

SINCLAIR COMMUNITY COLLEGE
Dayton, Ohio

FINANCIAL STATEMENTS
June 30, 2013 and 2012



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, 2012 through June 30, 2013. 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 14, 2014

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SINCLAIR COMMUNITY COLLEGE

Dayton, Ohio

FINANCIAL STATEMENTS

June 30, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013 and 2012, and the discretely presented component unit, Sinclair Community College Development Foundation (the "Foundation"), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the College as of June 30, 2013 and 2012 and its discretely presented component unit, the Foundation, as of December 31, 2012 and 2011, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 to 14 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by 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.

Supplementary Information

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 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

Report on Other Legal and Regulatory Requirements

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



Crowe Horwath LLP

Columbus, Ohio
October 30, 2013

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, 2013 and 2012. 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 of over 30% from fiscal 2008 to 2011 during the height of the global economic crisis. Similar to national and state of Ohio community college trends, the College's enrollment declined in fiscal 2013 due to normal business cycle trends, some economic recovery and an expected temporary reduction attributable to converting from a quarter-based to a semester-based calendar. Enrollments for summer and fall of fiscal 2014 have rebounded with annualized full-time equivalencies trending up 3-5%.
- The College's financial health remains strong due to the prudent planning and vigilance of the Board of Trustees and administration. Significant attention has been focused on financial planning over the past several years in order to responsibly navigate through reduced levels of state and levy funding coupled with enrollment fluctuations.
- In accordance with state and higher education policy goals, Sinclair is highly focused on improving student completion and outcomes by partnering with such diverse entities as the Bill & Melinda Gates Foundation, the Mathile Family Foundation, Boston College and Western Governors University. These partnerships seek to improve student success by focusing on a holistic approach to student advising and by emphasizing a competency-based approach to instruction. Most recently, the College won a highly competitive U.S. Department of Education Title III grant, called *Connect 4 Completion*, which will provide academic, personal, financial and career advising within career communities.
- The Courseview Campus Center in Mason, Ohio, now in its seventh year of operation, has nearly tripled its enrollment since its opening. 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 as evidenced by the recent opening of a second building on the campus that more than doubles its instructional capacity and greatly expands the variety of courses and programs that are and can be offered there.
- Sinclair completed its transition to a semester calendar from a quarter-based one in the fall of 2012. The planning for the change occurred over a nearly four-year period, and the impacts on the College's operations are expected to be realized for several more as students acclimate to the new schedule. The State of Ohio Board of Regents mandated the switch to facilitate easier transfer of students among different institutions of higher education in the system.
- The College continued to demonstrate an exceptional level of commitment to teaching and learning in fiscal 2013. 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.
- During fiscal 2013, the College completed a comprehensive facilities master plan of the Dayton Campus. This plan will guide future capital budget decisions and defines Sinclair's strategic connections – internally and externally – to downtown Dayton and the metropolitan region.

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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:

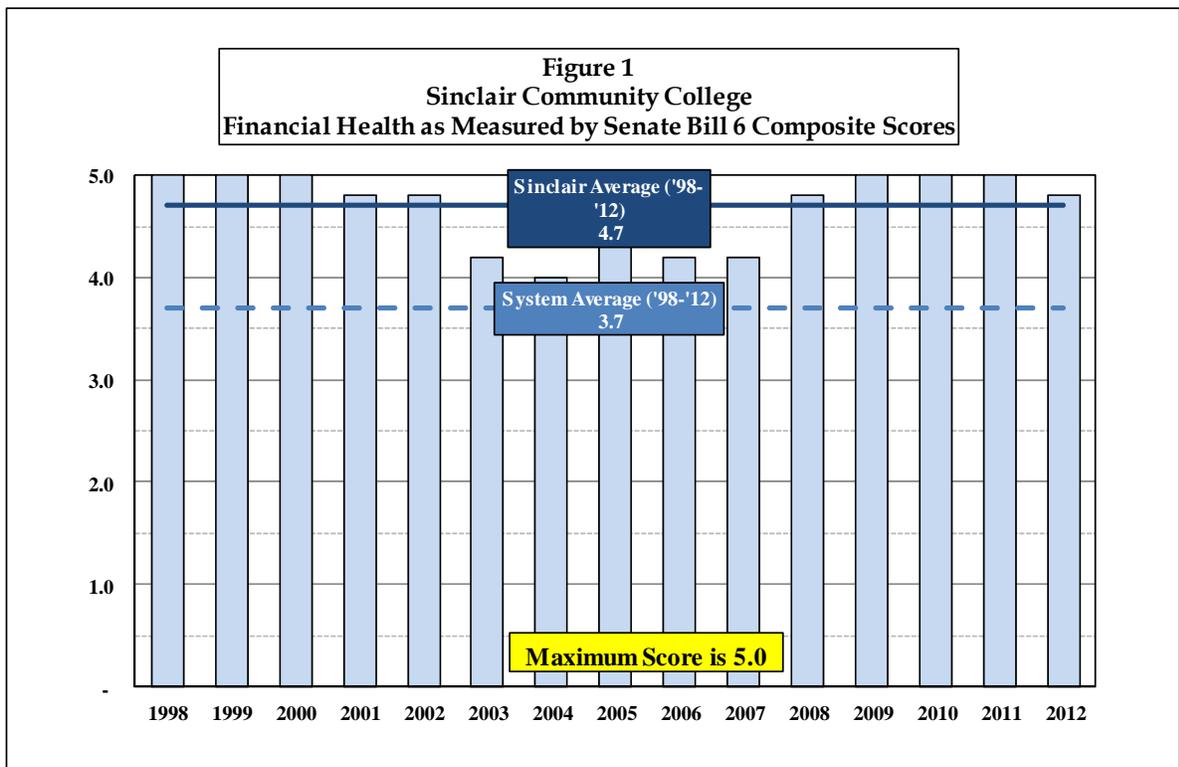
- **Use money as a tool to accomplish the mission:** Money is a tool used in fulfilling our service mission, but is not an end in itself.
- **Employ results oriented spending:** This is generally tied to an expectation of clear mission results.
- **Focus on long-term stability:** Use financial modeling and planning to help ensure the long-term sustainability and financial viability of the College.
- **Pay as you go:** Save money upfront and place in allocated reserves for later use in major capital expenditures, thereby avoiding 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 spending 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 2012), Sinclair received a score of 4.8 (the highest composite score possible is 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.

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

During fiscal year 2013, the College implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), and certain other new GASB statements. Please see *Adoption of New Accounting Pronouncements* in Note A of the financial statements for further details.

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, 2013 and 2012 and the results of its operations for the fiscal years then ended.

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Net Position

The College's total net position is 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 position. 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 position is provided below and in the next section titled "*Statements of Revenues, Expenses and Changes in Net Position.*"

Fiscal 2013

At June 30, 2013, the College's net position was \$293.2 million (Table 1). Liabilities of \$42.2 million were only 12.6% of total assets of \$335.4 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 position decreased by \$5.4 million (from \$298.6 million to \$293.2 million) in fiscal 2013. The decrease had these components:

- A net increase of \$.1 million after depreciation expense of \$9.8 million, but exclusive of the change in the fair value of investments;
- A decrease in the fair value of investments of \$5.5 million; that is, net unrealized gains in the investment portfolio decreased from \$9.8 million at June 30, 2012 to \$4.3 million at June 30, 2013.

Also in fiscal 2013, capital asset acquisitions consumed approximately \$12.2 million of unrestricted and restricted net assets and added a corresponding amount to capital assets.

Fiscal 2012

At June 30, 2012, the net position was \$298.6 million. Liabilities of \$36.3 million were only 10.8% of total assets of \$334.9 million.

Total net position increased by \$5.3 million (from \$293.3 million to \$298.6 million) in fiscal 2012. The increase had these components:

- A 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.

TABLE 1
NET POSITION
(in millions of dollars)

	2013	2012	Percentage Change 2012-13	2011
Current assets	\$ 98.5	\$ 78.7	25.2%	\$ 79.6
Investments	101.1	122.9	(17.7%)	116.0
Capital assets, net	135.8	133.3	1.9%	132.4
Total assets	335.4	334.9	0.1%	328.0
Current liabilities	37.9	31.7	19.6%	30.0
Long-term liabilities	4.3	4.6	(6.5%)	4.8
Total liabilities	42.2	36.3	16.3%	34.8
Net position:				
Invested in capital assets	135.8	133.3	1.9%	132.4
Restricted—expendable	2.7	1.6	68.8%	2.4
Restricted—nonexpendable	28.8	29.1	(1.0%)	30.3
Unrestricted	125.9	134.6	(6.5%)	128.2
Total net position	\$ 293.2	\$ 298.6	(1.8%)	\$ 293.3

Statements of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position (SRECNP) shown in Table 2 presents the College's operating results for fiscal years 2013, 2012 and 2011. The following narrative provides an overview of the key elements in the SRECNP.

Revenues (Operating, Non-operating and Other)

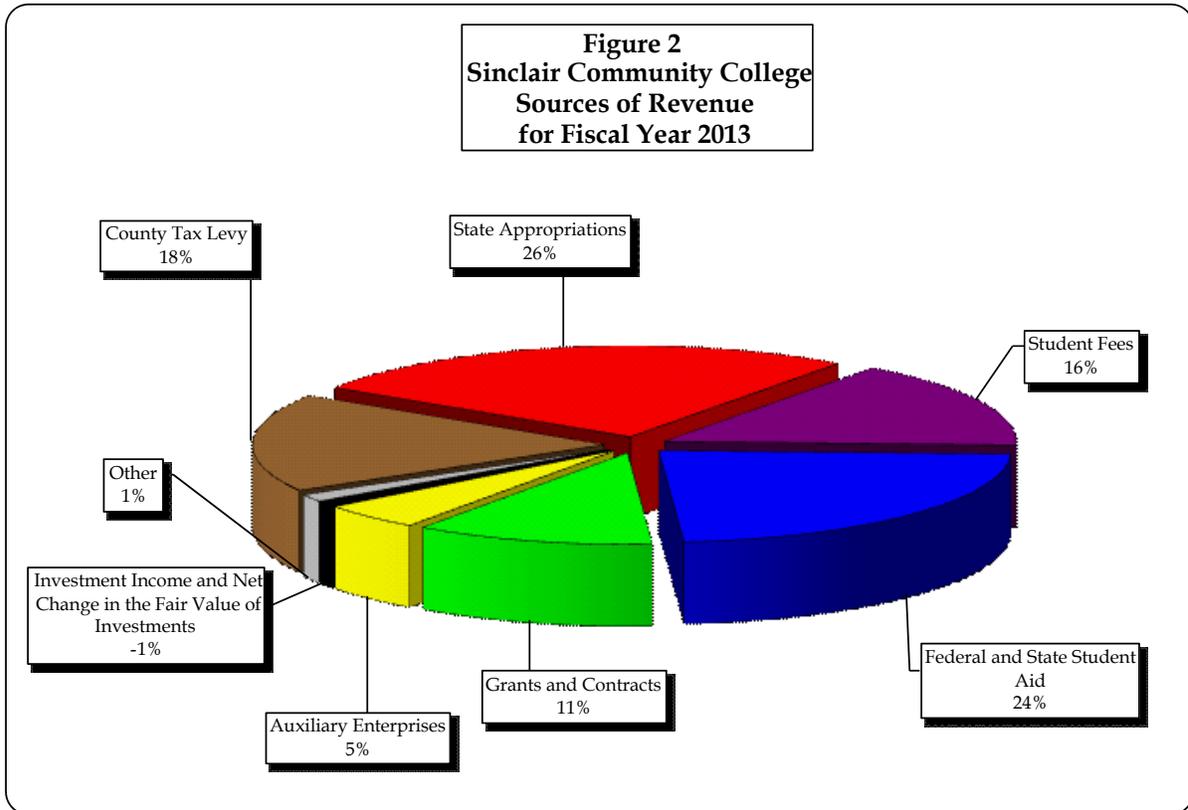
- Operating revenue of the College is defined as payments received for goods and services provided, and is comprised mainly of tuition and fees, federal and state grants and income from auxiliary operations. Certain other revenue streams of the College are classified as non-operating. These include state appropriations, county property tax levy receipts, federal student financial aid payments, investment income and state capital grants.
- Operating revenue increased by \$5.4 million or 12.7% in fiscal 2013, due primarily to increases in all grant categories (federal, state/local and non-governmental); the College received large grants from the Gates Foundation and Educause driving the change in the non-governmental area. A decrease in reported enrollment volume revenue was offset by tuition and fee rate hikes and a lower amount of tuition reductions in the form of grants and scholarships, thereby yielding a slight increase in student tuition and fees (Note: In accordance with the required reporting display, gross tuition and fees on the SRECNP are reduced by grants and scholarships used to help pay those fees, resulting in a net revenue amount.).

(Continued)

- Fiscal 2013's results reverse the decline realized in 2012 which saw all categories of operating revenue drop vis-à-vis 2011. Enrollments in 2012 declined 6.5% relative to 2011 due to the fact that fiscal 2012 represented the effective end of the College's operating on a quarter-based academic calendar.
- Non-operating and other revenues decreased by \$15.2 million in fiscal 2013, due in part to reductions in receipts from state appropriations, the county tax levy, and federal student aid grant programs.
 - State appropriations were \$0.8 million or 1.8% lower than the prior year. 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 \$1.3 million or 4.3% 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 \$5.5 million or 12.9% in light of the aforementioned enrollment decline.
- Non-operating and other revenues decreased a net \$6.2 million (4.6%) in fiscal 2012, due to the following factors:
 - State appropriations for operations decreased by \$5.6 million or 11.4% mainly due to the lapse of federal stimulus funding that had been part of fiscal 2011's allocation.
 - County tax levy revenue decreased by \$1.2 million or 3.9% as the result of a decline in real estate valuations.
 - Federal student aid grant program receipts declined by \$1.9 million or 4.3% in light of the enrollment decline experienced during the year.
- Non-operating revenues in 2013 also include a decrease in the fair value of investments of \$5.5 million, following increases of \$3.0 million in 2012 and \$0.4 million in 2011. The decrease in 2013 was mainly the result of lower market prices for the portfolio's bonds at June 30, 2013 compared to the prices at June 30, 2012. At June 30, 2013 the bond portfolio includes \$4.3 in net unrealized gains. Because the College has a practice of holding its investments to maturity, unrealized gains or losses in the investment portfolio are not expected to be realized.

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

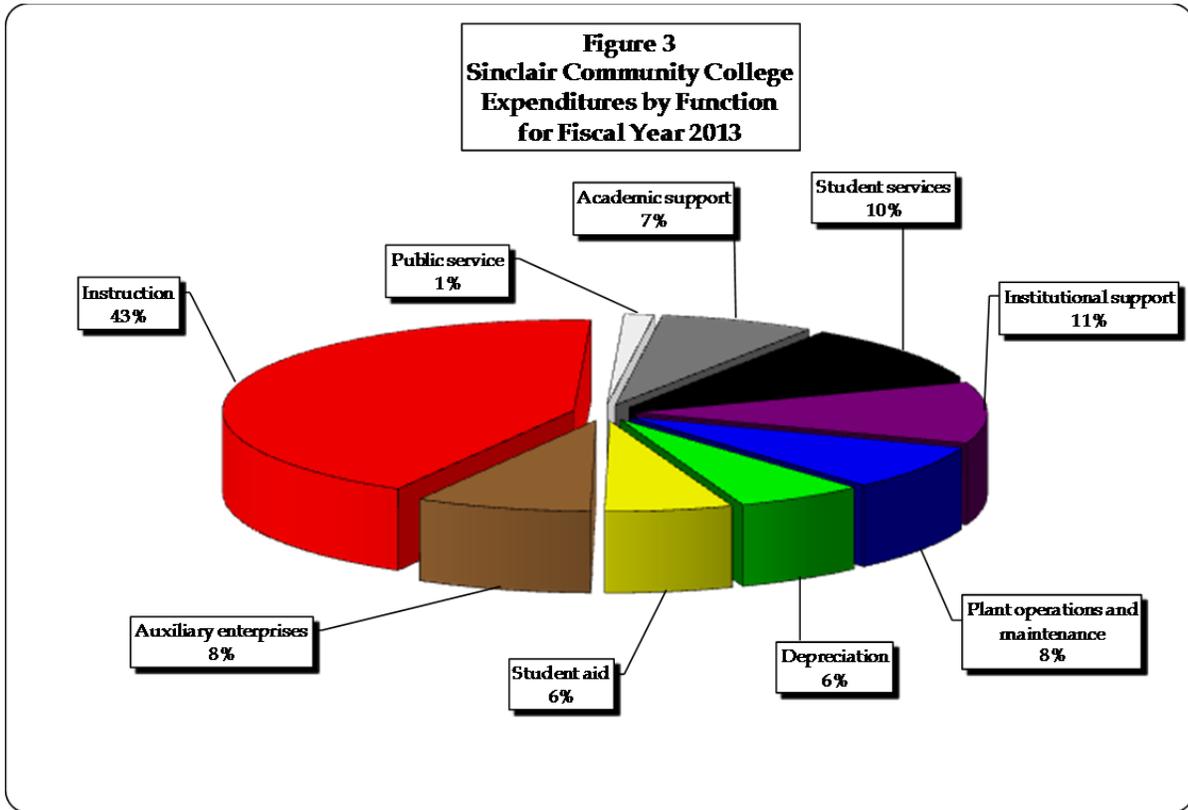


Operating Expenses

- In fiscal 2013, operating expenses grew by a modest 0.5% or \$0.9 million. Decreases in categories particularly sensitive to enrollment volume changes such as Instruction and Student Aid served to mostly offset increases in Student Services and Institutional Support. The ramp up of efforts pursuant to the Gates Foundation's Completion by Design initiative accounted for a large share of the increase in Student Services. Outlays for the Dayton River Run project and a considerable increase in the purchase of non-capitalized information technology equipment drove the change in the Institutional Support category.
- 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.

(Continued)

Figure 3 breaks out Sinclair's total operating expenses by functional category.



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

	2013	2012	Percentage Change 2012-2013	2011
Operating revenues:				
Student tuition and fees, net of grants and scholarships	\$ 25.5	\$ 24.9	2.4%	\$ 26.7
Federal grants and contracts	4.8	4.2	14.3%	4.4
State and local grants and contracts	1.3	1.1	18.2%	1.5
Nongovernmental grants and contracts	6.5	3.2	103.1%	3.6
Sales and services of educational departments	1.3	1.3	0.0%	1.3
Auxiliary enterprises, net of grants and scholarships	7.7	7.0	10.0%	8.4
Other	0.8	0.8	0.0%	0.8
Total operating revenues	47.9	42.5	12.7%	46.7
Operating expenses:				
Instruction	70.7	71.3	(0.8%)	72.7
Public service	2.3	2.4	(4.2%)	2.4
Academic support	11.9	11.8	0.8%	11.5
Student services	17.1	15.2	12.5%	14.5
Institutional support	18.2	16.5	10.3%	16.0
Plant operations and maintenance	13.3	13.0	2.3%	13.5
Depreciation	9.8	8.7	12.6%	8.2
Student aid	9.8	12.5	(21.6%)	16.1
Auxiliary enterprises	13.5	14.3	(5.6%)	14.3
Total operating expenses	166.6	165.7	0.5%	169.2
Nonoperating and other revenues:				
State appropriations	42.6	43.4	(1.8%)	49.0
County tax levy	28.6	29.9	(4.3%)	31.1
Federal student aid grant programs	37.3	42.8	(12.9%)	44.7
State student aid grant programs	0.8	0.3	166.7%	0.2
Investment income	4.1	4.8	(14.6%)	4.9
Net change in the fair value of investments	(5.5)	3.0	(283.3%)	0.4
Capital grants	5.4	4.3	25.6%	4.4
Total nonoperating and other revenues	113.3	128.5	(11.8%)	134.7
Change in net position	\$ (5.4)	\$ 5.3	(201.9%)	\$ 12.2

(Continued)

Capital Assets

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

- The Dayton Campus Master Plan Design project, begun in 2012 and completed in 2013, represents a fresh look for opportunities to support student learning and College growth. Building improvement projects on the downtown Dayton campus in 2013 included the completion of the Bookstore enhancement project. On the Courseview campus, the renovation of Building B was undertaken in 2013 and largely completed by fiscal year-end. Building improvement projects on the downtown Dayton campus in 2012 included the structural aspects of the next phase of the expansion/standardization of classroom multimedia equipment, and the first phase of the Bookstore enhancement project.
- Major facility life cycle maintenance projects at the downtown campus in 2013 included Phase I of an air temperature control system upgrade, roof replacement (buildings 10, 11 and 14), air handler replacements (buildings 1 and 3), and exterior door replacement. Major facility life cycle maintenance projects at the downtown campus in 2012 included roof replacement (buildings 8 and 17), air handler replacements (building 5), floor replacement (building 8's field house and weight room), exterior masonry repairs and sealing, main parking garage membrane replacement, and campus-wide clock system replacement.
- Major additions to equipment inventory in 2013 included classroom presentation equipment and Bookstore equipment, and computer control room power supply hardware upgrades. In 2012, additions to equipment inventory included classroom presentation equipment and computer hardware replacements.
- In 2013, the College continued the parking lot project begun in 2012, when an aged office building on Fourth Street was demolished and the adjacent parking lot was expanded.

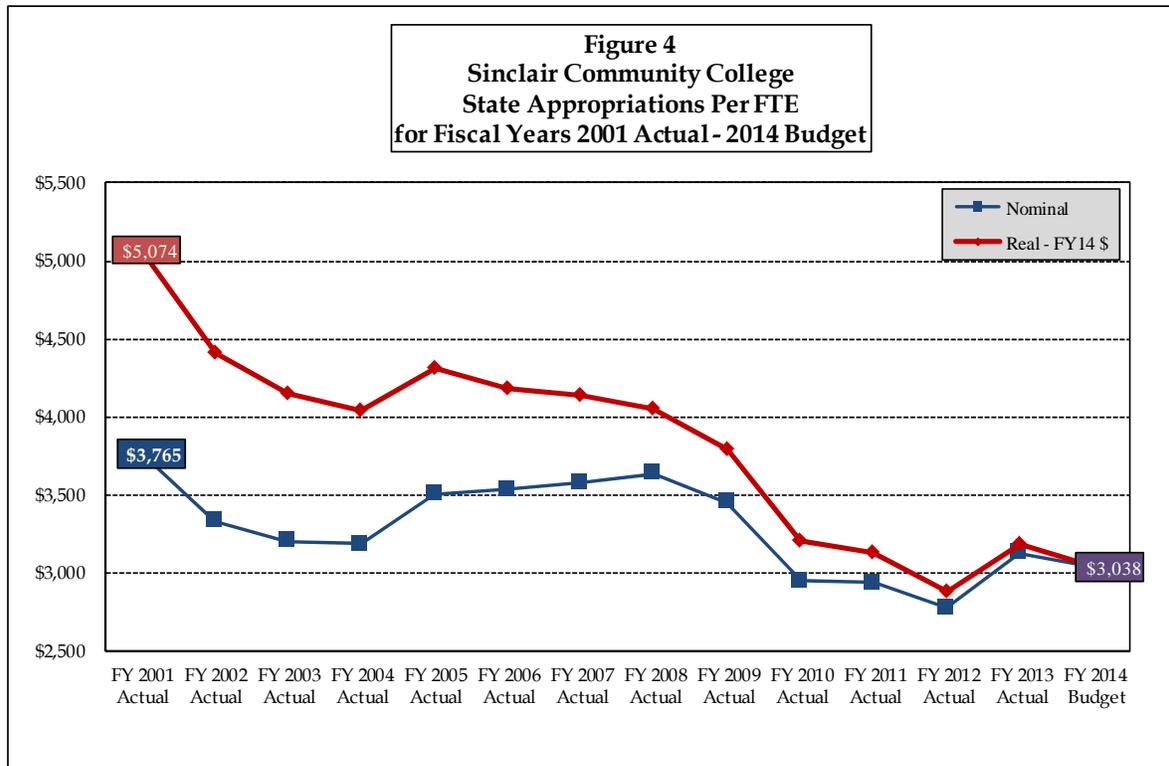
TABLE 3
CAPITAL ASSETS
(net of depreciation, in millions of dollars)

	2013	2012	Percentage Change 2012-2013	2011
Land and improvements	\$ 15.4	\$ 15.2	1.3%	\$ 15.1
Buildings and improvements	112.2	110.1	1.9%	111.5
Equipment	8.0	7.8	2.6%	5.6
Library books	0.2	0.2	0.0%	0.2
Total capital assets	\$ 135.8	\$ 133.3	1.9%	\$ 132.4

(Continued)

Factors Impacting Future Periods

State of Ohio Appropriations: The State of Ohio's operating funding formula is undergoing significant transformation whereby institutional allocations will be entirely based on student completion and success measures. Historically state subsidy (State Share of Instruction or SSI) has been apportioned almost exclusively on the basis of the *volume* of full-time equivalent (FTE) students enrolled. Over the course of fiscal years 2014 and 2015, however, the State will re-engineer the formula to drive allocations based on *student success* measures, such as course completion rates. Notwithstanding the formula modifications, only a slight increase in the overall SSI higher education pool was appropriated in the current two-year state budget. Figure 4 depicts the long-term trend in Sinclair's per student state funding, a trend which is similar to that experienced by other Ohio community colleges.

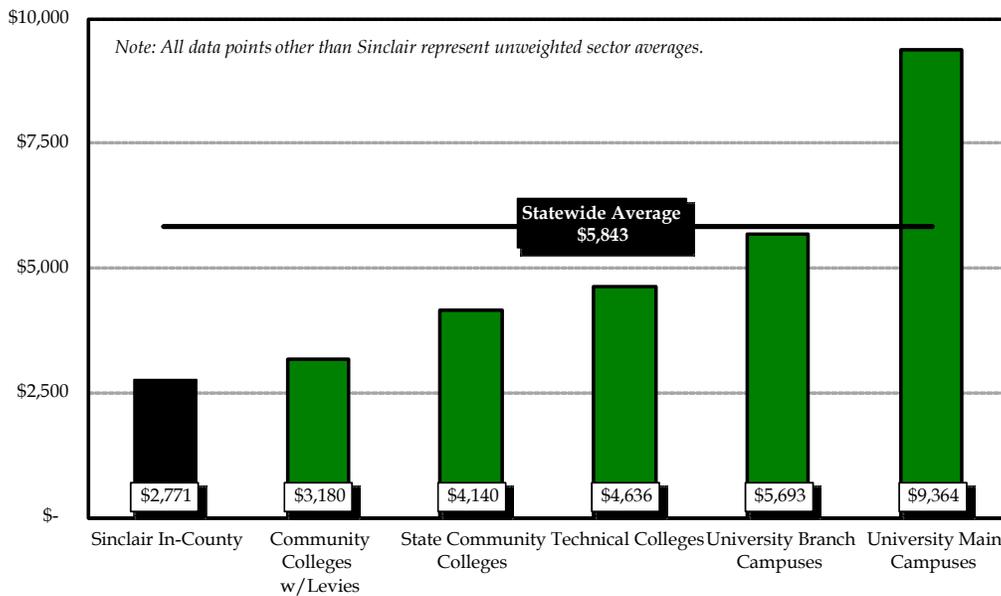


Montgomery County Levy: The levy is used entirely for expenditures benefiting students who reside in Montgomery County in the form of tuition subsidy and support for services at the Dayton campus and the Englewood and Huber Heights learning centers. Since the current 3.2 mil levy was passed in 2008, property value declines and legislative actions have reduced the levy proceeds by about 17%. The latest information from the County Auditor indicates that the College may realize a further decline in this source as a result of lower property values arising from the ongoing property revaluation process.

Tuition and Fees: As state funding and county levy revenues have declined, the College has implemented aggressive cost restraint and efficiency measures. Even with these measures (yielding efficiencies of over \$20 million), 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 2012. Sinclair's relative positioning is not expected to change when the fall 2013 survey is released.)

(Continued)

Figure 5
Annualized Tuition Fall 2012
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 due to normal business cycle trends and improvement in the economy. Another factor contributing to a temporary decline is the conversion to semesters, which has impacted Sinclair and other Ohio institutions as students adjust to a new calendar. 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 Sinclair’s affordability. The Courseview campus holds tremendous potential for new enrollments to meet the growing educational needs in that market. To that end, the College recently undertook the first phase of expansion on the campus, opening a new building and thereby doubling the enrollment capacity and greatly expanding the breadth of offerings there.

Banking and Investing Environment: The College monitors opportunities to earn interest income from its operating bank accounts and from bond investments. A fresh review of investing policies is underway to evaluate options for enhancing investment income in the current economic environment.

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 and is now entering its third overall year of participation; (b) the U.S Department of Labor project to create revolutionary change in Information Technology training, for which Sinclair is the lead college; (c) a U.S. Department of Education Title III *Connect for Completion* grant to create career communities for students and (d) the *City Connects* project sponsored by the Mathile Foundation to create a holistic advising process for students.

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 43,764,041	\$ 20,177,370
Accounts receivable, net	21,968,698	25,502,827
Prepaid expenses	1,504,800	1,002,751
Interest receivable	342,228	420,319
Property tax levy receivable	28,851,578	29,106,241
Inventories	<u>2,080,005</u>	<u>2,445,659</u>
Total current assets	<u>98,511,350</u>	<u>78,655,167</u>
NONCURRENT ASSETS		
Investments	101,099,310	122,938,966
Capital assets, net	<u>135,809,510</u>	<u>133,341,032</u>
Total noncurrent assets	<u>236,908,820</u>	<u>256,279,998</u>
Total assets	<u>\$ 335,420,170</u>	<u>\$ 334,935,165</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accruals	\$ 9,275,796	\$ 5,572,170
Accrued salaries, wages and benefits	9,410,209	11,130,364
Unearned student fee income	17,453,479	13,404,803
Deposits	<u>1,731,350</u>	<u>1,597,896</u>
Total current liabilities	37,870,834	31,705,233
NONCURRENT LIABILITIES		
Accrued salaries, wages and benefits	<u>4,312,198</u>	<u>4,603,091</u>
Total liabilities	<u>42,183,032</u>	<u>36,308,324</u>
NET POSITION		
Invested in capital assets	135,809,510	133,341,032
Restricted		
Expendable	2,673,374	1,582,136
Nonexpendable (levy)	28,851,578	29,106,241
Unrestricted	<u>125,902,676</u>	<u>134,597,432</u>
Total net position	<u>293,237,138</u>	<u>298,626,841</u>
Total liabilities and net position	<u>\$ 335,420,170</u>	<u>\$ 334,935,165</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 641,280	\$ 1,714,127
Investments		
Fixed income security funds	3,426,304	7,264,036
Equity funds	17,621,637	15,440,631
Venture capital funds	<u>491,221</u>	<u>579,523</u>
Total investments	21,539,162	23,284,190
Accounts receivable	10,500	49,165
Pledges receivable, net of allowances of \$3,049 and \$9,525 at December 31, 2012 and 2011, respectively	363,928	681,236
Land	4,281,836	-
Buildings, net of accumulated depreciation	<u>862,185</u>	<u>-</u>
Total assets	<u>\$ 27,698,891</u>	<u>\$ 25,728,718</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Payable to Sinclair Community College	\$ 50,385	\$ 93,760
Other payables	<u>75,000</u>	<u>50,000</u>
Total liabilities	125,385	143,760
Net assets		
Unrestricted	18,166,126	16,549,261
Temporarily restricted	3,565,334	3,459,100
Permanently restricted	<u>5,842,046</u>	<u>5,576,597</u>
Total net assets	<u>27,573,506</u>	<u>25,584,958</u>
Total liabilities and net assets	<u>\$ 27,698,891</u>	<u>\$ 25,728,718</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Operating revenues:		
Student tuition and fees	\$ 50,244,773	\$ 50,037,398
Less grants and scholarships	<u>(24,785,525)</u>	<u>(25,146,072)</u>
Student tuition and fees net of grants and scholarships	25,459,248	24,891,326
Federal grants and contracts	4,790,923	4,160,541
State and local grants and contracts	1,337,003	1,133,236
Nongovernmental grants and contracts	6,525,242	3,170,489
Sales and services of educational departments	1,300,563	1,302,795
Auxiliary enterprises		
Food service	628,029	502,908
Bookstore (net of grants and scholarships of \$6,683,329 and \$8,483,515 in 2013 and 2012, respectively)	6,234,494	5,550,198
Parking	817,899	912,869
Other operating revenues	<u>798,074</u>	<u>841,440</u>
Total operating revenues	<u>\$ 47,891,475</u>	<u>\$ 42,465,802</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
EXPENSES		
Operating expenses:		
Educational and general:		
Instruction	\$ 70,707,546	\$ 71,333,227
Public service	2,268,098	2,381,972
Academic support	11,905,061	11,786,323
Student services	17,094,362	15,243,116
Institutional support	18,211,217	16,510,506
Plant operations and maintenance	13,287,167	13,006,255
Depreciation	9,769,767	8,678,953
Student aid	9,802,541	12,482,949
Auxiliary enterprises:		
Food service	287,512	267,731
Bookstore	12,268,673	12,874,033
Parking	<u>942,895</u>	<u>1,097,407</u>
Total operating expenses	<u>166,544,839</u>	<u>165,662,472</u>
Operating loss	<u>(118,653,364)</u>	<u>(123,196,670)</u>
Non-operating revenues (expenses):		
State appropriations	42,588,139	43,350,371
County tax levy	28,595,004	29,852,675
Federal student aid grant programs	37,306,030	42,832,559
State student aid grant programs	821,097	333,947
Investment income	4,053,817	4,798,175
Net increase (decrease) in the fair value in investments	<u>(5,491,786)</u>	<u>3,048,680</u>
Total non-operating revenues	<u>107,872,301</u>	<u>124,216,407</u>
Income before other revenues, expenses, gains, or losses	(10,781,063)	1,019,737
Other revenues – state capital grants	<u>5,391,360</u>	<u>4,350,261</u>
Increase (decrease) in net position	(5,389,703)	5,369,998
Net position:		
Beginning of year	<u>298,626,841</u>	<u>293,256,843</u>
End of year	<u>\$ 293,237,138</u>	<u>\$ 298,626,841</u>

See accompanying notes to financial statements.

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

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Contributions	\$ 252,192	\$ 3,855,987	\$ 167,621	\$ 4,275,800	\$ 200,038	\$ 1,540,114	\$ 245,910	\$ 1,986,062
Investment income	2,039,969	771,453	97,828	2,909,250	143,355	43,706	-	187,061
Lease income	118,434	-	-	118,434	-	-	-	-
Net assets released from restrictions	<u>4,521,206</u>	<u>(4,521,206)</u>	<u>-</u>	<u>-</u>	<u>2,095,380</u>	<u>(2,095,380)</u>	<u>-</u>	<u>-</u>
Total revenue and support	6,931,801	106,234	265,449	7,303,484	2,438,773	(511,560)	245,910	2,173,123
Expenses:								
Scholarships	896,473	-	-	896,473	747,203	-	-	747,203
Project support	4,200,955	-	-	4,200,955	1,925,911	-	-	1,925,911
Operating expenses	<u>217,508</u>	<u>-</u>	<u>-</u>	<u>217,508</u>	<u>170,457</u>	<u>-</u>	<u>-</u>	<u>170,457</u>
Total expenses	<u>5,314,936</u>	<u>-</u>	<u>-</u>	<u>5,314,936</u>	<u>2,843,571</u>	<u>-</u>	<u>-</u>	<u>2,843,571</u>
Change in net assets	1,616,865	106,234	265,449	1,988,548	(404,798)	(511,560)	245,910	(670,448)
Net assets, beginning 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>
Net assets, end of year	<u>\$ 18,166,126</u>	<u>\$ 3,565,334</u>	<u>\$ 5,842,046</u>	<u>\$ 27,573,506</u>	<u>\$ 16,549,261</u>	<u>\$ 3,459,100</u>	<u>\$ 5,576,597</u>	<u>\$ 25,584,958</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 26,277,797	\$ 24,774,767
Grants and contracts	12,613,273	8,758,194
Payments to vendors and employees	(155,225,155)	(157,360,407)
Auxiliary enterprise charges	7,702,441	6,894,164
Sales and services of educational departments	1,198,017	1,218,613
Other receipts	<u>154,690</u>	<u>698,379</u>
Net cash used in operating activities	<u>(107,278,937)</u>	<u>(115,016,290)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State appropriations	42,588,139	43,350,371
Property tax levy receipts	28,849,667	31,036,010
Direct student loan receipts	48,181,492	40,451,926
Direct student loan disbursements	(42,265,253)	(38,911,341)
Deposits	133,455	(10,566)
Federal student aid grant programs	39,254,867	45,567,657
State student aid grant programs	<u>490,346</u>	<u>298,238</u>
Net cash provided by non-capital financing activities	<u>117,232,713</u>	<u>121,782,295</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants	5,391,360	4,350,261
Purchases of capital assets	<u>(12,238,245)</u>	<u>(9,563,120)</u>
Net cash used in capital and related financing activities	<u>(6,846,885)</u>	<u>(5,212,859)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investments	27,865,249	18,156,045
Interest on investments	4,457,351	4,936,249
Purchase of investments	<u>(11,842,820)</u>	<u>(22,218,568)</u>
Net cash provided by (used in) investing activities	<u>20,479,780</u>	<u>873,726</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,586,671	2,426,872
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>20,177,370</u>	<u>17,750,498</u>
End of year	<u>\$ 43,764,041</u>	<u>\$ 20,177,370</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (118,653,364)	\$ (123,196,670)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	9,769,767	8,678,953
Changes in net assets:		
Accounts receivable	(4,000,199)	(1,635,188)
Inventory	365,654	(485,227)
Prepaid expenses	(502,049)	102,295
Accounts payable	3,703,626	1,667,701
Accrued salaries, wages and benefits	(2,011,048)	(1,664,300)
Unearned revenue	<u>4,048,676</u>	<u>1,516,146</u>
Net cash used in operating activities	<u>\$ (107,278,937)</u>	<u>\$ (115,016,290)</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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.

Net Position 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: Resources 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: Resources 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: Resources that are not subject to externally-imposed restrictions. Unrestricted resources may be designated for specific purposes by the Board of Trustees. Substantially all of the College’s unrestricted resources 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, 2013 and 2012

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 Position, 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 \$1,249,700 and \$873,700 at June 30, 2013 and 2012, 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.

Unearned Student Fee Income: Unearned student fee income includes the unearned portion of student tuition and fees for the summer and fall sessions. Unearned 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 Position 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, 2013 and 2012

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 2013, the provisions of the following GASB Statements became effective:

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.

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 that 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 transactions will continue to impact a government's financial statements in the future. In addition, the pronouncement does change the name of the Statement of Net Assets to the Statement of Net Position. A corresponding change has been made to the Statement of Revenues, Expenses and Changes in Net Position.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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

The adoption of these GASB statements had no significant impact on the College's financial condition, operating results or financial statements. In addition, because the College had no deferred outflows or deferred inflows at June 30, 2013 and 2012, it has elected not to present these captions on the Statement of Net Position.

Recent Accounting Pronouncements: As of June 30, 2013, the GASB has issued the following statements not yet implemented by the College.

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. This Statement is intended 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.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013. The provisions of this Statement are effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013. The provisions of this Statement are effective for periods beginning after June 15, 2013. This Statement specifies the information required to be disclosed by the governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

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

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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 and federally insured cash account 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, 2013, the carrying amount of the College's deposits in all funds was \$43,374,497 (included in cash and cash equivalents in the Statement of Net Position) and the bank balance was \$45,159,372. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2013. Of the bank balance, \$7,260,706 was covered by federal depository insurance or by collateral held by the College's agent in the College's name. The remaining balance of \$37,898,666 and \$12,638,979 at June 30, 2013 and 2012, 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 \$101,488,854 (amortized cost basis of \$97,179,913). The College's investments include \$101,099,310 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 \$389,544 on deposit in the State Treasurer's investment pool (included in cash and cash equivalents in the Statement of Net Position) is valued at the pool's share, which is the price for which the investment could be sold on June 30, 2013.

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>2013</u>	<u>2012</u>
1-5	\$ 158,376	\$ 139,956
6-10	658,471	415,350
11-20	23,117,306	28,068,384
Greater than 20	<u>77,165,157</u>	<u>94,315,276</u>
Total at fair value	<u>\$ 101,099,310</u>	<u>\$ 122,938,966</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE B – CASH AND INVESTMENTS (Continued)

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 years ended June 30, 2013 and 2012 the College's GNMA investments returned principal as follows:

<u>Years</u>	<u>2013</u>	<u>2012</u>
1-5	\$ 49,880	\$ 55,836
6-10	171,370	86,658
11-20	7,865,878	2,811,419
Greater than 20	<u>19,778,121</u>	<u>15,202,132</u>
Total (at cost)	<u>\$ 27,865,249</u>	<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 position designated by the Board of Trustees or restricted by outside parties for the following purposes:

	<u>2013</u>	<u>2012</u>
Capital improvements, facility renovations, equipment	\$ 60,555,714	\$ 69,513,482
Tuition stabilization, rainy day fund, uninsured losses, other contingencies and initiatives	34,858,455	34,705,698
Auxiliary enterprises	13,442,750	13,380,730
Restricted grants and contracts	2,673,374	1,582,136
Restricted future proceeds from property tax levy	28,851,578	29,106,241
Board designated endowment	<u>16,747,954</u>	<u>16,643,204</u>
Total allocated net position	<u>\$ 157,129,825</u>	<u>\$ 164,931,491</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE C – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2013 and 2012 is summarized as follows:

<u>2013</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Cost:				
Land and improvements	\$ 15,230,968	\$ 212,240	\$	\$ 15,443,208
Buildings and improvements	239,804,391	9,796,560		249,600,951
Equipment and fixtures	23,563,444	2,151,456	(89,627)	25,625,273
Library materials	<u>3,383,873</u>	<u>77,989</u>	<u>(426,539)</u>	<u>3,035,323</u>
Total cost	<u>281,982,676</u>	<u>12,238,245</u>	<u>(516,166)</u>	<u>293,704,755</u>
Less accumulated depreciation:				
Buildings and improvements	129,677,359	7,744,352		137,421,711
Equipment and fixtures	15,811,329	1,933,262	(89,627)	17,654,964
Library materials	<u>3,152,956</u>	<u>92,153</u>	<u>(426,539)</u>	<u>2,818,570</u>
Total accumulated depreciation	<u>148,641,644</u>	<u>9,769,767</u>	<u>(516,166)</u>	<u>157,895,245</u>
Capital assets, net	<u>\$ 133,341,032</u>	<u>\$ 2,468,478</u>	<u>\$ -</u>	<u>\$ 135,809,510</u>
<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>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE D – LONG-TERM LIABILITIES

Long-term liabilities activity for the years ended June 30, 2013 and 2012 is summarized as follows:

<u>2013</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 4,881,491	\$ 310,888	\$ (508,432)	\$ 4,683,947	\$ 371,749
	<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

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 position until received, and restricted, expendable net position 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 \$1,610,526 and \$1,413,230 for the years ended June 30, 2013 and 2012, respectively.

Future minimum lease payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2013 are as follows:

Years ending June 30,	
2014	\$ 1,445,231
2015	1,262,428
2016	1,051,923
2017	564,135
2018	519,364
2019-2023	<u>2,287,448</u>
Total minimum lease payments	<u>\$ 7,130,529</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE G – RETIREMENT PLANS

Employee retirement benefits are available for substantially all employees under retirement plans administered by the Ohio Public Employees Retirement Systems (“OPERS”) and the State Teachers Retirement System of Ohio (“STRS Ohio”). Employees may opt out of OPERS and STRS Ohio and participate in an Alternative Retirement Plan (“ARP”).

OPERS and STRS Ohio each offer three separate retirement plans: a defined benefit plan, a defined contribution plan, and a combined plan. Authority to establish and amend benefits is provided by state statute per the Ohio Revised Code.

Defined Benefit Plans: The defined benefit plans of STRS Ohio and OPERS are cost-sharing multiple-employer public employee retirement plans that provide retirement, disability, postretirement healthcare, and survivor benefits for plan members.

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) 222-6705 or 1-800-222-PERS. STRS Ohio issues a stand-alone financial report. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

Under OPERS, the employee contribution rate is 10% for all employees with the exception of law enforcement whose rate is 12.6%. The employer contribution rate is 14% for all employees with the exception of law enforcement whose rate is 18.1%.

Under STRS Ohio plan, the employee contribution rate is 10% and the employer contribution rate is 14%.

Defined Contribution Plans: All newly hired full time administrative employees, classified support staff, and faculty are eligible to choose an Alternative Retirement Plan (“ARP”) rather than the STRS Ohio or OPERS. ARPs consist of insurance carrier annuity contracts that provide retirement and death benefits but no health or disability benefits. The Ohio Department of Insurance (ODI) has approved nine companies to serve as ARP providers. Recently, the Ohio General Assembly transferred ODI’s responsibility to the Ohio Board of Regents. Once an employee decides to enroll in an ARP or the state retirement plan, the decision is irrevocable during their employment with the College.

An employee in an OPERS eligible position contributes 10% of their earned income to their ARP account. Legislation mandates the employer must contribute an amount to the state retirement system to which the employee would otherwise have belonged. For the years ended June 30, 2013 and 2012, 13.23% was paid into the member’s ARP account and the remaining .77% was paid to OPERS, as required by state legislation, to cover un-funded liabilities.

An employee in a STRS Ohio eligible position contributes 10% of their earned income to their ARP account. Legislation mandates the employer must contribute an amount to the state retirement system to which the employee would otherwise have belonged. For the years ended June 30, 2013 and 2012, 10.5% was paid into the member’s ARP account and the remaining 3.5% was paid to STRS Ohio, as required by state legislation, to cover un-funded liabilities.

(Continued)

SINCLAIR COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2013 and 2012

NOTE G – RETIREMENT PLANS (Continued)

The College's contributions to OPERS, STRS and the ARP required and made for the years ended June 30, 2013, 2012, and 2011 were as follows:

<u>Year</u>	<u>OPERS</u>	<u>Contribution</u> <u>STRS</u>	<u>ARP</u>
2013	\$ 5,102,180	\$ 5,787,251	\$ 400,711
2012	5,061,712	6,025,376	393,084
2011	4,951,670	6,042,844	382,167

Combined Plans: OPERS and STRS Ohio also offer combined plans with features of both a defined benefit plan and a defined contribution plan. In the combined plans, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit.

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 OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided per the Ohio Revised Code.

Each year, the OPERS Board of Trustees 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% during calendar years 2012 and 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar years 2012 and 2011. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the College's 2013, 2012 and 2011 contributions required and made to OPERS used to fund post-retirement benefits was approximately \$918,900, \$1,430,100, and \$1,577,500.

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 the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for 2013, 2012, and 2011. The portion of the College's 2013, 2012, and 2011 contributions required and made to STRS Ohio used to fund post-employment benefits was \$409,000, \$427,000, and \$428,000, respectively.

(Continued)

SINCLAIR COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2013 and 2012

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 and Cyber Liability 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 added unmanned aerial systems to its Aviation Policy. 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 \$1,294,000 reported at June 30, 2013 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
2013	\$ 1,259,200	\$ 8,047,638	\$ 8,012,838	\$ 1,294,000
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

During the current year the College began offering a health savings account option to its employees. There have been no other significant changes in coverage from last year.

Settled claims have not exceeded commercial coverage in any of the past three years.

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. In May 2011, the U.S. Department of Education performed a review of the College's compliance with regulations governing its administration of federal student financial aid programs. The College has not received a final report on this program review. Any disallowed amounts resulting from this or any other such audits would become a liability of the College.

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, 2013 and 2012

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. 61, *The Financial Reporting Entity – Omnibus*. This Statement amended GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB 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, 2012 and 2011, 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 \$363,928 and \$681,236, representing the present value of those pledges receivable at December 31, 2012 and 2011, 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%.

Pledges receivable at December 31, 2012 and 2011 are summarized as follows:

	<u>2012</u>	<u>2011</u>
Less than one year	\$ 143,871	\$ 390,185
One to five years	9,190	90,606
More than five years	<u>214,510</u>	<u>214,510</u>
	367,571	695,301
Allowance for doubtful accounts	(3,049)	(9,525)
Discount	<u>(594)</u>	<u>(4,540)</u>
	<u>\$ 363,928</u>	<u>\$ 681,236</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

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, 2013 and 2012, the Foundation provided resources of \$4,714,983 and \$1,885,933, 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.

Land and Buildings:

Capital assets consist of the following at December 31, 2012:

Land	\$ 4,281,836
Buildings	<u>882,783</u>
Total cost	5,164,619
Accumulated depreciation	<u>20,598</u>
	<u>\$ 5,144,021</u>

The Foundation purchased all of the land and the building in 2012 and donated it to Courseview Holdings, LLC, a limited liability company created in 2011 for that purpose. The Foundation is the sole member of the LLC. All of the property is being leased by the LLC to the College for the College's use in expanding its Courseview Campus in Mason, Ohio.

SUPPLEMENTARY INFORMATION

SINCLAIR COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Federal Grants/Pass-Through Grant/Program Title	Federal CFDA Number	Pass-through Grantor's Numbers	Federal Expenditures
U.S. Department of Education:			
Student Financial Aid Assistance Cluster:			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 206,648
Federal Work-Study Program	84.033		179,671
Federal Pell Grant Program	84.063		37,167,220
Federal Direct Student Loans	84.268		<u>42,265,253</u>
Total Student Financial Aid Assistance Cluster			<u>79,818,792</u>
Trio Cluster:			
Trio Upward Bound	84.047A		557,324
Trio Student Support Services	84.042A		273,196
Trio Talent Search Program	84.044A		<u>261,366</u>
Total Trio Cluster			<u>1,091,886</u>
Adult Education – Basic Grants to States			
Pass-through State of Ohio Department of Education	84.002	063362-AB-SL-2013	<u>250,917</u>
Career and Technical Education – Basic Grants to States:			
Pass-through State of Ohio Department of Education	84.048	20-C2 2005	380,758
Pass-through Ohio Board of Regents		BOR01-0000002429	5,499
Pass-through Ohio Board of Regents		BOR01-0000002442	5,500
Pass-through Ohio Board of Regents		BOR01-0000002431	7,999
Pass-through Ohio Board of Regents		BOR01-0000002430	1,499
Pass-through Ohio Board of Regents		BOR01-0000002639	4,386
Pass-through Ohio Board of Regents		BOR01-0000003089	17,113
Pass-through Ohio Board of Regents		BOR01-0000002837	16,070
Pass-through Ohio Board of Regents		BOR01-0000002838	16,065
Pass-through Ohio Board of Regents		BOR01-0000002839	16,081
Pass-through Ohio Board of Regents		BOR01-0000002950	3,999
Pass-through Ohio Department of Education		VENT WS 12/13 063362	<u>6,500</u>
Total Career and Technical Education Cluster			<u>481,469</u>
High School and Higher Education Alignment Race to the Top Fund – ARRA			
Pass-through Ohio Department of Education	84.395A	063662 9813 6910C 13	<u>35,000</u>
Total Department of Education			<u>81,678,064</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Federal Grants/Pass-Through Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Numbers</u>	<u>Federal Expenditures</u>
Department of Health and Human Services:			
Temporary Assistance for Needy Families, Fast Forward Center Pass-through Montgomery County Department of Job and Family Services	93.558	Res. 12-0999; CE 200364	\$ 202,860
Health Information Technology Professionals in Health Care/Midwest Community College Health Technology Pass-through Cuyahoga Community College - ARRA	93.721		<u>138,971</u>
Total Department of Health and Human Services			<u>341,831</u>
Department of Commerce			
Broadband Technology Opportunities Program/ Connect Ohio Pass-through Connected Nation – ARRA	11.557	21-43-B10546	<u>3,079</u>
National Science Foundation - Education and Human Resources:			
Direct award	47.076		936,957
Pass-through Wright State University		PSM06625	85,036
Pass-through Wright State University		HRD-0833644	7,326
Pass-through Stevens Institute		527679—FY10-4	8,969
Pass-through Riverside Community College District		DUE-1104176	<u>115,427</u>
			1,153,715
National Science Foundation – Engineering Grants	47.041		<u>58,170</u>
Total National Science Foundation			<u>1,211,885</u>
Department of Justice:			
Edward Byrne Memorial Justice Assistance Grant Program Direct award	16.738		<u>723</u>
Department of Labor:			
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282		917,863
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>257,289</u>
Total Department of Labor			<u>1,175,152</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2013

<u>Federal Grants/Pass-Through Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Numbers</u>	<u>Federal Expenditures</u>
Department of Agriculture: Child and Adult Care Food Program Pass-through State of Ohio Department of Education	10.558	063362	\$ <u>6,791</u>
Department of Transportation – Federal Transit Formula Grants Pass-through City of Dayton	20.507	Min. Book I-12, Page 0431	<u>15,938</u>
Total Federal Awards			<u>\$ 84,433,463</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, 2013

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.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Sinclair Community College as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Sinclair Community College's basic financial statements, and have issued our report thereon dated the same day as this report.

Internal Control Over Financial Reporting

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

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

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

(Continued)

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*.

Purpose of this Report

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



Crowe Horwath LLP

Columbus, Ohio
October 30, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sinclair Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Sinclair Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Sinclair Community College complied, in all material respects, with the types of 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, 2013.

(Continued)

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-01. Our opinion on each major federal program is not modified with respect to these matters.

The College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Sinclair Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sinclair Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-01, that we consider to be a significant deficiency.

The College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Columbus, Ohio
October 30, 2013

SINCLAIR COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2013

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued

Unmodified

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)?

<u> X </u>	Yes		None reported
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Type of auditors' report issued on compliance for major programs

Unmodified

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

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

SINCLAIR COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2013

PART I: SUMMARY OF AUDITORS' RESULTS (Continued)

Name of Major Program Identified	CFDA Number(s)
U.S. Department of Education Student Financial Aid Cluster:	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grants	84.007
Federal Direct Student Loans	84.268
Health Information Technology Professionals in Health Care/Midwest Community College Health Technology – ARRA	93.721
National Science Foundation – Education and Human Resources	47.076
Trade Adjustment Assistance Community College and Career Training Grant Program	17.282
Career and Technical Education – Basic Grants to States	84.048
Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

PART II: FINANCIAL STATEMENT FINDINGS SECTION

There were no findings.

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

Finding 2013-01

Federal Program Information:	Federal Direct Loan Program, CFDA #84.268
Criteria:	34 CFR 685.301 Origination of a loan by a Direct Loan Program school.
Condition:	One student in our sample of 25 was over-awarded a Federal Direct Loan in the amount of \$1,010. The student was awarded based on full-time status although they were only a half-time student enrolled in one term.
Questioned costs:	\$1,010 questioned cost for the student identified in the sample. Management performed a full file review of similarly situated students and identified an additional 106 over-awards that totaled \$89,265.

(Continued)

SINCLAIR COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

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

Finding 2013-01 (Continued)

Cause: The exception was caused by the improper cost of attendance being used in the financial aid awarding process. Students who received over-awards were less than full-time students who attended one term; however, they were awarded as full-time students.

Effect: Direct Loans were not awarded in accordance with federal regulations.

Recommendation: We recommend implementing policies and establishing monitoring procedures governing the awarding process to ensure Direct Loans are awarded in accordance with federal guidelines.

Management Response and Corrective Action: Management concurs with this finding. The over-awards have been adjusted and refunded to the Direct Loan Program.

Sinclair has established policies and procedures for awarding Direct Loan Program funds based on a student's enrollment status. The College makes a preliminary determination of a student's financial aid eligibility based on the anticipation that the student will enroll full-time (12 or more hours). The preliminary awards are systematically evaluated after the census date for the payment period and then finalized based on each student's actual enrollment status. These revised procedures were implemented in the fall of 2013.

The Director of Financial Aid & Scholarships has overseen the implementation of the corrective action plan and the Financial Aid Compliance Administrator will monitor compliance going forward.

PART IV: SUMMARY OF PRIOR YEAR FINDINGS

There were no findings.

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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 28, 2014**