

SINCLAIR COMMUNITY COLLEGE
Dayton, Ohio

FINANCIAL STATEMENTS
June 30, 2009 and 2008



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Sinclair Community College, Montgomery County, prepared by Crowe Horwath LLP, for the audit period July 1, 2008 through June 30, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 7, 2010

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SINCLAIR COMMUNITY COLLEGE
Dayton, Ohio

FINANCIAL STATEMENTS
June 30, 2009 and 2008

CONTENTS

REPORT OF INDEPENDENT AUDITORS.....	1
MANAGEMENTS DISCUSSION AND ANALYSIS.....	3
FINANCIAL STATEMENTS	
STATEMENTS OF NET ASSETS.....	14
STATEMENTS OF FINANCIAL POSITION.....	15
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS.....	16
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS.....	18
STATEMENTS OF CASH FLOWS.....	19
NOTES TO FINANCIAL STATEMENTS.....	21
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	37
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	39
REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	40
REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH THE REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	42
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	44

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Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Sinclair Community College (the "College") as of and for the years ended June 30, 2009 and 2008, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Sinclair Community College Foundation ("Foundation"), the component unit, (whose year ends are December 31, 2008 and 2007). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Sinclair Community College as of June 30, 2009 and 2008 (December 31, 2008 and 2007 for the Foundation), and the respective changes in net assets and cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued a report dated November 2, 2009, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Sinclair Community College taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for the purpose of additional analysis and is not a required part of the 2009 basic financial statements. Such additional information has been subjected to the auditing procedures applied in our audit of the 2009 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis ("MD&A") on pages 3 through 13 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Crowe Horwath LLP
Crowe Horwath LLP

Columbus, Ohio
November 2, 2009

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, 2009 and 2008. Please read it in conjunction with the College's financial statements, which begin on page 14.

Financial and Institutional Highlights

- The global economic crisis was the dominant financial theme during fiscal year 2009. Consequently, the Board of Trustees and College administration devoted significant attention to financial planning due to the prospect of reduced state funding coupled with an all-time high demand for the College's programs and services. Although the College maintained a strong financial position in fiscal 2009, there is much concern about the next four years and beyond, particularly with regard to the State of Ohio's ability to adequately fund higher education. This is evidenced by a substantial amount of one-time federal money that is being used to balance the state's current biennial budget for FY 2010 - 2011. This federal money will provide 16% of Sinclair's state operating appropriation in each of those two years (about \$8 million per year).
- During fiscal 2009, College wide enrollment increased over the prior year by 11%, while total expenses grew at a lower rate as the outcome of ongoing efficiency efforts. The enrollment surge has continued in fiscal 2010 as fall quarter 2009 enrollments are 15% above a year ago. The enrollment growth is the result of Sinclair's initiatives to reach more students with cost effective educational programs as well as the general depressed economic conditions that have increased the demand for job retraining.
- The College realized increases in enrollments at all locations and in online learning. The Courseview Campus experienced a doubling of enrollment in fiscal 2009, the second year of operations. In addition, enrollments at the College's two YMCA-partner Learning Centers increased by 35%. During fiscal 2009, the College prepared for the opening of its third such Learning Center in Preble County.
- The 3.2 mill Montgomery County property tax levy, passed in 2008, was realized to its fullest extent for the first time in fiscal 2009. A portion of levy funds are being set aside in the early years of the levy's ten-year cycle for use in the later years since the levy does not grow for inflation.
- The College continued to demonstrate an exceptional level of commitment to teaching and learning. In comparison to non-instructional expenses such as facility costs, the College devotes a significantly higher percentage of its resources to instruction and academic support functions than the average of Ohio's other public two year colleges.
- In fiscal 2009, Sinclair reported \$4.4 million in cost efficiency improvements to the Ohio Board of Regents. This amount exceeded the target by some \$1.6 million and helped offset the impact of state appropriations not keeping pace with enrollment growth.

(Continued)

- In compliance with the State of Ohio's mandate for all public higher education institutions, the College did not raise tuition in fiscal 2008 or 2009. At \$45 per credit hour for Montgomery County residents, the College's tuition remains the lowest in the state.

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

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

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

Collectively, the statements provide a complete picture of the College's financial condition as of June 30, 2009 and 2008, and the results of its operations for the fiscal years then ended.

Net Assets

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

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

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

Fiscal 2009

At June 30, 2009, net assets were \$259.4 million or about 88% of the value of total assets of \$295.2 million. Liabilities of \$35.8 million were only about 12% of total assets, primarily due to the fact that the College has purposely avoided long-term debt by strategically using various funding sources, including state capital appropriations, to manage growth and maintain a low level of deferred infrastructure maintenance.

(Continued)

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

- Revenue in excess of expense of \$17.6 million, exclusive of the change in fair value of investments and depreciation expense;
- An increase in the fair value of investments of \$2.8 million; and
- Depreciation expense of \$7.6 million (partially offsetting the first two components).

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

Fiscal 2008

Total net assets increased by \$6.7 million (from \$239.9 million to \$246.6 million) in fiscal 2008. The increase had these components:

- Revenue in excess of expense of \$12.8 million, exclusive of the change in fair value of investments and depreciation expense;
- An increase in the fair value of investments of \$1.7 million; and
- Depreciation expense of \$7.8 million (partially offsetting the first two components).

Also in fiscal 2008, capital asset acquisitions consumed \$7.7 million of unrestricted and restricted net assets and added a corresponding amount to capital assets.

	2009	2008	Percentage Change 2008-09	2007
Current assets	\$ 78.9	\$ 54.8	44.0%	\$ 45.8
Investments	83.7	85.2	(1.8%)	81.6
Capital assets, net	132.6	135.0	(1.8%)	135.1
Total assets	295.2	275.0	7.3%	262.5
Current liabilities	31.2	24.1	29.5%	18.5
Long-term liabilities	4.6	4.4	4.5%	4.2
Total liabilities	35.8	28.5	25.6%	22.7
Net assets:				
Invested in capital assets	132.6	135.0	(1.8%)	135.1
Restricted—nonexpendable	33.1	28.4	16.5%	21.1
Restricted—expendable	1.7	1.7	0.0%	2.1
Unrestricted	92.0	81.5	12.9%	81.6
Total net assets	\$ 259.4	\$ 246.6	5.2%	\$ 239.9

(Continued)

Statements of Revenues, Expenses and Changes in Net Assets

Overview

The Statement of Revenues, Expenses and Changes in Net Assets (“SRECNA”) presented in Table 2 below (and displayed in Figures 2.1 and 2.2) presents the results of operations for the College for the fiscal years 2007 through 2009. Total net assets for the College increased \$12.8 million from 2008 to 2009 following a \$6.7 million increase from 2007 to 2008. These results have been driven by the following:

- Operating revenue, comprised of tuition and fees, auxiliary operations and federal and state grants, increased by 8.2% due in part to an 11% increase in enrollments.
- Careful management and restructuring of operating expenses limited expenditure growth to 8.0% compared to enrollment growth of 11% as noted above. On a per student basis, operating expenses declined by 2.5%.
- Nonoperating revenues increased by \$13.9 million or 13%. Within the category of nonoperating revenues, three contributing elements combined to produce the overall increase in net assets:
 1. State appropriations grew by \$2.4 million or 5.1% from 2008 to 2009. This increase was less than one-half the rate of change in enrollments and was primarily provided in exchange for a mandated tuition freeze.
 2. County levy revenue grew by \$4.4 million or almost 16% in 2009 as a result of the 3.2 mill replacement levy passed in March of 2008 being realized for a full fiscal year for the first time. A portion of levy funds are set aside in the early years of the levy’s ten year life cycle for use in the later years since the levy does not grow for inflation.
 3. Finally, federal and state student aid grant programs grew by a combined 36.6%, or \$7.1 million. The reasons for this substantial increase are described below.

The following paragraphs discuss elements of the SRECNA and the issues driving the results contained therein.

Revenues (Operating, Nonoperating and Other)

- Despite tuition rates being held flat for the second consecutive year at 2007 levels, the College realized an 11.5% increase in gross tuition and fee revenue, mostly due to the increase in enrollments. In accordance with the required reporting display, gross tuition and fees on the SRECNA are reduced by grants and scholarships used to help pay tuition and fees, resulting in a net revenue amount. In 2009, net tuition and fee revenue was \$24.3 million, up 3.8% from 2008. This result expands upon the improvement realized from 2007 to 2008 derived from enrollment growth.

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- State appropriations grew by 5.1% from 2008 to 2009, following a 3.3% increase in the previous year. The biennial budget for the State of Ohio for 2008-2009 made funding for higher education a priority, albeit in exchange for a two-year freeze in tuition rates. Notwithstanding this increase, fiscal 2009 state funding per FTE is still 8.4% lower than 2001 in nominal terms (see Figure 2.3); on an inflation-adjusted basis it is more than 25% lower.
- County levy revenue grew by almost 16% in 2009, which was the first full fiscal year of impact for the 3.2 mill replacement levy passed in March of 2008. In fiscal year 2008, county levy revenues also grew considerably as the foregoing levy increase produced a partial year change.
- The College experienced aggregate growth of more than 36% in the federal and state student aid grant programs as a function of the enrollment increase, a large increase in the percentage of students applying for financial aid, a greater percentage of students receiving Pell grants, and an increase of almost 10% in the maximum Pell grant award amount.
- Nonoperating revenues in 2009 also include an increase in the fair value of investments of \$2.8 million. In 2008, the fair value of investments increased \$1.7 million, while it increased \$0.4 million in 2007. The College has a policy of holding its investments to maturity; therefore, unrealized gains and losses are not expected to be realized.

Operating Expenses

- Total expenses grew by 8.0% from 2008 to 2009 compared to enrollment growth of 11%. On a per student basis, operating expenses decreased by 2.5%. Student aid expenditures increased principally due to an increase in the maximum Pell award per student. Auxiliary enterprises expenses grew by almost 14% as the result of robust enrollment growth creating record levels of demand for books and related items and parking and dining services. The increase in the institutional support category was attributable to information technology systems and software lifecycle replacements, including an upgrade of the College's telephone system. Exclusive of the above explained items, all other categories increased by only 4.3%.
- From 2007 to 2008, total operating expenses grew by only 1.3% in light of the continuation of efficiency efforts initiated in 2007, particularly in the area of Instruction. These operational improvements afforded the College the opportunity to expand its operations in Warren County; hence the increase in the Student Services category.

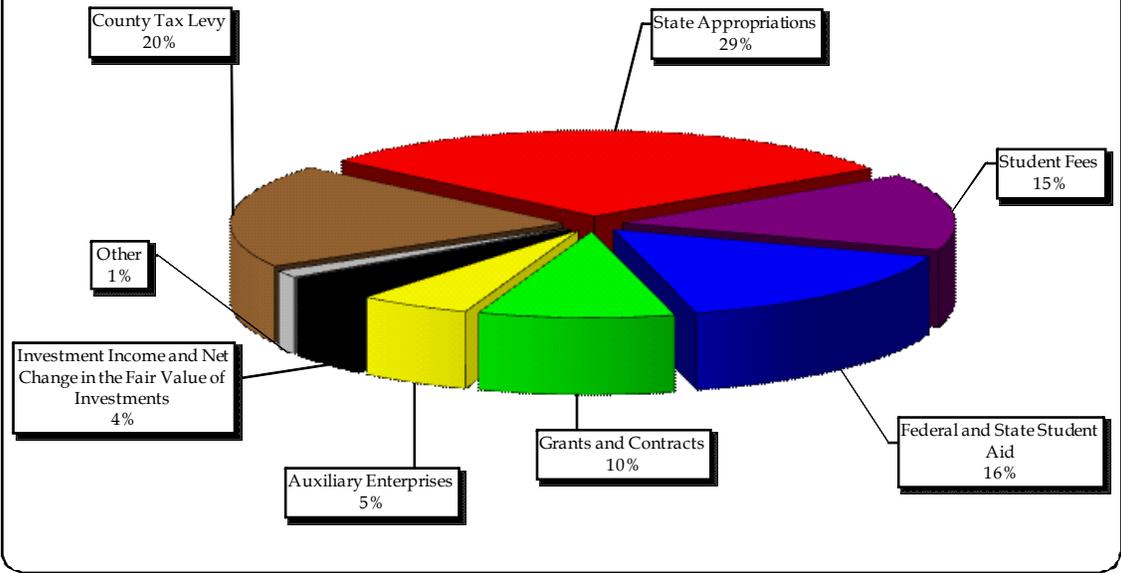
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TABLE 2
REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(in millions of dollars)

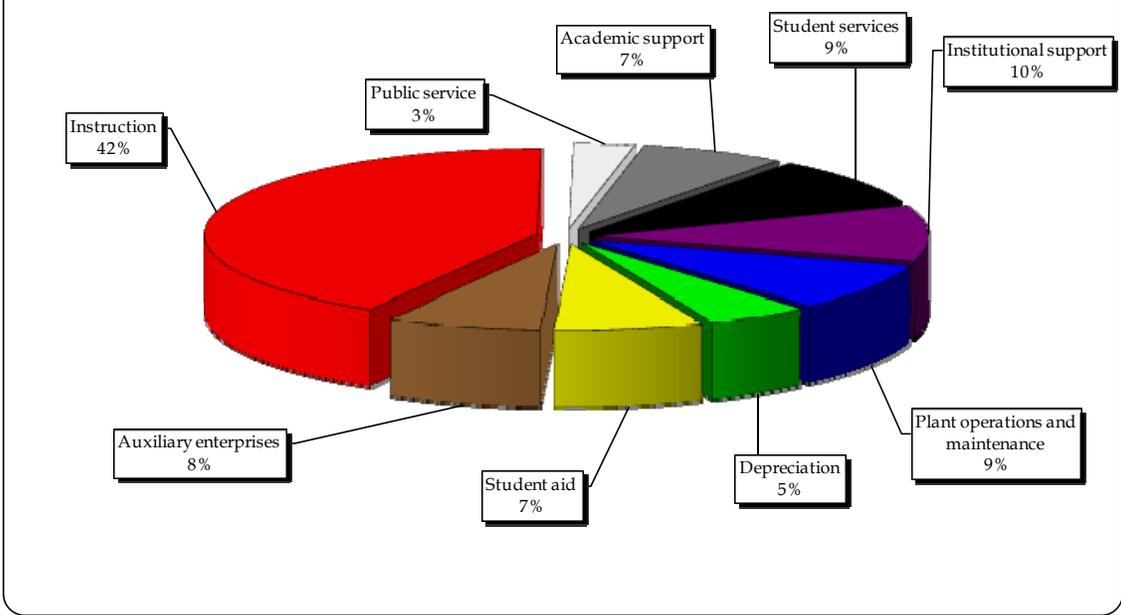
	2009	2008	Percentage Change 2008-2009	2007
Operating revenues:				
Student tuition and fees, net of grants and scholarships	\$ 24.3	\$ 23.4	3.8%	\$ 22.2
Federal grants and contracts	5.5	4.5	22.2%	5.4
State and local grants and contracts	3.1	2.9	6.9%	2.6
Nongovernmental grants and contracts	3.2	2.5	28.0%	2.8
Sales and services of educational departments	1.2	1.2	0.0%	1.2
Auxiliary enterprises, net of grants and scholarships	9.1	8.4	8.3%	7.3
Other	1.1	1.0	10.0%	0.8
Total operating revenues	47.5	43.9	8.2%	42.3
Operating expenses:				
Instruction	64.7	61.7	4.9%	62.2
Public service	4.6	4.5	2.2%	4.6
Academic support	10.9	9.9	10.1%	10.1
Student services	13.9	13.4	3.7%	12.9
Institutional support	16.2	14.6	11.0%	14.6
Plant operations and maintenance	13.8	13.5	2.2%	13.5
Depreciation	7.6	7.8	(2.6%)	7.3
Student aid	11.2	7.5	49.3%	6.7
Auxiliary enterprises	11.6	10.2	13.7%	9.4
Total operating expenses	154.5	143.1	8.0%	141.3
Nonoperating and other revenues:				
State appropriations	49.1	46.7	5.1%	45.2
County tax levy receipts	32.8	28.4	15.5%	22.2
Federal student aid grant programs	20.7	15.0	38.0%	13.5
State student aid grant programs	5.8	4.4	31.8%	4.9
Investment income	4.5	5.0	(10.0%)	5.4
Net increase in the fair value of investments	2.8	1.7	64.7%	0.4
Capital grants	4.1	4.7	(12.8%)	3.3
Total nonoperating and other revenues	119.8	105.9	13.1%	94.9
Increase in net assets	\$ 12.8	\$ 6.7	91.0%	\$ (4.1)

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**Figure 2.1
Sinclair Community College
Sources of Revenue
for Fiscal Year 2009**



**Figure 2.2
Sinclair Community College
Expenditures by Function
for Fiscal Year 2009**



(Continued)

Capital Assets

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

- In fiscal 2009, the College began incurring expenses related to the preparation of classroom and office space in the new Preble County Learning Center, which began offering classes in the fall of 2009. Building improvement projects during the year included the construction of a remote computer disaster recovery facility at the Courseview Campus. New additions to equipment inventory related primarily to administrative computer system upgrades at the College's main campus in downtown Dayton.
- At the main campus, major facility life cycle maintenance projects in fiscal 2009 and 2008 included roof replacements, carpet replacement, fire door modifications, laboratory renovations and parking garage waterproofing membrane and expansion joint repairs.
- In fiscal 2008, building improvements included the construction of a new snack bar in one of the buildings on the main campus. New additions to equipment inventory included classroom and laboratory equipment installed at the Courseview Campus in preparation for its fall 2007 opening.

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

	2009	2008	Percentage Change 2008-2009	2007
Land and improvements	\$ 12.6	\$ 12.5	0.8%	\$ 12.5
Buildings and improvements	114.5	116.1	(1.4%)	114.7
Equipment	5.2	6.0	(13.3%)	6.8
Library books	0.3	0.4	(25.0%)	1.1
Total capital assets	\$ 132.6	\$ 135.0	(1.8%)	\$ 135.1

The Outlook for 2010 and Beyond

Like many institutions of higher education in the State of Ohio and the nation, Sinclair faces a daunting near-term future. The College is charged with meeting higher enrollment demands while coping with less resources per student served, both occurring in part as a result of the recession that has hit the state and the Dayton area particularly hard.

- *Enrollment Surges*

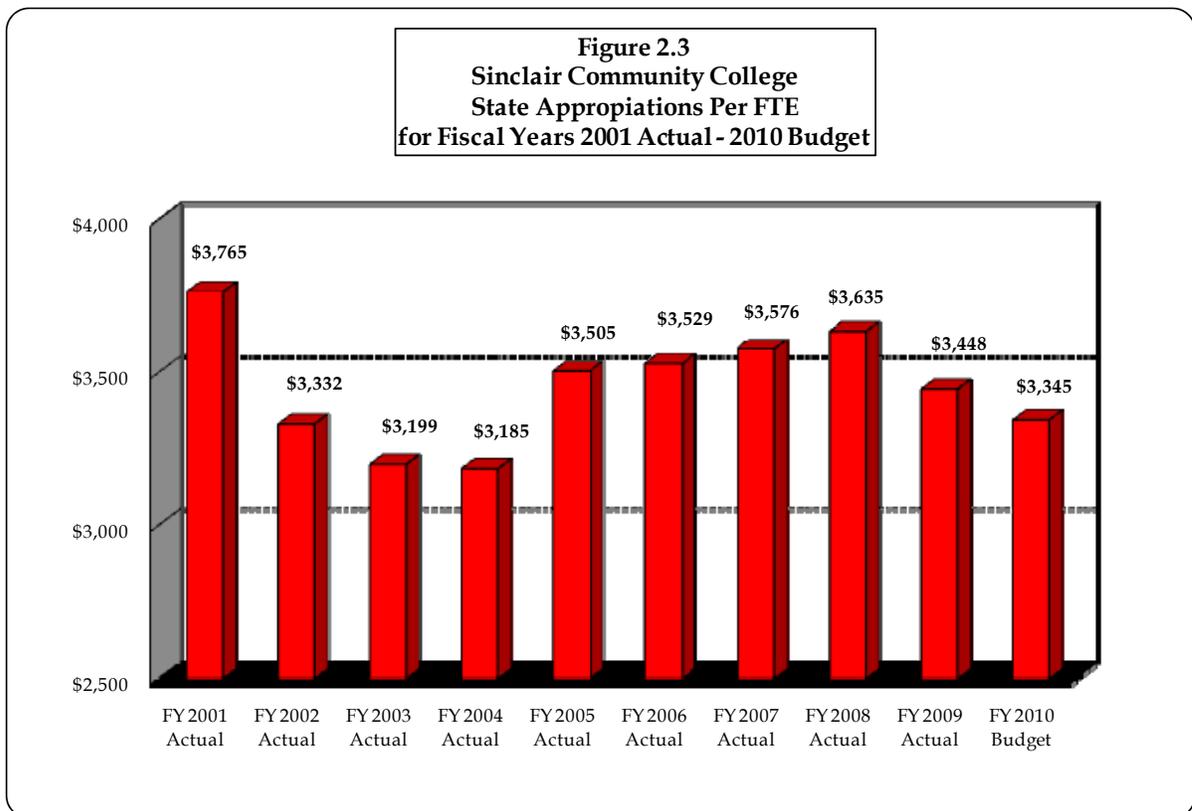
As measured by full-time equivalent students, Sinclair's fall quarter enrollment has grown by 23.1% in the past two years. Contributing factors include a very soft job market in general, and a structural mismatch between available employment and existing skill sets, prompting displaced workers to seek retraining to enhance their earning prospects.

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- *Resource Base*

At the same time, the forecast for state subsidy grows notably dimmer beyond the end of the current biennial budget ending June 30, 2011, insofar as roughly 16% of the State of Ohio’s subsidy to higher education has been funded with presumably one-time federal stimulus dollars that could reasonably be anticipated to evaporate at the outset of fiscal year 2012. For Sinclair, this suggests a negative revenue impact of roughly \$8 million annually. This obviously represents a significant concern and risk for Sinclair and the College is preparing contingency plans to address this scenario.

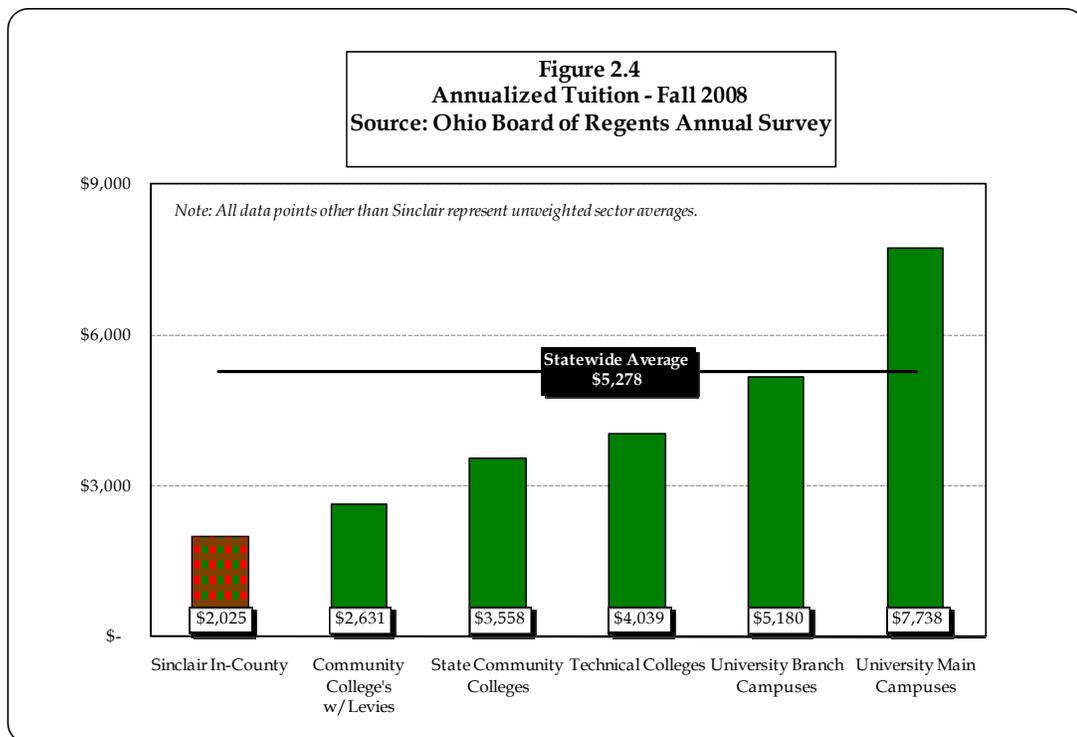
The recent history of state funding illustrates the downward progression of that funding for Sinclair since the start of this decade. Table 2.3 shows the history of state appropriations per Sinclair’s full-time equivalent (“FTE”) students since 2001. After several years of relatively anemic growth, 2009’s result showed a decline of 5.1% relative to 2008, and this trend is expected to continue in 2010 as growth in enrollment outpaces state appropriations. When adjusted for assumed inflation, state appropriations per FTE in 2010 are projected to be 29% lower than in 2001.



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To address the financial challenges ahead, Sinclair has instituted a multifaceted approach including the following:

- Continue to serve growing enrollments while aggressively managing and restructuring costs. For instance, the College’s Board approved an operating budget for FY 2010 with only a 1.6% increase in expenses.
- Continue to pursue efficiency improvements in instructional delivery and support services. For example, in FY 2010 the College will realize savings of \$1 million in custodial and related contract services as a result of the rebidding and consolidation of those services.
- Build up a rainy day reserve fund to guard against a precipitous drop in funding.
- Recalibrate tuition to keep it the lowest in the state while narrowing the gap between Sinclair and its peer institutions. As Figure 2.4 below demonstrates, Sinclair’s tuition for Montgomery County residents is substantially lower than all other community colleges with levies (latest survey data available). A recalibration is defined as resetting tuition higher in relation to Sinclair’s other two primary funding sources (state funding and the Montgomery County property tax levy) and in relation to tuition at peer institutions. The assessment is that Sinclair’s tuition is too low to ensure the long-term health of the College. The goal is to maintain the lowest tuition in the state for Montgomery County residents, while gradually increasing to a level that ensures the long term sustainability of the College’s services and quality.



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- The 3.2 mill Montgomery County property tax levy approved in March 2008 provides about one-fifth of all revenues to the College. Sinclair's tuition for Montgomery County residents is the lowest in the state due to the substantial funding that is provided by the levy. Levy receipts are entirely used for expenditures benefiting students who reside in Montgomery County in the form of tuition subsidy and support for services at the downtown Dayton campus and at the Englewood and Huber Heights Learning Centers. While the levy has historically been viewed as a fairly predictable revenue stream, the current economic downturn raises the concern of possible reductions in levy revenues, due to declines in property valuation and tax collection rates, particularly in the residential arena.

SINCLAIR COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 24,536,037	\$ 10,199,217
Accounts receivable, net	19,009,152	13,881,524
Prepaid expenses	718,781	882,178
Interest receivable	365,811	410,739
Property tax levy receivable	33,072,032	28,366,455
Inventories	<u>1,157,144</u>	<u>1,083,253</u>
Total current assets	<u>78,858,957</u>	<u>54,823,366</u>
NONCURRENT ASSETS		
Investments	83,743,624	85,178,961
Capital assets, net	<u>132,599,153</u>	<u>135,037,913</u>
Total noncurrent assets	<u>216,342,777</u>	<u>220,216,874</u>
Total assets	<u>\$ 295,201,734</u>	<u>\$ 275,040,240</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accruals	\$ 10,471,334	\$ 5,707,956
Accrued salaries, wages and benefits	10,692,460	10,908,155
Deferred student fee income	8,737,588	6,236,618
Deposits	<u>1,273,816</u>	<u>1,199,704</u>
Total current liabilities	31,175,198	24,052,433
NONCURRENT LIABILITIES		
Accrued salaries, wages and benefits	<u>4,579,991</u>	<u>4,398,642</u>
Total liabilities	<u>35,755,189</u>	<u>28,451,075</u>
NET ASSETS		
Invested in capital assets	132,599,153	135,037,913
Restricted		
Expendable	1,768,192	1,695,519
Nonexpendable	33,072,032	28,366,455
Unrestricted	<u>92,007,168</u>	<u>81,489,278</u>
Total net assets	<u>259,446,545</u>	<u>246,589,165</u>
Total liabilities and net assets	<u>\$ 295,201,734</u>	<u>\$ 275,040,240</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 506,014	\$ 244,670
Investments:		
Fixed income securities	6,627,710	8,957,935
Equities	12,858,353	18,378,502
Venture capital funds	<u>445,882</u>	<u>286,680</u>
Total investments	<u>19,931,945</u>	<u>27,623,117</u>
Accounts receivable	<u>13,441</u>	<u>10,550</u>
Pledges receivable, net of allowances of \$22,722 and \$34,820 at December 31, 2008 and 2007, respectively	<u>1,327,859</u>	<u>1,919,901</u>
Total assets	<u>\$ 21,779,259</u>	<u>\$ 29,798,238</u>
 LIABILITIES AND NET ASSETS		
Payable to Sinclair Community College	\$ 232,127	\$ 11,787
Other payables	<u>-</u>	<u>60,000</u>
Total liabilities	<u>232,127</u>	<u>71,787</u>
Net assets:		
Unrestricted	11,922,486	18,584,737
Temporarily restricted	4,798,338	6,448,322
Permanently restricted	<u>4,826,308</u>	<u>4,693,392</u>
Total net assets	<u>21,547,132</u>	<u>29,726,451</u>
Total liabilities and net assets	<u>\$ 21,779,259</u>	<u>\$ 29,798,238</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
REVENUES		
Operating revenues:		
Student tuition and fees	\$ 37,713,989	\$ 33,823,343
Less grants and scholarships	<u>(13,448,403)</u>	<u>(10,462,993)</u>
Student tuition and fees net of grants and scholarships	24,265,586	23,360,350
Federal grants and contracts	5,491,708	4,495,776
State and local grants and contracts	3,044,582	2,920,420
Nongovernmental grants and contracts	3,210,737	2,475,863
Sales and services of educational departments	1,223,739	1,232,313
Auxiliary enterprises		
Food service	487,067	410,704
Bookstore (net of grants and scholarships of \$4,250,769 and \$3,170,252 in 2009 and 2008, respectively)	7,713,438	7,083,196
Parking	923,976	911,908
Other operating revenues	<u>1,139,090</u>	<u>965,063</u>
Total operating revenues	<u>\$ 47,499,923</u>	<u>\$ 43,855,593</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
EXPENSES		
Operating expenses:		
Educational and general:		
Instruction	\$ 64,719,155	\$ 61,661,033
Public service	4,615,598	4,503,551
Academic support	10,910,504	9,945,009
Student services	13,893,891	13,390,065
Institutional support	16,142,745	14,613,599
Plant operations and maintenance	13,839,013	13,535,791
Depreciation	7,586,753	7,779,957
Student aid	11,168,135	7,462,652
Auxiliary enterprises:		
Food service	292,947	196,379
Bookstore	10,413,300	9,128,610
Parking	<u>905,129</u>	<u>826,507</u>
Total operating expenses	<u>154,487,170</u>	<u>143,043,153</u>
Operating loss	<u>(106,987,247)</u>	<u>(99,187,560)</u>
Nonoperating revenues (expenses):		
State appropriations	49,089,412	46,715,846
County tax levy	32,839,622	28,358,059
Federal student aid grant programs	20,702,666	14,980,032
State student aid grant programs	5,792,335	4,418,600
Investment income	4,541,437	5,022,122
Net increase in the fair value in investments	<u>2,750,213</u>	<u>1,740,981</u>
Total nonoperating revenues	<u>115,715,685</u>	<u>101,235,640</u>
Income before other revenues, expenses, gains, or losses	8,728,438	2,048,080
Other revenues – state capital grants	<u>4,128,941</u>	<u>4,685,510</u>
Increase in net assets	12,857,379	6,733,590
Net assets:		
Beginning of year	<u>246,589,166</u>	<u>239,855,575</u>
End of year	<u>\$ 259,446,545</u>	<u>\$ 246,589,165</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended December 31, 2008 and 2007

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Contributions	\$ 273,547	\$ 823,381	\$ 132,916	\$ 1,229,844	\$ 408,425	\$ 1,180,088	\$ 129,994	\$ 1,718,507
Interest/ dividends, net of fund expenses of \$43,470 in 2008 and \$43,335 in 2007	(6,647)	(1,163)	-	(7,810)	25,450	5,191	210	30,851
Net realized/unrealized gains on investments	(5,832,567)	(931,047)	-	(6,763,614)	1,399,518	421,648	11,989	1,833,155
Net assets released from restrictions	<u>1,541,155</u>	<u>(1,541,155)</u>	<u>-</u>	<u>-</u>	<u>1,236,378</u>	<u>(1,236,378)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>(4,024,512)</u>	<u>(1,649,984)</u>	<u>132,916</u>	<u>(5,541,580)</u>	<u>3,069,771</u>	<u>370,549</u>	<u>142,193</u>	<u>3,582,513</u>
Expenses:								
Scholarships	845,889	-	-	845,889	616,729	-	-	616,729
Project support	1,633,440	-	-	1,633,440	1,234,807	-	-	1,234,807
Operating expenses	<u>158,410</u>	<u>-</u>	<u>-</u>	<u>158,410</u>	<u>224,403</u>	<u>-</u>	<u>-</u>	<u>224,403</u>
Total expenses	<u>2,637,739</u>	<u>-</u>	<u>-</u>	<u>2,637,739</u>	<u>2,075,939</u>	<u>-</u>	<u>-</u>	<u>2,075,939</u>
Change in net assets	(6,662,251)	(1,649,984)	132,916	(8,179,319)	993,832	370,549	142,193	1,506,574
Net assets, beginning of year	<u>18,584,737</u>	<u>6,448,322</u>	<u>4,693,392</u>	<u>29,726,451</u>	<u>17,590,905</u>	<u>6,077,773</u>	<u>4,551,199</u>	<u>28,219,877</u>
Net assets, end of year	<u>\$ 11,922,486</u>	<u>\$ 4,798,338</u>	<u>\$ 4,826,308</u>	<u>\$ 21,547,132</u>	<u>\$ 18,584,737</u>	<u>\$ 6,448,322</u>	<u>\$ 4,693,392</u>	<u>\$ 29,726,451</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 24,005,791	\$ 23,775,786
Grants and contracts	10,176,115	9,108,718
Payments to vendors and employees	(142,273,467)	(133,595,204)
Auxiliary enterprise charges	9,138,070	8,413,757
Sales and services of educational departments	1,289,653	1,420,714
Other receipts	<u>1,659,876</u>	<u>960,808</u>
Net cash used in operating activities	<u>(96,003,962)</u>	<u>(89,915,421)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State appropriations	49,089,412	46,715,846
Property tax levy receipts	28,134,044	21,141,941
Direct student loan receipts	27,823,280	13,949,142
Direct student loan disbursements	(27,753,153)	(16,290,680)
Deposits	74,112	290,952
Federal student aid grant programs	20,712,189	14,980,032
State student aid grant programs	<u>4,508,034</u>	<u>4,418,600</u>
Net cash provided by non-capital financing activities	<u>102,587,918</u>	<u>85,205,833</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants	4,128,941	4,685,510
Purchases of capital assets	<u>(5,147,992)</u>	<u>(7,751,514)</u>
Net cash used in capital and related financing activities	<u>(1,019,051)</u>	<u>(3,066,004)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investments	13,167,749	9,971,472
Interest on investments	4,632,291	5,085,450
Purchase of investments	<u>(9,028,125)</u>	<u>(11,853,756)</u>
Net cash provided by investing activities	<u>8,771,915</u>	<u>3,203,166</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,336,820	(4,572,426)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>10,199,217</u>	<u>14,771,643</u>
End of year	<u>\$ 24,536,037</u>	<u>\$ 10,199,217</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$(106,987,247)	\$ (99,187,560)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	7,586,753	7,779,957
Changes in net assets:		
Accounts receivable	(3,922,977)	(4,191,843)
Inventory	(73,891)	235,283
Prepaid expenses	163,397	(50,755)
Accounts payable	4,763,379	1,521,609
Accrued salaries, wages and benefits	(34,346)	515,929
Deferred revenue	<u>2,500,970</u>	<u>3,461,959</u>
Net cash used in operating activities	<u>\$ (96,003,962)</u>	<u>\$ (89,915,421)</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

- Invested in Capital Assets: Capitalized physical assets, net of accumulated depreciation (see Note C).
- Restricted
Nonexpendable: Net assets that are either: 1) subject to externally imposed stipulations that are to be maintained permanently by the College; or 2) representative of taxes levied in the reporting period and recognized as revenue in accordance with GASB Statement No. 33, for which the due date for payment occurs in the subsequent period.

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

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

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

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

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

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

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

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government, state and local governments and private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts of approximately \$244,000 and \$221,000 at June 30, 2009 and 2008, respectively. The College determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, previous loss history and the condition of the general economy and the industry as a whole.

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

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

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

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

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

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

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.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

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

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 2009, the provisions of the following GASB Statements became effective:

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participation in pollution remediation activities such as site assessments and cleanups.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, incorporates the hierarchy of generally accepted accounting principles ("GAAP") for state and local governments into GASB's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity the GAAP, and the framework for selecting those principles. The GASB is responsible for establishing GAAP for state and local governments. Previously, the GAAP hierarchy was set forth in the American Institute of Certified Public Accountants' ("AICPA") Statement on Auditing Standards No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*, rather than in the authoritative literature of the GASB.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

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

GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, incorporates into GASB authoritative literature certain accounting and financial reporting guidance presented in the AICPA's Statements on Auditing Standards. This statement establishes accounting and financial reporting standards for related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the *preparation* of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards.

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

Recently Issued Accounting Pronouncements: In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software to reduce inconsistencies. The College will be required to implement this statement in fiscal year 2010.

In June 2008, GASB issued Statement No.53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local Governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investments tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), forward contracts, and futures contracts. The College will be required to implement this statement in fiscal year 2010.

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

Reclassifications: Certain 2008 items have been reclassified to conform to the 2009 presentation. Reclassifications had no impact on the change in net assets or total net assets.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE B - CASH AND INVESTMENTS

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

Deposits: At June 30, 2009, the carrying amount of the College's deposits in all funds was \$20,512,102 (included in cash and cash equivalents in the Statement of Financial Position) and the bank balance was \$20,300,176. The difference between carrying amount and bank balance was primarily due to deposits in transit at June 30, 2009. Of the bank balance, \$1,000,000 was covered by federal depository insurance or by collateral held by the College's agent in the College's name. The remaining balance of \$19,300,176 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 \$87,767,559 (amortized cost basis of \$85,527,686). The College's investments include \$83,743,624 invested in Government National Mortgage Association ("GNMA") pools and are therefore not subject to the credit risk disclosures of GASB Statement No. 40. The remaining \$4,023,935 on deposit in the State Treasurer's investment pool is valued at the pool's share, which is the price for which the investment could be sold on June 30, 2009.

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

<u>Years</u>	<u>Amount</u>
1-5	\$ 3,360
6-10	545,848
11-20	5,754,371
Greater than 20	<u>77,440,045</u>
 Total at fair value	 <u>\$ 83,743,624</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009 and 2008

NOTE B - CASH AND INVESTMENTS (Continued)

However, a GNMA pool does not mature all at once on its stated maturity date. Rather, a portion of each pool matures every month, and an entire pool will usually mature many years before its maturity date. The following homeowner actions result in the return of principal to the owner of the GNMA pool: 1) making a monthly mortgage payment which includes a principal component, 2) refinancing a mortgage and thereby paying off the old mortgage, 3) selling a home and paying off the mortgage. GNMA principal amounts returned to the College are either reinvested, held as cash or used in operations as is deemed appropriate. For the year ended June 30, 2009 the College's GNMA investments returned principal as follows:

<u>Years</u>	<u>Amount</u>
1-5	\$ 732
6-10	99,325
11-20	868,211
Greater than 20	<u>12,199,481</u>
 Total (at cost)	 <u>\$ 13,167,749</u>

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

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

Capital improvements, facility renovations, equipment	\$ 48,840,736
Tuition stabilization, rainy day fund, uninsured losses, other contingencies and initiatives	18,592,512
Auxiliary enterprises	9,385,747
Restricted grants and contracts	1,768,192
Restricted future proceeds from property tax levy	33,072,032
Board designated endowment	<u>14,694,844</u>
 Total allocated net assets	 <u>\$ 126,354,063</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE C - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2009 and 2008 is summarized as follows:

	2009 Beginning Balance	Additions	Disposals	2009 Ending Balance
Cost:				
Land and improvements	\$ 12,556,574	\$ -	\$ 13,697	\$ 12,542,877
Buildings and improvements	220,017,152	4,255,925	-	224,273,077
Equipment and fixtures	20,556,740	819,434	858,393	20,517,781
Library materials	<u>4,562,989</u>	<u>73,632</u>	<u>162,108</u>	<u>4,474,513</u>
Total cost	<u>257,693,455</u>	<u>5,148,991</u>	<u>1,034,198</u>	<u>261,808,248</u>
Less accumulated depreciation:				
Buildings and improvements	103,943,280	5,807,368	13,697	109,736,951
Equipment and fixtures	14,531,080	1,633,822	857,394	15,307,508
Library materials	<u>4,181,182</u>	<u>145,562</u>	<u>162,108</u>	<u>4,164,636</u>
Total accumulated depreciation	<u>122,655,542</u>	<u>7,586,752</u>	<u>1,033,199</u>	<u>129,209,095</u>
Capital assets, net	<u>\$ 135,037,913</u>	<u>\$ (2,437,761)</u>	<u>\$ 999</u>	<u>\$ 132,599,153</u>
	2008 Beginning Balance	Additions	Disposals	2008 Ending Balance
Cost:				
Land and improvements	\$ 12,538,141	\$ 18,433	\$ -	\$ 12,556,574
Buildings and improvements	213,331,987	6,685,165	-	220,017,152
Equipment and fixtures	20,653,775	982,863	1,079,898	20,556,740
Library materials	<u>4,769,383</u>	<u>75,976</u>	<u>282,370</u>	<u>4,562,989</u>
Total cost	<u>251,293,286</u>	<u>7,762,437</u>	<u>1,362,268</u>	<u>257,693,455</u>
Less accumulated depreciation:				
Buildings and improvements	98,681,964	5,261,316		103,943,280
Equipment and fixtures	13,823,805	1,776,250	1,068,975	14,531,080
Library materials	<u>3,721,161</u>	<u>742,391</u>	<u>282,370</u>	<u>4,181,182</u>
Total accumulated depreciation	<u>116,226,930</u>	<u>7,779,957</u>	<u>1,351,345</u>	<u>122,655,542</u>
Capital assets, net	<u>\$ 135,066,356</u>	<u>\$ (17,520)</u>	<u>\$ 10,923</u>	<u>\$ 135,037,913</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE D - LONG-TERM LIABILITIES

Long-term liabilities activity for the years ended June 30, 2009 and 2008 is summarized as follows:

<u>2009</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 4,593,378	\$ 456,747	\$ 260,702	\$4,789,423	\$ 209,432
<u>2008</u>					
Compensated absences	\$ 4,422,527	\$ 411,024	\$ 240,173	\$4,593,378	\$ 194,736

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 state assisted student-based subsidy from the State of Ohio using a formula devised by the Ohio Board of Regents. In addition to student subsidies, the State of Ohio provides a portion of the funding for the construction of major plant facilities on the College campus, as well as for the renovation of facilities and the purchase of equipment.

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

NOTE F - LEASE OBLIGATIONS

The College leases various buildings, office space and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the balance sheet. The total rental expense under these agreements was \$1,499,124 and \$1,412,352 for the years ended June 30, 2009 and 2008, respectively.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE F - LEASE OBLIGATIONS (Continued)

Future minimum lease payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2009 are as follows:

Years ending June 30,	
2010	\$ 1,368,874
2011	1,256,650
2012	1,159,684
2013	1,116,167
2014	1,047,823
2015-2019	<u>3,518,715</u>
Total minimum lease payments	<u>\$ 9,467,913</u>

NOTE G - RETIREMENT PLANS

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

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

OPERS	STRS
277 East Town Street	275 East Broad Street
Columbus, OH 43215-4642	Columbus, OH 43215-3771
(614) 222-6705	(614) 227-4002
(800) 222-PERS (7377)	

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE G - RETIREMENT PLANS (Continued)

OPERS plan members are required to contribute 10% (10.1% for law enforcement officers) of their annual salary, and STRS members contribute 10%. The College is required to contribute 14% (17.40% for law enforcement officers from July 1, 2008 through December 31, 2008, and 17.63% from January 1, 2009 through June 30, 2009) and 14% of annual covered payroll for OPERS and STRS, respectively. The contribution requirements of plan members and the College are established and may be amended by state statute.

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

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

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

Eligibility is limited to tenure track faculty and certain administrative employees. Eligibility is further limited to new hires and to those with less than five years of service credit in their respective retirement systems on certain statutory dates.

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

Employees electing the ARP instead of OPERS are required to contribute 10% of their salary. The College's discretionary contribution to the ARP has been set at 14% from July 1, 2008 through December 31, 2008, and 13.23% from January 1, 2009 through June 30, 2009.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE G - RETIREMENT PLANS (Continued)

The College's contributions to OPERS, STRS and ARP required and made for the years ended June 30, 2009, 2008, and 2007 were as follows:

<u>Year</u>	<u>OPERS</u>	Contribution <u>STRS</u>	<u>ARP</u>
2009	\$ 4,566,514	\$ 5,862,454	\$ 398,447
2008	4,292,280	5,562,832	367,480
2007	4,258,808	4,958,247	333,319

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

NOTE H - OTHER POSTEMPLOYMENT BENEFITS

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

Postretirement health care under OPERS is advance-funded on an actuarially determined basis. The number of OPERS active contributing participants was 363,503 at year-end December 31, 2008. The actuarial value of OPERS net assets available for Other Postemployment Benefits ("OPEB") at December 31, 2007, was \$12.8 billion. The actuarially accrued liability and unfunded accrued liability, based on the actuarial cost method used, were \$29.8 billion, and \$17.0 billion, respectively. For the years ended June 30, 2009 and 2008, the College's contribution to OPERS to fund these benefits was approximately \$320,000 and \$289,000 respectively.

Postretirement health care under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to \$3.7 billion as of June 30, 2008. Eligible benefit recipients reported for STRS totaled 126,506. For the years ended June 30, 2009 and 2008, the College's contribution to STRS to fund these benefits was approximately \$419,000 and \$397,000, respectively.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE I - INSURANCE

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

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 \$1,300,000 reported at June 30, 2009 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
2009	1,199,000	6,656,908	6,579,708	1,276,200
2008	1,088,000	6,299,796	6,188,796	1,199,000
2007	\$ 982,000	\$ 5,753,542	\$ 5,647,542	\$ 1,088,000

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

NOTE J - CONTINGENCIES

The College receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. As of June 30, 2009, management is not aware of any potential disallowances.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE J - CONTINGENCIES (Continued)

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.

NOTE K - SINCLAIR COMMUNITY COLLEGE FOUNDATION

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

The Sinclair Foundation is a 501(c)(3) charitable foundation with its own governing board. The Foundation is operated for the benefit of the College, and raises funds that are used to provide student scholarships and to support specific activities and projects proposed by faculty and staff that are related to the College's educational mission. The Foundation's Statements of Financial Position and Statements of Activities and Changes in Net Assets for the years ended December 31, 2008 and 2007, 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.

Adoption of New Accounting Standards: For the fiscal year ended December 31, 2008, the Foundation adopted the Financial Accounting Standards Board ("FASB") Staff Position 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Act ("UPMIFA")*, and *Enhanced Disclosure For All Endowment Funds ("FSP 117-1")*. FSP 117-1 provides guidance on the net asset classification of donor restricted endowment funds for organizations subject to an enacted version of UPMIFA.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE K - SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

The Foundation also adopted Statement of Financial Accounting Standard ("SFAS") No. 157, *Fair Value Measurements* for the fiscal year ended December 31, 2008 issued by the FASB. The Statement defines fair value, provides enhanced guidance for using fair value to measure assets and liabilities and expands the disclosure of the methods used for fair value measurements.

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 fair value based on inputs from fund managers. 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.

Investments at cost value at December 31:

	2008	2007
Fixed income securities	\$ 4,635,937	\$ 6,634,642
Equities	14,859,206	12,429,596
Venture capital funds	<u>445,882</u>	<u>286,680</u>
 Total investments	 \$ 19,941,025	 \$ 19,350,918

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

Pledges Receivable: As the collection of pledges is estimated to be probable, the Foundation recorded a receivable of \$1,327,859 representing the present value of those pledges receivable at December 31, 2008. 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 a discount rate of 5%.

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

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>More than 5 Years</u>	<u>Total</u>
Pledges receivable	\$ 521,683	\$ 879,521	\$ -	\$ 1,401,204
Unamortized discount	<u> </u>	<u>(50,623)</u>	<u> </u>	<u>(50,623)</u>
Present value of pledges receivable	521,683	828,898	-	1,350,581
Allowance for doubtful accounts	<u>(10,434)</u>	<u>(12,288)</u>	<u> </u>	<u>(22,722)</u>
Pledges receivable, net	<u>\$ 511,249</u>	<u>\$ 816,610</u>	<u>\$ -</u>	<u>\$ 1,327,859</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE K - SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

Pledges receivable at December 31, 2007, are summarized as follows:

	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>More than 5 Years</u>	<u>Total</u>
Pledges receivable	\$ 1,043,144	\$ 972,507	\$ -	\$ 2,015,651
Unamortized discount		(60,930)		(60,930)
Present value of pledges receivable	1,043,144	911,577		1,954,721
Allowance for doubtful accounts	(20,864)	(13,956)		(34,820)
Pledges receivable, net	<u>\$ 1,022,280</u>	<u>\$ 897,621</u>	<u>\$ -</u>	<u>\$ 1,919,901</u>

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

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

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

Support to the College: During the years ended June 30, 2009 and 2008, the Foundation provided resources of \$1,833,000 and \$1,943,000 respectively, to or on behalf of the College for restricted purposes. Complete financial statements for the Foundation can be obtained from the Sinclair Community College Foundation at 444 W. Third St., Room 7230, Dayton, Ohio, 45402.

SUPPLEMENTARY INFORMATION

SINCLAIR COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Federal Grants/Pass-Through Grant/Program Title	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Numbers</u>	<u>Federal Expenditures</u>
U.S. Department of Education:			
Student Financial Aid Assistance Cluster:			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 385,630
Federal Work-Study Program	84.033		148,964
Federal Pell Grant Program	84.063		20,337,643
Federal Direct Student Loans	84.268		26,291,839
Academic Competitiveness Grant	84.375		<u>13,276</u>
Total Student Financial Assistance Cluster			<u>47,177,352</u>
Trio Cluster:			
Trio Upward Bound	84.047		591,751
Trio Student Support Services	84.042		<u>277,570</u>
Total Trio cluster			<u>869,321</u>
Adult Education - Basic Grants to States, pass-through State of Ohio Department of Education	84.002	063362-AB-SI-2002, 063362-AB-SI-2002 C, 063362-AB-SL-2002, 063362-AB-SI-2002 C, 063362-AB-SI-2003	354,845
Higher Education Instructional Aid Strengthening Institutions	84.031		292,466
Career and Technical Education - Basic Grants to States, pass-through State of Ohio Department of Education	84.048	20-C2 2005	340,653
Tech Prep Education, pass-through State of Ohio Department of Education	84.243	3E-00 2002 and 3ETC-2005	395,989
Child Care Access Means Parents in School	84.335		70,863
Fund for the Improvement of Education, pass-through Ohio State University	84.215	RF01116646	2,985
Twenty-First Century Community Learning Centers, pass-through State of Ohio Department of Education	84.287		<u>143,448</u>
Total Department of Education			<u>49,647,922</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended June 30, 2009

Federal Grants/Pass-Through Grant/Program Title	<u>Federal CFDA Number</u>	<u>Pass-though Grantor's Numbers</u>	<u>Federal Expenditures</u>
Department of Health and Human Services:			
Temporary Assistance for Needy Families, pass-through from Montgomery County Department of Human Services	93.558	Resolution 02-2145 Resolution 02-1153	\$ 1,482,743
Nurse Education, Practice and Retention Grants	93.359		172,657
Child Care and Development Block Grant, pass-through from State of Ohio Dept. of Child Care and Development	93.575		<u>69,000</u>
Total Department of Health and Human Services			<u>1,724,400</u>
National Science Foundation - Education and Human Resources			
Direct award	47.076		431,073
pass-through Purdue University		503-1582-01	128,766
pass-through Wright State University		PSM06625	7,961
pass-through Ohio State University		RF01092831	73,576
pass-through Riverside Community College District		C-0002207	<u>21,379</u>
Total National Science Foundation			<u>662,755</u>
Department of Justice - Bulletproof Vest Partnership Program	16.607		300
Department of Labor - Incentive Grants - WIA	17.267		90,132
Department of Homeland Security - Disaster Grants - Public Assistance, pass-through State of Ohio	97.036	FEMA-1805- DR-UWS81	11,081
Corporation for National and Community Service, pass-through from the Greater Pittsburgh Literacy Council, Literacy*AmeriCorps	94.006	06NDHTX002	<u>159,823</u>
Total Federal Awards			<u>\$ 52,296,413</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, 2009

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.



Crowe Horwath LLP
Independent Member Crowe Horwath International

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

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

We have audited the financial statements of the business-type activities and discretely presented component unit of Sinclair Community College (the "College") as of and for the year ended June 30, 2009, which collectively comprise the College's basic financial statements and have issued our report thereon dated the same date as this report. We did not audit the financial statements of the Sinclair Community College Foundation ("Foundation"), the component unit, (whose year ends are December 31, 2008 and 2007). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

(Continued)

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Crowe Horwath LLP
Crowe Horwath LLP

Columbus, Ohio
November 2, 2009



Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Sinclair Community College (the "College") with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

(Continued)

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 2, 2009

SINCLAIR COMMUNITY COLLEGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2009

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued

Unqualified

Internal control over financial reporting:

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

Internal control over major programs:

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

Unqualified

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

SINCLAIR COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2009

<u>Name of Major Programs Identified</u>	<u>CFDA Number(s)</u>
Student Financial Aid Cluster:	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grant	84.007
Federal Direct Student Loans	84.268
Academic Competitiveness Grant	84.375
Temporary Assistance for Needy Families	93.558
Dollar threshold used to distinguish between Type A and Type B programs	\$ <u>780,137</u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> No

PART II: FINANCIAL STATEMENT FINDINGS SECTION

There were no findings.

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

There were no findings.

PART IV: SUMMARY OF PRIOR YEAR FINDINGS

There were no findings.



Mary Taylor, CPA
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 21, 2010**