Single Audit Report

Lake County Community College District

Year Ended June 30, 1999

ERNST & YOUNG LLP

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Board of Trustees
Lake County Community College District

We have reviewed the Independent Auditor's Report of the Lake County Community College, Lake County, prepared by Ernst & Young, for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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 is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

December 28, 1999

ERNST & YOUNG LLP

1300 Huntington Building
925 Euclid Avenue
Cleveland, Ohio 44115-1405

Phone: 216 861 5000

Report of Independent Auditors

Board of Trustees
Lake County Community College District

We have audited the accompanying balance sheet of the Lake County Community College District (the College), as of June 30, 1999, and the related statements of changes in fund balances, and current funds revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

The Year 2000 supplementary information on page 22 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB), and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because disclosure criteria specified by GASB Technical Bulletin No. 98-1 as amended are not sufficiently specific to permit us to perform procedures that would provide meaningful results. In addition, we do not provide assurance that the College is or will become Year 2000 compliant, that the College's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the College does business are or will become Year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 1999 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the College taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 1999 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ernst + Young LLP

August 20, 1999

Lake County Community College District

Balance Sheet

Year Ended June 30, 1999 with Comparative Totals at June 30, 1998

	Current Funds – Unrestricted – Educational and General	Current Funds – Unrestricted – Auxiliary Enterprises	Current Funds – Restricted – Educational and General	Loan Funds	Endowment and Similar Funds	Plant Funds – Unexpended	Plant Funds – Renewals and Replacements	Plant Funds – Retirement of Indebtedness	Plant Funds – Investment in Plant	Agency Funds	Totals (Memorandum Only) 1999	Totals (Memorandum Only) 1998
Assets												
Cash and cash equivalents	$ 875,485	$ 151,968	$ 2,991	$ 4,444	$ 312,203	$ 4,689,014	$ 1,564,378	$ 153,579		$ 100,208	$ 7,854,270	$ 2,983,527
Investments	19,138,405						2,005,620				21,144,025	20,133,453
Accounts receivable, less allowance for uncollectible accounts of $96,090	807,205	478,265	287,208	(9,698)		430,286	44,703			(76)	2,037,893	2,630,705
Notes receivable, less allowance *for uncollectible accounts of* $408,548				426,857							426,857	396,774
Due from other funds	55,000		445,128			42,351					542,479	115,000
Inventories, at cost	58,717	368,164									426,881	430,253
Prepaid expenses	574,100	1,591	8,261							990	584,942	533,118
Investment in plant:												
Land									$ 723,289		723,289	723,289
Buildings									48,102,337		48,102,337	47,800,021
Improvements, other than buildings									4,403,380		4,403,380	4,299,655
Movable equipment, furniture, library books, vehicles and software									17,592,348		17,592,348	16,464,333
Construction in progress									388,169		388,169	
Total assets	$ 21,508,912	$ 999,988	$ 743,588	$ 421,603	$ 312,203	$ 5,161,651	$ 3,614,701	$ 153,579	$ 71,209,523	$ 101,122	$ 104,226,870	$ 96,510,128

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Lake County Community College District

Balance Sheet—Continued

	Current Funds					Plant Funds					Totals (Memorandum Only)	
	Unrestricted		Restricted									
	Educational and General	Auxiliary Enterprises	Educational and General	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	1999	1998
Liabilities and fund balances												
Liabilities:												
Accounts payable	$ 1,391,104	$ 91,144	$ 106,500		$ 10,000	$ 39,052	$ 124,143			$ 1,612	$ 1,763,555	$ 2,080,940
Accrued liabilities	710,478	41,565	20,509			42,351	8,616			191	823,710	888,663
Deposits	94,512	30,657	13,143	$ 6,424						99,319	244,055	227,949
Deferred revenue	1,023,307		1,670			391,234					1,416,211	1,364,459
Due to other funds	445,128			55,000				$ 42,351			542,479	115,000
Reserve for compensated absences	987,858										987,858	891,894
Obligation for early retirement incentive plan	2,808,759										2,808,759	2,750,000
Capital lease obligation									$ 1,453,734		1,453,734	991,860
Long-term debt						5,040,000					5,040,000	
Total liabilities	7,461,146	163,366	141,822	61,424	10,000	5,512,637	132,759	42,351	1,453,734	101,122	15,080,361	9,310,765
Fund balances:												
Current funds:												
Undesignated	14,047,766	836,622									14,884,388	14,270,070
Restricted			601,766								601,766	577,593
Loan funds:												
Government grants:												
Perkins loans				170,854							170,854	156,277
Nursing student loans				111,395							111,395	108,368
College funds:												
Restricted				77,930							77,930	85,589
Endowment and similar funds					302,203						302,203	295,172
Plant funds:												
Unexpended						(350,986)					(350,986)	39,732
Renewals and replacements							3,481,942				3,481,942	3,321,253
Retirement of indebtedness:												
Restricted								111,228			111,228	49,871
Investment in plant—*Note A*									69,755,789		69,755,789	68,295,438
Total fund balances	14,047,766	836,622	601,766	360,179	302,203	(350,986)	3,481,942	111,228	69,755,789		89,146,509	87,199,363
Total liabilities and fund balances	$ 21,508,912	$ 999,988	$ 743,588	$ 421,603	$ 312,203	$ 5,161,651	$ 3,614,701	$ 153,579	$ 71,209,523	$ 101,122	$ 104,226,870	$ 96,510,128

See notes to financial statements.

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Lake County Community College District

Statement of Changes in Fund Balances

Year Ended June 30, 1999 with Comparative Totals for Year Ended June 30, 1998

	Current Funds – Unrestricted – Educational and General	Current Funds – Unrestricted – Auxiliary Enterprises	Current Funds – Restricted – Educational and General	Loan Funds	Endowment and Similar Funds	Plant Funds – Unexpended	Plant Funds – Renewals and Replacements	Plant Funds – Retirement of Indebtedness	Investment in Plant	Totals (Memorandum Only) 1999	Totals (Memorandum Only) 1998
Revenues and other additions											
Unrestricted current fund revenues	$ 36,976,204	$ 4,279,978								$ 41,256,182	$ 39,906,566
State appropriations—*Note B*			$ 599,963							599,963	519,737
Federal grants and contracts			2,308,379	$ 12,642						2,321,021	2,204,252
State and local grants and contracts—*Note B*			1,727,134			$ 461,508				2,188,642	4,510,800
Private gifts and grants			440,062							440,062	322,113
Investment income			208	1,067	$ 15,159	37,152	$ 146,786			200,372	239,906
Loan processing fees				43,000						43,000	43,380
Interest on loans receivable				18,457						18,457	16,504
Acquisition of plant facilities, including $289,687 charged to current fund expenditures									$ 1,199,417	1,199,417	4,458,423
Retirement of indebtedness									260,934	260,934	116,554
Proceeds from issuance of long-term debt, net						4,973,123				4,973,123	
Other additions			22,989	4,173			4,864			32,026	36,202
Total revenues and other additions	36,976,204	4,279,978	5,098,735	79,339	15,159	5,471,783	151,650		1,460,351	53,533,199	52,374,437
Expenditures and other deductions											
Educational and general	34,712,318		999,321		5,000					35,716,639	36,813,951
Auxiliary enterprises		4,015,246								4,015,246	3,631,735
Expended for plant facilities						822,501	1,450,961			2,273,462	4,752,754
Loan cancellations and write-offs				75,872						75,872	64,268
Collection costs				23,522						23,522	15,011
Scholarships and grants			4,079,541		3,128					4,082,669	3,388,299
Issuance of indebtedness						5,040,000				5,040,000	
Retirement of indebtedness								$ 260,934		260,934	116,554
Interest on indebtedness						42,351		55,358		97,709	27,575
Total expenditures and other deductions	34,712,318	4,015,246	5,078,862	99,394	8,128	5,904,852	1,450,961	316,292		51,586,053	48,810,147

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Lake County Community College District

Statement of Changes in Fund Balances—Continued

	Current Funds					Plant Funds				Totals (Memorandum Only)	
	Unrestricted		Restricted								
	Educational and General	Auxiliary Enterprises	Educational and General	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	1999	1998
Transfers among funds—additions (deductions)											
Mandatory	(420,000)					42,351		377,649			
Nonmandatory	(1,287,299)	(207,001)	4,300	30,000			1,460,000				
Net increase (decrease) in fund balances	556,587	57,731	24,173	9,945	7,031	(390,718)	160,689	61,357	1,460,351	1,947,146	3,564,290
Fund balances at beginning of year	13,491,179	778,891	577,593	350,234	295,172	39,732	3,321,253	49,871	68,295,438	87,199,363	83,635,073
Fund balances at end of year	$ 14,047,766	$ 836,622	$ 601,766	$ 360,179	$ 302,203	$ (350,986)	$ 3,481,942	$ 111,228	$ 69,755,789	$ 89,146,509	$ 87,199,363

See notes to financial statements.

Lake County Community College District

Statement of Current Funds Revenues, Expenditures, and Other Changes

Year Ended June 30, 1999 with Comparative
Totals for Year Ended June 30, 1998

	Unrestricted			Restricted	Totals (Memorandum Only)	
	Educational and General	Auxiliary Enterprises	Total	Educational and General	1999	1998
Revenues						
Tuition, fees and other student charges	$ 11,280,009		$ 11,280,009		$ 11,280,009	$ 10,692,236
State appropriations—*Note B*	13,680,179		13,680,179	$ 599,963	14,280,142	13,844,490
Local appropriations—*Note C*	10,392,767		10,392,767		10,392,767	10,255,785
Federal grants and contracts				2,308,379	2,308,379	2,189,783
State and local grants and contracts—*Note B*	6,015		6,015	1,727,134	1,733,149	1,672,146
Private gifts and grants	5,000		5,000	440,062	445,062	327,113
Sales and services	363,453	$ 4,270,266	4,633,719		4,633,719	4,202,201
Income from temporary investments	1,196,388	9,712	1,206,100	208	1,206,308	1,240,826
Other sources	52,393		52,393	22,989	75,382	190,489
Total revenues	36,976,204	4,279,978	41,256,182	5,098,735	46,354,917	44,615,069
Expenditures						
Educational and general:						
Instruction and departmental research	15,878,817		15,878,817	85,541	15,964,358	16,924,400
Academic support	1,390,342		1,390,342	218,457	1,608,799	3,212,427
Student services	4,765,310		4,765,310	274,555	5,039,865	4,269,112
Institutional support	6,409,920		6,409,920		6,409,920	6,479,973
Operating and maintenance of plant	3,992,229		3,992,229		3,992,229	3,680,755
Public service	2,063,414		2,063,414	580,256	2,643,670	2,097,399
Scholarships and grants	212,286		212,286	3,920,053	4,132,339	3,529,033
Auxiliary enterprises		4,015,246	4,015,246		4,015,246	3,631,735
Total expenditures	34,712,318	4,015,246	38,727,564	5,078,862	43,806,426	43,824,834

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Lake County Community College District

Statement of Current Funds Revenues, Expenditures, and Other Changes—Continued

	Unrestricted			Restricted	Totals (Memorandum Only)	
	Educational and General	Auxiliary Enterprises	Total	Educational and General	1999	1998
Transfers and other deductions						
Mandatory:						
Principal and interest	(420,000)		(420,000)		(420,000)	(194,000)
Nonmandatory:						
Support to other funds	(1,287,299)	(207,001)	(1,494,300)	4,300	(1,490,000)	(1,628,307)
Net increase (decrease) in fund balances	$ 556,587	$ 57,731	$ 614,318	$ 24,173	$ 638,491	$ (1,032,072)

See notes to financial statements.

A. Summary of Significant Accounting and Reporting Policies

Accrual and Fund Accounting

The accompanying financial statements of the Lake County Community College District (College) have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to governmental colleges as prescribed by the American Institute of Certified Public Accountants' College Guide Model. The College is a primary government with no component units.

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 1998, from which the summarized information was derived.

The College is a political subdivision of the State of Ohio and is exempt from filing a federal tax return based upon the ruling it received from the Internal Revenue Service dated August 27, 1968.

In order to ensure observance of limitations and restrictions placed on the use of the resources of the College, the accounts of the College are maintained in accordance with the principles of "fund accounting". This is a procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Board of Trustees. Externally restricted funds may only be utilized in accordance with the purpose established by the source of such funds and are in contrast with unrestricted funds over which the Board of Trustees retains full control to use in achieving any of its institutional purposes.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, the College's financial statements are included as a discrete entity, on the State of Ohio's Consolidated Annual Financial Report.

A. Summary of Significant Accounting and Reporting Policies—Continued

Current Funds

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

Loan Funds

Loan funds are comprised of resources initially received from gifts and grants to be used for loans to students. A significant portion of the fund balance represents grants from the federal government. In some cases the grant requires a partial match of College funds.

Endowment and Similar Funds

Endowment and similar funds are subject to the restrictions of gift instruments or board designations and are accounted for accordingly.

Plant Funds

Plant funds consist of funds to be used for the acquisition of physical properties which are unexpended at the date of reporting, funds set aside for the renewal and replacement of College properties, funds set aside for debt service charges and for the retirement of indebtedness, and funds expended for and thus invested in College properties.

Interfund Activity

Interfund borrowings are recorded in each fund as due to/due from other funds.

A. Summary of Significant Accounting and Reporting Policies—Continued

Accrual Basis

The financial statements of the College have been prepared on the accrual basis in accordance with generally accepted accounting principles of fund accounting for educational institutions. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Cash and Cash Equivalents

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

Investments

All investments are measured at fair value, based on quoted market prices, in the balance sheet.

Inventories

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

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost at date of acquisition or fair value at date of donation in the case of gifts. To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of library books and tapes, (2) mandatory transfers, in the case of required provisions for principal and interest payments, equipment renewal and replacement, and land and building improvements, and (3) transfers of a nonmandatory nature for all other cases. When plant assets are sold or otherwise disposed of, the carrying value of such assets is removed from the accounts and the net investment in plant is reduced accordingly. Depreciation on plant and equipment is not recorded.

A. Summary of Significant Accounting and Reporting Policies—Continued

Deferred Revenue

Revenues and expenditures related to academic terms conducted over two fiscal years, such as summer sessions, are recognized in the fiscal year in which the program is predominantly conducted.

Reserve for Compensated Absences

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

Financial Statement Presentation

Data presented in the total columns of the accompanying financial statements have been included to provide a basis for comparison between fiscal years and present summarized information only, without regard to restrictions by individual fund. As such, this data does not present financial position or results of operations in conformity with generally accepted accounting principles.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosure in the footnotes. Actual results could differ from those estimates.

B. State Support

The College is a state-assisted institution of higher education which receives a student-based subsidy from the State of Ohio (State). This subsidy is determined annually based upon a formula divised by the State.

In addition to the student subsidies, the State provides funding for the construction of major academic plant facilities on the College campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC) which in turn is used for the construction and subsequent transfer of the facility to the College.

B. State Support—Continued

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 State. If sufficient monies are not available from this fund, the Ohio Board of Regents shall assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

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

The College follows the general educational institution practice of recording state appropriations released but not yet expended for plant facilities as accounts receivable and additions to deferred revenue in the unexpended plant fund.

C. Local Appropriations

The College receives funds from property taxes levied on all real and public utility property and tangible personal property used in businesses located in Lake County. This levy of 1.7 stated mills has no expiration date.

On June 2, 1992, an additional levy of 1.5 stated mills for ten years commencing with the 1993 tax year was passed by Lake County voters.

D. Deposits

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

D. Deposits—Continued

At June 30, 1999, the carrying amount of the College's deposits was $879,785. The bank balance totaled $68,671. The difference represents outstanding checks payable, repurchase agreements, and normal reconciling items. The entire bank balance was covered by federal depository insurance.

E. Investments

The College records investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pool* which requires most investments to be recorded at fair value and the recognition of unrealized gains and losses in the statement of revenues and expenses.

The College's investment policies are governed by state statutes which authorize the College to invest in obligations of the U.S. Treasury, agencies and instrumentalities; bonds and other State of Ohio obligations; certificates of deposit; U.S. Government money market funds and repurchase transactions. Such repurchase transactions must be purchased from financial institutions as discussed in "Deposits" above or registered broker/dealers.

Investments are categorized to give an indication of the level of risk assumed by the College at year end. The categorized investments include those which are classified as cash and cash equivalents in accordance with the provisions of GASB Statement No. 9.

The College's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

E. Investments—Continued

At June 30, 1999, investments reported in cash and cash equivalents and investments include:

Type of Investment	Category (2)	Category (3)	Cost	Fair Value
Repurchase agreement		$ 1,822,614	$ 1,822,614	$ 1,822,614
U.S. Government T-Notes	$21,187,817		21,187,817	21,144,025
	$21,187,817	$ 1,822,614		
State Treasurer Asset Reserve Fund (Star Ohio)				6,974,485
Total investments				29,941,124
Less repurchase agreements—*Note D*				(1,822,614)
Plus cash—*Note D*				879,785
Cash and cash equivalents and investments				$ 28,998,295

Investments classified in category 2 are held in banks' trust departments due to legal restrictions required by trust indentures and codified ordinances. Assets held by these trust departments as custodial agents are considered legally separate from the assets of the commercial side of the bank and are held strictly on a fiduciary basis. These trust departments are authorized by and regulated under various state and federal laws. Investments classified in category 3 are uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the College's name.

Star Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. Star Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Star Ohio are valued at Star Ohio's share price which is the price the investment could be sold for on June 30, 1999. The deposits invested with Star Ohio are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 3.

F. Retirement Plans

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

The State Teachers Retirement System of Ohio Comprehensive Annual Financial Report may be obtained by writing to The State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771. The School Employees Retirement System of Ohio Comprehensive Annual Financial Report may be obtained by writing to School Employees Retirement System of Ohio, 45 North Fourth Street, Columbus, Ohio 43215-5853. The Ohio Revised Code (ORC) provides statutory authority for employee and employer contributions. The employee contribution rates are 9.3% and 9% for STRS and SERS, respectively, of covered payroll and the College is required to contribute 14% of covered payroll. The College's contributions to STRS for the years ended June 30, 1999, 1998 and 1997 were $1,934,907, $1,837,869 and $ 1,718,347, respectively, equal to the required contributions for each year. The College contributions to SERS for the years ended June 30, 1999, 1998 and 1997 were $1,335,808, $1,249,573 and $1,182,680, respectively, equal to the required contributions for each year.

Amended Substitute House Bill 586 requires all Ohio public colleges to offer at least three alternative retirement plans to certain new and existing full-time employees. For those employees electing to participate in an alternative retirement plan (Plan), the College will contribute 8% of covered payroll to the Plan. The College is also required to contribute an additional 6% of participating employees' covered payroll to the non-participating state retirement system. The employee contribution rate is equal to the rate in effect under the state-administered retirement plan in which the employee is qualified. The Plans have an effective date of July 1, 1999. The College anticipates no additional retirement plan expenditures as a result of the Plans.

G. Postemployment Benefit

State Teachers Retirement System

STRS provides comprehensive health care benefits to retired teachers and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the ORC, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions equal to 2% of covered payroll to the health care reserve fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5% of covered payroll to the health care reserve fund. The balance in the health care reserve fund was $2,156 million on June 30, 1998. The health care reserve fund allocation for the year ended June 30, 1999, will be 8% of covered payroll.

For the year ended June 30, 1998, the net health care costs paid by STRS were $219,224,000. There were 91,999 eligible benefit recipients.

School Employees Retirement System

SERS provides post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with 10 or more years of qualifying service credit and disability and survivor benefit recipients. Members retiring on and after August 1, 1989 with less than 25 years of qualified service credit pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

G. Postemployment Benefit—Continued

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 1998, the allocation rate is 4.98%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1998, the minimum pay has been established as $12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998 were $111,900,575. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits was $160.3 million.

For the year ended June 30, 1998, the net health care costs paid by SERS were $111,900,575. The number of retirees and covered dependents currently receiving benefits is approximately 50,000.

H. Early Retirement Incentive Plan

During fiscal year 1998, the College entered into an agreement with the Lakeland Faculty Association, which included an early retirement incentive plan for the fiscal years 1999, 2000, and 2001. In accordance with the terms of the plan, members of STRS who meet certain eligibility requirements and choose to participate can take early retirement. The cost of retirement incentive credits for individuals participating in the plan is determined by STRS and is paid entirely by the College. The estimated cost of the early retirement incentive plan as of June 30, 1999 is $2,808,759.

I. Leases

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, 1999 and 1998 amounted to $186,586 and $185,626, respectively.

The capital leased assets consist of a computer system, hardware and software, implementation costs, and other equipment. Capital leased assets recorded as moveable equipment, furniture, library books, vehicles and software on the balance sheet at June 30, 1999 amounted to $1,831,221.

I. Leases—Continued

Future minimum lease payments as of June 30, 1999 under all capital and operating leases, along with the present value of net minimum capital lease payments are as follows:

Year Ending June 30	Capital Lease	Operating Leases
2000	$ 404,009	$ 203,374
2001	404,009	206,325
2002	404,009	210,798
2003	273,262	218,600
2004 and thereafter	105,420	226,402
Total minimum lease payments	1,590,709	$1,065,499
Less amount representing interest	136,975	
Present value of net minimum capital lease payments	$1,453,734	

J. Long-Term Debt

Effective March 15, 1999 and May 13, 1999, the College issued $1,740,000 of General Receipts Bonds, Series 1999 (Series 1999 Bonds), and $3,300,000 of General Receipts Bond Anticipation Notes, Series 1999 (Series 1999 Notes), respectively, to pay part of the cost of renovating and adding to the College's Athletic Fitness Center (AFC). The proceeds and related indebtedness have been recorded as assets and liabilities of the College.

The Series 1999 Bonds were issued pursuant to a Master Trust Agreement dated March 15, 1999, acting by and through the College's Board of Trustees and the Bond Trustee. The Series 1999 Bonds are subject to mandatory or optional redemption, with stated interest rates ranging from 3.60 percent to 5.125 percent. The final maturity of the Series 1999 Bonds is December 1, 2019.

The Series 1999 Notes carry a stated interest rate of 4.30 percent, with principal in full maturing June 1, 2001.

J. Long-Term Debt—Continued

The Series 1999 Bonds and Series 1999 Notes are special obligations of the College. Bond or note holders have no right to have excises or taxes levied by the State of Ohio General Assembly, or by the College, for their payment. Principal on the bonds and interest on both the bonds and notes, 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. The principal of the Series 1999 Notes is payable solely from the bonds anticipated or renewal notes. The College has covenanted that it will include in its budget for each fiscal year amounts of general receipts at least sufficient to pay debt service charges payable that fiscal year from general receipts, as well as to satisfy other requirements.

Schedule principal maturities and total debt service of the Series 1999 Bonds for fiscal years subsequent to June 30, 1999 are as follows:

Year Ending June 30	Principal	Principal and Interest
2000		$ 98,929
2001	$ 45,000	125,875
2002	60,000	138,925
2003	60,000	136,615
2004 and thereafter	1,575,000	2,326,866
	$ 1,740,000	$ 2,827,210

K. Commitments

In 1999, the Colleges' Board of Trustees authorized the College to enter into construction contracts approximating $7,739,000 for the expansion and renovation of the AFC. The construction contracts, as well as other related project costs, will be funded from the College's issuance of the Series 1999 Bonds and Series 1999 Notes (Note J), and from approximately $3,165,000 in capital appropriations from the State of Ohio.

L. Legal Actions

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 any potential losses.

M. Foundation (Unaudited)

The Lakeland Foundation (Foundation) was formed in 1981 to obtain private financing support for the promotion of excellence at the College. The Foundation provides scholarships to financially disadvantaged students and merit scholarships to those students demonstrating excellent academic abilities. The Foundation also provides support to specific educational departments and programs of the College. The accounting records for the Foundation are maintained at the College in Kirtland, Ohio. Certain administrative expenses of the Foundation are borne directly by the College. The Foundation has total assets of $2,748,295 at June 30, 1999 and revenues of $907,031 for the year then ended.

Required Supplemental Information for GASB
Technical Bulletin No. 99-1,

Disclosures about Year 2000 issues

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the College's operations.

The College has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting College operations. The College has identified the following systems requiring Year 2000 remediation.

The table below summarizes the status of the College's Year 2000 readiness progress as of June 30, 1999.

	Awareness	Assessment	Remediation/ Replacement	Validation and Testing	Expected Readiness
General Ledger, Budgetary and Disbursements Systems	C	C	C	P	November 1, 1999
Human Resources/Payroll System	C	C	C	C	Completed
Student, Financial Aid, Cashiering, and Billing Systems	C	P	P	P	November 1, 1999
Academic Instructional Systems	C	P	P	P	December 31, 1999
Administrative Operating and Network Systems	C	C	C	P	October 1, 1999
Personal Computers (Instructional Labs and Workstations) and Related Applications	C	C	P	P	December 31, 1999
Facilities Operations and Security	C	C	P	P	October 1, 1999
Other Equipment	C	P	P	P	December 31, 1999

Legend:
C–Completed
P–In process

Remaining contracted amounts of approximately $1.0 million are committed to this project as of June 30, 1999.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the College is or will be Year 2000 ready, that the College's remediation efforts will be successful in whole or in part, or that parties with whom the College does business will be Year 2000 ready.

Lake County Community College District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 1999

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
Student Financial Aid—Cluster		
Department of Education:		
Direct Programs:		
Federal Pell Grant Program	84.063	$ 1,904,170
Federal Work-Study Program	84.003	156,587
Federal Supplemental Educational Opportunity Grant Program	84.007	165,697
Federal Perkins Loan Program—*Note B*	84.038	
Federal Family Loan Program—*Note C*	84.032	
		2,226,454
Department of Health and Human Services:		
Direct Program:		
Nursing Student Loan Program—*Note D*	93.364	
Total student financial aid-cluster		2,226,454
Other programs		
Department of Education:		
Direct Programs:		
Technical preparatory grant	84.243	204,559
Two year college Perkins grant	84.048	49,922
		254,481
Department of Labor:		
Pass-Through Programs From:		
Job Training Partnership Act:		
Geauga County	17.246	9,805
Cuyahoga County	17.246	15,343
Lake County II	17.246	98,113
Ashtabula County	17.246	31,319
ETA—Summer Youth Grant—Lake County	17.246	3,537
		158,117
National Science Foundation:		
Direct Program:		
Bio-science technology grant	47.076	25,141
Pass-Through Programs From:		
Cleveland State University	47.076	13,280
		38,421
Total expenditures of federal awards		$ 2,677,473

A. Summary of Significant Account Policies

Basis of Presentation

The schedule of expenditures of federal awards includes federal grant transactions of the College recorded on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

B. Federal Perkins Loan Program

The College administers the following loan program:

	CFDA Number	Outstanding Balance at June 30, 1999
Federal Perkins Loan Program	84.038	**$158,423**

Total loan expenditures and disbursements of the Department of Education student financial assistance program for the fiscal year are identified below:

	CFDA Number	Disbursements
Federal Perkins Loan Program	84.038	**$ 21,326**

The above expenditures for the Federal Perkins Loan Program include disbursements and expenditures such as loans to students and administrative expenditures. The Schedule of Expenditures of Federal Awards only includes administrative expenditures, if any, of the loan program.

C. Federal Family Loan Program

During the fiscal year ending June 30, 1999, the College processed the following amount of new loans under the Federal Family Loan Program (which includes Stafford Loans and Parents' Loans for Undergraduate Students):

	CFDA Number	Loans Processed
Federal Family Loan Program	84.032	**$ 1,182,862**

D. Nursing Student Loan Program

The College administers the following federal loan program:

	CFDA Number	**Outstanding Balance at June 30, 1999**
Nursing Student Loan Program	93.364	**$ 90,490**

Total loan expenditures and disbursements of the Department of Health and Human Services student financial assistance programs for the fiscal year are identified below:

	CFDA Number	Disbursements
Nursing Student Loan Program	93.364	**$ 27,789**

The above expenditures for the Nursing Student Loan Program include disbursements and expenditures such as loans to students and administrative expenditures. The Schedule of Expenditures of Federal Awards only includes administrative expenditures, if any, of the loan program.

ERNST & YOUNG LLP

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Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Lake County Community College District

We have audited the financial statements of the Lake County Community College District (the College) as of and for the year ended June 30, 1999, and have issued our report thereon dated August 20, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated August 20, 1999.

This report is intended solely for the information and use of the Board of Trustees, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

August 20, 1999

ERNST & YOUNG LLP

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Report of Independent Auditors on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Trustees
Lake County Community College District

Compliance

We have audited the compliance of Lake County Community College District (the College) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to its major federal program for the year ended June 30, 1999. The College's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program are the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over compliance that we have reported to management in a separate letter dated August 20, 1999.

This report is intended solely for the information and use of the Board of Trustees, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

August 20, 1999

Lake County Community College District

Schedule of Findings and Questioned Costs

Year Ended June 30, 1999

Part I—Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:	Unqualified Opinion			
Internal control over financial reporting:				
Material weakness(es) identified?	____	yes	X	no
Reportable condition(s) identified not considered to be material weaknesses?	____	yes	X	none noted
Noncompliance material to financial statements noted?	____	yes	X	no

Federal Awards Section

Dollar threshold used to determine Type A programs:	$300,000			
Auditee qualified as low-risk auditee?	X	yes	____	no
Type of auditor's report on compliance for major programs:	Unqualified Opinion			

W06990399-CL

Part I—Summary of Auditor's Results—Continued

Internal Control over compliance:

Material weakness(es) identified?	____	yes	X	no
Were reportable condition(s) identified not considered to be material weakness(es)?	____	yes	X	none noted

Any audit findings disclosed that are required to be reported in accordance with Circular A-133?	____	yes	X	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063	Student Financial Aid Cluster
84.003	
84.007	
84.038	
84.032	
93.364	

Part II—Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

None.

Part III—Schedule of Federal Award Findings and Questioned Costs

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by Circular A-133 Section .510.

None.

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JIM PETRO, AUDITOR OF STATE

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LAKE COUNTY COMMUNITY COLLEGE

LAKE COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: JANUARY 11, 2000