

**LAKE COUNTY COMMUNITY COLLEGE  
DISTRICT  
D/B/A LAKELAND COMMUNITY COLLEGE**

**LAKE COUNTY**

**SINGLE AUDIT REPORT**

**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**



OHIO AUDITOR OF STATE  
KEITH FABER



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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, 2020 through June 30, 2021. 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.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

February 02, 2022

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

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**Financial Report**  
**with Supplemental Information**  
**June 30, 2021 and June 30, 2020**

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

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## 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 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, 2021 and 2020, 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.

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

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

### ***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 discretely presented component unit of the College, as of June 30, 2021 and 2020, 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 and required schedules on pensions and other postemployment benefits as listed in the table of contents 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 audits 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 January 3, 2022, 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 solely 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 the effectiveness of the College's 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  
January 3, 2022

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

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## **Management's Discussion and Analysis (Unaudited)**

The management's discussion and analysis of Lake County Community College District d/b/a Lakeland Community College's (Lakeland Community College, Lakeland, or the "College") annual financial statements provides an overview of the College's financial activities for the years ended June 30, 2021, 2020, and 2019. 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, deferred outflows of resources, liabilities, and deferred inflows of resources of the College. It is prepared using the accrual basis of accounting. Revenues 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.

# Lake County Community College District

## d/b/a Lakeland Community College

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### 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 21 and in Notes 1 and 15.

#### Condensed Statements of Net Position

	June 30		
	2021	2020	2019
<b>Assets</b>			
Current assets	\$ 38,416,177	\$ 29,976,187	\$ 29,695,208
Noncurrent assets:			
Capital	122,434,652	124,695,399	126,432,299
Other	7,283,131	8,647,734	13,041,929
Total assets	<u>168,133,960</u>	<u>163,319,320</u>	<u>169,169,436</u>
<b>Deferred Outflows of Resources</b>			
Pensions	10,479,623	10,022,460	14,616,935
Other postemployment benefits	2,304,562	1,443,769	764,265
Total deferred outflows	<u>12,784,185</u>	<u>11,466,229</u>	<u>15,381,200</u>
<b>Liabilities</b>			
Current liabilities	\$ 21,830,478	\$ 17,073,690	\$ 17,293,148
Noncurrent liabilities	163,002,418	162,416,845	167,889,822
Total liabilities	<u>184,832,896</u>	<u>179,490,535</u>	<u>185,182,970</u>
<b>Deferred Inflows of Resources</b>			
Property taxes	9,741,574	9,618,069	9,599,607
Pensions	4,016,454	5,416,102	7,287,306
Other postemployment benefits	9,670,923	7,631,804	6,542,190
Total deferred inflows	<u>23,428,951</u>	<u>22,665,975</u>	<u>23,429,103</u>
<b>Net Position</b>			
Net investment in capital assets	36,767,075	38,069,143	40,882,717
Restricted	472,699	384,071	383,571
Unrestricted	(64,583,476)	(65,824,176)	(65,327,725)
Total net position	<u>(27,343,702)</u>	<u>(27,370,962)</u>	<u>(24,061,437)</u>

#### Analysis of Overall Financial Position

At June 30, 2021, current assets amounted to \$38.4 million as compared to \$30.0 million at June 30, 2020, an increase of \$8.4 million. Current liabilities at June 30, 2021 amounted to \$21.8 million as compared to \$17.1 million at June 30, 2020, an increase of \$4.7 million. The College's working capital ratio was 1.8 and 1.8 at June 30, 2021 and 2020, respectively.

# **Lake County Community College District**

## **d/b/a Lakeland Community College**

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

The increase in current assets at June 30, 2021 is primarily attributable to an increase in restricted cash and cash equivalents of \$8.0 million, and higher cash and cash equivalents of \$3.2 million, partially offset by decreases in intergovernmental receivables and loans and other receivables of \$2.4 million and \$0.2 million, respectively.

The increase in current liabilities at June 30, 2021 is primarily attributable to an increase in unearned revenue of \$3.2 million due to deferred revenue associated with unapplied federal stimulus funds, an increase in accounts payable and accrued liabilities of \$0.8 million due to an increase in accruals related to various capital projects, as well as the timing of payments to vendors, and an increase in debt payable of \$0.7 million.

At June 30, 2020, current assets amounted to \$30.0 million as compared to \$29.7 million at June 30, 2019, an increase of \$0.3 million. Current liabilities at June 30, 2020 amounted to \$17.1 million as compared to \$17.3 million at June 30, 2019, a decrease of \$0.2 million. The College's working capital ratio was 1.8 and 1.7 at June 30, 2020 and 2019, respectively.

The increase in current assets at June 30, 2020 is primarily attributable to an increase in intergovernmental receivables of \$1.6 million, in addition to an increase in restricted short-term investments of \$0.4 million, partially offset by a decrease in short-term investments of \$1.2 million, lower loans and other receivables of \$0.3 million, and a decrease in cash and cash equivalents of \$0.2 million.

The decrease in current liabilities at June 30, 2020 is primarily attributable to a decrease of \$1.4 million in accounts payable and accrued liabilities, due to a decrease in accruals related to various capital projects, as well as the timing of payments to vendors, partially offset by increases in unearned revenue and compensated absences of \$0.9 million and \$0.3 million, respectively.

Noncurrent assets are comprised of capital assets, restricted cash and cash equivalents, restricted investments, investments, loans receivable, and a net other postemployment benefits (OPEB) asset recognized under GASB 75. The decrease in noncurrent assets of \$3.6 million during 2021 is primarily attributable to a decrease in net capital assets due to capital asset additions being more than offset by the College's annual recognized depreciation charge, in addition to a decrease in restricted cash and cash equivalents, partially offset by increases in both investments and restricted investments. Current year capital asset additions consist of various College and State funded projects including engineering equipment, safety and security equipment, capped professional design fees related to the Laketran transit center, and planned equipment replacements.

The decrease in noncurrent assets of \$6.1 million during 2020 is primarily attributable to the capital spending of the debt proceeds from the Series 2019 Certificates of Participation, along with a decrease in net capital assets due to capital asset additions being more than offset by the College's annual recognized depreciation charge. Current year capital asset additions consist of various College and State funded projects including the welding lab renovation, E-Building parking lot, roadway project, and planned equipment replacements.

The increase in noncurrent liabilities in 2021 of \$0.6 million is primarily attributable to an increase in the College's pension liability recognized under GASB 68, partially offset by a decrease in the College's other postemployment benefits (OPEB) liability recognized under GASB 75, along with a decrease in debt payable.

# Lake County Community College District

## d/b/a Lakeland Community College

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

The decrease in noncurrent liabilities in 2020 of \$5.5 million is primarily attributable to a decrease in debt payable mainly due to the refunding of the Series 2014 Bonds, a decrease in the College's OPEB liability recognized under GASB 75, and a decrease in the College's pension liability recognized under GASB 68.

The net pension liability (NPL) is the second largest liability reported by the College at June 30, 2021, 2020 and 2019 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27*. In fiscal year 2018, the College adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to OPEB. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the College's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the College's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the College is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with

# Lake County Community College District

## d/b/a Lakeland Community College

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

notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the College's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

The increase in deferred outflows of resources in 2021 of \$1.3 million is primarily due to GASB 75, reflecting other postemployment benefit activity as reported by SERS and STRS, and GASB 68, reflecting pension activity as reported by SERS and STRS.

The decrease in deferred outflows of resources in 2020 of \$3.9 million is primarily due to GASB 68 and reflects pension activity as reported by SERS and STRS.

The increase in deferred inflows of resources in 2021 of \$0.8 million is primarily due to GASB 75, reflecting other postemployment benefit activity as reported by SERS and STRS, in addition to an increase attributable to property taxes, offset in part by a decrease attributable to GASB 68, reflecting pension activity as reported by SERS and STRS.

The decrease in deferred inflows of resources in 2020 of \$0.7 million is primarily due to GASB 68, reflecting pension activity as reported by SERS and STRS, offset in part by an increase attributable to GASB 75, reflecting other postemployment benefit activity as reported by SERS and STRS.

The College's net position amounted to \$(27.3) million, \$(27.4) million, and \$(24.1) million at June 30, 2021, 2020, and 2019, respectively. The increase in the College's net position during 2021 was primarily attributable to increased capital appropriated from the State of Ohio, in addition to a net credit to other postemployment benefits (OPEB) expense recognized under GASB 75, partially offset by the decrease in net investment in capital assets due to depreciation expense, which was partially offset by capital additions, and pension expense recognized under GASB 68.

The decrease in the College's net position during 2020 was primarily attributable to the decrease in net investment in capital assets, in addition to the pension expense recognized under GASB 68, partially offset by a net credit to other postemployment benefits (OPEB) expense recognized under GASB 75.

# **Lake County Community College District**

## **d/b/a Lakeland Community College**

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

#### **Capital Assets and Long-term Debt Activity**

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

During 2021, the College utilized \$2.5 million in state capital appropriations, and \$2.2 million in internal funds including debt proceeds, and purchased \$4.7 million of capital assets.

During 2020, the College utilized \$0.6 million in state capital appropriations, and \$8.5 million in internal funds including debt proceeds, and purchased \$9.1 million of capital assets.

In 2021, the College issued \$2.75 million of General Receipts Bonds, Series 2020, dated September 29, 2020, for the purpose of, among other things, funding the interest due on the Series 2019 Certificates of Participation through April 1, 2021, and funding a portion of the interest due on the Series 2019 Certificates of Participation on October 1, 2021. The Series 2020 Bonds are at a fixed interest rate of 2.95 percent and a final maturity in 2035.

In 2020, the College issued \$17.8 million of General Receipts Refunding Bonds, Series 2019, for the purpose of refunding the \$20.7 million Series 2014 Bonds, dated November 25, 2014. The Series 2019 Bonds are at fixed interest rates ranging from 3.0 percent to 5.0 percent and a final maturity in 2039.

In 2019, the College issued \$22.5 million of Certificates of Participation for the purpose of refinancing the \$10.0 million Tax Anticipation Notes, Series 2017A, dated January 18, 2017 and the \$10.0 million Tax Anticipation Notes, Series 2017B, dated July 19, 2017. The Certificates are at fixed interest rates ranging from 3.125 percent to 5.0 percent and a final maturity in 2044.

In 2017, the College issued the Series 2017A Tax Anticipation 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 were payable as to principal and interest on December 1 in the years 2017 – 2027. The 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 College property.

In 2017, the College issued the Series 2017B Tax Anticipation Notes in the amount of \$10.0 million representing the par amount of the notes, at a fixed interest rate of 2.44 percent. The notes are dated July 19, 2017 and were payable as to principal and interest on December 1 in the years 2018 – 2027. The College used the proceeds for the erection, furnishing and equipment of buildings and the improvement of various properties.

The \$10.0 million Tax Anticipation Notes, Series 2017A, and the \$10.0 million Tax Anticipation Notes, Series 2017B, have been called for optional redemption on June 3, 2019 at par, plus interest accrued to the redemption date.

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.



# **Lake County Community College District**

## **d/b/a Lakeland Community College**

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

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 (the "County") voters on November 3, 2015 will fully fund the debt service requirements on the College's Series 2016 Bonds.

In 2016, the College entered into a \$10.4 million loan agreement with the Ohio Air Quality Development Authority (OAQDA) at fixed interest rates ranging from 1.85 percent to 3.62 percent and a final maturity in 2029. The loan agreement is dated June 8, 2016. The proceeds were used to assist in the financing of certain air quality facilities in the form of energy conservation measures 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 2020, the \$20.7 million General Receipts Bonds, Series 2014, issued on November 25, 2014, were refunded prior to maturity, at par.

During 2021, 2020 and 2019, the College paid \$2.4 million, \$22.5 million and \$21.7 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.

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

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**Management’s Discussion and Analysis (Unaudited) (continued)**

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

	Years Ended June 30		
	2021	2020	2019
<b>Operating Revenue</b>			
Student tuition and fees - Net	\$ 10,079,681	\$ 10,133,006	\$ 10,729,728
Grants, contracts, and other revenue	2,353,278	2,296,071	3,196,426
Auxiliary enterprises - Net	1,454,138	1,978,527	2,946,559
Total operating revenue	13,887,097	14,407,604	16,872,713
<b>Operating Expenses</b>	63,001,465	63,561,550	59,184,843
<b>Operating Loss</b>	(49,114,368)	(49,153,946)	(42,312,130)
<b>Nonoperating Revenue (Expenses)</b>			
State appropriations	20,130,527	19,762,858	20,343,372
Local appropriations	20,790,212	20,809,271	20,364,663
Federal grants and contracts	2,708,077	-	-
Pell grant revenue - Net of refunds	5,590,164	6,954,017	7,402,521
Other nonoperating revenue and expenses - Net	(2,661,579)	(2,358,124)	(1,826,510)
Total nonoperating revenue	46,557,401	45,168,022	46,284,046
<b>(Loss) Gain - Before other changes</b>	(2,556,967)	(3,985,924)	3,971,916
<b>Other Changes</b>			
Capital appropriations from the State of Ohio	2,549,227	636,052	498,280
Capital grants and gifts	35,000	40,347	196,644
Total other changes	2,584,227	676,399	694,924
<b>Increase (Decrease) in Net Position</b>	27,260	(3,309,525)	4,666,840
<b>Net Position - Beginning of year</b>	(27,370,962)	(24,061,437)	(28,728,277)
<b>Net Position - End of year</b>	<b>\$ (27,343,702)</b>	<b>\$ (27,370,962)</b>	<b>\$ (24,061,437)</b>

**Analysis of Results of Operations**

Total revenue for the years ended June 30, 2021 and 2020 was \$63.0 million and \$60.3 million, respectively, of which operating revenue amounted to \$13.9 million and \$14.4 million, respectively. Operating revenue decreased \$0.5 million, or 3.6 percent. Total operating expenses for the years ended June 30, 2021 and 2020 were \$63.0 million and \$63.6 million, respectively. Operating expenses decreased \$0.6 million, or 0.9 percent. The College’s operating loss amounted to \$49.1 million during 2021 compared to \$49.2 million in 2020, which represented a decrease of \$0.1 million, or 0.1 percent.

Total revenue for the years ended June 30, 2020 and 2019 was \$60.3 million and \$63.9 million, respectively, of which operating revenue amounted to \$14.4 million and \$16.9 million, respectively. Operating revenue decreased \$2.5 million, or 14.6 percent. Total operating expenses for the years ended June 30, 2020 and 2019

# Lake County Community College District

## d/b/a Lakeland Community College

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### Management’s Discussion and Analysis (Unaudited) (continued)

were \$63.6 million and \$59.2 million, respectively. Operating expenses increased \$4.4 million, or 7.4 percent. The College’s operating loss amounted to \$49.2 million during 2020 compared to \$42.3 million in 2019, which represented an increase of \$6.8 million, or 16.2 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		
	2021	2020	2019
	(dollars in millions)		
Credit instruction	\$ 13.8	\$ 14.9	\$ 15.3
Less Pell grants and scholarship allowances	(5.2)	(6.4)	(6.6)
Net credit instruction	8.6	8.5	8.7
Noncredit instruction	0.1	0.2	0.4
Other	1.4	1.4	1.6
Total	<u>\$ 10.1</u>	<u>\$ 10.1</u>	<u>\$ 10.7</u>

Student tuition and fees, net, was flat during 2021 as compared to 2020.

Credit instruction tuition and fees, net, increased by \$0.1 million in 2021 as compared to 2020. Gross credit instruction and fees decreased by 7.4 percent. The decrease is primarily attributable to declines in fall and spring enrollment of 14.8 percent and 13.5 percent, respectively, partially offset the increase in summer enrollment of 9.4%, along with the impact of the tuition rate increase commencing with the fall 2020 term. Gross credit instruction and fees are offset by Pell grants and other scholarship allowances of \$5.2 million during 2021 as compared to \$6.4 million during 2020.

Credit instruction tuition and fees, net, decreased by \$0.2 million in 2020 as compared to 2019. Gross credit instruction and fees decreased by 2.7 percent. The decrease is primarily attributable to declines in summer, fall, and spring enrollment of 12.6 percent, 4.3 percent, and 6.2 percent, respectively, partially offset by the impact of the tuition rate increase commencing with the fall 2019 term. Gross credit instruction and fees are offset by Pell grants and other scholarship allowances of \$6.4 million during 2020 as compared to \$6.6 million during 2019.

Noncredit instruction revenue decreased by \$0.1 million during 2021 as compared to 2020.

Noncredit instruction revenue decreased by \$0.2 million during 2020 as compared to 2019.

Grants, contracts, and other revenue increased by \$0.1 million during 2021 as compared to 2020. Higher private grants and contracts of \$0.6 million, in addition to higher other operating revenue of \$0.3 million, were partially offset by an decreases in both sales and services and federal grants and contracts of \$0.4 million and \$0.3 million, respectively.

# **Lake County Community College District**

## **d/b/a Lakeland Community College**

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

Grants, contracts, and other revenue decreased by \$0.9 million during 2020 as compared to 2019. Lower private grants and contracts of \$1.0 million, in addition to lower partnership revenue from the Holden University Center of \$0.1 million, were partially offset by higher federal grants and contracts of \$0.2 million.

Auxiliary enterprises revenue is comprised primarily of bookstore and event services and campus dining revenue. Revenue decreased by 26.5 percent for these operations during 2021 compared to 2020, primarily attributable to a decline in bookstore sales due to a decrease in enrollment and the increasing trend of utilizing open source textbooks. In addition, event services and campus dining revenues were lower due to a decrease in activity due to the pandemic. These decreases were partially offset by a change in the offset of gross auxiliary bookstore revenue related to Pell grants. Gross auxiliary bookstore revenue is offset by Pell grants of \$0.3 million in 2021 as compared to \$0.6 million in 2020.

Auxiliary enterprises revenue decreased by 32.9 percent for these operations during 2020 compared to 2019, primarily attributable to a decline in bookstore sales due to a decrease in enrollment and the increasing trend of utilizing open source textbooks. In addition, event services and campus dining revenues were lower due to a decrease in activity as a result of the pandemic-related campus closure in March 2020.

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 Instruction ("SSI") support.

The College's State funding for operational support is determined legislatively and controlled through the Ohio Department of Higher Education. State Share of Instruction (SSI) is a formula that determines and allocates available 2021 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 2021 by \$0.4 million, or 1.9 percent, as compared with 2020. The increase is primarily attributable to the restoration of State funding due to Ohio's improved economy, after experiencing a decrease in State appropriations starting in 2020 due to the pandemic.

State support decreased during 2020 by \$0.6 million, or 2.9 percent, as compared with 2019. The decrease is primarily attributable to State cuts due to the COVID-19 pandemic, partially offset by a performance increase in total support of 2% in 2020 State appropriations.

Local appropriations were flat during 2021 as compared to 2020.

Local appropriations increased by approximately \$0.4 million or 2.2 percent during 2020 as compared to 2019. The increase is primarily attributable to higher real estate tax collections due to new construction across the County and a higher collectability rate.

Federal grants and contracts increased by \$2.7 million during 2021 as compared to 2020 due to an increase in Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act reimbursements used for eligible pandemic-related reimbursable expenditures under the Federal CARES Act guidelines.

Pell grant revenues decreased by \$1.4 million during 2021 as compared to 2020, due to lower enrollment.

Pell grant revenues decreased by \$0.4 million during 2020 as compared to 2019, due to lower enrollment.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Management’s Discussion and Analysis (Unaudited) (continued)

Other nonoperating income and expenses decreased by \$0.3 million during 2021 as compared to 2020, primarily due to a decrease in unrestricted investment income – net of investment expenses.

Other nonoperating income and expenses decreased by \$0.5 million during 2020 as compared to 2019, primarily due to an increase in debt interest expense.

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

	Years Ended June 30		
	2021	2020	2019
	(dollars in millions)		
Educational and general:			
Salaries and wages	\$ 32.8	\$ 33.3	\$ 34.6
Benefits - Net pension expense (reduction of pension expense) under GASB 68	1.2	1.7	(1.7)
Benefits - Net reduction of other postemployment benefits expense under GASB 75	(0.7)	(1.0)	(6.1)
Benefits - Other	10.9	10.8	11.7
Operating expenses	<u>10.2</u>	<u>9.1</u>	<u>11.3</u>
Total educational and general	54.4	53.9	49.8
Auxiliary enterprises	2.2	3.4	4.1
Depreciation	<u>6.4</u>	<u>6.3</u>	<u>5.3</u>
Total	<u>\$ 63.0</u>	<u>\$ 63.6</u>	<u>\$ 59.2</u>

Salaries and wages decreased by 1.5 percent during 2021 as compared to 2020. The decrease is primarily attributable to the impact of temporary furloughs and permanent layoffs implemented in May 2020, the related controls over outsourcing of 3<sup>rd</sup> shift custodial services, lower part-time faculty cost resulting from lower enrollment, and replacing open positions at lower salaries, partially offset by cost increases associated with salary increases.

Salaries and wages decreased by 3.7 percent during 2020 as compared to 2019. The decrease is primarily attributable to lower part-time faculty cost resulting from lower enrollment, replacing open full-time faculty positions at lower salaries, delays in filling open non-faculty positions, and the impact of permanent and temporary furloughs implemented in May 2020, partially offset by full-time faculty salary increases, and replacing open positions which were vacant in the prior year.

Benefits include retirement and non-retirement benefits. The slight decrease in total benefits expense during 2021 as compared to 2020 is primarily attributable to a decrease in pension expense recognized under GASB 68, partially offset by a lower net credit to OPEB expense recognized under GASB 75.

Total benefits expense increased during 2020 as compared to 2019, primarily attributable to a lower net credit to OPEB expense recognized under GASB 75, in addition to an increase in pension expense recognized under GASB 68.

The increase in operating expenses in 2021 as compared to 2020 is primarily attributable to an increase in pandemic supply expense, higher professional services expense, primarily due to the outsourcing of third shift custodial services, and an increase in maintenance contracts, partially offset by lower vacation reserve expense,

# Lake County Community College District

## d/b/a Lakeland Community College

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### Management’s Discussion and Analysis (Unaudited) (continued)

a decrease in miscellaneous supplies expense, lower electric expense, a decrease in out-of-state workshop expense, and lower food service charge.

The decrease in operating expenses in 2020 as compared to 2019 is primarily attributable to lower professional services expense, a decrease in utilities expense, lower photocopier lease expense, and a decrease in facility rentals expense, partially offset by higher maintenance contracts and an increase in license fees.

Auxiliary enterprises expense decreased during 2021 by 32.8% as compared to 2020, primarily attributable to lower bookstore costs due to lower sales during 2021 due to enrollment declines and the increasing trend of utilizing open source textbooks. In addition, event services and campus dining expenses were lower due to a decrease in activity due to the pandemic. Also, there was a decrease in allocated pension expense recognized under GASB 68.

Auxiliary enterprises expense decreased during 2020 by 17.5% as compared to 2019, primarily attributable to lower bookstore costs due to lower sales during 2020 due to enrollment declines and the increasing trend of utilizing open source textbooks. In addition, event services and campus dining expenses were lower due to a decrease in activity as a result of the pandemic-related campus closure in March 2020. These decreases were offset in part by an increase in allocated pension expense recognized under GASB 68.

Depreciation expense is higher by 1.4% for 2021 as compared to 2020 due to additional capital expenditures including engineering equipment, safety and security equipment, capped professional design fees related to the Laketran transit center, and planned equipment replacements.

Depreciation expense is higher by 17.3% for 2020 as compared to 2019 due to additional capital expenditures related to the welding lab renovation, E-Building parking lot, roadway project, and planned equipment replacements.

From a budgetary perspective, the College utilizes fund-based accounting to control unrestricted revenue, expenditures, and transfers. The following is a summary for the years ended June 30, 2021, 2020 and 2019, providing a comparison of net changes to fund balance, budget versus actual, for the College’s unrestricted funds.

#### Unrestricted Funds Budget to Actual Comparison

Changes to Fund Balances - by Unrestricted Fund Type	2021		2020		2019	
	Adopted Budget	Actual	Adopted Budget	Actual	Adopted Budget	Actual
	(dollars in millions)		(dollars in millions)		(dollars in millions)	
General operating	\$ 0.2	\$ 2.5	\$ 0.5	\$ 1.4	\$ (0.4)	\$ (2.7)
Auxiliary	0.2	(0.2)	(0.1)	(0.3)	0.1	(0.1)
Plant	(0.1)	-	-	0.1	(1.6)	(1.2)
<b>Total</b>	<b>\$ 0.3</b>	<b>\$ 2.3</b>	<b>\$ 0.4</b>	<b>\$ 1.2</b>	<b>\$ (1.9)</b>	<b>\$ (4.0)</b>

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

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**Management’s Discussion and Analysis (Unaudited) (continued)**

**Statements of Cash Flows**

**Cash Flows for the Years Ended June 30**

	2021	2020	2019
<b>Net Cash and Cash Equivalents (Used in) Provided by</b>			
Operating activities	\$ (32,517,281)	\$ (43,798,463)	\$ (45,728,395)
Noncapital financing activities	46,449,572	46,538,072	48,668,170
Capital and related financing activities	(4,372,403)	(8,877,680)	(5,257,551)
Investing activities	141,164	2,250,677	4,043,813
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>9,701,052</b>	<b>(3,887,394)</b>	<b>1,726,037</b>
<b>Cash and Cash Equivalents - Beginning of year</b>	<b>5,034,784</b>	<b>8,922,178</b>	<b>7,196,141</b>
<b>Cash and Cash Equivalents - End of year</b>	<b><u>\$ 14,735,836</u></b>	<b><u>\$ 5,034,784</u></b>	<b><u>\$ 8,922,178</u></b>

Major sources of cash included student tuition and fees of \$12.0 million in 2021, \$12.1 million in 2020, and \$10.0 million in 2019; state appropriations of \$20.1 million in 2021, \$19.8 million in 2020, and \$20.0 million in 2019; local appropriations of \$20.7 million in 2021, \$19.8 million in 2020, and \$21.2 million in 2019; grants and contracts of \$0.7 million in 2021, \$0.6 million in 2020, and \$1.5 million in 2019; auxiliary sales and services of \$1.7 million in 2021, \$2.1 million in 2020, and \$3.1 million in 2019; and proceeds from debt of \$2.7 million in 2021, \$20.2 million in 2020, and \$28.9 million in 2019.

Major uses of cash included employee compensation and benefits totaling \$44.9 million in 2021, \$45.7 million in 2020, and \$48.4 million in 2019; purchases of investments totaling \$1.3 million in 2021, \$1.8 million in 2020, and \$3.1 million in 2019; suppliers of goods and services totaling \$5.8 million in 2021, \$13.4 million in 2020, and \$12.8 million in 2019; principal payments on capital debt totaling \$2.4 million in 2021, \$22.5 million in 2020, and \$20.8 million in 2019; interest payments on capital debt totaling \$3.3 million in 2021, \$3.9 million in 2020, and \$1.7 million in 2019; and purchases of capital assets totaling \$1.4 million in 2021, \$0.6 million in 2020, and \$11.9 million in 2019.

**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 SSI 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.

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

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## **Management’s Discussion and Analysis (Unaudited) (continued)**

The College’s state funding for operational support is determined legislatively and controlled through the Department of Higher Education. Under the current formula, the 2021 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 1.0% lower in 2022 as compared to 2021 due to the economic impacts of the COVID-19 pandemic.

Local appropriations in the form of property taxes are another critical element of support. The electors within 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 for a continuing period, a 1.5 mills for 10 years, and a 0.4 mills for 27 years. The 1.7 mills replacement levy was approved by County voters on November 2, 2010 and the 1.5 mills stated rate levy was renewed on November 8, 2011. The 0.4 mills levy was approved by 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 2022 budget reflects an anticipated enrollment decline of 7.5 percent from 2021. The State’s current biennium budget, House Bill 110, authorizes \$5 per credit hour increases for both 2022 and 2023 over what the College charged in the previous academic year.

### **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](mailto:mgraff1@Lakelandcc.edu).

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# Lake County Community College District

## d/b/a Lakeland Community College

### Statements of Net Position

	June 30	
	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 3,964,905	\$ 784,565
Restricted cash and cash equivalents (Note 3)	10,770,931	2,731,433
Restricted short-term investments (Note 3)	413,131	353,990
Short-term investments (Note 3)	1,213,816	1,304,430
Intergovernmental receivables - Net	11,720,276	14,163,975
Loans and other receivables - Net (Note 4)	9,102,944	9,306,055
Inventories	381,747	415,652
Prepaid assets	848,427	916,087
Total current assets	38,416,177	29,976,187
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	-	1,518,786
Restricted investments (Note 3)	112,836	66,010
Investments (Note 3)	4,440,790	4,343,542
Loans receivable - Net (Note 4)	10,070	11,526
Capital assets - Net (Note 5)	122,434,652	124,695,399
Net other postemployment benefits asset (Note 11)	2,719,435	2,707,870
Total noncurrent assets	129,717,783	133,343,133
Total assets	168,133,960	163,319,320
<b>Deferred Outflows of Resources</b>		
Pensions	10,479,623	10,022,460
Other postemployment benefits	2,304,562	1,443,769
Total deferred outflows	12,784,185	11,466,229
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,432,478	\$ 2,597,171
Unearned revenue	13,622,256	10,375,242
Debt payable (Note 6)	3,455,169	2,731,433
Compensated absences (Note 6)	1,320,575	1,369,844
Total current liabilities	21,830,478	17,073,690
Noncurrent liabilities:		
Pensions (Note 6, 10)	66,852,711	63,779,476
Other postemployment benefits (Note 6, 11)	9,344,557	11,252,767
Debt payable (Note 6)	85,799,745	86,504,913
Compensated absences (Note 6)	1,005,405	879,689
Total noncurrent liabilities	163,002,418	162,416,845
Total liabilities	184,832,896	179,490,535
<b>Deferred Inflows of Resources</b>		
Property taxes	9,741,574	9,618,070
Pensions	4,016,454	5,416,102
Other postemployment benefits	9,670,923	7,631,804
Total deferred inflows	23,428,951	22,665,976
<b>Net Position</b>		
Net investment in capital assets	36,767,075	38,069,143
Restricted for:		
Nonexpendable for endowment purposes	470,099	381,471
Expendable for instructional purposes	2,600	2,600
Unrestricted	(64,583,476)	(65,824,176)
Total net position	\$ (27,343,702)	\$ (27,370,962)

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

	For the Years Ended June 30	
	2021	2020
<b>Operating Revenue</b>		
Operating revenue:		
Tuition and fees - Net of \$5,246,230 and \$6,364,711 in Pell and scholarship allowances in 2021 and 2020, respectively	\$ 10,079,681	\$ 10,133,006
Federal grants and contracts	243,994	582,795
State grants and contracts	6,587	53,894
Private grants and contracts	624,135	58,826
Sales and services	757,919	1,162,331
Auxiliary activities - Net of \$343,934 and \$589,306 in Pell and scholarship allowances in 2021 and 2020, respectively	1,454,138	1,978,527
Other operating revenue	720,643	438,225
Total operating revenue	13,887,097	14,407,604
<b>Operating Expenses</b>		
Operating expenses:		
Educational and general:		
Instruction and departmental research	25,723,658	24,569,967
Public service	546,449	878,030
Academic support	5,306,815	4,767,019
Student services	7,394,794	8,234,629
Institutional support	10,246,403	10,937,062
Operation and maintenance of facilities	5,161,427	4,541,935
Total educational and general	54,379,546	53,928,642
Auxiliary enterprises	2,250,183	3,350,281
Depreciation and amortization	6,371,736	6,282,627
Total operating expenses	63,001,465	63,561,550
<b>Operating Loss</b>	(49,114,368)	(49,153,946)
<b>Nonoperating Revenue (Expenses) - Net</b>		
State appropriations (Note 8)	20,130,527	19,762,858
Local appropriations (Note 9)	20,790,212	20,809,271
Federal grants and contracts	2,708,077	-
Pell grant revenue - Net of refunds	5,590,164	6,954,017
Unrestricted investment income - Net of investment expense	49,758	450,795
Restricted investment income - Net of investment expense	112,796	7,326
Interest on capital asset - Related debt	(2,824,133)	(2,816,245)
Total nonoperating revenue - Net	46,557,401	45,168,022
<b>Loss - Before other changes</b>	(2,556,967)	(3,985,924)
<b>Other Changes</b>		
Capital appropriations from the State of Ohio (Note 8)	2,549,227	636,052
Capital grants and gifts	35,000	40,347
Total other changes	2,584,227	676,399
<b>Increase (Decrease) in Net Position</b>	27,260	(3,309,525)
<b>Net Position - Beginning of year</b>	(27,370,962)	(24,061,437)
<b>Net Position - End of year</b>	<b>\$ (27,343,702)</b>	<b>\$ (27,370,962)</b>

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

# Lake County Community College District

## d/b/a Lakeland Community College

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### Statements of Cash Flows

	Years Ended June 30	
	2021	2020
<b>Cash Flows from Operating Activities</b>		
Tuition and fees - Net	\$ 11,960,431	\$ 12,132,835
Grants and contracts	666,027	567,390
Payments to suppliers and utilities	(5,822,529)	(13,391,220)
Payments for compensation and benefits	(44,881,731)	(45,739,620)
Federal drawdowns	8,283,213	8,202,923
Federal drawdowns applied to tuition - Disbursed to students	(9,338,663)	(9,059,770)
Auxiliary sales and services	1,664,161	2,077,757
Other	4,951,810	1,411,242
Net cash used in operating activities	(32,517,281)	(43,798,463)
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	20,130,527	19,762,858
Local appropriations	20,728,881	19,821,197
Federal Pell - Net of refunds	5,590,164	6,954,017
Net cash provided by noncapital financing activities	46,449,572	46,538,072
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital gift	35,000	40,347
Proceeds from issuance of debt	2,750,000	20,207,537
Purchases of capital assets	(1,448,964)	(593,353)
State appropriations for capital projects	-	(2,194,249)
Principal paid on capital debt - Net	(2,422,477)	(22,458,991)
Interest paid on capital debt	(3,285,962)	(3,878,971)
Net cash used in capital and related financing activities	(4,372,403)	(8,877,680)
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	1,290,000	3,558,000
Purchase of investments	(1,314,698)	(1,777,916)
Interest on investments	165,862	470,593
Net cash provided by investing activities	141,164	2,250,677
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	9,701,052	(3,887,394)
<b>Cash and Cash Equivalents - Beginning of year</b>	5,034,784	8,922,178
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 14,735,836</b>	<b>\$ 5,034,784</b>
<b>Classification of Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 3,964,905	\$ 784,565
Restricted cash and cash equivalents	10,770,931	4,250,219
<b>Total cash and cash equivalents</b>	<b>\$ 14,735,836</b>	<b>\$ 5,034,784</b>

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

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

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**Statements of Cash Flows (Continued)**

	<u>Years Ended June 30</u>	
	<u>2021</u>	<u>2020</u>
<b>Reconciliation of Operating Loss to Net Cash used in Operating Activities:</b>		
Operating Loss	\$(49,114,368)	\$(49,153,946)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	6,371,736	6,282,627
Net pension expense	1,216,424	1,670,508
Net other postemployment benefits (OPEB) expense	(741,449)	(957,854)
(Increase) Decrease in assets:		
Accounts receivable	5,486,642	(1,741,749)
Inventories	33,905	9,815
Other assets	67,660	129,791
(Decrease) Increase in liabilities:		
Accounts payable and accrued liabilities	835,307	(1,426,335)
Unearned revenue	3,401	160,118
Other liabilities	3,247,014	892,840
Compensated absences	76,447	335,722
Net cash used in operating activities	<u><b>\$(32,517,281)</b></u>	<u><b>\$(43,798,463)</b></u>
<b>Noncash Investing and Capital Activities</b>		
State capital projects paid directly to vendors on College behalf	\$ 2,441,751	\$ 563,831
Capital assets purchased on credit	657,652	301,331
Unrealized Gain on Investments	37,364	199,927

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

# Lake County Community College District

## d/b/a Lakeland Community College

### Condensed Statements of Financial Position and Condensed Statements of Activities Component Unit – The Lakeland Foundation As of and for the Years Ended June 30, 2021 and 2020

#### Condensed Statements of Financial Position

	June 30	
	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 442,896	\$ 514,034
Cash held for others	7,779	10,029
Investments (Note 3)	7,106,499	5,653,016
Receivables	385,188	262,586
Other assets	3,335	6,496
Total assets	<u>\$ 7,945,697</u>	<u>\$ 6,446,161</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 11,783	\$ 16,256
Deferred revenue	46,416	53,916
Due to custodial funds	7,779	10,029
Note payable	-	73,800
Total liabilities	65,978	154,001
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	118,733	(1,110)
Board-designated	30,046	30,046
Total net assets without donor restrictions	148,779	28,936
With donor restrictions:		
Purpose restrictions	3,682,650	2,450,835
Perpetual in nature	4,048,290	3,812,389
Total net assets with donor restrictions	7,730,940	6,263,224
Total net assets	7,879,719	6,292,160
Total liabilities and net assets	<u>\$ 7,945,697</u>	<u>\$ 6,446,161</u>

#### Condensed Statements of Activities

<b>Support and Revenue</b>		
Contributions and grants	\$ 1,119,097	\$ 1,336,013
Investment income - Net	1,350,915	181,205
Total support and revenue	2,470,012	1,517,218
<b>Program and Support Services</b>		
Program services:		
Scholarships	471,284	469,665
Educational and related programs	321,110	242,298
Support services - Administration and fund raising	163,859	223,723
Total program and support expenses	956,253	935,686
<b>Change in net assets before gain on loan forgiveness</b>	1,513,759	581,532
<b>Other income</b>		
Gain on forgiveness of Paycheck Protection Program loan	73,800	-
<b>Change in Net Assets</b>	1,587,559	581,532
<b>Net Assets - Beginning of year</b>	6,292,160	5,710,628
<b>Net Assets - End of year</b>	<u>\$ 7,879,719</u>	<u>\$ 6,292,160</u>

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

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

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## Notes to Financial Statements June 30, 2021 and 2020

### 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 financial statements have been prepared in accordance with Governmental Accounting Standards Board (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 Financial Accounting Standards Board (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. 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.

**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.

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

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

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

##### Cash and Cash Equivalents (continued)

During fiscal years 2021 and 2020, the College invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio, is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The College measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal years 2021 and 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

**Restricted Cash and Cash Equivalents** – As of June 30, 2021, restricted cash and cash equivalents of \$10,770,931 consist primarily of received but unapplied Higher Education Emergency Relief Fund II (HEERF II) institutional appropriations, unspent proceeds from the Series 2019 Certificates of Participation, and the debt service funds for the Series 2016 Bonds, the Series 2019 General Receipts Bonds, and the Series 2020 General Receipts Bonds. As of June 30, 2020, restricted cash and cash equivalents of \$4,250,219 consist primarily of unspent proceeds from the Series 2019 Certificates of Participation, and the debt service funds for the Series 2016 Bonds and the Series 2019 General Receipts Bonds.

**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 acquisition 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.



# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

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

##### Capital Assets (continued)

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 until the next fiscal year. Unearned revenue also includes amounts billed to students for the fall semester of fiscal year 2021 that have not yet been earned.

**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, accounts payable, and accrued liabilities 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. For purposes where both restricted and unrestricted net position is available, the College first applies restricted resources when an expense is incurred.

**Operating Revenues and Expenses** – All revenues from tuition, auxiliary enterprises and program specific sources including Federal, State, local and private grants and contracts are considered to be operating revenues. Operating expenses include educational costs, auxiliary enterprises, administrative expenses, and depreciation on capital assets. Educational and administrative costs are reported by program. All revenues and expenses not meeting this definition, including State appropriations, property tax revenues, investment income, and interest on capital asset-related debt, are reported as non-operating revenues and expenses.



# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

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

**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, net of refunds for the years ended June 30, 2021 and 2020 were \$5,590,164 and \$6,954,017, 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 reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that apply 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 (explained in Note 10) and other postemployment benefits (explained in Note 11).

In addition to liabilities, the statements of net position reports 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 then. For the College, deferred inflows of resources include property taxes, pensions, and net OPEB obligations. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. Deferred inflows of resources related to pensions are explained in Note 10. Deferred inflows of resources related to net OPEB obligations are explained in Note 11.

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

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

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

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

**Reclassifications** – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**Bond Premiums** – Bond premiums are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an increase in the face amount of the applicable debt payable. Under Ohio law, premiums on the original issuance of debt are to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

**COVID-19 Impact** – In early calendar 2020, the world began dealing with the effects of the Coronavirus pandemic (COVID-19). Disruptions to business operations, including government mandated actions and employee, supplier and customer related challenges have affected many businesses. The College closed its campus facilities to students and the public March 24, 2020 with classes continuing through remote delivery, where possible, for the remainder of the spring semester. Summer 2020 classes were offered online only. Starting with the fall 2020 semester, class offerings have included a mix of in-person, remote and hybrid options. The potential impact of COVID-19 on the College's operations is inherently difficult to predict and could adversely impact its business, financial condition, and/or results of operations.

The federal CARES Act provided funding for colleges to offer financial assistance to eligible students who incurred expenses related to the disruption of campus operations due to COVID-19. The College's total funding allocation through the CARES Act amounted to \$3,073,894, of which up to half of the funds were authorized by the U.S. Department of Education to be used to cover associated institutional costs incurred due to significant changes in how instruction is delivered due to the pandemic. As of June 30, 2021, the College has awarded \$1,536,947 of the CARES Act funding to eligible students in the form of financial aid grants. During fiscal year 2021, the college drew down and applied the institutional portion in the amount of \$1,536,947. Additionally, the College was awarded \$1,168,630 in institutional awards in Ohio Coronavirus Relief Funds (CRF) through the Ohio Department of Higher Education (ODHE). These funds were awarded to the State of Ohio as Federal Financial Assistance from the U.S. Department of Treasury and are considered to be federal financial assistance. These funds were received and applied during fiscal year 2021.

Overall, the College applied and recognized \$2,708,077 in institutional awards during fiscal year 2021, reported as Nonoperating Revenues – Federal Grants and Contracts in the Statement of Revenues, Expenses and Changes in Net Position.

# **Lake County Community College District**

## **d/b/a Lakeland Community College**

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### **Notes to Financial Statements**

#### **June 30, 2021 and 2020**

#### **COVID-19 Impact (continued)**

The College was awarded additional funding through the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), which was signed into law on Dec. 27, 2020. The Higher Education Emergency Relief Fund II (HEERF II) was authorized by the CRRSAA. Under the CRRSAA (HEERF II), the College was awarded \$1,536,947 for student emergency financial aid grants, of which \$1,305,204 was awarded during fiscal year 2021. Also, under the CRRSAA (HEERF II), the College was awarded an institutional grant in the amount of \$4,970,125. As of June 30, 2021, the institutional grant of \$4,970,125 was received but unapplied. For fiscal year 2022, the College fully expects to both recognize and apply the \$4,970,125 institutional portion.

During fiscal year 2021, additional funding was awarded to the College through the American Rescue Plan (ARP), signed into law on March 11, 2021, providing support to institutions of higher education to serve students and ensure learning continues during the COVID-19 pandemic. Under the ARP (HEERF III), the College was awarded \$5,882,052 for student emergency financial aid grants, none of which was received or awarded during fiscal year 2021. Also, under the ARP (HEERF III), the College was awarded an institutional grant in the amount of \$5,622,717. As of June 30, 2021, the institutional grant of \$5,622,717 was not yet received.

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# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 2: New Accounting Pronouncements

*New Accounting Pronouncements* - For fiscal year 2021, the College implemented or is in the process of evaluating implementation of the following Governmental Accounting Standards and Implementation Guides issued by the GASB:

GASB Statement No. 84, *Fiduciary Activities*, issued in January 2017 with the intent of improving guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This pronouncement is effective for reporting periods starting with the fiscal year that ends December 31, 2020. Implementation of this standard during fiscal year 2021 had no effect on the College's financial statements or disclosures.

GASB Statement No. 90, *Majority Equity Interests*, issued in August 2018 with the intent of improving the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This pronouncement is effective for reporting periods starting with the fiscal year that ends December 31, 2020. Implementation of this standard during fiscal year 2021 had no effect on the College's financial statements or disclosures.

#### ***GASB Statements and guidance to be implemented in future reporting periods include the following:***

GASB Statement No. 87, *Leases*, issued in June 2017, the primary objective of this statement is to increase the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use leased asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The effective date of this standard is reporting periods beginning after June 15, 2021. The College is currently evaluating the effect this Statement may have on the College's statements with initial implementation planned for fiscal year 2022.

GASB Statement No. 91, *Conduit Debt Obligations*, issued in May 2019 with the intent of providing a single method of reporting conduit debt obligations and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This pronouncement is effective for reporting periods beginning after December 15, 2021. The College intends to implement this standard in fiscal year 2023 and is evaluating the effect this Statement may have on the College's statements and disclosure requirements.

GASB Statement No. 92, *Omnibus 2020*, issued in January 2020, the primary objective is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The effective date of this standard is reporting periods beginning after June 15, 2021. The College is currently evaluating the effect this Statement may have on the College's statements with initial implementation planned for fiscal year 2022.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 2: New Accounting Pronouncements (continued)

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, issued in March 2020, establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form after Dec. 31, 2021. The effective date of this standard is reporting periods beginning after June 15, 2021. The College is currently evaluating the effect this Statement may have on the College's statements with initial implementation planned for fiscal year 2022.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued in March 2020, the primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The effective date of this standard is reporting periods beginning after June 15, 2022. The College is currently evaluating the effect this Statement may have on the College's statements with initial implementation planned for fiscal year 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued in May 2020, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This Statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The effective date of this standard is reporting periods beginning after June 15, 2022. The College is currently evaluating the effect this Statement may have on the College's statements with initial implementation planned for fiscal year 2023.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, issued in May 2020, to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The effective date of this standard is reporting periods beginning after June 15, 2021. The College is currently evaluating the effect this Statement may have on the College's statements with initial implementation planned for fiscal year 2022.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 3: Cash and Cash Equivalents and Investments

**Cash and Cash Equivalents** - Ohio law provides that all funds under the control of the College, regardless of the source thereof, may be deposited in banks or trust companies designated by the College. Such banks and trust companies shall furnish security for every such deposit as is required by Ohio Revised Code (ORC) section 135.18. Each public depository in which the College places deposits must pledge eligible securities of aggregate market value equal to the excess amount of deposits not insured by the Federal Depository Insurance Corporation (FDIC).

At June 30, 2021 and 2020, the carrying amount of the College's cash balance was \$1,313,781 and \$505,519, respectively. The bank balance at June 30, 2021 and 2020 totaled \$1,783,745 and \$1,219,613, 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, 2021 and 2020. The remainder was specifically secured by U.S. government and municipal securities within the Ohio Pooled Collateral System (OPCS). 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.

The College has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the College and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Investments** – The College's investment policy approved by the Board 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.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

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

**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, 2021 is made up of United States Treasury and agency issues, negotiable certificates of deposit, commercial paper, bond mutual funds, and stock mutual funds. 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, and commercial paper. The College had \$3,964,630 and \$4,001,022 in negotiable certificates of deposits at June 30, 2021 and 2020, respectively. 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 (3) maintaining adequate collateralization of certificates of deposits.

**Custodial Credit Risk** – Investments under management are directed by the College’s investment manager, Meeder Investment Management (“investment manager”). 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 manager 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 manager may execute the purchase and/or sale of securities with eligible Ohio financial institutions, primary securities dealers regularly reporting to the New York Federal Reserve Bank, and regional securities firms or broker dealers licensed with the Ohio Department of Commerce, Division of Securities to transact business in the State of Ohio.

The investment manager, 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.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

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

**Foreign Currency Risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. In 2021, the College had investments in international equity mutual funds of \$67,733 (included in the stock mutual funds balance of \$367,411), representing less than 1 percent of the College’s total investments. In 2020, the College had investments in international equity mutual funds of \$90,624 (included in the stock mutual funds balance of \$308,399), 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 is in full compliance with ORC 135.14 and its own investment policy regarding the concentration of credit risk.

At June 30, 2021, the College’s investment portfolio consisted of the following:

2021	Fair Market Value	Less Than One Year	1-4 Years	NRSRO Rating
State Treasurer Asset Reserve Fund (STAR Ohio)	\$ 12,389,117	\$ 12,389,117	\$ -	AAA
Money markets	1,078,658	1,078,658	-	AAA
Negotiable certificates of deposit	3,964,630	863,919	3,100,711	N/A
Commercial paper	249,543	249,543	-	P-1
U.S. government agency	1,440,433	100,354	1,340,079	AAA
Bond mutual funds	112,836	-	112,836	AA
Stock mutual funds	367,411	367,411	-	N/A
Total cash equivalents and investments	<u>\$ 19,602,628</u>	<u>\$ 15,049,002</u>	<u>\$ 4,553,626</u>	

At June 30, 2020, the College’s investment portfolio consisted of the following:

2020	Fair Market Value	Less Than One Year	1-4 Years	NRSRO Rating
State Treasurer Asset Reserve Fund (STAR Ohio)	\$ 3,068,137	\$ 3,068,137	\$ -	AAA
Money market	1,506,719	1,506,719	-	AAA
Negotiable Certificates of Deposit	4,001,022	-	4,001,022	N/A
Commercial Paper	247,923	247,923	-	P-1
U.S. government agency	1,399,027	1,056,507	342,520	AAA
Bond mutual funds	66,010	-	66,010	AA
Stock mutual funds	308,399	308,399	-	N/A
Total cash equivalents and investments	<u>\$ 10,597,237</u>	<u>\$ 6,187,685</u>	<u>\$ 4,409,552</u>	



# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

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

**Investments by Fair Value Level** - 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 and Level 2 inputs are significant other observable inputs.

As of June 30, 2021, the College's investments had the following recurring fair value measurements:

Investment Type	2021	Level 1	Level 2
Money markets	\$ 1,078,658	\$ 1,078,658	\$ -
Negotiable certificates of deposit	3,964,630	-	3,964,630
Commercial paper	249,543	-	249,543
U.S. government agency	1,440,433	-	1,440,433
Bond mutual funds	112,836	112,836	-
Stock mutual funds	367,411	367,411	-
<b>Total investments</b>	<b>\$ 7,213,511</b>	<b>\$ 1,558,905</b>	<b>\$ 5,654,606</b>

As of June 30, 2020, the College's investments had the following recurring fair value measurements:

Investment Type	2020	Level 1	Level 2
Money markets	\$ 1,506,719	\$ 1,506,719	\$ -
Negotiable certificates of deposit	4,001,022	-	4,001,022
Commercial paper	247,923	-	247,923
U.S. government agency	1,399,027	-	1,399,027
Bond mutual funds	66,010	66,010	-
Stock mutual funds	308,399	308,399	-
<b>Total investments</b>	<b>\$ 7,529,100</b>	<b>\$ 1,881,128</b>	<b>\$ 5,647,972</b>

The Star Ohio investment balances of \$12,389,117 and \$3,068,137 as of June 30, 2021 and 2020, respectively, are not included in the tables above as this investment is valued at amortized cost.

Level 1 investments include money market investments that are valued at cost plus accrued interest, 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 obligations, negotiable certificates of deposit, 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.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### 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 \$3,744,857 and \$3,946,386 at June 30, 2021 and 2020, respectively.

	2021		2020	
	Current	Noncurrent	Current	Noncurrent
	Portion - Net	Portion - Net	Portion - Net	Portion - Net
Federal Perkins and nursing student loans	\$ -	\$ 6,065	\$ -	\$ 6,480
Employee computer financing	11,187	4,005	12,707	5,046
Student accounts	8,806,063	-	8,921,076	-
Auxiliary receivables	(39,146)	-	(31,222)	-
Interest receivable	12,745	-	16,370	-
Sales and service receivables	312,095	-	387,124	-
Total	\$ 9,102,944	\$ 10,070	\$ 9,306,055	\$ 11,526

Federal Direct Loans processed for students by the College totaled \$5,900,645 and \$7,463,513 during the years ended June 30, 2021 and 2020, 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.

# Lake County Community College District

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 5: Capital Assets

Capital asset activity for the years ended June 30, 2021 and 2020 was as follows:

	June 30, 2020 Balance	Additions	Retirements and Transfers	June 30, 2021 Balance
<b>Nondepreciable assets:</b>				
Land	\$ 2,793,744	\$ -	\$ -	\$ 2,793,744
Construction in progress	432,136	772,756	(574,824)	630,068
<b>Depreciable assets:</b>				
Land improvements	6,125,809	-	-	6,125,809
Infrastructure	7,348,751	-	-	7,348,751
Buildings and improvements	173,571,467	574,824	-	174,146,291
Equipment and vehicles	22,000,856	3,192,486	(129,478)	25,063,864
Software and library books	12,490,469	154,496	-	12,644,965
<b>Total capital assets</b>	<b>224,763,232</b>	<b>4,694,562</b>	<b>(704,302)</b>	<b>228,753,492</b>
<b>Less accumulated depreciation:</b>				
Land improvements	3,725,594	173,402	-	3,898,996
Infrastructure	4,438,734	218,861	-	4,657,595
Buildings and improvements	65,345,514	3,930,701	-	69,276,215
Equipment and vehicles	14,875,512	1,724,725	(129,478)	16,470,759
Software and library books	11,682,479	332,796	-	12,015,275
<b>Total accumulated depreciation</b>	<b>100,067,833</b>	<b>6,380,485 (1)</b>	<b>(129,478)</b>	<b>106,318,840</b>
<b>Capital assets - Net</b>	<b>\$ 124,695,399</b>	<b>\$ (1,685,923)</b>	<b>\$ (574,824)</b>	<b>\$ 122,434,652</b>

(1) Includes \$8,749 capitalized interest amortization expense

	June 30, 2019 Balance	Additions	Retirements and Transfers	June 30, 2020 Balance
<b>Nondepreciable assets:</b>				
Land	\$ 2,793,744	\$ -	\$ -	\$ 2,793,744
Construction in progress	1,022,528	3,975,777	(4,566,169)	432,136
<b>Depreciable assets:</b>				
Land improvements	4,687,784	1,438,025	-	6,125,809
Infrastructure	6,390,067	958,684	-	7,348,751
Buildings and improvements	172,443,382	1,940,561	(812,476)	173,571,467
Equipment and vehicles	21,426,851	651,213	(77,208)	22,000,856
Software and library books	12,334,082	156,387	-	12,490,469
<b>Total capital assets</b>	<b>221,098,438</b>	<b>9,120,647</b>	<b>(5,455,853)</b>	<b>224,763,232</b>
<b>Less accumulated depreciation:</b>				
Land improvements	3,583,898	141,696	-	3,725,594
Infrastructure	4,228,313	210,421	-	4,438,734
Buildings and improvements	62,140,952	4,017,038	(812,476)	65,345,514
Equipment and vehicles	13,378,839	1,573,879	(77,206)	14,875,512
Software and library books	11,334,137	348,342	-	11,682,479
<b>Total accumulated depreciation</b>	<b>94,666,139</b>	<b>6,291,376 (1)</b>	<b>(889,682)</b>	<b>100,067,833</b>
<b>Capital assets - Net</b>	<b>\$ 126,432,299</b>	<b>\$ 2,829,271</b>	<b>\$ (4,566,171)</b>	<b>\$ 124,695,399</b>

(1) Includes \$8,749 capitalized interest amortization expense

# Lake County Community College District

## d/b/a Lakeland Community College

### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 6: Long-Term Obligations

Long-term obligations activity for the years ended June 30, 2021 and 2020 was as follows:

	June 30, 2020			June 30, 2021	
	Balance	Additions	Reductions	Balance	Current Portion
<b>Long-term debt obligations:</b>					
General Receipts Bonds, Series 2020	\$ -	\$ 2,750,000	\$ -	\$ 2,750,000	\$ 110,000
General Receipts Bonds, Series 2019	17,775,000	-	625,000	17,150,000	640,000
Premium on General Receipts Bonds	2,331,180	-	121,627	2,209,553	121,628
Certificates of Participations 2019	22,510,000	-	-	22,510,000	550,000
Premium on Certificates of Participation	1,424,555	-	59,563	1,364,992	59,563
OAQDA Loan 2016	7,906,013	-	742,477	7,163,536	756,213
General Receipts Bonds, Series 2016A	21,050,000	-	155,000	20,895,000	150,000
Premium on General Receipts Bonds	1,338,456	-	59,267	1,279,189	59,267
General Receipts Bonds, Series 2016B	5,420,000	-	900,000	4,520,000	940,000
Premium on General Receipts Bonds	92,473	-	16,562	75,911	16,562
General Receipts Bonds, Series 2016C	8,575,000	-	-	8,575,000	-
Premium on General Receipts Bonds	813,669	-	51,936	761,733	51,936
<b>Total</b>	<b>89,236,346</b>	<b>2,750,000</b>	<b>2,731,432</b>	<b>89,254,914</b>	<b>3,455,169</b>
<b>Net Pension Liability:</b>					
SERS	27,623,544	1,789,208	-	29,412,752	-
STRS	36,155,932	1,284,027	-	37,439,959	-
<b>Total</b>	<b>63,779,476</b>	<b>3,073,235</b>	<b>-</b>	<b>66,852,711</b>	<b>-</b>
<b>Net OPEB Liability:</b>					
SERS	11,252,767	-	1,908,210	9,344,557	-
STRS	-	-	-	-	-
<b>Total</b>	<b>11,252,767</b>	<b>-</b>	<b>1,908,210</b>	<b>9,344,557</b>	<b>-</b>
<b>Other noncurrent obligations:</b>					
Reserve for compensated absences	2,249,533	76,447	-	2,325,980	1,320,575
<b>Total long-term obligations</b>	<b>\$ 166,518,122</b>	<b>\$ 5,899,682</b>	<b>\$ 4,639,642</b>	<b>\$ 167,778,162</b>	<b>\$ 4,775,744</b>
	June 30, 2019			June 30, 2020	
	Balance	Additions	Reductions	Balance	Current Portion
<b>Long-term debt obligations:</b>					
General Receipts Bonds, Series 2019	\$ -	\$ 17,775,000	\$ -	\$ 17,775,000	\$ 625,000
Premium on General Receipts Bonds	-	2,432,537	101,357	2,331,180	121,628
Certificates of Participations 2019	22,510,000	-	-	22,510,000	-
Premium on Certificates of Participation	1,484,118	-	59,563	1,424,555	59,563
OAQDA Loan 2016	8,635,004	-	728,991	7,906,013	742,477
General Receipts Bonds, Series 2016A	21,200,000	-	150,000	21,050,000	155,000
Premium on General Receipts Bonds	1,397,723	-	59,267	1,338,456	59,267
General Receipts Bonds, Series 2016B	6,300,000	-	880,000	5,420,000	900,000
Premium on General Receipts Bonds	144,664	-	52,191	92,473	16,562
General Receipts Bonds, Series 2016C	8,575,000	-	-	8,575,000	-
Premium on General Receipts Bonds	865,605	-	51,936	813,669	51,936
General Receipts Bonds, Series 2014	20,700,000	-	20,700,000	-	-
Premium on General Receipts Bonds	427,075	-	427,075	-	-
<b>Total</b>	<b>92,239,189</b>	<b>20,207,537</b>	<b>23,210,380</b>	<b>89,236,346</b>	<b>2,731,433</b>
<b>Net Pension Liability:</b>					
SERS	26,806,720	816,824	-	27,623,544	-
STRS	38,025,519	-	1,869,587	36,155,932	-
<b>Total</b>	<b>64,832,239</b>	<b>816,824</b>	<b>1,869,587</b>	<b>63,779,476</b>	<b>-</b>
<b>Net OPEB Liability:</b>					
SERS	12,691,822	-	1,439,055	11,252,767	-
STRS	-	-	-	-	-
<b>Total</b>	<b>12,691,822</b>	<b>-</b>	<b>1,439,055</b>	<b>11,252,767</b>	<b>-</b>
<b>Other noncurrent obligations:</b>					
Reserve for compensated absences	1,913,811	335,722	-	2,249,533	1,369,844
<b>Total long-term obligations</b>	<b>\$ 171,677,061</b>	<b>\$ 21,360,083</b>	<b>\$ 26,519,022</b>	<b>\$ 166,518,122</b>	<b>\$ 4,101,277</b>

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 6: Long-Term Obligations (continued)

On September 29, 2020, the College issued \$2,750,000 of General Receipts Bonds (Series 2020) for the purpose of, among other things, funding the interest due on the Series 2019 Certificates of Participation through April 1, 2021, and funding a portion of the interest due on the Series 2019 Certificates of Participation on October 1, 2021. Interest on the Series 2020 Bonds shall be payable on each April 1 and October 1, commencing October 1, 2021, until payment of the principal of the Series 2020 Bonds has been made or duly provided for.

The Series 2020 Bonds shall be issued as one term bond in the amount of \$2,750,000, shall mature on October 1, 2035, shall bear interest at the rate per annum of 2.95 percent computed based on a 360-day year comprised of twelve 30-day months, and shall be subject to mandatory sinking fund redemption on October 1 in the years 2021 – 2034. If retired solely by mandatory redemption as aforesaid there shall remain \$225,000 due at maturity on October 1, 2035. The series 2020 Bonds are not callable for redemption until October 1, 2022, on and after which date the Series 2020 Bonds shall be callable in whole, but not in part, at the option of the Issuer on each October 1 at the redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued thereon to the redemption date, plus a premium.

The Series 2020 Bonds contain provisions specifying terms in the event of default Including remedies of trustee and holders. The occurrence of any one or more of the following events constitutes an “Event of Default”:

1. Failure to pay any interest on any Obligation when and as the same shall have become due and payable;
2. Failure to pay the principal of or any premium on any Obligation when and as the same shall become due and payable, whether at the stated maturity thereof or by redemption or acceleration or pursuant to any Mandatory Sinking Fund Requirements;
3. Failure by the Issuer to perform or observe any other covenant, agreement or condition on the part of the Issuer contained in this Indenture or in the Obligations, which failure or Event of Default shall have continued for a period of 30 days after written notice, by registered or certified mail, given to the Issuer by the Trustee, specifying the failure or Event of Default and requiring the same to be remedied, which notice shall be given by the Trustee upon the written request of the Holders of not less than twenty five percent in aggregate principal amount of the Obligations then outstanding; provided that the Person or Persons requesting such notice may agree in writing to a 90-day extension of such period prior to the expiration of the initial 30-day period; provided further, however, that if the Issuer shall proceed to take curative action which, if begun and prosecuted with due diligence, cannot be completed within a period of 90 days, then such period shall be increased without such written extension to such extent as shall be necessary to enable the Issuer to diligently complete such curative action;

# **Lake County Community College District**

## **d/b/a Lakeland Community College**

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### **Notes to Financial Statements**

#### **June 30, 2021 and 2020**

#### **Note 6: Long-Term Obligations (continued)**

4. The Issuer shall (i) admit in writing its inability to pay its debts generally as they become due, (ii) have an order for relief entered in any case commenced by or against it under federal bankruptcy laws, as now or hereafter in effect, (iii) commence a proceeding under any federal or state bankruptcy, insolvency, reorganization or similar laws, or have such a proceeding commenced against it and have either an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for 90 days, (iv) make an assignment for the benefit of creditors, or, (v) have a receiver or trustee appointed for it or for the whole or substantial part of its property.

Upon the occurrence of any Event of Default the Trustee may, and upon the written request of the Holders of not less than 25 percent in aggregate principal amount of the Obligations outstanding shall, declare the principal of all Obligations, together with accrued interest thereon, to be immediately due and payable on the announced accelerated maturity date. Upon any such declaration, which shall be made by a notice in writing given to the Issuer, the principal of and accrued interest, if any, on the Obligations shall become and be immediately due and payable on the accelerated maturity date announced in such notice, which date shall be a Business Day not more than five days following the date of declaration of acceleration. Interest on the accelerated Obligations shall accrue to the announced accelerated maturity date; provided that interest shall continue to accrue on the Obligations after the announced accelerated maturity date to the extent that moneys are not on deposit on such date in the Bond Fund for the retirement of the principal of the Obligations.

Upon the happening and continuance of an Event of Default, and if requested to do so by the Holders of at least twenty five percent in aggregate principal amount of the Obligations then outstanding and having been indemnified, the Trustee shall exercise such of the rights and powers conferred and being advised by counsel, shall deem most effective to enforce and protect the interests of the Holders of the Obligations accelerated.

On September 3, 2019, the College issued \$17,775,000 of General Receipts Refunding Bonds (Series 2019) for the purpose of refunding all of the District's outstanding Series 2014 Bonds (the "Refunded Bonds"), for redemption prior to maturity or at maturity on December 1, 2019, at par, and to pay costs of issuance of the Bonds. In 2014, the College issued general receipts bonds in the amount of \$20,700,000 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 bonds 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. The Series 2019 Bonds are at fixed interest rates ranging from 3.0 percent to 5.0 percent and a final maturity in 2039.

The Series 2019 Bonds maturing on and after October 1, 2032 are subject to optional redemption prior to maturity in whole or in part on any date on or after October 1, 2029 at a redemption price of 100% of the principal amount redeemed plus interest accrued to the redemption date. The Series 2019 Bonds due October 1 in the years 2029, 2032, 2034, 2036 and 2039 are subject to mandatory sinking fund redemption. For the Series 2019 Bonds due October 1, 2029, the mandatory sinking fund redemption is to occur at 100% of the principal amount thereof plus accrued interest to the date of redemption.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 6: Long-Term Obligations (continued)

The Series 2019 Bonds contain provisions specifying terms in the event of default including remedies of trustee and holders. The occurrence of any one or more of the following events constitutes an “Event of Default”:

1. Failure to pay any interest on any Obligation when and as the same shall become due and payable;
2. Failure to pay the principal of or any redemption premium on any Obligation when and as the same shall become due and payable, whether at the stated maturity thereof or by redemption or acceleration or pursuant to any mandatory sinking fund requirements;
3. Failure by the District to perform or observe any other covenant, agreement or condition on the part of the District contained in the Indenture or in the Obligations, which failure or Event of Default shall have continued for a period of 30 days after written notice, by registered or certified mail, given to the District by the Trustee, specifying the failure or Event of Default and requiring the same to be remedied, which notice shall be given by the Trustee upon the written request of the Holders of not less than twenty five percent in aggregate principal amount of the Obligations then outstanding; provided that the Person or Persons requesting such notice may agree in writing to a 90-day extension of such period prior to the expiration of the initial 30-day period; provided further, however, that if the District shall proceed to take curative action which, if begun and prosecuted with due diligence, cannot be completed within a period of 90 days, then such period shall be increased without such written extension to such extent as shall be necessary to enable the District to diligently complete such curative action; and
4. The District shall (i) admit in writing its inability to pay its debts generally as they become due, (ii) have an order for relief entered in any case commenced by or against it under federal bankruptcy laws, as now or hereafter in effect, (iii) commence a proceeding under any federal or state bankruptcy, insolvency, reorganization or similar laws, or have such a proceeding commenced against it and have either an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for 90 days, (iv) make an assignment for the benefit of creditors, or, (v) have a receiver or trustee appointed for it or for the whole or substantial part of its property.

Upon the happening and continuance of any Event of Default, the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of outstanding Obligations shall, upon being properly indemnified, take appropriate actions, in equity or at law including application to a court for the appointment of a receiver to receive and administer pledged General Receipts, to protect and enforce all the rights of the Trustee and the Obligation holder under the Indenture. In addition, in the event of the occurrence of any Event of Default, the Trustee may, and upon the request of the holders of at least 25% in aggregate principal amount of the then outstanding Obligations, shall so long as properly indemnified, by appropriate notice to the District, declare the principal of all the outstanding Obligations and the accrued interest thereon, immediately due and payable. Further provision is made for the rescission of such last declaration upon the payment of all amounts due, and for waivers in connection with events of default.

Furthermore, the Holders of a majority in aggregate principal amount of the Obligations then outstanding, shall, in accordance with the terms of the Indenture, have the right by written instrument delivered to the Trustee to direct the method and place of conducting any and all remedial proceedings under the Indenture, as to their respective interests.

# **Lake County Community College District**

## **d/b/a Lakeland Community College**

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### **Notes to Financial Statements**

#### **June 30, 2021 and 2020**

#### **Note 6: Long-Term Obligations (continued)**

As provided in the Indenture, before taking remedial action the Trustee may require that a satisfactory indemnity bond be provided for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its gross negligence or willful misconduct, by reason of any action so taken. The Trustee may act without such indemnity, in which case its expenses are reimbursable by the District from General Receipts available therefor.

The holders of the Obligations are not entitled to enforce the provisions of the Indenture or to institute, appear in or defend any suit, action or proceeding to enforce any rights, remedies or covenants granted or contained in the Indenture or to take any action with respect to any Event of Default under the Indenture, except as provided in the Indenture.

On May 23, 2019, the College issued \$22,510,000 of Certificates of Participation (the "Certificates") for the purpose of refinancing the \$10,000,000 Tax Anticipation Notes, Series 2017A, dated January 18, 2017 and the \$10,000,000 Tax Anticipation Notes, Series 2017B, dated July 19, 2017, and to provide additional funds for various capital projects. The Tax Anticipation Notes were issued for the purpose of 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 a community college district is authorized to acquire, construct, or improve, including the Health Technologies Building. The Certificates are at fixed interest rates ranging from 3.125 percent to 5.0 percent and a final maturity in 2044.

The Certificates maturing after October 1, 2028 shall be subject to redemption at the option of the Trustee, at the direction of the District, either in whole or in part, in such order of maturity as the Trustee shall determine, at the Trustee shall determine, at the direction of the district, on any date on or after April 1, 2029, at 100 percent of par amount of the Certificates redeemed plus, in each case, accrued interest to the date fixed for redemption. The Term Certificates maturing on October 1, 2044 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.

The Certificates are secured, with the Health Technologies Building pledged as collateral. The Certificates specify terms in the event of default. The occurrence of any one or more of the following events constitutes an "Event of Default" under this Lease:

1. The College's failure to make, during any Lease Term, any Lease Payment (or any other payment) when due in accordance with the terms of this Lease;
2. The College's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this Lease, and the failure is not cured within 30 days after written notice of the failure to the College by the Lessor or, if the failure is of such a nature that it cannot practicably be cured within such 30 days, steps satisfactory to the Lessor are not taken to cure the failure within such 30 days and the failure is not cured within 90 days after such written notice of the failure to the College by the Lessor; or



# Lake County Community College District

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 6: Long-Term Obligations (continued)

3. The discovery by the Trustee or Lessor that any material statement, representation or warranty made by the College in this Lease or in any writing delivered by the College pursuant to or in connection with this Lease is false, misleading or erroneous in any material respect; provided, however, that the Lessor shall not be under any duty to investigate, inquire or ascertain whether any such statements, representations or warranties are false, misleading or erroneous.

The Certificates contain a provision that upon the occurrence of an Event of Default, and as long as the Event of Default is continuing, the Lessor shall be entitled to seek recovery of its damages in an action, suit or proceeding, to the extent permitted under the applicable laws of damages in an action, suit or proceeding, to the extent permitted under the applicable laws of the State or any other applicable law or proceed by appropriate court; provided, however, that there shall be no right under any circumstances to (i) accelerate the maturities of the Rent payments or to otherwise declare any Rent not then past due or in default to be immediately due and payable except as to the portions of Lease Payments provided for a Fiscal Year in which appropriations are made; or (ii) take physical possession of the Project Facilities to the extent that doing so would impair or impede the College's abilities to operate the Project.

The Certificates contain a provision which specifies that the College will remain liable for all covenants and obligations under this Lease, and for all legal fees and other costs and expenses to the extent permitted by law, including court costs awarded by a court of competent jurisdiction, incurred by the Lessor with respect to the enforcement of any of the remedies under this Lease, when a court of competent jurisdiction has finally adjudicated that an Event of Default has occurred. If an Event of Default occurs and the Lessor incurs expenses, including attorneys' fees, in connection with the enforcement of or the collection of amounts due under this Lease, the College shall reimburse the Lessor to the extent permitted by law for the expenses so incurred upon demand. The Lessor shall be entitled to seek recovery of such expenses in an action, suit or proceeding to the extent permitted by State law.

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 at fixed interest rates ranging from 1.85 percent to 3.62 percent and a final maturity in 2029. The proceeds 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. 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 at fixed interest rates ranging from 2.0 percent to 5.0 percent and a final maturity in 2042, 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.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 6: Long-Term Obligations (continued)

In 2016, the College issued \$8,990,000 in Series 2016B Bonds, at fixed interest rates ranging from 2.0 percent to 3.25 percent and a final maturity in 2025, 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 2019, 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, 2021 and 2020, \$0- of the Series 2008 Notes remained outstanding and \$1,020,000 and \$2,010,000 of the Series 2011 Notes remained outstanding, respectively. 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, at fixed interest rates ranging from 3.5 percent to 4.0 percent and a final maturity in 2035, 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.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 6: Long-Term Obligations (continued)

The Series 2016A, 2016B, and 2016C Bonds have been duly authorized and executed by the District, and are valid and binding general obligations of the District. The Bonds are secured by the pledge of the full faith and credit of the District for the payment thereof and by the pledge of the District to levy ad valorem taxes outside the ten mill limitation of Article XII, Section 2 of the Constitution of the State of Ohio, upon all property on the general tax lists and duplicates of the District, in an amount sufficient to pay the principal of and interest on the Bonds when due, which taxes are unlimited as to rate and amount. Failure of the District to perform any of its undertakings contained in the Disclosure Certificates shall not constitute an event of default with respect to the Bonds. The exclusive remedy for any such failure shall be enforcement of the District's obligations to so perform by actions or proceedings taken in accordance with Ohio Revised Code Section 133.25(B)(4)(b) or Section 133.25(C)(1).

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 2016A, 2016B, and 2016C Bonds.

In 2014, the College issued general receipts bonds in the amount of \$20,700,000 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.

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 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 Series 2014 Bonds contain provisions specifying terms in the event of default including remedies of trustee and holders. The occurrence of any one or more of the following events constitutes an "Event of Default":

1. Failure to pay any interest on any Obligation when and as the same shall have become due and payable;
2. Failure to pay the principal of or any premium on any Obligation when and as the same shall become due and payable, whether at the stated maturity thereof or by redemption or acceleration or pursuant to any Mandatory Sinking Fund Requirements;
3. Failure by the Issuer to perform or observe any other covenant, agreement or condition on the part of the Issuer contained in this Indenture or in the Obligations, which failure or Event of Default shall have continued for a period of 30 days after written notice, by registered or certified mail, given to the Issuer by the Trustee, specifying the failure or Event of Default and requiring the same to be remedied, which notice shall be given by the Trustee upon the written request of the Holders of not less than twenty five percent in aggregate principal amount of the Obligations then outstanding; provided that the Person or Persons requesting such notice may agree in writing to a 90-day extension

# **Lake County Community College District**

## **d/b/a Lakeland Community College**

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### **Notes to Financial Statements**

#### **June 30, 2021 and 2020**

#### **Note 6: Long-Term Obligations (continued)**

of such period prior to the expiration of the initial 30-day period; provided further, however, that if the Issuer shall proceed to take curative action which, if begun and prosecuted with due diligence, cannot be completed within a period of 90 days, then such period shall be increased without such written extension to such extent as shall be necessary to enable the Issuer to diligently complete such curative action;

4. The Issuer shall (i) admit in writing its inability to pay its debts generally as they become due, (ii) have an order for relief entered in any case commenced by or against it under federal bankruptcy laws, as now or hereafter in effect, (iii) commence a proceeding under any federal or state bankruptcy, insolvency, reorganization or similar laws, or have such a proceeding commenced against it and have either an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for 90 days, (iv) make an assignment for the benefit of creditors, or, (v) have a receiver or trustee appointed for it or for the whole or substantial part of its property.

Upon the occurrence of any Event of Default, the Trustee may, and upon the written request of the Holders of not less than 25 percent in aggregate principal amount of the Obligations outstanding shall, declare the principal of all Obligations, together with accrued interest thereon, to be immediately due and payable on the announced accelerated maturity date. Upon any such declaration, which shall be made by a notice in writing given to the Issuer, the principal of and accrued interest, if any, on the obligations shall become and be immediately due and payable on the accelerated maturity date announced in such notice, which date shall be a Business Day not more than five days following the date of declaration of acceleration. Interest on the accelerated Obligations shall accrue to the announced accelerated maturity date; provided that interest shall continue to accrue on the Obligations after the announced accelerated maturity date to the extent that moneys are not on deposit on such date in the Bond Fund for the retirement of the principal of the Obligations.

In 2020, the \$20,700,000 General Receipts Bonds, Series 2014, issued on November 25, 2014, were refunded prior to maturity, at par. On September 3, 2019, the College issued \$17,775,000 of General Receipts Refunding Bonds (Series 2019) for the purpose of refunding all of the District's outstanding Series 2014 Bonds (the "Refunded Bonds"), for redemption prior to maturity or at maturity on December 1, 2019, at par, and to pay costs of issuance of the Bonds.

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

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**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 6: Long-Term Obligations (continued)**

Scheduled principal maturities and total debt service for fiscal years subsequent to June 30, 2021 are as follows:

<u>Fiscal Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 3,146,213	\$ 3,199,218	\$ 6,345,431
2023	3,275,203	3,055,164	6,330,367
2024	3,374,452	2,941,554	6,316,006
2025	3,470,974	2,817,413	6,288,387
2026	3,566,052	2,681,753	6,247,805
2027-2031	18,655,642	11,128,427	29,784,069
2032-2036	18,025,000	7,362,211	25,387,211
2037-2041	20,250,000	3,461,375	23,711,375
2042-2045	9,800,000	523,013	10,323,013
<b>Total</b>	<b>\$ 83,563,536</b>	<b>\$ 37,170,128</b>	<b>\$ 120,733,664</b>

**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 years ended June 30, 2021 and 2020 amounted to \$91,103 and \$109,693, respectively. One operating lease for a motor vehicle is outstanding at June 30, 2021.

Future minimum lease payments as of June 30, 2021 under operating leases are as follows for the fiscal years ending June 30:

2022	\$ 2,130
<b>Total</b>	<b>\$ 2,130</b>

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

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## **Notes to Financial Statements June 30, 2021 and 2020**

### **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 2021 until October 2021, 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

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 9: Local Appropriations (continued)

property taxes, which were measurable at June 30, 2021. 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 2021 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.

The following are the amounts that would have been received by the College, for the fiscal years ended June 30, 2021 and 2020 had the TIF agreements not been established and the improvements still constructed:

<u>District</u>	<u>Years Ended June 30</u>	
	<u>2021</u>	<u>2020</u>
Mentor City	\$ 209,979	\$ 203,021
Painesville City-Painesville Township School District	41,914	33,242
Willowick City	18,723	18,803
Concord-Painesville	13,627	12,885
Painesville Township	6,660	-
Madison Township	1,214	1,223
<b>Total</b>	<b>\$ 292,117</b>	<b>\$ 269,174</b>

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

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## Notes to Financial Statements June 30, 2021 and 2020

### Note 9: Local Appropriations (continued)

#### Tax Incentives and Tax Abatements (continued)

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, 2021 and 2020 had the CRA's not been established and the improvements still constructed:

District	Years Ended June 30	
	2021	2020
Willoughby City	\$ 34,584	\$ 35,499
Mentor City	28,325	19,511
Madison Village	9,479	-
Painesville Township	6,794	6,799
Willoughby Hills City	4,139	3,357
Painesville City	1,521	1,612
Eastlake City	1,283	1,293
Wickliffe City	389	101
Fairport Harbor Village	305	301
Mentor-on-the-Lake City	185	11
Willowick City	36	-
Painesville City-Painesville Township School District	32	185
<b>Total</b>	<b>\$ 87,072</b>	<b>\$ 68,669</b>



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

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## Notes to Financial Statements June 30, 2021 and 2020

### Note 10: Defined Benefit Pension Plans

#### *Net Pension/OPEB Liability (Asset)*

The net pension/OPEB liability (asset) reported on the statement of net position represents a liability (asset) to employees for pensions/OPEB. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/OPEB 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/OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liabilities (assets) represent the College's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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/OPEB are financed; however, the College does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68 and 75 assumes the liability (asset) 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). The retirement systems may allocate a portion of the employer contributions to provide for OPEB benefits including primarily health care. In most cases, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium.

State statute requires the retirement systems to amortize unfunded pension/OPEB liabilities within 30 years. If the pension/OPEB amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Funded benefits is presented as a long-term net pension/OPEB asset. Any liability for the contractually-required contribution outstanding at the end of the year is included as *accounts payable and accrued liabilities* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 10: Defined Benefit Pension Plans (continued)

##### *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, Medicare Part B premium reimbursements, and lump sum death benefits. 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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Members attaining 25 years of service 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 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% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the College is required to contribute 14% 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% for plan members and 14% 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 years ended June 30, 2021 and 2020, the allocation to pension, death benefits, and Medicare B was 14.0% while the funding for Health Care Fund was 0.0%.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 10: Defined Benefit Pension Plans (continued)

##### *Plan Description - School Employees Retirement System (SERS)(continued)*

Alternative Retirement Plan – Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either SERS or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their date of hire to select a retirement plan. For employees who select an ARP, employers are required to remit employer contributions to SERS at a rate of 3.48% of payroll in fiscal years 2021 and 2020.

The College’s contractually required contribution to SERS for pension was \$1,939,620 and \$2,110,438 for fiscal years 2021 and 2020, respectively.

##### *Plan Description - State Teachers Retirement System of Ohio (STRS)*

Plan Description – College licensed teachers and other faculty members participate in STRS, a cost-sharing multiple-employer public employee retirement system. 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 viewed by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 888-227-7877.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) 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% of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53% of the 14.00% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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 CO Plan offers features of both the DB Plan and the DC Plan. In the CO Plan, 12% of the 14% member rate goes to the DC Plan and 2% 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 CO Plan payment is payable to a member on or after age 60 with five years of services. 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.

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

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## Notes to Financial Statements June 30, 2021 and 2020

### Note 10: Defined Benefit Pension Plans (continued)

#### *Plan Description - State Teachers Retirement System of Ohio (STRS) (continued)*

New members who choose the DC plan or CO 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 CO Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or CO Plan member with five or more years of credited service, who is determined to be disabled, may qualify for a disability benefit. New members must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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.

A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or CO Plans.

Alternative Retirement Plan – Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their date of hire to select a retirement plan. For employees who select an ARP, employers are required to remit employer contributions to STRS at a rate of 4.47% of payroll in fiscal years 2021 and 2020.

Administrative Expenses – The costs of administering the DB and postemployment health care plans are financed by investment income. The administrative costs of the DC Plan are financed by participant fees.

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. For the fiscal years 2021 and 2020 the employer rate was 14% and the plan members were also required to contribute 14% of covered salary.

The College's contractually required contributions to STRS was \$2,701,239 and \$2,669,968 for fiscal years 2021 and 2020, respectively.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 10: Defined Benefit Pension Plans (continued)

##### *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, 2020 and 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and 2019. 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 projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense at June 30, 2021:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of net pension liability current measurement date	0.444690%	0.154733%	
Proportion of net pension liability prior measurement date	<u>0.461687%</u>	<u>0.163495%</u>	
Change in proportionate share	<u>(0.016997)%</u>	<u>(0.008762)%</u>	
Proportionate share of the net pension liability	\$ 29,412,752	\$ 37,439,959	\$ 66,852,711
Pension expense	\$ 2,400,718	\$ 3,456,565	\$ 5,857,283

Following is information related to the proportionate share and pension expense at June 30, 2020:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of net pension liability current measurement date	0.461687%	0.163495%	
Proportion of net pension liability prior measurement date	<u>0.468061%</u>	<u>0.172940%</u>	
Change in proportionate share	<u>(0.006374)%</u>	<u>(0.009445)%</u>	
Proportionate share of the net pension liability	\$ 27,623,544	\$ 36,155,932	\$ 63,779,476
Pension expense	\$ 3,030,591	\$ 3,420,323	\$ 6,450,914

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 10: Defined Benefit Pension Plans (continued)

#### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 57,133	\$ 84,006	\$ 141,139
Changes in assumptions	-	2,009,803	2,009,803
Net difference between projected and actual earnings on pension plan investments	1,867,113	1,820,709	3,687,822
College contributions subsequent to the measurement date	<u>1,939,620</u>	<u>2,701,239</u>	<u>4,640,859</u>
Total deferred outflows of resources	\$ <u><u>3,863,866</u></u>	\$ <u><u>6,615,757</u></u>	\$ <u><u>10,479,623</u></u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 239,403	\$ 239,403
Changes in proportionate share and difference in employer contributions	<u>723,219</u>	<u>3,053,832</u>	<u>3,777,051</u>
Total deferred inflows of resources	\$ <u><u>723,219</u></u>	\$ <u><u>3,293,235</u></u>	\$ <u><u>4,016,454</u></u>

**Lake County Community College District**  
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**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 10: Defined Benefit Pension Plans (continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)*

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 700,472	\$ 294,370	\$ 994,842
Changes in assumptions	-	4,247,212	4,247,212
College contributions subsequent to the measurement date	<u>2,110,438</u>	<u>2,669,968</u>	<u>4,780,406</u>
Total deferred outflows of resources	\$ <u>2,810,910</u>	\$ <u>7,211,550</u>	\$ <u>10,022,460</u>

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 156,512	\$ 156,512
Net difference between projected and actual earnings on pension plan investments	354,582	1,767,106	2,121,688
Changes in proportionate share and difference in employer contributions	<u>643,791</u>	<u>2,494,111</u>	<u>3,137,902</u>
Total deferred inflows of resources	\$ <u>998,373</u>	\$ <u>4,417,729</u>	\$ <u>5,416,102</u>

The \$4,640,859 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2022	\$ (479,265)	\$ 159,999	\$ (319,266)
2023	317,472	(294,706)	22,766
2024	778,254	295,044	1,073,298
2025	<u>584,566</u>	<u>460,946</u>	<u>1,045,512</u>
Total	\$ <u>1,201,027</u>	\$ <u>621,283</u>	\$ <u>1,822,310</u>

# Lake County Community College District

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 10: Defined Benefit Pension Plans (continued)

##### *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 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. Future benefits for all current plan members were projected through 2130.

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, 2020 and 2019 are presented below:

Valuation date	June 30, 2020 and 2019
Actuarial cost method	Entry age normal (level percent of payroll)
Actuarial Assumptions:	
Investment rate of return	7.50%, net of investments expense
COLA or Ad Hoc COLA	2.50%, on or after April, 1 2018, COLA's for future retirees will be delayed for three years following commencement.
Future salary increases, including inflation	3.50% to 18.20%
Inflation	3.00%

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.



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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 10: Defined Benefit Pension Plans (continued)

##### Actuarial Assumptions – SERS (continued)

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in the 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 an arithmetic weighted average 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 tables:

Measurement date of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00%	1.85%
US equity	22.50	5.75
International equity	22.50	6.50
Fixed income	19.00	2.85
Private equity	12.00	7.60
Real assets	17.00	6.60
Multi-asset strategies	5.00	6.65
Total	<u>100.00%</u>	

Measurement date of June 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
US equity	22.50	4.75
International equity	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	<u>100.00%</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50% as of June 30, 2020 and 2019. 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 earnings were calculated using the long-term assumed investment rate of return (7.50%). 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 as of June 30, 2020 and 2019. 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 as of June 30, 2020 and 2019.

# Lake County Community College District

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 10: Defined Benefit Pension Plans (continued)

##### Actuarial Assumptions – SERS (continued)

**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%, 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%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College’s proportionate share of the net pension liability at June 30, 2021	\$ 40,291,881	\$ 29,412,752	\$ 20,284,959
College’s proportionate share of the net pension liability at June 30, 2020	\$ 38,710,459	\$ 27,623,544	\$ 18,325,776

##### Actuarial Assumptions – STRS

The total pension liability in the June 30, 2020 and 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increase	3.00%
Investment rate of return	7.45%, net of investment expenses, including inflation
Discount rate of return	7.45%
Cost-of-living adjustments (COLA)	0.00%

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rate between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Tables with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2020 and 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 10: Defined Benefit Pension Plans (continued)

##### Actuarial Assumptions – STRS (continued)

STRS’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class for measurement years 2020 and 2019 are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25%, and does not include investment expenses. Over a 30-year period, STRS’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.45% as of June 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumes that 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. Based on those assumptions, STRS’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020 and 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020 and 2019.

**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 7.45%, 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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
College’s proportionate share of the net pension liability at June 30, 2021	\$ 53,307,985	\$ 37,439,959	\$ 23,993,131
College’s proportionate share of the net pension liability at June 30, 2020	\$ 52,837,867	\$ 36,155,932	\$ 22,033,820

# Lake County Community College District

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 11: Defined Benefit OPEB Plans

##### *Plan Description - School Employees Retirement System (SERS)*

Health Care Plan Description – The College contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute.

The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. The SERS Retirement Board established the rules for the 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.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal years ended June 30, 2021 and 2020, 0.0% of covered payroll was made to health care. Active employee members do not contribute to the Health Care Plan. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal years ended June 30, 2021 and 2020, this amount was \$23,000 and \$19,600, respectively. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal years ended June 30, 2021 and 2020, the College's surcharge obligation was \$169,173 and \$127,284, respectively.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The College's contractually required contribution to SERS for healthcare was \$169,173 and \$127,284 for fiscal years 2021 and 2020, respectively. Of this amount \$169,173 and \$127,284 is reported as an accounts payable and accrued liabilities for fiscal years 2021 and 2020, respectively.

# Lake County Community College District

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 11: Defined Benefit OPEB Plans (continued)

##### *Plan Description - State Teachers Retirement System of Ohio (STRS)*

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal years ended June 30, 2021 and 2020, STRS did not allocate any employer contributions to post-employment health care.

##### *OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

The net OPEB liability (asset) was measured as of June 30, 2020 and 2019, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date for SERS and STRS. The College’s proportion of the net OPEB liability (asset) was based on the College’s share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense as of June 30, 2021:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of net OPEB liability/asset current measurement date	0.429966%	0.154733%	
Proportion of net OPEB liability/asset prior measurement date	<u>0.447464%</u>	<u>0.163495%</u>	
Change in proportionate share	<u>(0.017498)%</u>	<u>(0.008762)%</u>	
Proportionate share of the net OPEB asset	\$ -	\$ 2,719,435	\$ 2,719,435
Proportionate share of the net OPEB liability	\$ 9,344,557	\$ -	\$ 9,344,557
OPEB expense (reduction of expense)	\$ (354,073)	\$ (218,203)	\$ (572,276)

# Lake County Community College District

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 11: Defined Benefit OPEB Plans (continued)

#### *OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)*

Following is information related to the proportionate share and OPEB expense as of June 30, 2020:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of net OPEB liability/asset current measurement date	0.447464%	0.163495%	
Proportion of net OPEB liability/asset prior measurement date	0.457483%	0.172940%	
Change in proportionate share	(0.010019)%	(0.009445)%	
Proportionate share of the net OPEB asset	\$ -	\$ 2,707,870	\$ 2,707,870
Proportionate share of the net OPEB liability	\$ 11,252,767	\$ -	\$ 11,252,767
OPEB expense (reduction of expense)	\$ 56,734	\$ (887,304)	\$ (830,570)

At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 122,731	\$ 174,248	\$ 296,979
Changes in assumptions	1,592,922	44,891	1,637,813
Net difference between projected and actual earnings on OPEB plan investments	105,292	95,305	200,597
College contributions subsequent to the measurement date	<u>169,173</u>	<u>-</u>	<u>169,173</u>
Total deferred outflows of resources	\$ <u><u>1,990,118</u></u>	\$ <u><u>314,444</u></u>	\$ <u><u>2,304,562</u></u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 4,752,360	\$ 541,672	\$ 5,294,032
Changes in assumptions	235,367	2,583,007	2,818,374
Changes in proportionate share and difference in employer contributions	<u>1,341,847</u>	<u>216,670</u>	<u>1,558,517</u>
Total deferred inflows of resources	\$ <u><u>6,329,574</u></u>	\$ <u><u>3,341,349</u></u>	\$ <u><u>9,670,923</u></u>

**Lake County Community College District**  
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**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 11: Defined Benefit OPEB Plans (continued)**

*OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)*

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 165,181	\$ 245,488	\$ 410,669
Changes in assumptions	821,886	56,919	878,805
Net difference between projected and actual earnings on OPEB plan investments	27,011	-	27,011
College contributions subsequent to the measurement date	<u>127,284</u>	<u>-</u>	<u>127,284</u>
Total deferred outflows of resources	\$ <u>1,141,362</u>	\$ <u>302,407</u>	\$ <u>1,443,769</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 2,472,156	\$ 137,766	\$ 2,609,922
Changes in assumptions	630,572	2,968,861	3,599,433
Net difference between projected and actual earnings on OPEB plan investments	-	170,074	170,074
Changes in proportionate share and difference in employer contributions	<u>993,126</u>	<u>259,249</u>	<u>1,252,375</u>
Total deferred inflows of resources	\$ <u>4,095,854</u>	\$ <u>3,535,950</u>	\$ <u>7,631,804</u>

The \$169,173 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2022	\$ (940,259)	\$ (758,748)	\$ (1,699,007)
2023	(932,641)	(694,238)	(1,626,879)
2024	(933,881)	(671,610)	(1,605,491)
2025	(851,831)	(633,720)	(1,485,551)
2026	(623,667)	(135,142)	(758,809)
Thereafter	<u>(226,350)</u>	<u>(133,447)</u>	<u>(359,797)</u>
Total	\$ <u>(4,508,629)</u>	\$ <u>(3,026,905)</u>	\$ <u>(7,535,534)</u>

# Lake County Community College District

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 11: Defined Benefit OPEB Plans (continued)

##### *Actuarial Assumptions - SERS*

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). 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 OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented below:

Wage inflation	3.00%
Projected salary increases	3.50% to 18.20%, including inflation
Investment rate of return	7.50%
Municipal bond index rate:	
Measurement date	2.45%
Prior measurement date	3.13%
Single equivalent interest rate, net of plan investment expense, including price inflation	
Measurement date	2.63%
Prior Measurement date	3.22%
Medical Trend Assumption	
Medicare	5.25% to 4.75%
Pre-Medicare	7.00% to 4.75%



# Lake County Community College District

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 11: Defined Benefit OPEB Plans (continued)

##### *Actuarial Assumptions – SERS (continued)*

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Wage inflation	3.00%
Projected salary increases	3.50% to 18.20%, including inflation
Investment rate of return	7.50%
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation	
Measurement date	3.22%
Prior Measurement date	3.70%
Medical Trend Assumption	
Medicare	5.25% to 4.75%
Pre-Medicare	7.00% to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back 5-years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 11: Defined Benefit OPEB Plans (continued)

##### Actuarial Assumptions – SERS (continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Measurement date of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00%	1.85%
US equity	22.50	5.75
International equity	22.50	6.50
Fixed income	19.00	2.85
Private equity	12.00	7.60
Real assets	17.00	6.60
Multi-asset strategies	5.00	6.65
Total	<u>100.00%</u>	

Measurement date of June 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
US equity	22.50	4.75
International equity	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	<u>100.00%</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45%, as of June 30, 2020 (i.e., municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 11: Defined Benefit OPEB Plans (continued)

##### Actuarial Assumptions – SERS (continued)

**Sensitivity of the College’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS’ net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS’ net OPEB liability would be based on health care cost trend rates that are 1% point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	<u>1% Decrease</u> <u>(1.63%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(2.63%)</u>	<u>1% Increase</u> <u>(3.63%)</u>
College’s proportionate share of the net OPEB liability as of June 30, 2021	\$ 11,437,506	\$ 9,344,557	\$ 7,680,667

	<u>1% Decrease</u> <u>(6.00-3.75%)</u>	<u>Current</u> <u>Trend Rate</u> <u>(7.25-4.75%)</u>	<u>1% Increase</u> <u>(8.00-5.75%)</u>
College’s proportionate share of the net OPEB liability as of June 30, 2021	\$ 7,358,128	\$ 9,344,557	\$ 12,000,922

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 1.50% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2029 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e., municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the College’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS’ net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS’ net OPEB liability would be based on health care cost trend rates that are 1% point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

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

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**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 11: Defined Benefit OPEB Plans (continued)**

*Actuarial Assumptions – SERS (continued)*

	<u>1% Decrease</u> (2.22%)	<u>Current</u> Discount Rate (3.22%)	<u>1% Increase</u> (4.22%)
College’s proportionate share of the net OPEB liability as of June 30, 2020	\$ 13,658,724	\$ 11,252,767	\$ 9,339,748
	<u>1% Decrease</u> (6.00-3.75%)	<u>Current</u> Trend Rate (7.00-4.75%)	<u>1% Increase</u> (8.00-5.75%)
College’s proportionate share of the net OPEB liability as of June 30, 2020	\$ 9,015,745	\$ 11,252,767	\$ 14,220,751

*Actuarial Assumptions – STRS*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020 actuarial valuation are presented below:

Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Investment rate of return	7.45%, net of investment expenses, including inflation
Discount rate of return	7.45%

	<u>Initial</u>	<u>Ultimate</u>
Health care cost trends		
Medical		
Pre-Medicare	5.00%	4.00%
Medicare	(6.69%)	4.00%
Prescription drug		
Pre-Medicare	6.50%	4.00%
Medicare	11.87%	4.00%

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019 actuarial valuation are presented below:

Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment rate of return	7.45%, net of investment expenses, including inflation	
Discount rate of return	7.45%	
Health care cost trends		
Medical		
Pre-Medicare	5.87%	4.00%
Medicare	4.93%	4.00%
Prescription drug		
Pre-Medicare	7.73%	4.00%
Medicare	9.62%	4.00%

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 11: Defined Benefit OPEB Plans (continued)

##### *Actuarial Assumptions – SERS (continued)*

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2020 and 2019 valuations are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board.

The target allocation and long-term expected rate of return for each major asset class are summarized as follows for measurement years 2020 and 2019:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic equity	28.00%	7.35%
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	1.00	2.25
Total	<u>100.00%</u>	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25%, and does not include investment expenses. Over a 30-year period, STRS's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB liability as of June 30, 2020 and 2019.

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

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**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 11: Defined Benefit OPEB Plans (continued)**

*Actuarial Assumptions – STRS (continued)*

**Sensitivity of the College’s Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2020 and 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u> <u>(6.45%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.45%)</u>	<u>1% Increase</u> <u>(8.45%)</u>
College’s proportionate share of the net OPEB (asset) at June 30, 2021	\$ (2,366,086)	\$ (2,719,435)	\$ (3,019,240)
College’s proportionate share of the net OPEB asset at June 30, 2020	\$ 2,310,627	\$ 2,707,870	\$ 3,041,857

  

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
College’s proportionate share of the net OPEB (asset) at June 30, 2021	\$ (3,000,631)	\$ (2,719,435)	\$ (2,376,899)
College’s proportionate share of the net OPEB asset at June 30, 2020	\$ 3,070,599	\$ 2,707,870	\$ 2,263,613

**Benefit Term Changes Since the Prior Measurement Date** There was no change to the claims costs process. Claim curves were updated to reflect the projected June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

# **Lake County Community College District**

## **d/b/a Lakeland Community College**

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### **Notes to Financial Statements**

#### **June 30, 2021 and 2020**

#### **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 entire assessment was expensed in fiscal year 2002 since the assessment is not guaranteed to be refunded to the College should the College at any time voluntarily withdraw from the LCSC.

Under its agreements and bylaws, the Consortium's fiscal year-ends each June 30 and the treasurer of the LCSC is a position appointed by the board of directors of the LCSC. Prior to the beginning of each fiscal year, health care program and related costs and adjustments (program costs) are estimated and allocated to each member as a required contribution for that fiscal year. If contributions are insufficient to pay actual program costs during any fiscal year, members may be required to share in those additional costs or deficiencies during that fiscal year. The LCSC has purchased a stop-loss insurance policy with a maximum loss of \$500,000 per claimant. 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 thirteen members in the pool as of June 30, 2021.

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.

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

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**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 14: Subsequent Event**

The College had one issue on the November 2021 ballot. The issue is a 1.5 mill, 10-year property tax renewal levy with no tax increase. The current 1.5 mill levy that expires November 2022 generates \$8.4 million in operating funds per year. The voters approved the ballot issue by more than 57 percent.

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# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### 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 (LCC) and operates for the benefit and is a component unit of LCC. 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 LCC. The accounting records for the Foundation are maintained at LCC in Kirtland, Ohio. Certain administrative expenses of the Foundation are paid directly by LCC.

The Foundation serves as fiscal agent for two community organizations. The cash on hand and due these organizations is reflected on the statement of financial position as “Cash held for others” and “Due to custodial funds.”

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

#### 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 U.S. generally accepted accounting principles.

##### 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.

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

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations, and are therefore available for use at the discretion of the Board of Directors and/or management for general operating purposes.

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

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## Notes to Financial Statements June 30, 2021 and 2020

**Note 15: Discretely Presented Component Unit (continued)**

**Note 2: Summary of Significant Accounting Policies (continued)**

### Basis of Presentation (continued)

*Net Assets Without Donor Restrictions (Undesignated)* – Consists of net assets that are not subject to donor-imposed restrictions nor have been designated for a specific purpose by the Foundation’s Board of Directors. The purpose of these net assets is to provide support for the daily operations and the mission of the Foundation.

*Net Assets Without Donor Restrictions (Board-designated)* – Consists of net assets that can be used only for the specific purposes determined by a formal action of the Foundation’s Board of Directors, which is the Foundation’s highest level of decision-making authority. Commitments may be changed or lifted only by the Foundation’s Board of Directors taking the same formal action that imposed the constraint originally.

*Net Assets With Donor Restrictions* – Net assets whose use has been limited by donor-imposed time and/or purpose restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Some net assets with donor restrictions include a donor stipulation that assets provided be maintained permanently (perpetual in nature) 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.

### Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements, including the allocation of net assets with donor restrictions for endowment between those restricted in perpetuity and those restricted as to time and/or purpose.

### 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. Accordingly, such amounts should be read in conjunction with the Foundation’s financial statements for the year ended June 30, 2020, from which the comparative total amounts were derived.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 15: Discretely Presented Component Unit (continued)

#### Note 2: Summary of Significant Accounting Policies (continued)

##### COVID-19 Impact

In early calendar 2020, the world began dealing with the effects of the Coronavirus pandemic (COVID-19). Disruptions to business operations, including government mandated actions and employee, supplier and customer related challenges have affected many businesses. The financial markets have experienced significant volatility. Governmental agencies have made indications of their desire to provide aid to those businesses affected by COVID-19. During May 2020, the Foundation received a loan through the U.S. Small Business Administration under the provisions of the Paycheck Protection Program (PPP) in the amount of \$73,800, at an interest rate of 1% per annum with a two-year maturity. Under terms of the PPP certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The entire loan was forgiven in February 2021, and was recognized as a gain on forgiveness of Paycheck Protection Program loan on the accompanying statement of activities. The potential impact of COVID-19 on the Foundation’s operations is inherently difficult to predict and could adversely impact its business, financial condition, and/or results of operations.

##### 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.

##### 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.

At various times during the year ended June 30, 2021, the Foundation’s cash in bank balances may have exceeded the federal insured limits.

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 an Investment Committee. Though the market value of investments is subject to fluctuations on a year-to-year basis, the Investment 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.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

**Note 15: Discretely Presented Component Unit (continued)**

**Note 2: Summary of Significant Accounting Policies (continued)**

#### Revenue Recognition

The Foundation identifies a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. For special event revenue, this is generally accomplished through a sponsor's or supporter's registration for an upcoming event and acceptance by both parties of the related terms and conditions of the sponsorship/registration.

The Foundation enters into contracts that may include exchange components for resources received in conjunction with special events. For special event revenue, the exchange component is recognized at the point in time when the event takes place (performance obligations met). As a practical expedient, the Foundation may apply revenue recognition guidance to a portfolio of contracts with similar characteristics if the Foundation reasonably expects the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio. The Foundation is taking the practical expedient approach with regard to the special event revenue, as all of the contracts are very similar.

The Foundation had special event revenue that was recognized at a point in time of \$18,305 and \$14,842 for the years ended June 30, 2021 and 2020, respectively. There were no contract assets or liabilities at June 30, 2021 and 2020.

#### 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. Realized and unrealized gains and losses, interest, dividends, and investment fees arising during the period are included in investment return, net in the accompanying statement of activities.

#### Contributions

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

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

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## Notes to Financial Statements June 30, 2021 and 2020

### Note 15: Discretely Presented Component Unit (continued)

### Note 2: Summary of Significant Accounting Policies (continued)

#### Pledges Receivable

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

#### Loans Receivable

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

#### Functional Allocation of Expenses

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas.

#### Tax Status

The Foundation is a not-for-profit 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, 2021, 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 an on-line charitable registration in the office of the state's attorney general for the State of Ohio.

#### Donated Administrative Expenses

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

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 15: Discretely Presented Component Unit (continued)

#### Note 2: Summary of Significant Accounting Policies (continued)

##### Donated Fundraising Expenses

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

##### Recent Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which clarifies the presentation of contributed nonfinancial assets as a separate line item in the statement of activities and enhances disclosure requirements. This ASU is effective for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022.

Management is currently evaluating the impact of this ASU on its financial statements.

##### Subsequent Events

The date to which events occurring after June 30, 2021, have been evaluated for possible adjustment to the financial statements or disclosure is November 12, 2021, which is the date upon 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, 2021 and 2020 were as follows:

	2021		2020	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds:				
Fixed-income mutual funds	\$ 1,161,818	\$ 1,180,056	\$ 1,109,997	\$ 1,100,421
Large-cap equity	872,986	1,549,650	919,786	1,204,041
Mid-cap equity	854,543	1,029,110	770,811	698,775
Domestic equity mutual funds	1,049,933	1,062,045	948,068	972,642
International equities	886,414	1,115,943	810,190	837,365
Alternative assets	791,248	836,937	575,373	554,454
Emerging markets equities	84,446	138,046	84,251	96,966
U.S. government obligations	-	-	30,417	30,417
Money market/cash and reserves	<u>194,712</u>	<u>194,712</u>	<u>157,935</u>	<u>157,935</u>
	<u>\$ 5,896,100</u>	<u>\$ 7,106,499</u>	<u>\$ 5,406,828</u>	<u>\$ 5,653,016</u>

# Lake County Community College District

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### 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, 2021, in valuing the Foundation’s investments carried at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed-income mutual funds	\$ 1,180,056	\$ -	\$ -	\$ 1,180,056
Large-cap equity	1,549,650	-	-	1,549,650
Mid-cap equity	1,029,110	-	-	1,029,110
Domestic equity mutual funds	1,062,045	-	-	1,062,045
International equities	1,115,943	-	-	1,115,943
Alternative assets	836,937	-	-	836,937
Emerging markets equities	138,046	-	-	138,046
Money market/cash and reserves	<u>194,712</u>	<u>-</u>	<u>-</u>	<u>194,712</u>
	<u>\$ 7,106,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,106,499</u>

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

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## Notes to Financial Statements June 30, 2021 and 2020

### Note 15: Discretely Presented Component Unit (continued)

#### Note 4: Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Scholarships	\$ 701,012	\$ 736,025
Loans (Note 7)	88,452	95,973
Educational and related programs	1,009,033	884,167
Future sponsorship activities	26,730	40,000
Portion of endowment fund classified as purpose and time restricted	<u>1,857,423</u>	<u>694,670</u>
Total net assets with donor purpose and time restrictions	3,682,650	2,450,835
Endowment fund	4,039,403	3,805,147
Pledges receivable, net for endowment	<u>8,887</u>	<u>7,242</u>
Total net assets with perpetual donor restrictions	<u>4,048,290</u>	<u>3,812,389</u>
Total net assets with donor restrictions	\$ <u>7,730,940</u>	\$ <u>6,263,224</u>

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:

	<u>2021</u>	<u>2020</u>
Scholarships	\$ 471,284	\$ 469,665
Loans (Note 7)	7,522	4,224
Educational and related programs	329,273	238,933
Future sponsorship activities	13,270	-
Administration/fundraising	37,277	49,579
Transferred – without donor restrictions	<u>3,507</u>	<u>1,739</u>
Total net assets released from donor restrictions or transferred	\$ <u>862,133</u>	\$ <u>764,140</u>

#### Note 5: Net Asset Classification of Endowment 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 net assets with donor purpose restrictions. A majority of endowment activity is restricted for the use of scholarships.

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.



# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 15: Discretely Presented Component Unit (continued)

#### Note 5: Net Asset Classification of Endowment Funds (continued)

The Board of Directors of the Foundation has interpreted the State of Ohio enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 perpetually restricted net assets with donor restrictions (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the perpetual 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 perpetually restricted net assets with donor restrictions is classified as purpose restricted net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate donor-restricted endowment funds:

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

Endowment net asset composition by type of fund as of June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,896,827	\$ 5,896,827
Board-designated endowment funds	<u>30,046</u>	<u>-</u>	<u>30,046</u>
Total funds	<u>\$ 30,046</u>	<u>\$ 5,896,827</u>	<u>\$ 5,926,873</u>

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 15: Discretely Presented Component Unit (continued)

#### Note 5: Net Asset Classification of Endowment Funds (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 30,046	\$ 4,499,817	\$ 4,529,863
Investment return, net:			
Interest and dividends	481	68,641	69,122
Net realized and unrealized gain	(302)	1,289,872	1,289,570
Management fees	(179)	(25,688)	(25,867)
Total investment return, net	-	1,332,825	1,332,825
Contributions	-	217,765	217,765
Appropriation of endowment assets for expenditure	-	(170,072)	(170,072)
Transfers	-	16,492	16,492
Endowment net assets, end of year	\$ <u>30,046</u>	\$ <u>5,896,827</u>	\$ <u>5,926,873</u>

The portion of the endowment with donor restrictions includes \$408,636 of net assets, that by the donor's restrictions are purpose restricted. The Board of Directors has determined that the donations will be maintained similar to a perpetual 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 LCC. 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.

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 15: Discretely Presented Component Unit (continued)

#### Note 5: Net Asset Classification of Endowment Funds (continued)

##### 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.

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

##### 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 of Directors for review and approval.

#### Note 6: Pledges Receivable

Pledges were discounted to their present value assuming their respective terms (up to five years) and a discount rate of 6%. The pledges receivable, net as of June 30, 2021 are scheduled to be collected as follows:

Pledges receivable:	
Payable within one year	\$ 156,952
Payable in one to five years	103,544
Payable over five years	<u>16,872</u>
Total pledges receivable	277,368
Less: discount to net present value	(14,575)
Less: allowance for uncollectible pledges	<u>(948)</u>
Pledges receivable, net at June 30, 2021	<u>\$ 261,845</u>

# Lake County Community College District

## d/b/a Lakeland Community College

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### Notes to Financial Statements

#### June 30, 2021 and 2020

#### Note 15: Discretely Presented Component Unit (continued)

#### Note 7: Loans Receivable

As of June 30, 2021 and 2020, loans receivable totaled \$137,576 and \$133,297, respectively. During the fiscal year ended June 30, 2021, \$14,097 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, 2021, \$9,818 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 \$118,199 and \$110,677 at June 30, 2021 and 2020, respectively.

#### Note 8: Related-Party Transactions

LCC made distributions to the Foundation of \$158,053 and \$107,595 for the years ended June 30, 2021 and 2020, respectively. The Foundation distributed \$768,056 and \$689,726 during the years ended June 30, 2021 and 2020, respectively, to LCC. The Foundation also distributed \$41,120 and \$44,939 in Gifts-in-Kind to LCC during the years ended June 30, 2021 and 2020, respectively. The Foundation had receivables from LCC of \$64,379 and \$14,787 as of June 30, 2021 and 2020, respectively. The Foundation had payables to LCC of \$11,111 and \$14,760 as of June 30, 2021 and 2020, respectively.

#### Note 9: Liquidity and Availability of Resources

The financial assets available within one year of June 30, 2021 for general expenditures are as follows:

Cash and cash equivalents	\$ 442,896
Cash held for others	7,779
Accounts receivable	103,966
Pledges receivable, net	261,845
Loans receivable, net	19,377
Investments	7,106,499
Total financial assets	<u>7,942,362</u>
Less:	
Amounts unavailable for general expenditure within one year, due to:	
Restricted by donors – purpose and time restrictions	3,682,650
Restricted by donors – perpetual restrictions	4,048,290
Cash held for others	7,779
	<u>7,738,719</u>
Amounts unavailable to management without Board of Directors approval:	
Funds functioning as endowment	30,046
Total amounts unavailable for general expenditure within one year	<u>7,768,765</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 173,597</u>

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

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## **Notes to Financial Statements June 30, 2021 and 2020**

**Note 15: Discretely Presented Component Unit (continued)**

**Note 9: Liquidity and Availability of Resources (continued)**

The Foundation maintains a policy of structuring its financial assets to be available as its general expenses, liabilities, and other obligations come due. The Foundation is largely supported by donor contributions and grants. The Foundation takes into account donor restrictions that require resources to be used in a particular manner or in a future period, and therefore maintains sufficient resources to meet those responsibilities.

In addition, the Foundation has the ability to access Board-designated funds functioning as endowment by special authorization of the Board of Directors, if necessary.

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

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**Required Supplementary Information**

**Schedule of the College's Proportionate Share of the Net Pension Liability**

**School Employees Retirement System of Ohio**  
**Last Eight Fiscal Years (1)**

	2021	2020	2019	2018	2017	2016	2015	2014
College's Proportion of the Net Pension Liability	0.444690%	0.461687%	0.468061%	0.493555%	0.512067%	0.514196%	0.515765%	0.515765%
College's Proportionate Share of the Net Pension Liability	\$ 29,412,752	\$ 27,623,544	\$ 26,806,720	\$ 29,488,809	\$ 37,478,601	\$ 29,340,511	\$ 26,102,573	\$ 30,680,084
College's Covered Payroll	\$ 15,731,453	\$ 16,894,053	\$ 17,304,534	\$ 17,128,424	\$ 16,789,379	\$ 16,376,110	\$ 15,515,567	\$ 15,741,163
College's Proportion of the Net Pension Liability as a Percentage of its Covered Payroll	186.97%	163.51%	154.91%	172.16%	223.23%	179.17%	168.23%	194.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%	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.

See accompanying notes to the required supplementary information.

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

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**Required Supplementary Information**

**Schedule of the College's Proportionate Share of the Net Pension Liability**

**State Teachers Retirement System of Ohio**  
**Last Eight Fiscal Years (1)**

	2021	2020	2019	2018	2017	2016	2015	2014
College's Proportion of the Net Pension Liability	0.154733%	0.163495%	0.172940%	0.176619%	0.179746%	0.189221%	0.203669%	0.203669%
College's Proportionate Share of the Net Pension Liability	\$ 37,439,959	\$ 36,155,932	\$ 38,025,519	\$ 41,956,115	\$ 60,166,515	\$ 52,295,119	\$ 49,539,464	\$ 58,852,165
College's Covered Payroll	\$ 19,637,731	\$ 20,336,213	\$ 20,296,337	\$ 20,371,148	\$ 19,807,673	\$ 20,543,317	\$ 22,818,304	\$ 24,025,933
College's Proportion of the Net Pension Liability as a Percentage of its Covered Payroll	190.65%	177.79%	187.35%	205.96%	303.75%	254.56%	217.10%	244.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.30%	75.30%	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.

See accompanying notes to the required supplementary information.

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

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**Required Supplementary Information**

**Schedule of the College's Contributions**

**School Employees Retirement System of Ohio  
Last Ten Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contributions	\$ 1,939,620	\$ 2,110,438	\$ 2,185,337	\$ 2,311,162	\$ 2,318,894	\$ 2,279,593	\$ 2,092,265	\$ 2,077,209	\$ 1,997,267	\$ 2,061,714
Contributions in Relation to Contractually Required Contributions	(1,939,620)	(2,110,438)	(2,185,337)	(2,311,162)	(2,318,894)	(2,279,593)	(2,092,265)	(2,077,209)	(1,997,267)	(2,061,714)
Contribution Deficiency (Excess) \$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College Covered Payroll	14,477,985	15,731,453	16,894,053	17,304,534	17,128,424	16,789,379	16,376,110	15,515,567	15,741,163	16,720,316
Contribution as a Percentage of Covered Payroll	13.40%	13.42%	12.94%	13.36%	13.54%	13.58%	12.78%	13.39%	12.69%	12.33%

See accompanying notes to the required supplementary information.



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

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**Required Supplementary Information**

**Schedule of the College's Contributions**

**State Teachers Retirement System of Ohio  
Last Ten Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contributions	\$ 2,701,239	\$ 2,669,968	\$ 2,739,481	\$ 2,718,386	\$ 2,720,411	\$ 2,651,831	\$ 2,715,449	\$ 2,846,641	\$ 2,951,310	\$ 3,095,012
Contributions in Relation to Contractually Required Contributions	<u>(2,701,239)</u>	<u>(2,669,968)</u>	<u>(2,739,481)</u>	<u>(2,718,386)</u>	<u>(2,720,411)</u>	<u>(2,651,831)</u>	<u>(2,715,449)</u>	<u>(2,846,641)</u>	<u>(2,951,310)</u>	<u>(3,095,012)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
College Covered Payroll	\$ 19,895,344	\$ 19,637,731	\$ 20,336,213	\$ 20,296,337	\$ 20,371,148	\$ 19,807,673	\$ 20,543,317	\$ 22,818,304	\$ 24,025,933	\$ 25,131,333
Contribution as a Percentage of Covered Payroll	13.58%	13.60%	13.47%	13.39%	13.35%	13.39%	13.22%	12.48%	12.28%	12.32%

See accompanying notes to the required supplementary information.

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

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**Required Supplementary Information**

**Schedule of the College's Proportionate Share of the Net OPEB Liability**

**School Employees Retirement System of Ohio  
Last Five Fiscal Years (1)**

	2021	2020	2019	2018	2017
College's Proportion of the Net OPEB Liability	0.429966%	0.447464%	0.457483%	0.482726%	0.493505%
College's Proportionate Share of the Net OPEB Liability	\$ 9,344,557	\$ 11,252,767	\$ 12,691,822	\$ 12,955,098	\$ 14,066,722
College's Covered Payroll	\$ 15,731,452	\$ 16,894,052	\$ 17,304,533	\$ 17,128,424	\$ 16,789,379
College's Proportion of the Net OPEB Liability as a Percentage of its Covered Payroll	59.40%	66.61%	73.34%	75.64%	83.78%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

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

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**Required Supplementary Information**

**Schedule of the College's Proportionate Share of the Net OPEB Liability (Asset)**

**State Teachers Retirement System of Ohio  
Last Five Fiscal Years (1)**

	2021	2020	2019	2018	2017
College's Proportion of the Net OPEB Liability/Asset	0.1547333%	0.163495%	0.172940%	0.176619%	0.179746%
College's Proportionate Share of the Net OPEB Liability (Asset)	\$ (2,719,435)	\$ (2,707,870)	\$ (2,778,961)	\$ 6,891,004	\$ 9,612,880
College's Covered Payroll	\$ 19,637,731	\$ 20,336,213	\$ 20,296,337	\$ 20,371,148	\$ 19,807,673
College's Proportion of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-13.85%	-13.32%	-13.69%	33.83%	48.53%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	182.10%	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

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

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**Required Supplementary Information**

**Schedule of the College's Contributions - OPEB**

**School Employees Retirement System of Ohio**  
**Last Ten Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contributions	\$ 169,173	\$ 127,284	\$ 232,503	\$ 252,575	\$ 179,292	\$ 159,381	\$ 270,296	\$ 155,873	\$ 155,696	\$ 330,286
Contributions in Relation to Contractually Required Contributions	(169,173)	(127,284)	(232,503)	(252,575)	(179,292)	(159,381)	(270,296)	(155,873)	(155,696)	(330,286)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College Covered Payroll	\$ 14,477,985	\$ 15,731,452	\$ 16,894,052	\$ 17,304,533	\$ 17,128,424	\$ 16,789,379	\$ 16,376,110	\$ 15,515,568	\$ 15,741,163	\$ 16,720,316
OPEB Contribution as a Percentage of Covered Payroll	1.17%	0.81%	1.38%	1.46%	1.05%	0.95%	1.65%	1.00%	0.99%	1.98%

See accompanying notes to the required supplementary information.

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

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**Required Supplementary Information**

**Schedule of the College's Contributions - OPEB**

**State Teachers Retirement System of Ohio**  
**Last Ten Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 218,972	\$ 227,024	\$ 238,078
Contributions in Relation to Contractually Required Contributions	-	-	-	-	-	-	-	(218,972)	(227,024)	(238,078)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College Covered Payroll	\$ 19,895,344	\$ 19,637,731	\$ 20,336,213	\$ 20,296,337	\$ 20,371,148	\$ 19,807,673	\$ 20,543,317	\$ 22,818,304	\$ 24,025,933	\$ 25,131,333
OPEB Contribution as a Percentage of Covered Payroll	- %	- %	- %	- %	- %	- %	- %	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

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

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## Notes to the Required Supplementary Information June 30, 2021 and 2020

### Note 1: Net Pension Liability

#### Changes in Assumptions – SERS

Beginning in fiscal year 2019, an assumption of 2.5% was used for COLA or Ad Hoc Cola. Prior to 2019, an assumption of 3.0% was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3.00%	3.25%
Future Salary Increases, including inflation	3.50% to 18.20%	4.00% to 22.00%
Investment Rate of Return	7.50% net of investments expense, including inflation	7.75% net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are 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. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

#### Changes in Assumptions – STRS

Beginning with fiscal year 2019, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50%	2.75%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.45%, net of investment expenses, including inflation	7.75%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.50%
Cost-of-Living Adjustments (COLA)	0.00%, effective July 1, 2017	2.00% simple applied as follows: for members retiring before August 1, 2013, 2.00% per year; for members retiring August 1, 2013, or later, 2.00% COLA commences on fifth anniversary of retirement date.

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

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## Notes to the Required Supplementary Information June 30, 2021 and 2020

### Note 1: Net Pension Liability (continued)

#### Changes in Assumptions – STRS (continued)

Beginning in fiscal year 2019 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, 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 no set back from age 90 and above.

### Note 2: Net OPEB Liability

#### Changes in Assumptions – SERS

Amounts reported for fiscal year 2021 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

#### Municipal Bond Index Rate:

Fiscal year 2021 2.45%

Fiscal year 2020 3.13%

Fiscal year 2019 3.62%

Fiscal year 2018 3.56%

Fiscal year 2017 2.92%

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

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## Notes to the Required Supplementary Information June 30, 2021 and 2020

### Note 2: Net OPEB Liability (continued)

#### Changes in Assumptions – SERS (continued)

Single Equivalent Interest Rate, net of plan investment expense, including price inflation

Fiscal year 2021 2.63%

Fiscal year 2020 3.22%

Fiscal year 2019 3.70%

Fiscal year 2018 3.63%

Fiscal year 2017 2.98%

Beginning in fiscal year 2020 the healthcare cost trend rate was updated from 7.25% decreasing to 4.75% to 7.00% decreasing to 4.75%.

Beginning in fiscal year 2019 the healthcare cost trend rate was updated from 7.5% decreasing to 5.0% to 7.25% decreasing to 4.75%.

#### Changes in Assumptions – STRS

For fiscal year 2019 the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also for fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were discontinued beginning January 1, 2020.

For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements were discontinued beginning January 2019.



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

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## **Notes to the Required Supplementary Information June 30, 2021 and 2020**

### **Note 2: Net OPEB Liability (continued)**

#### **Changes in Benefit Term Changes – STRS**

There was no change to the claims costs process. Claim curves were updated to reflect the projected June 30 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

**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 discretely presented component unit of Lake County Community College District d/b/a Lakeland Community College (the “College”), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements, and have issued our report thereon dated January 3, 2022.

**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) as a basis for designing 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.

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  
January 3, 2022

**Independent Auditor’s Report on Compliance for Each Major Program;  
Report on Internal Control over Compliance; 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 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 programs for the year ended June 30, 2021. The College’s major federal programs are 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.

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 each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control over Compliance**

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 a 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 discretely presented component unit of the College, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated January 3, 2022, 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  
January 3, 2022

**Lake County Community College District  
d/b/a Lakeland Community College  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021**

Federal Agency/Pass-through-Agency/Program Title	Assistance Listing Number	Pass-Through Entity Project/ Grant Number	Fiscal Year 2021 Expenditures
U.S Department of Education:			
Student Financial Assistance Cluster:			
Federal Pell Grant Program	84.063	P063P102857	\$ 5,594,808
Federal Work-Study Program	84.033	P0033A106053	53,522
Federal Supplemental Educational Opportunity Grants	84.007	P007A106053	177,814
Federal Direct Student Loans	84.268	N/A	<u>5,900,645</u>
Total Student Financial Assistance Cluster			11,726,789
Education Stabilization Fund:			
COVID-19 - Higher Education Emergency Relief Fund - Student Aid Portion	84.425E	P425E203325	2,020,181
COVID-19 - Higher Education Emergency Relief Fund - Institutional Portion	84.425F	P425E203325	<u>1,536,947</u>
Total Education Stabilization Fund	84.425		3,557,128
Passed through the Ohio Department of Education:			
Career and Technical Education - Basic Grants to States	84.048	063347-20C3-2009	<u>174,330</u>
Total U.S. Department of Education			15,458,247
U.S Department of Labor:			
WIOA Cluster Passed through The Ohio Department of Job and Family Services - Job Training Partnership Act:			
WIA Dislocated Worker Formula Grants	17.278	G-1011-15-0262	<u>4,634</u>
Total WIOA Cluster			4,634
Passed through Cuyahoga County Community College:			
Apprenticeship USA Grants	17.285	N/A	<u>4,402</u>
Total U.S. Department of Labor			9,036
U.S Department of Treasury:			
Passed through the Ohio Department of Higher Education:			
COVID-19 - Coronavirus Relief Fund	21.019	SLT0018	<u>1,168,630</u>
Total U.S. Department of Treasury			1,168,630
Small Business Administration:			
Small Business Development Centers (SBDC)	59.037	SBAHQ21B0026	130,102
Small Business Development Centers (SBDC) - COVID 19 Supplemental Funds	59.037	SBAHQ20C0018	<u>49,555</u>
Total Small Business Administration			179,657
U.S. Department of Health and Human Services:			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	SM062894	<u>6,657</u>
Total U.S. Department of Health and Human Services			6,657
National Endowment for the Arts:			
Promotion of the Arts - Grants to Organizations and Individuals	45.024	1861801-41-20	<u>10,000</u>
Total U.S Department of Defense			<u>10,000</u>
Total Expenditures of Federal Awards			<u>\$ 16,832,227</u>

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, 2021**

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### **Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) reflects 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, 2021. Expenditures reported on the Schedule are reported on the accrual basis of accounting, the same basis of accounting as the basic financial statements.

For the purposes of the Schedule, federal awards include the following:

- Direct federal awards
- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations

All programs are presented by federal agency. Pass-through programs are also presented by the entity through which the College received the federal award. Assistance Listing Numbers (ALN) and Pass-Through Numbers are presented for those programs for which such numbers are available.

### **Note 2: Indirect Cost Rate**

The College has not elected to use the 10 percent de minimis indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

### **Note 3: Federal Direct Student Loans**

During the fiscal year ended June 30, 2021, 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 4 – Prior Fiscal Year Expenditures in the Subsequent Fiscal Year**

Congress has passed several pieces of legislation providing significant COVID-19 Federal funding among various new and pre-existing programs to states and local governments. In many cases, the funding was distributed to local governments after the local government incurred allowable expenditures and prior to Federal agencies issuing specific programmatic guidance. These Federal programs with COVID-19 funding have identified a covered period in which allowable expenditures may be charged to the program. In many cases, these covered periods are retroactive back to the beginning of the COVID-19 public health emergency (i.e., various dates in March 2020).



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

Notes to Schedule of Expenditures of Federal Awards (continued)

**For the Year Ended June 30, 2021**

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**Note 4 – Prior Fiscal Year Expenditures in the Subsequent Fiscal Year (Continued)**

The Schedule of Expenditures of Federal Awards for fiscal year ended June 30, 2021 includes eligible expenditures totaling \$1,168,998 that were incurred during the fiscal year ended June 30, 2020.

<b>Program Title</b>	<b>Assistance Listing Number</b>	<b>Expenditures Incurred in Fiscal Year 2020</b>
COVID-19 – Education Stabilization	84.425F	\$853,754
COVID-19 – Coronavirus Relief Fund	21.019	315,244

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

Schedule of Findings and Questioned Costs

**For the Year Ended June 30, 2021**

**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)?	None reported
(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 each major federal program?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for each major federal program?	None reported
(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 Programs	Student Financial Assistance Cluster: ALN # 84.063, 84.033, 84.007, 84.268  Education Stabilization Fund: ALN # 84.425E, 84.425F  Coronavirus Relief Fund: ALN #21.019
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$750,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

**2. Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS**

None 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, 2021**

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No prior year findings or questioned costs.

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# OHIO AUDITOR OF STATE KEITH FABER



**LAKELAND COMMUNITY COLLEGE**

**LAKE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/15/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)