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**LORAIN COUNTY COMMUNITY COLLEGE**

Financial Condition

As of

June 30, 1999

Together with Auditors' Report



Kevin L.  
enn, Inc.

Certified Public Accountant

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**LORAIN COUNTY COMMUNITY COLLEGE**

Financial Condition

As of

June 30, 1999

Together with Auditors' Report

LORAIN COUNTY COMMUNITY COLLEGE

Balance Sheet  
June 30, 1999

ASSETS

Unrestricted:

Educational and General:	
Cash and Cash Equivalents	\$10,975
Cash	883,188
Repurchase Agreements	
Investments	
Accounts Receivable, (Net of Allowance of \$ 567,727)	
Due From Renewals and Replacement Plant	
Due From Auxiliary Enterprises	
Other Deferred Charges	
<b>Total Educational and General</b>	<b>11,153,401</b>

Auxiliary Enterprises:

Cash and Cash Equivalents	
Cash	3,300
Accounts Receivable, (Net of Allowance of \$35,741)	362,699
Inventories, lower of cost or market	
Deferred Charges - Other	711,018
Notes Receivable, (Net of Allowance of \$1,141)	28,342
<b>Total Auxiliary Enterprises</b>	<b>1,282,652</b>

Restricted Funds:

Investments	
Accounts Receivable - Government	1,441,539
Accounts Receivable - Other	194,500
<b>Total Restricted Funds</b>	<b>2,466,268</b>
<b>TOTAL CURRENT FUNDS</b>	<b>\$14,902,321</b>

See accompanying notes to financial statements

LIABILITIES AND FUND BALANCES

CURRENT FUNDS

Unrestricted:

Educational and General:	
Accounts Payable	\$305,018
Accrued Wages and Benefits	2,731,697
Deposits Refundable	192,111
Deferred Tuition Income	3,137,057
Other Deferred Income	23,170
Sales Taxes Payable	1,886
Fund Balances:	
Appropriated for Contingencies	1,620,330
Appropriated for Encumbrances	148,516
Appropriated for Sick Leave	1,153,848
Appropriated for Unemployment Claims	90,069
Appropriated for Future Operations	1,599,699
Unappropriated	150,000
<b>Total Educational and General</b>	<b>11,153,401</b>

Auxiliary Enterprises:

Accounts Payable	15,643
Sales Tax Payable	8,610
Due to Educational & General Fund	847,405
Accrued Wages and Benefits	19,876
<b>Fund Balances:</b>	
Appropriated for Encumbrances	54,472
Unappropriated	336,646
<b>Total Auxiliary Enterprises</b>	<b>1,282,652</b>

Restricted Funds:

Accounts Payable	371,755
Accrued Wages and Benefits	55,471
Deferred Revenues	12,675
Fund Balances:	
Unappropriated Fund Balance	2,026,367
<b>Total Restricted Funds</b>	<b>2,466,268</b>
<b>TOTAL CURRENT FUNDS</b>	<b>\$14,902,321</b>

LORAIN COUNTY COMMUNITY COLLEGE

Balance Sheet  
June 30, 1999

ASSETS

Unexpended Plant:

Investments  
Accounts Receivable - Government  
Due from Renewals and Replacements Plant  
Deferred Charges - Other

Total Unexpended Plant

Renewals and Replacements:

Accounts Receivable - Government  
Accounts Receivable - Other  
Deferred Charges - Other

Total Renewals and Replacements

Retirement of Indebtedness:

Investments

Total Retirement of Indebtedness

Investment In Plant:

Land  
Improvements Other Than Buildings  
Buildings  
Movable Equipment, Furniture  
and Library Books  
Construction in Progress

Total Investment In Plant

TOTAL PLANT FUNDS

LIABILITIES AND FUND BALANCES

PLANT FUNDS

Unexpended Plant:

Accounts Payable

Fund Balance:  
Appropriated for Encumbrances  
Unappropriated

Total Unexpended Plant

Renewals and Replacements:

Accounts Payable  
Due to Educational and General Funds  
Due to Unexpended Plant

Fund Balance:  
Appropriated for Encumbrances  
Unappropriated

Total Renewals and Replacements

Retirement of Indebtedness:

Accrued Interest Payable

Fund Balance - Unappropriated

Total Retirement of Indebtedness

Investment In Plant:

Tax Anticipation Notes Payable  
Installment Notes Payable

Fund Balance:  
Net Investment in Plant

Total Investment In Plant

TOTAL PLANT FUNDS

\$191,654

246,457

1,077,228

1,515,339

527,530

365,000

797,109

422,361

1,613,407

3,725,407

39,648

847,132

886,780

9,550,836

2,789,202

92,073,024

104,413,062

\$110,540,588

See accompanying notes to financial statements

LORAIN COUNTY COMMUNITY COLLEGE

Balance Sheet  
June 30, 1999

ASSETS	LOAN FUND	AGENCY FUND	LIABILITIES AND FUND BALANCES
Cash and Cash Equivalents	\$6,442		Accounts Payable
Investments			Deposits Payable
Notes Receivable, Net of Allowance of \$ 6,092)	19,461		Fund Balance:
	\$25,903		National Direct Student Loans
			Other
TOTAL LOAN FUNDS			TOTAL LOAN FUNDS
Investments			Accounts Payable
Deferred Charges - Other			Deposits Held in Custody for Others
TOTAL AGENCY FUNDS			TOTAL AGENCY FUNDS

\$104  
600

17,810  
7,389

\$25,903

\$2,206

7,519

\$9,725

See accompanying notes to financial statements

**LORAIN COUNTY COMMUNITY COLLEGE**

Statement of Changes in Fund Balance  
For the Year Ended June 30, 1999

	Unrestricted Current Funds			Restricted Current Funds		
	Educational and General	Auxiliary Enterprises	Total Unrestricted	Educational and General	Total Restricted	Total (Memo. Only)
<b>Revenues and Other Additions:</b>						
Unrestricted Current Fund Revenues	\$30,823,966	\$3,320,477	\$34,144,443	\$0	\$0	\$34,144,443
Seminars and Workshops - Restricted	0	0	0	48,820	48,820	48,820
Federal Grants - Restricted	0	0	0	3,355,480	3,355,480	3,355,480
State Grants - Restricted	0	0	0	2,496,168	2,496,168	2,496,168
Local Appropriations - Restricted	0	0	0	176,529	176,529	176,529
Private Gifts, Grants and Contracts - Restricted	0	0	0	1,409,720	1,409,720	1,409,720
Investment Income	0	0	0	37,086	37,086	37,086
Other Revenues	0	0	0	375,915	375,915	375,915
<b>Total Revenues and Other Additions</b>	<b>30,823,966</b>	<b>3,320,477</b>	<b>34,144,443</b>	<b>7,899,718</b>	<b>7,899,718</b>	<b>42,044,161</b>
<b>Expenditures and Other Deductions:</b>						
Educational and General Expenditures	30,944,457	0	30,944,457	7,347,371	7,347,371	38,291,828
Auxiliary Enterprises	0	3,272,033	3,272,033	0	0	3,272,033
<b>Total Expenditures and Other Deductions</b>	<b>30,944,457</b>	<b>3,272,033</b>	<b>34,216,490</b>	<b>7,347,371</b>	<b>7,347,371</b>	<b>41,563,861</b>
<b>Transfers Additions/(Deductions):</b>						
Nonmandatory						
Current Funds - Intra-Fund Transfers	(72,697)	30,905	(41,792)	41,792	41,792	0
Plant Funds - Unexpended	(51,618)	0	(51,618)	0	0	(51,618)
Plant Funds - Renewals and Replacements	132,792	160,230	293,022	0	0	293,022
Prior Year Adjustments	(109,990)	(11,004)	(120,994)	(6,500)	(6,500)	(127,494)
Appropriated Fund Balances	158,438	(45,113)	113,325	0	0	113,325
<b>Total Transfers</b>	<b>56,925</b>	<b>135,018</b>	<b>191,943</b>	<b>35,292</b>	<b>35,292</b>	<b>227,235</b>
<b>Net Increase/(Decrease) in Fund Balance</b>	<b>(63,566)</b>	<b>183,462</b>	<b>119,896</b>	<b>587,639</b>	<b>587,639</b>	<b>707,535</b>
<b>Beginning Fund Balance - 7/1/98 (Note 12)</b>	<b>213,566</b>	<b>153,184</b>	<b>366,750</b>	<b>1,438,728</b>	<b>1,786,061</b>	<b>2,152,811</b>
<b>Ending Fund Balance - 6/30/99</b>	<b>\$150,000</b>	<b>\$336,646</b>	<b>\$486,646</b>	<b>\$2,026,367</b>	<b>\$2,373,700</b>	<b>\$2,860,346</b>

See accompanying notes to financial statements

**LORAIN COUNTY COMMUNITY COLLEGE**  
Statement of Changes in Fund Balance  
For the Year Ended June 30, 1999

**Plant Fund**

	Loan Funds	Unexpended	Renovals and Replacements	Investment in Plant	Retirement of Indebtedness	Total Plant (Memo Only)
<b>Revenues and Other Additions:</b>						
State Appropriations and Grants	\$0	\$271,141	\$174,500	\$7,270	\$0	\$452,911
Local Appropriations	0	1,118,671	675,041	0	2,297,620	4,091,332
Federal Grant	0	0	0	15,993	0	15,993
Investment Income	0	111,793	229,518	0	0	341,311
Capital Acquisitions	0	0	0	10,994,363	0	10,994,363
Private Gifts and Donations	0	80,769	0	19,335	0	100,104
Other Revenues	0	92,604	0	0	442,969	535,573
<b>Total Revenues and Other Additions</b>	<b>0</b>	<b>1,674,978</b>	<b>1,079,059</b>	<b>11,036,961</b>	<b>2,740,589</b>	<b>16,531,587</b>
<b>Expenditures and Other Deductions:</b>						
Expended for Capital Purchases	0	1,872,118	4,910,763	0	0	6,782,881
Expended for Non-capital Purchases	0	604,823	485,222	0	25,921	1,115,966
Principal Paid of Debt	0	0	0	0	2,281,752	2,281,752
Issuance of Debt	0	0	0	1,674,512	0	1,674,512
Interest Expense	0	0	0	0	576,415	576,415
Disposal of Assets	0	0	0	834,361	0	834,361
<b>Total Expenditures and Other Deductions</b>	<b>0</b>	<b>2,476,941</b>	<b>5,395,985</b>	<b>2,508,873</b>	<b>2,884,088</b>	<b>13,265,887</b>
<b>Transfers Additions/(Deductions):</b>						
Nonmandatory - from/(to):						
Prior Year Adjustments	2,580	(40)	(53,235)	(46,832)	150	(99,957)
Support - Current Funds	0	51,618	39,770	0	(332,792)	(241,404)
Appropriated Fund Balances - E & G	0	0	28,351	0	0	28,351
Appropriated Fund Balances - Plant	0	58,061	2,584,005	0	0	2,642,066
<b>Total Transfers</b>	<b>2,580</b>	<b>109,639</b>	<b>2,598,891</b>	<b>(46,832)</b>	<b>(332,642)</b>	<b>2,329,056</b>
<b>Net Increase/(Decrease) in Fund Balance</b>	<b>2,580</b>	<b>(692,324)</b>	<b>(1,718,035)</b>	<b>8,481,256</b>	<b>(476,141)</b>	<b>5,594,756</b>
<b>Beginning Fund Balance - 7/1/98 (Note 12)</b>	<b>22,619</b>	<b>1,769,552</b>	<b>3,331,442</b>	<b>83,591,768</b>	<b>1,323,273</b>	<b>90,016,035</b>
<b>Ending Fund Balance - 6/30/99</b>	<b>\$25,199</b>	<b>\$1,077,228</b>	<b>\$1,613,407</b>	<b>\$92,073,024</b>	<b>\$847,132</b>	<b>\$95,610,791</b>

See accompanying notes to financial statements

**LORAIN COUNTY COMMUNITY COLLEGE**  
**Statement of Current Funds - Revenues, Expenditures, and Other Changes**  
**For the Year Ended June 30, 1999**

	Unrestricted Current Funds			Restricted Current Funds		
	Educational and General	Auxiliary Enterprises	Total Unrestricted	Educational and General	Total Restricted	Total (Memo. Only)
<b>Revenues:</b>						
Tuition, fees and other charges	\$10,053,081	\$0	\$10,053,081	\$48,820	\$48,820	\$10,101,901
State appropriations	13,413,457	0	13,413,457	0	0	13,413,457
Local appropriations	3,870,000	0	3,870,000	128,602	128,602	3,998,602
Federal grants and contracts	208,579	0	208,579	3,303,346	3,303,346	3,511,925
State - Challenge Grants	911,915	0	911,915	0	0	911,915
State - Other Grants	51,592	0	51,592	2,125,418	2,125,418	2,177,010
Local government contracts	2,266	0	2,266	1,196	1,196	3,462
Private gifts, grants and contracts	1,119,261	0	1,119,261	1,559,468	1,559,468	2,678,729
Sales and services	639,517	3,320,477	3,959,994	154,965	154,965	4,114,959
Other revenues	554,298	0	554,298	25,556	25,556	579,854
<b>Total Revenues</b>	<b>30,823,966</b>	<b>3,320,477</b>	<b>34,144,443</b>	<b>7,347,371</b>	<b>7,347,371</b>	<b>41,491,814</b>
<b>Expenditures - Educational and General:</b>						
Instructional support	13,389,725	0	13,389,725	54,064	54,064	13,443,789
Academic support	2,326,370	0	2,326,370	19,330	19,330	2,345,700
Student services	3,175,901	0	3,175,901	40,316	40,316	3,216,217
Scholarships and grants	593,321	0	593,321	4,401,229	4,401,229	4,994,550
Plant operations and maintenance	3,108,574	0	3,108,574	0	0	3,108,574
Institutional support	4,204,735	0	4,204,735	163,861	163,861	4,368,596
Public services	4,145,831	0	4,145,831	2,668,571	2,668,571	6,814,402
<b>Total Expenditures - Educ. and Gen.</b>	<b>30,944,457</b>	<b>0</b>	<b>30,944,457</b>	<b>7,347,371</b>	<b>7,347,371</b>	<b>38,291,828</b>
<b>Expenditures - Auxiliary Enterprises</b>	<b>0</b>	<b>3,272,033</b>	<b>3,272,033</b>	<b>0</b>	<b>0</b>	<b>3,272,033</b>
<b>Total Expenditures</b>	<b>30,944,457</b>	<b>3,272,033</b>	<b>34,216,490</b>	<b>7,347,371</b>	<b>7,347,371</b>	<b>41,563,861</b>
<b>Transfers, Additions/(Deductions):</b>						
Nonmandatory - from/(to):						
Support - Current Funds	(72,697)	30,905	(41,792)	41,792	41,792	0
Support - Plant Funds	81,174	160,230	241,404	0	0	241,404
Prior Year Adjustments	(109,990)	(11,004)	(120,994)	(6,500)	(6,500)	(127,494)
Appropriated Fund Balances	158,438	(45,113)	113,325	0	0	113,325
Excess/(Deficit) of Restricted Receipts over Transfer to Revenue	0	0	0	552,347	552,347	552,347
<b>Total Transfers</b>	<b>56,925</b>	<b>135,018</b>	<b>191,943</b>	<b>587,639</b>	<b>587,639</b>	<b>779,582</b>
<b>Net Increase/(Decrease) in Fund Balance</b>	<b>(\$63,566)</b>	<b>\$183,462</b>	<b>\$119,896</b>	<b>\$587,639</b>	<b>\$587,639</b>	<b>\$707,535</b>

See accompanying notes to financial statements

# LORAIN COUNTY COMMUNITY COLLEGE

## Notes to the Financial Statements

June 30, 1999

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The significant accounting policies followed by Lorain County Community College (College), are describe below to enhance the usefulness of the financial statements to the reader.

#### Organization

Lorain County Community College (College), was established on October 20, 1961, and is governed by a board of nine Trustees. The College is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income. The College is a primary government with no component units.

#### Accrual Basis

The financial statements of the College have been prepared on the accrual basis in accordance with generally accepted accounting principles for colleges and universities. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when incurred, without regard to the time of receipt or payment. The statement of current fund revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operation or the net income or loss as would a statement of income or statement of revenues and expenses.

#### Fund Accounting

Under this accounting method, resources for various purposes are classified into funds in accordance with specific activities or objectives, with separate accounts maintained for each fund. For reporting purposes, funds with similar characteristics are combined into fund groups, and financial transactions are recorded and reported by such fund groups.

With in each fund group, fund balances restricted by outside sources are so indicated and are distinguished from internally designated and unrestricted funds. Restricted funds may only be utilized in accordance with the purpose established by the source of such funds. Internally designated funds are unrestricted funds that, at the discretion of the Board of Trustees, have been designated for specific purposes.

Unrestricted and internally designated funds are accounted for initially in the unrestricted current fund group, and then in the fund group designated by the Board of Trustees. Restricted revenues are accounted for in the appropriate restricted fund and are reported as revenues when utilized for current operating purposes. All gains and losses arising from the sale, collection or other disposition of investments and noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables and the like is accounted for in the fund owning such assets.

All accounts are classified into the following groups:

Current Funds  
Loan Funds  
Plant Funds  
Agency Funds

## LORAIN COUNTY COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 1999

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (continued)

#### Fund Accounting (continued)

*Current Funds are available for current operations and are subdivided as follows:*

Unrestricted Educational and General funds are unrestricted and available for general operating purposes.

Auxiliary Enterprise (Bookstore, Cafeteria, and Vending Services) funds are available for the operation of the bookstore, cafeteria, and vending services primarily for students and staff.

Restricted funds are available for current operating purposes but only in compliance with restrictions specified by donors or grantors.

Loan Funds are available for loans to students. Loans granted are receivables until repaid at which time such monies are then available for new loans.

#### Plant Funds:

Physical properties are stated at cost. In accordance with the practice generally followed by educational institutions, depreciation is not provided. However, to the extent that current funds are used to finance plant assets, the amounts so provided are accounted for (a) as expenditures of current funds and additions to property and equipment in the plant funds, in the case of moveable equipment, (b) as mandatory transfers in the case of required provisions for debt amortization and interest, and (c) as transfers of a non-mandatory nature in other cases, principally provisions for renewals and replacements.

Unexpended funds include resources derived from various sources to finance the acquisition of long-life assets.

Investment in Plant includes all long-life assets in the service of the College and construction in progress. Physical properties, which include land, buildings, improvements, and equipment are principally stated at cost. In accordance with generally accepted accounting principles for colleges and universities, depreciation is not provided.

Renewals and Replacements include estimating future requirements for major maintenance and renovation of buildings and equipment. The cost of meeting these requirements is provided through regular transfers from current operating funds to funds reserved for renewal and replacement of plant.

Agency Funds include resources held by the College on behalf of others in the capacity as custodian of fiscal agent.

#### Cash and Cash Equivalents

Cash consists primarily of petty cash, cash held in demand accounts, and certificates of deposit.

## LORAIN COUNTY COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 1999

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (continued)

#### Cash and Cash Equivalents (continued)

Investments are carried at the lower of amortized cost or market, where the decline is considered to be other than temporary.

Investment income is recognized on an accrual basis; interest is recorded when earned.

#### Inventories

The College's inventories consist principally of books and supplies of the bookstores. Bookstores inventories at year end are stated at the lower of cost or market basis (first-in, first-out).

#### Gifts and Pledges

Gifts, bequests, grants, and other receipts restricted as to use by outside grantors or agencies are recorded when collected as additions directly in the fund group appropriate to the restricted nature of the receipt. Unrestricted gifts, bequests, and grants are recorded as unrestricted current fund revenues and recorded only when collected. Pledges are recorded as either conditional (restricted) or unconditional (unrestricted) contribution revenues, at the time the written agreement is received.

#### Income Taxes

The College is exempt from income taxes under Section 115 of the Internal Revenue Service Code, as a political subdivision.

#### Schedule of Expenditures of Federal Awards

The schedule of expenditures of federal awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

### 2. DEPOSITS AND INVESTMENTS

The College's Board of Trustees is responsible for selecting depositories and investing funds. Protection for the College's deposits is provided by the federal deposit insurance corporation, qualified securities pledged in the name of the college and held at the federal reserve, or by a collateral pool created by the financial institution to cover all local governmental deposits. The face value of the pooled collateral must equal at least 110% of the public funds on deposit. At least quarterly the College determines that the collateral has a market value adequate to cover the deposits. Collateral is held by trustees including the Federal Reserve Bank and the Federal Home Loan Bank Board.

At year end, the College has \$14,275 in undeposited cash on hand which is included on the balance sheet of the College as part of "Cash". This amount is uninsured and uncollateralized.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 1999

2. DEPOSITS AND INVESTMENTS (continued)

At year end, the carrying amount of the College's deposits was \$0 and the bank balance was \$1,410,002. On the bank balance:

1. \$ 100,000 was covered by federal depository insurance.
2. \$1,310,002 was uninsured and collateralized as defined by the Governmental

Accounting Standards Board in that the collateral was pooled rather than held in the College's name.

GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments, classified by risk. The College's investments are categorized as either (1) insured or registered or for which the securities are held by the College or its agent in the College's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the College's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the College's name.

	<u>RISK CATEGORY</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase Agreement	-	-	883,188	883,188	883,188
StarOhio	-	-	-	<u>6,731,137</u>	<u>6,731,137</u>
Total	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 883,188</u>	<u>\$ 7,614,325</u>	<u>\$ 7,614,325</u>

Star Ohio investments are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 1999

3. INVESTMENT IN PLANT

A summary of investment in plant activity for the year ended June 30, 1999 is as follows:

<u>Description</u>	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Plant</u>	<u>Reduction &amp; Deletions</u>	<u>Balance June 30, 1999</u>
Land	\$ 1,297,884	\$ -	\$ 143,177	\$ -	\$ 1,441,061
Improvements Other than Buildings	14,679,261	-	102,059	-	14,781,320
Buildings	46,699,875	15,380	13,706,991	-	60,422,246
Construction in Progress	11,691,798	-	2,803,204	( 11,691,798)	2,803,204
Moveable Equip- ment, Furniture, Library Books	<u>22,170,228</u>	<u>242,577</u>	<u>3,393,760</u>	<u>( 841,334)</u>	<u>24,965,231</u>
Total Plant	<u>\$96,539,046</u>	<u>\$ 257,957</u>	<u>\$20,149,191</u>	<u>\$(12,533,132)</u>	<u>\$104,413,062</u>

4. STATE AND COUNTY SUPPORT

The College is a state-assisted institution of higher education which receives a student enrollment-based instructional subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the Ohio Board of Regents, adjusted to state resources available.

In addition to the current operating subsidies, the State of Ohio provides a portion of the funding for the construction of major plant facilities on the College campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn initiates the construction and subsequent lease of the facility by the Ohio Board of Regents.

Such facilities are reflected as building or construction in progress in the accompanying balance sheet. Neither the obligation for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. Debt service is funded through appropriations to the Ohio Board of Regents by the General Assembly.

**LORAIN COUNTY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
June 30, 1999

4. STATE AND COUNTY SUPPORT (continued)

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

Countywide support has been demonstrated with the renewal of a tax levy of 1.20 mills. The renewal was approved by the electorate in November of 1992 for a ten year collection period. The new period began January, 1993 and continues through 2002. On November 7, 1995, an additional 1.20 mill levy was approved by the electorate for a ten year period commencing of January 1, 1996.

5. LONG-TERM DEBT

The following is a summary of the College's long-term debt transaction for the fiscal year ended June 30, 1999:

Tax Anticipation Notes

Debt outstanding as of July 1, 1998	\$11,295,810
Addition of new debt	-
Retirement and repayment	<u>(1,744,974)</u>
Debt outstanding as of June 30, 1999	<u>\$ 9,550,836</u>

Presented below is a summary of debt service requirements to maturity by fiscal years:

<u>Year</u>	<u>Total Payment</u>
2000	\$ 1,828,065
2001	1,917,828
2002	1,629,943
2003	1,320,000
2004	1,390,000
thereafter	<u>1,465,000</u>
Total	<u>\$ 9,550,836</u>

On December 19, 1996, the Board of Trustees of the College approved the issuance of \$10,000,000 of Tax Anticipation Notes. These notes are dated March 1, 1997 and have an interest rate of 4.99%, payable on June 1, and December 1 of each year. The notes issued for the purpose of paying the College's portion of the

**LORAIN COUNTY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
June 30, 1999

5. LONG-TERM DEBT (continued)

Installment Notes Payable

In May of 1994, the College entered into an agreement with the IBM Corporation for the purchase of hardware and software. The principle amount outstanding as of June 30, 1999 has interest rates on the hardware from 5.65% to 6.40% and on the software from 5.96% to 6.77%. The installment note maturity date is April 1, 2001.

Debt outstanding as of July 1, 1998	\$ 1,651,468
Addition of new debt	-
Retirement and repayment	<u>(536,778)</u>
Debt outstanding as of June 30, 1999	<u>\$ 1,114,690</u>

Presented below is a summary of debt service requirements to maturity by years:

<u>Year</u>	<u>Total Payment</u>
2000	548,805
2001	<u>565,885</u>
Total	<u>\$ 1,114,690</u>

Energy Conservation Project

In February of 1999, the College entered into an agreement with Honeywell Inc., for the acquisition of equipment to provide an energy savings retrofit program, in accordance with House Bill #7. The principle amount outstanding as of June 30, 1999 has interest rates of 4.75%. The installment note maturity date is April 30, 2019.

Debt outstanding as of July 1, 1998	\$ -
Addition of new debt	1,674,512
Retirement and repayment	<u>-</u>
Debt outstanding as of June 30, 1999	<u>\$ 1,674,512</u>

**LORAIN COUNTY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
June 30, 1999

5. LONG-TERM DEBT (continued)

Energy Conservation Project (continued)

Presented below is a summary of debt service requirements to maturity by years:

<u>Year</u>	<u>Total Payment</u>
1999	66,381
2000	67,957
2001	69,571
2002	71,224
2003	72,915
Thereafter	<u>1,326,464</u>
Total	<u>\$ 1,674,512</u>

6. GOVERNMENT LOAN ADVANCES

Fund balances related to the National Direct Student Loan and other federal programs principally represent advances which are ultimately refundable to the federal government. The records of the College indicate the last National Direct Student Loan advances were in fiscal year 1975-76, with loans aggregating \$444,978 that have been made to 1,041 students since the establishment of the program at the College. On June 30, 1999, approximately 2.5% of student loans receivable in repayment status were in default ranging from 2 1/2 years to over ten years past due.

7. DEFINED BENEFIT PENSION PLANS

State Teachers Retirement System (STRS)

All employees of the College performing duties that require a certificate issued by the Ohio Department of Education are required to contribute to the State Teachers Retirement System (STRS), a cost-sharing multiple employer public employee retirement system.

STRS is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution, or other agency wholly controlled, managed, and supported in whole, or in part, by the State or any political subdivision thereof. Any member who has (1) five years of service credit and attained age sixty, (2) twenty-five years of service credit and attained age 55, or (3) thirty years of service credit regardless of age may retire. The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money purchase benefit" calculation. Under the "formula benefit" the retirement allowance is based on years of credited service and final average salary, which is the average of the members three highest years' salary. The annual allowance is determined by multiplying final average salary. Under the "money purchase benefit" calculation, a members lifetime contributions plus interest at specified rates are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

## LORAIN COUNTY COMMUNITY COLLEGE

### Notes to the Financial Statements

June 30, 1999

#### 7. DEFINED BENEFIT PENSION PLANS (continued)

##### State Teachers Retirement System (STRS) (continued)

A member under the age of 60 with five or more years' credited service who becomes disabled is entitled to a disability allowance. Survivor benefits are available to eligible spouses and dependents of active members who die before retirement. A death benefits of \$1,000 is payable to the beneficiary of each deceased retired member. Additional death benefit coverage of \$1,000 or \$2,000 can be purchased.

For the year ended June 30, 1999, the contribution requirements were 9.25% for covered employees and 14% for employers. The College's total payroll for the year ended June 30, 1999 was \$20,720,484; the payroll for covered employees was \$9,935,719. The contribution requirements for the year ended June 30, 1999 were \$1,390,999 from the College and \$924,021 from employees. The required employer contribution rate (14%) is allocated to basic retirement benefits and health care by the STRS Retirement Board.

The "pension benefits obligation," which is the actuarial present value of credited projected benefits, is a standard disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess STRS' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and among employers.

The "pension benefits obligation for STRS as of July 1, 1995 (the latest information available) was \$38,710 million. Net assets available for benefits as of that date were \$31,542 million, excluding reserves of \$1,639 million allocated to fund future health care benefits. STRS does not hold any securities in the form of notes, bonds, or other instruments of or loans to any of the entities contributing to STRS. The employer contribution requirement expressed as a percentage of total current year contribution requirements for all employers is .11% at June 30, 1999.

Historical trend information about progress made in accumulating sufficient assets to pay benefits when due is provided in the State Teachers Retirement Systems' Comprehensive Annual Report for the year ended June 30, 1997.

##### Public Employees Retirement System of Ohio (PERS)

All employees other than certified employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee defined benefit plan. Benefits are calculated on a basis of age, final average salary, and service credit. Members are eligible for retirement at age 60 with a *minimum of 5 years of service credit, or at age 55 with a minimum of 25 years of service credit, or at any age with a minimum of 30 years of service credit.* The retirement benefit, payable monthly of life, equals 2.1% of the final average salary for each year of credited service up to 30 years. Employees are entitled to 2.5% of their final average salary for each year of service credit over 30 years. Final average salary is the employee's average salary over the highest 3 years of earnings. Pension benefits fully vest on reaching 5 years of service credit. Individuals retiring with less than 30 years of service or at less than age 65 receive reduced retirement benefits. PERS provides additional benefits including disability, survivor, health care coverage, early retirement incentive and special retirement options for law enforcement officers. These additional benefits vest at different lengths of service credit. Benefits are established by state statute.

**LORAIN COUNTY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
June 30, 1999

7. DEFINED BENEFIT PENSION PLANS (continued)

Public Employees Retirement System of Ohio (PERS)(continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. Covered employees are required by the System's Retirement Board to contribute 8.5% of their salary to the plan. The employer contribution rate was 13.55% for fiscal year 1998, of which 8.44% was used to fund pension obligations, with the balance being applied towards the health care program for retirants. The College's total payroll for covered employees was \$9,953,712. The College's 1999 total contribution was \$1,351,118.

The contribution requirement to fund the pension obligation for the year ended June 30, 1999 was \$1,689,137 which consisted of \$841,582 from the College and \$847,555 from the employees which met the required percentages. The College's 1998 contribution represented .09% of total contributions required of all participating entities.

The pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and pension benefit obligation for individual employers. The pension benefit obligation for the System as a whole, determined through the latest actuarial valuation performed as of December 31, 1994 was \$23,239.4 million. The System's net assets, valued at net amortized cost, available for benefits on that date were \$22,888.8 million leaving an unfunded pension benefit obligation of \$796 million.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 1997. Comprehensive Annual Fiscal Report.

8. POST EMPLOYMENT BENEFITS

State Teachers Retirement System (STRS)

The State Teachers Retirement System of Ohio provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to STRS is set aside for the funding postretirement health care based on authority granted by State statute.

The employer contribution rate was 14% of covered payroll for the years ended June 30, 1999; 2.0% was the portion that was used to fund health care. Benefits are advanced-funded using the entry age normal cost method. Significant actuarial assumptions include a rate of return on investments of 7.50% for 1995; active employee payroll increases range from 4.5% to 10.5% based on age of employee. Included in these percentages are additional annual pay increases.

## LORAIN COUNTY COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 1999

### 8. POST EMPLOYMENT BENEFITS

#### State Teachers Retirement System (STRS)(continued)

Short-term securities consisting of cash equivalents, repurchase agreements, and corporate and government notes are carried at cost with related discounts or premiums amortized using the effective yield method. Equity securities and investments are carried at amortized cost, using the effective yield method of amortization. Common and preferred stock and venture capital investments are valued at cost, subject to adjustment for market declines judged to be other than temporary. All investments are subject to adjustment for market declines judged to be other than temporary.

The number of eligible benefit recipients was 86,132 for June 30, 1997. The College's actual contribution for 1999 which were used to fund post employment benefits was \$198,714. The actual contribution and the actuarially required contribution amount is the same. The Retirement System's net assets available for payment of benefits at June 30, 1996 was \$31,542 million. The actuarially accrued liability and the unfunded actuarial accrued liability are not segregated from the total pension benefit obligation. They are incurred in the total obligation explained in Note 7.

The Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute.

The employer contribution rate was 13.55% of covered payroll for the year ended June 30, 1999. 4.87% was the portion that was used to fund health care. Benefits are advanced-funded using the entry age normal cost method. Significant actuarial assumptions include a rate of return on investments of 7.75%; active employee payroll increases of 5.50% for inflation and an increase of between zero and 4.00% based on additional annual pay increases. Health care premiums were assumed to increase 5.50% annually.

Short-term securities consisting of commercial paper, U.S. Treasury obligations are carried at cost. Equity securities and investments in real estate are carried at cost. Fixed income investments are carried at amortized cost, using the effective interest rate method of amortization. All investments are subject to adjustment for market decline judged to be other than temporary. For actuarial valuation purposes, assets are adjusted to reflect 20% of unrealized market appreciation or depreciation on investment assets.

## LORAIN COUNTY COMMUNITY COLLEGE

### Notes to the Financial Statements

June 30, 1999

#### Public Employee Retirement System of Ohio (PERS)

The number of active contribution participants was 369,467. The College's actual contribution for 1999 which were used to fund post employment benefits were \$509,507. The actual contribution and the actuarially required contribution amounts are the same. The Retirement System's net assets available for payment of benefits at December 31, 1995 (the latest information available) was \$7,226 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$8,597 million and \$1,371 million, respectively.

#### 9. Pending Litigation

The College receives significant financial assistance from the U.S. Department of Education. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that receives the grant.

Furthermore, several claims and lawsuits are pending against the College. In the opinion of the College legal council, any potential liability will be vigorously contested and would not have a material effect on the financial statements.

#### 10. Compensated Absences

For the 1998 fiscal year, the College has implemented the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and those the College has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year end, taking into consideration any limits specified in the College's termination policy.

#### 11. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lorain County Community College and is presented on the accrued basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

**LORAIN COUNTY COMMUNITY COLLEGE**  
Notes to the Financial Statements  
June 30, 1999

12. Prior Period Adjustments

The following adjustments, were made to the opening fund balance as of June 30, 1998:

Current Funds - Unrestricted

\$ 163,566 (Fund Balance as of June 30, 1998, as previously reported)  
50,000 (Understatement of Revenues)  
\$ 213,566 (Fund Balance as of June 30, 1998, as restated)

Plant Fund - Renewal and Replacement

\$3,466,575 (Fund Balance as of June 30, 1998, as previously reported)  
(135,133) (Overstatement of Pledge Accounts Receivable)  
\$3,331,442 (Fund Balance as of June 30, 1998, as restated)

13. Change in Accounting Principle

For the 1999 fiscal year, the College has implemented GASB No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". This statement established accounting and reporting guidelines for government investments and investment pools. Under this statement certain investments are reported at fair value. The implementation of GASB 31 did not have any effect on fund equity as it was previously reported as of June 30, 1998.

**LORAIN COUNTY COMMUNITY COLLEGE**  
**SUPPLEMENTAL SCHEDULE OF YEAR 2000 ISSUES**  
For the Period Ended June 30, 1999

The College is currently addressing year 2000 issues relating to its computer systems and other electronic equipment. The year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to the year. Therefore, both 1900 and 2000 would be referred to as "00". Computer programs have to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, the year 2000 issue could affect electronic equipment containing computer chips that have date recognition features.

The College's management is responsible for addressing the year 2000 issue. Management has identified various computer systems and pieces of electronic equipment that are critical to conducting the College's operations and that need to be year 2000 compliant. Management is continuously monitoring year 2000 compliance efforts throughout the College and is providing assistance and resources to accelerate compliance for all mission-critical systems and equipment. Management recognizes that contingency plans may have to be developed in 1999 in the event it becomes apparent that some software or equipment may not become year 2000 compliant when necessary.

The College has identified several computer systems that are mission-critical (that is, critical to conducting operations) and is subjecting those systems to the following stages of work to address year 2000 issues:

Awareness stage - Establishing a budget and project plan for dealing with the year 2000 issue.

Assessment stage - Identifying the systems and components for which year 2000 compliance work is needed.

Remediation stage - Making changes to systems and equipment.

Validation/testing stage - Validation and testing the changes that were made during the remediation stage.

The College has completed the awareness; assessment and remediation stages for all of its mission critical computer systems. Validation/testing efforts were presently being undertaken for the financial reporting system; rent roll, including collections.

Substantially, all of the work necessary to address year 2000 issues has been performed by College employees or outside vendors.

During the 1999 fiscal year, the College had committed and expended \$72,992 to this project. At June 30, 1999, there were no remaining contract amounts, committed by the College to address year 2000 issues for computer systems and other electronic equipment.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter.

Management cannot assure that the College is or will be year 2000 ready, that the College's remediation efforts will be successful in whole or in part, and that parties with whom the College does business will be year 2000 ready.

LORAIN COUNTY COMMUNITY COLLEGE  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 1999

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Award Amount	Federal Expenditures
<b>Direct Programs:</b>				
<b>Department of Education:</b>				
Student Financial Aid -				
Fell Grant	84.063			\$2,810,835
College Work Study	84.033			86,434
				<hr/>
Total Student Financial Assistance				2,897,269
				<hr/>
VO-ED Office of Special Needs	84.048	VECPH-P99-400	67,861	67,861
Title III Strengthening Institutions Program	84.031	PO31A50212	228,822	79,405
Tech Prep Grant	84.243	VETP-16R	68,000	68,000
	84.243	VETP-16Y	29,628	29,628
				<hr/>
Total Tech Prep Grant				97,628
				<hr/>
Total Department of Education				3,142,163
				<hr/>
<b>Pass-through Programs:</b>				
<b>Department of Human Services:</b>				
Temporary Assistance for Needy Families	93.558			16,705
Pass-through Lorain County Human Services JOBS Program	93.561		126,818	126,818
	93.561		115,252	115,252
Ohio Board of Regents Pass-through Columbus State Community College JOBS Program	93.561		50,000	48,134
				<hr/>
Subtotal				290,204
				<hr/>
Total Department of Human Services				306,909
				<hr/>
<b>Department of Labor</b>				
Pass-through Job Training Partnership Act Summer Youth Program	17.250	97-T-LCC-001	80,442	36,760
	17.250	98-TANF-LCC-001	81,399	38,738
				<hr/>
Subtotal				75,498
				<hr/>
National Science Foundation - Advance Technological Education Grant	47.076	EEC-9732219	28,648	28,648
	47.076		26,632	6,239
				<hr/>
Subtotal				34,887
				<hr/>
Total Department of Labor				110,385
				<hr/>
Total Federal Assistance				\$3,559,457
				<hr/> <hr/>

Guaranteed Student Loans - Federal CFDA Number 84.032

During the fiscal year ended June 30, 1999, the College processed and offered \$2,025,392 of new loans under the Guaranteed Student Loan program.



Kevin L.  
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**Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting  
based on an Audit of Financial Statements Performed in Accordance with Government Auditing  
Standards**

The Board of Trustees Lorain County Community College  
1005 N. Abbe Road  
Elyria, Ohio 44035

I have audited the financial statements of Lorain County Community College as of and for the year ended June 30, 1999, and have issued my report thereon dated November 8, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lorain County Community College's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 99-7 and 99-8. I also noted certain immaterial instances of noncompliance that I have reported to management of Lorain County Community College in a separate letter dated November 8, 1999.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lorain County Community College's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Lorain County Community College's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 99-1; 99-2; 99-3; 99-4; 99-5; 99-6 and 99-9.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above I consider items 99-6 to be material weaknesses.

I also, noted other matters involving the internal control over financial reporting the I have reported to management of Lorain County Community College in a separate letter dated November 8, 1999.

This report is intended solely for the information and use of the board of trustees, management the Auditor of the State of Ohio, U.S. Department of Education, and applicable federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*H. Z. Penn, Inc.*

November 8, 1999



Kevin L.  
Penn, Inc.

Certified Public Accountant  
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**Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133**

The Board of Trustees Lorain County Community College  
1005 N. Abbe Road  
Elyria, Ohio 44035

Compliance

I have audited the compliance of Lorain County Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. Lorain County Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lorain County Community College's management. My responsibility is to express an opinion on Lorain County Community College's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 Lorain County Community College's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Lorain County Community College's compliance with those requirements.

In my opinion, Lorain County Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 99-7 and 99-8.

Internal Control Over Compliance

The management of Lorain County Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Lorain County Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the board of trustees, management the Auditor of the State of Ohio, U.S. Department of Education, and applicable federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*H. Z. Penn, Inc.*

November 8, 1999

LORAIN COUNTY COMMUNITY COLLEGE  
 Schedule of Findings and Questioned Costs  
 June 30, 1999

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Reportable condition(s) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes
Identification of major programs:	
84.063; 84.032 & 84.033	Student Financial Aid (Pell Grant; College Work Study & Guaranteed Student Loans)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000 (Type A)
Auditee qualified as low-risk auditee?	No

LORAIN COUNTY COMMUNITY COLLEGE  
Schedule of Findings and Questioned Costs  
June 30, 1999

**Section II - Financial Statement Findings**

99-1

**Bank Reconciliation**

**Condition:**

The business checking account reconciliation, did not agree to the general ledger trial balance.

**Criteria:**

The bank reconciliation should agree to the cash balance, recorded in the general ledger trial balance, at the end of each month.

**Effect:**

Could result in an overstatement of cash on the general ledger trial balance.

**Cause:**

The unreconciled difference was due to the conversion process, relating to the new computer software.

**Recommendation:**

I recommend that the bank statement be reconciled on a monthly basis, and compared to the general ledger trial balance. Differences noted, should be investigated immediately. Performing this procedure will reduce the risk that the cash balance would be misstated on the financial statements.

99-2

**Ticket Master System - Stocker Center**

**Condition:**

If the ticket master computer system crashes, there is no back-up system, therefore, supporting documentation for cash transactions would not exist.

**Criteria:**

A back-up system should exist in the event the ticket master computer system crashes.

LORAIN COUNTY COMMUNITY COLLEGE  
Schedule of Findings and Questioned Costs  
June 30, 1999

**Ticket Master System - Stocker Center (continued)**

**Effect:**

Could result in cash transactions not being supported, and therefore, potential irregularities.

**Cause:**

Oversight by management.

**Recommendation:**

I recommend that computer back-up system be implemented, in order to prevent potential irregularities, relating to cash transactions.

99-3

**Fixed Assets Inspection**

**Condition:**

During the tour of the facility, it was noted that several items, could not be located.

**Criteria:**

*Fixed assets purchased by the College, should be tagged and recorded on the inventory ledger. In addition, each item purchased, should remain on the property of the College.*

**Effect:**

Could result in system of internal controls being deemed inadequate.

**Cause:**

Management was not notified, when an item was moved.

**Recommendation:**

I recommend that an annual inventory of property and equipment be performed on June 30, and reconcile the results to the equipment records. Furthermore, each fixed asset purchased by the College, should remain on the property of the College. By performing these procedure, the College will reduce the risk of maintaining an inadequate system of internal controls.

**LORAIN COUNTY COMMUNITY COLLEGE**  
**Schedule of Findings and Questioned Costs**  
June 30, 1999

99-4

**Fixed Asset Inventory**

**Condition:**

Fixed assets purchased during the 1999 fiscal year, was not always assigned a fixed asset tag.

**Criteria:**

Fixed assets purchased by the College, should be tagged and recorded on the inventory ledger.

**Effect:**

Could result in system of internal controls being deemed inadequate, due to the lack of proper safeguarding of fixed assets.

**Cause:**

Staffing was not adequate to complete the task of tagging every fixed asset purchased, during the 1999 fiscal year.

**Recommendation:**

I recommend that each fixed asset be tagged, prior to being placed into service. In addition, each fixed asset should be recorded in the inventory ledger and reconciled, on an annual basis. Performing these procedure, will reduce the risk of improper safeguarding of fixed assets.

99-5

**Adjunct Faculty Contract**

**Condition:**

An employee was compensated twice for the same contract.

**Criteria:**

The contract amount entered into by an employee should be the maximum amount received, without signing an addendum to the contract.

**Effect:**

Resulted in a finding for recovery of \$4,050.00

**Cause:**

Oversight by payroll department.

**Recommendation:**

I recommend that the payroll register, be reviewed for duplicate payment each pay period. Performing this procedure, will reduce the risk of an employee being compensated twice for the same contract.

**LORAIN COUNTY COMMUNITY COLLEGE**  
**Schedule of Findings and Questioned Costs**  
June 30, 1999

99-6

**CMDS Computer System (CFDA # 84.063; 84.032 & 84.033)**

**Condition:**

The conversion to the new computer system has not been fully implemented. Currently information is not being accurately processed; see the following examples:

1. Class enrollment totals were in error.
2. Open/Close/Cancelled status not automatically updated when the last seat is occupied.
3. The computer system was reporting double charges for the spring semester students.
4. The beginning balance, relating to the payment plan does not automatically increase the plan beginning balance.
5. Programs showing the charges for students, does not consistently have matching information for the same student.
6. Receipting statements from non-student entities cannot be used. There is no clear identification to permit matching payment with related charges.
7. Subsidiary balances for several miscellaneous accounts have not been converted; however, the general ledger trial balance, shows a converted balance.
8. An approval track has not been set up, for users assigned a user identification number for creating requisitions.
9. Fee amounts for non-credit courses cannot exceed \$999.99, since the field is only 5 characters and 2 of the characters are for the cents.
10. Month close selection edit is showing several old transactions from the last fiscal year.
11. Total payment amount made by the students are being corrupted without any additional entries made for the student or regeneration of charges.
12. Programs showing the charges for students, do not consistently have matching information for the same student.

LORAIN COUNTY COMMUNITY COLLEGE  
Schedule of Findings and Questioned Costs  
June 30, 1999

99-6

**CMDS Computer System (CFDA # 84.063; 84.032 & 84.033) (continued)**

Condition (continued)

13. Several accounts receivable balances were incorrect, resulting from the new computer system generating corrupt data.
14. Subsidiary balances for a number of miscellaneous accounts were not converted.
15. The accounts receivable subsidiary ledger and the general ledger receivable ledger is out of balance.

Criteria:

Full implementation of the new computer system is scheduled by October 20, 1999.

Effect:

Could result in inaccurate data being generated from the Financial Aid office and the Bursar office; therefore, resulting financial statements not being presented fairly in accordance with generally accepted accounting principles. Furthermore, if these issues are not soon resolved, the College will have additional problems relating to the Year 2000 compliance.

Cause:

New computer system, presented problems not anticipated by the College.

Recommendation:

In order to improve the system of internal controls, I recommend that all issues and problems relating the CMDS computer system be resolved immediately and that there is a proper understanding of the computer software, by the appropriate personnel, responsible for tracking the necessary data to present accurate financial information. In addition, I recommend that reconciliations be performed on each account and differences be investigated, prior to the closing of the books at year end. By performing these procedures, the risk that the system of internal controls will be deemed inadequate and the risk that the financial statements will be misstated will be significantly reduced.

**LORAIN COUNTY COMMUNITY COLLEGE**  
**Schedule of Findings and Questioned Costs**  
June 30, 1999

**Section III - Federal Award Findings and Questioned Costs**

See 99-6

99-7

**Cash Management - PELL Funds (CFDA # 84.063)**

Condition:

The College requested more funds than was reported to operate the PELL program.

Criteria:

Funds requested for PELL, should be based on actual expenditures made by the College.

Effect:

This practice could result in potential questioned costs.

Cause:

Oversight by management.

Recommendation:

I recommend that College request only actual PELL expenditures. Performing this procedure will reduce the risk of incurring questioned costs.

99-8

**Federal Work Study - Student Award (CFDA # 84.033)**

Condition:

During the testing of Federal Work Study, it was noted that several student's exceeded their Federal Work Study award.

Criteria:

The Federal Work Study, awarded to each student should not be exceeded, during the fiscal year.

Effect:

This practice could result in inaccurate data, being reported to the federal agency. In addition, to an overstatement of federal expenditures.

Cause:

There were problems with the new computer software.

LORAIN COUNTY COMMUNITY COLLEGE  
Schedule of Findings and Questioned Costs  
June 30, 1999

99-8

**Federal Work Study - Student Award (CFDA # 84,033) (continued)**

**Recommendation:**

I recommend that awards for Federal Work Study students, be monitored each pay period. Performing this procedure will reduce the risk of student's exceeding their awarded amount.

99-9

**Federal Grant Coordinator (CFDA # 84.063; 84.032; 84.033; 84.048; 84.031; 84.243; 93.558; 93.561; 17.250 & 47.076)**

**Condition:**

I noted that no single Lorain County Community College official is responsible for the overall coordination of the College federal grants. As a result, I encountered some difficulty in ascertaining whether all federal expenditures were accurately reflected on the Schedule of Expenditures of Federal Awards.

**Criteria:**

The Schedule of Expenditures of Federal Awards, should accurately reflect the federal expenditures of the College, for each federal program.

**Effect:**

The Schedule of Expenditures of Federal Awards, may not accurately reflect the total federal expenditures, for the fiscal year under audit.

**Cause:**

Oversight by management.

**Recommendation:**

I recommend that the College consider making one employee responsible for monitoring all federal grant activities. Among this individual's responsibilities would be the following:

1. Procedures to monitor compliance with --
  - o Financial reporting requirements
  - o Use of funds and other conditions in accordance with grant terms
  - o Timely billing of amounts due under grants
  - o Cash management (PELL; Federal Work Study)
2. Accounting for grant activity so that it can be separated from the accounting for locally funded activities.
3. System for obtaining grantor approval before incurring expenditures in excess of budgeted amounts or for unbudgeted expenditures.
4. Processing grant revenues and disbursements under the same degree of controls applicable to the College's other transactions (budget, procurement, etc.)

LORAIN COUNTY COMMUNITY COLLEGE  
Schedule of Findings and Questioned Costs  
June 30, 1999

99-9

**Federal Grant Coordinator** (CFDA # 84.063; 84.032; 84.033; 84.048; 84.031; 84.243; 93.558; 93.561; 17.250 & 47.076) (continued)

5. Reasonable procedures and controls to provide assurances of compliance with recipient eligibility requirements established by the grants.
6. To properly complete the "Data Collection Form"

*Lorain County Community College*  
**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 1999

98-1

**Financial Aid - Stafford Loan (CFDA # 84.063)**

Condition:

One student received a Stafford Loan who was ineligible, resulting in an over-award of federal funds.

Recommendation:

I recommend that only eligible students receive the Stafford Loan. In addition, a check for the over-award of \$2,330.48, plus the interest of \$180.10 should be issued to the Department of Education. Performing this procedure will reduce the risk of future federal funds from being disallowed or reduced.

Current Status:

The finding has been corrected, and does not warrant further action.

98-2

**JOBS Program - Indirect Costs (CFDA # 93.561)**

Condition:

Indirect costs were not properly calculated, resulting in a overpayment of federal funds.

Recommendation:

I recommend that the amount charged to indirect costs, represent 8% of the total personnel costs and fringe benefits. In addition, a check for the overpayment of \$81.16, should be issued to Columbus State Community College. Performing this procedure will reduce the risk of future federal funds from being disallowed or reduced.

Current Status:

The finding has been corrected, and does not warrant further action.

98-3

**CMDS Computer System (CDFA # 84.063; 84.033; 84.048; 84.031; 42.002; 84.243; 93.561; 17.250; 47.041)**

Condition:

The conversion to the new computer system has not been fully implemented. Currently information is not being accurately processed; see the following examples:

1. Total payment amount made by the students are being corrupted without any additional entries made for the student or regeneration of charges.
2. Financial aid award letter procedure has not been set up or implemented.

Lorain County Community College  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 1999

98-3

**CMDS Computer System** (CDFA # 84.063; 84.033; 84.048; 84.031; 42.002; 84.243; 93.561; 17.250; 47.041) (continued)

3. Programs showing the charges for students, do not consistently have matching information for the same student.
4. Bursar's office cannot do selected refunds for groups of financial aid recipients or students who have due to schedule adjustments. Refund checks are issued manually.
5. Several accounts receivable balances were incorrect, resulting from the new computer system generating corrupt data.
6. Subsidiary balances for a number of miscellaneous accounts were not converted.
7. There is no method in place, for tracking students sent to collection agencies and determining whether or not they later paid.
8. The financial aid packaging has not been implemented. The transfer of aid is performed manually.
9. The reporting of attendance, for financial aid purposes are inadequate under the new system, and could result in potential problems relating to the Department of Education.
10. The accounts receivable subsidiary ledger and the general ledger receivable ledger is out of balance.
11. The module for vacation and sick leave accrual, has not been implemented on the new computer system.

**Recommendation:**

In order to improve the system of internal controls, I recommend that all issues and problems relating the CMDS computer system be resolved immediately and that proper training be received by the appropriate personnel, responsible for tracking the necessary data to present accurate financial information. In addition, I recommend that reconciliations be performed on each account and differences be investigated, prior to the closing of the books at year end. By performing these procedures, the risk that the system of internal controls will be deemed inadequate and the risk that the financial statements will be misstated will be significantly reduced.

**Current Status:**

The finding has been repeated, except for the following, which has been corrected, and does not warrant further action: 1; 4; 7; 8; 9 and 10.

## CORRECTIVE ACTION PLAN

June 30, 1999

Oversight Agency for Audit: Department of Education

Lorain County Community College, respectfully submits the following corrective action plan for the year ended June 30, 1999.

Name and address of independent public accounting firm: Kevin L. Penn, Inc. 13212 Shaker Square, Suite 100, Cleveland, Ohio 44120.

Audit Period: June 30, 1999.

The findings from the June 30, 1999 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### FINDINGS - FINANCIAL STATEMENT AUDIT

#### REPORTABLE CONDITIONS

99-1

#### **Bank Reconciliation**

##### Recommendation:

I recommend that the bank statement be reconciled on a monthly basis, and compared to the general ledger trial balance. Differences noted, should be investigated immediately. Performing this procedure will reduce the risk that the cash balance would be misstated on the financial statements.

##### Auditee's Response:

The accounting staff reconciles the bank statement on a monthly basis. In the current year, new reconciliation procedures were incorporated to balance receipts and disbursements with the general ledger on a daily basis.

99-2

**Ticket Master System - Stocker Center**

**Recommendation:**

I recommend that computer back-up system be implemented, in order to prevent potential irregularities, relating to cash transactions.

**Auditee's Response:**

The information systems personnel will meet with the Director of Stocker Center to determine a back-up plan or system, should the ticket master computer system crash.

99-3

**Fixed Assets Inspection**

**Recommendation:**

I recommend that an annual inventory of property and equipment be performed on June 30, and reconcile the results to the equipment records. Furthermore, each fixed asset purchased by the College, should remain on the property of the College. By performing these procedure, the College will reduce the risk of maintaining an inadequate system of internal controls.

**Auditee's Response:**

Scheduling of workload and normal campus activities near the end of the fiscal year makes it impractical to take a count of assets at the end of the year. This creates natural inaccuracies as the appropriate assets are rearranged to accommodate renovations to prepare for the coming academic year. Staffing is inadequate to complete the task of tagging every fixed asset purchase. The Purchasing Department will look into requesting additional help in order to tag each fixed before placed in service.

99-4

**Fixed Asset Inventory**

**Recommendation:**

I recommend that each fixed asset be tagged, prior to being placed into service. In addition, each fixed asset should be recorded in the inventory ledger and reconciled, on an annual basis. Performing these procedure, will reduce the risk of improper safeguarding of fixed assets.

**Auditee's Response:**

Scheduling of workload and normal campus activities near the end of the fiscal year makes it impractical to take a count of assets at the end of the year. This creates natural inaccuracies as the appropriate assets are rearranged to accommodate renovations to prepare for the coming academic year. Staffing is inadequate to complete the task of tagging every fixed asset purchase. The Purchasing Department will look into requesting additional help in order to tag each fixed before placed in service.

99-5

**Adjunct Faculty Contract**

Recommendation:

I recommend that the payroll register, be reviewed for duplicate payment each pay period. Performing this procedure, will reduce the risk of an employee being compensated twice for the same contract.

Auditee's Response:

The procedure of processing faculty contracts through the payroll department was revised in March 1999. Internal controls were strengthened to ensure the duplicate payments for compensation are not made. The employee who received duplicate payment of \$4,050.00 has reimbursed the College for this amount.

99-6

**CMDS Computer System (CFDA # 84.063; 84.032 & 84.033)**

Recommendation:

In order to improve the system of internal controls, I recommend that all issues and problems relating the CMDS computer system be resolved immediately and that there is a proper understanding of the computer software, by the appropriate personnel, responsible for tracking the necessary data to present accurate financial information. In addition, I recommend that reconciliations be performed on each account and differences be investigated, prior to the closing of the books at year end. By performing these procedures, the risk that the system of internal controls will be deemed inadequate and the risk that the financial statements will be misstated will be significantly reduced.

Auditee's Response:

The purchase of a new integrated campus-wide administrative system, (CMDS - Computer Management Data System), was part of a strategy to replace a twenty year old system (FAS - Financial Accounting System) that was not Y2K compliant. In May 1998, the College converted to the CMDS software package. The conversion was not still fully implemented through the date of the audit on June 30, 1999. The vendor and the Information Systems and Services department are working to complete the configuration of the new system. Furthermore, employees are receiving additional training to assist them in the operation of the system and reconciliation of accounts. In October 1999, the new system was modified and became Y2K compliant.

99-7

**Cash Management - PELL Funds (CFDA # 84.063)**

Recommendation:

I recommend that College request only actual PELL expenditures. Performing this procedure will reduce the risk of incurring questioned costs.

99-7

**Cash Management - PELL Funds (CFDA # 84.063) (continued)**

Auditee's Response:

The total amount of funds requested from the US Department of Education did not exceed total reported expenditures. The Chief Accountant or Grants Accountant will ensure that PELL funds requested are deposited in the proper revenue account. The problem of requesting excess funds for PELL has been corrected by allocating revenues to other USDOE programs in the current fiscal year.

99-8

**Federal Work Study - Student Award (CFDA # 84.032 & #84.033)**

Recommendation:

I recommend that awards for Federal Work Study students, be monitored each pay period. Performing this procedure will reduce the risk of student's exceeding their awarded amount.

Auditee's Response:

The Manager of Financial Aid will monitor the Federal Work-Study Program expenses. Federal Work-Study Funds awarded to students will not be exceeded by expenses. The amount of expenses for Federal Work-Study was reported properly on the fiscal Operations Report.

99-9

**Federal Grant Coordinator (CFDA # 84.063; 84.032 & 84.033)**

Recommendation:

I recommend that the College consider making one employee responsible for monitoring all federal grant activities. Among this individual's responsibilities would be the following:

1. Procedures to monitor compliance with --
  - o Financial reporting requirements
  - o Use of funds and other conditions in accordance with grant terms
  - o Timely billing of amounts due under grants
  - o Cash management (PELL; Federal Work Study)
2. Accounting for grant activity so that it can be separated from the accounting for locally funded activities.
3. System for obtaining grantor approval before incurring expenditures in excess of budgeted amounts or for unbudgeted expenditures.
4. Processing grant revenues and disbursements under the same degree of controls applicable to the College's other transactions (budget, procurement, etc.)

99-9

**Federal Grant Coordinator (CFDA # 84.063; 84.032 & 84.033) (continued)**

**Recommendation:**

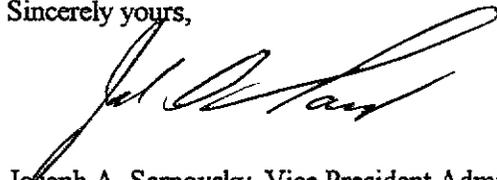
5. Reasonable procedures and controls to provide assurances of compliance with recipient eligibility requirements established by the grants.
6. To properly complete the "Data Collection Form"

**Auditee's Response:**

The College created a new position that was filled on a temporary full-time basis in May 1999.

If the Department of Education, has questions regarding this plan, please call Georgio S. Efpraxias, CPA, CGFM, Controller at (440) 365-5222, Ext. 7590.

Sincerely yours,



Joseph A. Sarnovsky, Vice President Administrative Services  
Lorain County Community College

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**LORAIN COUNTY COMMUNITY COLLEGE**

Financial Condition

As of

June 30, 1999

Together with Auditors' Report



Kevin L.  
Penn, Inc.

Certified Public Accountant

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# LORAIN COUNTY COMMUNITY COLLEGE

## FINANCIAL CONDITION

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

Board of Trustees  
Lorain County Community College

We have reviewed the independent auditor's report of the Lorain County Community College, Lorain County, prepared by Kevin L. Penn, Inc. for the audit period July 1, 1998 through June 30, 1999. 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.

During the course of the audit, an individual was compensated twice in the amount of \$4,050.00 for services rendered to the entity. The overpayment occurred due to an oversight by the payroll department's accounting system. The entire amount has been reimbursed back to the entity and no further action is required.

Also, during the audit period an individual did not have the proper amount withheld for authorized payroll deductions in the amount of \$1,118.60 which was due to an oversight by the payroll department's accounting system. The entire amount has been reimbursed back to the entity and no further action is required.

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



JIM PETRO  
Auditor of State

January 5, 2000



Kevin L.  
Penn, Inc.

Certified Public Accountant  
13212 Shaker Square, Suite 100  
Cleveland, Ohio 44120  
(216) 283-1535  
Fax: (216) 283-5724

## Independent Auditor's Report

The Board of Trustees Lorain County Community College  
1005 N. Abbe Road  
Elyria, Ohio 44035

I have audited the accompanying balance sheet of Lorain County Community College, as of and for the year ended June 30, 1999 and the related statements of changes in fund balances and current funds, revenues, expenditures and other changes for the year ended June 30, 1999. These financial statements are the responsibility of the Lorain County Community College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lorain County Community College, as of June 30, 1999, and the changes in fund balances and current funds, revenues, expenditures and other changes for the year ended June 30, 1999 in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 8, 1999 on my consideration of the Lorain County Community College's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The year 2000 supplementary information on page 22 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and I did not audit and do not express an opinion on such information. Further, I was unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, I did not provide assurance that Lorain County Community College is or will become year 2000 compliant, that Lorain County Community College's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Lorain County Community College, does business are or will become year 2000 compliant.

My audit was performed for the purpose of forming an opinion on the financial statements of Lorain County Community College, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*K. Z. Penn, Inc.*

November 8, 1999



STATE OF OHIO  
OFFICE OF THE AUDITOR

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LORAIN COUNTY COMMUNITY COLLEGE

LORAIN COUNTY

CLERK'S CERTIFICATION

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

By:

Susan Babbitt

Date:

JAN 18 2000