	24,452,345	24,258,687
Federal Grants and Contracts	19,037,787	19,819,749
State Grants and Contracts	222,413	205,907
Gifts	3,488	198,762
Investment Income	91,755	44,703
Interest on Debt	(2,854,847)	(2,916,106)
(Loss) on Asset Disposal	(22,970)	-
Other Nonoperating Revenue (Expense)	48,292	(900)
Net Nonoperating Revenues	69,711,039	67,145,803
Increase in Net Position	6,274,905	502,612
Net Position		
Net Position at Beginning of Year, Restated	75,243,900	N/A
Net Position at End of Year	$ 81,518,805	$ 75,243,900

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 operating expenses still include pension expense computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows of resources. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense (recovery) of ($856,613).

The most significant sources of operating revenues for the College are student tuition and fees ($15.8 million), grants and contracts ($9.1) million, and auxiliary services ($9.3 million).

Operating expenses include the costs of instruction, public service, general administration, utilities, libraries, and auxiliary services. Operating expenses also includes depreciation of $8.3 million.

Sources of nonoperating revenue include State Share of Instruction ($24.6 million), local appropriations ($24.5 million), and federal grants and contracts ($19.0 million).

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

- The College did not increase tuition in accordance with the State's guidelines; however, there was a decrease in enrollment, resulting in a decrease in student tuition and fees, net of discount.
- The College experienced a decrease in the volume of State grants and contracts.
- Auxiliary revenue decreased as enrollment declined.

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

- Scholarships and Fellowships expense decreased related to reduced enrollment.
- Bookstore and other auxiliary expenditures decreased as a result of decreased activity.
- Instructional costs decreased related to reduced enrollment and course management efforts.
- Other expenses, consisting of non-capital moveable equipment, furniture and related purchases decreased as a result of cost savings measures.

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

- State Share of Instruction increased as a result of the changes in the allocation of funding to a completion and success points model.
- State appropriations for capital projects increased.
- Reduced enrollment resulted in decreased PELL funding for scholarships.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing and related investing activities, and helps measure ability to meet financial obligations as they mature. A summary of the statement of cash flows for the years ended June 30, 2015 and 2014 is as follows:

Net cash provided (used) by:	2015	2014
Operating activities	$(58,008,720)	$(50,753,544)
Noncapital financing activities	69,032,677	67,824,349
Capital financing activities	(7,253,094)	(10,278,936)
Investing activities	(2,931,579)	54,890
Net increase in cash and equivalents	839,284	6,846,759
Cash and equivalents at beginning of year	31,022,105	24,175,346
Cash and equivalents at end of year	$ 31,861,389	$ 31,022,105

Major sources of cash included State Share of Instruction ($24.6 million), local appropriations ($24.4 million), student tuition and fees ($16.0 million), and grants and contracts ($8.7 million). The largest payments were for employees ($53.5 million) and suppliers of goods and services ($32.2 million).

Operating Highlights

Lorain County Community College has faced significant enrollment decline over the past several years. This is consistent with most community colleges in the state. Enrollment tends to be counter-cyclical with the economy. As the economy has improved, enrollment has fallen after a sharp increase in 2009 and 2010. At the same time, LCCC has performed well within the State's revised State Share of Instruction earnings calculations. As the formula has transitioned to a performance-based model, LCCC's share of the SSI has increased relative to the norm. Nonetheless, LCCC's total resources have declined with the loss of enrollment. In order to address this, the College has continued to implement cost containment measures to offset reductions in revenue.

Looking Ahead

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

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

The College has three primary sources of revenue: levy support, tuition income and state subsidy. Lorain County voters have supported two levies that provide for campus operations and the University Partnership. There is a direct relationship between the level of State support and the College's ability to maintain tuition growth, as declines in State appropriations generally result in increased tuition levels. The State changed the methodology for allocating State Share of Instruction (SSI) among two year higher education institutions; 50% is based on course completions, 25% on milestone completions, and 25% on success points. The State is not allowing Colleges to raise tuition during this biennium, FY 2016 and FY 2017. In order to compensate Colleges for the tuition revenue shortfall, the State will allocate an additional 2% into the SSI in each year of the biennium. The State's capital appropriations continue to support construction and renovation of the College's facilities albeit at a relatively low level, compared to the investment of College funds in capital projects.

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

Contacting the College's Financial Management

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

Name	Title	Address	Phone
David J. Cummins	VP for Administrative Services & Treasurer	1005 N. Abbe Road Elyria, OH 44035	440-366-4051
Georgio S. Efpraxias	Controller & Budget Director	1005 N. Abbe Road Elyria, OH 44035	440-366-7590

LORAIN COUNTY COMMUNITY COLLEGE
Statement of Net Position
June 30, 2015

	Primary Institution	Component Unit
	Lorain County Community College	Lorain County Community College Foundation
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 31,861,389	$ 1,111,572
Investments	-	41,338,521
Accounts Receivable, Net	24,102,249	-
Prepaid Expenses	683,678	14,974
Inventories, Lower of Cost or Market	891,987	-
Total Current Assets	57,539,303	42,465,067
Noncurrent Assets:		
Long Term Investments	3,000,000	-
Unconditional Promises to Give	-	3,664,520
Notes Receivable, Net	101,619	11,180
Capital Assets, Net	176,936,225	43,031
Total Noncurrent Assets	180,037,844	3,718,731
Total Assets	$ 237,577,147	$ 46,183,798
Deferred Outflows of Resources - Pensions	$ 5,635,653	$ -
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 2,247,921	$ 489,083
Accrued Liabilities	3,963,068	-
Accrued Interest Payable	232,523	-
Unearned Revenue	8,419,022	113,845
Long Term Liabilities - Current Portion	1,375,000	-
Funds Held as Fiscal Agent	-	520,000
Compensated Absences	352,000	-
Total Current Liabilities	16,589,534	1,122,928
Noncurrent Liabilities:		
Accrued Liabilities	461,750	-
Compensated Absences	3,494,585	-
Net Pension Liability	66,910,873	-
Long Term Liabilities	64,790,000	-
Total Noncurrent Liabilities	135,657,208	-
Total Liabilities	$ 152,246,742	$ 1,122,928
Deferred Inflows of Resources - Pensions	$ 9,447,253	$ -
NET POSITION		
Net investment in capital assets	$ 111,053,577	$ -
Restricted:		
Nonexpendable	-	32,435,265
Expendable	7,133,383	12,519,880
Unrestricted:		
Unappropriated	(36,668,155)	105,725
Total Net Position	$ 81,518,805	$ 45,060,870

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

LORAIN COUNTY COMMUNITY COLLEGE
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

	Primary Institution	Component Unit
	Lorain County Community College	Lorain County Community College Foundation
Revenues		
Operating Revenues:		
Student Tuition and Fees (Net of Scholarship Allowances of $10,629,236)	$ 15,838,700	$ -
Federal Grants and Contracts	1,524,913	-
State Grants and Contracts	3,010,730	-
Local Grants and Contracts	78,951	-
Private Grants and Contracts	4,447,722	-
Contributions and Fundraising	-	9,398,576
Sales and Services	1,737,105	-
Auxiliary Enterprises	9,269,938	-
Other Sources	2,175,808	-
Total Operating Revenues	38,083,867	9,398,576
Expenses		
Operating Expenses:		
Instruction	30,734,733	-
Public Service	10,349,374	-
Academic Support	6,379,426	-
Student Services	7,604,826	635,257
Institutional Support	10,485,817	3,166,114
Operation and Maintenance of Plant	6,537,140	-
Scholarships and Fellowships	10,954,769	-
Auxiliary Enterprises	9,234,571	-
Other	979,001	608,648
Depreciation	8,260,344	15,347
Total Operating Expenses	101,520,001	4,425,366
Operating (Loss) Income	(63,436,134)	4,973,210
Nonoperating Revenues (Expenses)		
State Share of Instruction	24,563,332	-
State Appropriations	779,109	-
State Capital Appropriations	3,390,335	-
Local Appropriations	24,452,345	-
Federal Grants and Contracts	19,037,787	-
State Grants and Contracts	222,413	-
Gifts	3,488	-
Investment Income	91,755	613,308
Interest on Debt	(2,854,847)	-
(Loss) on Asset Disposal	(22,970)	-
Other Nonoperating Revenues (Expenses)	48,292	1,255,583
Net Nonoperating Revenues	69,711,039	1,868,891
Increase in Net Position	6,274,905	6,842,101
Net Position		
Net Position at Beginning of Year, Restated	75,243,900	38,218,769
Net Position at End of Year	$ 81,518,805	$ 45,060,870

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

Lorain County Community College
Statement of Cash Flows
For The Year Ended June 30, 2015

		Year Ended June 30, 2015
Cash Flows from Operating Activities		
Tuition and Fees	$	15,963,414
Grants and Contracts		8,663,879
Payments to or on Behalf of Employees		(53,472,815)
Payments to Vendors		(32,126,655)
Auxiliary Enterprises		35,367
Other Receipts		2,980,984
Net Cash Used by Operating Activities		(57,955,826)
Cash Flows from Noncapital Financing Activities		
State Share of Instruction		24,563,332
State Appropriations		779,109
Local Appropriations		24,431,148
Grants and Contracts		19,260,200
Cash Provided by Federal Direct Student Loans		14,511,039
Cash Used by Federal Direct Student Loans		(14,511,039)
Cash Provided by Agency Fund Activities		138,462
Cash Used by Agency Fund Activities		(139,574)
Net Cash Provided by Noncapital Financing Activities		69,032,677
Cash Flows from Capital Financing Activities		
Proceeds from Bond Issuance		4,145,000
Purchases of Capital Assets		(6,352,153)
State Capital Appropriations		3,390,335
Principal Paid on Capital Debt		(5,625,000)
Interest Paid on Capital Debt		(2,864,170)
Net Cash Used by Capital Financing Activities		(7,305,988)
Cash Flows from Investing Activities		
Collection of Noncurrent Notes Receivables		12,320
Purchase of Investments		(3,000,000)
Interest on Investments		56,101
Net Cash Used by Investing Activities		(2,931,579)
Net Increase in Cash		839,284
Cash and Cash Equivalents at Beginning of Year		31,022,105
Cash and Cash Equivalents at End of Year	$	31,861,389

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

Lorain County Community College
Statement of Cash Flows
For The Year Ended June 30, 2015
(Continued)

		Year Ended June 30, 2015
Reconciliation of Net Operating Loss to Cash Used by Operating Activities		
Operating Loss	$	(63,436,134)
Adjustments:		
Depreciation Expense		8,260,344
Net Pension Expense (Recovery)		(856,613)
Changes in Assets and Liabilities:		
Accounts Receivable		558,194
Inventories		210,042
Prepaid Expenses		(73,058)
Accounts Payable		335,158
Accrued Liabilities		(1,853,830)
Unearned Revenue		(1,763,847)
Compensated Absences		663,918
Cash Used by Operating Activities	$	(57,955,826)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

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

Lorain County Community College Foundation (Foundation) is a legally separate, tax-exempt organization supporting Lorain County Community College. The Foundation was established to foster excellence in teaching and learning by encouraging philanthropic support for students, faculty, programs and facilities of the College. Because the majority of the distribution of the resources held by the Foundation is made to the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. See Note 16 for specific disclosures relating to the Foundation.

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

The College applies GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.* GASB Statement No. 35 established standards for external financial reporting for public colleges and universities. The College adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* in 2014. These statements require that resources be classified for accounting and reporting purposes into the following four net position categories:

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

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

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

- **Unrestricted:**
  Unappropriated: Net position not subject to internally or externally-imposed stipulations.
  Appropriated: Net position subject to internally-imposed stipulations.

GASB Statement No. 65 introduces and defines *deferred outflows of resources* and *deferred inflows of resources* as elements of the annual financial report and incorporates these elements in the computation of net position. These elements represent the consumption (deferred outflows) or acquisition (deferred inflows) of resources that are applicable to a future reporting period, but do not require any further exchange of goods or services.

The Statement of Net Position reports $7,133,383 of restricted net position none of which is restricted by enabling legislation.

GASB Statement No. 35 also requires that the Statements of Net Position, Revenues, Expenses and Changes in Net Position, and Cash Flows be reported on a consolidated basis.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

Cash and cash equivalents consist of cash on hand and demand deposits with banks. The College classifies investments that mature in less than one year as cash and cash equivalents.

Investments are recorded at fair value, as established by the major securities markets. Investment income is recorded on the accrual basis. The College classifies investments that mature in more than one year as long term investments.

Accounts receivable are for transactions relating to tuition and fees, auxiliary enterprise sales, grants and contracts, and miscellaneous sales and services. Accounts receivable are recorded net of allowances for uncollectible accounts.

Inventories are presented at lower of cost or market on a first-in, first-out basis and are expensed when used. Inventory consists primarily of books and supplies in the College's bookstore.

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

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

The College's policy for defining operating activities as reported on the Statement of Revenues, Expenses and Changes in Net Position are those that result from exchange transactions such as payments received for providing services and payments made for goods or services received. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including State Share of Instruction and Local Appropriations. 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. Student tuition and fees revenues are presented net of scholarships and fellowships applied to student accounts. Auxiliary enterprise revenues primarily represent revenues generated by the bookstore, food service, and information technology services.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the College, deferred outflows of resources are reported on the statement of net position for amounts related to pensions as explained in Note 11.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflows of resources are reported on the statement of net position for amounts related to pensions as explained in Note 11.

Pensions

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Full-time employees begin earning paid vacation on their first day of hire. The amount of vacation earned is based on the number of work/contract days paid in the previous fiscal year and on employee classification, with a maximum number of 25 days per year. Employees may carry a maximum of five (5) days of vacation from one fiscal year to the next. Part-time employees who work eight-hundred (800) or more hours during a fiscal year accumulate Earned Time Off (ETO) to a maximum of 5 days. ETO cannot be rolled over from one year to the next.

Full-time employees are also granted paid sick leave each year to a maximum of 15 days. Unused sick leave days automatically roll over each year and accrue up to a maximum of two hundred (200) days. Upon retirement from the College, employees are compensated for twenty-five percent (25%) of their accumulated sick leave, not to exceed forty-five (45) days. Employees with less than ten (10) years of service are not eligible for this benefit.

The College follows GASB Statement No. 16 when recording its compensated absences liability. As such, the College has accrued a liability for all accumulated vacation and ETO hours. The liability for sick leave is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the financial statement date, and on leave balances accumulated for other employees who are expected to become eligible in the future to receive such payments. Included in the compensated absences liability is an amount accrued for salary-related fringe benefits (the employer's share of Medicare taxes).

Use of Estimates

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

Upcoming Accounting Pronouncements

In February, 2015 GASB issued Statement No. 72, *Fair Value Measurement and Application.* The objectives of this Statement are to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures around fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provision of GASB Statements 67 and 68.* This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statements 67 and 68 for pensions that are within their respective scopes. The provisions of this Statement are generally effective for financial statements for periods beginning after June 15, 2015.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement are generally effective for financial statements for periods beginning after June 15, 2016.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upcoming Accounting Pronouncements (continued)

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

The College has not yet determined the full impact of these new GASB pronouncements on its financial statements.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the College implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting for Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	$ 146,822,986
Adjustments:	
Net Pension Liability	(75,960,872)
Deferred Outflows-Payments Subsequent to Measurement Date	4,381,786
Restated Net Position June 30, 2014	$ 75,243,900

Other than employer contributions subsequent to the measurement date, the College made no restatement for deferred outflows/inflows of resources as the information needed to generate these restatements was not available.

NOTE 3 – CASH AND INVESTMENTS

Legal Requirements

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

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

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

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

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

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

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

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

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

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

6. The State Treasurer's investment pools (Star Ohio and Star Plus);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty (180) days in an amount not to exceed twenty-five percent (25%) of the interim monies available for investment at any one time; and,

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the College, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the College had $19,560 in undeposited cash on hand, which is included on the Statement of Net Position of the College as part of cash and cash equivalents.

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

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

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

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

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

The carrying amount of the College's deposits is $17,772,774 and the bank balance is $18,983,691. Any difference between cash carrying amount and bank balance represents normal reconciling items (outstanding checks, cash on hand, and deposits in transit). At June 30, 2015, $16,113,351 of the College's deposits was insured by FDIC (Category 1) and $2,870,340 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department or agent, but not in the College's name.

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

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

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

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

The College held $11,550 in Star Ohio investments and $10,581,567 in Star Plus investments at June 30, 2015, which are external investment pools and are considered cash equivalents under GASB Statement No. 9. Oversight of the pools is through the Treasurer of State. The fair value of the College's position in the pool is the same as the value of its pool share. Such investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statement No. 3. All other investments are Category 3. The following summarizes the market value of investments:

Primary Government – College	June 30, 2015		
	Market	Investment Maturities	
Description	Value	Less than 1 year	1-5 years
US Agency	$ 3,000,000	$ -	$ 3,000,000
Star Ohio	11,550	11,550	-
Star Plus	10,581,567	10,581,567	-
Repurchase Agreement	3,475,938	3,475,938	-
Total Investments	$ 17,069,055	$ 14,069,055	$ 3,000,000

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

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

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

At June 30, 2015, the College's investments in Star Ohio were rated AAAm by Standard & Poor's. The Star Plus investments leverage the safety of the Federal Deposit Insurance Corporation (FDIC).

Concentration of Credit Risk- Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Star Ohio/Star Plus, repurchase agreement, and US Agency represent 62.0%, 20.4% and 17.6%, respectively of the College's total investments of $17,069,055.

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

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

As of June 30, 2015, the College's bank balance of $18,983,691 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

NOTE 4 – RECEIVABLES

The composition of Accounts Receivable, Net at June 30, 2015 is summarized as follows:

Student accounts	$	17,085,599
Local appropriations		11,493,701
Government agencies		2,446,039
Other		3,319,771
Total accounts receivable		34,345,110
Less allowance for uncollectable accounts		(10,242,861)
Accounts Receivable, Net	$	24,102,249

The composition of Notes Receivable, Net at June 30, 2015 is summarized as follows:

Student emergency loan notes receivable	$	24,069
Employee computer purchases notes receivable		78,738
Total notes receivable		102,807
Less allowance for uncollectable accounts		(1,188)
Notes Receivable, Net	$	101,619

NOTE 5 – LOCAL APPROPRIATIONS

The College receives local appropriations in the form of property taxes levied against real, public utility, and tangible (used in business) personal property located in Lorain County, Ohio. The electors within the county must approve any College property tax. The College collects property taxes for operating, capital and University Partnership purposes from two levies approved by the County voters. The levies were both passed for a ten year period. The 1.8 mill levy was approved in November of 2010 and expires with the last collection in calendar year 2020. The second levy, approved in November of 2013, consists of a 1.5 mill renewal and 0.6 mill increase and expires with the last collection in calendar year 2023. This second levy replaced a 1.5 mill levy approved in November of 2004.

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in Lorain County. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes, levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State Statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represent collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, levied after April 1, 2014, and collected in 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received from telephone companies during calendar 2015 were levied after October 1, 2014, on the value as of December 31, 2014. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the College prior to June 30.

Property taxes are levied and assessed on a calendar year basis while the College fiscal year runs from July through June. The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the College. First-half tax collections are received by the College in the second half of the fiscal year. Second-half tax collections occur in the first half of the following fiscal year, and are reflected in Accounts Receivable, Net. Second-half tax collections are available to finance fiscal year 2015 operations.

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 is summarized as follows:

	Beginning Balance	Additions	Retirements and and Reclassified	Ending Balance
Non-Depreciable Capital Assets:				
Land	$ 3,267,771	$ -	$ -	$ 3,267,771
Construction in Progress	631,007	1,463,787	(546,334)	1,548,460
Total Non-Depreciable Capital Assets	3,898,778	1,463,787	(546,334)	4,816,231
Depreciable Capital Assets:				
Improvements	21,832,987	294,820	-	22,127,807
Buildings	215,469,456	2,417,240	348,302	218,234,998
Leasehold Improvements	794,849	50,232	-	845,081
Indisputable Right of Use	462,202	-	-	462,202
Equipment	30,087,642	1,706,203	175,062	31,968,907
Software	6,534,016	419,871	-	6,953,887
Total Depreciable Capital Assets	275,181,152	4,888,366	523,364	280,592,882
Less Accumulated Depreciation:				
Improvements	(18,175,282)	(429,772)	-	(18,605,054)
Buildings	(59,094,780)	(4,947,261)	-	(64,042,041)
Leasehold Improvements	(695,337)	(80,335)	-	(775,672)
Indisputable Right of Use	(462,202)	-	-	(462,202)
Equipment	(18,878,723)	(2,136,063)	-	(21,014,786)
Software	(2,906,220)	(666,913)	-	(3,573,133)
Total Accumulated Depreciation	(100,212,544)	(8,260,344)	-	(108,472,888)
Depreciable Capital Assets, Net	174,968,608	(3,371,978)	523,364	172,119,994
Total Capital Assets, Net	$ 178,867,386	$(1,908,191)	$ (22,970)	$176,936,225

NOTE 7 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2015 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt obligations:					
General Receipts Bonds, 2004	$ 4,485,000	$ -	$ 4,485,000	$ -	$ -
General Receipts Bonds, 2014	-	4,145,000	185,000	3,960,000	380,000
General Receipts Bonds, 2011	38,815,000	-	605,000	38,210,000	620,000
General Receipts Bonds, 2012	24,345,000	-	350,000	23,995,000	375,000
Total	67,645,000	4,145,000	5,625,000	66,165,000	1,375,000
Net pension liability:					
OPERS	17,112,826	395,454	-	17,508,280	-
STRS Ohio	58,848,046	-	9,445,453	49,402,593	-
	75,960,872	395,454	9,445,453	66,910,873	-
Other Noncurrent obligations:					
Early Retirement Incentive included in Accrued Liabilities	1,032,378	-	297,122	735,256	273,506
Compensated Absences	3,182,667	1,183,960	520,042	3,846,585	352,000
Total Noncurrent Liabilities	$ 147,820,917	$ 5,724,414	$ 15,887,617	$ 137,657,714	$ 2,000,506

Series 2004 and Series 2014 Bond Issues

General receipts Series 2004 bonds were issued in March of 2004 with an all-inclusive (AIC) rate of 4.15%, and repayment over a period of 20 years. The proceeds were used to finance the building of the Entrepreneurship Innovation Center. In November, 2014 the College refunded the outstanding balance of its Series 2004 Bonds of $4,145,000 with new Series 2014 General Receipts Bonds, at a rate of 2.19% over the same repayment period remaining for the original Series 2004 Bonds.

Series 2011 Bond Issue

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

NOTE 7 – NONCURRENT LIABILITIES (Continued)

Series 2012 Bond Issue

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

In connection with the general receipt bonds described above, the College has pledged general receipts, net of State Appropriation receipts and Ad Valorem Tax receipts, to repay these debts. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds are payable, through their final maturities as listed above, solely from these revenues pledged. Total principal and interest remaining to be paid on these bonds is $114,252,160 as detailed below.

Principal and interest payments on long-term debt obligations are due are as follows:

	Series 2014 Bonds		Series 2011 Bonds		Series 2012 Bonds		Total General Receipts Bonds	
Years Ended June 30:	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
FY 2016	$ 380,000	$ 84,643	$ 620,000	$ 1,773,344	$ 375,000	$ 923,738	$ 1,375,000	$ 2,781,725
FY 2017	385,000	76,322	635,000	1,752,950	400,000	916,187	1,420,000	2,745,459
FY 2018	395,000	67,835	650,000	1,732,069	425,000	908,137	1,470,000	2,708,041
FY 2019	410,000	59,075	670,000	1,710,619	440,000	899,587	1,520,000	2,669,281
FY 2020	415,000	50,096	690,000	1,685,931	455,000	888,938	1,560,000	2,624,965
FY 2021-25	1,975,000	109,610	3,810,000	7,970,744	3,155,000	4,189,056	8,940,000	12,269,410
FY 2026-30			6,755,000	6,838,009	4,105,000	3,406,163	10,860,000	10,244,172
FY 2031-35			8,620,000	5,032,506	5,000,000	2,494,500	13,620,000	7,527,006
FY 2036-40			10,720,000	2,650,000	6,110,000	1,397,800	16,830,000	4,047,800
FY 2041-43			5,040,000	255,000	3,530,000	214,300	8,570,000	469,300
Total	$ 3,960,000	$ 447,581	$ 38,210,000	$ 31,401,172	$ 23,995,000	$ 16,238,406	$ 66,165,000	$ 48,087,159

Interest paid during the fiscal year ended June 30, 2015 amounted to $2,864,170.

As indicated above, in November, 2014 the College refunded the outstanding balance of its Series 2004 Bonds of $4,145,000 with new Series 2014 General Receipts Bonds, at a rate of 2.19% over the same repayment period remaining for the original Series 2004 Bonds.

NOTE 8 – EARLY RETIREMENT INCENTIVE

The College implemented Governmental Accounting Standards Board Statement Number 47, *Accounting for Termination Benefits*. The College Board of Trustees approved a one-time Early Retirement Incentive program (ERI) in 1997. In spring of 1999, the College Board of Trustees approved a second ERI available to all employees who had accrued 20 or more years of service at the College and qualify for and retire under either the STRS Ohio or OPERS, with specified credit and age criteria. The second ERI program was effective for the period beginning May 31, 1999 ended June 30, 2009. Individuals who qualified and elected the ERI had the option of selecting a ten-year annuity incentive payment or a lump sum payment of one-half of the total annuity value that would have accumulated in the ten-year annuity option. The undiscounted future benefit payments were based on the employees' annual salary at the time of retirement. Accordingly, $499,143 of termination benefits are included in liabilities as of June 30, 2015, of which $168,567 is included in current accrued liabilities. Early retirement incentive payments of $192,183 were made during the current fiscal year.

Furthermore, the third ERI program was effective for non-faculty employees for the period beginning October 1, 2012 ended December 30, 2012. Individuals who qualified and elected the ERI will receive an annuity incentive payment to an IRS 403(b) retirement fund; this amount is to be paid quarterly over a period of five years. The ERI future benefit amounts are based on the employees' annual salary at the time of retirement, times years of service, times 98%. Accordingly, $236,113 of termination benefits are included in liabilities as of June 30, 2015, of which $104,939 is included in current accrued liabilities. Early retirement incentive payments of $104,939 were made during the current fiscal year.

NOTE 9 – COMPENSATED ABSENCES

As indicated in Note 1 – Summary of Significant Accounting Policies, the College follows GASB Statement No. 16 when recording its compensated absences liability. Effective July, 2014 the College approved an increase in the number of unused sick leave days that can be paid out upon retirement, from a maximum of thirty (30) days, to a maximum of forty-five (45) days. The increase in the liability is recognized in the financial statements as additional compensated absences liability. The effect of this change in estimate on future periods has not been determined as of June 30, 2015.

The College has accrued a liability for all accumulated vacation and ETO hours. The liability for sick leave is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the financial statement date, and on leave balances accumulated for other employees who are expected to become eligible in the future to receive such payments. Included in the compensated absences liability is an amount accrued for salary-related fringe benefits (the employer's share of Medicare taxes).

NOTE 10 – STATE SUPPORT

The College is a State-assisted institution of higher education, which receives a student-based share of instruction from the State of Ohio. The State Share of Instruction is determined annually, based upon a formula devised by the Ohio Department of Education.

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

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

NOTE 11 – PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the College's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the College's obligation for this liability to annually required payments. The College cannot control benefit terms or the manner in which pensions are financed; however, the College does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) employers benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included as an accrued liability.

Ohio Public Employees Retirement System (OPERS)

Plan Description – The College participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20.0 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the valued of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/investments/cafr.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

NOTE 11 – PENSION PLANS (Continued)

Ohio Public Employees Retirement System (OPERS) (Continued)

For retirement calculation purposes, members are divided into three groups. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan:

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 62 with 60 months of service credit or Age 57 with 25 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earning over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount.

Once a benefit recipient retiring under the traditional plan has received benefits for 12 months, an annual 3 percent cost-of-living adjustment is provided on the member's base benefit.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10.0 percent of covered payroll. For the fiscal years ended June 30, 2015 and 2014, the contribution rate for members in the state and local classification was 10.0 percent. For fiscal 2015, member and contribution rates were consistent across all three plans.

The College's 2015 and 2014 contribution rate was 14.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1.0 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2.0 percent. Employer contribution rates are actuarially determined.

The College's required contributions for pension obligations to OPERS for the fiscal years ended June 20, 2015, 2014, and 2013 were $2,732,873, $2,826,729, and $3,007,888, respectively. As of June 30, 2015, 92.9 percent has been contributed with the balance being reported as an accrued liability. The full amount has been contributed for fiscal years 2014 and 2013. Plan member contributions to OPERS for the fiscal years ended June 20, 2015, 2014, and 2013 were $1,952,058, $2,019,141, and $2,148,499, respectively, which met the required percentages.

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

NOTE 11 – PENSION PLANS (Continued)

Actuarial Assumptions – OPERS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including Inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA.

For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 11 – PENSION PLANS (Continued)

Actuarial Assumptions – OPERS (Continued)

Sensitivity of the Office's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Discount Rate (8%)	1% Increase (9%)
College's proportionate share of the net pension liability-Traditional	$32,210,218	$17,508,280	$5,125,706

State Teachers Retirement System (STRS Ohio)

Plan Description - The College participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio, or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan. New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

DB Plan Benefits – The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013 or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

DC Plan Benefits – The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service credit. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

NOTE 11 – PENSION PLANS (Continued)

State Teachers Retirement System (STRS Ohio) (Continued)

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes

A DB or Combined Plan member with five or more years' of credited service who becomes disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 14.0 percent for members and 14.0 percent for employers.

The statutory maximum employee contribution rate was increased by one percent July 1, 2013, increased another one percent July 1, 2014, and July 1, 2015, and will be increased one percent each year until it reaches 14.0 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12.0 percent of their annual covered salary. The College was required to contribute 14.0 percent; the entire 14 percent was the portion used to fund pension obligations.

The College's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 20, 2015, 2014, and 2013 were $2,949,653, $2,909,257, and $3,041,543, respectively. As of June 30, 2015, 100 percent has been contributed with zero reported as an accrued liability. The full amount had been contributed for fiscal years 2014 and 2013. Plan member contributions to STRS Ohio for the fiscal years ended June 20, 2015, 2014, and 2013 were $2,520,344, $2,278,117, and $2,172,530, respectively, which met the required percentages.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

The net pension liability was measured as of December 31, 2014 for OPERS and June 30, 2014 for STRS Ohio. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	STRS Ohio	Total
Proportionate Share of the Net Pension Liability	$17,508,280	$49,402,593	$66,910,873
Proportion of the Net Pension Liability	0.14516300%	0.20310676%	
Pension Expense	$ 1,911,564	$ 2,282,354	$ 4,193,918

NOTE 11 – PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions (Continued)

At June 30, 2015, the College reported deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

	OPERS	STRS Ohio	Total
Deferred Outflow of Resources			
Differences between expected and actual experience	$ -	$ 475,607	$ 475,607
College contributions subsequent to the measurement date	1,364,733	2,861,124	4,225,857
Net difference between projected and actual earnings on pension plan investments	934,189	-	934,189
Total Deferred Outflow of Resources	$2,298,922	$3,336,731	$5,635,653
Deferred Inflow of Resources			
Differences between expected and actual experience	$ -	$ -	$ -
Net difference between projected and actual earnings on pension plan investments	307,586	9,139,667	9,447,253
Total Deferred Inflow of Resources	$ 307,586	$9,139,667	$9,447,253

$4,225,857 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

	OPERS	STRS Ohio	Total
Fiscal Year Ending June 30:			
2016	$ 91,626	($2,166,015)	($2,074,389)
2017	91,626	(2,166,015)	(2,074,389)
2018	209,804	(2,166,015)	(1,956,211)
2019	233,547	(2,166,015)	(1,932,468)
	$626,603	($8,664,060)	($8,037,457)

Actuarial Assumptions – STRS Ohio

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments	2 percent simple applied as follows: for members retiring before (COLA) August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

NOTE 11 – PENSION PLANS (Continued)

Actuarial Assumptions – STRS Ohio (Continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total Real Rate of Return	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the College's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability-STRS Ohio	$70,725,198	$49,402,593	$31.370.844

Alternative Retirement Plan

Plan Description – An Alternative Retirement Plan (ARP) was approved by the College's Board of Trustees on January 28, 1999, with an effective date of March 1, 1999. The ARP is a defined contribution pension plan available to full-time employees in lieu of participation in OPERS and STRS Ohio. For the employees who elected participation in ARP, prior employee contributions to OPERS and STRS Ohio were transferred from those plans and invested in individual accounts established with selected external investments managers. The ARP is self-directed and is not maintained by the College.

The ARP does not provide disability benefits, annual cost-of-living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

NOTE 11 – PENSION PLANS (Continued)

Alternative Retirement Plan (Continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the fiscal years ended June 30, 2015, 2014 and 2013, contributions equal to those required by OPERS and STRS Ohio are required to be made to the ARP; however, a portion (which may be revised pursuant to periodic actuarial studies) of the employer contribution must be contributed to OPERS or STRS Ohio to enhance the stability of those plans.

The College's required contributions for pension obligations to the plan for the fiscal years ended June 30, 2015, 2014, and 2013 were $85,762, $88,396, and $98,355, respectively. As of June 30, 2015, 92.9 percent has been contributed with the balance being reported as an accrued liability. The full amount has been contributed for fiscal years 2014 and 2013. Contributions by plan members for the fiscal years ended June 30, 2015, 2014, and 2013 were $61,259, $63,140, and $70,254, respectively.

NOTE 12 – POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS)

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting https://www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2014, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund the OPEB Plan.

OPERS' Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code section 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2.0 percent for both plans, and remains at 2.0 percent effective January 1, 2015, as recommended by OPERS' actuary.

NOTE 12 – POST-EMPLOYMENT BENEFITS (Continued)

Ohio Public Employees Retirement System (OPERS) (Continued)

The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0 percent of the employer contributions toward the health care fund after the end of the transition period. The College's contributions allocated to fund post-employment health care benefits for the fiscal years ended June 30, 2015, 2014, and 2013 were $390,254, $201,828, and $859,354, respectively. As of June 30, 2015, 92.9 percent has been contributed with the balance being reported as an accrued liability. The full amount had been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System (STRS Ohio)

Plan Description – The College participates in the cost-sharing, multiple-employer health care plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined Plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer this Plan. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14.0 percent employer contribution rate, 1.0 percent of covered payroll was allocated to fund post-employment health care for the years ended June 30, 2014, 2013, and 2012. Effective July 1, 2014, zero percent of covered payroll was allocated to post-employment health care. For the fiscal years ended June 30, 2015, 2014 and 2013, the College's contributions to post-employment healthcare were $0, $207,800, and $217,253, respectively. As of June 30, 2015, zero has been contributed. The full amount had been contributed for fiscal years 2014 and 2013.

NOTE 13 – LITIGATION AND CONTINGENCIES

Grants

The College receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of the College administration, any such disallowed claims will not have a material effect on the College's financial statements or on the overall financial position of the College at June 30, 2015.

Litigation

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

NOTE 14 – OPERATING LEASE COMMITMENTS

The College has entered into various lease agreements that are considered operating leases. Total rental expense under operating leases during the year ended June 30, 2015 amounted to $1,221,168.

Future minimum lease payments as of June 30, 2015 under all operating leases, are as follows:

Year Ending June 30	Operating Leases
2016	$ 765,600
2017	404,968
2018	179,205
2018	70,304
2019	6,266
Total minimum lease payments	$ 1,426,343

NOTE 15 - RISK MANAGEMENT

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

The College also has self-insured health and dental coverage for its employees. The College's risk exposure is limited to claims incurred and stop-loss insurance is held. Medical Mutual of Ohio administers claims for the College. The claims liability of $1,315,554 at June 30, 2015 is included in accrued liabilities in the Statement of Net Position and is based on the requirements of GASB Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2013	$1,317,499	$5,231,137	$(4,911,796)	$1,636,840
2014	1,636,840	4,764,794	(5,026,593)	1,375,041
2015	1,375,041	4,927,186	(4,986,673)	1,315,554

NOTE 16 – LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION

Note 1. Summary of Significant Accounting Policies

A. Nature of Activities – Lorain County Community College Foundation, Inc. (the Foundation), a non-governmental, non-profit Ohio corporation established for the exclusive benefit and support of Lorain County Community College (the College), assembles and utilizes its resources solely to assist and support the College in the achievement of its mission and vision.

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

Unrestricted Net Assets
This category includes net assets not subject to donor-imposed stipulations. This category periodically includes net assets designated by the Board. At June 30, 2015 and 2014, there were no Board designated net assets.

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

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

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

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

E. Comparative Financial Information – The financial statements include certain prior year summarized comparative financial information. Such information does not include sufficient detail to constitute a full financial statement presentation. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fair Value Reporting (Continued)

The following is a summary of the inputs used as of June 30, 2015 and 2014 in valuing the Foundation's investments carried at fair value:

	2015			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	$ 103,099	$ -	$ 103,099	$ -
Common equity securities	1,292,315	1,292,315	-	-
Mutual equity funds	29,612,639	29,612,639	-	-
Mutual bond funds	9,463,248	9,463,248	-	-
Real estate	735,149		-	735,149
Limited partnership	132,071	-	-	132,071
	$ 41,338,521	$ 40,368,202	$ 103,099	$ 867,220

	2014			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	$ 37,479	$ -	$ 37,479	$ -
Common equity securities	1,489,320	1,489,320	-	-
Mutual equity funds	22,745,478	22,745,478	-	-
Mutual bond funds	7,823,915	7,823,915	-	-
Real estate	735,149			735,149
Limited partnership	78,506	-	-	78,506
	$ 32,909,847	$ 32,058,713	$ 37,479	$ 813,655

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fair Value Reporting (Continued)

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

	2015	2014
Beginning balance	$ 813,655	$ 769,014
Contributions	50,000	50,000
Management fee	(5,000)	(5,000)
Unrealized gain (loss)	8,565	(359)
Ending balance	$ 867,220	$ 813,655

I. Grants Receivable – Grants receivable are comprised primarily of prospective and reimbursable awards committed from various funding agencies for use in the Foundation's activities. All grants receivable are expected to be collected within one year. The Foundation has recorded a provision of $300,000 for the years ended June 30, 2015 and 2014.

J. Equipment and Software – Equipment and software is recorded at historical cost or fair market value in case of donation. Depreciation is recorded on the straight-line method over the useful lives of the respective assets, which generally range from three to seven years. The Foundation capitalizes all long-lived assets that cost more than $1,000 and have a useful life in excess of one year. Depreciation expense was $15,347 and $2,644 for the years ended June 30, 2015 and 2014, respectively. Accumulated depreciation at June 30, 2015 and 2014 was $49,183 and $33,836, respectively.

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

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

L. Donated Services – Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Foundation. Note 8 to the financial statements discloses the value of services donated by the College to the Foundation during the years ended June 30, 2015 and 2014.

M. Administration Fee – The Foundation allocates a 1.25% administration fee on temporarily and permanently restricted net assets, excluding unconditional promises to give, to provide for indirect program, general management and fundraising expenses. The total amount charged to temporarily and permanently restricted net assets related to this fee was $347,376 and $350,709 for the years ended June 30, 2015 and 2014, respectively.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

The Foundation believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. As of June 30, 2015, the Foundation's income tax years from 2011 and thereafter remain subject to examination by the Internal Revenue Service, as well as various state and local taxing authorities.

P. Innovation Fund Awards – The innovation fund bestows awards in two categories, Type A awards and Type B awards. Type A awards are up to $25,000 and contain no right of replenishment. Type B awards are greater than $25,000 and up to $100,000 and contain a right of replenishment as disclosed in Note 10 to the financial statements. It is the policy of the Foundation to fully reserve against the possibility of replenishment at the time of the award based on insufficient financial information regarding the future collectability of these awards, creating a net $-0- effect to receivables. If the right of replenishment is exercised for an award, the receivable will be recorded at the time the Foundation determines an entity is financially viable for repayment of its innovation fund award. During the years ended June 30, 2015 and 2014, the Foundation made innovation award payments of $1,262,400 and $1,235,150, respectively, to entities selected by the Innovation Fund Committee. At June 30, 2015 and 2014, the Foundation had additional unpaid awards of $1,035,901 and $798,301, respectively, which were considered conditional and, therefore, not included within accounts payable.

Q. Reclassifications – Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation.

R. Subsequent Events – The Foundation has evaluated subsequent events through October 13, 2015, the date which the financial statements were available to be issued.

Note 2. Unconditional Promises to Give

Unconditional promises to give at June 30, 2015 and 2014 are as follows:

	2015	2014
Receivable in less than one year	$ 678,700	$ 1,214,238
Receivable in one to five years	4,403,000	3,912,500
Receivable in six to ten years	-	1,150,000
Receivable in greater than ten years	1,120,000	153,000
Total unconditional promises to give	6,201,700	6,429,738
Less discounts to present value	(673,291)	(412,978)
Less valuation reserves for uncollectible promises to give	(1,863,889)	(1,369,919)
Net unconditional promises to give	$ 3,664,520	$ 4,646,841

The discount rate used on long-term promises to give was 2.00% at June 30, 2015 and 2014. Pledges receivable restricted for long-term purposes of $42,500 are due in less than one year.

Note 2. Unconditional Promises to Give (Continued)

The Foundation has estimated a reserve for uncollectible promises to give based upon management's review of current outstanding promises to give, current economic conditions and historical collections of $1,863,889 and $1,369,919 at June 30, 2015 and 2014, respectively. During the years ended June 30, 2015 and 2014, the Foundation directly wrote off uncollectible promises to give of $1,000 and $500, respectively. During the years ended June 30, 2015 and 2014, the Foundation recognized an increase (decrease) in the reserve for uncollectible promises to give of $493,970 and $(107,127), respectively.

Note 3. Investments

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

	June 30, 2015		June 30, 2014	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 103,099	$ 103,099	$ 37,479	$ 37,479
Common equity securities	716,388	1,292,315	814,545	1,489,320
Mutual equity funds	24,057,357	29,612,639	16,790,730	22,745,478
Mutual bond funds	9,597,919	9,463,248	7,660,943	7,823,915
Real estate	735,149	735,149	735,149	735,149
Limited partnership	150,000	132,071	100,000	78,506
	$ 35,359,912	$ 41,338,521	$ 26,138,846	$ 32,909,847

Investment income for the years ended June 30, 2015 and 2014 consisted of the following:

	2015	2014
Interest and dividends	$ 1,238,962	$ 922,954
Net realized and unrealized (losses) gains	(541,512)	3,918,061
Management fees	(84,142)	(82,616)
Total investment income	$ 613,308	$ 4,758,399

Mutual Capital Partners Fund Partnership

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

This programmatic relationship qualified the Foundation as an investor in the Mutual Capital Partners Fund II, an Ohio limited partnership. Three payments of $50,000 have been made. As of June 30, 2015, the Foundation has an outstanding commitment of $100,000. At June 30, 2015, the valuation of this investment was $132,071. The partnership assesses a $5,000 annual administrative fee.

Note 4. Charitable Remainder Trust

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

Note 5. Temporarily Restricted Net Assets

Net assets as of June 30, 2015 and 2014 were temporarily restricted for the following purposes:

	2015	2014
Support of the College's faculty, programs, facilities and Foundation's operation	$ 11,549,277	$ 12,242,579
Scholarships	970,603	947,226
Passage of time	-	3,123
Total temporarily restricted net assets	$ 12,519,880	$ 13,192,928

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or passage of time for the years ended June 30, 2015 and 2014 are as follows:

	2015	2014
Support of the College's faculty, programs, facilities and Foundation's operation	$ 1,641,396	$ 1,147,679
Innovation fund disbursements	1,262,400	1,236,030
Scholarships	635,257	563,518
Total restrictions released	$ 3,539,053	$ 2,947,227

Note 6. Endowments

The Foundation's endowment includes 158 scholarship funds and 14 program funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

Note 6. Endowments (Continued)

Investment Return Objectives, Risk Parameters and Strategies

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

Spending Policy

The Foundation has a policy of appropriating for distribution on an annual basis, up to 4.5% of the fair market value of permanently restricted endowment funds as approved by the Board, plus the administrative fee described in Note 1 to the financial statements. The Foundation charges an administrative fee to offset the costs of operating the Foundation. In establishing these policies, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment to grow over the long-term. This is consistent with the Foundation's objective to preserve the fair value of the endowment assets as well as to provide additional real growth through new gifts and investment return. All withdrawals or transfers to other funds are subject to approval by the Board of Directors. The Foundation has two permanently restricted funds designated for operations which have fallen below the corpus by approximately $850,000 as of June 30, 2015.

Note 6. Endowments (Continued)

Changes in endowment net assets as of June 30, 2015 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 2,026,500	$ 24,570,910	$ 26,597,410
Investment return:				
Administrative fee	272,298	(19,541)	(252,757)	-
Scholarship and program transfers	-	633,511	(633,511)	-
Investment income, net	-	33,254	1,098,431	1,131,685
Net appreciation (depreciation) (realized and unrealized)	-	-	(628,968)	(628,968)
Total investment return - endowed	272,298	647,224	(416,805)	502,717
Contributions	-	-	8,167,480	8,167,480
Special events	-	-	31,587	31,587
Equity transfers	-	1,235	5,190	6,425
Appropriation of endowment assets for expenditure	(272,298)	(899,365)	-	(1,171,663)
Endowment net assets, end of year	$ -	$ 1,775,594	$ 32,358,362	$ 34,133,956

Note 6. Endowments (Continued)

Changes in endowment net assets as of June 30, 2014 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 1,418,901	$ 22,152,205	$ 23,571,106
Investment return:				
Administrative fee	281,352	(12,470)	(268,882)	-
Scholarship and program transfers	149,647	1,178,969	(1,328,616)	-
Investment income	-	-	794,762	794,762
Net appreciation (realized and unrealized)	-	234,375	2,802,769	3,037,144
Total investment return - endowed	430,999	1,400,874	2,000,033	3,831,906
Contributions	-	141	380,163	380,304
Special events	-	372	19,993	20,365
Equity transfers	-	-	18,516	18,516
Appropriation of endowment assets for expenditure	(430,999)	(793,788)	-	(1,224,787)
Endowment net assets, end of year	$ -	$ 2,026,500	$ 24,570,910	$ 26,597,410

Note 7. Permanently Restricted Net Assets

Permanently restricted net assets as of June 30, 2015 and 2014 were comprised of the following amounts, the earnings of which were available for the following purposes:

	2015	2014
Support of the College's faculty, programs and facilities	$ 14,535,368	$ 6,629,906
Scholarships	14,552,776	14,741,883
Operations and general support	3,347,121	3,292,219
Total permanently restricted net assets	$ 32,435,265	$ 24,664,008

Note 8. Related Party

As described in Note 1, the Foundation is affiliated with, but separate from, the College. During the years ended June 30, 2015 and 2014, the College provided the Foundation with professional staffing valued at $157,976 and $72,564, respectively. The value of those services is included as contributions in the financial statements and expensed on a functional basis based on the type of service provided by the employee.

During the years ended June 30, 2015 and 2014, the Foundation provided scholarships and support to the College of $2,223,765 and $1,654,631, respectively.

At June 30, 2015 and 2014, amounts due to the College and included within "accounts, support and grants payable" totaled $416,437 and $161,263, respectively.

The Foundation made contributions of $170,000 to Citizens for LCCC during the years ended June 30, 2015 and 2014, and are included in support for the College. Citizens for LCCC is a non-profit political action committee organized to enhance public support for the College. These contributions fall within the mission of the Foundation as Citizens for LCCC supports the growth of the College through support for tax levies benefiting the College.

The Lorain County Community College Innovation Foundation (LCCCIF) is a 501(c)(3) public charity and a Supporting Organization to the College separate from the Foundation. Several Key employees of the College serve as both officers of the LCCCIF and the Foundation. As of June 30, 2015, the Foundation holds $500,000 on behalf of the LCCCIF.

Innovation Fund America (IFA) is a 501(c)(3) public charity separate from the Foundation. For the year ended June 30, 2015, the Foundation accrued a receivable of $11,180 for disbursements made on behalf of IFA.

Note 9. Concentrations

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

At June 30, 2015 and 2014, one donor's promise to give represented approximately 57% and 70%, respectively, of the outstanding promises to give.

Note 10. Conditional Events

Innovation Award Replenishment

As described in Note 1 to the financial statements, the Foundation holds a right of replenishment over all Type B funds awarded. The awards specify a recipient may repay the Foundation without interest the amount of the award within two years. Subsequent to the two year anniversary of the award, the Foundation may exercise its right of replenishment through the fifth year, at which point the right of replenishment is forfeited. Effective September 30, 2011, for new awards, the repayment schedule is three years without interest and the Foundation's right to replenishment is through the sixth year.

Note 10. Conditional Events (Continued)

Innovation Award Replenishment (Continued)

The Foundation made 78 Type B Innovation Fund Awards since inception of the program. Of these 78 Type B Innovation Fund Awards, the Foundation holds the right of replenishment on 52 awards expiring in:

Years Ending June 30,		
2016	$	1,579,667
2017		75,000
2018		578,000
2019		680,000
2020		850,000
2021		713,000
	$	4,475,667

The purpose of the Innovation Fund is to foster entrepreneurship and jobs growth. The Foundation's objective in providing these awards was not the return of principal, which is why Innovation Fund awards are expensed when all conditions of the award are fulfilled. The Foundation has not recorded an estimate of funds receivable from award replenishment because the amount cannot be reasonably estimated. As such, the Foundation's ability to realize these amounts is based on the financial success of the recipients. During the years ended June 30, 2015 and 2014, the Foundation received $396,000 and $155,333, respectively, of Innovation Fund replenishment income.

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

Grants Receivable

During the year ended June 30 2011, the Foundation was awarded a $2,000,000 conditional grant (11-084) by the Ohio Department of Development to support the Innovation Fund. The Foundation was approved to receive the funds over a three year period from April 2011 through March 2014. During 2014, the grant was extended through September 2014. All of the requirements have been fulfilled and payments received.

During the year ended June 30, 2015, the foundation was awarded a $2,125,000 conditional grant (13-127) by the Ohio Departments of Development to support the Innovation Fund. The Foundation was approved to receive the funds over a three year period from June 2015 through June 2018. For the year ended June 30, 2015, the Foundation has fulfilled some requirements pertaining to the grant and received $318,750.

Note 10. Conditional Events (Continued)

Awards Payable

As described in Note 1 to the financial statements, the Foundation's Innovation Fund involves multi-year conditional awards provided to start-up businesses that create or enhance technology. The Foundation has made award commitments of $10,210,000 of which $890,830 has been forfeited to date. The net remaining award commitment is $1,035,901. These awards are expected to be paid out over the next two years once the sponsored recipients fulfill required conditions which may include completion and testing of a prototype, filing and protection of necessary patents and meeting certain financial reporting metrics. The conditional obligations are measured by Great Lakes Innovation and Development Enterprise, which monitors the recipients and reports progress of the recipients to the Foundation, which then approves payment of the conditional portion of the awards.

As these awards are conditional, no liability has been recorded at June 30, 2015 and 2014.

Grants

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

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

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

The Foundation has made a conditional commitment to Phase IV of the Fund for a total of $100,000. During 2014, the first of three $33,333 payments was paid toward the commitment. During 2015, the second $33,333 payment was paid toward the commitment. As the grant is conditional, no liability has been recorded for this account at June 30, 2015.

Note 11. Gift and Land and Building

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

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

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

LORAIN COUNTY COMMUNITY COLLEGE
Required Supplementary Information
June 30, 2015

Schedule of the College's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System (OPERS)
Last Two Fiscal Years (1)

	2014	2013
College's Proportion of the Net Pension Liability	0.14516300%	0.14516300%
College's Proportionate Share of the Net Pension Liability	$ 17,508,280	$ 17,112,826
College's Covered-Employee Payroll	$ 20,191,406	$ 21,484,985
College's Proportion of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	86.71%	79.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Schedule of the College's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio (STRS Ohio)
Last Two Fiscal Years (1)

	2014	2013
College's Proportion of the Net Pension Liability	0.20310676%	0.20310676%
College's Proportionate Share of the Net Pension Liability	$ 49,402,593	$ 58,848,046
College's Covered-Employee Payroll	$ 20,779,975	$ 21,725,305
College's Proportion of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	237.74%	270.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

LORAIN COUNTY COMMUNITY COLLEGE
Required Supplementary Information
June 30, 2015

Schedule of the College's Contributions
Ohio Public Employees Retirement System (OPERS)
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contributions	$ 2,732,873	$ 2,826,729	$ 3,007,888	$ 2,779,203	$ 2,865,732	$ 2,819,704	$ 2,654,175	$ 2,344,095	$ 2,219,680	$ 2,100,086
Contributions in Relation to Contractually Required Contributions	(2,732,873)	(2,826,729)	(3,007,888)	(2,779,203)	(2,865,732)	(2,819,704)	(2,654,175)	(2,344,095)	(2,219,680)	(2,100,086)
Contributions Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College Covered-Employee Payroll	$ 19,520,584	$ 20,191,406	$ 21,484,985	$ 19,833,629	$ 20,469,585	$ 20,140,743	$ 18,958,393	$ 16,832,005	$ 16,113,960	$ 15,414,462
Conribution as a Percentage of Covered Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.93%	13.77%	13.62%

LORAIN COUNTY COMMUNITY COLLEGE
Required Supplementary Information
June 30, 2015

Schedule of the College's Contributions
State Teachers Retirement System of Ohio (STRS Ohio)
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contributions	$ 2,949,653	$ 2,909,257	$ 3,041,543	$ 3,284,798	$ 3,204,078	$ 2,969,832	$ 2,782,628	$ 2,575,480	$ 2,447,171	$ 2,342,684
Contributions in Relation to Contractually Required Contributions	(2,949,653)	(2,909,257)	(3,041,543)	(3,284,798)	(3,204,078)	(2,969,832)	(2,782,628)	(2,575,480)	(2,447,171)	(2,342,684)
Contributions Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College Covered-Employee Payroll	$ 21,068,948	$ 20,779,975	$ 21,725,305	$ 23,462,845	$ 22,886,272	$ 21,213,082	$ 19,875,958	$ 18,396,256	$ 17,479,320	$ 16,510,095
Conribution as a Percentage of Covered Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

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
Lorain County Community College
Elyria, 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 of the Lorain County Community College (the "College"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 21, 2015, wherein we noted that the College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and as a result restated their June 30, 2014 net position of the business-type activities, as disclosed in Note 2.

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 opinion 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.

Board of Trustees
Lorain County Community College

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
December 21, 2015

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
Lorain County Community College
Elyria, Ohio

Report on Compliance for Each Major Federal Program

We have audited the Lorain County 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, 2015. 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.

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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, 2015.

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
Lorain County Community College

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

We have audited the financial statements of the business-type activities of the College as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated December 21, 2015, which contained an unmodified opinion on those financial statements, wherein we noted that the College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and as a result restated their June 30, 2014 net position of the business-type activities, as disclosed in Note 2. 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
December 21, 2015

LORAIN COUNTY COMMUNITY COLLEGE
Lorain County, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
Direct from the Federal Agency			
Student Financial Aid Cluster:			
Federal Work Study Program	P033A	84.033	$ 262,184
Federal Pell Grant Program	P063P	84.063	17,314,683
Federal Supplemental Educational Opportunity Grant	P007A	84.007	312,482
Federal Direct Student Loans	P0268K	84.268	14,511,039
Total Student Financial Assistance			32,400,388
Passed Through the Ohio Department of Education			
Career Technical Education - Basic Grants to States	CDP-P	84.048	228,543
Total United States Department of Education			32,628,931
United States Department of Labor			
Direct from the Federal Agency			
H-1B Job Training Grants	N/A	17.268	288,709
Dol ETA TAACCCT			
Trade Adjustment Assistance Community College and Career Training LCCC	N/A	17.282	294,523
Sub-Award TAACCCT Cincinnati State Technical and Community College	N/A	17.282	1,742
Sub-Award TAACCCT Columbus State Community College	N/A	17.282	17,093
Sub-Award TAACCCT Cuyahoga Community College	N/A	17.282	1,464
Sub-Award TAACCCT Eastern Gateway Community College	N/A	17.282	7,294
Sub-Award TAACCCT Lakeland Community College	N/A	17.282	39,243
Sub-Award TAACCCT Owens Community College	N/A	17.282	374
Sub-Award TAACCCT Rhodes State College	N/A	17.282	19,006
Sub-Award TAACCCT Sinclair Community College	N/A	17.282	15,350
Sub-Award TAACCCT Stark State College	N/A	17.282	8,780
Sub-Award TAACCCT Zane State College	N/A	17.282	18,527
Total Trade Adjustment Assistance Community College and Career Training			423,396
Passed through Mathematica Policy Research, Inc.			
Evaluation of the Self-Employment Training SET Demonstration	N/A	17.201	8,154
Total United States Department of Labor			720,259
National Science Foundation			
Direct from the Federal Agency			
Education and Human Resources-NCWET 3	N/A	47.076	331,081
Education and Human Resources-NCWET 2	N/A	47.076	134,854
Total National Science Foundation			465,935
US Small Business Administration			
Passed through Ohio Department of Communications Development			
Small Business Development Centers	SBAHQ-13-B-0011	59.037	108,649
Total US Small Business Administration			108,649
United States Department of Commerce			
Economic Development Administration			
Investments for Public Works Economic - EDA SMART Center Project	N/A	11.30	1,136,831
Total United States Department of Commerce			1,136,831
Total Federal Financial Assistance			$ 35,060,605

NA - Direct from the federal government
N - Pass through entity numbers could not be located by the college

See accompanying notes to the schedule of expenditures of federal awards.

Lorain County Community College

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – FEDERAL DIRECT STUDENT LOANS

During the fiscal year ended June 30, 2015 the College processed new loans under the Federal Direct Student Loan Program. The amount shown reflects the fiscal year amount that has been certified by the College.

Lorain County Community College

Schedule of Findings
OMB Circular A-133 Section .505

For the Year Ended June 30, 2015

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 # 84.033, 84.007, 84.063, 84.268. US Department of Labor Trade Adjustment Assistance Community College and Career Training Grant: CFDA #17.282. US Department of Commerce Investment for Public Works and Economic Development: CFDA #11.300.
(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.

Dave Yost • Auditor of State

LORAIN COUNTY COMMUNITY COLLEGE

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 21, 2016

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