

**SINCLAIR COMMUNITY COLLEGE**  
Dayton, Ohio

**FINANCIAL STATEMENTS**  
June 30, 2011 and 2010





# Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Sinclair Community College, Montgomery County, prepared by Crowe Horwath LLP, for the audit period July 1, 2010 through June 30, 2011. 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.

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

Dave Yost  
Auditor of State

January 23, 2012

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SINCLAIR COMMUNITY COLLEGE  
Dayton, Ohio

FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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## REPORT OF INDEPENDENT AUDITORS

The President and Board of Trustees  
Sinclair Community College and  
David Yost, 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, 2011 and 2010. We have audited the discretely presented component unit as of and for the years ended December 31, 2010 and 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 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 provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Sinclair Community College as of June 30, 2011 and 2010 (December 31, 2010 and 2009 for the Foundation) and the respective changes in net assets and cash flows where applicable 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 October 31, 2011, 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.

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 2011 basic financial statements. Such additional information has been subjected to the auditing procedures applied in our audit of the 2011 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.

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The Management's Discussion and Analysis ("MD&A") on pages 3 through 14 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.

*Crowe Horwath LLP*

Crowe Horwath LLP

Columbus, Ohio  
October 31, 2011

## 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, 2011 and 2010. Please read it in conjunction with the College's financial statements, which begin on page 15.

### Financial and Institutional Highlights

- Sinclair Community College continued to achieve record breaking results in fiscal year 2011 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 for the fall quarter approached 26,000 students. Overall, full-time equivalent ("FTE") enrollments hit an all-time high, at 2% higher than fiscal year 2010. Over the past three years, FTE enrollments have grown by 30%.
- The Courseview Campus Center in Mason, Ohio, in just its fourth year of operations, has tripled its enrollment since its opening in the Fall of 2007, including more than a 10% increase in fiscal 2011. This growth coupled with the market potential of the Warren County area, led the College to purchase thirty-two acres of land in the vicinity of its current leased facility; a master plan for this site is under review. As Warren County is a legislatively designated service area of Sinclair, the College continues to prudently plan and implement cost effective educational opportunities for this growing and underserved market. It is worth noting that Warren County operations are accounted for separately from Montgomery County operations, as required by state law.
- 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 and levy funding coupled with the substantial and growing demand for Sinclair's programs and services.
- The College continued to demonstrate an exceptional level of commitment to teaching and learning in fiscal 2011. In comparison to non-instructional expenses such as facility and overhead costs, Sinclair devotes a significantly higher percentage of its resources to instruction and academic support functions than the average of Ohio's other public community colleges, as demonstrated by Ohio Board of Regents' benchmarking data.
- In fiscal 2011 Sinclair reported \$5.9 million in cost efficiency improvements to the Ohio Board of Regents, raising to over \$24 million the cumulative total submitted for the past four years. This level of efficiency attainment was more than double the College's required state target for the four year period. The College continued to aggressively manage costs and drive efficiencies as evidenced by the fact that operating costs per student have declined by some 10% over the past four years.
- The College reaffirmed its commitment to student success by applying for and winning a planning grant for a national program titled *Completion by Design*. These monies will allow Sinclair to lead one of only four statewide consortia across the nation in studying and implementing the best practices related to improving the likelihood students will achieve postsecondary credentials.
- Sinclair was recognized as one of the "top fifteen best places to work" by the *Dayton Business Journal*, affirming the College's commitment to its employees and being a quality workplace.

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## 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 to accomplish the mission:* Money is a tool used in fulfilling our service mission, but is not an end unto itself
- *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 and avoid debt (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

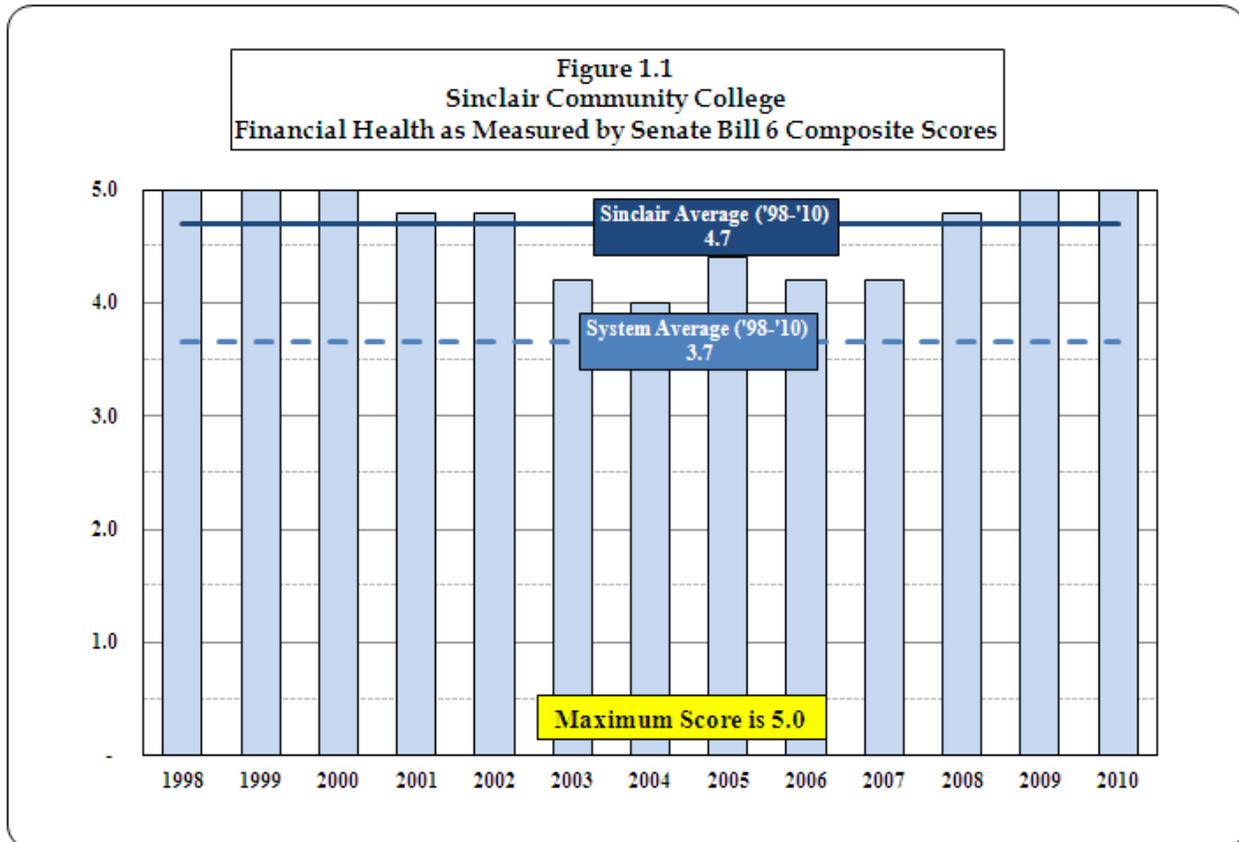
Inputs into the financial management and measurement process come from a variety of sources as shown in the diagram below:



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The State of Ohio computes a fiscal accountability measure each year for all public higher education institutions pursuant to Senate Bill 6 passed in 1997. Sinclair's annual scores are depicted on Figure 1.1. For the latest year reported (FY 2010), Sinclair received the highest composite score possible, 5.0, and would expect the same score in fiscal 2011 based on the financial results. The College has averaged an overall score of 4.7 since the inception of the reporting, which is above average as compared to the system as a whole.



### 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, 2011 and 2010 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 2011*

At June 30, 2011, net assets were \$293.3 million (Table 1). Liabilities of \$34.8 million were only 10.6% of total assets of \$328.0 million, 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 \$12.2 million (from \$281.1 million to \$293.3 million) in fiscal 2011. The increase had these components:

- Net increase of \$11.8 million after depreciation expense of \$8.2 million, but exclusive of the change in the fair value of investments;
- An increase in the fair value of investments of \$.4 million.

Also in fiscal 2011, capital asset acquisitions consumed approximately \$8.5 million of unrestricted and restricted net assets and added a corresponding amount to capital 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 of \$313.7 million.

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 the 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.

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**TABLE 1**  
**NET ASSETS**  
**(in millions of dollars)**

	<b>2011</b>	<b>2010</b>	<b>Percentage Change 2010-11</b>	<b>2009</b>
Current assets	\$ 79.6	\$ 75.2	5.9%	\$ 78.9
Investments	116.0	106.4	9.0%	83.7
Capital assets, net	132.4	132.1	0.2%	132.6
<b>Total assets</b>	<b>328.0</b>	<b>313.7</b>	<b>4.6%</b>	<b>295.2</b>
Current liabilities	30.0	28.0	7.1%	31.2
Long-term liabilities	4.8	4.6	4.3%	4.6
<b>Total liabilities</b>	<b>34.8</b>	<b>32.6</b>	<b>6.7%</b>	<b>35.8</b>
Net assets:				
Invested in capital assets	132.4	132.1	0.2%	132.6
Restricted—expendable	2.4	1.5	60.0%	1.7
Restricted—nonexpendable (levy)	30.3	33.3	(9.0%)	33.1
Unrestricted	128.2	114.2	12.3%	92.0
<b>Total net assets</b>	<b>\$ 293.3</b>	<b>\$ 281.1</b>	<b>4.3%</b>	<b>\$ 259.4</b>

## Statements of Revenues, Expenses and Changes in Net Assets

### Overview

The Statements 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 2009 through 2011. In fiscal years 2010 and 2011, total net assets for the College increased by \$21.7 million and \$12.2 million, respectively. These results have been driven by the following:

- Operating revenue, comprised of tuition and fees, auxiliary operations and federal and state grants, decreased by \$2.9 million or 5.8% from 2010 to 2011 due in part to a 2% increase in enrollments being countered by a decline in federal and state contracts. From the 2009 to 2010 period operating revenues and enrollments grew by 4.4% and 15.3%, respectively.
- Careful management of costs limited operating expenditure increases to 4.3% from 2010 to 2011, driven primarily by increases in *Instruction* and *Student Aid* spending. Indeed total operating expenses other than these categories grew by less than one percent for the period. From 2009 to 2010, operating expenses grew 5.0% in relation to an enrollment increase of 15.3%.

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- Nonoperating and other revenues increased by \$0.4 million from 2010 to 2011, 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 \$0.7 million due to flat results for operating subsidy and the state student aid programs and a decrease in capital grants.
  2. County levy revenue decreased by \$3.1 million or 9.1% due to the elimination of temporary payments related to the phase-out of business personal property and utility property taxes arising from the passage of the biennial budget bill for the State of Ohio for 2012-13 (House Bill 153). The decline was also attributable to an expected reduction in taxable property valuations due to general economic conditions. These reductions, which will impact levy receipts in fiscal 2012, are reflected in the fiscal 2011 financial statements in accordance with the reporting requirements of the Governmental Accounting Standards Board.
  3. Federal student aid grants grew by \$7.6 million or 20.5%, since 2010. The reasons for this substantial increase are described below.
  4. Finally, the net impact of changes in investment income and the fair value of investments resulted in a \$3.4 million reduction in nonoperating and other revenue.
- Nonoperating and other revenues increased by \$14.5 million from 2009 to 2010. This increase resulted mainly from increases in state appropriations (including capital grants), county tax levy revenues and federal student aid grants, offset by a decline in state student aid grants.

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

*Revenues (Operating, Nonoperating and Other)*

- Student tuition and fee revenue grew by \$0.8 million or 3.1% from 2010 to 2011 as a result of enrollment volume and rate increases. 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 2009 to 2010 (derived primarily from enrollment growth) of \$1.6 million or 6.6%.
- State appropriations for operations increased by \$0.6 million or 1.2% from 2010 to 2011. Of the \$49.0 million in state appropriations, \$7.1 million came from federal stimulus money.  
 State appropriations for operations actually declined from 2009 to 2010 by \$0.7 million (1.4%) despite an increase in enrollment in excess of 15% for the same period.  
 A history of state operating subsidy per student FTE, depicting a long-term trend in reduced state appropriations, is depicted in Figure 2.3 later in this document.
- County levy revenues fell by 9.1% in 2011 as the product of a decline in real estate valuation coupled with the elimination of payments received by the College through the county from the State of Ohio. Prior to the passage of House Bill 153, the biennial budget bill for the State of Ohio for 2012-13, the College had been paid “hold harmless” revenue pursuant to tax reform measures enacted on businesses’ tangible personal property (House Bill 66) and public utility property (Senate Bill 3). Although both of these programs were slated for eventual phase-out, H.B. 153 ended them effective immediately for Sinclair.

From 2009 to 2010, levy revenue grew by a modest 4.3%.

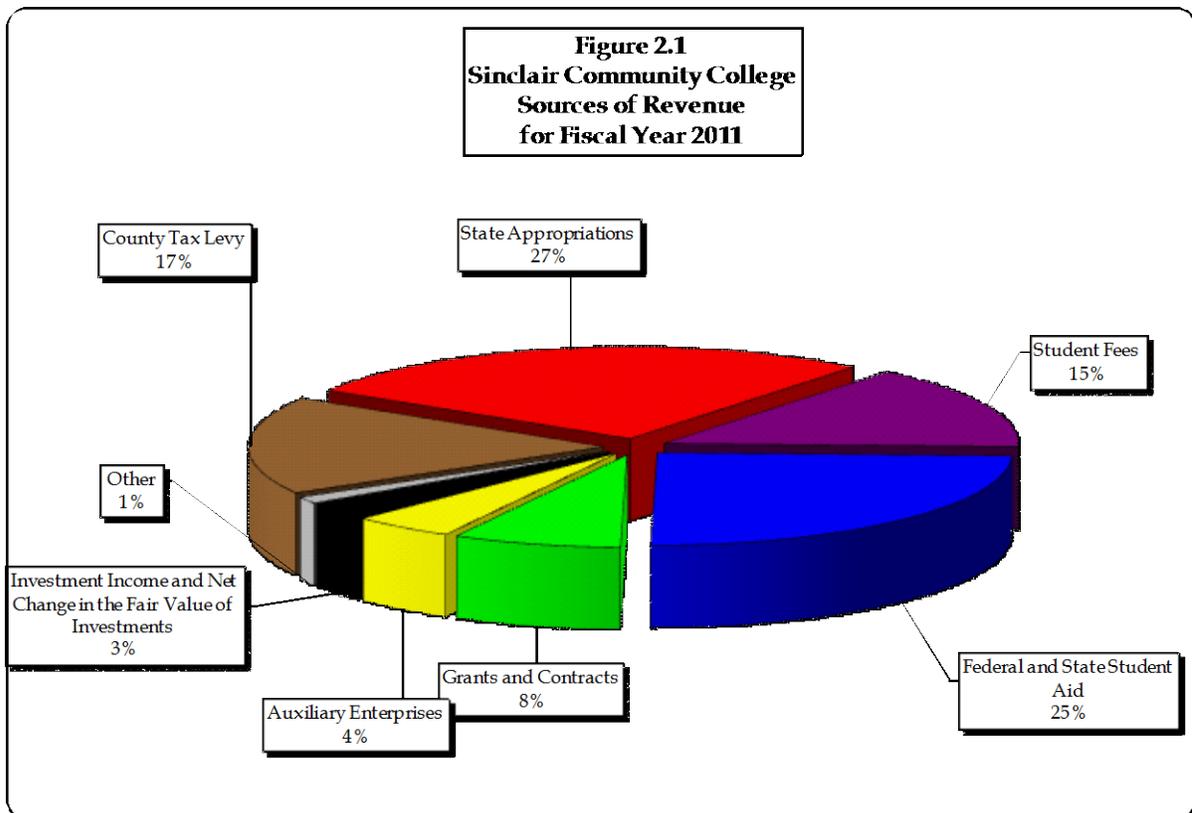
A portion of levy funds are set aside in a tuition stabilization fund in the early years of the levy’s ten-year life cycle for use in the later years, because the levy does not grow with inflation.

- In fiscal 2011, federal student aid increased by 20.5%, primarily as the result of a \$200 increase in the maximum annual Pell grant award, and a 17% increase in the number of students receiving Pell Grants.

In 2010 the State of Ohio changed the eligibility requirements for the Ohio Instructional Grant and the Ohio College Opportunity Grant programs in a manner that effectively rendered two-year college students ineligible for the aid, thus cutting state financial aid by \$5.7 million (98.3%) relative to 2009. An increase in the maximum Pell award, greater Pell eligibility and robust enrollment growth produced a \$16.4 million (79.2%) increase in federal aid from 2009 to 2010.

- Nonoperating revenues in 2011 include an increase in the fair value of investments of \$0.4 million. In 2010, the fair value of investments increased \$4.1 million, while it increased \$2.8 million in 2009. 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 are not expected to be realized.

Figure 2.1 below presents graphically the composition of Sinclair’s revenue stream.

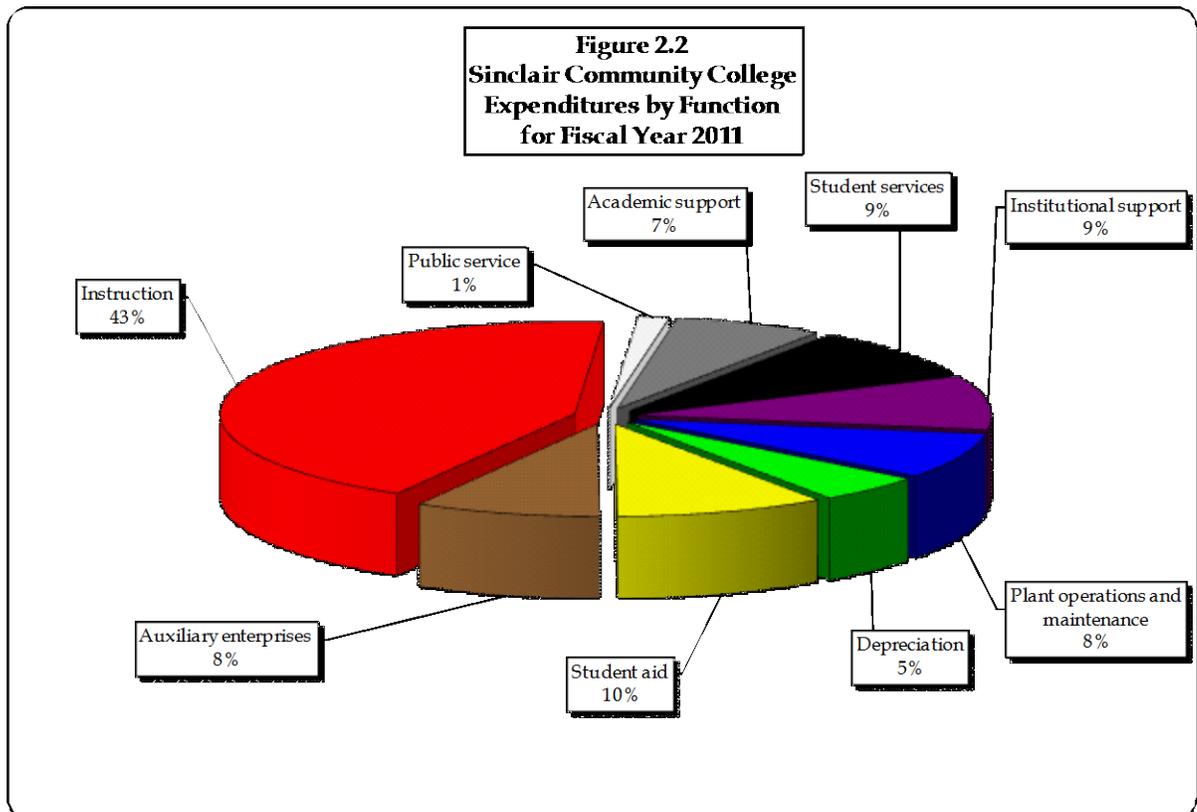


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## Operating Expenses

- From 2010 to 2011 total operating expenses increased by \$7.0 million (4.3%). More than 91% of the total additional dollars spent derived from *Instruction* and *Student Aid*, resulting in a 7.8% increase in spending in these sectors of College operations. Modest enrollment growth over the period in conjunction with greater consumption of federal student aid (Pell grants) combined to produce this result. The remaining functional areas limited spending to 0.8% over the prior year's level. The College continued to aggressively manage costs and drive efficiencies as evidenced by the fact that operating costs per student have declined by some 10% over the past four years.
- Total operating expenses grew by 5.0% (\$7.7 million) from 2009 to 2010, a rate of about one third the growth in enrollment (15.3%). 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.

Figure 2.2 breaks out Sinclair's total operating expenses by functional category.



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

	2011	2010	Percentage Change 2010-2011	2009
Operating revenues:				
Student tuition and fees, net of grants and scholarships	\$ 26.7	\$ 25.9	3.1%	\$ 24.3
Federal grants and contracts	4.4	6.0	(26.7%)	5.5
State and local grants and contracts	1.5	2.5	(40.0%)	3.1
Nongovernmental grants and contracts	3.6	3.2	12.5%	3.2
Sales and services of educational departments	1.3	1.0	30.0%	1.2
Auxiliary enterprises, net of grants and scholarships	8.4	9.3	(9.7%)	9.1
Other	0.8	1.7	(52.9%)	1.1
<b>Total operating revenues</b>	<b>46.7</b>	<b>49.6</b>	<b>(5.8%)</b>	<b>47.5</b>
Operating expenses:				
Instruction	72.7	68.5	6.1%	64.7
Public service	2.4	3.4	(29.4%)	4.6
Academic support	11.5	11.2	2.7%	10.9
Student services	14.5	14.6	(0.7%)	13.9
Institutional support	16.0	15.9	0.6%	16.2
Plant operations and maintenance	13.5	13.0	3.8%	13.8
Depreciation	8.2	7.9	3.8%	7.6
Student aid	16.1	13.9	15.8%	11.2
Auxiliary enterprises	14.3	13.8	3.6%	11.6
<b>Total operating expenses</b>	<b>169.2</b>	<b>162.2</b>	<b>4.3%</b>	<b>154.5</b>
Nonoperating and other revenues:				
State appropriations	49.0	48.4	1.2%	49.1
County tax levy	31.1	34.2	(9.1%)	32.8
Federal student aid grant programs	44.7	37.1	20.5%	20.7
State student aid grant programs	0.2	0.1	100.0%	5.8
Investment income	4.9	4.6	6.5%	4.5
Net increase in the fair value of investments	0.4	4.1	(90.2%)	2.8
Capital grants	4.4	5.8	(24.1%)	4.1
<b>Total nonoperating and other revenues</b>	<b>134.7</b>	<b>134.3</b>	<b>0.3%</b>	<b>119.8</b>
<b>Increase in net assets</b>	<b>\$ 12.2</b>	<b>\$ 21.7</b>	<b>(43.8%)</b>	<b>\$ 12.8</b>

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## Capital Assets

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

- In fiscal year 2011 the College purchased land next to its Courseview Campus in Mason, Ohio in order to provide space for future expansion.
- Building improvement activities at the downtown Dayton campus in fiscal 2011 included the creation of a new biology lab, the expansion and standardization of multimedia equipment, and facility access control projects (cameras, etc.). Building improvement activities at the downtown campus in fiscal 2010 included several projects undertaken in order to increase classroom capacity.
- Major facility life cycle maintenance projects at the downtown campus in fiscal 2011 included masonry repairs, plaza renovation, and elevator cab refurbishing. In fiscal 2010, air handler replacements were among the major maintenance projects. In both years, other major life cycle projects included carpet replacement, and parking garage waterproofing membrane and expansion joint repairs.
- New additions to equipment inventory in fiscal 2011 included video conferencing and classroom presentation equipment. New additions in fiscal 2010 included technology upgrades in the Ponitz Conference Center (the College's corporate training facility). In both years, new additions to equipment inventory also included administrative computer system upgrades.

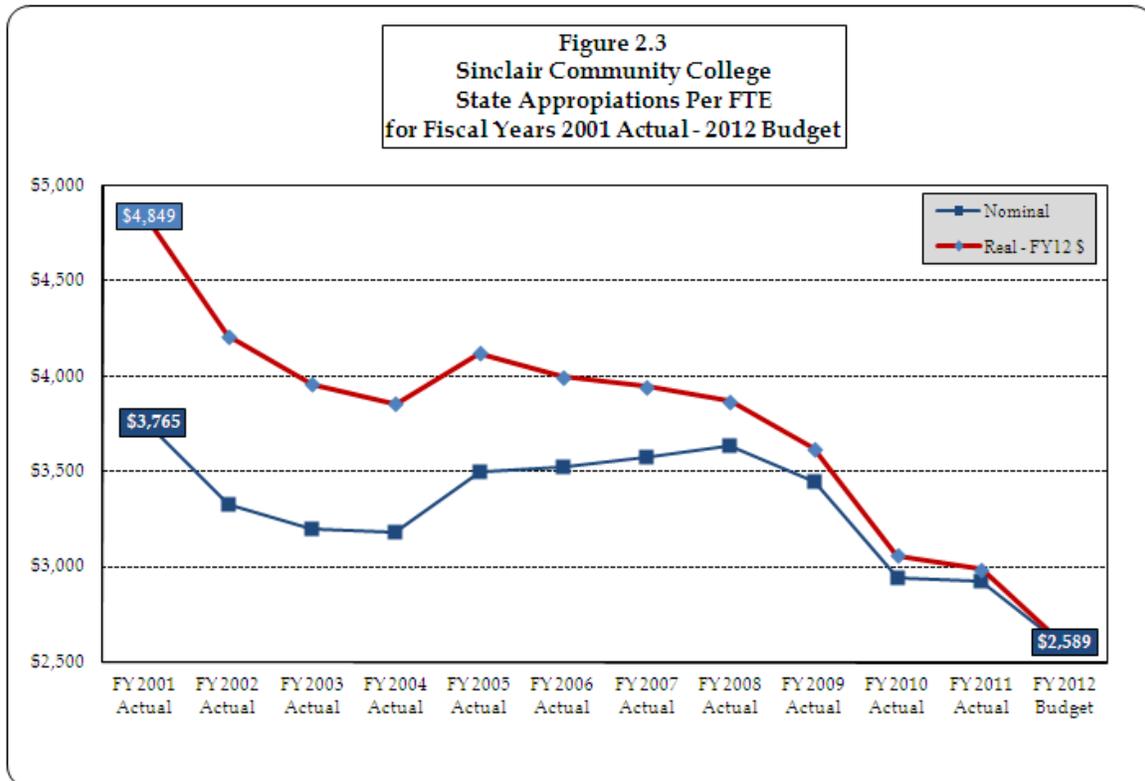
**TABLE 3**  
**CAPITAL ASSETS**  
(net of depreciation, in millions of dollars)

	2011	2010	Percentage Change 2010-2011	2009
Land and improvements	\$ 15.1	\$ 12.7	18.9%	\$ 12.6
Buildings and improvements	111.5	114.1	(2.3%)	114.5
Equipment	5.6	5.0	12.0%	5.2
Library books	0.2	0.3	(33.3%)	0.3
Total capital assets	<u>\$ 132.4</u>	<u>\$ 132.1</u>	<u>0.2%</u>	<u>\$ 132.6</u>

(Continued)

## Factors Impacting Future Periods

*State of Ohio Appropriations:* In order to correct for a sizeable structural budget deficit, the State of Ohio's operating budget legislation for the current biennium (FY 2012 – FY 2013) included significant cuts in funding for public higher education. The College's state appropriations for operations are expected to decline in fiscal 2012 by \$5.5 million (11.2%) primarily as a result of the lapse of federal stimulus funding that had been used to balance the State's budget during the previous biennium. Figure 2.3 below depicts the long-term decline in state funding per student FTE dating back to fiscal 2001. The college will continue to pro actively plan for and adjust to the current funding realities so that affordable and cost effective quality programs and services are maintained.

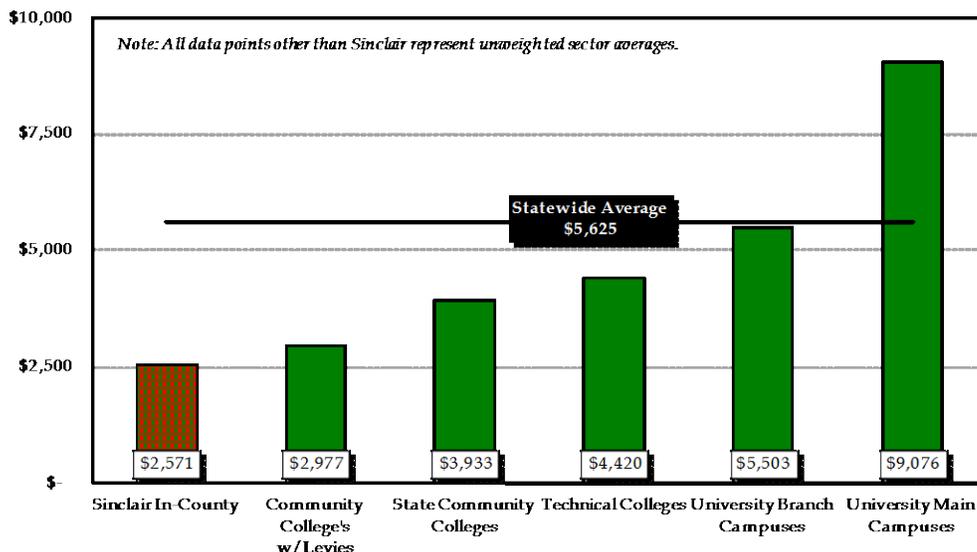


*Montgomery County Levy:* The levy is used entirely for expenditures benefiting students who reside in Montgomery County in the form of tuition subsidy and support for services at the Dayton campus. While this revenue stream has flowed to the College relatively reliably and predictably over time, the latest information from the County Auditor indicates that the College can expect to realize a decline in this source as a result of lower property values. The situation is exacerbated by the aforementioned cessation of payments from the State of Ohio for property tax reforms enacted several years ago.

*Tuition and Fees:* As state funding and county levy revenues have declined, the College has implemented aggressive cost restraint measures. Even with the efficiencies realized with cost restraints, the college has had to enact modest increases in tuition and fees in order to maintain quality and capacity for meeting the growing demand for programs and services. In spite of the increase, the tuition for Montgomery County residents remains the lowest in the state (see Figure 2.4 for a comparison of Sinclair's in-county rate versus other benchmarks in the state).

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**Figure 2.4**  
**Annualized Tuition - Fall 2011**  
**Source: Ohio Board of Regents Annual Survey**



*Student Enrollments:* Recent enrollment results suggest that the extraordinary growth realized by Sinclair and other community colleges in Ohio may be leveling off as the economy begins to improve. However, the College expects a continued high and sustained demand for its educational and workforce training programs and services in light of the heightened importance of higher education and the affordability offered by Sinclair and other community colleges. In particular, the relatively new Courseview campus in Warren County holds tremendous potential for incremental enrollment to meet the growing and unmet educational needs in that market. To that end, the College is currently studying how best to manage expansion in the Warren County market.

*Heightened Focus on Student Success:* Sinclair was awarded a \$500,000 planning grant as part of the *Completion by Design* project, a higher education initiative aimed at improving student success. Sinclair is the lead partner in the Ohio statewide consortium that includes Lorain Community College and Stark State College. *Completion by Design* is part of a national effort to share innovative, new approaches to help more students earn credentials.

*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 2012. The conversion process has been underway for over two years and entails the review and revision of all courses and related business processes. One-time implementation costs incurred are being provided for from a special set-aside fund.

*Banking and Investing Environment:* The College monitors opportunities to earn interest income from its operating bank accounts and from bond investments. Interest rates have been falling since 2008 and are currently near historic lows. Consequently, the College could receive less revenue from banking and investing activities in fiscal 2012 than in previous years.

SINCLAIR COMMUNITY COLLEGE  
STATEMENT OF NET ASSETS  
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 17,750,498	\$ 14,129,966
Accounts receivable, net	28,107,612	24,755,660
Prepaid expenses	1,105,046	1,082,315
Interest receivable	429,295	414,616
Property tax levy receivable	30,289,576	33,289,034
Inventories	<u>1,960,432</u>	<u>1,569,923</u>
Total current assets	<u>79,642,459</u>	<u>75,241,514</u>
<b>NONCURRENT ASSETS</b>		
Investments	115,956,861	106,438,855
Capital assets, net	<u>132,456,866</u>	<u>132,062,664</u>
Total noncurrent assets	<u>248,413,727</u>	<u>238,501,519</u>
Total assets	<u>\$ 328,056,186</u>	<u>\$ 313,743,033</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accruals	\$ 3,904,469	\$ 4,224,808
Accrued salaries, wages and benefits	12,620,945	11,283,020
Deferred student fee income	11,888,657	11,056,500
Deposits	<u>1,608,462</u>	<u>1,469,168</u>
Total current liabilities	30,022,533	28,033,496
<b>NONCURRENT LIABILITIES</b>		
Accrued salaries, wages and benefits	<u>4,776,810</u>	<u>4,636,373</u>
Total liabilities	<u>34,799,343</u>	<u>32,669,869</u>
<b>NET ASSETS</b>		
Invested in capital assets	132,456,866	132,062,664
Restricted		
Expendable	2,360,072	1,489,720
Nonexpendable (levy)	30,289,576	33,289,034
Unrestricted	<u>128,150,329</u>	<u>114,231,746</u>
Total net assets	<u>293,256,843</u>	<u>281,073,164</u>
Total liabilities and net assets	<u>\$ 328,056,186</u>	<u>\$ 313,743,033</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 541,671	\$ 608,624
Investments		
Fixed income security funds	7,101,033	7,688,641
Equity funds	17,413,801	14,786,511
Venture capital funds	<u>583,299</u>	<u>444,282</u>
Total investments	25,098,133	22,919,434
Accounts receivable	14,986	11,119
Pledges receivable, net of allowances of \$12,242 and \$16,113 at December 31, 2010 and 2009, respectively	<u>814,352</u>	<u>1,004,026</u>
Total assets	<u>\$ 26,469,142</u>	<u>\$ 24,543,203</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Payable to Sinclair Community College	\$ 188,736	\$ 499,147
Other payables	<u>25,000</u>	<u>20,000</u>
Total liabilities	213,736	519,147
Net assets		
Unrestricted	16,954,059	15,013,536
Temporarily restricted	3,970,660	4,033,884
Permanently restricted	<u>5,330,687</u>	<u>4,976,636</u>
Total net assets	<u>26,255,406</u>	<u>24,024,056</u>
Total liabilities and net assets	<u>\$ 26,469,142</u>	<u>\$ 24,543,203</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 Years ended June 30, 2011 and 2010

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	<u>2011</u>	<u>2010</u>
<b>REVENUES</b>		
Operating revenues:		
Student tuition and fees	\$ 49,662,312	\$ 44,949,956
Less grants and scholarships	<u>(22,929,855)</u>	<u>(19,032,907)</u>
Student tuition and fees net of grants and scholarships	26,732,457	25,917,049
Federal grants and contracts	4,390,009	6,030,425
State and local grants and contracts	1,503,287	2,449,317
Nongovernmental grants and contracts	3,580,156	3,187,269
Sales and services of educational departments	1,249,698	1,037,920
Auxiliary enterprises		
Food service	553,249	523,856
Bookstore (net of grants and scholarships of \$7,996,762 and \$6,555,228 in 2011 and 2010, respectively)	6,816,003	7,685,265
Parking	986,612	1,018,430
Other operating revenues	<u>847,753</u>	<u>1,709,205</u>
Total operating revenues	<u>\$ 46,659,224</u>	<u>\$ 49,558,736</u>

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(Continued)

SINCLAIR COMMUNITY COLLEGE  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>EXPENSES</b>		
Operating expenses:		
Educational and general:		
Instruction	\$ 72,691,037	\$ 68,488,041
Public service	2,442,149	3,445,239
Academic support	11,491,629	11,152,695
Student services	14,509,580	14,612,557
Institutional support	15,946,667	15,907,037
Plant operations and maintenance	13,523,875	13,018,225
Depreciation	8,156,336	7,863,730
Student aid	16,137,710	13,912,567
Auxiliary enterprises:		
Food service	262,313	243,681
Bookstore	13,094,378	12,539,855
Parking	<u>945,784</u>	<u>1,011,818</u>
Total operating expenses	<u>169,201,458</u>	<u>162,195,445</u>
Operating loss	<u>(122,542,234)</u>	<u>(112,636,709)</u>
Nonoperating revenues (expenses):		
State appropriations	41,872,129	41,414,612
State appropriations – State Fiscal Stabilization Funds	7,144,361	6,922,196
County tax levy	31,111,791	34,239,654
Federal student aid grant programs	44,659,090	37,132,052
State student aid grant programs	205,730	127,678
Investment income	4,870,860	4,557,163
Net increase in the fair value in investments	<u>412,703</u>	<u>4,099,471</u>
Total nonoperating revenues	<u>130,276,664</u>	<u>128,492,826</u>
Income before other revenues, expenses, gains, or losses	7,734,430	15,856,117
Other revenues – state capital grants	<u>4,449,249</u>	<u>5,770,502</u>
Increase in net assets	12,183,679	21,626,619
Net assets:		
Beginning of year	<u>281,073,164</u>	<u>259,446,545</u>
End of year	<u>\$ 293,256,843</u>	<u>\$ 281,073,164</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION  
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
 Years ended December 31, 2010 and 2009

	2010				2009			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support:								
Contributions	\$ 357,719	\$ 943,006	\$ 269,784	\$ 1,570,509	\$ 278,571	\$1,047,912	\$ 101,746	\$ 1,428,229
Investment income	2,281,513	644,340	84,267	3,010,120	3,540,614	541,162	48,582	4,130,358
Net assets released from restrictions	<u>1,650,570</u>	<u>(1,650,570)</u>	<u>-</u>	<u>-</u>	<u>2,353,528</u>	<u>(2,353,528)</u>	<u>-</u>	<u>-</u>
Total revenue and support	4,289,802	(63,224)	354,051	4,580,629	6,172,713	(764,454)	150,328	5,558,587
Expenses:								
Scholarships	590,390	-	-	590,390	497,243	-	-	497,243
Project support	1,549,434	-	-	1,549,434	2,400,065	-	-	2,400,065
Operating expenses	<u>209,455</u>	<u>-</u>	<u>-</u>	<u>209,455</u>	<u>184,355</u>	<u>-</u>	<u>-</u>	<u>184,355</u>
Total expenses	<u>2,349,279</u>	<u>-</u>	<u>-</u>	<u>2,349,279</u>	<u>3,081,663</u>	<u>-</u>	<u>-</u>	<u>3,081,663</u>
Change in net assets	1,940,523	(63,224)	354,051	2,231,350	3,091,050	(764,454)	150,328	2,476,924
Net assets, beginning 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>
Net assets, end of year	<u>\$16,954,059</u>	<u>\$ 3,970,660</u>	<u>\$5,330,687</u>	<u>\$26,255,406</u>	<u>\$15,013,536</u>	<u>\$4,033,884</u>	<u>\$4,976,636</u>	<u>\$24,024,056</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$ 27,455,860	\$ 26,155,296
Grants and contracts	8,515,390	10,445,111
Payments to vendors and employees	(160,148,965)	(160,674,165)
Auxiliary enterprise charges	8,332,562	9,163,747
Sales and services of educational departments	1,247,392	1,279,813
Other receipts	<u>873,848</u>	<u>1,850,768</u>
Net cash used in operating activities	<u>(113,723,913)</u>	<u>(111,779,430)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
State appropriations	49,016,490	48,336,808
Property tax levy receipts	34,111,249	34,022,653
Direct student loan receipts	38,555,130	37,432,169
Direct student loan disbursements	(41,364,906)	(41,101,321)
Deposits	139,294	195,352
Federal student aid grant programs	45,029,414	36,705,192
State student aid grant programs	<u>208,186</u>	<u>1,426,648</u>
Net cash provided by non-capital financing activities	<u>125,694,857</u>	<u>117,017,501</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants	4,449,249	5,770,502
Purchases of capital assets	<u>(8,550,538)</u>	<u>(7,327,242)</u>
Net cash used in capital and related financing activities	<u>(4,101,289)</u>	<u>(1,556,740)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from maturities of investments	15,932,819	17,537,703
Interest on investments	4,848,027	4,537,635
Purchase of investments	<u>(25,029,969)</u>	<u>(36,162,740)</u>
Net cash provided by (used in) investing activities	<u>(4,249,123)</u>	<u>(14,087,402)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,620,532</b>	<b>(10,406,071)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>14,129,966</u>	<u>24,536,037</u>
End of year	<u>\$ 17,750,498</u>	<u>\$ 14,129,966</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2011 and 2010

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	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$(122,542,234)	\$(112,636,709)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	8,156,336	7,863,730
Changes in net assets:		
Accounts receivable	(914,956)	(2,949,466)
Inventory	(390,509)	(412,779)
Prepaid expenses	(22,731)	(363,533)
Accounts payable	(320,339)	(6,246,526)
Accrued salaries, wages and benefits	1,478,363	646,941
Deferred revenue	<u>832,157</u>	<u>2,318,912</u>
Net cash used in operating activities	<u>\$(113,723,913)</u>	<u>\$(111,779,430)</u>

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See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**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.

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(Continued)

SINCLAIR COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**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 with original maturities less than ninety days.

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 \$508,000 and \$481,000 at June 30, 2011 and 2010, 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.

Inventories: Inventories, which consist principally of publications, general merchandise and other goods, are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Investments: Investments are stated at fair value. Purchases and sales of investments are accounted for on the trade date basis. Realized and unrealized gains and losses are reported as investment income or loss.

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 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, Sinclair Community College grant programs and the Sinclair Community College Foundation. Payments made directly to students from grants and scholarships are presented as Student Aid.

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(Continued)

SINCLAIR COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**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 2011, the provisions of the following GASB Statements became effective:

GASB Statement No. 54, *Fund Balance Reporting*, changes and expands how fund balances are classified based on the purpose for which the resources were received and the level of constraint placed on the resources. This statement is effective for years beginning after June 15, 2010 but is not applicable to business-type enterprises like the College.

GASB Statement No. 59, *Financial Instruments Omnibus*. Statement No. 59 updates and improves 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. This pronouncement had no impact on the College's financial statements or disclosures.

Newly Issued Accounting Pronouncements – In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

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(Continued)

SINCLAIR COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity* and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

In December 2010, GASB issue Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011.

Management has not yet determined the impact that GASB Statements No. 60-64 will have 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.

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(Continued)

SINCLAIR COMMUNITY COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011 and 2010

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

Deposits: At June 30, 2011, the carrying amount of the College's deposits in all funds was \$13,717,513 (included in cash and cash equivalents in the Statement of Net Assets) and the bank balance was \$21,628,349. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2011. 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 \$20,628,349 and \$16,239,899 at June 30, 2011 and 2010, respectively, 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 \$119,989,846 (amortized cost basis of \$113,237,800). The College's investments include \$115,956,861 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 \$4,032,985 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, 2011.

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	\$ 48,061
6-10	360,501
11-20	5,686,391
Greater than 20	<u>109,861,908</u>
Total at fair value	<u>\$ 115,956,861</u>

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, 2011 the College's GNMA investments returned principal as follows:

<u>Years</u>	<u>Amount</u>
1-5	\$ 16,973
6-10	56,962
11-20	881,095
Greater than 20	<u>14,977,789</u>
Total (at cost)	<u>\$ 15,932,819</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.

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(Continued)

SINCLAIR COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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

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	\$ 65,569,197
Tuition stabilization, rainy day fund, uninsured losses, other contingencies and initiatives	32,852,336
Auxiliary enterprises	12,740,206
Restricted grants and contracts	2,360,072
Restricted future proceeds from property tax levy	30,289,576
Board designated endowment	<u>16,528,204</u>
 Total allocated net assets	 <u>\$ 160,339,591</u>

**NOTE C – CAPITAL ASSETS**

Capital assets activity for the years ended June 30, 2011 and 2010 is summarized as follows:

<u>2011</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Cost:				
Land and improvements	\$ 12,658,098	\$ 2,455,526	\$ -	\$ 15,113,624
Buildings and improvements	230,151,154	4,038,744	-	234,189,898
Equipment and fixtures	20,684,998	2,037,744	1,363,157	21,359,585
Library materials	<u>3,894,413</u>	<u>74,794</u>	<u>248,742</u>	<u>3,720,465</u>
Total cost	<u>267,388,663</u>	<u>8,606,808</u>	<u>1,611,899</u>	<u>274,383,572</u>
Less accumulated depreciation:				
Buildings and improvements	116,040,753	6,629,148	-	122,669,901
Equipment and fixtures	15,658,990	1,423,221	1,306,887	15,775,324
Library materials	<u>3,626,256</u>	<u>103,967</u>	<u>248,742</u>	<u>3,481,481</u>
Total accumulated depreciation	<u>135,325,999</u>	<u>8,156,336</u>	<u>1,555,629</u>	<u>141,926,706</u>
Capital assets, net	<u>\$ 132,062,664</u>	<u>\$ 450,472</u>	<u>\$ 56,270</u>	<u>\$ 132,456,866</u>

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(Continued)

SINCLAIR COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

**NOTE C – CAPITAL ASSETS** (Continued)

<u>2010</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
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>

**NOTE D – LONG-TERM LIABILITIES**

Long-term liabilities activity for the years ended June 30, 2011 and 2010 is summarized as follows:

<u>2011</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	
Compensated absences	\$ 4,868,295	\$ 342,251	\$ (197,454)	\$ 5,013,092	\$ 236,282	
	<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	

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 2010-11, total student-based subsidy receipts of \$49,016,490 from the State included \$7,144,361 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.

(Continued)

SINCLAIR COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**NOTE E – STATE AND COUNTY SUPPORT**

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 \$1,382,106 and \$1,460,421 for the years ended June 30, 2011 and 2010, respectively.

Future minimum lease payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2011 are as follows:

Years ending June 30,	
2012	\$ 1,244,373
2013	1,179,662
2014	1,086,606
2015	1,020,539
2016	966,509
2017-2021	<u>2,578,741</u>
Total minimum lease payments	<u>\$ 8,076,430</u>

**NOTE G – RETIREMENT PLANS**

Employee retirement benefits are available for substantially all employees under contributory retirement plans administered by the Ohio Public Employees Retirement Systems (“OPERS”) and the State Teachers Retirement System of Ohio (“STRS Ohio”). STRS Ohio and OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits for plan members. Faculty and some administrators are covered by STRS and all other employees are covered by OPERS.

Ohio Public Employees Retirement System (OPERS): Employees (except for teaching faculty) participate in OPERS, a cost-sharing multiple-employer public employee retirement system operated by the State. OPERS provides retirement and disability benefits, access to health care benefits based on eligible years of service to members and beneficiaries, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The College’s law enforcement officers are members of OPERS-LE (law enforcement division), which provides potentially greater retirement benefits and earlier benefit eligibility than are available for other OPERS members. The three plans OPERS administers are the Traditional Pension Plan, Member-Directed Plan and Combined Plan. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS (7377).

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(Continued)

SINCLAIR COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**NOTE G – RETIREMENT PLANS** (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 10% and the employer contribution rate is 14%. OPERS-LE members were required to contribute 11.1% of their annual salary from January 1 to December 31, 2010, while the College was required to contribute 17.87%. Beginning on January 1, 2011, the OPERS-LE contribution rates rose to 11.6% of annual salary for members and 18.1% for the College.

*State Teachers Retirement System of Ohio (STRS Ohio):* The College participates in STRS Ohio, a cost-sharing multiple employer public employee retirement system that is funded on a pay-as-you-go basis and administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and access to health care benefits based on eligible service credit to members and beneficiaries. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information for STRS Ohio. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

The Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Plan members are required to contribute 10% of their annual covered salary and the College is required to contribute 14%.

*Alternative Retirement Plan (ARP):* All newly hired full time administrative employees, classified support staff, and faculty are eligible to choose an Alternative Retirement Plan (“ARP”) rather than the STRS Ohio or OPERS. 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. Once an employee decides to enroll in an ARP or the state retirement plan, the decision is irrevocable during their employment with the College.

An employee in a STRS Ohio eligible position contributes 10% of their earned income to their ARP account. The College contributes 14%. For the period July 1, 2010 through June 30, 2011, 10.5% of this amount was paid into the member’s ARP account. The remaining 3.5% was paid to STRS Ohio, as required by state legislation, to cover un-funded liabilities. The employee receives no benefits from STRS Ohio for the 3.5% contributed by the employer.

An OPERS eligible employee contributes 10% of their earned income to their ARP account. The College contributes 14%. Effective January 2008, 13.23% of the College’s contribution is paid into the member’s ARP account. The remaining amount of .77% is paid to OPERS, a mitigating contribution implemented to offset the negative financial impact realized by OPERS by offering retirement plan options, such as an ARP. This mitigating rate is provided for by law, but the actual percentage is determined by the OPERS Retirement Board, upon the advice and counsel of the Retirement Board’s Actuary, in conjunction with the Director of Finance.

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(Continued)

SINCLAIR COMMUNITY COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011 and 2010

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**NOTE G – RETIREMENT PLANS** (Continued)

The College's contributions to OPERS, STRS and the ARP required and made for the years ended June 30, 2011, 2010 and 2009 were as follows:

<u>Year</u>	<u>OPERS</u>	<u>Contribution STRS</u>	<u>ARP</u>
2011	\$ 4,951,670	\$ 6,566,182	\$ 382,167
2010	4,776,771	6,309,761	369,460
2009	4,566,514	5,862,454	398,447

**NOTE H – OTHER POSTEMPLOYMENT BENEFITS**

*Ohio Public Employees Retirement System (OPERS):* OPERS provides access to post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Access to health care coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide other postemployment benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from 1/1/10-2/28/10 and 5.0% from 3/1/10-12/31/10, 7.0% from 1/1/09-3/31/09 and 5.5% from 4/1/09-12/31/09 and 7.0% in 2008. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from 1/1/10-2/28/10 and 4.23% from 3/1/10-12/31/10, 5.90% from 1/1/09-3/31/09 and 4.73% from 4/1/09-12/31/09 and 5.90% in 2008. The portion of the College's 2011, 2010 and 2009 contributions to OPERS used to fund post-retirement benefits was approximately \$1,577,500, \$1,799,700, and \$2,151,500. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

*State Teachers Retirement System (STRS Ohio):* STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, 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% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for 2011, 2010 and 2009. For the years ended June 30, 2011, 2010, and 2009, the College's contribution to STRS to fund these benefits was approximately \$465,500, \$451,000, and \$419,000, respectively.

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(Continued)

SINCLAIR COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**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. During the current year, the College decreased its earthquake insurance coverage from \$200 million to \$100 million. There were no other significant changes in coverage from last year.

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 \$1,273,000 reported at June 30, 2011 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 <u>of Year</u>	Current Year <u>Claims</u>	Claims <u>Payments</u>	Balance at End <u>of Year</u>
2011	\$ 1,235,600	\$ 7,067,663	\$ 7,030,263	\$ 1,273,000
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

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, 2011, 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.

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(Continued)

SINCLAIR COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**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 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, 2010 and 2009, 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. 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 \$814,352 and \$1,004,026, representing the present value of those pledges receivable at December 31, 2010 and 2009, 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%.

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(Continued)

SINCLAIR COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION** (Continued)

Pledges receivable at December 31, 2010 and 2009 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Less than one year	\$ 357,509	\$ 465,181
One to five years	270,888	365,974
More than five years	<u>214,510</u>	<u>214,510</u>
	842,907	1,045,665
Allowance for doubtful accounts	(12,242)	(16,113)
Discount	<u>(16,313)</u>	<u>(25,526)</u>
	<u>\$ 814,352</u>	<u>\$ 1,004,026</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, 2011 and 2010, the Foundation provided resources of \$2,647,215 and \$2,644,762 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, 2011

<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		\$ 519,837
Federal Work-Study Program	84.033		130,515
Federal Pell Grant Program	84.063		44,224,098
Federal Direct Student Loans	84.268		40,128,407
Academic Competitiveness Grant	84.375		<u>13,234</u>
Total Student Financial Assistance Cluster			<u>85,016,091</u>
American Recovery and Reinvestment Act (ARRA)			
State Fiscal Stabilization Fund (SFSF) –			
Education State Grants, pass-through Ohio Board of Regents	84.394		6,225,880
Government Services, pass-through Ohio Board of Regents	84.397		<u>918,481</u>
Total State Fiscal Stabilization Fund			<u>7,144,361</u>
Trio Cluster:			
Trio Upward Bound	84.047		594,705
Trio Student Support Services	84.042		<u>317,326</u>
Total Trio cluster			<u>912,031</u>
Adult Education – Basic Grants to States, pass-through State of Ohio Department of Education			
	84.002	063362-AB-SL-2011 063362-AB-SL-2010C	336,616
Higher Education Instructional Aid Strengthening Institutions			
	84.031		12,395
Career and Technical Education - Basic Grants to States, pass-through State of Ohio Department of Education			
	84.048	20-C2 2005	403,291
Tech Prep Education, pass-through State of Ohio Department of Education			
	84.243	063362-2010-Tech Prep Federal Base	251,538
Child Care Access Means Parents in School			
	84.335		<u>853</u>
Total Department of Education			<u>94,077,176</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
For the Year Ended June 30, 2011

<u>Federal Grants/Pass-Through Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-though Grantor's Numbers</u>	<u>Federal Expenditures</u>
Department of Health and Human Services:			
Temporary Assistance for Needy Families, Fast Forward Center TANF pass-through Montgomery County	93.558	Res. 11-0866; CE 100279	\$ 127,496
Nurse Education, Practice and Retention Grants	93.359		230,178
ARRA - Health Information Technology Professionals in Health Care/Midwest Community College Health Technology - pass-through Cuyahoga College	93.721		<u>293,843</u>
Total Department of Health and Human Services			<u>651,517</u>
Department of Commerce			
Broadband Technology Opportunities Program/ Connect Ohio pass-through Connected Nation - ARRA	11.557	21-43-B10546	7,257
National Science Foundation - Education and Human Resources			
Direct award	47.076		689,621
pass-through Purdue University		503-1582-01	20,069
pass-through Wright State University		PSM06625	27,702
pass-through Ohio State University		RF01092831	44
pass-through Wright State University		HRD-0833644	13,092
pass-through Stevens Institute		527679—FY10-4	18,995
pass-through Butler County Community College		03-01-5-3410-862-00	<u>106,468</u>
Total National Science Foundation			<u>875,991</u>
Department of Justice – Edward Byrne Memorial Justice Assistance Grant Program			
pass-through the Ohio Department of Public Safety	16.738		1,998
Department of Labor:			
WIA Pilots, Demonstrations and Research Projects	17.261		100,836
WIA Dislocated Workers - ARRA pass-through Montgomery County Department of Job and Family Services	17.260	Res.11-0297; CE100091	<u>52,130</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
 For the Year Ended June 30, 2011

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<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>
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors - pass-through BioOhio - ARRA17.275	17.275	GJ-20076-10-60-A-39	<u>325,699</u>
Total Department of Labor			<u>478,665</u>
Corporation for National and Community Service, pass-through the Greater Pittsburgh Literacy Council, Literacy*AmeriCorps	94.006	06NDHTX002	<u>214,427</u>
Department of Agriculture Child and Adult Care Food Program pass-through State of Ohio Department of Education	10.558	063362	<u>6,729</u>
Total Federal Awards			<u>\$ 96,313,760</u>

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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, 2011

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**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, 2011, 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**

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing 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 and correct 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 entity'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.

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(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*.

We noted certain matters that we reported to management of the College in a separate letter dated October 31, 2011.

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*  
Crowe Horwath LLP

Columbus, Ohio  
October 31, 2011

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 the College's major federal programs for the year ended June 30, 2011. 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 of the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-01.

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(Continued)

## 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 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.

Sinclair Community College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the College's response and, accordingly, we express no opinion on the response.

We noted certain matters that we reported to management of the College in a separate letter dated October 31, 2011.

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*

Crowe Horwath LLP

Columbus, Ohio  
October 31, 2011

SINCLAIR COMMUNITY COLLEGE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 June 30, 2011

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**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))?	<u>          X          </u>	Yes	<u>                          </u> No
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(Continued)

SINCLAIR COMMUNITY COLLEGE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 June 30, 2011

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**PART I: SUMMARY OF AUDITORS' RESULTS** (Continued)

<u>Name of Major Program Identified</u>	<u>CFDA Number(s)</u>
U.S. Department of Education	
Student Financial Aid Cluster:	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Federal Direct Student Loans	84.268
Academic Competitiveness Grant	84.375
State Fiscal Stabilization Fund – ARRA	
Education State Grants	84.394
Government Services	84.397
Health Information Technology Professionals in Health Care/Midwest Community	
College Health Technology – ARRA	93.721
Program of Competitive Grants for Worker Training and Placement in High	
Growth and Emerging Industry Sectors - ARRA	17.275
Trio Cluster:	
Trio Upward Bound	84.047
Trio Student Support Services	84.042

Dollar threshold used to distinguish between Type A and Type B programs \$ 338,928

Auditee qualified as low-risk auditee? \_\_\_\_\_ X \_\_\_\_\_ Yes \_\_\_\_\_ No

**PART II: FINANCIAL STATEMENT FINDINGS SECTION**

There were no findings.

**PART III: MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION**

**Finding 2011-01**

Federal Program Information: Student Financial Aid Cluster, excluding FWS

Criteria: 34 CFR 668.22 Treatment of Title IV funds when a student withdraws. (j) Timeframe for the return of Title IV funds. (1) An institution must return the amount of Title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew as defined in paragraph (l)(3) of this section.

Condition: In our sample of 25 students, we noted the return of funds was not performed within the required timeframe for 3 students. All exceptions occurred in the Spring term.

Questioned costs: \$0

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(Continued)

SINCLAIR COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2011

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**PART III: MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION**  
(Continued)

**Finding 2011-01** (Continued)

Cause:	The function of determining withdrawn students who needed a Return of Title IV Funds calculation was transferred to a new staff member during the Spring term. Due to the volume of refunds, the staff member did not process some of the returns in a timely manner.
Effect:	The College is not in compliance with Return of Title IV Funds regulations that require an institution to return its share of Title IV funds no later than 45 days after the date of the institution's determination that a student withdrew.
Recommendation:	We recommend the College update policies and procedures to ensure the timely preparation of Return of Title IV Funds calculations and related return of funds for withdrawn students.
Management's Response and Corrective Action:	Management concurs with this finding. A new system-generated report has been made available that is being reviewed on a weekly basis by the staff member performing this function, as well as by the supervisor, to ensure that returns are made in a timely manner.

**PART IV: SUMMARY OF PRIOR YEAR FINDINGS**

There were no findings for the year ended June 30, 2010.



# 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 2, 2012**