

# **Lorain County Community College**

**Basic Financial Statements  
June 30, 2017**





# Dave Yost • Auditor of State

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

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 19, 2018

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# Lorain County Community College

For the Year Ended June 30, 2017

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## Independent Auditor's Report

Board of Trustees  
Lorain County Community College  
Elyria, Ohio 44035

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Lorain County Community College (the "College"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Lorain County Community College Foundation, Inc. which is the only discretely presented component unit of the College. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Trustees  
Lorain County Community College

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

***Opinions***

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

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 10 and required schedules on pensions and other postemployment benefits on pages 60 to 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Ciurri + Panichi, Inc.*

Cleveland, Ohio  
December 29, 2017



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**LORAIN COUNTY COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017  
Unaudited

**Introduction**

The following discussion and analysis provides an overview of the financial position and activities of Lorain County Community College (the College) for the year ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, that follow this section.

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

**Using the Annual Financial Report**

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

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

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

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

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

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Unaudited

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

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

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

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

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

As a result of implementing GASB 68 and GASB 71, the College is reporting net pension asset, net pension liability and deferred inflows/outflows of resources related to pensions on the accrual basis of accounting. The implementation in FY 2015 also had the effect of restating net position at June 30, 2014 from \$146,822,986 to \$75,243,900 (a decrease of \$71,579,086).

Additional information about pensions is presented in Note 12.

**Statement of Net Position**

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

**LORAIN COUNTY COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
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Unaudited

A summary of the College's assets, liabilities, deferred inflows/outflows, and net position at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Current assets	\$ 74,613,039	\$ 71,463,234
Noncurrent assets:		
Capital assets, net	172,529,555	173,916,138
Other	<u>13,000,238</u>	<u>9,147,867</u>
Total assets	<u>260,142,832</u>	<u>254,527,239</u>
Deferred outflows of resources		
Pensions	23,174,796	17,171,345
Loss on Refunding	<u>3,099,057</u>	<u>-</u>
	<u>26,273,853</u>	<u>17,171,345</u>
Current liabilities	17,825,919	16,677,475
Noncurrent liabilities	<u>166,915,412</u>	<u>148,538,923</u>
Total liabilities	<u>184,741,331</u>	<u>165,216,398</u>
Deferred inflows of resources:		
Property taxes	11,696,418	11,603,309
Pensions	<u>230,411</u>	<u>7,322,477</u>
Total deferred inflows of resources	<u>11,926,829</u>	<u>18,925,786</u>
Net position	<u>\$ 89,748,525</u>	<u>\$ 87,556,400</u>

Current assets consist of cash and cash equivalents, short term investments, accounts receivable, inventories, and prepaid expenses. Current liabilities consist primarily of accounts payable, accrued payroll liabilities, and unearned revenue. The College's current ratio (current assets divided by current liabilities) of 4.19 indicates that current assets are more than adequate to cover current liabilities as they become due.

Lorain County Community College's financial position, as a whole, improved during the fiscal year ended June 30, 2017. Other noncurrent assets increased by \$3,852,371, primarily related to long-term investments. Capital assets, net decreased by \$1,386,583 or 0.80%, after depreciation of \$8,202,051. Noncurrent liabilities increased by \$18,376,489 or 12.37%, primarily related to an increase in the College's net pension liability recognized under GASB 68. See Note 12 for more information about net pension liability.

**Capital and Debt Activities**

One critical factor affecting the quality of the College's programs is the development and renewal of its capital assets. Capital additions totaled \$6.8 million in 2017. Capital additions included construction, repair and renovation of existing facilities, and acquisition of equipment. Current year capital asset additions were funded by capital from local appropriations and the State of Ohio.

In May, 2017, the College issued \$21,450,000 of Series 2017 Bonds to refund \$21,100,000 of Series 2011 Bonds maturing on and after December 1, 2032. The net proceeds were placed in the Refunding Escrow Fund to be used to redeem the bonds being refunded on May 23, 2017. The College in effect reduced its aggregate debt service payments by \$9.56 million over the next 18.5 years and obtained an economic gain (difference between the present values of the old and new debt service payments discounted at the effective interest rate) of \$2.96 million.

**LORAIN COUNTY COMMUNITY COLLEGE**  
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In connection with the issuance of Series 2017 Bonds to refund a portion of Series 2011 Bonds, the College recognized a Loss on Refunding, which appears as a deferred outflow in the Statement of Net Position. The difference between the reacquisition price (funds required to refund the old debt) of the refunded receipt bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. The accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

For more information regarding the College's capital assets and long term debt, see Notes 7 and 8 of the basic financial statements, respectively.

**Net Position**

Net position represents the residual interest in the College's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The College's net position at June 30, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Net investment in capital assets	\$109,497,345	\$109,126,138
Restricted - expendable	7,680,977	6,987,251
Unrestricted	<u>(27,429,797)</u>	<u>(28,556,989)</u>
Total net position	<u>\$ 89,748,525</u>	<u>\$ 87,556,400</u>

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

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

Net investment in capital assets increased by \$371,207 as capital acquisitions were made and depreciation was applied to assets. Restricted net position increased by \$693,726 due to an increase in grant activity. Unrestricted net position increased by \$1,127,192 as State Share of Instruction increased, and the College continues cost savings measures as part of its "Transformations" initiative.

**Statement of Revenues, Expenses, and Changes in Net Position**

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

**LORAIN COUNTY COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
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Unaudited

Summarized Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2017 and 2016 are as follows:

<b>Revenues</b>	<b>FY 2017</b>	<b>FY 2016</b>
Operating Revenues:		
Student Tuition and Fees, Net	\$ 14,168,962	\$ 15,774,591
Federal Grants and Contracts	5,750,163	5,115,660
State Grants and Contracts	3,192,186	2,424,073
Local Grants and Contracts	75,365	74,655
Private Grants and Contracts	4,698,123	5,393,566
Sales and Services	1,727,743	1,797,313
Auxiliary Enterprises	8,650,627	8,994,217
Other Sources	2,058,805	2,205,224
Total Operating Revenues	<u>40,321,974</u>	<u>41,779,299</u>
 <b>Expenses</b>		
Operating Expenses:		
Instruction	33,132,043	31,399,188
Public Service	12,618,960	12,560,047
Academic Support	7,554,551	6,708,682
Student Services	9,389,443	8,231,139
Institutional Support	11,715,963	11,131,081
Operation and Maintenance of Plant	6,692,517	6,739,267
Scholarships and Fellowships	8,556,515	10,035,383
Auxiliary Enterprises	9,255,469	8,827,509
Other	1,309,421	345,615
Depreciation	8,202,051	8,399,258
Total Operating Expenses	<u>108,426,933</u>	<u>104,377,169</u>
 Operating Loss	<u>(68,104,959)</u>	<u>(62,597,870)</u>
 <b>Nonoperating Revenues (Expenses)</b>		
State Share of Instruction	27,843,427	26,580,544
State Capital Appropriations	3,339,083	3,320,704
Local Appropriations	25,036,873	24,687,641
Federal Grants and Contracts	15,788,443	16,412,701
State Grants and Contracts	175,315	158,400
Gifts	21,868	2,939
Investment Income, Net	296,683	225,822
Interest on Debt	(2,210,570)	(2,778,727)
Gain on Asset Disposal	2,799	8,000
Other Nonoperating Revenue	3,163	17,441
Net Nonoperating Revenues	<u>70,297,084</u>	<u>68,635,465</u>
 Increase in Net Position	2,192,125	6,037,595
 <b>Net Position</b>		
Net Position at Beginning of Year	<u>87,556,400</u>	<u>81,518,805</u>
Net Position at End of Year	<u>\$ 89,748,525</u>	<u>\$ 87,556,400</u>

**LORAIN COUNTY COMMUNITY COLLEGE**  
**Management's Discussion and Analysis**  
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**Unaudited**

The most significant sources of operating revenues for the College are student tuition and fees (\$14.2 million), grants and contracts (\$13.7) million, and auxiliary services (\$8.7 million).

Operating expenses include the costs of instruction, public service, general administration, utilities, libraries, and auxiliary enterprises. Operating expenses also includes depreciation of \$8.2 million.

Sources of nonoperating revenue include State Share of Instruction (\$27.8 million), local appropriations (\$25.0 million), and Federal grants and contracts (\$15.8 million).

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

- Tuition rates remained unchanged in accordance with State guidelines. Student tuition and fees, net of discount, decreased due to reduced total enrollment, and increased College Credit Plus enrollment.
- The College experienced an increase in Federal grant revenue related to the TAACCCT program and Adult Education National Leadership Activities.
- State grants and contracts revenue increased related to the FRN (Federal Research Network) and ODE 22+ Graduation Alliance programs.
- Auxiliary revenue decreased as enrollment declined.

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

- Instructional expenses increased related to the FRN (Federal Research Network) program.
- Academic Support expenses increased related to the ODE 22 + Graduation Alliance program.
- Student Services expenses increased related to the DOE Positive Reentry Ohio program and an increase in academic advising.
- Scholarships and Fellowships decreased related to reduced enrollment.
- Other expenses, consisting of non-capital moveable equipment, computers, furniture and related purchases increased during the year.

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

- State Share of Instruction increased related to the allocation of funding based on performance (completion and success points).
- Reduced enrollment resulted in decreased PELL funding for scholarships.

**Statement of Cash Flows**

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing and investing activities, and helps measure ability to meet financial obligations as they mature. A summary of the statement of cash flows for the years ended June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Net cash provided (used) by:		
Operating activities	\$(54,831,632)	\$(55,149,762)
Noncapital financing activities	68,652,097	67,676,073
Capital financing activities	(7,456,478)	(6,229,193)
Investing activities	<u>(9,738,755)</u>	<u>(5,804,549)</u>
Net increase (decrease) in cash and equivalents	(3,374,768)	492,569
Cash and equivalents at beginning of year	<u>32,353,958</u>	<u>31,861,389</u>
Cash and equivalents at end of year	\$ <u>28,979,190</u>	\$ <u>32,353,958</u>

Major sources of cash included State Share of Instruction (\$27.8 million), local appropriations (\$24.9 million), student tuition and fees (\$13.8 million), and grants and contracts (\$29.2 million). The largest payments were for employees (\$50.0 million) and suppliers of goods and services (\$35.9 million).

**LORAIN COUNTY COMMUNITY COLLEGE**  
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Unaudited

**Operating Highlights**

Lorain County Community College is designing the college experience with the student's academic and career goals in mind. Driven by its strategic plan, Vision 2020, the College has designed clear pathways to an academic credential and implemented meta-majors for students who are not yet ready to select a specific program of study. (Meta-majors are cluster groups of majors that fit within a career area, such as healthcare, business, and education.) This approach allows students to explore subjects within the meta-major, in a way that eliminates or reduces the accumulation of excess credits.

In addition to default pathway maps, the College implemented changes in advising, career counseling, and student support services to provide a comprehensive support structure for students in each Program and Career Pathway, and incorporated a number of existing career services tools into the Program and Career Pathways framework to further assist students in career decision making, in order to increase student success.

**Looking Ahead**

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

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

The College has three primary sources of revenue: levy support, tuition income and state subsidy. Lorain County voters have supported two levies that provide for campus operations and the University Partnership. There is a direct relationship between the level of State support and the College's ability to maintain tuition growth, as declines in State appropriations generally result in increased tuition levels.

State capital appropriations continue to support construction and renovation of the College's facilities albeit at a relatively low level, compared to the investment of College funds in capital projects.

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

**Contacting the College's Financial Management**

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

<u>Name</u>	<u>Title</u>	<u>Address</u>	<u>Phone</u>
Jonathan M. Volpe	VP for Administrative Services & Treasurer	1005 N. Abbe Road Elyria, OH 44035	440-366-4051
Georgio S. Efraxias	Controller & Budget Director	1005 N. Abbe Road Elyria, OH 44035	440-366-7590



**LORAIN COUNTY COMMUNITY COLLEGE**

Statement of Net Position

June 30, 2017

	<u>Primary Institution</u>	<u>Component Unit</u>
	<u>Lorain County</u>	<u>Lorain County</u>
	<u>Community College</u>	<u>Community College</u>
		<u>Foundation</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 28,979,190	\$ 1,429,632
Investments	6,138,189	43,599,258
Accounts Receivable, Net	37,749,247	-
Unconditional Promises to Give	-	868,575
Prepaid Expenses	734,857	82,405
Inventories, Lower of Cost or Market	<u>1,011,556</u>	<u>-</u>
Total Current Assets	<u>74,613,039</u>	<u>45,979,870</u>
Noncurrent Assets:		
Long Term Investments	12,853,007	-
Unconditional Promises to Give	-	2,857,220
Notes Receivable, Net	90,330	109,040
Net Pension Asset	56,901	-
Capital Assets, Net	<u>172,529,555</u>	<u>15,942</u>
Total Noncurrent Assets	<u>185,529,793</u>	<u>2,982,202</u>
Total Assets	<u>\$ 260,142,832</u>	<u>\$ 48,962,072</u>
<b>Deferred Outflows of Resources</b>		
Pensions	\$ 23,174,796	\$ -
Loss on Refunding	<u>3,099,057</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>\$ 26,273,853</u>	<u>\$ -</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 2,147,437	\$ 489,378
Accrued Liabilities	4,233,023	-
Accrued Interest Payable	218,902	-
Unearned Revenue	8,754,557	7,450
Long Term Liabilities - Current Portion	2,115,000	-
Compensated Absences	<u>357,000</u>	<u>-</u>
Total Current Liabilities	<u>17,825,919</u>	<u>496,828</u>
Noncurrent Liabilities:		
Accrued Liabilities	93,330	-
Compensated Absences	3,847,233	-
Net Pension Liability	98,958,582	-
Long Term Liabilities	<u>64,016,267</u>	<u>-</u>
Total Noncurrent Liabilities	<u>166,915,412</u>	<u>-</u>
Total Liabilities	<u>\$ 184,741,331</u>	<u>\$ 496,828</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes	\$ 11,696,418	\$ -
Pensions	<u>230,411</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>\$ 11,926,829</u>	<u>\$ -</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 109,497,345	\$ -
Restricted:		
Nonexpendable	-	35,846,020
Expendable	7,680,977	9,838,935
Unrestricted	<u>(27,429,797)</u>	<u>2,780,289</u>
Total Net Position	<u>\$ 89,748,525</u>	<u>\$ 48,465,244</u>

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

**LORAIN COUNTY COMMUNITY COLLEGE**  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2017

	<u>Primary Institution</u>	<u>Component Unit</u>
	<u>Lorain County Community College</u>	<u>Lorain County Community College Foundation</u>
<b>Revenues</b>		
Operating Revenues:		
Student Tuition and Fees (Net of Scholarship Allowances of \$12,048,392)	\$ 14,168,962	\$ -
Federal Grants and Contracts	5,750,163	-
State Grants and Contracts	3,192,186	-
Local Grants and Contracts	75,365	-
Private Grants and Contracts	4,698,123	-
Contributions and Fundraising	-	2,113,568
Sales and Services	1,727,743	-
Auxiliary Enterprises	8,650,627	-
Other Sources	2,058,805	-
Total Operating Revenues	<u>40,321,974</u>	<u>2,113,568</u>
<b>Expenses</b>		
Operating Expenses:		
Instruction	33,132,043	-
Public Service	12,618,960	-
Academic Support	7,554,551	-
Student Services	9,389,443	-
Institutional Support	11,715,963	2,270,240
Operation and Maintenance of Plant	6,692,517	-
Scholarships and Fellowships	8,556,515	692,925
Auxiliary Enterprises	9,255,469	-
Other	1,309,421	713,009
Depreciation	8,202,051	7,242
Total Operating Expenses	<u>108,426,933</u>	<u>3,683,416</u>
Operating Loss	<u>(68,104,959)</u>	<u>(1,569,848)</u>
<b>Nonoperating Revenues (Expenses)</b>		
State Share of Instruction	27,843,427	-
State Capital Appropriations	3,339,083	-
Local Appropriations	25,036,873	-
Federal Grants and Contracts	15,788,443	-
State Grants and Contracts	175,315	-
Gifts	21,868	-
Investment Income, net	296,683	4,985,320
Interest on Debt	(2,210,570)	-
Gain on Asset Disposal	2,799	-
Other Nonoperating Revenue	3,163	1,082,084
Net Nonoperating Revenues	<u>70,297,084</u>	<u>6,067,404</u>
Increase in Net Position	2,192,125	4,497,556
<b>Net Position</b>		
Net Position at Beginning of Year	87,556,400	43,967,688
Net Position at End of Year	<u>\$ 89,748,525</u>	<u>\$ 48,465,244</u>

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

**LORAIN COUNTY COMMUNITY COLLEGE**Statement of Cash Flows  
For the Year Ended June 30, 2017

	<u>Year Ended June 30, 2017</u>
<b>Cash Flows from Operating Activities</b>	
Tuition and Fees	\$ 13,770,668
Grants and Contracts	13,221,394
Payments to or on Behalf of Employees	(49,985,970)
Payments to Vendors	(35,856,263)
Auxiliary Enterprises	(604,842)
Other Receipts	4,623,381
Net Cash Used by Operating Activities	<u>(54,831,632)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
State Share of Instruction	27,843,427
Local Appropriations	24,853,841
Grants and Contracts	15,963,758
Cash Provided by Federal Direct Student Loans	11,374,159
Cash Used by Federal Direct Student Loans	(11,374,159)
Cash Provided by Agency Fund Activities	114,469
Cash Used by Agency Fund Activities	(123,398)
Net Cash Provided by Noncapital Financing Activities	<u>68,652,097</u>
<b>Cash Flows from Capital Financing Activities</b>	
Proceeds from Bond Issuance	21,450,000
Premium from Bond Issuance	2,424,372
Payment to Escrow on Refunded Debt	(24,215,900)
Proceeds from Sale of Capital Assets	2,403
Purchases of Capital Assets	(3,475,656)
Principal Paid on Capital Debt	(1,420,000)
Interest Paid on Capital Debt	(2,221,697)
Net Cash Used by Capital Financing Activities	<u>(7,456,478)</u>
<b>Cash Flows from Investing Activities</b>	
Collection of Noncurrent Notes Receivables	2,204
Purchases of Investments	(18,381,731)
Proceeds From Sales and Maturities of Investments	8,330,130
Investment Income (Net of Investment Expenses of \$6,976)	310,642
Net Cash Used by Investing Activities	<u>(9,738,755)</u>
Net Decrease in Cash	(3,374,768)
Cash and Cash Equivalents at Beginning of Year	32,353,958
Cash and Cash Equivalents at End of Year	<u>\$ 28,979,190</u>

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

**LORAIN COUNTY COMMUNITY COLLEGE**

Statement of Cash Flows (Continued)

For the Year Ended June 30, 2017

	<u>Year Ended</u> <u>June 30, 2017</u>
<b>Reconciliation of Net Operating Loss to Cash Used by Operating Activities</b>	
Operating Loss	\$ (68,104,959)
Adjustments:	
Depreciation Expense	8,202,051
Net Pension Expense	4,696,232
Allowance for Uncollectible Accounts	(12,222)
Changes in Assets and Liabilities:	
Accounts Receivable	(340,766)
Inventories	158,519
Prepaid Expenses	37,921
Accounts Payable	315,431
Accrued Liabilities	(142,263)
Unearned Revenue	297,083
Compensated Absences	61,340
Cash Used by Operating Activities	\$ <u>(54,831,632)</u>
<b>Non-Cash Activities</b>	
State capital projects paid directly to vendors on College behalf	\$ 3,339,083
Unrealized loss on investments	(60,764)
Amortization of bond premium and deferred loss on refunding	(3,738)
Capital assets purchased on credit	130,475

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

## LORAIN COUNTY COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2017

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Basis of Presentation

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

Lorain County Community College Foundation (Foundation) is a legally separate, tax-exempt organization supporting Lorain County Community College. The Foundation was established to foster excellence in teaching and learning by encouraging philanthropic support for students, faculty, programs and facilities of the College. Because the majority of the distribution of the resources held by the Foundation is made to the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. See Note 17 for specific disclosures relating to the Foundation.

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

The College applies GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. In accordance with GASB Statement No. 35, the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows are reported on a College-wide basis. The College further applies GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements require that resources be classified for accounting and reporting purposes into the following four net position categories:

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted:**
  - **Nonexpendable:** Net position which includes endowments and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.
  - **Restricted:**
    - **Expendable:** Net position whose use by the College is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted:** Net position not subject to externally-imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees or may otherwise be limited by contractual agreements with outside parties.

The College Statement of Net Position reports \$7,680,977 of restricted net position none of which is restricted by enabling legislation.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting**

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

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

The Foundation is a not-for-profit organization that reports under Financial Accounting Standards Board (FASB) reporting standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial statements for these differences.

Cash and cash equivalents consist of cash on hand, demand deposits with bank, and highly liquid investments that mature in less than one year.

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

Prepaid expenses represent payments made to vendors for services that will benefit periods beyond the year end. A current asset is recorded at the time of payment and expense is recognized in the year in which services are consumed.

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

Investments are stated at fair value, based on quoted market prices in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The College does not invest in derivatives. Investment income is recorded on the accrual basis. Unrealized gains and losses are reflected in Investment Income, net as Nonoperating revenue or expense on the Statement of Revenues, Expenses, and Changes in Net Position. Investments with maturities of less than one year are classified as short term.

Capital assets are stated at cost or (if donated) fair value at date of gift. The College's capitalization threshold is \$5,000. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives (five to forty years) of the respective assets. When capital assets are sold or otherwise disposed of, the carrying value of such assets and any accumulated depreciation are removed from the Statement of Net Position.

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

## LORAIN COUNTY COMMUNITY COLLEGE

### Notes to the Financial Statements

June 30, 2017

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the College, deferred outflows of resources include pensions and a deferred charge on refunding bonds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pensions are explained in Note 12.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflows of resources include property taxes and pensions. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on the Statement of Net Position. The deferred inflows of resources related to pensions are explained in Note 12.

##### **Pensions**

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

##### **Compensated Absences**

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

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

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

##### **Reclassifications**

Certain prior year financial statement amounts have been reclassified to conform to the current year's presentation.

##### **Use of Estimates**

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

## LORAIN COUNTY COMMUNITY COLLEGE

### Notes to the Financial Statements

June 30, 2017

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Scholarship Allowances**

Financial aid to students is reported under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected as operating expenses, or scholarship allowances. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. These allowances are netted against student tuition. Under the alternative method followed by the College, scholarship allowances are computed by allocating the cash payments to students, excluding payments for services, on the ratio of using aid not considered to be third-party aid to total aid.

##### **Bond Premiums and Discounts**

Bond premiums and discounts 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 while discounts are presented as a decrease in the face amount of the debt payable.

##### **Deferred Loss on Refunding**

The difference between the reacquisition price (funds required to refund the old debt) of the refunded general receipts bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and presented as a deferred outflow of resources.

##### **Accounting Pronouncements**

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

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These changes were incorporated into the College's financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of GASB Statement No. 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financials statements of the College.



## LORAIN COUNTY COMMUNITY COLLEGE

Notes to the Financial Statements

June 30, 2017

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Accounting Pronouncements (Continued)**

GASB Statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the College.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payment made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the College.

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

The OPEB standard will require the College to recognize on the face of its financial statement its proportionate share of the net OPEB liability related to its participation in the Ohio Public Employees Retirement System (OPERS) and State Teachers Retirement System (STRS).

The College has not yet determined the full impact of this GASB pronouncement on its financial statements. The provisions of this Statement are effective for the College's financial statements for the year ending June 30, 2018.

### **NOTE 2 – CASH AND INVESTMENTS**

#### **Legal Requirements**

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

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

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

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

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Legal Requirements (Continued)**

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

1. United States treasury notes, bills, bonds, or any other obligations or securities issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pools (Star Ohio and Star Plus);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty (180) days in an amount not to exceed twenty-five percent (25%) of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

## LORAIN COUNTY COMMUNITY COLLEGE

### Notes to the Financial Statements

June 30, 2017

#### **NOTE 2 – CASH AND INVESTMENTS (Continued)**

##### **Legal Requirements (Continued)**

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

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

- Category 1 - Insured or collateralized with securities held by the College or by its agent in the College's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the College's name.
- Category 3 - Uncollateralized (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the College's name.)

The carrying amount of the College's deposits included in cash and cash equivalents is \$13,585,869 and the bank balance is \$13,984,428. Any difference between cash carrying amount and bank balance represents normal reconciling items (outstanding checks, cash on hand, and deposits in transit). At June 30, 2017, \$9,637,565 of the College's deposits was insured by FDIC (Category 1) and \$4,346,863 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department or agent, but not in the College's name.

The College held \$15,265,930 in State Treasury Asset Reserve of Ohio (STAR Ohio) investments and \$13,076 in STAR Plus investments at June 30, 2017. STAR Ohio is an investment pool managed and administered by the State Treasurer's Office which allows subdivisions within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. STAR Ohio applies GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. Since STAR Ohio qualifies for reporting at amortized cost under GASB Statement No. 79, the applicability of GASB Statement No. 72 is limited to the disclosures referenced within GASB Statement No. 79. The fair value of the College's position in the pool is the same as the value of its pool share.

STAR Plus is a cash management option developed in partnership with and endorsed by the State Treasurer of Ohio and administered by Public Funds Administrators (PFA), an Ohio business. It allows political subdivisions within the State to deposit funds into a single account, which in turn will be deposited through the FICA (Federally Insured Cash Account) program into multiple banks so the amounts that a single participant has on deposit in any single bank through STAR Plus will never exceed the FDIC insurance maximum. In order to participate, Ohio political subdivisions must have a STAR Ohio account. STAR Plus is not a mutual fund or pooled account; instead, each account is a separately managed account in which the participant directly owns the bank deposits made on its behalf. The fair value of the College's position in the pool is the same as the value of its pool share.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Legal Requirements (Continued)**

At fiscal year end, the College had \$18,461 in undeposited cash on hand, which is included on the Statement of Net Position of the College as part of cash and cash equivalents.

STAR Ohio and STAR Plus investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statement No. 3. All other investments are Category 2. The following summarizes the fair market value of investments:

<b>Primary Government - College</b>	<b>June 30, 2017</b>		
	Market Value	Investment Maturities	
Description		Less than 1 year	1-5 years
STAR Ohio	\$ 15,265,930	\$ 15,265,930	\$ -
STAR Plus	13,076	13,076	-
US government obligations	12,848,957	2,995,950	9,853,007
Commercial paper	3,142,239	3,142,239	-
Certificates of deposit	3,000,000	-	3,000,000
Money market funds	95,854	95,854	-
Total Investments	<u>\$ 34,366,056</u>	<u>\$ 21,513,049</u>	<u>\$ 12,853,007</u>

**Interest Rate Risk**- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College’s investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

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

At June 30, 2017, the College’s investments in STAR Ohio were rated AAAM by Standard & Poor’s. The STAR Plus investments leverage the safety of the Federal Deposit Insurance Corporation (FDIC). All US government obligations and commercial paper investments were rated AA+ by Standard & Poor’s.

**Concentration of Credit Risk**- Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. STAR Ohio/STAR Plus, US government obligations, commercial paper, certificates of deposit, and money market funds represent 44.5%, 37.4%, 9.1%, 8.7%, and 0.3%, respectively of the College’s total investments of \$34,366,056.

To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer or class of securities, the College’s investment policy requires diversification strategies to avoid undue concentration of assets in a specific maturity sector.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Legal Requirements (Continued)**

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

As of June 30, 2017, the College's bank balance of \$13,984,428 is either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above. In addition, investments in CDARS (Key Bank), classified as long term investments in the Statement of Net Position, \$3,000,000 as of June 30, 2017, are covered by FDIC insurance.

**NOTE 3 – FAIR VALUE MEASUREMENTS**

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The College's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The College has the following assets measured at fair value of June 30, 2017:

	Balance at June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level:</b>				
Debt securities:				
US government obligations	\$ 12,848,957	\$ -	\$ 12,848,957	\$ -
Commercial paper	3,142,239	-	3,142,239	-
Certificates of deposit	3,000,000	-	3,000,000	-
Total investments by fair value level	<u>\$ 18,991,196</u>	<u>\$ -</u>	<u>\$ 18,991,196</u>	<u>\$ -</u>

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)**

Level 2 investments include US government obligations, 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.

Short term investments included in cash and cash equivalents on the Statement of Net Position at June 30, 2017, includes investments in STAR Ohio of \$15,265,930, STAR Plus of \$13,076 and money market funds of \$95,854.

The investment in STAR Ohio is measured at amortized cost; therefore it is not included in the table above. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 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. Transactions in all of a participant's accounts of the STAR Ohio investor will be combined for these purposes.

The investments in STAR Plus and CDARS are not mutual funds or pooled accounts; funds are deposited with a single, eligible public depository, or custodian, and those funds are subsequently deposited into other banks in amounts that do not exceed the FDIC insurance limit per bank.

STAR Plus is only open to participants that are subdivisions of the State of Ohio or are otherwise permitted to invest in STAR Ohio. Participants must have a STAR Ohio account in order to participate. Withdrawals from STAR Plus may be made twice per week, on Monday and Wednesday (the next business day, if Monday or Wednesday is a holiday). All withdrawals must be made to an existing STAR Ohio account. Once a request is processed, proceeds are deposited directly into the participant's STAR Ohio account within two (2) business days of the withdrawal deadline, and are available in the participant's STAR Ohio account within three (3) business days after the withdrawal deadline.

Investment Income, net in the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2017 consisted of the following:

Interest income	\$	364,423
Net unrealized (loss)		(60,764)
Investment expenses		(6,976)
	\$	<u>296,683</u>

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 4 – RECEIVABLES**

The composition of Accounts Receivable, Net at June 30, 2017 is summarized as follows:

Student accounts	\$	17,472,210
Local appropriations		23,460,694
Government agencies		4,354,710
Other		2,620,279
Total accounts receivable		<u>47,907,893</u>
Less allowance for uncollectible accounts		<u>(10,158,646)</u>
Accounts Receivable, Net	\$	<u>37,749,247</u>

The composition of Notes Receivable, Net at June 30, 2017 is summarized as follows:

Student emergency loan notes receivable	\$	26,578
Employee computer purchases notes receivable		68,967
Total notes receivable		<u>95,545</u>
Less allowance for uncollectible accounts		<u>(5,215)</u>
Notes Receivable, Net	\$	<u>90,330</u>

**NOTE 5 – LOCAL APPROPRIATIONS**

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

Property taxes include amounts levied against all real and public utility property located in Lorain County. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes, levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State Statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, levied after April 1, 2016, and collected in 2017 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Property taxes are levied and assessed on a calendar year basis while the College fiscal year runs from July through June. The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the College. First-half tax collections are received by the College in the second half of the fiscal year. Second-half tax collections occur in the first half of the following fiscal year, and are reflected in Accounts Receivable, Net. Second-half tax collections are available to finance fiscal year 2017 operations.

Accrued property taxes receivable includes real and public utility property taxes and outstanding delinquencies that are measurable as of June 30, 2017 and for which there is an enforceable legal claim. The remaining portion of the receivable is offset by a credit to Deferred Inflows of Resources – Property Taxes.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 6 – TAX ABATEMENTS**

The College has not directly entered into any tax abatement agreements and has not made any commitments as part of the agreements.

Agreements entered into by other governments within Lorain County and that reduce the College’s tax revenues are categorized into two programs:

- Community Reinvestment Area (CRA) programs are an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. Community Reinvestment Areas are areas of land in which property owners can receive tax incentives for investing in real property improvements. These programs permit municipalities or counties to designate areas where investment has been discouraged, as a CRA, to encourage revitalization of the existing housing stock and the development of new structures.
- Enterprise Zone programs are an economic development tool administered by municipal and county governments that provides real property tax exemptions to businesses making investments in local communities. Enterprise Zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. Enterprise Zone programs can provide tax exemptions for a portion of the value of new real property investment when the investment is made in conjunction with a project that includes job creation. Existing land values and existing building values are not eligible (except as noted within rare circumstances). Local communities may offer tax incentives for non-retail projects that are established or expanding operations in the community. Real property investments are eligible for tax incentives.

Tax Abatement Program	Taxes Abated During the Year
Community Reinvestment Area (CRA)	
City of Avon Lake	\$ 55,648
City of Elyria	15,597
City of Lorain	7,025
City of North Ridgeville	10,638
Grafton Village	612
LaGrange Village	13,852
Wellington Township/Wellington Village	1,648
Total Community Reinvestment Area (CRA)	105,020
Enterprise Zone	
City of Avon	16,924
City of Avon Lake	462
City of Elyria	7,605
City of Oberlin	491
Brownhelm Township/City of Vermilion	1,128
Sheffield Township	5,081
Sheffield Village	1,123
Total Enterprise Zone	32,814
Total All Tax Abatements	\$ 137,834



**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 7 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2017 is summarized as follows:

	Beginning Balance	Additions	Retirements and Reclassified	Ending Balance
Non-Depreciable Capital Assets:				
Land	\$ 3,267,771	\$ -	\$ -	\$ 3,267,771
Construction in Progress	5,758,585	4,965,933	(1,249,387)	9,475,131
Total Non-Depreciable Capital Assets	<u>9,026,356</u>	<u>4,965,933</u>	<u>(1,249,387)</u>	<u>12,742,902</u>
Depreciable Capital Assets:				
Improvements	22,192,175	414,338	1,164,621	23,771,134
Buildings	218,285,362	480,682	84,766	218,850,810
Leasehold Improvements	845,081	-	-	845,081
Indisputable Right of Use	462,202	-	-	462,202
Equipment	32,805,525	935,401	(284,811)	33,456,115
Software	6,993,415	26,818	-	7,020,233
Total Depreciable Capital Assets	<u>281,583,760</u>	<u>1,857,239</u>	<u>964,576</u>	<u>284,405,575</u>
Less Accumulated Depreciation:				
Improvements	(19,051,982)	(444,008)	-	(19,495,990)
Buildings	(68,981,468)	(4,941,224)	-	(73,922,692)
Leasehold Improvements	(810,785)	(10,575)	-	(821,360)
Indisputable Right of Use	(462,202)	-	-	(462,202)
Equipment	(23,117,702)	(2,104,294)	277,107	(24,944,889)
Software	(4,269,839)	(701,950)	-	(4,971,789)
Total Accumulated Depreciation	<u>(116,693,978)</u>	<u>(8,202,051)</u>	<u>277,107</u>	<u>(124,618,922)</u>
Depreciable Capital Assets, Net	<u>164,889,782</u>	<u>(6,344,812)</u>	<u>1,241,683</u>	<u>159,786,653</u>
Total Capital Assets, Net	<u>\$ 173,916,138</u>	<u>\$ (1,378,879)</u>	<u>\$ (7,704)</u>	<u>\$ 172,529,555</u>

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 8 – NONCURRENT LIABILITIES**

Noncurrent liability activity for the year ended June 30, 2017 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<b>Long-term Debt Obligations:</b>					
General Receipts Bonds, 2014	\$ 3,580,000	\$ -	\$ 385,000	\$ 3,195,000	\$ 395,000
General Receipts Bonds, 2011	37,590,000	-	21,735,000	15,855,000	650,000
General Receipts Bonds, 2012	23,620,000	-	400,000	23,220,000	425,000
General Receipts Bonds, 2017	-	21,450,000	-	21,450,000	645,000
Premium on Bonds	-	2,424,372	13,105	2,411,267	-
<b>Total Long-term Debt Obligations</b>	<b>64,790,000</b>	<b>23,874,372</b>	<b>22,533,105</b>	<b>66,131,267</b>	<b>2,115,000</b>
<b>Net Pension Liability:</b>					
OPERS	25,431,247	8,393,900	-	33,825,147	-
STRS	55,733,658	9,399,777	-	65,133,435	-
<b>Total Net Pension Liability</b>	<b>81,164,905</b>	<b>17,793,677</b>	<b>-</b>	<b>98,958,582</b>	<b>-</b>
<b>Other Noncurrent Obligations:</b>					
Early Retirement Incentive included in Accrued Liabilities	461,750	-	243,625	218,125	124,795
Compensated Absences	4,142,893	442,840	381,500	4,204,233	357,000
<b>Total Other Noncurrent Obligations</b>	<b>4,604,643</b>	<b>442,840</b>	<b>625,125</b>	<b>4,422,358</b>	<b>481,795</b>
<b>Total Noncurrent Liabilities</b>	<b>\$ 150,559,548</b>	<b>\$ 42,110,889</b>	<b>\$ 23,158,230</b>	<b>\$ 169,512,207</b>	<b>\$ 2,596,795</b>

**Series 2004 and Series 2014 Bond Issues**

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

Principal and interest payments on Series 2014 bonds are due as follows:

Years Ended June 30:	Series 2014 Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 2018	\$ 395,000	\$ 67,835	\$ 462,835
FY 2019	410,000	59,075	469,075
FY 2020	415,000	50,096	465,096
FY 2021	425,000	40,953	465,953
FY 2022	430,000	31,591	461,591
FY 2023-27	1,120,000	37,066	1,157,066
<b>Total</b>	<b>\$ 3,195,000</b>	<b>\$ 286,616</b>	<b>\$ 3,481,616</b>

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 8 – NONCURRENT LIABILITIES (Continued)**

**Series 2011 Bond Issue**

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

In May, 2017, the College issued \$21,450,000 of Series 2017 Bonds to refund \$21,100,000 of Series 2011 Bonds maturing on and after December 1, 2032.

Principal and interest payments on un-refunded Series 2011 bonds are due as follows:

Years Ended June 30:	Series 2011 Bonds		
	Principal	Interest	Total
FY 2018	\$ 650,000	\$ 677,069	\$ 1,327,069
FY 2019	670,000	655,619	1,325,619
FY 2020	690,000	630,931	1,320,931
FY 2021	695,000	603,231	1,298,231
FY 2022	725,000	576,644	1,301,644
FY 2023-27	4,665,000	2,323,603	6,988,603
FY 2028-32	7,760,000	905,281	8,665,281
Total	\$ 15,855,000	\$ 6,372,378	\$ 22,227,378

**Series 2012 Bond Issue**

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

Principal and interest payments on Series 2012 bonds are due as follows:

Years Ended June 30:	Series 2012 Bonds		
	Principal	Interest	Total
FY 2018	\$ 425,000	\$ 908,137	\$ 1,333,137
FY 2019	440,000	899,587	1,339,587
FY 2020	455,000	888,938	1,343,938
FY 2021	480,000	877,263	1,357,263
FY 2022	620,000	864,750	1,484,750
FY 2023-27	3,595,000	3,911,781	7,506,781
FY 2028-32	4,445,000	3,057,225	7,502,225
FY 2033-37	5,420,000	2,081,900	7,501,900
FY 2038-42	6,610,000	894,300	7,504,300
FY 2043	730,000	14,600	744,600
Total	\$ 23,220,000	\$ 14,398,481	\$ 37,618,481

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 8 – NONCURRENT LIABILITIES (Continued)**

**Series 2017 Bond Issue**

In May, 2017, the College issued \$21,450,000 of Series 2017 Bonds to refund \$21,100,000 of Series 2011 Bonds maturing on and after December 1, 2032. The bond issue was comprised of serial bonds, with an all-inclusive (AIC) rate of 3.42%. The bonds were issued for an 18.5 year period with a final maturity date of December 1, 2035, and optional call on any date on or after June 1, 2027, in whole or in part (in integral multiples of \$5,000).

The net proceeds were placed in the Refunding Escrow Fund to be used to redeem the bonds being refunded on May 23, 2017. As a result, the refunded debt liability as of June 30, 2017 for those refunded bonds of \$21,100,000 is considered to be defeased and the liability for those bonds is not included in the financial statements. The College in effect reduced its aggregate debt service payments by \$9.56 million over the next 18.5 years and obtained an economic gain (difference between the present values of the old and new debt service payments discounted at the effective interest rate) of \$2.96 million.

Principal and interest payments on Series 2017 bonds are due as follows:

Years Ended June 30:	Series 2017 Bonds		
	Principal	Interest	Total
FY 2018	\$ 645,000	\$ 931,694	\$ 1,576,694
FY 2019	665,000	898,200	1,563,200
FY 2020	690,000	877,750	1,567,750
FY 2021	725,000	849,450	1,574,450
FY 2022	625,000	822,450	1,447,450
FY 2023-27	4,165,000	3,664,650	7,829,650
FY 2028-32	4,545,000	2,782,450	7,327,450
FY 2033-37	9,390,000	744,425	10,134,425
Total	\$ 21,450,000	\$ 11,571,069	\$ 33,021,069

In connection with the general receipt bonds described above, the College has pledged general receipts, net of State Appropriation receipts and Ad Valorem Tax receipts, to repay these debts. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds are payable, through their final maturities as listed above, solely from these revenues pledged. Total principal and interest remaining to be paid on these bonds is \$96,348,544 as detailed below.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 8 – NONCURRENT LIABILITIES (Continued)**

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

Years Ended June 30:	<u>Total General Receipts Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 2018	\$ 2,115,000	\$ 2,584,735	\$ 4,699,735
FY 2019	2,185,000	2,512,481	4,697,481
FY 2020	2,250,000	2,447,715	4,697,715
FY 2021	2,325,000	2,370,897	4,695,897
FY 2022	2,400,000	2,295,435	4,695,435
FY 2023-27	13,545,000	9,937,100	23,482,100
FY 2028-32	16,750,000	6,744,956	23,494,956
FY 2033-37	14,810,000	2,826,325	17,636,325
FY 2038-42	6,610,000	894,300	7,504,300
FY 2043	<u>730,000</u>	<u>14,600</u>	<u>744,600</u>
Total	<u>\$ 63,720,000</u>	<u>\$ 32,628,544</u>	<u>\$ 96,348,544</u>

Interest paid during the fiscal year ended June 30, 2017 amounted to \$2,221,697.

**NOTE 9 – EARLY RETIREMENT INCENTIVE**

The College follows Governmental Accounting Standards Board Statement Number 47, *Accounting for Termination Benefits*. The College Board of Trustees approved a one-time Early Retirement Incentive program (ERI) in 1997. In spring of 1999, the College Board of Trustees approved a second ERI available to all employees who had accrued 20 or more years of service at the College and qualify for and retire under either the STRS Ohio or OPERS, with specified service credit and age criteria. The second ERI program was effective for the period beginning May 31, 1999 ended June 30, 2009. Individuals who qualified and elected the ERI had the option of selecting a ten-year annuity incentive payment or a lump sum payment of one-half of the total annuity value that would have accumulated in the ten-year annuity option. The undiscounted future benefit payments were based on the employees' annual salary at the time of retirement. Accordingly, \$191,890 of termination benefits are included in liabilities as of June 30, 2017, of which \$98,560 is included in current accrued liabilities. Early retirement incentive payments of \$138,686 were made during the current fiscal year.

Furthermore, the third ERI program was effective for non-faculty employees for the period beginning October 1, 2012 ended December 30, 2012. Individuals who qualified and elected the ERI receive an annuity incentive payment to an IRS 403(b) retirement fund; this amount is paid quarterly over a period of five years. The ERI future benefit amounts are based on the employees' annual salary at the time of retirement, times years of service, times 98%. Accordingly, \$26,235 of termination benefits are included in liabilities as of June 30, 2017, which is included in current accrued liabilities. Early retirement incentive payments of \$104,939 were made during the current fiscal year.

## **LORAIN COUNTY COMMUNITY COLLEGE**

### **Notes to the Financial Statements**

**June 30, 2017**

#### **NOTE 10 – COMPENSATED ABSENCES**

As indicated in Note 1 – Summary of Significant Accounting Policies, the College follows GASB Statement No. 16 when recording its compensated absences liability.

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

#### **NOTE 11– STATE SUPPORT**

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

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

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

#### **NOTE 12 – PENSION PLANS**

##### **Net Pension Liability**

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

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

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

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 12 – PENSION PLANS (Continued)**

**Net Pension Liability (Continued)**

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

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

**Ohio Public Employees Retirement System (OPERS)**

Plan Description – The College participates in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: the Traditional Pension Plan, a defined benefit pension plan; the Combined Plan, a combination defined benefit/defined contribution plan; and the Member-Directed Plan, a defined contribution plan. All state and local governmental employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS. New public employees (those who establish membership in OPERS on or after January 1, 2003) have 180 days from the commencement of employment to select membership in one of the three pension plans. Contributions to OPERS are effective with the first day of the member's employment. Contributions made prior to the member's plan selection are maintained in the Traditional Pension Plan and later transferred to the plan elected by the member, as appropriate.

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

Benefits in the Traditional Pension Plan for State and Local members are calculated on the basis of age, final average salary (FAS), and service credit. The following table provides age and service requirements for retirement and the formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan:

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 12 – PENSION PLANS (Continued)**

**Ohio Public Employees Retirement System (OPERS) (Continued)**

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

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

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

The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for the calculation of the annual cost-of-living adjustment.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution benefit. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The following table provides the formula applied to final average salary (FAS) for the three member groups under the Combined Plan:

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
<b>Formula:</b> 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Formula:</b> 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Formula:</b> 1.0% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the Combined Plan benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.



## LORAIN COUNTY COMMUNITY COLLEGE

### Notes to the Financial Statements

June 30, 2017

#### **NOTE 12 – PENSION PLANS (Continued)**

##### **Ohio Public Employees Retirement System (OPERS) (Continued)**

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the member's contributions, vested employer contributions and investment gains or losses resulting from the member's investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Funding Policy – The OPERS funding policy provides for periodic member and employer contributions to all three plans (Traditional Pension, Combined and Member-Directed) at rates established by the Board, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of the System's external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code (ORC).

The member and employer contribution rates for the State and Local divisions are currently set at the maximums authorized by the ORC of 10.0 percent and 14.0 percent, respectively. Member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans.

The member contribution rate for the fiscal years ended June 30, 2017, 2016 and 2015 was 10.0 percent. The College contribution rate was 14.0 percent of covered payroll for fiscal years ended June 30, 2017, 2016, and 2015. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 2.0 percent for fiscal years ended June 30, 2017, 2016, and 2015.

The College's required contributions for pension obligations to OPERS for the fiscal years ended June 30, 2017, 2016, and 2015 were \$2,992,330, \$2,896,641, and \$2,732,873, and, respectively. As of June 30, 2017, 93.1 percent has been contributed with the balance being reported as an accrued liability. The full amount has been contributed for fiscal years 2016 and 2015. Plan member contributions to OPERS for the fiscal years ended June 30, 2017, 2016, and 2015 were \$2,137,386, \$2,069,037, and \$1,952,058, respectively, which met the required percentages.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 12 – PENSION PLANS (Continued)**

**Actuarial Assumptions – OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board’s actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuations, reflecting experience study results, are presented below:

Actuarial Information	Traditional Pension Plan	Combined Plan
Valuation date	December 31, 2016	December 31, 2016
Experience study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial cost method	Individual entry age	Individual entry age
<b>Actuarial assumptions:</b>		
Investment rate of return	7.50%	7.50%
Wage inflation	3.25%	3.25%
Projected salary increases	3.25%-10.75% (includes wage inflation at 3.25%)	3.25%-8.25% (includes wage inflation at 3.25%)
Cost-of-living adjustments	Pre-1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple	Pre-1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple

Mortality rates were based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

**Discount Rate** The discount rate used to measure the total pension liability was 7.50 percent post-experience study results, for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 12 – PENSION PLANS (Continued)**

**Actuarial Assumptions – OPERS (Continued)**

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
<b>Total</b>	<b>100.00 %</b>	<b>5.66 %</b>

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio, and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

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

The following table presents the College’s proportionate share of the net pension liability (asset) calculated using the discount rate assumption of 7.50 percent, and the College’s proportionate share of the expected net pension liability (asset) if it were calculated using a discount rate that is one-percentage-point lower (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net pension liability-Traditional	\$51,675,469	\$33,825,147	\$18,950,055
College's proportionate share of the net pension liability (asset)–Combined	\$ 4,089	\$ (56,901)	\$ (104,281)

## LORAIN COUNTY COMMUNITY COLLEGE

### Notes to the Financial Statements

June 30, 2017

#### **NOTE 12 – PENSION PLANS (Continued)**

##### **State Teachers Retirement System (STRS Ohio)**

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

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

DB Plan Benefits – The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. 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.

DC Plan Benefits – The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal.

Combined Plan Benefits – The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.5 percent of the 13 percent member rate goes to the DC Plan and the remaining 1.5 % is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 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. 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.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 12 – PENSION PLANS (Continued)**

**State Teachers Retirement System (STRS Ohio) (Continued)**

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

The statutory maximum employee contribution rate was increased by one percent July 1, 2013, increased another one percent July 1, 2014, July 1, 2015, and July 1, 2016, to the statutory maximum rate of 14.0 percent. For the fiscal year ended June 30, 2017, plan members were required to contribute 14.0 percent of their annual covered salary. The College was required to contribute 14.0 percent; the entire 14.0 percent was the portion used to fund pension obligations.

The College’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2017, 2016, and 2015 were \$2,899,165, \$2,871,806, and \$2,949,653, respectively. As of June 30, 2017, 100 percent has been contributed with zero reported as an accrued liability. The full amount had been contributed for fiscal years 2016 and 2015. Plan member contributions to STRS Ohio for the fiscal years ended June 30, 2017, 2016, and 2015 were \$2,890,629, \$2,658,098, and \$2,520,344, respectively, which met the required percentages.

**Actuarial Assumptions – STRS Ohio**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	July 1, 2016
Actuarial cost method	Entry age normal
<b>Actuarial assumptions:</b>	
Investment rate of return, net of investment expense, including inflation	7.75%
Projected salary increases	12.25% at age 20 to 2.75% at age 70
Inflation assumption	2.75%
Cost-of-living adjustments	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years; one year set back from age 80 through 89 and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study dated July 1, 2012.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 12 – PENSION PLANS (Continued)**

**Actuarial Assumptions – STRS Ohio (Continued)**

STRS Ohio’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 are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
<u>Liquidity Reserves</u>	<u>1.00</u>	<u>3.00</u>
Total	100.00 %	7.61 %

\*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes 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.

Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
College's proportionate share of the net pension liability-STRS Ohio	\$86,557,042	\$65,133,435	\$47,061,359

***Changes Between Measurement Date and Report Date***

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

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 12 – PENSION PLANS (Continued)**

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

The net pension liability and net pension (asset) were measured as of December 31, 2016 for OPERS and June 30, 2016 for STRS Ohio. The total pension liability and net pension (asset) used to calculate the net pension liability and net pension (asset) were determined by actuarial valuations as of those dates. The College's proportion of the net pension liability and net pension (asset) were based on the College's share of contributions to each pension plan relative to the contributions of all participating entities. Subsequent payments made during the current fiscal year are accounted for as deferred outflows. Following is information related to the proportionate share and pension expense:

	<b>OPERS Traditional</b>	<b>OPERS Combined</b>	<b>STRS Ohio</b>	<b>Total</b>
Proportionate share of the net pension liability	\$ 33,825,147	N/A	\$ 65,133,435	\$ 98,958,582
Proportion of the net pension liability	0.14895500%		0.19458491%	
Proportionate share of the net pension (asset)	N/A	\$ (56,901)	N/A	\$ (56,901)
Proportion of the net pension (asset)		0.10223600%		
Pension expense	\$ 7,326,375	\$ 45,956	\$ 1,543,108	\$ 8,915,439

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

	<b>OPERS Traditional</b>	<b>OPERS Combined</b>	<b>STRS Ohio</b>	<b>Total</b>
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$ 45,847	\$ -	\$ 2,631,704	\$ 2,677,551
Net difference between projected and actual earnings on pension plan investments	5,037,345	13,883	5,407,825	10,459,053
Assumption Changes	5,365,083	13,868	-	5,378,951
Differences in employer contributions and change in proportionate share	246,975	-	-	246,975
College contributions subsequent to the measurement date	1,513,101	-	2,899,165	4,412,266
Total Deferred Outflows of Resources	<u>\$ 12,208,351</u>	<u>\$ 27,751</u>	<u>\$ 10,938,694</u>	<u>\$ 23,174,796</u>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$ 201,310	\$ 29,101	\$ -	\$ 230,411
Total Deferred Inflows of Resources	<u>\$ 201,310</u>	<u>\$ 29,101</u>	<u>\$ -</u>	<u>\$ 230,411</u>

\$4,412,266 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>OPERS Traditional</b>	<b>OPERS Combined</b>	<b>STRS Ohio</b>	<b>Total</b>
Fiscal Year Ending June 30:				
2018	\$ 4,371,907	\$ 2,697	\$ 1,272,900	\$ 5,647,504
2019	4,471,801	2,697	1,272,900	5,747,398
2020	1,797,889	2,096	3,348,034	5,148,019
2021	(147,657)	(2,824)	2,145,695	1,995,214
2022	-	(2,304)	-	(2,304)
Thereafter	-	(3,712)	-	(3,712)
Total	<u>\$ 10,493,940</u>	<u>\$ (1,350)</u>	<u>\$ 8,039,529</u>	<u>\$ 18,532,119</u>

## LORAIN COUNTY COMMUNITY COLLEGE

### Notes to the Financial Statements

June 30, 2017

#### **NOTE 12 – PENSION PLANS (Continued)**

##### **Alternative Retirement Plan**

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the fiscal years ended June 30, 2017, 2016 and 2015, contributions equal to those required by OPERS and STRS Ohio are required to be made to the ARP; however, a portion (which may be revised pursuant to periodic actuarial studies) of the employer contribution must be contributed to OPERS or STRS Ohio to enhance the stability of those plans.

The College’s required contributions for pension obligations to the plan for the fiscal years ended June 30, 2017, 2016, and 2015 were \$98,018, \$93,254, and \$85,762, respectively. As of June 30, 2017, 92.8 percent has been contributed with the balance being reported as an accrued liability. The full amount has been contributed for fiscal years 2016 and 2015. Contributions by plan members for the fiscal years ended June 30, 2017, 2016, and 2015 were \$70,013, \$66,610, and \$61,259, respectively.

#### **NOTE 13 – POST-EMPLOYMENT BENEFITS**

##### **Ohio Public Employees Retirement System (OPERS)**

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

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

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



## LORAIN COUNTY COMMUNITY COLLEGE

### Notes to the Financial Statements

June 30, 2017

#### **NOTE 13 – POST-EMPLOYMENT BENEFITS**

##### **Ohio Public Employees Retirement System (OPERS) (Continued)**

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0 percent of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0 percent.

The College's contributions allocated to fund post-employment health care benefits for the fiscal years ended June 30, 2017, 2016, and 2015 were \$427,305, \$413,640 and \$390,254, respectively. As of June 30, 2017, 93.1 percent has been contributed with the balance being reported as an accrued liability. The full amount had been contributed for fiscal years 2016 and 2015.

##### **State Teachers Retirement System (STRS Ohio)**

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

Funding Policy – Ohio Revised Code 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14.0 percent employer contribution rate, 1.0 percent of covered payroll was allocated to fund post-employment health care for the years ended June 30, 2014, 2013, and 2012. Effective July 1, 2014, zero percent of covered payroll was allocated to post-employment health care. For the fiscal years ended June 30, 2017, 2016 and 2015, the College's contributions to post-employment healthcare were \$0 each year.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 14 – LITIGATION AND CONTINGENCIES**

Grants

The College receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of the College administration, any such disallowed claims will not have a material effect on the College's financial statements or on the overall financial position of the College at June 30, 2017.

Litigation

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

**NOTE 15 – OPERATING LEASE COMMITMENTS**

The College has entered into various lease agreements that are considered operating leases. Total rental expense under operating leases during the year ended June 30, 2017 amounted to \$1,507,924.

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

<u>Year Ending June 30</u>	<u>Operating Leases</u>
2018	\$ 930,155
2019	739,862
2020	26,328
2021	9,103
Total minimum lease payments	<u>\$ 1,705,448</u>

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**NOTE 16 - RISK MANAGEMENT**

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

The College also has self-insured health and dental coverage for its employees. The College's risk exposure is limited to claims incurred and stop-loss insurance is held. Medical Mutual of Ohio administers claims for the College. The claims liability of \$1,136,812 at June 30, 2017 is included in accrued liabilities in the Statement of Net Position and is based on the requirements of GASB Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

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

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim Payments</u>	<u>Balance at End of</u> <u>Year</u>
2015	\$ 1,375,041	\$ 4,927,186	\$ (4,986,673)	\$ 1,315,554
2016	1,315,554	4,338,265	(4,482,565)	1,171,254
2017	1,171,254	4,372,432	(4,406,874)	1,136,812

## LORAIN COUNTY COMMUNITY COLLEGE

### Notes to the Financial Statements

June 30, 2017

#### **NOTE 17 – LORAIN COUNTY COMMUNITY COLLEGE FOUNDATION**

##### **Note 1. Summary of Significant Accounting Policies**

- A. Nature of Activities – Lorain County Community College Foundation, Inc. (the Foundation), a non-governmental, non-profit Ohio corporation established for the exclusive benefit and support of Lorain County Community College (the College), assembles and utilizes its resources solely to assist and support the College in the achievement of its mission and vision.
- B. Accounting Method – The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and the financial statement presentation follows Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958, *Financial Statements of Not-For Profit Organizations*. The Foundation has reported information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

##### **Unrestricted Net Assets**

This category includes net assets not subject to donor-imposed stipulations. This category periodically includes net assets designated by the Board. At June 30, 2017 and 2016, there were Board designated net assets of \$3,192,275 and \$3,096,990, respectively.

##### **Temporarily Restricted Net Assets**

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

##### **Permanently Restricted Net Assets**

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

- C. Equity Transfers – From time to time, the Foundation's donors reconsider the nature of gifts to the Foundation and request reclassification of net asset balances to more closely align with the intention of their donations. The Foundation records these net asset reclassifications as equity transfers between net asset classifications.
- D. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- E. Comparative Financial Information – The financial statements include certain prior year summarized comparative financial information. Such information does not include sufficient detail to constitute a full financial statement presentation. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2016, from which the summarized information was derived.
- F. Cash and Cash Equivalents – The Foundation classifies its checking and money market accounts as cash. Any cash or cash equivalents maintained within professionally managed accounts are classified as investments, due to the overall non-current investment strategy of their investment philosophy.
- G. Investments – Investment income includes realized and unrealized gains and losses, and interest and dividends that are reported in the changes in net assets in the accompanying statement of activities.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

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

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**Note 1. Summary of Significant Accounting Policies (Continued)**

H. Fair Value Reporting (Continued)

The following is a summary of the inputs used as of June 30, 2017 and 2016 in valuing the Foundation's investments carried at fair value:

	2017			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 47,606	\$ -	\$ 47,606	\$ -
Mutual equity funds	33,516,672	33,516,672	-	-
Mutual bond funds	<u>10,034,980</u>	<u>10,034,980</u>	-	-
	<u>\$43,599,258</u>	<u>\$43,551,652</u>	<u>\$ 47,606</u>	<u>\$ -</u>
	2016			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 47,306	\$ -	\$ 47,306	\$ -
Mutual equity funds	28,821,585	28,821,585	-	-
Mutual bond funds	9,480,965	9,480,965	-	-
Real estate	735,149	-	-	735,149
Limited partnership	<u>177,033</u>	-	-	<u>177,033</u>
	<u>\$39,262,038</u>	<u>\$38,302,550</u>	<u>\$ 47,306</u>	<u>\$ 912,182</u>

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

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**Note 1. Summary of Significant Accounting Policies (Continued)**

H. Fair Value Reporting (Continued)

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

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 912,182	\$ 867,220
Sale of real estate	(735,149)	-
Contributions	25,000	25,000
Management fee	(5,295)	(5,635)
Unrealized gain	25,448	25,597
Valuation allowance	<u>(222,186)</u>	<u>-</u>
Ending balance	<u>\$ -</u>	<u>\$ 912,182</u>

I. Grants Receivable – Grants receivable are comprised primarily of prospective and reimbursable awards committed from various funding agencies for use in the Foundation's activities. All grants receivable are expected to be collected within one year. The Foundation has recorded a provision of \$300,000 for the years ended June 30, 2017 and 2016.

J. Equipment and Software – Equipment and software are recorded at historical cost or fair market value in case of donation. Depreciation is recorded on the straight-line method over the useful lives of the respective assets, which generally range from three to seven years. The Foundation capitalizes all long-lived assets that cost more than \$1,000 and have a useful life in excess of one year. Depreciation expense was \$7,242 and \$19,847 for the years ended June 30, 2017 and 2016, respectively. Accumulated depreciation at June 30, 2017 and 2016 was \$76,272 and \$69,030, respectively.

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

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

L. Donated Services – Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Foundation. Note 8 to the financial statements discloses the value of services donated by the College to the Foundation during the years ended June 30, 2017 and 2016.

M. Administration Fee – The Foundation allocates a 1.25% administration fee on temporarily and permanently restricted net assets, excluding unconditional promises to give, to provide for indirect program, general management and fundraising expenses. The total amount charged to temporarily and permanently restricted net assets related to this fee was \$334,916 and \$446,093 for the years ended June 30, 2017 and 2016, respectively.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**Note 1. Summary of Significant Accounting Policies (Continued)**

- N. Functional Allocation of Expenses – The cost of providing various programs and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.
- O. Income Taxes – The Foundation is exempt from income taxes under Section 501(c)(3) as a non-governmental, non-profit entity under provisions of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170 of the Internal Revenue Code.

The Foundation believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. As of June 30, 2017, the Foundation's income tax years from 2013 and thereafter remain subject to examination by the Internal Revenue Service, as well as various state and local taxing authorities.

- P. Innovation Fund Awards – The innovation fund bestows awards in two categories, Type A awards and Type B awards. Type A awards are up to \$25,000 and contain no right of replenishment. Type B awards are greater than \$25,000 and up to \$100,000 and contain a right of replenishment as disclosed in Note 10 to the financial statements. It is the policy of the Foundation to fully reserve against the possibility of replenishment at the time of the award based on insufficient financial information regarding the future collectability of these awards, creating a net \$-0- effect to receivables. If the right of replenishment is exercised for an award, the receivable will be recorded at the time the Foundation determines an entity is financially viable for repayment of its innovation fund award. During the years ended June 30, 2017 and 2016, the Foundation made innovation award payments of \$733,900 and \$1,587,600, respectively, to entities selected by the Innovation Fund Committee. At June 30, 2017 and 2016, the Foundation had additional unpaid awards of \$456,300 and \$447,350, respectively, which were considered conditional and, therefore, not included within accounts payable.
- Q. Reclassifications – Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.
- R. Subsequent Events – The Foundation has evaluated subsequent events through December 29, 2017, the date which the financial statements were available to be issued.



**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**Note 2. Unconditional Promises to Give**

Unconditional promises to give at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 868,575	\$ 1,465,183
Receivable in one to five years	3,919,425	4,652,789
Receivable in six to ten years	175,000	225,000
Receivable in greater than ten years	<u>1,195,000</u>	<u>1,195,000</u>
Total unconditional promises to give	6,158,000	7,537,972
Less discounts to present value	(631,271)	(697,603)
Less valuation reserves for uncollectible promises to give	<u>(1,800,934)</u>	<u>(1,812,726)</u>
Net unconditional promises to give	<u>\$ 3,725,795</u>	<u>\$ 5,027,643</u>

The discount rate used on long-term promises to give was 2.00% at June 30, 2017 and 2016. Pledges receivable restricted for long-term purposes of \$65,000 are due in less than one year as of June 30, 2017.

The Foundation has estimated a reserve for uncollectible promises to give based upon management's review of current outstanding promises to give, current economic conditions and historical collections of \$1,800,934 and \$1,812,726 at June 30, 2017 and 2016, respectively. During the years ended June 30, 2017 and 2016, the Foundation directly wrote off uncollectible promises to give of \$22,050 and \$-0-, respectively. During the years ended June 30, 2017 and 2016, the Foundation recognized a decrease in the reserve for uncollectible promises to give of (\$11,792) and (\$51,163), respectively.

**Note 3. Investments**

Investments are carried at fair value and are summarized as follows:

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 47,579	\$ 47,606	\$ 47,301	\$ 47,306
Mutual equity funds	25,971,233	33,516,672	25,032,877	28,821,585
Mutual bond funds	10,094,613	10,034,980	9,418,355	9,480,965
Real estate	-	-	735,149	735,149
Limited partnership	<u>200,000</u>	<u>-</u>	<u>175,000</u>	<u>177,033</u>
	<u>\$ 36,313,425</u>	<u>\$ 43,599,258</u>	<u>\$ 35,408,682</u>	<u>\$ 39,262,038</u>

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**Note 3. Investments (Continued)**

Investment income for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 987,786	\$ 1,254,570
Net realized and unrealized gain (loss)	4,079,370	(1,670,830)
Management fees	<u>(81,836)</u>	<u>(83,338)</u>
Total investment income	<u>\$ 4,985,320</u>	<u>\$ (499,598)</u>

**Mutual Capital Partners Fund Partnership**

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

This programmatic relationship qualified the Foundation as an investor in the Mutual Capital Partners Fund II, an Ohio limited partnership. Payments of \$200,000 have been made. As of June 30, 2017, the Foundation has an outstanding commitment of \$50,000. At June 30, 2017, the valuation of this investment was reduced to \$-0-. The partnership's annual administrative fee was \$5,295 and \$5,635 for the year ended June 30, 2017 and 2016, respectively.

**Note 4. Charitable Remainder Trust**

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

**Note 5. Temporarily Restricted Net Assets**

Net assets as of June 30, 2017 and 2016 were temporarily restricted for the following purposes:

	<u>2017</u>	<u>2016</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$ 8,195,540	\$ 8,643,244
Innovation fund	599,686	155,386
Scholarships	<u>1,043,709</u>	<u>921,909</u>
Total temporarily restricted net assets	<u>\$ 9,838,935</u>	<u>\$ 9,720,539</u>

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**Note 5. Temporarily Restricted Net Assets (Continued)**

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or passage of time for the years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Support of the College's faculty, programs, facilities and Foundation's operation	\$ 990,082	\$ 1,662,693
Innovation fund disbursements	733,900	1,587,600
Scholarships	<u>692,925</u>	<u>690,201</u>
Total restrictions released	<u>\$ 2,416,907</u>	<u>\$ 3,940,494</u>

**Note 6. Endowments**

The Foundation's endowment includes 164 scholarship funds and 15 program funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

## LORAIN COUNTY COMMUNITY COLLEGE

### Notes to the Financial Statements

June 30, 2017

#### **Note 6. Endowments (Continued)**

##### **Investment Return Objectives, Risk Parameters and Strategies**

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

##### **Spending Policy**

The Foundation has a policy of appropriating for distribution, on an annual basis, up to 4.5% of the fair market value of permanently restricted endowment funds as approved by the Board, plus the administrative fee described in Note 1 to the financial statements. The Foundation charges an administrative fee to offset the costs of operating the Foundation. In establishing these policies, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment to grow over the long-term. This is consistent with the Foundation's objective to preserve the fair value of the endowment assets as well as to provide additional real growth through new gifts and investment return. All withdrawals or transfers to other funds are subject to approval by the Board of Directors. Several of the Foundation's permanently restricted funds designated for operations have fallen below the corpus by a total of approximately \$419,190 and \$1,473,000 as of June 30, 2017 and 2016, respectively.

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**Note 6. Endowments (Continued)**

Changes in endowment net assets as of June 30, 2017 were as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,545,620	\$ 31,194,579	\$ 32,740,199
Investment return:				
Administrative fee	307,486	(20,091)	(287,395)	-
Scholarship and program transfers	-	702,744	(702,744)	-
Investment income, net	-	-	511,528	511,528
Net appreciation (realized and unrealized)	<u>-</u>	<u>198,348</u>	<u>3,645,980</u>	<u>3,844,328</u>
Total investment return - endowed	307,486	881,001	3,167,369	4,355,856
Contributions	-	-	1,356,679	1,356,679
Special events	-	-	21,236	21,236
Equity transfers	-	244	34,500	34,744
Appropriation of endowment assets for expenditure	<u>(307,486)</u>	<u>(826,909)</u>	<u>-</u>	<u>(1,134,395)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,599,956</u>	<u>\$ 35,774,363</u>	<u>\$ 37,374,319</u>

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**Note 6. Endowments (Continued)**

Changes in endowment net assets as of June 30, 2016 were as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,775,594	\$ 32,358,362	\$ 34,133,956
Investment return:				
Administrative fee	366,615	(17,286)	(349,329)	-
Scholarship and program transfers	-	1,020,829	(1,020,829)	-
Investment income, net	-	43,733	1,008,590	1,052,323
Net depreciation (realized and unrealized)	<u>-</u>	<u>(61,153)</u>	<u>(1,410,229)</u>	<u>(1,471,382)</u>
Total investment return - endowed	366,615	986,123	(1,771,797)	(419,059)
Contributions	-	-	321,511	321,511
Special events	-	-	271,899	271,899
Equity transfers	-	-	14,604	14,604
Appropriation of endowment assets for expenditure	<u>(366,615)</u>	<u>(1,216,097)</u>	<u>-</u>	<u>(1,582,712)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,545,620</u>	<u>\$ 31,194,579</u>	<u>\$ 32,740,199</u>

**Note 7. Permanently Restricted Net Assets**

Permanently restricted net assets as of June 30, 2017 and 2016 were comprised of the following amounts, the earnings of which were available for the following purposes:

	<u>2017</u>	<u>2016</u>
Support of the College's faculty, programs and facilities	\$ 16,247,082	\$ 13,758,702
Scholarships	15,871,082	14,182,294
Operations and general support	<u>3,727,856</u>	<u>3,304,096</u>
Total permanently restricted net assets	<u>\$ 35,846,020</u>	<u>\$ 31,245,092</u>

## LORAIN COUNTY COMMUNITY COLLEGE

### Notes to the Financial Statements

June 30, 2017

#### **Note 8. Related Party**

As described in Note 1, the Foundation is affiliated with, but separate from, the College. During the years ended June 30, 2017 and 2016, the College provided the Foundation with professional staffing and office support valued at \$272,495 and \$209,086, respectively. The value of those services is included as contributions in the financial statements and expensed on a functional basis based on the type of service provided by the employee.

During the years ended June 30, 2017 and 2016, the Foundation provided scholarships and support to the College of \$1,938,039 and \$2,267,306, respectively.

At June 30, 2017 and 2016, amounts due to the College and included within "accounts, support and grants payable" totaled \$458,003 and \$538,022, respectively.

The Foundation made contributions of \$150,000 and \$170,000 to Citizens for LCCC during the years ended June 30, 2017 and 2016, respectively and are included in support for the College. Citizens for LCCC is a non-profit political action committee organized to enhance public support for the College. These contributions fall within the mission of the Foundation as Citizens for LCCC supports the growth of the College through support for tax levies benefiting the College.

The Lorain County Community College Innovation Foundation (LCCCIF) is a 501(c)(3) public charity and a Supporting Organization to the College separate from the Foundation. Several key employees of the College serve as both officers of the LCCCIF and the Foundation. As of June 30, 2017 and 2016, the Foundation holds \$-0- and \$500,000 on behalf of the LCCCIF.

Innovation Fund America (IFA) is a 501(c)(3) public charity separate from the Foundation. For the years ended June 30, 2017 and 2016, the Foundation accrued a receivable of \$109,040 and \$93,257, respectively for disbursements made on behalf of IFA.

#### **Note 9. Concentrations**

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

At June 30, 2017 and 2016, one donor's promise to give represented approximately 41% and 46%, respectively, of the outstanding promises to give.

#### **Note 10. Conditional Events**

##### **Innovation Award Replenishment**

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

**LORAIN COUNTY COMMUNITY COLLEGE**

Notes to the Financial Statements

June 30, 2017

**Note 10. Conditional Events (Continued)**

**Innovation Award Replenishment (Continued)**

The Foundation made 89 Type B Innovation Fund Awards since inception of the program. Of these 89 Type B Innovation Fund Awards, the Foundation holds the right of replenishment on 59 awards expiring in:

<u>Years Ending June 30,</u>	
2018	\$ 1,359,500
2019	614,000
2020	775,000
2021	1,051,000
2022	853,000
2023	<u>363,400</u>
	<u>\$ 5,015,900</u>

The purpose of the Innovation Fund is to foster entrepreneurship and jobs growth. The Foundation's objective in providing these awards was not the return of principal, which is why Innovation Fund awards are expensed when all conditions of the award are fulfilled. The Foundation has not recorded an estimate of funds receivable from award replenishment because the amount cannot be reasonably estimated. As such, the Foundation's ability to realize these amounts is based on the financial success of the recipients. During the years ended June 30, 2017 and 2016, the Foundation received \$205,834 and \$97,000, respectively, of Innovation Fund replenishment income.

During the year ended June 30, 2013, the Foundation accepted an offer from Segmint, Inc. to take an equity position in an Innovation Fund award recipient company in lieu of its \$100,000 replenishment right. The Foundation accepted the offer and received 60,000 shares of restricted common stock.

During the year ended June 30, 2016, the Foundation accepted an offer from Vadxx Energy LLC to take an equity position in an Innovation Fund award recipient company in lieu of its \$33,334 replenishment right. The Foundation accepted the offer and received 11.12 shares of restricted stock.

As the restricted stocks cannot be transferred or sold, the Foundation has not recorded an estimate of the stock's value as the amount cannot be reasonably estimated.

**Grants Receivable**

During the year ended June 30, 2015, the Foundation was awarded a \$2,125,000 conditional grant (13-124) by the Ohio Department of Development to support the Innovation Fund. The Foundation was approved to receive the funds over a two year period from June 2015 through June 2017. During 2017, the grant was extended through December 2017. For the year ended June 30, 2017 and 2016, the Foundation has fulfilled some requirements pertaining to the grant and received \$776,250 and \$705,000 respectively.



## LORAIN COUNTY COMMUNITY COLLEGE

### Notes to the Financial Statements

June 30, 2017

#### **Note 10. Conditional Events (Continued)**

##### **Awards Payable**

As described in Note 1 to the financial statements, the Foundation's Innovation Fund involves multi-year conditional awards provided to start-up businesses that create or enhance technology. The Foundation has made award commitments of \$12,035,000, of which \$973,930 has been forfeited to date. The net remaining award commitment is \$456,301. These awards are expected to be paid out over the next two years once the sponsored recipients fulfill required conditions which may include completion and testing of a prototype, filing and protection of necessary patents and meeting certain financial reporting metrics. The conditional obligations are measured by Great Lakes Innovation and Development Enterprise, which monitors the recipients and reports progress of the recipients to the Foundation, which then approves payment of the conditional portion of the awards.

As these awards are conditional, no liability has been recorded at June 30, 2017 and 2016.

##### **Grants**

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

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

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

The Foundation has made a conditional commitment to Phase IV of the Fund for a total of \$100,000. During 2016, the Foundation made the third and final \$33,333 payment toward this commitment.

The Foundation has made a conditional commitment to Phase V of the Fund for a total of \$110,000. During 2016, the Foundation made its first payment towards this commitment in the amount of \$37,000. As the grant is conditional, no liability has been recorded for this account at June 30, 2017.

#### **Note 11. Gift of Land and Building**

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

During the year ended June 30, 2013, upon receipt of title to the land and building, the Foundation booked the value of the real estate at \$735,149 based upon the estimated net realizable value upon sale. The property was sold on August 22, 2016 for \$750,000 and recorded a gain of \$12,178.

**LORAIN COUNTY COMMUNITY COLLEGE**

Required Supplementary Information

June 30, 2017

Schedule of the College's Proportionate Share of the Net Pension Liability (Asset)  
Ohio Public Employees Retirement System (OPERS)

Last Four Fiscal Years (1)

<b>Traditional Plan</b>	2017	2016	2015	2014
College's proportion of the net pension liability:				
As a percentage	0.14895500%	0.14682100%	0.14516300%	0.14516300%
Amount	\$33,825,147	\$25,431,247	\$17,508,280	\$17,112,826
College's covered payroll	\$20,292,418	\$19,109,482	\$19,722,122	\$21,484,985
College's proportionate share of the collective pension liability (amount), as a percentage of its covered payroll	166.69%	133.08%	88.77%	79.65%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.08%	86.45%	86.36%
<b>Combined Plan</b>	2017	2016	2015	2014
College's proportion of the net pension liability (asset):				
As a percentage	0.10223600%	0.11297000%	0.12838200%	0.12838200%
Amount	\$ (56,901)	\$ (54,973)	\$ (49,430)	\$ (49,430)
College's covered payroll	\$ 397,958	\$ 411,102	\$ 469,284	\$ 469,284
College's proportionate share of the collective pension liability (asset), (amount) as a percentage of its covered payroll	14.30%	13.37%	10.53%	10.53%
Plan fiduciary net position as a percentage of the total pension liability (asset)	116.55%	116.90%	114.83%	114.83%

(1) Information prior to 2014 is not available.

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

**LORAIN COUNTY COMMUNITY COLLEGE**

Required Supplementary Information

June 30, 2017

Schedule of the College's Proportionate Share of the Net Pension Liability  
State Teachers Retirement System of Ohio (STRS Ohio)

Last Four Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
College's proportion of the net pension liability:				
As a percentage	0.19458491%	0.20166265%	0.20310676%	0.20310676%
Amount	\$65,133,435	\$55,733,658	\$49,402,593	\$58,848,046
College's covered payroll	\$20,512,894	\$21,068,948	\$20,779,975	\$21,725,305
College's proportionate share of the collective pension liability (amount), as a percentage of its covered payroll	317.52%	264.53%	237.74%	270.87%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

**LORAIN COUNTY COMMUNITY COLLEGE**  
**Required Supplementary Information**  
**June 30, 2017**

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b><u>Traditional Plan</u></b>										
Statutorily required contributions	\$ 2,628,609	\$ 2,439,383	\$ 2,294,133	\$ 2,372,971	\$ 2,754,350	\$ 1,959,880	\$ 2,022,762	\$ 1,791,042	\$ 1,593,064	\$ 1,150,636
Contributions in relation to the actuarially determined contractually required contribution	2,628,609	2,439,383	2,294,133	2,372,971	2,754,350	1,959,880	2,022,762	1,791,042	1,593,064	1,150,636
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 21,028,876	\$ 20,328,194	\$ 19,117,772	\$ 19,774,760	\$ 21,041,638	\$ 19,423,989	\$ 20,047,191	\$ 19,725,133	\$ 18,567,181	\$ 16,484,761
Contribution as a percentage of covered payroll	12.50%	12.00%	12.00%	12.00%	13.09%	10.09%	10.09%	9.08%	8.58%	6.98%
<b><u>Combined Plan</u></b>										
Statutorily required contributions	\$ 43,114	\$ 43,462	\$ 48,337	\$ 49,997	\$ 58,034	\$ 41,333	\$ 42,620	\$ 37,737	\$ 33,566	\$ 24,238
Contributions in relation to the actuarially determined contractually required contribution	43,114	43,462	48,337	49,997	58,034	41,333	42,620	37,737	33,566	24,238
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 344,908	\$ 362,181	\$ 402,812	\$ 416,646	\$ 443,347	\$ 409,640	\$ 422,394	\$ 415,610	\$ 391,212	\$ 347,244
Contribution as a percentage of covered payroll	12.50%	12.00%	12.00%	12.00%	13.09%	10.09%	10.09%	9.08%	8.58%	6.98%

**LORAIN COUNTY COMMUNITY COLLEGE**  
**Required Supplementary Information**  
**June 30, 2017**

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contributions	\$ 2,899,165	\$ 2,871,806	\$ 2,949,653	\$ 2,909,257	\$ 3,041,543	\$ 3,284,798	\$ 3,204,078	\$ 2,969,832	\$ 2,782,628	\$ 2,575,480
Contributions in Relation to Contractually Required Contributions	2,899,165	2,871,806	2,949,653	2,909,257	3,041,543	3,284,798	3,204,078	2,969,832	2,782,628	2,575,480
Contributions Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College Covered Payroll	\$ 20,707,990	\$ 20,512,894	\$ 21,068,948	\$ 20,779,975	\$ 21,725,305	\$ 23,462,845	\$ 22,886,272	\$ 21,213,082	\$ 19,875,958	\$ 18,396,256
Contribution as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

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**Independent Auditor’s Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

Board of Trustees  
Lorain County Community College  
Elyria, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of the Lorain County Community College (the “College”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements, and have issued our report thereon dated December 29, 2017.

**Internal Control over Financial Reporting**

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

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

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

Board of Trustees  
Lorain County Community College

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ciuni + Panichi, Inc.*

Cleveland, Ohio  
December 29, 2017



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

Board of Trustees  
Lorain County Community College  
Elyria, Ohio

**Report on Compliance for Each Major Federal Program**

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

***Management’s Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for 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 the major federal program. However, our audit does not provide a legal determination of the College’s compliance.

***Opinion on Each Major Federal Program***

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

**Report on Internal Control over Compliance**

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Board of Trustees  
Lorain County Community College

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

We have audited the financial statements of the business-type activities of the College as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We did not audit the financial statements of Lorain County Community College Foundation, Inc. which is the only discretely presented component unit of the College. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We issued our report thereon dated December 30, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Ciuni + Panichi, Inc.*

Cleveland, Ohio  
December 29, 2017

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**LORAIN COUNTY COMMUNITY COLLEGE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>United States Department of Education</b>			
<i>Direct from the Federal Agency</i>			
<i>Student Financial Aid Cluster:</i>			
Federal Work Study Program	P033A	84.033	\$ 246,808
Federal Pell Grant Program	P063P	84.063	15,101,093
Federal Supplemental Educational Opportunity Grants	P007A	84.007	452,899
Federal Direct Student Loans	P0268K	84.268	11,374,159
<i>Total Student Financial Assistance</i>			<u>27,174,959</u>
<i>Passed Through the Ohio Department of Education</i>			
Career Technical Education - Basic Grants to States	CDP-P	84.048	239,165
Adult Education National Leadership Activities	V191D	84.191	365,850
<b>Total United States Department of Education</b>			<u>27,779,974</u>
<b>United States Department of Labor</b>			
<i>Direct from the Federal Agency</i>			
Trade Adjustment Assistance Community College and Career Training Grants - LCCC	N/A	17.282	1,271,473
Trade Adjustment Assistance Community College and Career Training Grants:			
Sub-Award TAACCCT Cincinnati State Technical and Community College	N/A	17.282	206,686
Sub-Award TAACCCT Columbus State Community College	N/A	17.282	168,933
Sub-Award TAACCCT Cuyahoga Community College	N/A	17.282	299,304
Sub-Award TAACCCT Eastern Gateway Community College	N/A	17.282	674,936
Sub-Award TAACCCT Lakeland Community College	N/A	17.282	291,464
Sub-Award TAACCCT Owens Community College	N/A	17.282	240,276
Sub-Award TAACCCT Rhodes State College	N/A	17.282	349,604
Sub-Award TAACCCT Sinclair Community College	N/A	17.282	384,619
Sub-Award TAACCCT Stark State College	N/A	17.282	156,549
Sub-Award TAACCCT Zane State College	N/A	17.282	253,291
Subtotal Sub-Award TAACCCT Grants			<u>3,025,662</u>
Total Trade Adjustment Assistance Community College and Career Training Grants			<u>4,297,135</u>
<i>Passed through Mathematical Policy Research, Inc.</i>			
Registered Apprenticeship	N/A	17.201	8,959
<i>Passed through Ohio Department of Job &amp; Family Services</i>			
WIA Cluster			
WIA Adult Program	N/A	17.258	53,557
<b>Total United States Department of Labor</b>			<u>4,359,651</u>
<b>National Science Foundation</b>			
<i>Direct from the Federal Agency</i>			
Education and Human Resources	N/A	47.076	348,236
<b>Total National Science Foundation</b>			<u>348,236</u>
<b>United States Small Business Administration</b>			
<i>Passed through Ohio Department of Communications Development</i>			
Small Business Development Centers	SBAHQ-13-B-0011	59.037	178,017
<b>Total United States Small Business Administration</b>			<u>178,017</u>
<b>United States Department of Commerce</b>			
<i>Direct from the Federal Agency</i>			
<i>"Economic Development Administration</i>			
Cluster Grants	N/A	11.020	14,588
<b>Total United States Department of Commerce</b>			<u>14,588</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

LORAIN COUNTY COMMUNITY COLLEGE  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2017

Federal Grantor/ Pass Through Grantor/ Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>United States Department of Defense</b>			
<i>Passed through Office of Naval Research - American Lightweight Materials Manufacturing Innovation Institute</i>			
Science, Technology, Engineering & Mathematics (STEM) Education, Outreach, and Workforce Program	N/A	12.330	187,589
<i>Passed through Nextflex Flexible Hybrid Electronics Manufacturing Innovation Institute</i>			
Air Force Defense Research Sciences Program	N/A	12.800	<u>31,694</u>
<b>Total United States Department of Defense</b>			<u>219,283</u>
<b>United States Department of Transportation</b>			
<i>Passed through Ohio Traffic Safety Office</i>			
National Priority Safety Programs	N/A	20.616	<u>14,186</u>
<b>Total United States Department of Transportation</b>			<u>14,186</u>
<b>United States Department of Agriculture</b>			
<i>Passed through The Ohio State University</i>			
Higher Education - Institution Challenge Grants Program	N/A	10.217	<u>19,471</u>
<b>Total United States Department of Agriculture</b>			<u>19,471</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 32,933,406</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

## **LORAIN COUNTY COMMUNITY COLLEGE**

Notes to Schedule of Expenditures of Federal Awards

**For the Year Ended June 30, 2017**

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### **NOTE 1 – BASIS OF PRESENTATION**

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

### **NOTE 2 – FEDERAL DIRECT STUDENT LOANS**

During the fiscal year ended June 30, 2017, the College processed new loans under the Federal Direct Student Loan Program. The amount shown reflects the fiscal year amount that has been certified by the College.

### **NOTE 3 – INDIRECT COST RATE**

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

### **NOTE 4 – SUBRECIPIENTS**

The College passes certain federal awards received from the United States Department of Labor to other governments or not-for-profit agencies (subrecipients). As Note 1 describes, the College reports expenditures of federal awards to subrecipients on the accrual basis.

As a pass-through entity, the College has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

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**LORAIN COUNTY COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs

**For the Year Ended June 30, 2017**

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**1. Summary of Auditor’s Results**

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs’ Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR Section 200.516(a)?	No
(d)(1)(vii)	Major Programs	Student Financial Aid Cluster: CFDA # 84.033, 84.007, 84.063, 84.268.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$988,002 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None noted.

**3. Findings for Federal Awards**

None noted.

**LORAIN COUNTY COMMUNITY COLLEGE**

Summary Schedule of Prior Audit Findings

**For the Year Ended June 30, 2017**

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No prior audit findings noted.



# Dave Yost • Auditor of State

LORAIN COUNTY COMMUNITY COLLEGE

LORAIN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 1, 2018