Lake County Community College District

d/b/a Lakeland Community College

Financial Report

with Supplemental Information

June 30, 2017 and June 30, 2016

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lake County Community College District d/b/a Lakeland Community College, Lake County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

February 1, 2018

This page intentionally left blank.

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

Table of Contents

This page intentionally left blank.

Ciuni &
Panichi
CPAs and Business Advisors
Where Relationships Count.

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Lake County Community College District d/b/a Lakeland Community College (the "College"), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits 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.

C&P Advisors, LLC
Ciuni & Panichi, Inc.
C&P Wealth Management, LLC

25201 Chagrin Boulevard
Cleveland, Ohio 44122.5683
p. 216.831.7171
f. 216.831.3020
www.cp-advisors.com
Independent Member of
Geneva Group International

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College, as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 3 to 14 and the schedules of the College's proportionate share of the net pension liability and schedules of the College's contributions on pages 64 to 67 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017, 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 18, 2017

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

Management's Discussion and Analysis (Unaudited)

The management's discussion and analysis of Lake County Community College District d/b/a Lakeland Community College's (Lakeland Community College, Lakeland, or the "College") annual financial statements provides an overview of the College's financial activities for the years ended June 30, 2017, 2016, and 2015. Management has prepared the financial statements and the related note disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's administration.

Using this Report

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

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

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

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

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

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

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

The College adheres to GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. In that regard, The Lakeland Foundation is recognized as a discretely presented component unit due to the significant operational and financial relationships maintained with the College. The Lakeland Foundation's purpose is to support and promote excellence at the College by fundraising. It is a legally separate entity governed by its own board of directors. Discrete condensed financial information is presented on page 19 and in Notes 1 and 15.

Condensed Statements of Net Position

	June 30		
	2017	2016	2015
Assets			
Current assets	$ 32,576,533	$ 39,189,943	$ 29,796,859
Noncurrent assets:			
Capital	85,312,494	64,901,804	55,834,122
Other	39,235,195	46,298,504	12,960,658
Total assets	157,124,222	150,390,251	98,591,639
Deferred Outflows of Resources			
Pensions	18,481,185	7,648,040	5,497,154
Total deferred outflows	18,481,185	7,648,040	5,497,154
Total assets and deferred outflows	**$ 175,605,407**	**$ 158,038,291**	**$ 104,088,793**
Liabilities			
Current liabilities	$ 19,813,253	$ 23,637,488	$ 18,650,361
Noncurrent liabilities	178,693,168	154,534,016	106,492,370
Total liabilities	198,506,421	178,171,504	125,142,731
Deferred Inflows of Resources			
Property taxes	9,607,076	9,437,196	8,090,661
Pensions	4,134,423	5,461,398	10,721,208
Total deferred inflows	13,741,499	14,898,594	18,811,869
Net Position			
Net investment in capital assets	32,803,025	30,672,536	27,530,676
Restricted	366,788	337,405	372,097
Unrestricted	(69,812,326)	(66,041,748)	(67,768,580)
Total net position	(36,642,513)	(35,031,807)	(39,865,807)
Total liabilities, deferred inflows and net position	**$ 175,605,407**	**$ 158,038,291**	**$ 104,088,793**

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

Analysis of Overall Financial Position

At June 30, 2017, current assets amounted to $32.6 million as compared to $39.2 million at June 30, 2016, a decrease of $6.6 million. Current liabilities at June 30, 2017 amounted to $19.8 million and current liabilities at June 30, 2016 amounted to $23.6 million, a decrease of $3.8 million. The College's working capital ratio was 1.6 and 1.7 at June 30, 2017 and 2016, respectively.

The decrease in current assets at June 30, 2017 is primarily attributable to a decrease of $4.4 million in intergovernmental receivables related to the science hall and the Health Technologies Building, coupled with a $1.3 million decrease in loans and other receivables.

The decrease in current liabilities at June 30, 2017 is primarily attributable to a decrease in unearned revenue associated with the science hall and the Health Technologies Building, as well as the timing of payments to vendors, partially offset by an increase in the current portion of debt payable.

At June 30, 2016, current assets amounted to $39.2 million as compared to $29.8 million at June 30, 2015, an increase of $9.4 million. Current liabilities at June 30, 2016 amounted to $23.6 million and current liabilities at June 30, 2015 amounted to $18.7 million, an increase of $4.9 million. The College's working capital ratio was 1.7 and 1.6 at June 30, 2016 and 2015, respectively.

The increase in current assets at June 30, 2016 is primarily attributable to an increase in cash and investments of $5.9 million resulting from a change in the mix between current and non-current classification, coupled with an increase in intergovernmental receivables of $3.4 million, partially offset by a decrease in loans and other receivables.

The increase in current liabilities at June 30, 2016 is primarily attributable to an increase of $2.5 million in accruals related to various College funded projects as well as the timing of payments to vendors, coupled with an increase in deferred income of $2.6 million primarily attributable to unearned revenue associated with the science hall and the applied health technologies building, partially offset by a decrease in the current portion of debt payable.

Noncurrent assets are comprised of capital assets, restricted cash and cash equivalents, investments, and loans receivable. The increase in noncurrent assets of $13.3 million during 2017 is primarily attributable to the various College and State funded projects, renovation and expansion of the Health Technologies Building and A-building renovation, and the proceeds from the issuance of the Series 2017A Tax Anticipation Notes, partially offset by the capital spending of a portion of the remaining proceeds from the Series 2016 Bonds and the OAQDA loan.

The increase in noncurrent assets of $42.4 million during 2016 is primarily attributable to the various College and State funded projects, renovation and expansion of the Health Technologies building and A-building renovation, the proceeds from the issuance of the Series 2016 Bonds, and the execution of the OAQDA loan, partially offset by the defeasance of the 2008 and 2011 Tax Anticipation Notes, and capital spending of the remaining proceeds from the Series 2014 Bonds, and the 2008 and 2011 Tax Anticipation Notes.

The increase in noncurrent liabilities in 2017 of $24.2 million is primarily due to an increase in the College's pension liability recognized under GASB 68, and the issuance of the Series 2017A Tax Anticipation Notes ($10,000,000), partially offset by debt service payments on the Series 2016B Bonds.

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

The increase in noncurrent liabilities in 2016 of $48.0 million is due to an increase in the College's pension liability recognized under GASB 68, the issuance of the Series 2016A Bonds ($21,510,000), the issuance of the Series 2016B Bonds ($8,990,000), the issuance of the Series 2016C Bonds ($8,575,000), and the execution of the OAQDA loan ($10,388,237), partially offset by the redemption in full of the 2008 and 2011 Tax Anticipation Notes. The November 2015 bond issue tax levy will fully pay the debt service of the Series 2016 Bonds.

The increase in deferred outflows of resources in 2017 of $10.8 million is due to GASB 68 and reflects pension activity as reported by SERS and STRS.

The increase in deferred outflows of resources in 2016 of $2.2 million is due to GASB 68 and reflects pension activity as reported by SERS and STRS.

The decrease in deferred inflows of resources in 2017 of $1.2 million is primarily due to GASB 68 and reflects pension activity as reported by SERS and STRS, offset in part by an increase in property taxes related to the November 2015 bond issue levy.

The decrease in deferred inflows of resources in 2016 of $3.9 million is primarily due to GASB 68 and reflects pension activity as reported by SERS and STRS, offset in part by an increase in property taxes related to the November 2015 bond issue levy.

The College's net position amounted to $(36.6) million, $(35.0) million, and $(39.9) million at June 30, 2017, 2016, and 2015, respectively. The decrease in the College's net position during 2017 was primarily attributable to the pension expense recognized under GASB 68.

Capital Assets and Long-term Debt Activity

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

During 2017, the College utilized $4.4 million in state capital appropriations, $23.3 million in internal funds including debt proceeds, and purchased $27.7 million of capital assets.

During 2016, the College utilized $4.3 million in state capital appropriations, $14.0 million in internal funds including debt proceeds, and purchased $18.3 million of capital assets.

The College's long-term debt is comprised of Series 2014 General Receipts Bonds, Series 2016A Bonds, Series 2016B Bonds, Series 2016C Bonds, 2016 Ohio Air Quality Development Authority (OAQDA) Note, and Series 2017A Tax Anticipation Notes. The Series 2008 Tax Anticipation Notes and Series 2011 Tax Anticipation Notes were fully defeased in March 2016.

In 2017, the College issued the Series 2017A Notes in the amount of $10.0 million representing the par amount of the notes, at a fixed interest rate of 2.7 percent. The notes are dated January 18, 2017 and shall be payable as to principal and interest on December 1 in the years 2017 – 2027. The notes are issued for the purpose of providing funds for the acquisition of sites; the erection, furnishing, and equipment of buildings; the acquisition, construction or improvement of College property.

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

In 2016, the College issued the Series 2016A Bonds in the amount of $21.5 million representing the par amount of the bonds, at fixed interest rates ranging from 2.0 percent to 5.0 percent and a final maturity in 2042. The notes are dated February 9, 2016. Bond proceeds were used for all or a part of the cost of purchasing sites and for the erection, furnishing, and equipment of buildings, including buildings used for Applied Health Technology, Science and Bio-Science.

In 2016, the College issued the Series 2016B Bonds in the amount of $9.0 million representing the par amount of the bonds, at fixed interest rates ranging from 2.0 percent to 3.25 percent and a final maturity in 2025. The notes are dated February 9, 2016. Bond proceeds were used for defeasance of the Series 2008 and Series 2011 Tax Anticipation Notes.

In 2016, the College issued the Series 2016C Bonds in the amount of $8.6 million representing the par amount of the bonds, at fixed interest rates ranging from 3.5 percent to 4.0 percent and a final maturity in 2035. The notes are dated March 2, 2016. Bond proceeds were used for the purpose of retiring the College's Facilities Construction and Improvement Notes, Series 2015, issued for the purpose of financing all or a part of the cost of purchasing sites and for the erection, furnishing, and equipment of buildings, including buildings used for Applied Health Technology, Science and Bio-Science.

The 0.4 mills levy approved by Lake County voters on November 3, 2015 will fully fund the debt service requirements on the College's Series 2016 Bonds.

In 2016, the College issued $10.4 million in OAQDA Notes at fixed interest rates ranging from 1.85 percent to 3.62 percent and a final maturity in 2029. The notes are dated March 8, 2016. The proceeds of the notes were used to assist in the financing of certain air quality facilities in the form of energy conservation measures to be installed in the Lakeland Health Technology Building owned by the College.

In 2014, the College issued general receipts bonds in the amount of $20.7 million representing the par amount of the bonds, at fixed interest rates ranging from 3.25 percent to 5.0 percent and a final maturity in 2039. The notes are dated November 25, 2014. Bond proceeds were used to refund the Series 2014 Tax Anticipation Notes, acquire the Holden University Center property, and to renovate science labs.

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

In 2009, the College issued the Series 2008 Notes in the amount of $8.5 million, with fixed interest rates ranging from 3.25% to 3.75% and a final maturity date in 2018. The proceeds of the notes were used to pay costs associated with the implementation of energy conservation measures that are intended to significantly reduce the College's energy consumption and the operating costs of its buildings. A portion of the proceeds of the notes was also used to pay costs associated with the acquisition of technology equipment and other capital improvements.

The Series 2008 Notes and the Series 2011 Notes were defeased with the proceeds of the Series 2016B Bonds.

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

During 2017, 2016 and 2015, the College paid $1.3 million, $10.3 million, and $4.7 million, respectively, in connection with debt maturities. The College is in compliance with all of its contractual long-term debt requirements and covenants.

More detailed information about the College's capital assets and long-term debt is presented in Notes 5 and 6 of the financial statements.

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

	Year Ended June 30		
	2017	2016	2015
Operating Revenue			
Student tuition and fees - Net	$ 10,269,005	$ 9,654,099	$ 10,855,940
Grants, contracts, and other revenue	3,801,003	3,441,346	2,769,193
Auxiliary enterprises - Net	3,719,490	3,832,967	3,674,590
Total operating revenue	17,789,498	16,928,412	17,299,723
Operating Expenses	70,214,186	62,931,616	63,676,624
Operating Loss	(52,424,688)	(46,003,204)	(46,376,901)
Nonoperating Revenue			
State appropriations	19,625,591	19,344,227	18,617,240
Local appropriations	20,536,994	19,530,758	17,725,078
Pell grant revenue - Net of refunds	8,254,629	9,832,449	11,583,223
Other nonoperating income and expenses - Net	(1,978,652)	(2,160,324)	(795,234)
Total nonoperating revenue	46,438,562	46,547,110	47,130,307
Gain (Loss) - Before other changes	(5,986,126)	543,906	753,406
Other Changes			
Capital appropriations from the State of Ohio	4,370,420	4,290,094	848,798
Capital grants and gifts	5,000	-	14,800
Total other changes	4,375,420	4,290,094	863,598
Increase in Net Position	(1,610,706)	4,834,000	1,617,004
Net Position - Beginning of year	(35,031,807)	(39,865,807)	(41,482,811)
Net Position - End of year	**$ (36,642,513)**	**$ (35,031,807)**	**$ (39,865,807)**

Analysis of Results of Operations

Total revenue for the years ended June 30, 2017 and 2016 was $66.6 million and $66.0 million, respectively, of which operating revenue amounted to $17.8 million and $16.9 million, respectively. Operating revenue increased $0.9 million, or 5.1 percent. Total operating expenses for the years ended June 30, 2017 and 2016 were $70.2 million and $62.9 million, respectively. Operating expenses increased $7.3 million, or 11.6 percent. The College's operating loss amounted to $52.4 million during 2017 compared to $46.0 million in 2016, which represented a decrease of $6.4 million, or 14.0 percent.

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

Total revenue for the years ended June 30, 2016 and 2015 was $66.0 million and $65.3 million, respectively, of which operating revenue amounted to $16.9 million and $17.3 million, respectively. Operating revenue decreased $0.4 million, or 2.2 percent. Total operating expenses for the years ended June 30, 2016 and 2015 were $62.9 million and $63.7 million, respectively. Operating expenses decreased $0.8 million, or 1.2 percent. The College's operating loss amounted to $46.0 million during 2016 compared to $46.4 million in 2015, which represented an increase of $0.4 million, or 0.8 percent.

Student tuition and fees, net, are comprised of credit and noncredit instruction revenue. A breakdown and comparison of this revenue is as follows:

Credit and Noncredit Instruction Revenue

	Years Ended June 30		
	2017	2016	2015
	(dollars in millions)		
Credit instruction	$ 16.2	$ 17.1	$ 19.2
Less Pell grants and scholarship allowances	(7.3)	(8.7)	(9.9)
Net credit instruction	8.9	8.4	9.3
Noncredit instruction	0.6	0.7	0.9
Other	0.8	0.6	0.7
Total	**$ 10.3**	**$ 9.7**	**$ 10.9**

Student tuition and fees, net, was higher during 2017 as compared to 2016.

Credit instruction tuition and fees, net, increased by $0.5 million in 2017 as compared to 2016. Gross credit instruction and fees decreased by 5.3 percent. The decrease is primarily due to declines in summer, fall, and spring enrollments of 4.5 percent, 1.6 percent and 6.1 percent respectively, and a change in the mix with a significant increase of 16.6 percent in College Credit Plus (CCP) enrollment. Gross credit instruction and fees are offset by Pell grants and other scholarship allowances of $7.3 million during 2017 as compared to $8.7 million during 2016.

Credit instruction tuition and fees, net, decreased by $0.9 million in 2016 as compared to 2015. Gross credit instruction and fees decreased by 10.9 percent. The decrease is primarily related to declines in summer, fall, and spring enrollments of 13.7 percent, 6.7 percent and 3.9 percent, and lower tuition revenue from the reduced rate per credit hour taught under the College Credit Plus (CCP) program. Gross credit instruction and fees are offset by Pell grants and other scholarship allowances of $8.7 million during 2016 as compared to $9.9 million during 2015.

Noncredit instruction revenue decreased by $0.1 million during 2017 as compared to 2016, primarily attributable to lower revenue from Business & Professional course offerings, along with decreased revenue from the Center for Business and Industry (CBI) course offerings.

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

Noncredit instruction revenue decreased by $0.2 million during 2016 as compared to 2015, primarily attributable to deferring the basic police academy in 2016.

Grants, contracts, and other revenue increased by $0.4 million during 2017 as compared to 2016, primarily attributable to higher state and local grants and contracts of $0.6 million, partially offset by lower federal grants and contracts of $0.1 million.

Grants, contracts, and other revenue increased by $0.7 million during 2016 as compared to 2015, primarily attributable to higher federal, state and local grants and contracts of $0.4 million.

Auxiliary enterprises revenue is comprised primarily of bookstore and event services and campus dining revenue. Revenue decreased by 3.0 percent for these operations during 2017 compared to 2016, primarily attributable to a decline in bookstore sales due to a decrease in enrollment and increased competition from on-line book sellers. Event services also had a decrease in sales mainly attributable to lower revenue from events held at the Mooreland Educational Center. These decreases were partially offset by a change in the offset of gross auxiliary bookstore revenue related to Pell grants.

Auxiliary enterprises revenue increased by 4.3 percent for these operations during 2016 compared to 2015, primarily attributable to a change in the offset of gross auxiliary bookstore revenue related to Pell grants. This increase was partially offset by a decline in bookstore sales attributable to a decrease in enrollment and increased competition from on-line book sellers.

The College's nonoperating revenue is comprised primarily of the State of Ohio (the "State") and local appropriations and federal Pell grant revenue. State appropriations include the College's State Share of Instructional Support ("SSIS").

The College's State funding for operational support is determined legislatively and controlled through the Ohio Department of Higher Education. SSIS is formula determined and allocates available 2017 State funds to each two year institution based on: (a) course completions, (b) success points, and (c) degrees and certificates earned. State support increased during 2017 by $0.3 million, or 1.5 percent, as compared with 2016. The slightly higher amount is a result of adjusting Lakeland's performance outcomes and enrollment as compared to the statewide average.

State support increased during 2016 by $0.7 million, or 3.9 percent, as compared with 2015. The slightly higher amount is a result of adjusting Lakeland's performance outcomes and enrollment as compared to the statewide average.

Local appropriations increased by approximately $1.0 million or 5.2 percent during 2017 as compared to 2016. The increase is primarily attributable to collections on the 0.4 mills bond issue approved by voters on November 3, 2015.

Local appropriations increased by approximately $1.8 million or 10.2 percent during 2016 as compared to 2015. The increase is primarily attributable to collections on the 0.4 mills bond issue approved by voters on November 3, 2015. In addition, there was a slight increase in real estate tax receipts as a result of the use of an outside collection agency by the County Auditor's office, as well as a slight increase in real estate property valuations.

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

Pell grant revenues decreased by $1.6 million during 2017 as compared to 2016, due to lower enrollment. Other nonoperating income and expenses increased by $0.2 million during 2017 compared to 2016, due in part to a reduction in interest expense related to a federal subsidy for interest associated with the OAQDA loan. In addition, there was an increase in net investment income due to an increase in funds available to invest related to proceeds from the debt issues and the OAQDA loan.

Pell grant revenues decreased by $1.8 million during 2016 as compared to 2015, due to lower enrollment. Other nonoperating income and expenses decreased by $1.4 million during 2016 compared to 2015, due primarily to interest expense on the Series 2014 Bonds.

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

Operating Expense Summary

	Years Ended June 30		
	2017	2016	2015
	(dollars in millions)		
Educational and general:			
Salaries and wages	$ 35.0	$ 34.5	$ 35.5
Benefits	15.5	9.1	9.1
Operating expenses	10.6	10.3	10.0
Total educational and general	61.1	53.9	54.6
Auxiliary enterprises	4.9	4.8	5.0
Depreciation	4.2	4.2	4.1
Total	**$ 70.2**	**$ 62.9**	**$ 63.7**

Salaries and wages increased by 1.3 percent during 2017. The increase is primarily attributable to replacing open positions which were vacant in the prior year, partially offset by lower part-time faculty cost resulting from lower enrollment, replacing open positions at lower salaries, and delays in filling open positions.

Benefits include retirement and non-retirement benefits. The increase is primarily attributable to the pension expense recognized under GASB 68.

Salaries and wages decreased by 2.6 percent during 2016. The decrease is primarily attributable to lower part-time faculty cost resulting from lower enrollment, replacing open positions at lower salaries, and delays in filling open positions.

Total benefits expense is flat for 2016 as compared to 2015.

The increase in operating expenses in 2017 as compared to 2016 is primarily attributable to higher utilities expense, as well as space renovations and related equipment purchases.

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

The increase in operating expenses in 2016 as compared to 2015 is primarily attributable to funding phase two of the science hallway renovation project, debt service on the Series 2014 Bonds, and various other space renovations and related equipment purchases, partially offset by lower rent expense and utilities.

Auxiliary enterprises expense decreased during 2016 and 2015 by 4.0 percent and 5.6 percent, respectively. The decreases during both 2016 and 2015 are primarily attributable to lower expenses related to decreases in bookstore sales resulting from enrollment declines and increased competition from on-line book purchases.

Depreciation expense is flat for 2017 as compared to 2016.

Depreciation expense is higher by 2.4 percent during 2016 as compared to 2015 due to additional capital expenditures (science hallway renovations and planned equipment replacements).

From a budgetary perspective, the College utilizes fund-based accounting to control unrestricted revenue, expenditures, and transfers. A summary for the year ended June 30, 2017 comparison of net changes to fund balance, budget versus actual, for the College's unrestricted funds are as follows:

Unrestricted Funds Budget to Actual Comparison

	2017	
Changes to Fund Balances by Unrestricted Fund Type	Adopted Budget	Actual
	(dollars in millions)	
General operating	$ 0.1	$ -
Auxiliary	(1.2)	(1.3)
Plant	0.1	1.3
Total	**$ (1.0)**	**$ -**

Statements of Cash Flows

Cash Flows for the Years Ended June 30

	2017	2016	2015
Net Cash and Cash Equivalents (Used in) Provided by			
Operating activities	$ (46,685,451)	$ (43,319,906)	$ (45,170,891)
Noncapital financing activities	48,284,994	48,139,337	47,448,440
Capital and related financing activities	(12,835,370)	33,870,771	(1,816,452)
Investing activities	12,214,070	(25,590,661)	(191,958)
Net Increase in Cash and Cash Equivalents	978,243	13,099,541	269,139
Cash and Cash Equivalents - Beginning of year	20,035,644	6,936,103	6,666,964
Cash and Cash Equivalents - End of year	**$ 21,013,887**	**$ 20,035,644**	**$ 6,936,103**

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

Major sources of cash included student tuition and fees of $10.5 million in 2017, $10.0 million in 2016, and $10.8 million in 2015; state appropriations of $19.6 million in 2017, $19.3 million in 2016, and $18.6 million in 2015; local appropriations of $20.4 million in 2017, $19.0 million in 2016, and $17.2 million in 2015; grants and contracts of $2.0 million in 2017, $1.6 million in 2016, and $1.2 million in 2015; auxiliary sales and services of $3.8 million in 2017, $4.4 million in 2016, and $3.6 million in 2015; and proceeds from debt of $10.0 million in 2017, $52.3 million in 2016, and $21.2 million in 2015.

Major uses of cash included employee compensation and benefits totaling $48.9 million in 2017, $50.5 million in 2016, and $52.2 million in 2015; purchases of investments totaling $20.6 million in 2017, $39.1 million in 2016, and $8.4 million in 2015; suppliers of goods and services totaling $15.7 million in 2017, $10.4 million in 2016, and $10.1 million in 2015; principal payments on capital debt totaling $1.3 million in 2017, $10.4 million in 2016, and $4.7 million in 2015; interest payments on capital debt totaling $1.4 million in 2017, $2.9 million in 2016, and $0.9 million in 2015; and purchases of capital assets totaling $20.1 million in 2017, $5.2 million in 2016, and $17.4 million in 2015.

Factors Impacting Future Periods

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

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

The College's state funding for operational support is determined legislatively and controlled through the Department of Higher Education. Under the new formula, the 2018 funding model for community and technical colleges will consist of three components: (1) course completions, (2) success points, and (3) degrees and certificates earned. Overall, State appropriations for higher education are 2.8 percent higher in 2018 than they were in 2017.

Local appropriations in the form of property taxes are another critical element of support. The electors within the County of Lake, Ohio (the "County") must approve any Lakeland Community College property tax. The College collects property taxes for operating and capital purposes from three levies approved by the County voters: a 1.7 mills stated rate for a continuing period, a 1.5 mills stated rate for 10 years, and a 0.4 mills for 27 years. The 1.7 mills replacement levy was approved by Lake County voters on November 2, 2010 and the 1.5 mills stated rate levy was renewed on November 8, 2011. The 1.7 mills replacement levy generated approximately $4.0 million dollars in incremental funding for 2011, as compared to 2010, and has generated an incremental $8.0 million dollars in 2012 compared to 2010. The incremental $8.0 million dollars, as compared to 2010, is expected to continue unless another replacement is passed. The 0.4 mills levy was approved by Lake County voters on November 3, 2015 and will be used to fund the debt service on the College's Series 2016 Bonds. Variations in funding, outside the levy mill amounts is threatened by property devaluations and the level of delinquent taxes collected each year.

Instructional fees are limited by both enrollment declines and the inability to raise tuition beyond a certain level as determined by the State Legislature. The College's 2018 budget reflects an anticipated enrollment decline of 5.5 percent from 2017. Tuition was frozen at 2015 levels by the State in FY 2017. The State's current biennium budget freezes tuition in FY 2018 and allows up to a $10 per credit hour increase in tuition for FY 2019.

Contacting the College's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael Graff, Controller at Lakeland Community College, 7700 Clocktower Drive, Kirtland, Ohio 44094 or email at mgraff1@Lakelandcc.edu.

Remainder of Page Intentionally Left Blank

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

Statements of Net Position

	June 30 2017	June 30 2016
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	$ 5,493,863	$ 7,088,506
Restricted cash and cash equivalents (Note 3)	1,817,541	1,459,524
Short-term investments (Note 3)	1,992,898	2,052,552
Intergovernmental receivables - Net	11,442,256	15,865,005
Loans and other receivables - Net (Note 4)	9,333,776	10,629,443
Inventories	525,754	556,708
Prepaid assets	1,970,445	1,538,205
Total current assets	32,576,533	39,189,943
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	13,702,483	11,487,614
Investments (Note 3)	25,519,858	34,797,581
Loans receivable - Net (Note 4)	12,854	13,309
Capital assets - Net (Note 5)	85,312,494	64,901,804
Total noncurrent assets	124,547,689	111,200,308
Total assets	157,124,222	150,390,251
Deferred Outflows of Resources		
Pensions	18,481,185	7,648,040
Total assets and deferred outflows	**$175,605,407**	**$ 158,038,291**
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 7,114,291	$ 7,857,149
Unearned revenue	9,589,749	12,807,486
Debt payable (Note 6)	1,817,540	1,459,525
Compensated absences (Note 6)	1,052,200	1,039,412
Other liabilities	239,473	473,916
Total current liabilities	19,813,253	23,637,488
Noncurrent liabilities (Note 6):		
Pensions	97,645,117	81,635,630
Debt payable	80,140,492	71,958,034
Compensated absences	757,559	790,352
Other liabilities	150,000	150,000
Total noncurrent liabilities	178,693,168	154,534,016
Total liabilities	198,506,421	178,171,504
Deferred Inflows of Resources		
Property Taxes	9,607,076	9,437,196
Pensions	4,134,423	5,461,398
Total deferred inflows	13,741,499	14,898,594
Net Position		
Net investment in capital assets	32,803,025	30,672,536
Restricted for:		
Nonexpendable for endowment purposes	364,079	334,696
Expendable for instructional purposes	2,709	2,709
Unrestricted	(69,812,326)	(66,041,748)
Total net position	(36,642,513)	(35,031,807)
Total liabilities, deferred inflows and net position	**$175,605,407**	**$ 158,038,291**

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

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

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30	
	2017	2016
Operating Revenue		
Operating revenue:		
Tuition and fees - Net of $7,304,022 and $8,734,926 in Pell and scholarship allowances in 2017 and 2016, respectively	$ 10,269,005	$ 9,654,099
Federal grants and contracts	689,204	805,299
State grants and contracts	669,983	335,170
Private grants and contracts	666,112	443,271
Sales and services	1,382,347	1,461,474
Auxilliary activities Net of $950,607 and $1,097,523 in Pell and scholarship allowances in 2017 and 2016, respectively	3,719,490	3,832,967
Other operating revenue	393,357	396,132
Total operating revenue	17,789,498	16,928,412
Operating Expenses		
Operating expenses:		
Educational and general:		
Instruction and departmental research	28,940,570	24,451,601
Public service	1,541,626	1,747,037
Academic support	5,089,231	4,940,375
Student services	8,940,197	7,990,034
Institutional support	10,296,071	9,147,890
Operation and maintenance of facilities	6,316,558	5,686,815
Total educational and general	61,124,253	53,963,752
Auxiliary enterprises	4,889,338	4,752,265
Depreciation and amortization	4,200,595	4,215,599
Total operating expenses	70,214,186	62,931,616
Operating Loss	(52,424,688)	(46,003,204)
Nonoperating Revenue (Expense)		
State appropriations (Note 8)	19,625,591	19,344,227
Local appropriations (Note 9)	20,536,994	19,530,758
Pell grant revenue - Net of refunds	8,254,629	9,832,449
Unrestricted investment income - Net of investment expense	304,915	193,283
Restricted investment income - Net of investment expense	47,256	128,683
Interest on capital asset - Related debt	(2,330,823)	(2,482,290)
Net nonoperating revenue	46,438,562	46,547,110
(Loss) Gain - Before other changes	(5,986,126)	543,906
Other Changes		
Capital appropriations from the State of Ohio (Note 8)	4,370,420	4,290,094
Capital grants and gifts	5,000	-
Total other changes	4,375,420	4,290,094
(Decrease) Increase in Net Position	(1,610,706)	4,834,000
Net Position - Beginning of year	(35,031,807)	(39,865,807)
Net Position - End of year	**$ (36,642,513)**	**$ (35,031,807)**

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

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

Statements of Cash Flows

	Years Ended June 30	
	2017	2016
Cash Flows from Operating Activities		
Tuition and fees - Net	$ 10,471,642	$ 10,026,133
Grants and contracts	2,049,263	1,554,342
Payments to suppliers and utilities	(15,731,380)	(10,407,791)
Payments for compensation and benefits	(48,891,456)	(50,511,904)
Federal drawdowns	12,185,231	13,706,958
Federal drawdowns applied to tuition - Disbursed to students	(12,260,162)	(13,849,195)
Auxiliary sales and services	3,836,181	4,394,208
Other	1,655,230	1,767,343
Net cash used in operating activities	(46,685,451)	(43,319,906)
Cash Flows from Noncapital Financing Activities		
State appropriations	19,625,591	19,344,227
Local appropriations	20,412,099	18,962,661
Federal Pell - Net of refunds	8,247,304	9,832,449
Net cash provided by noncapital financing activities	48,284,994	48,139,337
Cash Flows from Capital and Related Financing Activities		
Capital gift	5,000	-
Proceeds from issuance of debt	10,000,000	52,267,804
Purchases of capital assets	(20,066,876)	(5,157,017)
Principal paid on capital debt - Net	(1,334,734)	(10,388,197)
Interest paid on capital debt	(1,438,760)	(2,851,819)
Net cash (used in) provided by capital and related financing activities	(12,835,370)	33,870,771
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	32,430,694	13,157,461
Purchase of investments	(20,558,500)	(39,066,680)
Interest on investments	341,876	318,558
Net cash provided by (used in) investing activities	12,214,070	(25,590,661)
Net Increase in Cash and Cash Equivalents	978,243	13,099,541
Cash and Cash Equivalents - Beginning of year	20,035,644	6,936,103
Cash and Cash Equivalents - End of year	**$ 21,013,887**	**$ 20,035,644**
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	$ 5,493,863	$ 7,088,506
Restricted cash and cash equivalents	15,520,024	12,947,138
Total cash and cash equivalents	**$ 21,013,887**	**$ 20,035,644**

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

Statements of Cash Flows (Continued)

	Years Ended June 30	
	2017	**2016**
Reconciliation of Operating Loss to Net Cash used in Operating Activities:		
Operating Loss	$ (52,424,688)	$ (46,003,204)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization expense	4,200,595	4,215,599
Net pension expense	3,849,365	(1,417,102)
(Increase) Decrease in assets:		
Accounts receivable	(864,628)	(2,757,750)
Inventories	(30,954)	(127,417)
Other assets	(65,412)	241,565
Increase (Decrease) in liabilities:		
Accounts payable and accrued liabilities	(807,569)	2,458,364
Unearned revenue	(287,711)	(508,960)
Other liabilities	(234,444)	338,331
Compensated absences	(20,005)	240,668
Net cash used in operating activities	**$ (46,685,451)**	**$ (43,319,906)**
Noncash Investing and Capital Activities		
Increase (Decrease) in Capital Assets due to Increase (Decrease) in Accounts Payable	$ 4,681,075	$ 3,856,917
Unrealized (Loss) Gain on Investments	(120,119)	105,390

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

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

Statements of Financial Position and Condensed Statements of Activities
Component Unit – The Lakeland Foundation
As of and for the Year Ended June 30, 2017 and 2016

Statements of Financial Net Position

	June 30	
	2017	2016
Assets		
Cash and cash equivalents	$ 363,756	$ 447,579
Cash held for others	6,583	8,498
Investments (Note 2)	4,397,132	4,132,604
Receivables	172,918	101,347
Other assets	9,496	14,253
Total assets	**$ 4,949,885**	**$ 4,704,281**
Liabilities and Net Position		
Liabilities		
Accounts payable	$ 52,160	$ 55,931
Due to custodial funds	6,583	8,498
Total liabilities	58,743	64,429
Net Position		
Unrestricted	98,158	102,403
Temporarily restricted	2,324,978	1,948,135
Permanently restricted	2,468,006	2,589,314
Total net position	4,891,142	4,639,852
Total liabilities and net position	**$ 4,949,885**	**$ 4,704,281**

Condensed Statements of Activities

	Year Ended June 30	
	2017	2016
Support and Revenue		
Contributions and grants	$ 812,909	$ 899,592
Investment income - Net	493,854	(55,836)
Total support and revenue	1,306,763	843,756
Program and Support Services		
Program services:		
Scholarships	444,760	472,047
Educational and related programs	234,550	238,453
Support services - Administration and fund raising	156,750	282,949
Total program and support expenses	836,060	993,449
Increase in Net Position	470,703	(149,693)
Transfer out of Endowment	(219,413)	-
Change in Net Position	251,290	(149,693)
Net Position - Beginning of year	4,639,852	4,789,545
Net Position - End of year	**$ 4,891,142**	**$ 4,639,852**

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

Note 1: Basis of Presentation and Significant Accounting Policies

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

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

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

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

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

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

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

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

Restricted Cash and Cash Equivalents – As of June 30, 2017, restricted cash and cash equivalents of $15,520,024 consist of unspent proceeds from the Series 2017A TAN and Series 2016 Bonds, the debt service fund for the Series 2016 Bonds, and unspent proceeds from the OAQDA loan. As of June 30, 2016, restricted cash and cash equivalents of $12,947,138 consist of unspent proceeds from the Series 2016 Bonds, the debt service fund for the Series 2016 Bonds, and unspent proceeds from the OAQDA loan.

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

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

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

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

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

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

Unearned Revenue – Unearned revenue includes tuition and fees for summer sessions and local government revenue. Summer tuition and fee revenue received and related expenses incurred are unearned in their entirety to the next fiscal year. This is consistent with the State of Ohio reporting model. Unearned revenue also includes amounts billed to students for the fall semester of fiscal year 2018 that have not yet been earned.

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

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

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

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

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

Pell Grant Reimbursements – Pell grant reimbursements are classified as nonoperating revenue due to their nonexchange nature. The amounts recorded as Pell revenue for the years ended June 30, 2017 and 2016 were $8,254,629 and $9,832,449, respectively.

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

Deferred Outflows/ Inflows of Resources – In addition to assets, the statements of net position report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applied 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 for pensions and are explained in Note 10.

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

In addition to liabilities, the statements of net position report 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 include property taxes and pensions. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. Deferred inflows of resources related to pensions are explained in Note 10.

Pensions – For purposes of measuring the 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.

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

Note 2: New Accounting Pronouncements and Change in Accounting Principle

Newly Adopted Accounting Pronouncements – For fiscal year 2016, the College implemented Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. These changes were incorporated in the College's 2016 financial statements; however, there was no effect on beginning net position.

For the fiscal year ended June 30, 2017, the College has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,* GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73.*

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. These changes were incorporated in the College's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the

Note 2: New Accounting Pronouncements and Change in Accounting Principle (continued)

basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the College.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the College.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the College's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

Newly Issued Accounting Pronouncements, Not Yet Adopted – In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The objective of this statement was to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. The College has not elected to implement this statement early; however, management will evaluate the impact of this statement in the year of adoption.

Note 3: Cash and Cash Equivalents and Investments

Cash and Cash Equivalents – Ohio law requires that cash amounts be placed in eligible financial institutions located in Ohio. Any public depository in which the College places deposits must pledge as collateral eligible securities of aggregate fair value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation. Further, Ohio law requires such collateral amounts to exceed deposits by 2 percent. Collateral that may be pledged is limited to obligations of the following entities: the United States and its agencies, the State of Ohio, the Ohio Student Loan Commission, and any legally constituted taxing subdivision within the state of Ohio.

At June 30, 2017 and 2016, the carrying amount of the College's cash balance was $920,104 and $1,063,670, respectively. The bank balance at June 30, 2017 and 2016 totaled $1,685,770 and $2,097,866, respectively. The difference represents outstanding checks payable, deposits in transit, and normal reconciling items.

A total of $250,000 of the bank balance was covered by the federal depository insurance for the years ended June 30, 2017 and 2016. The remainder was specifically secured by U.S. government and municipal securities. The College also maintains a small on-hand cash balance to maintain day-to-day operations in the cashier's office, bookstore, and food service operations.

Notes to Financial Statements
June 30, 2017 and 2016

Note 3: Cash and Cash Equivalents and Investments (continued)

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

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

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

Liquidity Risk – The portfolio remains sufficiently liquid to meet all current obligations of the College. Minimum liquidity levels are established in order to meet all current obligations without having to sell securities. The College forecasts its cash needs and maintains cash balances (related to daily receipts or for immediate expenditure needs) in an interest bearing bank account. In addition, funds are also invested in the State of Ohio treasurer's STAR investment program fund. The remaining portfolio at June 30, 2017 is made up of United States Treasury and agency issues, and commercial paper. These investments are structured so that securities mature concurrently with cash needs.

Credit Risk – Credit risk is the risk of loss due to the failure of a security issuer to pay principal or interest or the failure of the issuer to make timely payments of principal. Eligible investments affected by credit risk include certificates of deposit, commercial paper, and bankers' acceptances. The College had $5,274,649 in commercial paper in 2017 and $5,953,881 in 2016. Credit risk is minimized by (1) diversifying assets by issuer, (2) ensuring that required minimum credit ratings exist prior to the purchase of commercial paper and bankers' acceptances, and (3) maintaining adequate collateralization of certificates of deposits.

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

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

The investment advisor may execute the purchase and/or sale of securities with eligible Ohio financial institutions, primary securities dealers regularly reporting to the New York Federal Reserve Bank, and

Note 3: Cash and Cash Equivalents and Investments (continued)

regional securities firms or broker dealers licensed with the Ohio Department of Commerce, Division of Securities to transact business in the state of Ohio.

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

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

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. In 2017, the College had investments in international equity mutual funds of $68,019 (included in the stock mutual fund balance of $247,855), representing less than 1 percent of the College's total investments. In 2016, the College had investments in international equity mutual funds of $45,212 (included in the stock mutual fund balance of $223,043), representing less than 1 percent of the College's total investments.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The College's investment policy places no limitation on the amount that may be invested in a single issuer. The College did not have over 5 percent of its investments in any single issuer in 2017.

Remainder of Page Intentionally Left Blank

Note 3: Cash and Cash Equivalents and Investments (continued)

At June 30, 2017 and 2016, the College's investment portfolio consisted of the following:

2017	Fair Market Value	Less Than One Year	1-4 Years	NRSRO Rating
State Treasurer Asset Reserve Fund (STAR Ohio)	$ 12,829,970	$ 12,829,970	$ -	AAA
Money market	7,271,911	7,271,911	-	AAA
Commercial Paper	5,274,649	5,274,649	-	P-1
U.S. Treasury	2,512,116	1,997,780	514,336	AAA
U.S. government agency	19,350,438	11,971,359	7,379,079	AAA
Bond mutual funds	119,600	-	119,600	A
Stock mutual funds	247,855	-	247,855	
Total cash equivalents and investments	$ 47,606,539	$ 39,345,669	$ 8,260,870	

2016	Fair Market Value	Less Than One Year	1-4 Years	NRSRO Rating
State Treasurer Asset Reserve Fund (STAR Ohio)	$ 5,280,972	$ 5,280,972	$ -	AAA
Money market	13,691,002	13,691,002	-	AAA
Commercial Paper	5,953,881	5,953,881	-	P-1
U.S. Treasury	4,002,883	2,001,007	2,001,876	AAA
U.S. government agency	26,555,099	12,424,742	14,130,357	AAA
Bond mutual funds	115,227	-	115,227	A
Stock mutual funds	223,043	-	223,043	
Total cash equivalents and investments	$ 55,822,107	$ 39,351,604	$ 16,470,503	

Investments

The College categorizes its fair value measurements at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Note 3: Cash and Cash Equivalents and Investments (continued)

As of June 30, 2017 the College's investments had the following recurring fair value measurements:

Investment Type	2017	Level 1	Level 2	Level 3
Money market	$ 7,271,911	$ 7,271,911	$ -	$ -
Commercial Paper	5,274,649	-	5,274,649	-
U.S. Treasury	2,512,116	-	2,512,116	-
U.S. government agency	19,350,438	-	19,350,438	-
Bond mutual funds	119,600	119,600	-	-
Stock mutual funds	247,855	247,855	-	-
Total investments	$ 34,776,569	$ 7,639,366	$ 27,137,203	$ -

As of June 30, 2016 the College's investments had the following recurring fair value measurements:

Investment Type	2016	Level 1	Level 2	Level 3
Money market	$ 13,691,002	$ 13,691,002	$ -	$ -
Commercial Paper	5,953,881	-	5,953,881	-
U.S. Treasury	4,002,883	-	4,002,883	-
U.S. government agency	26,555,099	-	26,555,099	-
Bond mutual funds	115,227	115,227	-	-
Stock mutual funds	223,043	223,043	-	-
Total investments	$ 50,541,135	$ 14,029,272	$ 36,511,863	$ -

The Star Ohio investment balances of $12,829,970 and $5,280,972 as of December 31, 2017 and 2016 respectively are not included in the table above as this investment is valued at amortized cost.

Level 1 investments include money market investments that are valued at amortized cost which approximates fair value. Level 1 investments also include directly held registered bond and stock mutual funds, and are valued using prices quoted in active markets that the custodian and College have the ability to access.

Level 2 investments include US government agencies and obligations and commercial paper. The evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities.

Notes to Financial Statements
June 30, 2017 and 2016

Note 4: Loans and Other Receivables

Loans and other receivables relate to several activities including tuition and fees, auxiliary sales, and miscellaneous sales and services. Loans and other receivables are recorded net of allowances for uncollectible accounts of $4,254,114 and $3,960,949 at June 30, 2017 and 2016 respectively.

	2017		2016	
	Current Portion - Net	Noncurrent Portion - Net	Current Portion - Net	Noncurrent Portion - Net
In-house student loans	$ -	$ -	$ -	$ -
Federal Perkins and nursing student loans	-	10,056	600	10,084
Employee computer financing	15,966	2,798	20,645	3,225
Student accounts	8,686,577	-	9,948,827	-
Auxiliary receivables	142,846	-	269,372	-
Interest receivable	29,469	-	18,418	-
Sales and service receivables	458,918	-	371,581	-
Total	$ 9,333,776	$ 12,854	$ 10,629,443	$ 13,309

Federal Direct Loans processed for students by the College totaled $11,974,109 and $13,564,721 during the years ended June 30, 2017 and June 30, 2016, respectively. The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loans Program and, accordingly, these loans are not included in the College's financial statements.

Remainder of Page Intentionally Left Blank

Notes to Financial Statements
June 30, 2017 and 2016

Note 5: Capital Assets

Capital asset activity for the years ended June 30, 2017 and 2016 was as follows:

	June 30, 2016 Balance	Additions	Retirements and Transfers	June 30, 2017 Balance
Nondepreciable assets:				
Land	$ 2,793,744	$ -	$ -	$ 2,793,744
Construction in progress	8,028,850	21,486,478	(3,033,306)	26,482,022
Depreciable assets:				
Land improvements	4,608,988	-	-	4,608,988
Infrastructure	6,390,067		-	6,390,067
Buildings and improvements	97,610,744	5,242,297	-	102,853,041
Equipment and vehicles	15,658,561	522,499	(64,712)	16,116,348
Software and library books	10,995,237	402,066	-	11,397,303
Total capital assets	146,086,191	27,653,340	(3,098,018)	170,641,513
Less accumulated depreciation:				
Land improvements	3,185,952	141,166	-	3,327,118
Infrastructure	3,669,270	194,954	-	3,864,224
Buildings and improvements	54,318,133	2,260,247	-	56,578,380
Equipment and vehicles	9,706,476	1,286,062	(64,712)	10,927,826
Software and library books	10,304,556	326,915	-	10,631,471
Total accumulated depreciation	81,184,387	4,209,344	(64,712)	85,329,019
Capital assets - Net	$ 64,901,804	$ 23,443,996	$ (3,033,306)	$ 85,312,494

	June 30, 2015 Balance	Additions	Retirements and Transfers	June 30, 2016 Balance
Nondepreciable assets:				
Land	$ 2,793,744	$ -	$ -	$ 2,793,744
Construction in progress	1,573,723	11,416,575	(4,961,448)	8,028,850
Depreciable assets:				
Land improvements	4,608,988	-	-	4,608,988
Infrastructure	6,278,309	111,758	-	6,390,067
Buildings and improvements	92,095,231	5,515,513	-	97,610,744
Equipment and vehicles	14,806,013	1,038,633	(186,085)	15,658,561
Software and library books	10,824,238	182,999	(12,000)	10,995,237
Total capital assets	132,980,246	18,265,478	(5,159,533)	146,086,191
Less accumulated depreciation:				
Land improvements	3,039,747	146,205	-	3,185,952
Infrastructure	3,462,528	206,742	-	3,669,270
Buildings and improvements	52,158,678	2,159,455	-	54,318,133
Equipment and vehicles	8,491,364	1,401,197	(186,085)	9,706,476
Software and library books	9,993,807	311,949	(1,200)	10,304,556
Total accumulated depreciation	77,146,124	4,225,548	(187,285)	81,184,387
Capital assets - Net	$ 55,834,122	$ 14,039,930	$ (4,972,248)	$ 64,901,804

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

Notes to Financial Statements
June 30, 2017 and 2016

Note 6: Long-Term Obligations

Noncurrent liability activity for the years ended June 30, 2017 and 2016 was as follows:

2017	June 30, 2016 Balance	Additions	Reductions	June 30, 2017 Balance	Current Portion
Long-term debt and lease obligations:					
Tax Anticipation Notes, Series 2017A	$ -	$ 10,000,000	$ -	$ 10,000,000	$ 1
OAQDA Loan 2016	10,388,237	-	334,736	10,053,501	702,748
General Receipts Bonds, Series 2016A	21,510,000	-	-	21,510,000	155,000
Premium on General Receipts Bonds	1,575,524	-	59,267	1,516,257	59,267
General Receipts Bonds, Series 2016B	8,990,000	-	1,000,000	7,990,000	835,000
Premium on General Receipts Bonds	163,066	-	6,134	156,932	6,134
General Receipts Bonds, Series 2016C	8,575,000	-	-	8,575,000	-
Premium on General Receipts Bonds	1,025,903	-	38,472	987,431	38,472
General Receipts Bonds, Series 2014	20,700,000	-	-	20,700,000	-
Premium on General Receipts Bonds	489,829	-	20,918	468,911	20,918
Total	73,417,559	10,000,000	1,459,527	81,958,032	1,817,540
Net Pension Liability:					
STRS	52,295,119	7,871,397	-	60,166,516	-
SERS	29,340,511	8,138,090	-	37,478,601	-
Total	81,635,630	16,009,487	-	97,645,117	-
Other noncurrent obligations:					
Reserve for compensated absences	1,829,764	-	20,005	1,809,759	1,052,200
Other liabilities	150,000	-	-	150,000	-
Total noncurrent liabilities	$ 157,032,953	$ 26,009,487	$ 1,479,532	$ 181,562,908	$ 2,869,740

2016	June 30, 2015 Balance	Additions	Reductions	June 30, 2016 Balance	Current Portion
Long-term debt and lease obligations:					
OAQDA Loan 2016	$ -	$ 10,388,237	$ -	$ 10,388,237	$ 334,734
General Receipts Bonds, Series 2016A	-	21,510,000	-	21,510,000	-
Premium on General Receipts Bonds	-	1,600,220	24,696	1,575,524	59,267
General Receipts Bonds, Series 2016B	-	8,990,000	-	8,990,000	1,000,000
Premium on General Receipts Bonds	-	165,622	2,556	163,066	6,134
General Receipts Bonds, Series 2016C	-	8,575,000	-	8,575,000	-
Premium on General Receipts Bonds	-	1,038,726	12,823	1,025,903	38,472
General Receipts Bonds, Series 2014	20,700,000	-	-	20,700,000	-
Premium on General Receipts Bonds	510,747	-	20,918	489,829	20,918
Tax Anticipation Note, Series 2011	6,560,000	-	6,560,000	-	-
Tax Anticipation Note, Series 2008	3,760,000	-	3,760,000	-	-
Premium on Tax Anticipation Note	7,204	-	7,204	-	-
Total	31,537,951	52,267,805	10,388,197	73,417,559	1,459,525
Net Pension Liability:					
STRS	49,539,464	2,755,655	-	52,295,119	-
SERS	26,102,573	3,237,938	-	29,340,511	-
Total	75,642,037	5,993,593	-	81,635,630	-
Other noncurrent obligations:					
Reserve for compensated absences	1,589,096	240,668	-	1,829,764	1,039,412
Reserve for federal student loans	214,173	-	214,173	-	-
Other liabilities	248,000	-	98,000	150,000	-
Total noncurrent liabilities	$ 109,231,257	$ 58,502,066	$ 10,700,370	$ 157,032,953	$ 2,498,937

Note 6: Long-Term Obligations (continued)

Tax Anticipation Notes Series 2017A, Ohio Air Quality Development Authority Loan (OAQDA) 2016, General Receipts Bonds 2016A, General Receipts Bonds 2016B, General Receipts Bonds 2016C, General Receipts Bonds Series 2014, Tax Anticipation Notes Series 2011, Series 2008 – Effective January 18, 2017, the College issued Tax Anticipation Notes (Series 2017A Notes) in anticipation of the collection of a fraction of the proceeds to be received from the collection of a 1.7 mills ad valorem property tax in excess of the 10 mills limitation (the "Tax Levy") for that purpose approved by the electors of the College at an election held on November 3, 1970 and replaced by a vote of the electors on November 2, 2010. The notes are in the amount of $10,000,000, with fixed interest rates and a maturity date of 2027. The Series 2017A Notes are issued for the purpose of providing funds for the acquisition of sites; the erection, furnishing, and equipment of buildings; the acquisition, construction, or improvement of any property which the board of trustees of the community college district is authorized to acquire, construct, or improve, and which has an estimated life of usefulness of five years or more as certified by the fiscal officer; and the payment of operating costs of the College.

The Series 2017A Notes are payable as to both principal and interest from the proceeds of the Tax Levy, and are issued under authority of and pursuant to the laws of the State of Ohio, particularly Sections 3354.12 and 133.24 of the Revised Code, the requisite majority vote of the electors of the College cast at an election held on November 2, 2010 upon the question of the Tax Levy, and a resolution adopted by the board of trustees of the College on December 1, 2016 and a Certificate of Award dated January 18, 2017 (collectively, the "Note Legislation"). The Series 2017A Notes are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amount.

In 2016, the College and the Ohio Air Quality Development Authority (OAQDA) entered into a resolution where the OAQDA authorized issuance of revenue bonds in the aggregate principal amount of $10,388,237 in order to assist in the financing of certain air quality facilities in the form of energy conservation measures to be installed in the Lakeland Health Technology Building owned by the College. This major energy conservation project includes electrical upgrades to include interior/exterior lighting and controls, mechanical upgrades and HVAC upgrades, building envelope R-30 roof replacement and window reglazing or replacement, and water efficiency.

In 2016, the College issued $21,510,000 in Series 2016A Bonds for all or part of the cost of purchasing sites and for the erection, furnishing, and equipment of buildings, including buildings used for Applied Health Technology, Science and Bio-Science, and for the acquisition or construction of any property which the board of trustees of a community college district is authorized to acquire or construct, including infrastructure improvements. The Series 2016A Bonds maturing on or after December 1, 2027 are subject to redemption at the option of the College, either in whole or in part, in such order of maturity as the College shall determine, on any date on or after December 1, 2026, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

Note 6: Long-Term Obligations (continued)

In 2016, the College issued $8,990,000 in Series 2016B Bonds to refund the 2008 Tax Anticipation Notes (Series 2008 Notes) previously issued on July 22, 2008 of $8,500,000 and the 2011 Tax Anticipation Notes (Series 2011 Notes) previously issued on June 29, 2011 of $9,500,000. The net proceeds were used to purchase direct obligations of the U.S. Government. Those securities were deposited in an irrevocable trust with an escrow agent. The securities and fixed earnings from the securities are sufficient to provide for all future debt service payments of the Series 2008 Notes and the Series 2011 Notes. As a result, the Series 2008 Notes and the Series 2011 Notes are considered defeased, and the College has removed the liabilities from its accounts. As the result of refunding, total debt service payments relating to the Series 2008 Notes, which were scheduled to mature in December 2018, were reduced by $3,202,335, and total debt service payments relating to the Series 2011 Notes, which were scheduled to mature in December 2021, were reduced by $6,509,850. The refunding of the Series 2008 Notes resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of $169,235. The refunding of the Series 2011 Notes resulted in a difference between the reacquisition price and the net carrying amount of the old debt in the amount of $317,890. As of June 30, 2017, $1,950,000 of the Series 2008 Notes remained outstanding and $4,815,000 of the Series 2011 Notes remained outstanding. The Series 2016B Bonds, Series 2008 Notes and Series 2011 Notes are not subject to redemption at the option of the College prior to their stated maturity.

In 2016, the College issued $8,575,000 in Series 2016C Bonds for the purpose of retiring the College's Facilities Construction and Improvement Notes, Series 2015, issued for the purpose of financing all or a part of the cost of purchasing sites and for the erection, furnishing, and equipment of buildings, including buildings used for Applied Health Technology, Science and Bio-Science, and for the acquisition or construction of any property which the board of trustees of a community college district is authorized to acquire or construct, including infrastructure improvements, and repaying moneys previously borrowed, advanced, or granted and expended for such purpose. The Bonds are subject to redemption at the option of the College, either in whole or in part, in such order of maturity as the College shall determine, on any date on or after December 1, 2025, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The Series 2016A, 2016B, and 2016C Bonds are issued in conformity with Revised Code Chapter 133, and are, therefore, lawful investments for banks, savings and loan associations, credit union share guaranty corporations, trust companies, trustees, fiduciaries, insurance companies, including domestic for life and domestic not for life, trustees or other officers having charge of sinking and bond retirement or other funds of the State, subdivisions and taxing districts, the Commissioners of the Sinking Fund of the State, the Administrator of Workers' Compensation, the State teachers, public employees, and school employees retirement systems, and the police and firemen's disability and pension fund, and are eligible as security for the repayment of the deposit of public moneys.

The Series 2014 Bonds are special obligations of the College. Bondholders have no right to have excises or taxes levied by the State of Ohio General Assembly or by the College for their payment. Principal and interest on the bonds are payable solely from and secured by a pledge of the College's general receipts and bond proceeds. State appropriations, local ad valorem property tax receipts, and other restricted

Note 6: Long-Term Obligations (continued)

receipts are specifically excluded from general receipts. According to bond covenants, the College includes in its budget for each fiscal year amounts from general receipts that are at least sufficient to pay debt service charges payable that fiscal year from general receipts, as well as to satisfy other requirements.

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

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

The Series 2011 Notes were payable as to both principal and interest from the proceeds of the Tax Levy, and is issued under authority of and pursuant to the laws of the State of Ohio, particularly Sections 3354.12 and 133.24 of the Revised Code, the requisite majority vote of the electors of the College cast at an election held on November 2, 2010 upon the question of the Tax Levy, and a resolution adopted by the board of trustees of the College on June 2, 2011 for the Series 2011 Notes and a Certificate of Award dated June 13, 2011 for the Series 2011 Notes (collectively, the "Note Legislation"). The Notes are not subject to optional redemption prior to stated maturity. The Notes are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amount.

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

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

Note 6: Long-Term Obligations (continued)

the levy to be collected during the particular calendar year.

The Series 2011 Notes and Series 2008 Notes were issued pursuant to a master trust agreement dated March 15, 1999, acting by and through the College's Board of Trustees and the bond trustee. The Series 2011 Notes are subject to mandatory redemption, with a fixed interest rate of 2.80 percent. The final maturity of the Series 2011 Notes is December 1, 2021. The Series 2008 Notes were subject to mandatory redemption, with stated interest rates ranging from 3.25 percent to 3.75 percent. The final maturity of the Series 2008 Notes is December 1, 2018.

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

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

Scheduled principal maturities and total debt service on the Series 2017A Notes, OAQDA Loan, Series 2016 Bonds, and the Series 2014 Bonds for fiscal years subsequent to June 30, 2017 are as follows:

Fiscal Years Ending	Principal	Interest	Total
2018	$ 1,692,749	$ 2,695,700	$ 4,388,449
2019	2,610,748	2,650,631	5,261,379
2020	3,403,991	2,572,059	5,976,050
2021	3,482,477	2,471,807	5,954,284
2022	3,581,213	2,370,217	5,951,430
2023-2027	19,282,844	10,128,090	29,410,934
2028-2032	15,134,479	7,049,239	22,183,718
2033-2037	13,260,000	4,649,922	17,909,922
2038-2042	14,100,000	1,617,853	15,717,853
2043	2,280,000	39,900	2,319,900
Total	$ 78,828,501	$ 36,245,418	$ 115,073,919

Note 7: Operating Lease Obligations

The College has entered into various lease agreements, which are considered operating leases. Total rental expense under operating leases during the year ended June 30, 2017 amounted to $120,035. Two operating leases are outstanding at June 30, 2017. One was for real estate property rentals for Lakeland's campus in Madison, the other was for a motor vehicle.

Future minimum lease payments as of June 30, 2017 under operating leases are as follows:

2018		$ 123,817
2019		123,255
2020		124,352
2021		129,326
2022		134,499
2023-2025		297,554
	Total	$ 932,803

Note 8: State Appropriations

The College is a state-assisted institution of higher education and receives student-based support from the State. This support is determined annually based upon a formula devised by the State. In addition to this student support, the State provides funding for the construction of major academic plant facilities on the College's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC) which, in turn, is used for the construction and subsequent transfer of the facility to the College.

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

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

Note 9: Local Appropriations

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

The electors within the County must approve any Lake County Community College District d/b/a Lakeland Community College property tax. Lake County Community College District d/b/a Lakeland Community College receives property taxes for operating and capital purposes from three levies approved by the County voters: a 1.7 mills stated rate for a continuing period, a 1.5 mills stated rate for 10 years, and a 0.4 mills for 27 years. On November 2, 2010, Lake County voters approved a "replacement" of the 1.7 mills continuing levy. With this replacement levy approved, the incremental revenue was approximately $8.0 million effective in 2012 after generating $4.0 million for half year assessments in 2011. The incremental $8.0 million dollars, as compared to 2010, is expected to continue unless another replacement is passed. On November 8, 2011, the 1.5 mills levy was renewed by the Lake County voters. The 0.4 mills levy was approved by Lake County voters on November 3, 2015.

Revenue authorization is recognized based on the taxing authority's amounts to be distributed to the tax district and its certification of the College's annual budget. The taxing authority does not authorize the distribution of the tax assessment for the calendar year 2017 until October 2017, thus not legally making it available to the College until after the end of the College's fiscal year for that year's calendar assessment. The College has recognized one-half year of its real property and public utility property tax receipts due as an intergovernmental receivable in the current fiscal year. Property taxes receivable represent outstanding real and public utility property taxes, which were measurable at June 30, 2017. Total property tax collections for the next fiscal year are measurable amounts. However, since these revenue collections to be received during the available period are not intended to finance 2017 operations, the receivable amount is recorded as deferred inflows of resources.

Tax Incentives and Tax Abatements

Several of the cities, villages and townships within Lake County have authorized, through the passage of public ordinances/resolutions, different real estate tax incentives. The first of these incentives, which is authorized pursuant to Ohio Revised Code Chapter 5709, is called Tax Increment Financing Agreements (TIF's). Under a TIF, the property owner makes Payments in Lieu of Taxes (PILOT's) in the same amount as the property tax, on improvements made to the respective property since the inception of the TIF. The PILOT's are used by the respective cities, villages and townships to finance infrastructure improvements to the properties included within the TIF. The revenue derived from the PILOT's is redirected from the "normal" distribution had the TIF not been established. With respect to College funds, none of the PILOT's are remitted to the College, but instead are remitted to the respective cities, villages and townships to finance the construction of the respective improvements.

Note 9: Local Appropriations (continued)

The following are the amounts that would have been received by the College, for the fiscal years ended June 30, 2017 and 2016 had the TIF agreements not been established and the improvements still constructed:

District	Years Ended June 30 2017	Years Ended June 30 2016
Mentor City	$ 112,362	$ 88,933
Painesville City	41,803	41,803
Willowick City	18,477	17,130
Concord Township	9,877	4,523
Willoughby Hills City	6,105	6,105
Madison Township	869	637
Total	**$ 189,493**	**$ 159,131**

The second of these incentives, which is authorized pursuant to Ohio Revised Code Chapter 3735, is called Community Reinvestment Areas (CRA's). In order to establish a CRA, a city, village or township must survey the housing within its jurisdiction and determine that all or part(s) of the jurisdiction has an area(s) that has housing facilities or structures of historical significance and that repair of these facilities and/or structures is currently lacking incentives. By establishing a CRA within its jurisdiction, the respective government can offer real estate tax abatements on improvements made to such facilities and/or structures. The percentage and length of time of these abatements is negotiated by the respective government and property owner. With respect to College funds, none of the abated tax revenue is received during the duration of the abatement.

The following are the amounts that would have been received by the College, for the fiscal years ended June 30, 2017 and 2016 had the CRA's not been established and the improvements still constructed:

District	Years Ended June 30 2017	Years Ended June 30 2016
Willoughby City	$ 23,286	$ 21,356
Painesville City-Painesville Township School District	8,615	8,615
Mentor City	7,650	6,849
Painesville City	2,913	3,193
Willoughby Hills City	1,746	-
Eastlake City	1,732	1,732
Madison Village	-	71
Total	**$ 45,942**	**$ 41,816**

Note 10: Defined Benefit Pension Plans

Net Pension Liability – The net pension liability reported on the statements 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) they 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 in *intergovernmental payable*.

Plan Description - School Employees Retirement System (SERS)

Plan Description – College non-teaching employees participate in SERS, a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Note 10: Defined Benefit Pension Plans (continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the College is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The College's contributions to SERS for fiscal years 2017, 2016, and 2015 were $2,318,894, $2,279,593, and $2,092,265, respectively, equal to the contractually required contributions for each year.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – College licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

Note 10: Defined Benefit Pension Plans (continued)

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. 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. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service 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 year of service on August 1, 2026.

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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.5 percent of the 13 percent member rate goes to the DC Plan and the remaining 1.5 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 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 bearing the risk of investment gain or loss on the account. STRS 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 is determined to be 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.

Note 10: Defined Benefit Pension Plans (continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The College was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The College's contributions to STRS for fiscal years 2017, 2016, and 2015 were $2,720,411, $2,651,831, and $2,715,449, respectively, equal to the contractually required contributions for each year.

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

The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 at June 30, 2017 and 2016:

	SERS	STRS	Total
Proportion of Net Pension Liability Current Measurement Date	0.5120673%	0.17974633%	
Proportion of Net Pension Liability Prior Measurement Date	0.5141958%	0.18922089%	
Change in Proportionate Share	-0.0021285%	-0.00947456%	
Proportionate Share of the Net Pension Liability, at June 30, 2017	$ 37,478,601	$ 60,166,516	$ 97,645,117
Proportionate Share of the Net Pension Liability, at June 30, 2016	$ 29,340,511	$ 52,295,119	$ 81,635,630
Pension Expense, for the year ended June 30, 2017	$ 5,468,263	$ 3,420,407	$ 8,888,670
Pension Expense, for the year ended June 30, 2016	$ 2,840,515	$ 2,517,816	$ 5,358,331

Note 10: Defined Benefit Pension Plans (continued)

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the College's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 505,500	$ 2,431,016	$ 2,936,516
Net difference between projected and actual earnings on pension plan investments	3,008,026	4,995,437	8,003,463
Changes in assumptions	2,501,902	-	2,501,902
College contributions subsequent to the measurement date	2,318,894	2,720,411	5,039,305
Total Deferred Outflows of Resources	$ 8,334,321	$ 10,146,864	$ 18,481,185
Deferred Inflows of Resources			
Changes in Proportionate Share and difference between College contributions and proportionate share of contributions	$ 835,766	$ 3,298,657	4,134,423
Total Deferred Inflows of Resources	$ 835,766	$ 3,298,657	$ 4,134,423

Notes to Financial Statements
June 30, 2017 and 2016

Note 10: Defined Benefit Pension Plans (continued)

At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 428,004	$ 2,288,612	$ 2,716,616
College contributions subsequent to the measurement date	2,279,593	2,651,831	4,931,424
Total Deferred Outflows of Resources	$ 2,707,597	$ 4,940,443	$ 7,648,040

	SERS	STRS	Total
Deferred Inflows of Resources			
Net difference between projected and actual earnings on investments	$ 124,843	$ 1,928,009	$ 2,052,852
Changes in proportional share	72,920	3,335,626	3,408,546
Total Deferred Inflows of Resources	$ 197,763	$ 5,263,635	$ 5,461,398

$5,039,305 reported as deferred outflows of resources related to pension 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	$ 1,268,455	$ 142,691	$ 1,411,146
2018	1,266,227	142,691	1,408,918
2019	1,733,019	2,059,579	3,792,598
2020	911,960	1,782,835	2,694,795
Total	$ 5,179,661	$ 4,127,796	$ 9,307,457

Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited

Note 10: Defined Benefit Pension Plans (continued)

service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent, including inflation
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

Note 10: Defined Benefit Pension Plans (continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

Note 10: Defined Benefit Pension Plans (continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net pension liability	$ 49,619,333	$ 37,478,601	$ 27,316,304

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.50 percent.

Actuarial Assumptions – STRS

The total pension liability in the June 30, 2016 and 2015, 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 (COLA)	2 percent simple applied as follows: for members retiring before 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, 2016 and 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' 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:

Note 10: Defined Benefit Pension Plans (continued)

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	100.00 %	7.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. 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, 2016.

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	$ 79,956,409	$ 60,166,516	$ 43,472,572

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the College's NPL is expected to be significant.

Note 10: Defined Benefit Pension Plans (continued)

Net Pension Expense – The College's operating expenses as reflected in the Statements of Revenues, Expenses and changes in Net Position for the year ended June 30, 2017 include an amount for net pension expense as required by GASB 68. This amount was allocated among the functional expense categories as follows:

	Expenses Before Pension	Net Pension Expense Allocation	Expenses After Pension
Instruction and departmental research	$26,843,752	$2,096,818	$28,940,570
Public service	1,484,735	56,891	1,541,626
Academic support	4,874,303	214,928	5,089,231
Student services	8,371,272	568,925	8,940,197
Institutional support	9,733,554	562,517	10,296,071
Operation and maintenance of facilities	6,098,233	218,325	6,316,558
Total educational and general	57,405,849	3,718,404	61,124,253
Auxiliary enterprises	4,758,377	130,961	4,889,338
Depreciation	4,200,595	-	4,200,595
Total operating expenses	$ 66,364,821	$ 3,849,365	$ 70,214,186

The College's operating expenses as reflected in the Statements of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2016 include an amount for net pension expense as required by GASB 68. This amount was allocated among the functional expense categories as follows:

	Expenses Before Pension	Net Pension Expense Allocation	Expenses After Pension
Instruction and departmental research	$25,216,842	($765,241)	$24,451,601
Public service	1,779,629	(32,592)	1,747,037
Academic support	5,048,074	(107,699)	4,940,375
Student services	8,188,427	(198,393)	7,990,034
Institutional support	9,343,449	(195,559)	9,147,890
Operation and maintenance of facilities	5,767,589	(80,774)	5,686,815
Total educational and general	55,344,010	(1,380,258)	53,963,752
Auxiliary enterprises	4,789,109	(36,844)	4,752,265
Depreciation	4,215,599	-	4,215,599
Total operating expenses	$ 64,348,718	$ (1,417,102)	$ 62,931,616

Note 10: Defined Benefit Pension Plans (continued)

The net pension expense consists of the College's proportion of pension expense for STRS and SERS, as reflected above, adjusted by the contributions made subsequent to the measurement date.

Note 11: Post-Employment Benefits

State Teachers Retirement System – STRS Ohio administers a pension plan that is comprised of a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio Law authorizes STRS to offer a cost-sharing, multiple-employer health care plan. STRS provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physician's fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. 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.

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 0% of covered payroll was allocated to post-employment health care for the years ended June 30, 2017, 2016, and 2015. The 14% employer contribution rate is the maximum rate established under Ohio law.

School Employees' Retirement System – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Ohio Revised Code provides statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plan.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is

Note 11: Post-Employment Benefits (continued)

0.0%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total state-wide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at $23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, is the total amount assigned to the Health Care Fund. The College's contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were $179,292, $159,381 and $270,296, respectively; 0.0%, 100.0%, and 100.0%, respectively, were contributed by the College, and the remaining balance is an accrued liability.

The SERS Retirement Board establishes the rules for premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

Note 12: Lake County Schools' Health Care Consortium

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

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

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

Under its agreements and bylaws, the Consortium's fiscal year-ends each June 30 and the treasurer of the LCSC is a position appointed by the board of directors of the LCSC. Prior to the beginning of each fiscal year, health care program and related costs and adjustments (program costs) are estimated and allocated to each member as a required contribution for that fiscal year. If contributions are insufficient to pay actual program costs during any fiscal year, members may be required to share in those additional costs or defi-

Note 12: Lake County Schools' Health Care Consortium (continued)

ciencies during that fiscal year. The LCSC has purchased a stop-loss insurance policy with a maximum loss of $500,000 per claimant. LCSC net assets at June 30, 2017 (unaudited) amounted to $6.5 million. The LCSC audit report is available at the Ohio Auditor of State website (https://ohioauditor.gov) or upon request.

Note 13: Risk Management

On November 1, 2011, the College joined with seven other state-assisted community colleges in Ohio to form an insurance-purchasing pool for the acquisition of commercial property, casualty, and general liability insurance. The College pays annual premiums to the pool for coverage based on its percentage of the total insurable value to the pool. There are twelve members in the pool as of June 30, 2017 and June 30, 2016.

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

Note 14: Subsequent Event

On June 1, 2017, the College's Board of Trustees approved a Resolution authorizing the College to issue up to $10 million in ten-year tax anticipation notes. The proceeds will be used for the Health Technologies Building renovation and expansion project. The College closed this transaction on July 19, 2017.

Note 15: Discretely Presented Component Unit

Note 1: Nature of Activities

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

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

Note 15: Discretely Presented Component Unit (continued)

Note 1: Nature of Activities (continued)

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

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

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

Basis of Presentation

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

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.

- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Foundation. Generally, the donors of such assets permit the Foundation to use all or part of the income earned on the assets for general or specific purposes.

Comparative Financial Statements

The financial statements include certain prior-year comparative total amounts. Such comparative total amounts do not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such amounts should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2016, from which the comparative total amounts were derived.

Note 15: Discretely Presented Component Unit (continued)

Note 2: Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits and certificates of deposit. Money market investments are considered investments. Cash held for others is excluded from the definition of cash and cash equivalents.

Concentrations of Credit Risk

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

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

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

At various times during the year ended June 30, 2017, the Foundation's cash in bank balances may have exceeded the federal insured limits.

Investments

Investments in marketable securities are stated at fair market value.

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

Contributions

The Foundation accounts for donations in accordance with ASC 958. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions upon which they

Note 15: Discretely Presented Component Unit (continued)

Note 2: Summary of Significant Accounting Policies (continued)

depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Tax Status

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

The Foundation accounts for income taxes in accordance with the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. The Foundation classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. As of June 30, 2017, the Foundation has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

The Foundation files its Form 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Ohio.

Pledges Receivable

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

Loans Receivable

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

Note 15: Discretely Presented Component Unit (continued)

Note 2: Summary of Significant Accounting Policies (continued)

Donated Administrative Expenses

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

Donated Fundraising Expenses

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

Subsequent Events

The date to which events occurring after June 30, 2017 have been evaluated for possible adjustment to the financial statements or disclosure is December 18, 2017, which is the date on which the financial statements were available to be issued. No events were identified that would require adjustment to or disclosure in the financial statements

Note 3: Investments

Investments are recorded at fair value. The historical cost and fair value at June 30, 2017 and 2016 were as follows:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Debt securities:				
Corporate bonds	$ 270,703	$ 271,243	$ 442,520	$ 444,063
International bonds	-	-	19,963	20,032
Mutual funds:				
Fixed-income mutual funds	721,512	702,848	735,187	708,169
Large cap equity	1,021,075	1,164,201	1,049,181	1,002,899
Mid cap equity	679,452	730,324	703,279	669,114
Domestic equity mutual funds	566,880	566,836	358,656	361,704
International mutual funds	465,398	500,301	478,221	446,254
International fixed-income	167,686	168,947	174,711	157,877
Alternative assets	163,819	167,007	171,534	167,845
Emerging markets equities	79,949	81,542	100,361	89,827
Money market/cash and reserves	43,883	43,883	64,820	64,820
	$ 4,180,357	$ 4,397,132	$ 4,298,433	$ 4,132,604

Note 15: Discretely Presented Component Unit (continued)

Note 3: Investments (continued)

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

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

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

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

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

The following is a summary of the inputs used as of June 30, 2017, in valuing the Foundation's investments carried at fair value:

	Level 1	Level 2	Level 3	Total
Debt securities:				
Corporate bonds	$ -	$ 271,243	$ -	$ 271,243
Mutual funds:				
Fixed-income mutual funds	702,848	-	-	702,848
Large cap equity	1,164,201	-	-	1,164,201
Mid cap equity	730,324	-	-	730,324
Domestic equity mutual funds	566,836	-	-	566,836
International mutual funds	500,301	-	-	500,301
International fixed-income	168,947	-	-	168,947
Alternative assets	167,007	-	-	167,007
Emerging markets equities	81,542	-	-	81,542
Money market/cash and reserves	43,883	-	-	43,883
Investments	$ 4,125,889	$ 271,243	$ -	$ 4,397,132

Note 15: Discretely Presented Component Unit (continued)

Note 3: Investments (continued)

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

Note 4: Net Assets

Unrestricted Funds

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

Temporarily Restricted Funds

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

Temporarily restricted net assets are available for the following purposes as of June 30, 2017 and 2016:

	2017	2016
Scholarships	$ 791,504	$ 832,846
Loans (Note 6)	111,664	117,464
Educational and related programs	452,601	333,663
Portion of endowment fund classified as temporarily restricted	969,209	664,162
Total temporarily restricted net assets	$ 2,324,978	$ 1,948,135

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

	2017	2016
Scholarships	$ 436,260	$ 472,047
Loans (Note 6)	5,800	580
Educational and related programs	209,589	212,868
Administration/fundraising	43,080	105,754
Transferred – permanently restricted	5,785	12,497
Transferred – unrestricted	512	24,417
Total net assets released from donor restrictions or transferred	$ 701,026	$ 828,163

Note 15: Discretely Presented Component Unit (continued)

Note 4: Net Assets (continued)

Permanently Restricted Funds

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

During fiscal 2017, the Foundation was contacted by a donor who wished to move the contents of their endowment fund to another nonprofit organization in order to consolidate all funds at one location. The Foundation worked with the Ohio Attorney General to accomplish this transfer, which included $187,188 of permanently restricted principal and $32,225 of temporarily restricted accumulated earnings to date.

Net Asset Classification of Endowment Funds

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

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

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

Note 15: Discretely Presented Component Unit (continued)

Note 4: Net Assets (continued)

Net Asset Classification of Endowment Funds, continued

Endowment Net Asset Composition by Type of Fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 969,209	$ 2,466,971	$ 3,436,180
Board-designated endowment funds	29,573	-	-	29,573
Total funds	$ 29,573	$ 969,209	$ 2,466,971	$ 3,465,753

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 20,534	$ 664,162	$ 2,583,272	$ 3,267,968
Investment return:				
Interest and dividends	437	50,737	-	51,174
Net realized and unrealized gain	8,747	425,769	-	434,516
Total investment return	9,184	476,506	-	485,690
Contributions	-	-	65,102	65,102
Appropriation of endowment assets for expenditure	-	(122,322)	-	(122,322)
Management fee	(145)	(16,912)	-	(17,057)
Transfers	-	(32,225)	(181,403)	(213,628)
Endowment net assets, end of year	$ 29,573	$ 969,209	$ 2,466,971	$ 3,465,753

Note 15: Discretely Presented Component Unit (continued)

Note 4: Net Assets (continued)

Net Asset Classification of Endowment Funds, continued

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

	2017
Permanently restricted net assets within the endowment fund	$ 2,466,971
Permanently restricted contributions included in pledges receivable	1,035
Total permanently restricted net assets	$ 2,468,006

The temporarily restricted endowment includes $352,596 of endowment net assets that by the donor's restrictions are temporarily restricted. The Board of Directors has determined that the donations will be maintained similar to a permanent endowment.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Note 15: Discretely Presented Component Unit (continued)

Note 4: Net Assets (continued)

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

Spending Policy

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

Note 5: Pledges Receivable

Pledges were discounted to their net present value assuming their respective terms (up to five years) and a discount rate of 6%. The pledges receivable, net as of June 30, 2017 are scheduled to be collected as follows:

Pledges receivable:	
Payable within one year	$ 135,620
Payable in one to five years	680
Total pledges receivable	136,300
Less: discount to net present value	(15,005)
Less: allowance for uncollectible pledges	(410)
Pledges receivable, net at June 30, 2017	$ 120,885

Note 15: Discretely Presented Component Unit (continued)

Note 6: Loans Receivable

As of June 30, 2017 and 2016, loans receivable totaled $100,261 and $92,631, respectively. During the fiscal year ended June 30, 2017, $9,000 was distributed to qualifying students in a revolving student loan from the C. Schell Loan Program. The loans are interest-free and have various repayment terms. During the fiscal year ended June 30, 2017, $1,370 was repaid. Repayment of the outstanding loans is poor primarily because, as a condition of the loan program, repayment is not to impose an undue burden on the borrower. The related allowance for uncollectible loans is $94,986 and $89,186 at June 30, 2017 and 2016, respectively.

Note 7: Related-Party Transactions

The College made distributions to the Foundation of $136,985 and $118,550 for the years ended June 30, 2017 and 2016, respectively. The Foundation distributed $742,683 and $830,322 during the years ended June 30, 2017 and 2016, respectively, to the College. The Foundation also distributed $10,625 and $2,100 in Gifts-in-Kind during the years ended June 30, 2017 and 2016, respectively. The Foundation had receivables from the College of $11,753 and $-0- as of June 30, 2017 and 2016, respectively. The Foundation had payables to the College of $7,326 and $5,680 as of June 30, 2017 and 2016, respectively.

Remainder of Page Intentionally Left Blank

Required Supplementary Information

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

	2017	2016	2015	2014
College's Proportion of the Net Pension Liability	0.5120673%	0.5141958%	0.515765%	0.515765%
College's Proportionate Share of the Net Pension Liability	$ 37,478,601	$ 29,340,511	$ 26,102,573	$ 30,680,084
College's Covered Payroll	$ 16,282,807	$ 15,874,543	$ 14,987,079	$ 15,246,314
College's Proportion of the Net Pension Liability as a Percentage of its Covered Payroll	230.17%	184.83%	174.17%	201.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.
Notes:
Changes of Benefit Terms: None.
Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

Required Supplementary Information

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

	2017	2016	2015	2014
College's Proportion of the Net Pension Liability	0.17974633%	0.18922089%	0.20366947%	0.20366947%
College's Proportionate Share of the Net Pension Liability	$ 60,166,516	$ 52,295,119	$ 49,539,464	$ 58,852,165
College's Covered Payroll	$ 18,941,650	$ 19,396,064	$ 21,897,238	$ 22,702,385
College's Proportion of the Net Pension Liability as a Percentage of its Covered Payroll	317.64%	269.62%	226.24%	259.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Required Supplementary Information

Schedule of the College's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contributions	$ 2,318,894	$ 2,279,593	$ 2,092,265	$ 2,077,209	$ 1,997,267	$ 2,061,714	$ 1,793,767	$ 1,866,180	$ 1,347,718	$ 1,285,062
Contributions in Relation to Contractually Required Contributions	(2,318,894)	(2,279,593)	(2,092,265)	(2,077,209)	(1,997,267)	(2,061,714)	(1,793,767)	(1,866,180)	(1,347,718)	(1,285,062)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College Covered Payroll	$ 16,563,529	$ 16,282,807	$ 15,874,543	$ 14,987,079	$ 15,246,314	$ 16,233,971	$ 15,188,543	$ 14,602,350	$ 14,826,379	$ 14,029,064
Contribution as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.10%	12.70%	11.81%	12.78%	9.09%	9.16%

Required Supplementary Information

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contributions	$ 2,720,411	$ 2,651,831	$ 2,715,449	$ 2,846,641	$ 2,951,310	$ 3,095,012	$ 3,004,055	$ 2,923,450	$ 2,815,994	$ 2,697,403
Contributions in Relation to Contractually Required Contributions	(2,720,411)	(2,651,831)	(2,715,449)	(2,846,641)	(2,951,310)	(3,095,012)	(3,004,055)	(2,923,450)	(2,815,994)	(2,697,403)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College Covered Payroll	$ 19,431,507	$ 18,941,650	$ 19,396,064	$ 21,897,238	$ 22,702,385	$ 23,807,785	$ 23,108,115	$ 22,488,077	$ 21,661,492	$ 20,749,254
Contribution as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

This page intentionally left blank.

Federal Compliance Audit

This page intentionally left blank.

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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of the Lake County Community College District d/b/a Lakeland Community College (the "College"), as of and for the year ended June 30, 2017, 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 18, 2017.

Internal Control over Financial Reporting

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

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

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

C&P Advisors, LLC
Ciuni & Panichi, Inc.
C&P Wealth Management, LLC

25201 Chagrin Boulevard
Cleveland, Ohio 44122.5683
p. 216.831.7171
f. 216.831.3020
www.cp-advisors.com
Independent Member of
Geneva Group International

To the Board of Trustees
Lake County Community College District
d/b/a Lakeland 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 18, 2017

Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance Required by the Uniform Guidance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the Lake County Community College District d/b/a Lakeland Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2017. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

C&P Advisors, LLC
Ciuni & Panichi, Inc.
C&P Wealth Management, LLC

25201 Chagrin Boulevard
Cleveland, Ohio 44122.5683
p. 216.831.7171
f. 216.831.3020
www.cp-advisors.com
Independent Member of
Geneva Group International

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

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 its major federal program for the year ended June 30, 2017.

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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of the College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated December 18, 2017, which contained unmodified opinions on those financial statements. 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 the Uniform Guidance 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 18, 2017

This page intentionally left blank.

Lake County Community College District
d/b/a Lakeland Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Agency/Pass-through-Agency/Program Title	CFDA Number	Pass-Through Entity Project/ Grant Number	Fiscal Year 2017 Expenditures
U.S Department of Education:			
Student Financial Aid Cluster -			
Federal Pell Grant Program	84.063	P063P102857	$ 8,537,752
Federal Work-Study Program	84.033	P0033A106053	162,181
Federal Supplemental Educational Opportunity Grants	84.007	P007A106053	190,658
Federal Direct Student Loans	84.268	N/A	11,974,109
Total Student Financial Aid Cluster			20,864,700
U. S. Department of Education - Passed through the Ohio Department of Education:			
Career and Technical Education- Basic Grants to States	84.048	063347-20C3-2009	154,535
Total U.S. Department of Education			21,019,235
U.S Department of Labor:			
WIA Cluster Passed through The Ohio Department of Job and Family Services - Job Training Partnership Act:			
WIA Dislocated Workers	17.260	G-1011-15-0262	7,596
WIA Adult Program	17.258	G-1213-15-5107	438
Total WIA Cluster			8,034
Passed through Lorain County Community College			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC-26435-14-60-A-39	329,836
Total U.S. Department of Labor			337,870
Other Federal Programs:			
U.S Department of Commerce			
Manufacturing Extension Partnership	11.611	N/A	38,188
Development Services Agency			
Small Business Development Center (SBDC)	59.037	OSBDC-2016-01	103,060
U.S Department of Defense-Passed through Defense Logistics Agency (DLA)			
Procurement Technical Assistance for Business Firms (PTAC)	12.002	N/A	62,132
Total Other Federal Programs			203,380
Total Expenditures of Federal Awards			$ 21,560,485

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Note 1: Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Lake County Community College District d/b/a Lakeland Community College (the “College”) under programs of the federal government for the year ended June 30, 2017. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements.

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

Note 2: Federal Direct Student Loans

During the fiscal year ended June 30, 2017, the College processed new loans under the Federal Direct Student Loan Program. The amount shown in the accompanying schedule of expenditures of federal awards reflects the fiscal year amount certified by the College.

Note 3: Indirect Cost Rate

The College did not elect to use the 10% de minimis indirect cost rate.

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

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control 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 weaknesses in internal control reported for the major federal program?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for the major federal program?	No
(d)(1) (v)	Type of Major Program Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR Section 200.516(a)?	No
(d)(1)(vii)	Major Program	Student Financial Aid Cluster: CFDA # 84.063, 84.033, 84.007, 84.268
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >$750,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None noted.

3. Findings for Federal Awards

None noted.

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

Schedule of Prior Audit Findings and Questioned Costs

For the Year Ended June 30, 2017

No prior year findings or questioned costs.

Dave Yost · Auditor of State

LAKELAND COMMUNITY COLLEGE

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 20, 2018

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov