

Sinclair Community College

*Financial Statements and Single Audit
Reports for the Year Ended June 30, 2001*



STATE OF OHIO
OFFICE OF THE AUDITOR

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

We have reviewed the Independent Auditor's Report of the Sinclair Community College, Montgomery County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2000 through June 30, 2001. 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.

JIM PETRO
Auditor of State

November 15, 2001

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SINCLAIR COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

The President and Board of Trustees of
Sinclair Community College and Mr. Jim Petro,
Auditor of State:

We have audited the accompanying balance sheet of Sinclair Community College (the "College") as of June 30, 2001, and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the management of the College. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative financial information has been derived from the College's June 30, 2000 financial statements, and in our report dated October 10, 2000, we expressed an unqualified opinion on those financial statements.

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. 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Sinclair Community College at June 30, 2001, and the changes in fund balances and the current funds revenues, expenditures and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 on pages 14 and 15, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the additional information on pages 16 and 17, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedule and additional information are the responsibility of the College's management. Such schedule and additional information have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 9, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DELOITTE & TOUCHE LLP

October 9, 2001

SINCLAIR COMMUNITY COLLEGE

BALANCE SHEETS

JUNE 30, 2001 (WITH COMPARATIVE BALANCES AT JUNE 30, 2000)

ASSETS	2001	2000
CURRENT FUNDS:		
Unrestricted educational and general:		
Cash and cash equivalents (Note B)	\$ 5,789,156	\$ 4,761,724
Accounts receivable	3,406,452	3,952,697
Prepaid expenses	56,370	87,691
Property tax levy receivable	20,766,464	20,766,464
Due from restricted fund	2,690,657	1,166,815
Investments (Note B)	<u>39,492,226</u>	<u>39,992,226</u>
Total unrestricted educational and general	<u>72,201,325</u>	<u>70,727,617</u>
Unrestricted auxiliary enterprises:		
Cash and cash equivalents (Note B)	1,023,868	623,683
Accounts receivable	473,972	402,668
Inventories, at cost (first-in, first-out method)	1,065,800	1,033,333
Investments (Note B)	<u>3,560,000</u>	<u>3,960,000</u>
Total unrestricted auxiliary enterprises	<u>6,123,640</u>	<u>6,019,684</u>
Restricted:		
Cash and cash equivalents (Note B)	2,185,173	1,628,733
Accounts receivable	98,556	92,048
Receivable from the state government	802,723	277,585
Receivable from the federal government	<u>2,088,496</u>	<u>1,044,181</u>
Total restricted	<u>5,174,948</u>	<u>3,042,547</u>
TOTAL CURRENT FUNDS	<u><u>\$83,499,913</u></u>	<u><u>\$79,789,848</u></u>
LOAN FUNDS:		
Cash and cash equivalents (Note B)	\$ 23,032	\$ 21,763
Notes receivable, net	<u>2,761</u>	<u>10,053</u>
TOTAL LOAN FUNDS	<u><u>\$ 25,793</u></u>	<u><u>\$ 31,816</u></u>
ENDOWMENT FUND - Investments (Notes B and H)	<u><u>\$10,659,220</u></u>	<u><u>\$10,307,230</u></u>

See notes to financial statements.

LIABILITIES AND FUND BALANCES	2001	2000
CURRENT FUNDS:		
Unrestricted educational and general:		
Accounts payable and accruals	\$ 2,169,914	\$ 1,986,567
Accrued salaries, wages and benefits (Note D & E)	9,309,085	8,406,207
Deferred student fee income	3,214,757	3,036,072
Deferred tax levy revenue	20,766,464	20,766,464
Fund balances:		
Unallocated	12,578	10,517
Allocated	<u>36,728,527</u>	<u>36,521,790</u>
Total unrestricted educational and general	<u>72,201,325</u>	<u>70,727,617</u>
Unrestricted auxiliary enterprises:		
Accounts payable and accruals	646,638	504,773
Fund balances:		
Unallocated	46,696	44,365
Allocated	<u>5,430,306</u>	<u>5,470,546</u>
Total unrestricted auxiliary enterprises	<u>6,123,640</u>	<u>6,019,684</u>
Restricted:		
Accounts payable and deposits	565,076	374,703
Due to unrestricted educational and general fund	2,690,657	1,166,815
Fund balance	<u>1,919,215</u>	<u>1,501,029</u>
Total restricted	<u>5,174,948</u>	<u>3,042,547</u>
TOTAL CURRENT FUNDS	<u><u>\$83,499,913</u></u>	<u><u>\$79,789,848</u></u>
LOAN FUNDS:		
Fund balances:		
Restricted	\$ 18,330	\$ 24,167
Unrestricted	<u>7,463</u>	<u>7,649</u>
TOTAL LOAN FUNDS	<u><u>\$ 25,793</u></u>	<u><u>\$ 31,816</u></u>
ENDOWMENT FUND - Fund balance - Board designated endowment - Unrestricted (Note H)	<u><u>\$10,659,220</u></u>	<u><u>\$10,307,230</u></u>

SINCLAIR COMMUNITY COLLEGE

BALANCE SHEETS

JUNE 30, 2001 (WITH COMPARATIVE BALANCES AT JUNE 30, 2000)

ASSETS	2001	2000
PLANT FUNDS:		
Unexpended:		
Cash and cash equivalents (Note B)	\$ 6,209,566	\$ 4,579,205
Accounts receivable	126,359	132,931
Interest receivable	1,086,643	763,964
Investments (Note B)	<u>26,005,860</u>	<u>28,354,755</u>
Total unexpended	<u>33,428,428</u>	<u>33,830,855</u>
Renewals and replacements:		
Cash and cash equivalents (Note B)	5,163,548	4,013,127
Investments (Note B)	<u>23,490,000</u>	<u>24,990,000</u>
Total renewals and replacements	<u>28,653,548</u>	<u>29,003,127</u>
Investment in plant:		
Land	8,335,275	8,003,416
Buildings	176,147,162	167,191,843
Equipment	56,869,198	51,028,361
Library books	4,714,224	4,619,621
Construction in progress	<u>2,700,741</u>	<u>5,606,344</u>
Total investment in plant	<u>248,766,600</u>	<u>236,449,585</u>
TOTAL PLANT FUNDS	<u>\$310,848,576</u>	<u>\$299,283,567</u>
AGENCY FUNDS:		
Cash and cash equivalents (Note B)	\$ 5,593,000	\$ 285,402
Accounts receivable	<u>13,559</u>	<u>20,358</u>
TOTAL AGENCY FUNDS	<u>\$ 5,606,559</u>	<u>\$ 305,760</u>

See notes to financial statements.

LIABILITIES AND FUND BALANCES	2001	2000
PLANT FUNDS:		
Unexpended:		
Accounts payable and accruals	\$ 1,271,162	\$ 3,779,815
Fund balance - Unrestricted, allocated for future construction and equipment acquisition	<u>32,157,266</u>	<u>30,051,040</u>
Total unexpended	<u>33,428,428</u>	<u>33,830,855</u>
Renewals and replacements:		
Accounts payable and accruals	438,867	578,725
Fund balances - Unrestricted:		
Allocated for major equipment replacements	4,206,172	4,902,668
Allocated for plant replacement	<u>24,008,509</u>	<u>23,521,734</u>
Total renewals and replacements	<u>28,653,548</u>	<u>29,003,127</u>
Investment in plant - Net investment in plant	248,766,600	236,449,585
TOTAL PLANT FUNDS	<u><u>\$ 310,848,576</u></u>	<u><u>\$ 299,283,567</u></u>
AGENCY FUNDS:		
Accounts payable	\$ 16,551	\$ 11,008
Deposits held in custody for others	<u>5,590,008</u>	<u>294,752</u>
TOTAL AGENCY FUNDS	<u><u>\$ 5,606,559</u></u>	<u><u>\$ 305,760</u></u>

SINCLAIR COMMUNITY COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2001

	Current Funds					Plant Funds		
	Unrestricted, Unallocated		Restricted	Loan Funds	Board Designated Endowment Fund	Unexpended	Renewals & Replacements	Investment in Plant
Educational and General	Auxiliary Enterprises							
REVENUES AND OTHER ADDITIONS:								
Unrestricted current funds revenues	\$ 86,471,597	\$ 8,265,723	\$	\$	\$	\$	\$	\$
State appropriations - restricted						2,820,544	470,520	
Federal grants and contracts - restricted			16,385,326					
State grants and contracts - restricted			5,053,442					
Local grants and contracts - restricted			89,721					
Private gifts, grants and contracts - restricted			1,643,479			41,667		
Investment income (not including \$2,278,980 recorded as revenue of the Educational and General Fund)						6,302,164		
Net increase in the fair value of investments						4,190,985		
Expended for plant and equipment (including \$2,558,209 charged to current funds expenditures)								13,995,786
Total revenues and other additions	<u>86,471,597</u>	<u>8,265,723</u>	<u>23,171,968</u>			<u>13,355,360</u>	<u>470,520</u>	<u>13,995,786</u>
EXPENDITURES AND OTHER DEDUCTIONS:								
Educational and general	80,676,536		21,516,518					
Auxiliary enterprises		8,395,456						
Expended for plant and equipment (including noncapitalized expenditures of \$6,429,921)						11,254,742	6,604,506	
Disposal of furniture, equipment and library books								884,287
Building demolition								794,484
Indirect costs recovered			428,526					
Increase in reserve for doubtful loans				3,973				
Refunded to grantor			21,314	2,050				
Total expenditures and other deductions	<u>80,676,536</u>	<u>8,395,456</u>	<u>21,966,358</u>	<u>6,023</u>		<u>11,254,742</u>	<u>6,604,506</u>	<u>1,678,771</u>
NONMANDATORY TRANSFERS AMONG FUNDS -								
Additions (deductions):								
Allocated funds - net	(206,737)	40,240						
Endowment fund (Note H)	(351,990)				351,990			
Plant funds - net	(3,702,773)	249,255	(787,424)			5,608	4,235,334	
Equipment replacement reserves	<u>(1,531,500)</u>	<u>(157,431)</u>					<u>1,688,931</u>	
Total transfers	<u>(5,793,000)</u>	<u>132,064</u>	<u>(787,424)</u>		<u>351,990</u>	<u>5,608</u>	<u>5,924,265</u>	
NET INCREASE (DECREASE) FOR THE YEAR	2,061	2,331	418,186	(6,023)	351,990	2,106,226	(209,721)	12,317,015
FUND BALANCE:								
June 30, 2000	<u>10,517</u>	<u>44,365</u>	<u>1,501,029</u>	<u>31,816</u>	<u>10,307,230</u>	<u>30,051,040</u>	<u>28,424,402</u>	<u>236,449,585</u>
June 30, 2001	<u>\$ 12,578</u>	<u>\$ 46,696</u>	<u>\$ 1,919,215</u>	<u>\$ 25,793</u>	<u>\$ 10,659,220</u>	<u>\$ 32,157,266</u>	<u>\$ 28,214,681</u>	<u>\$ 248,766,600</u>

See notes to financial statements.

SINCLAIR COMMUNITY COLLEGE

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES YEAR ENDED JUNE 30, 2001 (WITH COMPARATIVE TOTALS FOR 2000)

	Unrestricted, Unallocated				Restricted		Total	
	Educational and General	Auxiliary Enterprises	June 30		June 30		June 30	
			2001	2000	2001	2000	2001	2000
REVENUES:								
Tuition, fees and other student charges	\$ 19,376,085	\$ 310,332	\$ 19,686,417	\$ 19,792,554	\$	\$	\$ 19,686,417	\$ 19,792,554
State appropriations	42,209,455		42,209,455	37,770,556			42,209,455	37,770,556
County tax levy receipts	21,073,635		21,073,635	20,791,984			21,073,635	20,791,984
Federal grants and contracts	373,904		373,904	294,806	15,742,982	13,762,601	16,116,886	14,057,407
State grants and contracts	15,728		15,728	1,275	4,237,104	3,919,957	4,252,832	3,921,232
Local grants and contracts					89,721	90,346	89,721	90,346
Private gifts, grants and contracts	38,894		38,894	34,909	1,446,711	1,283,547	1,485,605	1,318,456
Endowment income	703,980		703,980	675,920			703,980	675,920
Sales and services	498,639	7,955,391	8,454,030	8,072,814			8,454,030	8,072,814
Long-term investment income	1,575,000		1,575,000	1,575,000			1,575,000	1,575,000
Other sources	<u>606,277</u>		<u>606,277</u>	<u>480,626</u>			<u>606,277</u>	<u>480,626</u>
Total revenues	<u>86,471,597</u>	<u>8,265,723</u>	<u>94,737,320</u>	<u>89,490,444</u>	<u>21,516,518</u>	<u>19,056,451</u>	<u>116,253,838</u>	<u>108,546,895</u>
EXPENDITURES:								
Educational and general:								
Instruction	44,881,178		44,881,178	40,759,915	2,966,065	2,581,817	47,847,243	43,341,732
Public service	836,492		836,492	675,999	2,341,210	1,834,266	3,177,702	2,510,265
Academic support	8,346,058		8,346,058	8,287,636	442,125	167,682	8,788,183	8,455,318
Student services	8,188,387		8,188,387	7,618,175	1,376,226	1,406,556	9,564,613	9,024,731
Institutional support	8,618,928		8,618,928	8,062,776	32,204	11,991	8,651,132	8,074,767
Plant operations and maintenance	8,439,842		8,439,842	7,748,358	2,417	16,255	8,442,259	7,764,613
Student aid	<u>1,365,651</u>		<u>1,365,651</u>	<u>1,179,304</u>	<u>14,356,271</u>	<u>13,037,884</u>	<u>15,721,922</u>	<u>14,217,188</u>
Total educational and general expenditures	80,676,536		80,676,536	74,332,163	21,516,518	19,056,451	102,193,054	93,388,614
Auxiliary enterprises		<u>8,395,456</u>	<u>8,395,456</u>	<u>8,523,880</u>			<u>8,395,456</u>	<u>8,523,880</u>
TOTAL EXPENDITURES	80,676,536	8,395,456	89,071,992	82,856,043	21,516,518	19,056,451	110,588,510	101,912,494
NONMANDATORY TRANSFERS AND OTHER CHANGES - Additions (deductions):								
Allocated funds - net	(206,737)	40,240	(166,497)	(1,294,677)			(166,497)	(1,294,677)
Endowment fund (Note H)	(351,990)		(351,990)	(337,960)			(351,990)	(337,960)
Plant funds - net	(3,702,773)	249,255	(3,453,518)	(4,043,180)	(787,424)	(787,424)	(4,240,942)	(4,830,604)
Equipment replacement reserves	(1,531,500)	(157,431)	(1,688,931)	(1,037,990)			(1,688,931)	(1,037,990)
Restricted revenues in excess of expenditures					<u>1,205,610</u>	<u>1,091,868</u>	<u>1,205,610</u>	<u>1,091,868</u>
Total nonmandatory transfers and other changes	(5,793,000)	132,064	(5,660,936)	(6,713,807)	418,186	304,444	(5,242,750)	(6,409,363)
NET CHANGE IN FUND BALANCES	<u>\$ 2,061</u>	<u>\$ 2,331</u>	<u>\$ 4,392</u>	<u>\$ (79,406)</u>	<u>\$ 418,186</u>	<u>\$ 304,444</u>	<u>\$ (5,242,750)</u>	<u>\$ 225,038</u>

See notes to financial statements.

SINCLAIR COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2001

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 Montgomery County Community College District, which was established by the voters of Montgomery County and is exempt from federal income taxes pursuant to provisions of Section 115 of the Internal Revenue Code. The College offers associate degrees and continuing education in the areas of allied health, business, engineering and industrial technologies, fine and performing arts, liberal arts and sciences, and extended learning and human services technology.

Accrual and Fund Accounting – The College utilizes principles of fund accounting and follows governmental accounting standards. Consequently, resources for various purposes are classified into funds in accordance with specific activities or objectives with separate accounts maintained for each fund. For reporting purposes, funds with similar characteristics are combined into fund groups, and financial transactions are summarized and reported by such fund groups.

Funds provided by outside sources for specific purposes are reported as restricted funds and may only be used for the purposes intended. Unrestricted fund balances may be internally designated by the Board of Trustees for specific purposes and, when so designated, are reported as allocated funds. Restricted fund additions are accounted for in the appropriate restricted fund and are reported as revenues when utilized for operating purposes.

Current funds used for the replacement of moveable equipment, library books and furniture are recorded as expenditures. Such items are also capitalized in the Investment in Plant Fund. Nonmandatory transfers as approved by the Board of Trustees include funds to be expended for capital projects and certain other items.

Cash and cash equivalents include cash, certificates of deposit, and money market funds, stated at cost which approximates market.

Investment Income – The College’s policy is to record and recognize investment income in the educational and general fund to the extent budgeted by the Board of Trustees to be used for operating purposes; any remainder, including any unrealized gains or losses, is recorded in the unexpended plant fund.

Deferred student fee income in the current unrestricted fund consists of student tuition and fees for 2001 Summer and Fall sessions.

Property, plant and equipment are recorded at cost or, if acquired by gift, at an appraisal value at the date of the gift. When assets are sold or otherwise disposed of, the carrying value of such assets is removed from the accounts and the net investment in plant fund is reduced accordingly. As presently required under governmental accounting standards, the College follows the practice of not providing for depreciation of fixed assets.

Financial Statements – The Statement of Current Funds Revenues, Expenditures and Other Changes is a statement of financial activities of current funds related to the current reporting period. This statement is presented in two sections to separately report unrestricted funds, over which the Board of Trustees has full control for use in achieving any of its institutional purposes, and restricted current funds, of which the use is limited to specified activities or objectives. Unrestricted revenues reported in this statement represent funds available for current operating needs, while restricted revenues represent only those restricted funds utilized to meet current year expenditures.

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 earn vacation at a rate of 8 hours per month for the first 5 years of service. After 5 years of continuous employment, 8 hours per month plus 8 hours of each year employed is accrued, up to a maximum of 160 hours of accrued vacation. 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. Annual unused sick leave may be accumulated up to a maximum of 1,200 hours. This sick leave will either be absorbed by time off due to illness or injury, or within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-quarter of the accumulated sick leave up to a maximum payout of 240 hours. The College has accrued a sick leave liability for all employees equal to the maximum payout upon retirement.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Reclassification – Certain reclassifications have been made to conform balances with the 2001 presentation.

Accounting Pronouncements – Government Accounting Standards Board (GASB) Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”, became effective July 1, 2000. This statement sets accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. It primarily addresses the timing of recognition of these transactions. A nonexchange transaction would exist when the College gives or receives value without directly receiving or giving essentially equal value in return. The adoption of Statement No. 33 required the College to record a receivable and related deferred revenue for the Montgomery County property tax levy in the balance sheet of the Educational and General Fund. There was no resulting impact on reported revenues or fund balances as of June 30, 2001.

GASB Statement No. 35, “Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities” became effective July 1, 2001. This Statement requires public colleges and universities to adopt GASB Statement No. 34, “Basic Financial Statements and Management’s Discussions and Analysis for State and Local Governments”. Statement No. 35 will significantly change certain accounting and financial reporting standards for public colleges and universities. The new standard is designed to provide financial information that responds to the needs of primary users of general purpose external financial reports. It is expected that the adoption of Statement No. 35 will have a material effect on the College’s financial statements. Among other things, net assets (currently referred to as fund balances) will be reduced due to the requirement of this Statement to recognize depreciation on all capital assets. Additionally, the content and presentation of the financial statements will be significantly revised under this Statement, including the addition of management’s discussion and analysis as required supplementary information.

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 certificates of deposit, repurchase agreements, United States treasury securities, federal government agency securities backed by the full faith of the government, Ohio municipal securities and the State Treasurer's investment pool. The classification of cash and cash equivalents, and investments in the financial statements is based on criteria set forth in Governmental Accounting Standards Board (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, 2001, the carrying amount of the College's deposits in all funds was \$15,839,740 (included in cash and cash equivalents in the balance sheet) and the bank balance was \$19,312,635. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2001. Of the bank balance, \$8,983,396 was covered by federal depository insurance or by collateral held by the College's agent in the College's name. The remaining balance of \$10,329,239 was uninsured. The uninsured deposits are held in accounts collateralized by a pooled collateral account at the Federal Reserve Banks of Cleveland and Cincinnati. These arrangements are in compliance with the Ohio Revised Code.

Investments – Investments are stated at their fair value of \$113,354,909 (amortized cost basis of \$112,175,491). The College's investments include \$103,207,306 invested in Government National Mortgage Association pools and classified as category 1 risk. The term "risk" in this context does not refer to market risk of gain or loss in value; rather, it refers to the safety of the individual securities while held in safekeeping. In general, Category 1 includes investments that are insured or registered or for which the securities are held by the College or its agent in the College's name. The remaining \$10,147,603 was on deposit in the State Treasurer's investment pool and is valued at the pool's share price which is the price for which the investment could be sold on June 30, 2001. GASB Statement No. 3 does not require this investment to be categorized into risk categories. 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 include amounts related to funds designated by the Board of Trustees or restricted by outside parties for the following purposes: (1) \$60,371,947 designated for capital improvement projects, major facilities renovation projects and major equipment replacement; (2) \$36,728,527 designated as operating fund reserves for tuition stabilization, unplanned income decline, uninsured losses, and other contingencies and initiatives; (3) \$4,583,868 designated for the College's auxiliary enterprises; (4) \$7,527,553 restricted as student loan funds, funds received from external sources under grants and contracts and funds held in custody for others; and (5) \$10,659,220 designated as endowment funds. The remainder of the College's cash and investments represents resources for operating purposes (i.e., payment of payables and accruals).

C. 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 and general support from a Montgomery County, Ohio property tax levy (2-1/2 mills commencing January 1, 1999 and ending December 31, 2008).

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. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and subsequent transfer of the facility to the Ohio Board of Regents. Neither the obligation for the revenue bonds issued by the OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the College's financial statements. These are currently being funded through appropriations to the Board of Regents by the Ohio General Assembly. The facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the state.

D. RETIREMENT PLANS

The College contributes to the State Teachers Retirement System of Ohio (STRS) and the Public Employees Retirement System of Ohio (PERS) which are state wide cost-sharing multiple-employer plans. PERS 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 PERS. The College's law enforcement officers are members of the PERS law enforcement division, which provides potentially greater retirement benefits and earlier benefit eligibility than are available for other PERS members.

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

PERS
 277 East Town Street
 Columbus, OH 43215-4642
 (614) 466-2085

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

PERS plan members are required to contribute 8.5% (9.0% for law enforcement officers) of their annual salary, and STRS members contribute 9.3%. The College is required to contribute 13.55% (16.70% for law enforcement officers) and 14.00% of annual covered payroll for PERS and STRS, respectively. During the year ended June 30, 2001, PERS implemented a temporary employer contribution rollback for calendar year 2000. The 20% rollback (6% for law enforcement officers) resulted in an annualized employer contribution rate of 10.84% (15.7% for law enforcement officers). The contribution requirements of plan members and the College are established and may be amended by state statute. The College's contributions to PERS and STRS required and made for the years ended June 30, 2001, 2000, and 1999 were as follows:

Year	Contribution	
	PERS	STRS
2001	\$2,618,918	\$3,949,684
2000	2,949,659	3,699,108
1999	2,642,607	3,491,643

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.

ARP's for public colleges and universities were created in Ohio law to provide employees with an alternative to PERS and STRS. Key features are:

- ARP's 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.
- In contrast to PERS and STRS, ARP's have easy state-to-state portability.
- 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 9.3% of salary. The College is required to contribute 5.76% to STRS, and the College's discretionary contribution to the ARP has been set at 8.24%.
- Employees electing the ARP instead of PERS are required to contribute 8.5% of salary. The College's discretionary contribution to the ARP has been set at 13.55%.

The College's contributions to the ARP made for the years ended June 30, 2001 and 2000 were \$88,747 and \$43,426, respectively.

E. OTHER POSTEMPLOYMENT BENEFITS

PERS 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 and their dependents. Health care coverage for disability recipients and primary survivor recipients is also available under PERS.

A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 4.5% of the total 14.00% (see Note D). The rate for PERS and PERS law enforcement division was 4.30% of the totals 10.84% and 15.70%, respectively. The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to PERS and STRS.

Postretirement health care under PERS is advance-funded on an actuarially determined basis. The actuarial value of PERS net assets available for OPEB at December 31, 1999 is \$10.805 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12.474 billion and \$1.668 billion, respectively. The number of PERS active contributing participants was 401,339 for the year ended December 31, 1999. For the year ended June 30, 2001, the College contributed \$1,024,370 to PERS for OPEB funding, which is equal to the actuarially required contributions of the plan.

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 \$3.419 billion as of June 30, 2000. Eligible benefit recipients reported for STRS totaled 99,011 as of June 30, 2000. For the year ended June 30, 2001, the College contributed \$1,269,541 to STRS to fund these benefits.

F. INSURANCE

The College maintains comprehensive and umbrella insurance coverage with private carriers for real property, building contents, vehicles and liability. 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.

G. 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. It is the opinion of management that any potential disallowance of claims would not have a material effect on the financial statements.

Certain other claims and suits that occur during the normal course of business have been filed or are pending against the College. Management believes that the liability, if any, which may result would not have a material adverse effect on the financial position of the College.

H. BOARD DESIGNATED ENDOWMENT FUND

The College's Board of Trustees has established, through transfers in prior years from the unrestricted educational and general fund, a board designated endowment fund to ensure the availability of ongoing operating resources that provide flexibility to meet such needs as transformation in the learning process and change in such key areas as student grants, scholarships and instructional equipment. It is anticipated that a portion of the annual endowment fund earnings will be added to principal each year to keep pace with inflation (50% of the fiscal 2001 and 2000 earnings of \$703,980 and \$675,920, were added in fiscal 2001 and 2000, respectively). The remaining earnings will be used for special needs based on the Board's periodic reassessment of the most pressing issues confronting the local community and the College. All future decisions related to the endowment fund's continued existence and operational procedures are totally at the Board's discretion.

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SINCLAIR COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2001

Federal Grant or Pass-Through Grant or Program Title	Pass-Through Identifying Number	Federal CFDA Number or Grant Number	Federal Expenditures
U. S. Department of Education:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grant		84.007	\$ 175,011
Federal Work Study Program		84.033	96,649
Federal Pell Grant Program		84.063	7,217,434
Federal Direct Loan Program		84.268	<u>4,095,234</u>
			<u>11,584,328</u>
Trio Cluster:			
Trio Upward Bound		84.047	242,238
Trio Student Services		84.042	<u>210,443</u>
			<u>452,681</u>
Adult Education State Grant Program, pass-through from State of Ohio Department of Education	0633-AB-SS-1999C, 063362-AB-SL-2000, 063362-AB-SL-2000C, and 063362-AB-SL-2001	84.002	362,166
Vocational Education Basic Grants to States, pass-through from State of Ohio Department of Education	20-C2 2000 and 20-C2 2001	84.048	245,197
Tech-Prep Education, pass-through from State of Ohio Department of Education	3E-00 2000 and 3E-00 2001	84.243	529,077
			<u>13,173,449</u>
National Science Foundation - Education and Human Resources		47.076	<u>858,675</u>
U.S. Department of Health and Human Services - Temporary Assistance for Needy Families, pass-through from Montgomery County Department of Human Services	Resolution 98-1262	93.558	1,849,025
U.S. Department of Labor:			
Native American Employment and Training Program, pass-through from Montgomery County Department of Human Services	Resolution 01-724	17.251	32,397
Employment Service and Job Training Pilot and Demonstration Program, pass-through from State of Ohio Department of Education		17.249	<u>8,520</u>
			<u>40,917</u>
Federal Emergency Management Agency		83.526	<u>4,065</u>
U.S. Department of Agriculture - Summer Food Service Program for Children, pass-through from State of Ohio Department of Education	23 UN 2000 and 24 UN 2000	10.559	2,090
National Aeronautics and Space Administration - Aerospace Education Services Program, pass-through from Cuyahoga Community College	NAS 3-98099	43.001	<u>188,665</u>
Total Federal Awards			<u>\$16,116,886</u>

See note to the Schedule of Expenditures of Federal Awards.

SINCLAIR COMMUNITY COLLEGE

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2001

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards reflects the expenditures of Sinclair Community College under programs financed by the U.S. government for the year ended June 30, 2001 and is prepared on the accrual basis of accounting. Because the schedule presents only a selected portion of the operations included in the College's financial statements, it is not intended to, and does not, present the financial position, changes in fund balance and current funds revenues, expenditures and other changes.

For purposes of the schedule, federal awards include the following:

- Direct federal awards
- Pass-through funds received from other organizations under federally sponsored programs conducted by those organizations.

SINCLAIR COMMUNITY COLLEGE

ADDITIONAL INFORMATION - CHANGES IN AUXILIARY ENTERPRISES UNALLOCATED FUND BALANCES YEAR ENDED JUNE 30, 2001

	Food Service	Bookstore	Inter- Collegiate Athletics	Parking	Locker Rental	Total
REVENUES	\$ 193,252	\$ 7,248,814	\$ 323,369	\$ 497,957	\$ 2,331	\$ 8,265,723
EXPENDITURES	<u>134,675</u>	<u>6,804,370</u>	<u>321,473</u>	<u>1,134,938</u>	<u> </u>	<u>8,395,456</u>
Net change - current operations	58,577	444,444	1,896	(636,981)	2,331	(129,733)
NONMANDATORY TRANSFERS FROM (TO) :						
Allocated funds - net	7,500		(1,896)	34,636		40,240
Plant funds - net	17,080	(47,855)		280,030		249,255
Equipment replacement reserves	(132,431)	(25,000)				(157,431)
Bookstore to Food Service and Parking	<u>49,274</u>	<u>(371,589)</u>	<u> </u>	<u>322,315</u>	<u> </u>	<u> </u>
NET INCREASE FOR THE YEAR					2,331	2,331
FUND BALANCE:						
June 30, 2000	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>44,365</u>	<u>44,365</u>
June 30, 2001	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>	<u>\$46,696</u>	<u>\$ 46,696</u>

SINCLAIR COMMUNITY COLLEGE

ADDITIONAL INFORMATION - COLLEGE OFFICIALS, ETC. AS OF JUNE 30, 2001

Board of Trustees	Expiration of Term
Robert S. Neff, Chairman	October 12, 2002
Jerome F. Tatar, Vice Chairman (Chairman effective July 1, 2001)	July 1, 2005
Marva Cosby	July 30, 2003
Katherine Hollingsworth	July 1, 2005
George G. Johnston	October 1, 2004
Lawrence Porter	July 9, 2002
John N. Taylor, Jr. (Vice Chairman effective July 1, 2001)	October 12, 2002
Ethel M. Washington	October 12, 2002
Joyce Young	October 1, 2004

College Administration

Dr. Ned J. Sifferlen, President

Dr. Steven L. Johnson, Provost

W. Joseph Gorman, Vice President for Business Operations

Michael W. Plourde, Director of Accounting Services

Charles E. Giles, Director of Business Services

William J. Boudouris, Director of Budget and Analysis

Bonding

All employees of the College are bonded by the Central Insurance Company to an aggregate limit of \$5,000,000.

College Location

Sinclair Community College is located at 444 West Third Street in Dayton, Ohio.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The President and Board of Trustees of
Sinclair Community College and Mr. Jim Petro,
Auditor of State:

We have audited the financial statements of Sinclair Community College (the "College") as of and for the year ended June 30, 2001, and have issued our report thereon dated October 9, 2001. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

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 and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the College's internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we have communicated other observations involving the internal control over financial reporting to the management of the College in a separate letter dated October 9, 2001.

* * * * *

This report is intended solely for the information and use of the Board of Trustees, the management of the College, the U.S. Department of Education, other applicable U.S. Government 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.

DELOITTE & TOUCHE LLP

October 9, 2001



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

The President and Board of Trustees of
Sinclair Community College and Mr. Jim Petro,
Auditor of State:

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, 2001. The College's major federal programs are identified in 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, 2001.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the College's internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the College's internal control over compliance and its operation that we consider to be material weaknesses.

* * * * *

This report is intended solely for the information and use of the Board of Trustees, the management of the College, the U.S. Department of Education, other applicable U.S. Government 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.

DELOITTE & TOUCHE LLP

October 9, 2001

SINCLAIR COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2001

1. Summary of auditors' results
 - Type of Report on the Financial Statements – Unqualified Opinion.
 - Material Weaknesses in Internal Control Over Financial Reporting – None noted
 - Reportable Conditions in Internal Control over Financial Reporting Identified which are not Considered to be Material Weaknesses – None reported
 - Instances of Noncompliance that were Material to the Financial Statements – None
 - Material Weakness in Internal Control Over Compliance With Requirements Applicable to Major Federal Awards Programs – None
 - Reportable Conditions in Internal Control over Compliance with Requirements Applicable to Major Federal Awards Programs Identified which are not Considered to be Material Weaknesses – None reported
 - Type of Report on Compliance for Major Programs – Unqualified.
 - Audit Findings Required by OMB A-133 to be Reported by the Auditor – None
 - Major Programs – The three major programs were (i) student financial assistance which encompasses those Department of Education programs included in this cluster as shown on the Schedule of Expenditures of Federal Awards (CFDA Nos. 84.007, 84.033, 84.063 and 84.268); (ii) Tech Prep Education (CFDA No. 84.243); and (iii) Temporary Assistance for Needy Families (CFDA No. 93-558).
 - Dollar Threshold Used to Distinguish Between Type A and Type B programs – \$483,507.
 - Low-Risk Auditee – The College qualified as a low-risk auditee, however, student financial assistance was considered a high-risk Type A program which resulted in audit coverage in excess of 50% of total Federal expenditures.
2. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Government Auditing Standards – No matters are reportable.
3. Findings and Questioned Costs for Federal Awards – No matters are reportable.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370
Facsimile 614-466-4490

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
NOVEMBER 27, 2001**