

SINCLAIR COMMUNITY COLLEGE
Dayton, Ohio

FINANCIAL STATEMENTS
June 30, 2010 and 2009



Dave Yost • Auditor of State

Board of Trustees
Sinclair Community College
444 West Third Street
Dayton, Ohio 45402 - 1460

We have reviewed the *Independent Auditor's Report* of the Sinclair Community College, Montgomery County, prepared by Crowe Horwath LLP, for the audit period July 1, 2009 through June 30, 2010. 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 Sinclair Community College is responsible for compliance with these laws and regulations.

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Dave Yost
Auditor of State

January 18, 2011

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SINCLAIR COMMUNITY COLLEGE

Dayton, Ohio

FINANCIAL STATEMENTS

June 30, 2010 and 2009

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REPORT OF INDEPENDENT AUDITORS

The President and Board of Trustees
Sinclair Community College and
Mary Taylor, Auditor of State

We have audited the accompanying financial statements of the business-type activities of Sinclair Community College (the "College") as of and for the years ended June 30, 2010 and 2009. We have audited the discretely presented component unit as of for the year ended December 31, 2009 which combined with the College financial statements collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Sinclair Community College Foundation ("Foundation"), the component unit, for the year ended December 31, 2008. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation for the year ended December 31, 2008, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Sinclair Community College as of June 30, 2010 and 2009 (December 31, 2009 and 2008 for the Foundation) and the respective changes in net assets and cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 3, 2010, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

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Our audit was performed for the purpose of forming an opinion on the basic financial statements of Sinclair Community College taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for the purpose of additional analysis and is not a required part of the 2010 basic financial statements. Such additional information has been subjected to the auditing procedures applied in our audit of the 2010 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis ("MD&A") on pages 3 through 11 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Columbus, Ohio
November 3, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis (MD&A) of Sinclair Community College's (the "College's") financial performance provides an overview of the College's financial activities for the fiscal years ended June 30, 2010 and 2009. Please read it in conjunction with the College's financial statements, which begin on page 12.

Financial and Institutional Highlights

- Sinclair Community College achieved record breaking results in fiscal year 2010 in many indicators of operations. The College's initiatives to reach more students with cost effective educational programs as well as the general economic conditions resulted in an all-time high demand for programs and services as credit-based headcount enrollment exceeded 25,000 students. Overall, full-time equivalent ("FTE") enrollments were 15% higher than fiscal year 2009. Over the past two years, FTE enrollments have grown by 28%.
- The College's financial health remained strong due to the aforementioned enrollment growth and prudent planning and management of resources. In particular, the Board of Trustees and College administration have devoted significant attention to financial planning over the past several years in response to reduced levels of state funding coupled with the substantial and growing demand for the College's programs and services.
- All of the College's campuses and learning centers, as well as the online sector, realized enrollment growth from 2009 to 2010. The Courseview Campus Center, in its third year of operations, realized a 47% increase in enrollment over the period while the Huber Heights and Englewood Learning Centers experienced a 22% increase in demand. In the fall term of fiscal 2010, the College opened its Preble County Learning Center; this site exceeded its first year enrollment target by more than 100%.
- The College continued to demonstrate an exceptional level of commitment to teaching and learning in 2010. In comparison to non-instructional expenses such as facility costs, Sinclair devotes a significantly higher percentage of its resources to instruction and academic support functions than the average of Ohio's other public two year colleges.
- In fiscal 2010 Sinclair reported \$9.0 million in cost efficiency improvements to the Ohio Board of Regents. This amount exceeded the College's prescribed State required target and helped offset the fact that state appropriations have not kept pace with enrollment growth.

Financial Management Philosophy and Accountability

Sinclair utilizes a forward thinking and systematic approach to managing financial resources that is guided by the following principles:

- *Use money as a tool:* Money is a tool used in fulfilling our service mission
- *Employ results oriented spending:* This is generally tied to an expectation of clear mission results
- *Focus on long-term stability:* Use financial modeling and planning to help ensure the long-term sustainability and financial viability of the College
- *Pay as you go:* Save money upfront, place in allocated reserves, for later use in major capital expenditures (as opposed to borrowing now and paying later)
- *Save with a plan and purpose:* Maintain allocated reserves to provide flexibility in managing future opportunities and challenges
- *Plan for margin:* Budget for a 3% to 5% positive margin on the annual operating budget (revenue to exceed expenses) to provide funding for facility maintenance capital and other needs
- *Save and Plan for emergencies:* plan/budget for unforeseen emergencies and contingencies

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Inputs into the financial management and measurement process come from a variety of sources as shown in the diagram below:



The State of Ohio computes a fiscal accountability measure each year for all public higher education institutions. For the latest year reported (FY 2009), Sinclair received the highest score possible, a composite score of 5.0. Sinclair has achieved an average score of 4.5 for the past ten years, above the average of other community colleges and universities.

Overview of the Financial Statements

This annual report consists of three main parts – the MD&A (this section), the financial statements, and a section containing reports on the audit of federal grants and contracts received by the College.

The financial statements are presented in the format required by generally accepted accounting principles and accepted by the Ohio Board of Regents and the Ohio Department of Budget and Management for all state-assisted two- and four-year colleges and universities in Ohio. The statements are:

- Statements of Net Assets
- Statements of Revenues, Expenses and Changes in Net Assets
- Statements of Cash Flows

The statements are prepared on an accrual basis and present all assets and liabilities of the College, both financial and capital, and short and long term. They also present all revenues and expenses of the College during the year, regardless of when cash was received or paid.

Collectively, the statements provide a complete picture of the College's financial condition as of June 30, 2010 and 2009 and the results of its operations for the fiscal years then ended.

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Net Assets

The College's total net assets are divided into three categories: 1) capital assets, 2) externally restricted net assets, and 3) unrestricted net assets. In the discussion that follows, it will be helpful to keep in mind that two major types of transactions do not change the value of total net assets. These are:

- A transfer of net assets from one net asset category to another.
- Capital asset acquisitions, for which payment reduces either unrestricted or restricted net assets, while increasing capital assets by the same amount.

A discussion of the underlying factors impacting the change in net assets is provided below and in the overview of the next section titled "*Statements of Revenues, Expenses and Changes in Net Assets.*"

Fiscal 2010

At June 30, 2010, net assets were \$281.1 million. Liabilities of \$32.6 million were only 10.4% of total assets, primarily due to the fact that the College has purposely avoided long-term debt by strategically using various funding sources, including state capital appropriations, to manage growth and maintain a low level of deferred infrastructure maintenance.

Total net assets increased by \$21.7 million (from \$259.4 million to \$281.1 million) in fiscal 2010. The increase had these components:

- Net increase of \$17.6 million after depreciation expense of \$7.9 million, but exclusive of the change in fair value of investments;
- An increase in the fair value of investments of \$4.1 million.

Also in fiscal 2010, capital asset acquisitions consumed approximately \$7.4 million of unrestricted and restricted net assets and added a corresponding amount to capital assets.

Fiscal 2009

At June 30, 2009 net assets were \$259.4 million. Liabilities of \$35.8 million were only about 12% of total assets.

Total net assets increased by \$12.8 million (from \$246.6 million to \$259.4 million) in fiscal 2009. The increase had these components:

- Net increase of \$10.0 million after depreciation expense of \$7.6 million, but exclusive of the change in fair value of investments;
- An increase in the fair value of investments of \$2.8 million.

Also in fiscal 2009, capital asset acquisitions consumed approximately \$5.2 million of unrestricted and restricted net assets and added a corresponding amount to capital assets.

TABLE 1
NET ASSETS
(in millions of dollars)

	2010	2009	Percentage Change 2009-10	2008
Current assets	\$ 75.2	\$ 78.9	(4.7%)	\$ 54.8
Investments	106.4	83.7	27.1%	85.2
Capital assets, net	132.1	132.6	(0.4%)	135.0
Total assets	313.7	295.2	6.3%	275.0
Current liabilities	28.0	31.2	(10.3%)	24.1
Long-term liabilities	4.6	4.6	0.0%	4.4
Total liabilities	32.6	35.8	(8.9%)	28.5
Net assets:				
Invested in capital assets	132.1	132.6	(0.4%)	135.0
Restricted—nonexpendable	33.3	33.1	0.6%	28.4
Restricted—expendable	1.5	1.7	(11.8%)	1.7
Unrestricted	114.2	92.0	24.1%	81.5
Total net assets	\$ 281.1	\$ 259.4	8.4%	\$ 246.6

Statements of Revenues, Expenses and Changes in Net Assets

Overview

The Statement of Revenues, Expenses and Changes in Net Assets (SRECNA) presented in Table 2 below presents the results of operations for the College for the fiscal years 2008 through 2010. In fiscal years 2009 and 2010, total net assets for the College increased by \$12.8 million and \$21.7 million, respectively. These results have been driven by the following:

- Operating revenue, comprised of tuition and fees, auxiliary operations and federal and state grants, increased by 4.4% from 2009 to 2010 due in part to a 15% increase in enrollments. This continued the trend from 2008 to 2009 wherein operating revenues and enrollments grew by 8.2% and 11%, respectively.
- Careful management and economies of scale limited operating expenditure increases to 5.0% from 2009 to 2010, compared to enrollment growth of 15%. On a per student basis, operating expenses declined by 8.9%. From 2008 to 2009, operating expenses grew 8.0% in relation to an enrollment increase of 11%.
- Nonoperating and other revenues increased by \$14.5 million from 2009 to 2010, as a result of the following:
 1. State related appropriations (i.e., state appropriations, state student aid grant programs and state capital grants) were down \$4.7 million due to reductions in operating subsidy and the elimination of state student aid programs, partially offset by an increase in capital grants. As noted above, the decline in operating subsidy coincided with a 15% increase in enrollments.

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2. County levy revenue grew by \$1.4 million or 4.3% as a result of receipts from the 3.2 mill levy and temporary payments related to the phase-out of business personal property taxes and the impact of utility deregulation
 3. Federal student aid and grant programs grew by 79.2%, or \$16.4 million, since 2009. This more than offset the virtual elimination of state funding for similar programs. The reasons for this substantial increase are described below.
 4. Finally, the \$4.1 million increase in the fair value of investments was \$1.3 million higher than the \$2.8 million increase in 2009.
- Nonoperating and other revenues increased by \$13.9 million from 2008 to 2009. This increase resulted from increases in state appropriations (including capital grants), county levy and federal and state student aid grants.

As discussed in the overview, the following paragraphs explain elements of the SRECNA and the issues affecting the results contained therein.

Revenues (Operating, Nonoperating and Other)

- Student tuition and fee revenue grew by 6.6% from 2009 to 2010 primarily as a result of enrollment volume. In accordance with the required reporting display, gross tuition and fees on the SRECNA are reduced by grants and scholarships used to help pay those fees, resulting in a net revenue amount. This result expands upon the improvement realized from 2008 to 2009 derived from enrollment growth (\$0.9 million or 3.8%).
- State appropriations for operations declined by 1.4% from 2009 to 2010, despite the aforementioned enrollment increase. State funding per FTE in fiscal 2010 was 22% lower than 2001 in nominal terms; on an inflation-adjusted basis it is 37% lower. Of the \$48.4 million in state appropriations, \$6.9 million came from federal stimulus money earmarked for public higher education.

Although state appropriations for operations increased from 2008 to 2009 by 5.1%, the state funding bill providing these monies mandated a tuition freeze for 2009.

- County levy revenue grew by 4.3% in 2010, the second full fiscal year of impact for the 3.2 mill replacement levy passed in March of 2008. The prior year's robust growth (15.5%) was attributable to 2009 being the first full fiscal year for which the increased millage of the aforementioned levy was realized. A portion of levy funds are set aside in a tuition stabilization fund in the early years of the levy's ten-year life cycle for use in the later years because the levy does not grow for inflation.
- In fiscal 2010, federal student aid increased by 79%, while state student aid decreased by 98%. The decrease in state aid resulted from the State's elimination of the Ohio Instructional Grant program, and changes in the Ohio College Opportunity Grant program that effectively rendered two-year college students ineligible for the aid. The increase in federal aid resulted from 1) a large increase in the number of students receiving Pell grants over fiscal year 2009, driven by various factors including the College's enrollment increases and the loss of state student aid; and 2) increases in the maximum Pell grant award amounts for both full and part time students.

Similarly, in fiscal 2009, the College experienced significant growth in federal and state student aid relative to 2008 as a function of enrollment increases, an increase in the number of students receiving Pell grants, and an increase in the maximum Pell grant award amount.

- Nonoperating revenues in 2010 also include an increase in the fair value of investments of \$4.1 million. In 2009, the fair value of investments increased \$2.8 million, while it increased \$1.7 million in 2008. These increases reflect the decline over the three fiscal years in bond market interest rates. All of the bonds in the College's portfolio have higher stated interest rates than the rates currently available on new bonds of the same type; therefore, the bonds the College is holding would trade at premium prices. The College has a practice of holding its investments to maturity; therefore, unrealized gains and losses are not expected to be realized.

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Operating Expenses

- Total operating expenses grew by 5.0% (\$7.7 million) from 2009 to 2010, a rate of about one third the growth in enrollment (15%). This yielded a decrease in operating expenses per full-time equivalent (FTE) student of 8.9%. Fully 60% of the net increased spending fell in the *Instruction* and *Student Services* categories as the College ramped up its credit hour production and related services. Student aid expenses grew by 24% as a function of enrollment volume and recent increases in the maximum Pell award amount. Likewise, auxiliary enterprises' expenses grew by 19% in light of the aforementioned enrollment growth that created record levels of demand for books and related items as well as parking and dining services. Spending was restrained in the remaining categories as the College realized economies of scale and implemented cost saving measures.
- From 2008 to 2009 total expenses grew by 8.0% relative to enrollment growth of 11%, producing a reduction of 2.5% in operating expenses on a per student basis. Auxiliary enterprises' expenses grew by almost 14% as the result of robust enrollment growth creating record levels of demand for books and related items as well as parking and dining services. The increase in the institutional support category was attributable to information technology systems and software lifecycle replacements, including an upgrade of the College's telephone system. All categories exclusive of the items noted above increased by only 4.3%.

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TABLE 2
REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(in millions of dollars)

	2010	2009	Percentage Change 2009-2010	2008
Operating revenues:				
Student tuition and fees, net of grants and scholarships	\$ 25.9	\$ 24.3	6.6%	\$ 23.4
Federal grants and contracts	6.0	5.5	9.1%	4.5
State and local grants and contracts	2.5	3.1	(19.4%)	2.9
Nongovernmental grants and contracts	3.2	3.2	0.0%	2.5
Sales and services of educational departments	1.0	1.2	(16.7%)	1.2
Auxiliary enterprises, net of grants and scholarships	9.3	9.1	2.2%	8.4
Other	1.7	1.1	54.5%	1.0
Total operating revenues	49.6	47.5	4.4%	43.9
Operating expenses:				
Instruction	68.5	64.7	5.9%	61.7
Public service	3.4	4.6	(26.1%)	4.5
Academic support	11.2	10.9	2.8%	9.9
Student services	14.6	13.9	5.0%	13.4
Institutional support	15.9	16.2	(1.9%)	14.6
Plant operations and maintenance	13.0	13.8	(5.8%)	13.5
Depreciation	7.9	7.6	3.9%	7.8
Student aid	13.9	11.2	24.1%	7.5
Auxiliary enterprises	13.8	11.6	19.0%	10.2
Total operating expenses	162.2	154.5	5.0%	143.1
Nonoperating and other revenues:				
State appropriations	48.4	49.1	(1.4%)	46.7
County tax levy receipts	34.2	32.8	4.3%	28.4
Federal student aid grant programs	37.1	20.7	79.2%	15.0
State student aid grant programs	0.1	5.8	(98.3%)	4.4
Investment income	4.5	4.5	2.2%	5.0
Net increase in the fair value of investments	4.1	2.8	46.4%	1.7
State capital grants	5.8	4.1	41.5%	4.7
Total nonoperating and other revenues	134.2	119.8	12.1%	105.9
Increase in net assets	\$ 21.6	\$ 12.8	69.5%	\$ 6.7

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Capital Assets

Highlights of the College's capital program include the following:

- Building improvement projects in fiscal year 2010 included several projects undertaken in order to increase classroom capacity at the downtown Dayton campus. Building improvement projects in fiscal 2009 included fire door modifications on the main campus, and the construction of a remote computer disaster recovery facility at the College's Courseview Campus Center in Mason.
- At the Dayton campus, major facility life cycle maintenance projects in fiscal 2010 included air handler replacements, and in 2009 included laboratory renovations. In both fiscal years, other major life cycle projects included roof replacements, carpet replacement, and parking garage waterproofing membrane and expansion joint repairs.
- New additions to equipment inventory in fiscal years 2010 and 2009 included administrative computer system upgrades at the College's Dayton campus. Significant technology upgrades in the Ponitz Conference Center (the College's corporate training facility) also occurred during fiscal year 2010. And in both fiscal years, the College incurred expenses related to the preparation of classroom and office space in the new Preble County Learning Center, which began offering classes in the fall of 2009.

TABLE 3
CAPITAL ASSETS
(net of depreciation, in millions of dollars)

	<u>2010</u>	<u>2009</u>	<u>Percentage Change 2009-2010</u>	<u>2008</u>
Land and improvements	\$ 12.7	\$ 12.6	0.8%	\$ 12.5
Buildings and improvements	114.1	114.5	(0.3%)	116.1
Equipment	5.0	5.2	(3.8%)	6.0
Library books	0.3	0.3	0.0%	0.4
Total capital assets	<u>\$ 132.1</u>	<u>\$ 132.6</u>	<u>(0.4%)</u>	<u>\$ 135.0</u>

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Factors Impacting Future Periods

State of Ohio Appropriations: While higher education has been viewed as a statewide priority, reductions in state resources have caused state appropriations to not keep pace with enrollment growth, and thus decline as a share of the College's funding. As widely reported in the news, the State of Ohio has a structural budgetary imbalance primarily due to the impact of the economic downturn on employment and tax revenues. The current two-year state operating budget (\$50 billion) is balanced with federal stimulus and other one-time money, equaling about 15% of total resources (Sinclair's share is roughly \$7 - \$8 million annually). There is uncertainty regarding the prospects for state funding in the next two-year state budget commencing July 1, 2011. Sinclair has been prudent and proactive in planning for contingencies should there be an eventual reduction in state funding. The College will continue to carefully manage the impact of enrollment growth and associated costs while seeking to generate additional operating efficiencies. In addition, funds have been set aside in a "rainy day fund" to buffer the potential impact of a reduction in state funding.

Tuition and Fees: As state funding has declined as a share of revenue, the College has had to enact modest increases in tuition and fees. Even so, the tuition for Montgomery County residents remains the lowest in the state by a wide margin. Sinclair will evaluate the need for further tuition and fee actions, including the phased implementation of a technology and student success services fee that was approved by the Chancellor of the Board of Regents and the Ohio Legislative Controlling Board.

Student Enrollments: Sinclair's FTE enrollments have grown another 5% for the summer and fall quarters of FY 2011. The College is continually adjusting service levels and space utilization so that this growing need can be met. In addition, options are being considered for expanding capacity at the Courseview Campus, where enrollments have increased fourfold since first opening in the fall of 2007. The College is also mindful that an economic improvement would likely cause enrollments to decline somewhat versus the extraordinary levels of growth that have been experienced over the past three years.

Montgomery County Levy: The levy is used entirely for expenditures benefiting students who reside in Montgomery County in the form of tuition subsidy and support for services at the Dayton campus. While this revenue stream has flowed to the College relatively reliably and predictably over time, the recent economic downturn raises the concern of possible reductions in levy revenues due to declines in property valuation and tax collection rates.

Conversion to Semesters: The University System of Ohio strategic plan calls for the state's publicly supported colleges and universities to follow a common, semester-based academic calendar. Sinclair plans to implement a semester calendar effective fall quarter 2012. The conversion process has been underway for over a year and entails the review and revision of all courses and related business processes. There are one-time implementation costs being incurred and provided for from a special set aside fund.

SINCLAIR COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 14,129,966	\$ 24,536,037
Accounts receivable, net	24,755,660	19,009,152
Prepaid expenses	1,082,315	718,781
Interest receivable	414,616	365,811
Property tax levy receivable	33,289,034	33,072,032
Inventories	<u>1,569,923</u>	<u>1,157,144</u>
Total current assets	<u>75,241,514</u>	<u>78,858,957</u>
NONCURRENT ASSETS		
Investments	106,438,855	83,743,624
Capital assets, net	<u>132,062,664</u>	<u>132,599,153</u>
Total noncurrent assets	<u>238,501,519</u>	<u>216,342,777</u>
Total assets	<u>\$ 313,743,033</u>	<u>\$ 295,201,734</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accruals	\$ 4,224,808	\$ 10,471,334
Accrued salaries, wages and benefits	11,283,020	10,692,460
Deferred student fee income	11,056,500	8,737,588
Deposits	<u>1,469,168</u>	<u>1,273,816</u>
Total current liabilities	28,033,496	31,175,198
NONCURRENT LIABILITIES		
Accrued salaries, wages and benefits	<u>4,636,373</u>	<u>4,579,991</u>
Total liabilities	<u>32,669,869</u>	<u>35,755,189</u>
NET ASSETS		
Invested in capital assets	132,062,664	132,599,153
Restricted		
Expendable	1,489,720	1,768,192
Nonexpendable	33,289,034	33,072,032
Unrestricted	<u>114,231,746</u>	<u>92,007,168</u>
Total net assets	<u>281,073,164</u>	<u>259,446,545</u>
Total liabilities and net assets	<u>\$ 313,743,033</u>	<u>\$ 295,201,734</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 608,624	\$ 506,014
Investments		
Fixed income security funds	7,688,641	6,627,710
Equity funds	14,786,511	12,858,353
Venture capital funds	<u>444,282</u>	<u>445,882</u>
Total investments	22,919,434	19,931,945
Accounts receivable	11,119	13,441
Pledges receivable, net of allowances of \$16,113 and \$22,722 at December 31, 2009 and 2008, respectively	<u>1,004,026</u>	<u>1,327,859</u>
Total assets	<u>\$ 24,543,203</u>	<u>\$ 21,779,259</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Payable to Sinclair Community College	\$ 499,147	\$ 232,127
Other payables	<u>20,000</u>	<u>-</u>
Total liabilities	519,147	232,127
Net assets		
Unrestricted	15,013,536	11,922,486
Temporarily restricted	4,033,884	4,798,338
Permanently restricted	<u>4,976,636</u>	<u>4,826,308</u>
Total net assets	<u>24,024,056</u>	<u>21,547,132</u>
Total liabilities and net assets	<u>\$ 24,543,203</u>	<u>\$ 21,779,259</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
REVENUES		
Operating revenues:		
Student tuition and fees	\$ 44,949,956	\$ 37,713,989
Less grants and scholarships	<u>(19,032,907)</u>	<u>(13,448,403)</u>
Student tuition and fees net of grants and scholarships	25,917,049	24,265,586
Federal grants and contracts	6,030,425	5,491,708
State and local grants and contracts	2,449,317	3,044,582
Nongovernmental grants and contracts	3,187,269	3,210,737
Sales and services of educational departments	1,037,920	1,223,739
Auxiliary enterprises		
Food service	523,856	487,067
Bookstore (net of grants and scholarships of \$6,555,228 and \$4,250,769 in 2010 and 2009, respectively)	7,685,265	7,713,438
Parking	1,018,430	923,976
Other operating revenues	<u>1,709,205</u>	<u>1,139,090</u>
Total operating revenues	<u>\$ 49,558,736</u>	<u>\$ 47,499,923</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
EXPENSES		
Operating expenses:		
Educational and general:		
Instruction	\$ 68,488,041	\$ 64,719,155
Public service	3,445,239	4,615,598
Academic support	11,152,695	10,910,504
Student services	14,612,557	13,893,891
Institutional support	15,907,037	16,142,745
Plant operations and maintenance	13,018,225	13,839,013
Depreciation	7,863,730	7,586,753
Student aid	13,912,567	11,168,135
Auxiliary enterprises:		
Food service	243,681	292,947
Bookstore	12,539,855	10,413,300
Parking	<u>1,011,818</u>	<u>905,129</u>
Total operating expenses	<u>162,195,445</u>	<u>154,487,170</u>
Operating loss	<u>(112,636,709)</u>	<u>(106,987,247)</u>
Nonoperating revenues (expenses):		
State appropriations	41,414,612	49,089,412
State appropriations – State Fiscal Stabilization Funds	6,922,196	-
County tax levy	34,239,654	32,839,622
Federal student aid grant programs	37,132,052	20,702,666
State student aid grant programs	127,678	5,792,335
Investment income	4,557,163	4,541,437
Net increase in the fair value in investments	<u>4,099,471</u>	<u>2,750,213</u>
Total nonoperating revenues	<u>128,492,826</u>	<u>115,715,685</u>
Income before other revenues, expenses, gains, or losses	15,856,117	8,728,438
Other revenues – state capital grants	<u>5,770,502</u>	<u>4,128,941</u>
Increase in net assets	21,626,619	12,857,379
Net assets:		
Beginning of year	<u>259,446,545</u>	<u>246,589,166</u>
End of year	<u>\$ 281,073,164</u>	<u>\$ 259,446,545</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 Years ended December 31, 2009 and 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Contributions	\$ 278,571	\$ 1,047,912	\$ 101,746	\$ 1,428,229	\$ 273,547	\$ 823,381	\$ 132,916	\$ 1,229,844
Interest/dividends, net of fund expenses of \$44,046 in 2009 and \$43,470 in 2008	(27,611)	(4,182)	(379)	(32,172)	(6,647)	(1,163)	-	(7,810)
Net realized/unrealized gains (losses) on investments	3,568,225	545,344	48,961	4,162,530	(5,832,567)	(931,047)	-	(6,763,614)
Net assets released from restrictions	<u>2,353,528</u>	<u>(2,353,528)</u>	<u>-</u>	<u>-</u>	<u>1,541,155</u>	<u>(1,541,155)</u>	<u>-</u>	<u>-</u>
Total revenue and support	6,172,713	(764,454)	150,328	5,558,587	(4,024,512)	(1,649,984)	132,916	(5,541,580)
Expenses:								
Scholarships	497,243	-	-	497,243	845,889	-	-	845,889
Project support	2,400,065	-	-	2,400,065	1,633,440	-	-	1,633,440
Operating expenses	<u>184,355</u>	<u>-</u>	<u>-</u>	<u>184,355</u>	<u>158,410</u>	<u>-</u>	<u>-</u>	<u>158,410</u>
Total expenses	<u>3,081,663</u>	<u>-</u>	<u>-</u>	<u>3,081,663</u>	<u>2,637,739</u>	<u>-</u>	<u>-</u>	<u>2,637,739</u>
Change in net assets	3,091,050	(764,454)	150,328	2,476,924	(6,662,251)	(1,649,984)	132,916	(8,179,319)
Net assets, beginning of year	<u>11,922,486</u>	<u>4,798,338</u>	<u>4,826,308</u>	<u>21,547,132</u>	<u>18,584,737</u>	<u>6,448,322</u>	<u>4,693,392</u>	<u>29,726,451</u>
Net assets, end of year	<u>\$15,013,536</u>	<u>\$ 4,033,884</u>	<u>\$4,976,636</u>	<u>\$24,024,056</u>	<u>\$11,922,486</u>	<u>\$4,798,338</u>	<u>\$4,826,308</u>	<u>\$21,547,132</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 26,155,296	\$ 24,005,791
Grants and contracts	10,445,111	10,176,115
Payments to vendors and employees	(160,674,165)	(142,273,467)
Auxiliary enterprise charges	9,163,747	9,138,070
Sales and services of educational departments	1,279,813	1,289,653
Other receipts	<u>1,850,768</u>	<u>1,659,876</u>
Net cash used in operating activities	<u>(111,779,430)</u>	<u>(96,003,962)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State appropriations	48,336,808	49,089,412
Property tax levy receipts	34,022,653	28,134,044
Direct student loan receipts	37,432,169	27,823,280
Direct student loan disbursements	(41,101,321)	(27,753,153)
Deposits	195,352	74,112
Federal student aid grant programs	36,705,192	20,712,189
State student aid grant programs	<u>1,426,648</u>	<u>4,508,034</u>
Net cash provided by non-capital financing activities	<u>117,017,501</u>	<u>102,587,918</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants	5,770,502	4,128,941
Purchases of capital assets	<u>(7,327,242)</u>	<u>(5,147,992)</u>
Net cash used in capital and related financing activities	<u>(1,556,740)</u>	<u>(1,019,051)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investments	17,537,703	13,167,749
Interest on investments	4,537,635	4,632,291
Purchase of investments	<u>(36,162,740)</u>	<u>(9,028,125)</u>
Net cash provided by (used in) investing activities	<u>(14,087,402)</u>	<u>8,771,915</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,406,071)	14,336,820
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>24,536,037</u>	<u>10,199,217</u>
End of year	<u>\$ 14,129,966</u>	<u>\$ 24,536,037</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$(112,636,709)	\$(106,987,247)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	7,863,730	7,586,753
Changes in net assets:		
Accounts receivable	(2,949,466)	(3,922,977)
Inventory	(412,779)	(73,891)
Prepaid expenses	(363,533)	163,397
Accounts payable	(6,246,526)	4,763,379
Accrued salaries, wages and benefits	646,941	(34,346)
Deferred revenue	<u>2,318,912</u>	<u>2,500,970</u>
Net cash used in operating activities	<u>\$(111,779,430)</u>	<u>\$ (96,003,962)</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Sinclair Community College (the “College”), a two-year institution of higher education, began operations as a public community college in 1966. The College is operated by the Warren County Montgomery County Community College District, and is exempt from federal income taxes pursuant to provisions of Section 115 of the Internal Revenue Code. The College offers associate degrees, certificate programs and continuing education in the areas of life and health sciences; science, mathematics and engineering; liberal arts, communication and social sciences; and business and public services.

Accrual Accounting: The accompanying financial statements have been prepared on the full accrual basis of accounting, whereby revenue is recognized in the period earned, or in the case of advances from other governments, when all eligibility requirements are met in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Expenses are recognized when the related liabilities are incurred.

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

Pursuant to GASB Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, the College follows GASB guidance as applicable to its business-type activities, and also applies Financial Accounting Standards Board (“FASB”) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The College has elected not to apply FASB pronouncements issued after the applicable date.

Net Asset Classifications: In accordance with GASB Statement No. 35 guidelines, the College’s resources are classified into the following three net asset categories:

- Invested in Capital Assets: Capitalized physical assets, net of accumulated depreciation (see Note C).
- Restricted
 - Nonexpendable: Net assets that are either: 1) subject to externally imposed stipulations that are to be maintained permanently by the College; or 2) representative of taxes levied in the reporting period and recognized as revenue in accordance with GASB Statement No. 33, for which the due date for payment occurs in the subsequent period.
 - Expendable: Net assets related to grants, contracts and taxes, including taxes levied in the prior reporting period and received in the reporting period, whose use is subject to externally-imposed restrictions including limitations on the use of net assets imposed by enabling legislation.
- Unrestricted: Net assets that are not subject to externally-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the Board of Trustees. Substantially all of the College’s unrestricted net assets are designated for future uses or contingences (See Note B).

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the College’s policy to apply restricted resources first, then unrestricted resources as needed.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Versus Non-operating Revenues and Expenses: The College defines operating activities as reported on the Statement of Revenues, Expenses, and Changes in Net Assets, as those that generally result from exchange transactions such as payments received for providing goods or services and payments made for goods or services received. All of the College's expenses are from exchange transactions. Certain significant revenue streams relied on for operations are reported as non-operating revenues as required by GASB Statement No. 35, and *GASB's Implementation Guide*. Non-operating revenue includes state appropriations, county property tax levy receipts, certain government grants, investment income, and state capital grants.

Cash and Cash Equivalents: Cash, certificates of deposit, and money market funds, stated at cost, are considered cash and cash equivalents.

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government, state and local governments and private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts of approximately \$481,000 and \$244,000 at June 30, 2010 and 2009, respectively. The College determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, previous loss history and the condition of the general economy and the industry as a whole.

Deferred Student Fee Income: Deferred student fee income includes the unearned portion of student tuition and fees for the summer and fall sessions. Deferred student fee income also includes advance payments received from health care providers for their employees' access to online continuing professional education, and advance payments received from businesses for non credit classes and seminars conducted after June 30.

Capital Assets: Capital assets are recorded at cost, or if acquired by gift, at fair value at the date of the gift. When capital assets are sold or otherwise disposed of, the net carrying value of such assets is removed from the accounts and the Invested in Capital Assets component of Net Assets is adjusted as appropriate. Capital asset additions of equipment and fixtures with a cost in excess of \$5,000 and with useful lives of five years or more are capitalized and depreciated on a straight-line basis over the estimated useful lives in the table that follows. Buildings and improvements with a cost in excess of \$50,000 are capitalized and depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-60 years
Equipment and fixtures	5-20 years
Library materials	5 years

Grants and Scholarships: Student tuition and fees and bookstore revenues are presented net of grants and scholarships applied directly to student accounts. Grants and scholarships consist primarily of awards to students from the Federal Pell Grant Program, the Ohio College Opportunity Grant Program, the Ohio Instructional Grant Program and the Sinclair Community College Foundation. Payments made directly to students from grants and scholarships are presented as Student Aid.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: Administrative and professional employees earn vacation leave at a rate of 13.33 hours for each month of service up to a maximum of 240 hours. Support staff earns vacation at a rate of 8 hours per month for the first 5 years of service up to a maximum of 240 hours. After 5 years of continuous employment, an additional 8 hours per year (.66 hours per month) are added to the accrual rate each year until the maximum monthly accrual rate of 13.33 hours is reached. Upon termination of employment, an employee is entitled to payment for all accrued vacation hours. The College has accrued a vacation liability for all employees equal to amounts earned.

All College employees earn 10 hours of sick leave for each month of service up to a maximum of 120 hours per year. Unused sick leave accumulates up to a maximum of 1,200 hours. This sick leave will either be absorbed by time off due to illness or injury, or within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-quarter of the accumulated sick leave up to a maximum payout of 240 hours. The College has accrued a sick leave liability for all employees equal to the maximum payout upon retirement.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements: In fiscal year 2010, the provisions of GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB issued Statement No.53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies* became effective.

Statement No. 51 establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software to reduce inconsistencies. Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local Governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investments tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options, forward contracts, and futures contracts. The objective of Statement No. 58 is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan.

Adopting these statements had no effect on the College's financial statements.

Recently Issued Accounting Pronouncements: In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OBEB) plans (that is, agent employers). The College will be required to implement this statement in fiscal year 2012.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2010, GASB issued Statement No. 59, Financial Instruments Omnibus. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The College will be required to implement this statement in fiscal year 2011.

Management does not expect the above GASB statements to have a material impact on the College's financial statements and disclosures.

NOTE B – CASH AND INVESTMENTS

In accordance with the State of Ohio's and the College's policy, the College is authorized to invest cash in securities of the United States government or of its agencies or instrumentalities, the treasurer of state's pooled investment program, obligations of this state or any political subdivision of this state, certificates of deposit of any national bank located in this state, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds, or bankers acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system, as a reserve. The classification of cash and cash equivalents and investments in the financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less. Consistent with this definition, College funds on deposit in the State Treasurer's investment pool are classified as cash equivalents in the balance sheet. However, for GASB Statement No. 3 discussion purposes (see below), the funds in the State Treasurer's investment pool are classified as investments.

Deposits: At June 30, 2010, the carrying amount of the College's deposits in all funds was \$10,101,324 (included in cash and cash equivalents in the Statement of Net Assets) and the bank balance was \$17,239,899. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2010. Of the bank balance, \$1,000,000 was covered by federal depository insurance or by collateral held by the College's agent in the College's name. The remaining balance of \$16,239,899 was uninsured. The uninsured deposits are held in accounts collateralized by a pooled collateral account at the Federal Reserve Banks of Cincinnati and New York. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be returned to the College. The College follows the deposit policy for custodial risk in accordance with the Ohio Revised Code.

Investments: Investments are stated at their fair value of \$110,467,497 (amortized cost basis of \$104,128,153). The College's investments include \$106,438,855 invested in Government National Mortgage Association ("GNMA") pools and are therefore not subject to the credit risk disclosures of GASB Statement No. 40. The remaining \$4,028,642 on deposit in the State Treasurer's investment pool is valued at the pool's share, which is the price for which the investment could be sold on June 30, 2010.

GNMA pools are aggregations of home mortgages that carry the full faith and credit guaranty of the U.S. government, the same guaranty provided to U.S. Treasury instruments. The maturities of the College's GNMA investments, based on the maturity dates of the pools when they were issued as 30 year bonds, are as follows:

<u>Years</u>	<u>Amount</u>
1-5	\$ 2,841
6-10	477,323
11-20	5,148,097
Greater than 20	<u>100,810,594</u>
Total at fair value	<u>\$ 106,438,855</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE B – CASH AND INVESTMENTS (Continued)

However, a GNMA pool does not mature all at once on its stated maturity date. Rather, a portion of each pool matures every month, and an entire pool will usually mature many years before its maturity date. The following homeowner actions result in the return of principal to the owners of a GNMA pool: 1) making a monthly mortgage payment which includes a principal component, 2) refinancing a mortgage and thereby paying off the old mortgage, 3) selling a home and paying off the mortgage. GNMA principal amounts returned to the College are either reinvested, held as cash or used in operations as is deemed appropriate. For the year ended June 30, 2010 the College's GNMA investments returned principal as follows:

<u>Years</u>	<u>Amount</u>
1-5	\$ 835
6-10	101,433
11-20	938,117
Greater than 20	<u>16,497,318</u>
 Total (at cost)	 <u>\$ 17,537,703</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the requirements of the Ohio Revised Code and to insure that the term of the maturity of investments does not exceed the need for the availability of the funds invested. The College has the ability and intent to hold all investment securities until maturity; therefore, it is not anticipated that market gains or losses will be realized.

The College's cash and investments help support major allocated net assets designated by the Board of Trustees or restricted by outside parties for the following purposes:

Capital improvements, facility renovations, equipment	\$ 59,431,502
Tuition stabilization, rainy day fund, uninsured losses, other contingencies and initiatives	28,639,463
Auxiliary enterprises	10,826,355
Restricted grants and contracts	1,489,720
Restricted future proceeds from property tax levy	33,289,034
Board designated endowment	<u>14,813,344</u>
 Total allocated net assets	 <u>\$ 148,489,418</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE C – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2010 and 2009 is summarized as follows:

	2010 Beginning Balance	Additions	Disposals	2010 Ending Balance
Cost:				
Land and improvements	\$ 12,542,877	\$ 115,221	\$	\$ 12,658,098
Buildings and improvements	224,273,077	5,878,077		230,151,154
Equipment and fixtures	20,517,781	1,255,482	1,088,265	20,684,998
Library materials	<u>4,474,513</u>	<u>79,858</u>	<u>659,958</u>	<u>3,894,413</u>
Total cost	<u>261,808,248</u>	<u>7,328,638</u>	<u>1,748,223</u>	<u>267,388,663</u>
Less accumulated depreciation:				
Buildings and improvements	109,736,951	6,303,802		116,040,753
Equipment and fixtures	15,307,508	1,438,350	1,086,868	15,658,990
Library materials	<u>4,164,636</u>	<u>121,578</u>	<u>659,958</u>	<u>3,626,256</u>
Total accumulated depreciation	<u>129,209,095</u>	<u>7,863,730</u>	<u>1,746,826</u>	<u>135,325,999</u>
Capital assets, net	<u>\$ 132,599,153</u>	<u>\$ (535,092)</u>	<u>\$ 1,397</u>	<u>\$ 132,062,664</u>
	2009 Beginning Balance	Additions	Disposals	2009 Ending Balance
Cost:				
Land and improvements	\$ 12,556,574	\$ -	\$ 13,697	\$ 12,542,877
Buildings and improvements	220,017,152	4,255,925	-	224,273,077
Equipment and fixtures	20,556,740	819,434	858,393	20,517,781
Library materials	<u>4,562,989</u>	<u>73,632</u>	<u>162,108</u>	<u>4,474,513</u>
Total cost	<u>257,693,455</u>	<u>5,148,991</u>	<u>1,034,198</u>	<u>261,808,248</u>
Less accumulated depreciation:				
Buildings and improvements	103,943,280	5,807,368	13,697	109,736,951
Equipment and fixtures	14,531,080	1,633,823	857,395	15,307,508
Library materials	<u>4,181,182</u>	<u>145,562</u>	<u>162,108</u>	<u>4,164,636</u>
Total accumulated depreciation	<u>122,655,542</u>	<u>7,586,753</u>	<u>1,033,199</u>	<u>129,209,095</u>
Capital assets, net	<u>\$ 135,037,913</u>	<u>\$ (2,437,762)</u>	<u>\$ 998</u>	<u>\$ 132,599,153</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE D – LONG-TERM LIABILITIES

Long-term liabilities activity for the years ended June 30, 2010 and 2009 is summarized as follows:

<u>2010</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 4,789,423	\$ 340,540	\$ (261,668)	\$ 4,868,295	\$ 231,922

<u>2009</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 4,593,378	\$ 456,747	\$ 260,702	\$ 4,789,423	\$ 209,432

Long-term liabilities are primarily accumulated sick leave payable to employees upon retirement. See Note A —*Compensated Absences* for further discussion.

NOTE E – STATE AND COUNTY SUPPORT

The College is an institution of higher education that receives a student-based subsidy from the State of Ohio using a formula devised by the Ohio Board of Regents. In fiscal year 2009-10, total student-based subsidy receipts of \$48,336,808 from the State included \$6,922,196 of federal stimulus funds provided through the American Recovery and Reinvestment Act. In addition to student subsidies, the State of Ohio provides a portion of the funding for the construction of major plant facilities on the College campus, as well as for the renovation of facilities and the purchase of equipment.

The College also receives support from a Montgomery County, Ohio property tax levy. A successful ballot issue in the March 2008 primary election replaced a 2.5 mill levy (commenced January 1, 1999 and ended December 31, 2007) with a 3.2 mill levy that commenced January 1, 2008 and will end December 31, 2017. By state law, levy receipts must be used solely for the benefit of Montgomery County residents attending the College in the form of student tuition subsidy, student scholarships and instructional facilities, equipment and support services located within Montgomery County. These amounts are classified as restricted, non-expendable net assets until received, and restricted, expendable net assets after receipt until spent for their required purpose.

NOTE F – LEASE OBLIGATIONS

The College leases various buildings, office space and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the balance sheet. The total rental expense under these agreements was \$1,460,421 and \$1,499,124 for the years ended June 30, 2010 and 2009, respectively.

Future minimum lease payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2010 are as follows:

Years ending June 30,	
2011	\$ 1,309,547
2012	1,205,516
2013	1,158,467
2014	1,083,073
2015	1,020,539
2016-2020	<u>3,040,161</u>
Total minimum lease payments	<u>\$ 8,817,303</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE G – RETIREMENT PLANS

The College contributes to the State Teachers Retirement System of Ohio (“STRS”) and the Ohio Public Employees Retirement System (“OPERS”), which are statewide cost-sharing multiple-employer plans. OPERS and STRS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Faculty and some administrators are covered by STRS and all other employees are covered by OPERS. The College’s law enforcement officers are members of the OPERS law enforcement division, which provides potentially greater retirement benefits and earlier benefit eligibility than are available for other OPERS members.

Authority to establish and amend benefits is provided by Ohio Revised Code, Chapters 145 and 3307, for OPERS and STRS, respectively. The financial statements and required supplementary statements for OPERS and STRS are made available for public inspection. The reports may be obtained by writing or calling:

OPERS
277 East Town Street
Columbus, OH 43215-4642
(614) 222-6705
(800) 222-PERS (7377)

STRS
275 East Broad Street
Columbus, OH 43215-3771
(614) 227-4002

OPERS plan members are required to contribute 10% (11.1% for law enforcement officers) of their annual salary, and STRS members contribute 10%. The College is required to contribute 14% (17.63% for law enforcement officers from July 1, 2009 through December 31, 2009 and 17.87% from January 1, 2010 through June 30, 2010) of annual covered payroll for OPERS and STRS, respectively. The contribution requirements of plan members and the College are established and may be amended by state statute.

The College has established the Sinclair Community College Alternative Retirement Plan (the ARP) as required by Chapter 3305 of the Ohio Revised Code. The ARP had an effective date of March 31, 1999.

ARPs for public colleges and universities were created in Ohio law to provide employees with an alternative to OPERS and STRS. Key features are:

ARPs consist of insurance carrier annuity contracts that provide retirement and death benefits but no health or disability benefits. The Ohio Department of Insurance has approved nine companies to serve as ARP providers. Eligibility is limited to new hires.

Employees electing the ARP instead of STRS are required to contribute 10% of salary. The College is required to contribute 3.5% to STRS, and the College’s discretionary contribution to the ARP has been set at 10.5%.

Employees electing the ARP instead of OPERS are required to contribute 10% of their salary. The College is required to contribute .77% to OPERS, and the College’s discretionary contribution to the ARP has been set at 13.23%.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE G – RETIREMENT PLANS (Continued)

The College's contributions to OPERS, STRS and the ARP required and made for the years ended June 30, 2010, 2009 and 2008 were as follows:

<u>Year</u>	<u>OPERS</u>	Contribution <u>STRS</u>	<u>ARP</u>
2010	\$ 4,776,771	\$ 6,309,761	\$ 369,460
2009	4,566,514	5,862,454	398,447
2008	4,292,280	5,562,832	367,480

OPERS provides postretirement health care coverage to age and service retirees (and their dependents) with 10 or more years of qualifying Ohio service credit while STRS provides these benefits to all retirees with 5 or more years of service credit and the dependents of the STRS retirees with 15 or more years of service credit can obtain health care coverage through STRS at full cost. Health care coverage for disability recipients and primary survivor recipients is also available under OPERS and STRS.

NOTE H – OTHER POSTEMPLOYMENT BENEFITS

A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate for fiscal years 2007-08 and 2008-09 was 1% of covered payroll. For OPERS, this rate from July 1, 2007 through December 31, 2007 was 6% of employer contributions, from January 1, 2008 through March 31, 2009 it was 7% of employer contributions, and from April 1, 2009 through June 30, 2009 it was 5.5% of employer contributions. The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to OPERS and STRS.

Postretirement health care under OPERS is advance-funded on an actuarially determined basis. The number of OPERS active contributing participants was 357,584 at year-end December 31, 2009. The actuarial value of OPERS net assets available for Other Postemployment Benefits ("OPEB") at December 31, 2008, was \$10.7 billion. At December 31, 2008 the actuarially accrued liability and the unfunded actuarially accrued liability were \$29.6 billion, and \$18.9 billion, respectively. For the years ended June 30, 2010 and 2009, the College's contribution to OPERS to fund these benefits was approximately \$263,000 and \$320,000, respectively.

Postretirement health care under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to \$2.7 billion as of June 30, 2009. Eligible benefit recipients reported for STRS totaled 129,659. For the years ended June 30, 2010 and 2009, the College's contribution to STRS to fund these benefits was approximately \$451,000 and \$419,000, respectively.

NOTE I – INSURANCE

The College maintains comprehensive and umbrella insurance coverage with private carriers for real property, building contents, vehicles and liability. Additionally, the College carries Crime & Employee Dishonesty coverage. Vehicle policies include liability coverage for bodily injury and property damage. The College also carries professional coverage for employees and its Board of Trustees. The College retains a consulting firm to perform an annual examination of all insurance policies. There have been no significant reductions in insurance coverage in the current year.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE I – INSURANCE (Continued)

The College is self-insured for certain employee health benefit programs. Funding for these programs is based on actuarial projections provided by the plan administrators. Aggregate and specific stop loss insurance is maintained for benefit payments that exceed the maximum limits outlined in the policy. The claims liability of approximately \$1,235,000 reported at June 30, 2010 is based on an estimate provided by an actuary and the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. No incremental claim adjustment expenses are included in the estimate.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2010	\$ 1,276,200	\$ 5,963,451	\$ 6,004,051	\$ 1,235,600
2009	1,199,000	6,656,908	6,579,708	1,276,200
2008	1,088,000	6,299,796	6,188,796	1,199,000

Settled claims have not exceeded commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

NOTE J – CONTINGENCIES

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. As of June 30, 2010, management is not aware of any potential disallowances.

The College is the defendant in certain litigation arising in the ordinary course of business. In the opinion of management and outside legal counsel, the ultimate outcome of such items will not have a material impact on the financial statements of the College.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION

The financial statements of the Sinclair Community College Foundation are included in this report in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*. This Statement amended Statement No. 14 to provide additional guidance to determine whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary entity. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of an institution. The provisions of this Statement became effective for financial statements for periods beginning after June 15, 2003.

The Sinclair Foundation is a 501(c)(3) charitable foundation with its own governing board. The Foundation is operated for the benefit of the College, and raises funds that are used to provide student scholarships and to support specific activities and projects proposed by faculty and staff that are related to the College's educational mission. The Foundation's Statements of Financial Position and Statements of Activities and Changes in Net Assets for the years ended December 31, 2009 and 2008, are discreetly presented following the corresponding College financial statement.

The Foundation's statements were prepared in accordance with the pronouncements of the Financial Accounting Standards Board. 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 report for these differences.

Investments: The Foundation's investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Venture capital funds are measured at cost which approximates fair value. Collective trust funds are stated at fair value and are based on the funds' net asset value as supplied by the fund manager. Other investments are recorded at cost or, if acquired by gift, at fair value at the date of the gift.

Contributions: Contributions to the Foundation are recognized and reported as revenue at fair value upon the earlier of the period in which a pledge becomes unconditional or the period in which the contribution is received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted support, while contributions without donor-imposed restrictions are reported as unrestricted support.

Pledges Receivable: As the collection of pledges is estimated to be probable, the Foundation recorded a receivable of \$1,004,026 and \$1,327,859, representing the present value of those pledges receivable at December 31, 2009 and 2008, respectively. The fair value of pledges due within one year approximates its carrying value due to the short-term nature of the receivable. The remaining receivables have been discounted to reflect the present value of expected future cash flows using discount rates ranging from 2 – 5%.

(Continued)

SINCLAIR COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010 and 2009

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

Pledges receivable at December 31, 2009 and 2008 are summarized as follows:

	<u>2009</u>	<u>2008</u>
Less than one year	\$ 465,181	\$ 521,683
One to five years	<u>580,484</u>	<u>879,521</u>
	1,045,665	1,401,204
Allowance for doubtful accounts	(16,113)	(22,722)
Discount	<u>(25,526)</u>	<u>(50,623)</u>
	 <u>\$ 1,004,026</u>	 <u>\$ 1,327,859</u>

Unrestricted Net Assets: Unrestricted net assets represent funds which can be used by the Foundation for any purpose authorized by the Foundation’s Board of Trustees.

Temporarily Restricted Net Assets: Temporarily restricted net assets represent funds which are restricted for a specific purpose determined by the donor.

Permanently Restricted Net Assets: Permanently restricted net assets are restricted to investment in perpetuity as endowment funds. The endowment funds represent contributions for which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the investment income (or portions thereof) of the funds be expended as the donor has specified, principally for scholarships and student financial aid.

Support to the College: During the years ended June 30, 2010 and 2009, the Foundation provided resources of \$2,645,000 and \$1,833,000 respectively, to or on behalf of the College for restricted purposes. Complete financial statements for the Foundation can be obtained from the Sinclair Community College Foundation at 444 W. Third St., Room 7230, Dayton, Ohio, 45402.

SUPPLEMENTARY INFORMATION

SINCLAIR COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

<u>Federal Grants/Pass-Through Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Numbers</u>	<u>Federal Expenditures</u>
U.S. Department of Education:			
Student Financial Aid Assistance Cluster:			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 386,263
Federal Work-Study Program	84.033		210,235
Federal Pell Grant Program	84.063		36,817,336
Federal Direct Student Loans	84.268		40,884,260
Academic Competitiveness Grant	84.375		<u>7,617</u>
Total Student Financial Assistance Cluster			<u>78,305,711</u>
American Recovery and Reinvestment Act (ARRA)			
State Fiscal Stabilization Fund (SFSF) –			
Education State Grants, pass-through Ohio Board of Regents	84.394		6,922,196
Trio Cluster:			
Trio Upward Bound	84.047		647,401
Trio Student Support Services	84.042		<u>303,223</u>
Total Trio cluster			<u>950,624</u>
Adult Education – Basic Grants to States, pass-through State of Ohio Department of Education	84.002	063362-AB-SL-2010 063362-AB-SL-2009C	330,551
Higher Education Instructional Aid Strengthening Institutions	84.031		212,128
Career and Technical Education - Basic Grants to States, pass-through State of Ohio Department of Education	84.048	20-C2 2005	389,851
Tech Prep Education, pass-through State of Ohio Department of Education	84.243	063362-2010-Tech Prep Federal Base	267,194
Child Care Access Means Parents in School	84.335		<u>94,223</u>
Total Department of Education			<u>87,472,478</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2010

<u>Federal Grants/Pass-Through Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Numbers</u>	<u>Federal Expenditures</u>
Department of Health and Human Services:			
Temporary Assistance for Needy Families, pass-through Montgomery County Department of Human Services	93.558		\$ 676,908
Nurse Education, Practice and Retention Grants	93.359		183,245
Public Health Service Act/Midwest Community College Health Technology pass-through Cuyahoga College	93.721		<u>3,372</u>
Total Department of Health and Human Services			<u>863,525</u>
National Science Foundation - Education and Human Resources			
Direct award	47.076		806,753
pass-through Purdue University		503-1582-01	181,447
pass-through Wright State University		PSM06625	49,929
pass-through Ohio State University		RF01092831	6,910
pass-through Riverside Community College District		C-0002207	13,665
pass-through Wright State University		HRD-0833644	6,486
pass-through Stevens Institute		527679—FY10-4	8,249
pass-through Butler Community College		03-01-5-3410-862-00	<u>11,445</u>
Total National Science Foundation			<u>1,084,884</u>
Department of Justice – Edward Byrne Memorial Justice Assistance Grant Program			
pass-through the Ohio Department of Public Safety	16.738	2007-JG-LLE-5257A	3,348
Department of Labor:			
Employment and Training Administration/WIA/ Dislocated and Encumbent Worker Training	17.261		6,663
Employment and Training Administration pass-through BioOhio	17.275	GJ-20076-10-60-A-39	5,843
WIA Adult Program - ARRA pass-through Montgomery County Job and Family Services	17.258		67,190
		Resolution 09-1892	200,000
		Resolution 09-1893	260,000
WIA Dislocated Workers - ARRA Pass-through Montgomery County Job and Family Services	17.260		100,785
		Resolution 09-1892	300,000
		Resolution 09-1893	390,000
		Resolution 09-1894	

See accompanying notes to Schedule of Expenditures of Federal Awards.

SINCLAIR COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2010

<u>Federal Grants/Pass-Through Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Numbers</u>	<u>Federal Expenditures</u>
Department of Labor (continued):			
Incentive Grants-WIA Section 503	17.267		
Adult Basic and Literacy Education		063362-AB-WIA-2009C	\$ 52,544
Pass-through Ohio Board of Regents		063362-AB-WIA-2010	<u>90,081</u>
Total Department of Labor			<u>1,473,106</u>
Department of the Interior/National Park Service			
University-National Park Energy Partnership Program			
pass-through Rochester Institute of Technology	15.UNK	30728-14	16,117
Corporation for National and Community Service, pass-through the Greater Pittsburgh Literacy Council, Literacy*AmeriCorps	94.006	06NDHTX002	190,564
Department of Agriculture			
Child and Adult Care Food Program	10.558	063362	<u>13,130</u>
pass-through State of Ohio Department of Education			
Total Federal Awards			<u>\$ 91,117,152</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

SINCLAIR COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Sinclair Community College. The College reporting entity is defined in Note A to the financial statements.

Basis of Accounting: The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A to the financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – FEDERAL DIRECT STUDENT LOANS

The College performs origination services for the Department of Education, but does not make Federal Direct Student Loans (“FDSLs”). The amounts presented represent the value of new FDSLs awarded during the year.

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the President and Board of Trustees
Sinclair Community College and
Mary Taylor, Auditor of State
Dayton, Ohio

We have audited the financial statements of the business-type activities and discretely presented component unit of Sinclair Community College (the "College") as of and for the year ended June 30, 2010, which collectively comprise the College's basic financial statements and have issued our report thereon dated the same date as this report. 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.

Internal Control Over Financial Reporting

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

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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*. However, we noted certain matters that we reported to management of the College in a separate letter dated November 3, 2010.

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

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Columbus, Ohio
November 3, 2010

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the President and Board of Trustees
Sinclair Community College and
Mary Taylor, Auditor of State
Dayton, Ohio

Compliance

We have audited the compliance of Sinclair Community College (the “College”) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The College’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College’s management. Our responsibility is to express an opinion on the College’s compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

(Continued)

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 courses 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.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. A significant deficiency in internal control over compliance is a deficiency, or 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.

We noted certain matters that we reported to management of the College in a separate letter dated November 3, 2010.

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



Crowe Horwath LLP

Columbus, Ohio
November 3, 2010

SINCLAIR COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2010

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	Yes	<u> X </u>	No
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Significant deficiencies identified not considered to be material weaknesses?	Yes	<u> X </u>	N/A
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Noncompliance material to financial statements noted?	Yes	<u> X </u>	No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	Yes	<u> X </u>	No
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Significant deficiencies identified not considered to be material weakness(es)?	Yes	<u> X </u>	N/A
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Type of auditors' report issued on compliance for major programs

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?	Yes	<u> X </u>	No
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(Continued)



Dave Yost • Auditor of State

SINCLAIR COMMUNITY COLLEGE

MONTGOMERY 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, 2011**