

SINCLAIR COMMUNITY COLLEGE
Dayton, Ohio

FINANCIAL STATEMENTS
June 30, 2012 and 2011



Dave Yost • Auditor of State

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

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, 2011 through June 30, 2012. 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 17, 2013

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SINCLAIR COMMUNITY COLLEGE

Dayton, Ohio

FINANCIAL STATEMENTS

June 30, 2012 and 2011

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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, 2012 and 2011. We have audited the discretely presented component unit as of and for the years ended December 31, 2011 and 2010 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, 2012 and 2011 (December 31, 2011 and 2010 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, 2012, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

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Accounting principles generally accepted in the United States of America requires that the Management's Discussion and Analysis on page 3-14 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 31, 2012

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, 2012 and 2011. Please read it in conjunction with the College's financial statements, which begin on page 15.

Financial and Institutional Highlights

- Sinclair Community College experienced significant enrollment growth from fiscal 2008 to 2011. Despite the fact that enrollments declined during 2012, Sinclair in 2012 is still more than one-fifth larger than it was in 2008 as measured by full-time equivalent students and conferred more degrees and certificates in fiscal 2012 than in any other year in its history.
- The Courseview Campus Center in Mason, Ohio, now in its fifth year of operation, has more than tripled its enrollment since its opening in the Fall of 2007. 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. Currently the administration is preparing a business case to expand the campus's operations to a second building on an adjacent parcel.
- Sinclair's financial health remains strong due to the prudent planning and vigilance of the College's Board of Trustees and administration. They 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 demand for Sinclair's programs and services.
- The College continued to demonstrate an exceptional level of commitment to teaching and learning in fiscal 2012. In comparison to non-instructional expenses such as facility and administrative 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.
- The College affirmed its commitment to student success by applying for and winning a \$4.3 million implementation grant from the Bill & Melinda Gates Foundation for a national program titled *Completion by Design*. These monies will allow Sinclair to lead one of only three statewide consortia across the nation in studying and implementing the best practices related to improving the likelihood students will achieve postsecondary credentials.
- Further, in September, 2012 the U.S. Department of Labor announced a \$12 million grant to Sinclair as the lead college on a project to create revolutionary change in how Information Technology training is conducted. The College will collaborate on the project with Austin Community College in Texas, Broward Community College in Florida, Western Governors University, and many local partners.
- Sinclair was again recognized as one of the "top fifteen best places to work" by the *Dayton Business Journal*.
- This fall, Sinclair along with many other Ohio colleges and universities made the switch from a quarter-based to a semester-based system. This change was required by the State in order to improve students' ability to transfer from one institution to another. At Sinclair, preparations for the conversion began over three years ago.

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Financial Management Philosophy and Accountability

Sinclair Community College 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.

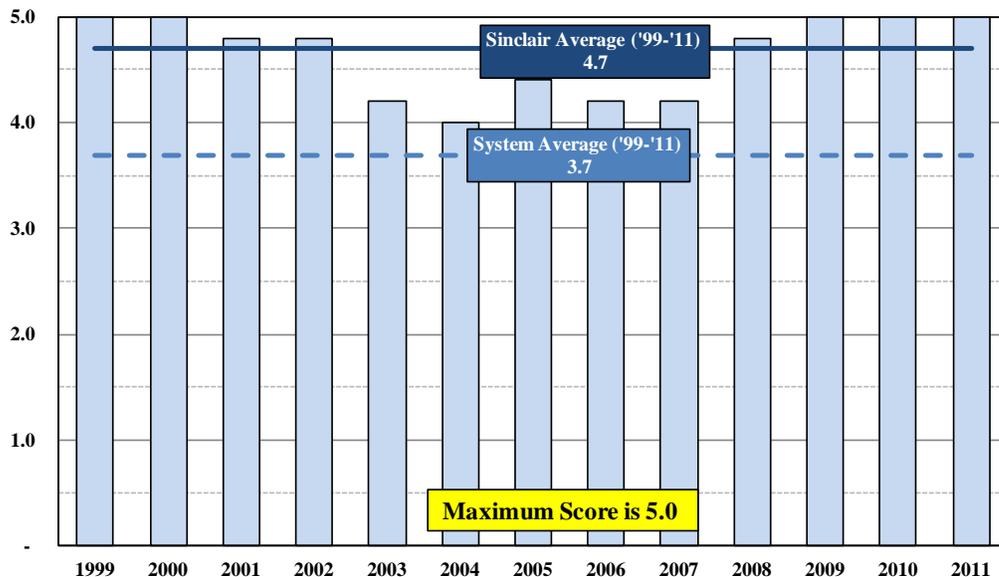
Inputs into the financial management and measurement process come from a variety of sources as shown in the diagram below:



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 in Figure 1 below. For the latest year reported (FY 2011), Sinclair received the highest composite score possible of 5.0. The College has averaged an overall score of 4.7 since the inception of the reporting, which is above average as compared to Ohio's public higher education system as a whole.

(Continued)

Figure 1
Sinclair Community College
Financial Health as Measured by Senate Bill 6 Composite Scores



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, 2012 and 2011 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 2012

At June 30, 2012, net assets were \$298.6 million (Table 1). Liabilities of \$36.3 million were only 10.8% of total assets of \$334.9 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 \$5.3 million (from \$293.3 million to \$298.6 million) in fiscal 2012. The increase had these components:

- Net increase of \$2.3 million after depreciation expense of \$8.7 million, but exclusive of the change in the fair value of investments;
- An increase in the fair value of investments of \$3.0 million.

Also in fiscal 2012, capital asset acquisitions consumed approximately \$9.6 million of unrestricted and restricted net assets and added a corresponding amount to capital assets.

Fiscal 2011

At June 30, 2011, net assets were \$293.3 million. Liabilities of \$34.8 million were only 10.6% of total assets of \$328.0 million.

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.

TABLE 1
NET ASSETS
(in millions of dollars)

	2012	2011	Percentage Change 2011-12	2010
Current assets	\$ 78.7	\$ 79.6	(1.1%)	\$ 75.2
Investments	122.9	116.0	5.9%	106.4
Capital assets, net	133.3	132.4	0.7%	132.1
Total assets	334.9	328.0	2.1%	313.7
Current liabilities	31.7	30.0	5.7%	28.0
Long-term liabilities	4.6	4.8	(4.2%)	4.6
Total liabilities	36.3	34.8	4.3%	32.6
Net assets:				
Invested in capital assets	133.3	132.4	0.7%	132.1
Restricted—expendable	1.6	2.4	(33.3%)	1.5
Restricted—nonexpendable	29.1	30.3	(4.0%)	33.3
Unrestricted	134.6	128.2	5.0%	114.2
Total net assets	\$ 298.6	\$ 293.3	1.8%	\$ 281.1

Statements of Revenues, Expenses and Changes in Net Assets

The Statements of Revenues, Expenses and Changes in Net Assets (SRECNA) shown in Table 2 below present the College's operating results for fiscal years 2012, 2011 and 2010. The following narrative provides an overview of the key elements in the SRECNA.

Revenues (Operating, Non-operating and Other)

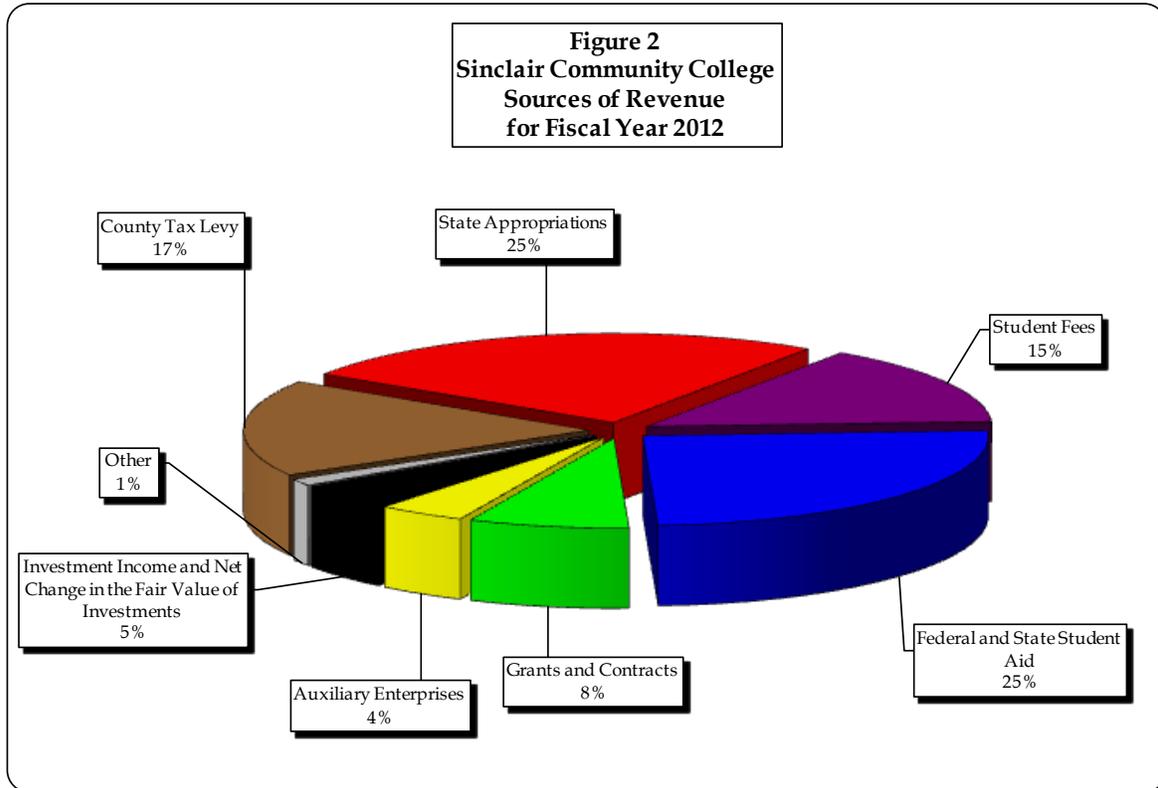
- Operating revenue of the College is defined as payments received for goods and services provided, and is comprised mainly of tuition and fees, federal and state grants and income from auxiliary operations. Certain other revenue streams of the College are classified as non-operating. These include state appropriations, county property tax levy receipts, federal student financial aid payments, investment income and state capital grants.
- Operating revenue decreased by \$4.2 million or 9.0% in fiscal 2012, due primarily to a 6.5% decrease in enrollments as measured by full-time equivalent (FTE) students. Student tuition and fee revenue fell by \$1.8 million or 6.7% as the result of the enrollment decline and an increase in grants and scholarships allowances, partially offset by 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. The enrollment decline also resulted in a decrease of \$1.4 million or 16.7% in income from auxiliary operations.

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- By contrast, in fiscal 2011 tuition and fee revenue increased \$0.8 million or 3.1%. However, in fiscal 2011 overall revenue decreased by 5.8%, due primarily to decreases in federal and state grants and in income from auxiliary operations.
- Non-operating and other revenues decreased by \$6.2 million in fiscal 2012, due to reductions in receipts from state appropriations, the county tax levy and federal student aid grant programs.
 - State appropriations were down \$5.6 million or 11.4% due to the State's inability to replace the bulk of the federal stimulus money that was included in the previous biennial budget. A history of state operating subsidy per student FTE, depicting a long-term trend in reduced state appropriations, is shown in Figure 4 later in this document.
 - County tax levy revenue decreased by \$1.2 million or 3.9% due to the continued reduction in taxable property valuations resulting from general economic conditions. Note that because the levy does not grow with inflation, the College sets aside a portion of levy receipts in a tuition stabilization fund in the early years of the levy's ten-year life cycle, for use in the later years.
 - Federal student aid grant program receipts declined by \$1.9 million or 4.3% in light of the enrollment decline.
- Non-operating and other revenues increased a net \$0.4 million in fiscal 2011, due to the following factors:
 - State appropriations for operations increased by \$0.6 million or 1.2%. Of the \$49.0 million in state appropriations, \$7.1 million came from one-time federal stimulus money.
 - County tax levy revenue decreased by \$3.1 million or 9.1% as the result of a decline in real estate valuations coupled with the elimination of "hold harmless" payments received by the College from the State. The State's biennial budget bill for fiscal years 2012 and 2013 abruptly eliminated the hold harmless payments, which had previously been scheduled for gradual phase-out. Pursuant to accounting rules, that change impacted the SRECNA in fiscal 2011.
 - Federal student aid grant program receipts increased \$7.6 million or 20.5%. The primary reasons were a \$200 increase in the maximum annual Pell grant award and a 17% increase in the number of students receiving Pell grants.
- Non-operating revenues in 2012 include an increase in the fair value of investments of \$3.0 million, following increases of \$0.4 million in 2011 and \$4.1 million in 2010. 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. Because the College has a practice of holding its investments to maturity, unrealized gains are not expected to be realized.

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Figure 2 below presents the composition of Sinclair's revenue stream.

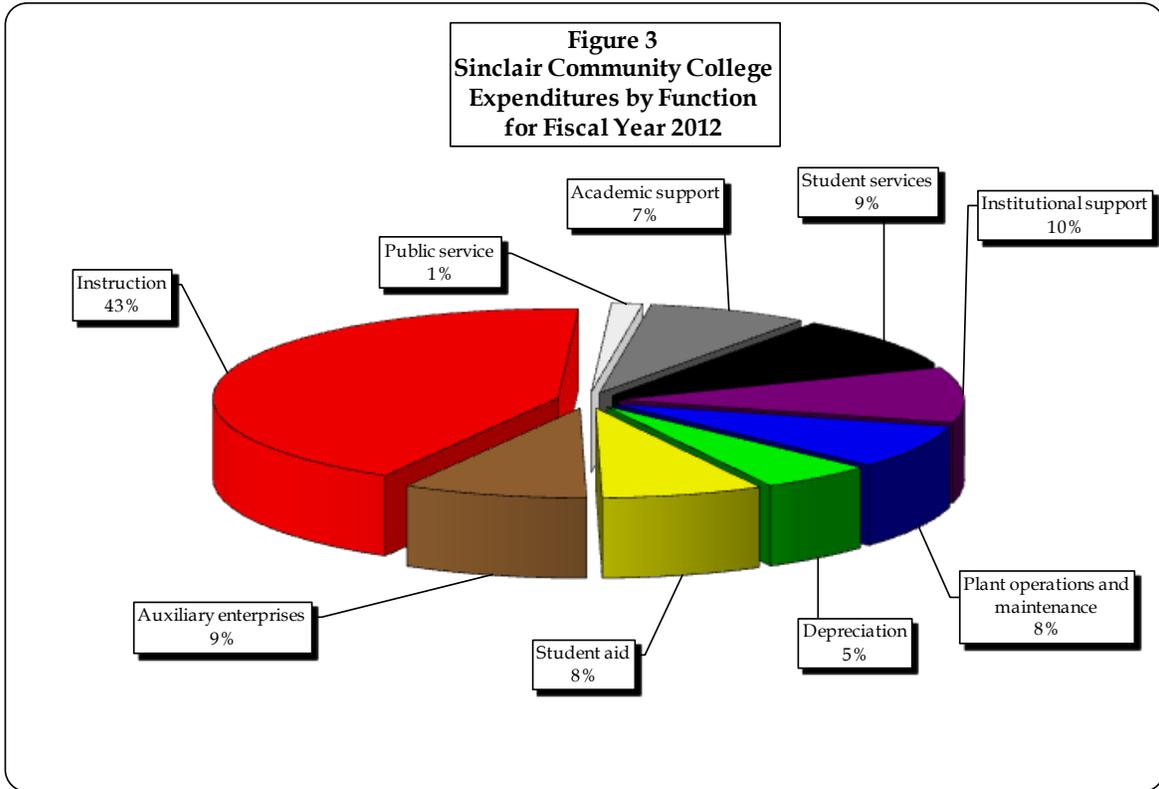


Operating Expenses

- In fiscal 2012, careful management of costs in light of the enrollment decline resulted in a reduction in operating expenses of \$3.5 million or 2.1%. Enrollment-driven reductions of \$5 million in instruction and student aid were partially offset by increases in other categories, most notably student services, where the College applied additional resources to help students prepare for the conversion to the semester-based calendar in fiscal 2013.
- Total operating expenses grew by 4.3% or \$7.0 million in fiscal 2011, when enrollment increased by 2%. Most of the increase in expenses occurred in the instruction and student aid categories. In addition to the impact of enrollment growth on instruction-related expenses, outlays for the conversion of classroom curriculum (in preparation for the transition to semesters) also contributed to the increase in that category.

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Figure 3 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)

	2012	2011	Percentage Change 2011-2012	2010
Operating revenues:				
Student tuition and fees, net of grants and scholarships	\$ 24.9	\$ 26.7	(6.7%)	\$ 25.9
Federal grants and contracts	4.2	4.4	(4.5%)	6.0
State and local grants and contracts	1.1	1.5	(26.7%)	2.5
Nongovernmental grants and contracts	3.2	3.6	(11.1%)	3.2
Sales and services of educational departments	1.3	1.3	0.0%	1.0
Auxiliary enterprises, net of grants and scholarships	7.0	8.4	(16.7%)	9.3
Other	0.8	0.8	0.0%	1.7
Total operating revenues	42.5	46.7	(9.0%)	49.6
Operating expenses:				
Instruction	71.3	72.7	(1.9%)	68.5
Public service	2.4	2.4	0.0%	3.4
Academic support	11.8	11.5	2.6%	11.2
Student services	15.2	14.5	4.8%	14.6
Institutional support	16.5	16.0	3.1%	15.9
Plant operations and maintenance	13.0	13.5	(3.7%)	13.0
Depreciation	8.7	8.2	6.1%	7.9
Student aid	12.5	16.1	(22.4%)	13.9
Auxiliary enterprises	14.3	14.3	0.0%	13.8
Total operating expenses	165.7	169.2	(2.1%)	162.2
Nonoperating and other revenues:				
State appropriations	43.4	49.0	(11.4%)	48.4
County tax levy	29.9	31.1	(3.9%)	34.2
Federal student aid grant programs	42.8	44.7	(4.3%)	37.1
State student aid grant programs	0.3	0.2	50.0%	0.1
Investment income	4.8	4.9	(2.0%)	4.6
Net increase in the fair value of investments	3.0	0.4	650.0%	4.1
Capital grants	4.3	4.4	(2.3%)	5.8
Total nonoperating and other revenues	128.5	134.7	(4.6%)	134.3
Increase in net assets	\$ 5.3	\$ 12.2	(56.6%)	\$ 21.7

(Continued)

Capital Assets

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

- In fiscal year 2012 the College demolished the aged office building on Fourth Street and expanded the adjacent parking lot. In fiscal year 2011 the College purchased land next to its Courseview Campus in Mason, Ohio in order to provide space for future expansion.
- The Dayton Campus Master Plan Design project, begun in fiscal 2012, represents a fresh look for opportunities to support student learning and College growth. Building improvement projects at the downtown Dayton campus in fiscal 2012 included the structural aspects of the next phase of the expansion and standardization of classroom multimedia equipment, and the first phase of enhancements to the College's bookstore. Building improvement projects at the downtown Dayton campus in fiscal 2011 included the creation of a new biology lab, the initial phases of the expansion and standardization of classroom multimedia equipment, and facility access control projects (cameras, etc.).
- Major facility life cycle maintenance projects at the downtown campus in fiscal 2012 included roof replacement (buildings 8 and 17), air handler replacement (four units), floor replacement (building 8's field house and weight room), exterior masonry repairs and sealing, main parking garage membrane replacement, and clock system replacement (campus-wide). Major facility life cycle maintenance projects at the downtown campus in fiscal 2011 included exterior masonry repairs and sealing, plaza renovation, and elevator cab refurbishing.
- Major additions to equipment inventory in fiscal 2012 and 2011 included new classroom presentation equipment and administrative computer system upgrades.

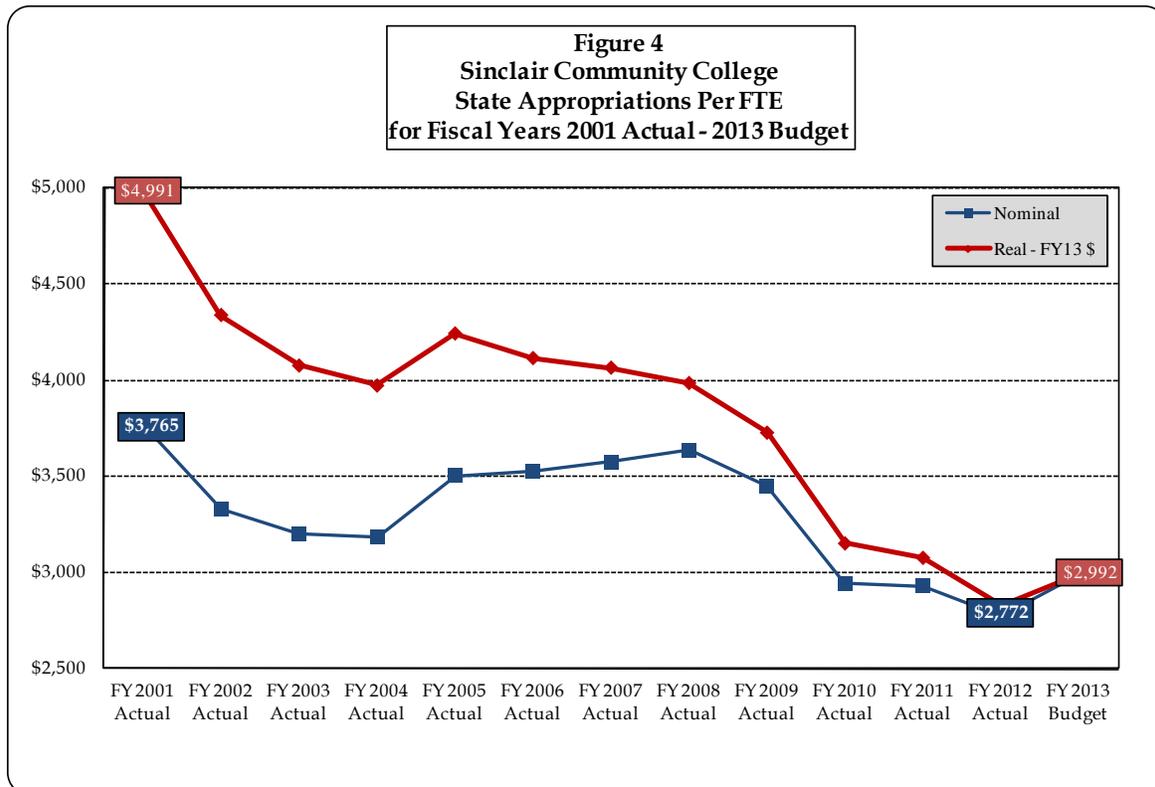
TABLE 3
CAPITAL ASSETS
(net of depreciation, in millions of dollars)

	2012	2011	Percentage Change 2011-2012	2010
Land and improvements	\$ 15.2	\$ 15.1	0.7%	\$ 12.7
Buildings and improvements	110.1	111.5	(1.3%)	114.1
Equipment	7.8	5.6	39.3%	5.0
Library books	0.2	0.2	0.0%	0.3
Total capital assets	\$ 133.3	\$ 132.4	0.7%	\$ 132.1

(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 and FY 2013) included significant cuts in funding for public higher education. The largest portion of the cut was realized in 2012, although the College's 2013 budget anticipates a slight further decline. Figure 4 below depicts the long-term decline in state funding per student FTE (red line is inflation-adjusted) dating back to fiscal 2001. The College will continue to proactively plan for and adjust to the current funding realities so that affordable and cost effective quality programs and services are maintained.

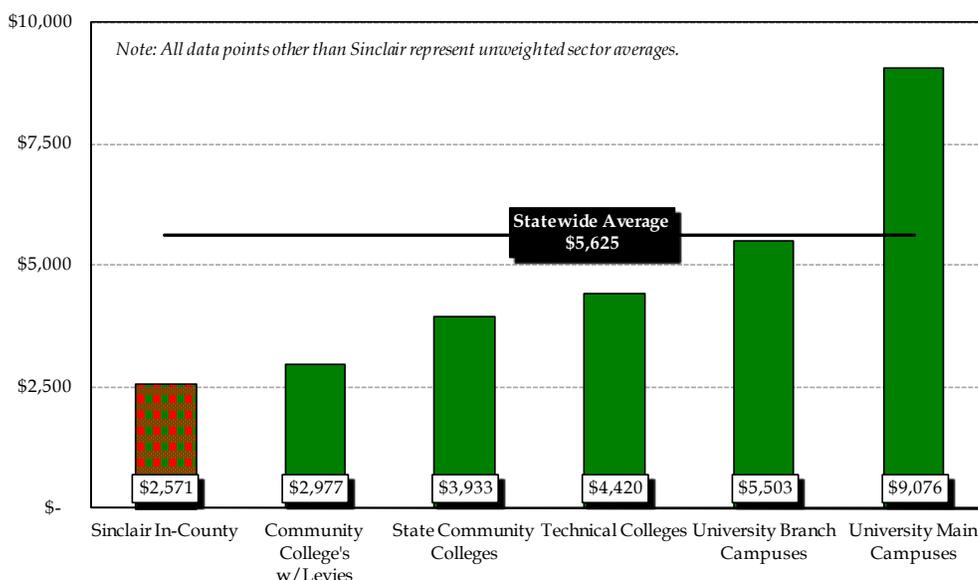


Montgomery County Levy: The levy is used entirely for expenditures benefiting students who reside in Montgomery County in the form of tuition subsidy and support for services at the Dayton, Englewood and Huber Heights campuses. While this revenue stream has flowed to the College relatively reliably and 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.

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 5 for a comparison of Sinclair's in-county rate versus other benchmarks in the state as of Fall 2011. Sinclair's relative positioning is not expected to change when the Fall 2012 survey is released.)

(Continued)

Figure 5
Annualized Tuition - Fall 2011
Source: Ohio Board of Regents Annual Survey



Student Enrollments: After a recent period of significant growth, community colleges nationally and in the State of Ohio have experienced a softening in enrollments as the economy begins to improve and due to normal business cycle trends. Another factor contributing to a temporary decline is the conversion to semesters, which has impacted Sinclair and other like Ohio institutions. Longer term, 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 increases 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.

Conversion to Semesters: The College officially migrated to a semester calendar with the Fall terms of 2012. It is expected that the conversion from a quarter-based calendar will affect Sinclair's operational environment for several years to come as students acclimate to the change.

Banking and Investing Environment: The College monitors opportunities to earn interest income from its operating bank accounts and from bond investments. Interest rates began falling in 2008 and reached historic lows in 2012. Consequently, the College could receive less revenue from banking and investing activities in fiscal 2013 than in previous years.

National Initiatives for Improving Student Success: Sinclair has taken a leadership role in several initiatives designed to improve community college student learning and completion. Those initiatives are: (a) the Bill & Melinda Gates Foundation *Completion by Design* implementation project, for which Sinclair is the lead Ohio partner; (b) the U.S Department of Labor project to create revolutionary change in Information Technology training, for which Sinclair is the lead college; and (c) the *21st Century Initiative*, a national effort to improve community college response to calls for student success, which is led by the American Association of Community Colleges, and for which Sinclair's president is lead co-chair of the Implementation Steering Committee.

SINCLAIR COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 20,177,370	\$ 17,750,498
Accounts receivable, net	25,502,827	28,107,612
Prepaid expenses	1,002,751	1,105,046
Interest receivable	420,319	429,295
Property tax levy receivable	29,106,241	30,289,576
Inventories	<u>2,445,659</u>	<u>1,960,432</u>
Total current assets	<u>78,655,167</u>	<u>79,642,459</u>
NONCURRENT ASSETS		
Investments	122,938,966	115,956,861
Capital assets, net	<u>133,341,032</u>	<u>132,456,866</u>
Total noncurrent assets	<u>256,279,998</u>	<u>248,413,727</u>
Total assets	<u>\$ 334,935,165</u>	<u>\$ 328,056,186</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accruals	\$ 5,572,170	\$ 3,904,469
Accrued salaries, wages and benefits	11,130,364	12,620,945
Deferred student fee income	13,404,803	11,888,657
Deposits	<u>1,597,896</u>	<u>1,608,462</u>
Total current liabilities	31,705,233	30,022,533
NONCURRENT LIABILITIES		
Accrued salaries, wages and benefits	<u>4,603,091</u>	<u>4,776,810</u>
Total liabilities	<u>36,308,324</u>	<u>34,799,343</u>
NET ASSETS		
Invested in capital assets	133,341,032	132,456,866
Restricted		
Expendable	1,582,136	2,360,072
Nonexpendable (levy)	29,106,241	30,289,576
Unrestricted	<u>134,597,432</u>	<u>128,150,329</u>
Total net assets	<u>298,626,841</u>	<u>293,256,843</u>
Total liabilities and net assets	<u>\$ 334,935,165</u>	<u>\$ 328,056,186</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 1,714,127	\$ 541,671
Investments		
Fixed income security funds	7,264,036	7,101,033
Equity funds	15,440,631	17,413,801
Venture capital funds	<u>579,523</u>	<u>583,299</u>
Total investments	23,284,190	25,098,133
Accounts receivable	49,165	14,986
Pledges receivable, net of allowances of \$9,525 and \$12,242 at December 31, 2011 and 2010, respectively	<u>681,236</u>	<u>814,352</u>
Total assets	<u>\$ 25,728,718</u>	<u>\$ 26,469,142</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Payable to Sinclair Community College	\$ 93,760	\$ 188,736
Other payables	<u>50,000</u>	<u>25,000</u>
Total liabilities	143,760	213,736
Net assets		
Unrestricted	16,549,261	16,954,059
Temporarily restricted	3,459,100	3,970,660
Permanently restricted	<u>5,576,597</u>	<u>5,330,687</u>
Total net assets	<u>25,584,958</u>	<u>26,255,406</u>
Total liabilities and net assets	<u>\$ 25,728,718</u>	<u>\$ 26,469,142</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
REVENUES		
Operating revenues:		
Student tuition and fees	\$ 50,037,398	\$ 49,662,312
Less grants and scholarships	<u>(25,146,072)</u>	<u>(22,929,855)</u>
Student tuition and fees net of grants and scholarships	24,891,326	26,732,457
Federal grants and contracts	4,160,541	4,390,009
State and local grants and contracts	1,133,236	1,503,287
Nongovernmental grants and contracts	3,170,489	3,580,156
Sales and services of educational departments	1,302,795	1,249,698
Auxiliary enterprises		
Food service	502,908	553,249
Bookstore (net of grants and scholarships of \$8,483,515 and \$7,996,762 in 2012 and 2011, respectively)	5,550,198	6,816,003
Parking	912,869	986,612
Other operating revenues	<u>841,440</u>	<u>847,753</u>
Total operating revenues	<u>\$ 42,465,802</u>	<u>\$ 46,659,224</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
EXPENSES		
Operating expenses:		
Educational and general:		
Instruction	\$ 71,333,227	\$ 72,691,037
Public service	2,381,972	2,442,149
Academic support	11,786,323	11,491,629
Student services	15,243,116	14,509,580
Institutional support	16,510,506	15,946,667
Plant operations and maintenance	13,006,255	13,523,875
Depreciation	8,678,953	8,156,336
Student aid	12,482,949	16,137,710
Auxiliary enterprises:		
Food service	267,731	262,313
Bookstore	12,874,033	13,094,378
Parking	<u>1,097,407</u>	<u>945,784</u>
Total operating expenses	<u>165,662,472</u>	<u>169,201,458</u>
Operating loss	<u>(123,196,670)</u>	<u>(122,542,234)</u>
Non-operating revenues (expenses):		
State appropriations	43,350,371	41,872,129
State appropriations – State Fiscal Stabilization Funds	-	7,144,361
County tax levy	29,852,675	31,111,791
Federal student aid grant programs	42,832,559	44,659,090
State student aid grant programs	333,947	205,730
Investment income	4,798,175	4,870,860
Net increase in the fair value in investments	<u>3,048,680</u>	<u>412,703</u>
Total non-operating revenues	<u>124,216,407</u>	<u>130,276,664</u>
Income before other revenues, expenses, gains, or losses	1,019,737	7,734,430
Other revenues – state capital grants	<u>4,350,261</u>	<u>4,449,249</u>
Increase in net assets	5,369,998	12,183,679
Net assets:		
Beginning of year	<u>293,256,843</u>	<u>281,073,164</u>
End of year	<u>\$ 298,626,841</u>	<u>\$ 293,256,843</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 Years ended December 31, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Contributions	\$ 200,038	\$ 1,540,114	\$ 245,910	\$ 1,986,062	\$ 357,719	\$ 943,006	\$ 269,784	\$ 1,570,509
Investment income	143,355	43,706	-	187,061	2,281,513	644,340	84,267	3,010,120
Net assets released from restrictions	<u>2,095,380</u>	<u>(2,095,380)</u>	<u>-</u>	<u>-</u>	<u>1,650,570</u>	<u>(1,650,570)</u>	<u>-</u>	<u>-</u>
Total revenue and support	2,438,773	(511,560)	245,910	2,173,123	4,289,802	(63,224)	354,051	4,580,629
Expenses:								
Scholarships	747,203	-	-	747,203	590,390	-	-	590,390
Project support	1,925,911	-	-	1,925,911	1,549,434	-	-	1,549,434
Operating expenses	<u>170,457</u>	<u>-</u>	<u>-</u>	<u>170,457</u>	<u>209,455</u>	<u>-</u>	<u>-</u>	<u>209,455</u>
Total expenses	<u>2,843,571</u>	<u>-</u>	<u>-</u>	<u>2,843,571</u>	<u>2,349,279</u>	<u>-</u>	<u>-</u>	<u>2,349,279</u>
Change in net assets	(404,798)	(511,560)	245,910	(670,448)	1,940,523	(63,224)	354,051	2,231,350
Net assets, beginning 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>
Net assets, end of year	<u>\$16,549,261</u>	<u>\$ 3,459,100</u>	<u>\$5,576,597</u>	<u>\$25,584,958</u>	<u>\$16,954,059</u>	<u>\$3,970,660</u>	<u>\$5,330,687</u>	<u>\$26,255,406</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 24,774,767	\$ 27,455,860
Grants and contracts	8,758,194	8,515,390
Payments to vendors and employees	(157,360,407)	(160,148,965)
Auxiliary enterprise charges	6,894,164	8,332,562
Sales and services of educational departments	1,218,613	1,247,392
Other receipts	<u>698,379</u>	<u>873,848</u>
Net cash used in operating activities	<u>(115,016,290)</u>	<u>(113,723,913)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State appropriations	43,350,371	49,016,490
Property tax levy receipts	31,036,010	34,111,249
Direct student loan receipts	40,451,926	38,555,130
Direct student loan disbursements	(38,911,341)	(41,364,906)
Deposits	(10,566)	139,294
Federal student aid grant programs	45,567,657	45,029,414
State student aid grant programs	<u>298,238</u>	<u>208,186</u>
Net cash provided by non-capital financing activities	<u>121,782,295</u>	<u>125,694,857</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants	4,350,261	4,449,249
Purchases of capital assets	<u>(9,563,120)</u>	<u>(8,550,538)</u>
Net cash used in capital and related financing activities	<u>(5,212,859)</u>	<u>(4,101,289)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investments	18,156,045	15,932,819
Interest on investments	4,936,249	4,848,027
Purchase of investments	<u>(22,218,568)</u>	<u>(25,029,969)</u>
Net cash provided by (used in) investing activities	<u>873,726</u>	<u>(4,249,123)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,426,872	3,620,532
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>17,750,498</u>	<u>14,129,966</u>
End of year	<u>\$ 20,177,370</u>	<u>\$ 17,750,498</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (123,196,670)	\$ (122,542,234)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	8,678,953	8,156,336
Changes in net assets:		
Accounts receivable	(1,635,188)	(914,956)
Inventory	(485,227)	(390,509)
Prepaid expenses	102,295	(22,731)
Accounts payable	1,667,701	(320,339)
Accrued salaries, wages and benefits	(1,664,300)	1,478,363
Deferred revenue	<u>1,516,146</u>	<u>832,157</u>
Net cash used in operating activities	<u>\$ (115,016,290)</u>	<u>\$ (113,723,913)</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

- Invested in Capital Assets: Capitalized physical assets, net of accumulated depreciation (see Note C).

- Restricted

Nonexpendable: Net assets that are either: 1) subject to externally imposed stipulations that are to be maintained permanently by the College; or 2) representative of taxes levied in the reporting period and recognized as revenue in accordance with GASB Statement No. 33, for which the due date for payment occurs in the subsequent period.

Expendable: Net assets related to grants, contracts and taxes, including taxes levied in the prior reporting period and received in the reporting period, whose use is subject to externally-imposed restrictions including limitations on the use of net assets imposed by enabling legislation.

- Unrestricted: Net assets that are not subject to externally-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the Board of Trustees. Substantially all of the College’s unrestricted net assets are designated for future uses or contingences (See Note B).

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

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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 \$873,700 and \$508,000 at June 30, 2012 and 2011, 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.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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 2012, the provisions of the following GASB Statements became effective:

GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. This pronouncement had no impact on the College's financial statements or disclosures.

GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provision* clarifies 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. This pronouncement had no impact on the College's financial statements or disclosures.

Adoption of these Statements did not have a material impact on the College's financial position or results of operations.

Newly Issued Accounting Pronouncements: In addition to Statements No. 57 and 64, GASB has issued the following pronouncements which are listed by effective dates.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership into which state and local governments are increasingly entering.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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

GASB Statement No. 61, The Financial Reporting Entity: Omnibus, issued November 2010. The provisions of this Statement are effective for periods beginning after June 15, 2012. This Statement is designed to improve financial reporting for government entities by amending the requirements of Statement No. 14, The Financial Reporting Entity and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, to better meet user needs and to address reporting entity issues that have arisen since those Statements were issued in 1991 and 1999, respectively.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements issued December 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to enhance the usefulness of its Codification by incorporating guidance the previously could only be found in certain Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, issued June 2011. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transaction will continue to impact a government's financial statements in the future.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. The objective of this Statements is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2014. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Management has not yet determined the impact these GASB Statements will have on the College's financial statements and disclosures.

Reclassifications: Certain 2011 items have been reclassified to conform to the 2012 presentation. Reclassifications had no impact on the change in net assets or total net assets.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE B – CASH AND INVESTMENTS

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

Deposits: At June 30, 2012, the carrying amount of the College's deposits in all funds was \$16,142,613 (included in cash and cash equivalents in the Statement of Net Assets) and the bank balance was \$20,394,399. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2012. Of the bank balance, \$7,855,420 was covered by federal depository insurance or by collateral held by the College's agent in the College's name. The remaining balance of \$12,638,979 and \$20,628,349 at June 30, 2012 and 2011, 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 \$126,973,723 (amortized cost basis of \$117,172,996). The College's investments include \$122,938,966 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 \$4,034,757 on deposit in the State Treasurer's investment pool (included in cash and cash equivalents in the Statement of Net Assets) is valued at the pool's share, which is the price for which the investment could be sold on June 30, 2012.

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 15 or 30 year bonds, are as follows:

<u>Years</u>	<u>Amount</u>
1-5	\$ 139,956
6-10	415,350
11-20	28,068,384
Greater than 20	<u>94,315,276</u>
Total at fair value	<u>\$ 122,938,966</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE B – CASH AND INVESTMENTS (Continued)

However, a GNMA pool does not mature all at once on its stated maturity date. Rather, a portion of each pool matures every month, and an entire pool will usually mature many years before its maturity date. The following homeowner actions result in the return of principal to the owners of a GNMA pool: 1) making a monthly mortgage payment which includes a principal component, 2) refinancing a mortgage and thereby paying off the old mortgage, 3) selling a home and paying off the mortgage. GNMA principal amounts returned to the College are either reinvested, held as cash or used in operations as is deemed appropriate. For the year ended June 30, 2012 the College's GNMA investments returned principal as follows:

<u>Years</u>	<u>Amount</u>
1-5	\$ 55,836
6-10	86,658
11-20	2,811,419
Greater than 20	<u>15,202,132</u>
Total (at cost)	<u>\$ 18,156,045</u>

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

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

Capital improvements, facility renovations, equipment	\$ 69,513,482
Tuition stabilization, rainy day fund, uninsured losses, other contingencies and initiatives	34,705,698
Auxiliary enterprises	13,380,730
Restricted grants and contracts	1,582,136
Restricted future proceeds from property tax levy	29,106,241
Board designated endowment	<u>16,643,204</u>
Total allocated net assets	<u>\$ 164,931,491</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE C – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2012 and 2011 is summarized as follows:

<u>2012</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Cost:				
Land and improvements	\$ 15,113,624	\$ 117,344	\$ -	\$ 15,230,968
Buildings and improvements	234,189,898	5,614,493	-	239,804,391
Equipment and fixtures	21,359,585	3,760,272	1,556,413	23,563,444
Library materials	<u>3,720,465</u>	<u>78,520</u>	<u>415,112</u>	<u>3,383,873</u>
Total cost	<u>274,383,572</u>	<u>9,570,629</u>	<u>1,971,525</u>	<u>281,982,676</u>
Less accumulated depreciation:				
Buildings and improvements	122,669,901	7,007,458	-	129,677,359
Equipment and fixtures	15,775,324	1,584,909	1,548,904	15,811,329
Library materials	<u>3,481,481</u>	<u>86,586</u>	<u>415,111</u>	<u>3,152,956</u>
Total accumulated depreciation	<u>141,926,706</u>	<u>8,678,953</u>	<u>1,964,015</u>	<u>148,641,644</u>
Capital assets, net	<u>\$ 132,456,866</u>	<u>\$ 891,676</u>	<u>\$ 7,510</u>	<u>\$ 133,341,032</u>
<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>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE D – LONG-TERM LIABILITIES

Long-term liabilities activity for the years ended June 30, 2012 and 2011 is summarized as follows:

<u>2012</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 5,013,092	\$ 246,108	\$ (377,709)	\$ 4,881,491	\$ 278,400
	<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

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 addition to student subsidies, the State of Ohio provides a portion of the funding for the construction of major plant facilities on the College campus, as well as for the renovation of facilities and the purchase of equipment.

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

NOTE F – LEASE OBLIGATIONS

The College leases land, buildings and office space under operating lease agreements. These facilities are not recorded as assets on the balance sheet. The total rental expense under these agreements was \$1,413,230 and \$1,382,106 for the years ended June 30, 2012 and 2011, respectively.

Future minimum lease payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2012 are as follows:

Years ending June 30,	
2013	\$ 1,410,460
2014	1,195,622
2015	1,064,939
2016	966,509
2017	515,403
2018-2022	<u>2,603,628</u>
Total minimum lease payments	<u>\$ 7,756,561</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The OPERS employee contribution rate is 10% and the employer contribution rate is 14%. OPERS-LE members were required to contribute 11.6% of their annual salary from January 1 to December 31, 2011, while the College was required to contribute 18.1%. Beginning on January 1, 2012, the OPERS-LE contribution rate rose to 12.1% of annual salary for members and remained at 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 toll-free 1-888-227-7877.

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, 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.

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, 2011 through June 30, 2012, 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.

(Continued)

SINCLAIR COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012 and 2011

NOTE G – RETIREMENT PLANS (Continued)

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.

The College's contributions to OPERS, STRS and the ARP required and made for the years ended June 30, 2012, 2011, and 2010 were as follows:

<u>Year</u>	<u>OPERS</u>	<u>Contribution</u> <u>STRS</u>	<u>ARP</u>
2012	\$ 5,061,712	\$ 6,618,399	\$ 393,084
2011	4,951,670	6,566,182	382,167
2010	4,776,771	6,309,761	369,460

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 4.0% from 1/1/11 to 6/30/12, 5.5% from 1/1/10-2/28/10 and 5.0% from 3/1/10-12/31/10, and 5.5% from 7/1/09-12/31/09. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% from 1/1/11 to 6/30/12, 4.73% from 1/1/10-2/28/10 and 4.23% from 3/1/10-12/31/10, and 4.73% from 7/1/09-12/31/09. The portion of the College's 2012, 2011, and 2010 contributions to OPERS used to fund post-retirement benefits was approximately \$1,430,100, \$1,577,500, and \$1,799,700. 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.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 2012, 2011, and 2010. For the years ended June 30, 2012, 2011, and 2010, the College's contribution to STRS to fund these benefits was approximately \$469,000, \$465,500, and \$451,000, respectively.

NOTE I – INSURANCE

The College maintains comprehensive and umbrella insurance coverage with private carriers for real property, building contents, vehicles and liability. Additionally, the College carries Crime & Employee Dishonesty coverage. Vehicle policies include liability coverage for bodily injury and property damage. The College also carries professional coverage for employees and its Board of Trustees. The College retains a consulting firm to perform an annual examination of all insurance policies. 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 \$1,259,200 reported at June 30, 2012 is based on an estimate provided by an actuary and the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. No incremental claim adjustment expenses are included in the estimate.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2012	\$ 1,273,000	\$ 7,654,996	\$ 7,668,796	\$ 1,259,200
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

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 are 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, 2012, management is not aware of any potential disallowances.

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

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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, 2011 and 2010, 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 \$681,236 and \$814,352, representing the present value of those pledges receivable at December 31, 2011 and 2010, respectively. The fair value of pledges due within one year approximates its carrying value due to the short-term nature of the receivable. The remaining receivables have been discounted to reflect the present value of expected future cash flows using discount rates ranging from 2-5%.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

Pledges receivable at December 31, 2011 and 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Less than one year	\$ 390,185	\$ 357,509
One to five years	90,606	270,888
More than five years	<u>214,510</u>	<u>214,510</u>
	695,301	842,907
Allowance for doubtful accounts	(9,525)	(12,242)
Discount	<u>(4,540)</u>	<u>(16,313)</u>
	<u>\$ 681,236</u>	<u>\$ 814,352</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 is expended as the donor has specified, principally for scholarships and student financial aid.

Support to the College: During the years ended June 30, 2012 and 2011, the Foundation provided resources of \$1,885,933 and \$2,647,215 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, 2012

<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		\$ 450,816
Federal Work-Study Program	84.033		227,309
Federal Pell Grant Program	84.063		42,479,010
Federal Direct Student Loans	84.268		<u>43,291,985</u>
Total Student Financial Aid Assistance Cluster			<u>86,449,120</u>
Trio Cluster:			
Trio Upward Bound	84.047		454,569
Trio Student Support Services	84.042		294,715
Trio Talent Search Program	84.044A		<u>73,852</u>
Total Trio Cluster			<u>823,136</u>
Adult Education – Basic Grants to States			
Pass-through State of Ohio Department of Education	84.002	063362-AB-SL-2011	<u>256,513</u>
Career and Technical Education – Basic Grants to States:			
Pass-through State of Ohio Department of Education	84.048	20-C2 2005	341,470
Pass-through Ohio Board of Regents		BOR01-0000002429	13,397
Pass-through Ohio Board of Regents		BOR01-0000002442	13,401
Pass-through Ohio Board of Regents		BOR01-0000002431	13,398
Pass-through Ohio Board of Regents		BOR01-0000002430	13,397
Pass-through Ohio Board of Regents		BOR01-0000002618	<u>3,999</u>
Total Career and Technical Education Cluster			<u>399,062</u>
Total Department of Education			<u>87,927,831</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Federal Grants/Pass-Through Grant/Program Title	Federal CFDA Number	Pass-through Grantor's Numbers	Federal Expenditures
Department of Health and Human Services:			
Temporary Assistance for Needy Families, Fast Forward Center Pass-through Montgomery County Department of Job and Family Services	93.558	Res. 11-0866; CE 100279	\$ 294,508
Health Information Technology Professionals in Health Care/Midwest Community College Health Technology Pass-through Cuyahoga Community College - ARRA	93.721		<u>279,929</u>
Total Department of Health and Human Services			<u>574,437</u>
Department of Commerce			
Broadband Technology Opportunities Program/ Connect Ohio Pass-through Connected Nation – ARRA	11.557	21-43-B10546	<u>1,741</u>
National Science Foundation - Education and Human Resources			
Direct award	47.076		781,392
Pass-through Wright State University		PSM06625	27,375
Pass-through Ohio State University		RF01092831	5,000
Pass-through Wright State University		HRD-0833644	12,977
Pass-through Stevens Institute		527679—FY10-4	19,866
Pass-through Butler County Community College		03-01-5-3410-862-00	86,437
Pass-through Riverside Community College District		DUE-1104176	47,520
Direct award	47.041		<u>26,765</u>
Total National Science Foundation			<u>1,007,332</u>
Department of Justice – Edward Byrne Memorial Justice Assistance Grant Program			
Direct award	16.738		306
Pass-through the Ohio Department of Public Safety		2010-JG-LLE-5257	<u>2,987</u>
Total Department of Justice			<u>3,293</u>
Department of Labor:			
WIA Pilots, Demonstrations and Research Projects	17.261		35,246
WIA Dislocated Workers Pass-through Montgomery County Department of Job and Family Services - ARRA	17.260	Res.11-0297; CE100091	18,166

(Continued)

SINCLAIR COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2012

<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 - ARRA	17.275	GJ-20076-10-60-A-39	\$ <u>326,733</u>
Total Department of Labor			<u>380,145</u>
Corporation for National and Community Service, pass-through the Greater Pittsburgh Literacy Council, Literacy*AmeriCorps	94.006	06NDHTX002	<u>169,485</u>
Department of Agriculture Child and Adult Care Food Program Pass-through State of Ohio Department of Education	10.558	063362	<u>6,394</u>
Department of Energy – Office of Science Financial Assistance Program Pass-through University of Dayton Research Institute	81.049	RSC11005	<u>96,133</u>
Department of Transportation – Federal Transit Formula Grants Pass-through City of Dayton	20.507	Min. Book I-12, Page 0431	<u>13,000</u>
Total Federal Awards			<u>\$ 90,179,791</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

SINCLAIR COMMUNITY COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

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*

The Board of Trustees of
Sinclair Community College and
David Yost, 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 as of and for the year ended June 30, 2012, and have issued our report thereon dated the same day 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 Sinclair Community College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sinclair Community 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 Sinclair Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sinclair Community 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sinclair Community 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*.

This report is intended solely for the information and use of management, the Audit Committee, the Board of Trustees, the Ohio Auditor of State, federal awarding agencies and pass-through entities 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, 2012

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

The Board of Trustees of
Sinclair Community College and
David Yost, Auditor of State
Dayton, Ohio

Compliance

We have audited Sinclair Community College's compliance 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 Sinclair Community College's major federal programs for the year ended June 30, 2012. Sinclair Community 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 Sinclair Community College's management. Our responsibility is to express an opinion on Sinclair Community 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. 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 Sinclair Community 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 Sinclair Community College's compliance with those requirements.

In our opinion, Sinclair Community 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, 2012.

Internal Control Over Compliance

Management of Sinclair Community 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 Sinclair Community 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 Sinclair Community 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.

This report is intended solely for the information and use of management, the Audit Committee, the Board of Trustees, the Ohio Auditor of State, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Columbus, Ohio
October 31, 2012

SINCLAIR COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2012

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>		None reported
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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>		None reported
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Type of auditors' report issued on compliance for major programs

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?

	Yes	<u> X </u>		None reported
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(Continued)



Dave Yost • Auditor of State

SINCLAIR COMMUNITY COLLEGE

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 29, 2013**