SINCLAIR COMMUNITY COLLEGE
Dayton, Ohio

FINANCIAL STATEMENTS
June 30, 2007 and 2006

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 Chizek and Company LLC, for the audit period July 1, 2006 through June 30, 2007. 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

February 7, 2008

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SINCLAIR COMMUNITY COLLEGE
Dayton, Ohio

FINANCIAL STATEMENTS
June 30, 2007 and 2006

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Crowe Chizek and Company LLC
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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, 2007 and 2006, 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 an opinion 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, 2006 and 2005). 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 report of other auditors provide a reasonable basis for our opinion.

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, 2007 and 2006 (December 31, 2006 and 2005 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 2007, 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 2007 basic financial statements. The schedule is the responsibility of the College's management. Such additional information has been subjected to the auditing procedures applied in our audit of the 2007 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 12 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 Chizek and Company LLC

Crowe Chizek and Company LLC

Columbus, Ohio
November 19, 2007

MANAGEMENTS 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, 2007 and 2006. Please read it in conjunction with the College's financial statements, which begin on page 13.

Financial and Institutional Highlights

- In fiscal year 2007, Sinclair Community College's financial resources were used for advancing the College's mission to provide the community with affordable, accessible, quality programs and services. This included further laying the groundwork for supporting the statewide goal of substantially increasing the college attendance rate in Ohio by expanding Sinclair's presence in its designated service areas (Montgomery and Warren counties) and by expanding learning options at the downtown Dayton Campus.

- Specifically, in its fiscal 2007 operating budget Sinclair continued to demonstrate an exceptional level of commitment to teaching and learning. In comparison to non instructional expenses (such as facility costs), the College devoted a significantly higher percentage of its resources to instruction and academic support functions than the average of Ohio's other public two year colleges.

- Fiscal year 2007 also represented the first full year of operations at the Englewood Learning Center and opening of the Huber Heights Learning Center. In addition, the College moved forward on a site in Mason, Ohio, which opened for classes in September 2007. At the downtown Dayton Campus, a new, state-of-the-art library was officially opened during fiscal year 2007.

- In keeping with a guiding principle of prudent stewardship of financial resources, the College undertook a variety of important initiatives to restructure operations and improve effectiveness and efficiency. These included a comprehensive review of all programs and services to ensure alignment with community needs. This review produced over $3 million in annual budgetary revenue and expense improvement that was factored into the fiscal 2008 operating budget. It also included strategic reorganizations, such as within the Workforce Development and Corporate Services group to better meet the community needs for a well trained workforce. The College also reorganized the administration at the outset of fiscal year 2007, resulting in over $400,000 of annual budgetary cost savings.

- Tuition for all residents was increased by 6% in fiscal year 2007. This increase was necessary to compensate for stagnation in state funding. At $45 per credit hour for Montgomery County residents, Sinclair's tuition remained lowest in the state.

Overview of the Financial Statements

This annual report consists of three main parts – management's discussion and analysis (this section), the financial statements, and a section containing reports on the audit of federal grants and contracts received by the College.

The financial statements are presented in the format required by 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, 2007 and 2006, 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 "*Statement of Revenues, Expenses and Changes in Net Assets*".

Fiscal 2007

At June 30, 2007, net assets were \$239.9 million or 91% of the value of total assets of \$262.5 million. Liabilities of \$22.7 million were less than 9% 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.

Total net assets decreased by $4.1 million (from $244.0 million to $239.9 million) in fiscal 2007. The decrease had these components:

- Revenue in excess of expense of $2.8 million (exclusive of the change in fair value of investments and depreciation expense);
- An increase in the fair value of investments of $.4 million; and
- Depreciation expense of $7.3 million.

Also in fiscal 2007, capital asset acquisitions consumed $8.0 million of unrestricted and restricted net assets and added a corresponding amount to capital assets.

Fiscal 2006

Total net assets decreased by $6.3 million (from $250.3 million to $244.0 million) in fiscal 2006. The decrease had these components:

- Revenue in excess of expense of $4.5 million (exclusive of the change in fair value of investments and depreciation expense);
- A decrease in the fair value of investments of $4.5 million; and
- Depreciation expense of $6.3 million.

Two other major transaction types that occurred between the net asset categories in fiscal 2006 were:

- A transfer of $21.3 million, representing accrued Montgomery County property tax levy receipts, from unrestricted to restricted net assets in accordance with a change in Ohio law.
- Capital asset acquisitions of $18.0 million.

TABLE 1
NET ASSETS
(in millions of dollars)

	2007	2006	Percentage Change 2006-07	2005
Current assets	$ 45.8	$ 44.1	3.9%	$ 50.1
Investments	81.6	89.6	(8.9%)	98.7
Capital assets, net	135.1	134.4	0.5%	123.0
Total assets	262.5	268.1	(2.1%)	271.8
Current liabilities	18.5	20.0	(7.5%)	17.5
Long-term liabilities	4.2	4.1	2.4%	4.0
Total liabilities	22.7	24.1	(5.8%)	21.5
Net assets:				
Invested in capital assets	135.1	134.4	0.5%	123.0
Restricted—expendable	23.2	23.3	(0.4%)	1.7
Unrestricted	81.6	86.3	(5.4%)	125.6
Total net assets	$ 239.9	$ 244.0	(1.7%)	$ 250.3

Statement 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 presents the results of operations for the College for the fiscal years 2005 through 2007. While total net assets have declined over the past two years, this was not unexpected or unplanned as explained by the following three primary factors:

- First is the timing of County Levy receipts in relation to expenditures. The College receives substantial support from a Montgomery County property tax levy that commenced in 1999 and expires in 2008. This is one of the College's main revenue sources, providing $22.2 million in fiscal 2007. Levies of this type generate a relatively flat annual amount of revenue each year over their life cycle, producing approximately the same yield in year one of the cycle as they do in year ten. Thus, in order to compensate for inflation, prudent fiscal management of a levy of this type involves reserving a portion of the proceeds in the earlier years of the cycle, for use in the later years of the cycle. The College has managed its levy proceeds in exactly that manner, and as the current ten year levy cycle nears its end, reserves established in the early years are now being consumed as planned to support the College's Montgomery County operations. This managed process is one of the factors contributing to the decline in the College's total net assets.

- A second key factor in explaining the reduction in net assets has been stagnation in the College's largest funding source, state appropriations, in the face of rising costs, particularly those related to employee compensation and health care expenses. Due to an extended period of state operating appropriation cutbacks and restraint, state funding for Sinclair has gotten smaller and smaller as a percentage of total revenues. This has resulted in the need to raise tuition, restructure operations and reduce costs to ensure long-term sustainability. At the same time, the College has continued strategic investments in new initiatives to advance the mission (e.g., start-up expenditures at the new learning centers in Englewood and Huber Heights).

- Finally, the decrease in net assets in 2006 and 2007 is influenced significantly by the decline in the fair value of investments of $4.1 million over the same period. This non-cash item is not expected to generate an actual loss of cash insofar as the underlying securities are to be held to maturity per Sinclair's investment policy.

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

Revenues (Operating, Nonoperating and Other)

- Of note with respect to this category is the increase in student tuition and fees net of scholarships from 2006 to 2007 primarily resulting from a 6% increase in tuition rates. The total of all other operating revenues increased by 2.7% in 2007.

- In 2006, the College realized an increase in operating revenues of $1.7 million or 3.0% despite a slight downturn in enrollments. Mitigating this decline was a 6% increase in tuition for Ohio residents, which yielded a net increase in tuition and fees of $0.8 million or 3.9%. Combined federal, state and local grants and contracts produced a modest increase of $1.0 million. Auxiliary enterprise revenues were $0.2 million higher than fiscal year 2005, primarily due to increases in parking revenues. Sales of services and other operating revenues contributed a $0.5 million improvement over fiscal 2005.

- As indicated above, in fiscal 2007 nonoperating and other revenues increased by $3.7 million. This was primarily due to the impact of the change in fair value of the College's investments, which had declined $4.5 million in fiscal 2006, but recovered by $0.4 million in fiscal 2007. Such changes are the result of normal market value fluctuations in the bond market. The College's policy is to hold all of its investments to maturity; therefore, it is not anticipated that fair value gains and losses will be realized.

- Also of interest in this area is the fact that state appropriations, which account for a third of all revenues to Sinclair, have remained largely unchanged over the period under analysis. Since FY 2001, an extended period of state funding cuts and restraints has resulted in a reduction in Sinclair's state funding per student of approximately 20% (on an inflation-adjusted basis).

Operating Expenses

- Total expenses grew by approximately 3% in each of the inter-year periods depicted, owing mainly to compensation and fringe benefit cost increases, including health insurance expenses, and an increase in depreciation expense. Exclusive of the depreciation increase, expenses in 2007 were only 2.4% above 2006 as the College aggressively managed discretionary expense growth through cost reduction initiatives such as reorganization of the administration. The College also made targeted expenditures over the course of 2006 and 2007 to expand its offerings throughout Montgomery County, particularly at the Learning Centers at the Huber Heights and Englewood YMCA locations; these account for a large share of the incremental increase in expenses in the academic support and student services categories, particularly from 2006 to 2007.

- Total operating expenses increased by 2.9% in fiscal year 2006 versus 2005. The majority of this increase resulted from increases in salaries and fringe benefits. These increases were partially offset by significant budget cuts, including reductions in budgeted positions that were factored into the original budget and mid-year budget revision. These cuts were implemented in order to offset reductions in state operating funding and enrollments.

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

	2007	2006	Percentage Change 2006-2007	2005
Operating revenues:				
Student tuition and fees, net of grants and scholarships	$ 22.2	$ 20.5	8.3%	$ 19.7
Federal grants and contracts	18.9	18.3	3.3%	19.4
State and local grants and contracts	7.5	7.0	7.1%	6.0
Nongovernmental grants and contracts	2.8	2.9	(3.4%)	2.6
Sales and services of educational departments	1.2	1.1	9.1%	0.9
Auxiliary enterprises, net of grants and scholarships	7.3	7.5	(2.7%)	7.3
Other	0.8	0.7	14.3%	0.4
Total operating revenues	60.7	58.0	4.7%	56.3
Operating expenses:				
Instruction	62.2	62.1	0.2%	59.7
Public service	4.6	4.7	(2.1%)	4.6
Academic support	10.1	8.9	13.5%	8.7
Student services	12.9	11.8	9.3%	11.6
Institutional support	14.6	14.0	4.3%	13.0
Plant operations and maintenance	13.5	13.2	2.3%	12.6
Depreciation	7.3	6.3	15.9%	5.7
Student aid	6.7	6.4	4.7%	7.5
Auxiliary enterprises	9.4	9.7	(3.1%)	9.8
Total operating expenses	141.3	137.1	3.1%	133.2
Nonoperating and other revenues:				
State appropriations	45.2	45.0	0.4%	45.9
County tax levy receipts	22.2	21.8	1.8%	22.0
Investment income	5.4	5.6	(3.6%)	5.6
Net increase (decrease) in the fair value of investments	0.4	(4.5)	108.9%	1.0
Capital grants	3.3	4.9	(32.7%)	3.7
Total nonoperating and other revenues	76.5	72.8	5.1%	78.2
Increase (decrease) in net assets	$ (4.1)	$ (6.3)	34.9%	$ 1.3

Figure 2.1
Sinclair Community College
Sources of Revenue
for Fiscal Year 2007

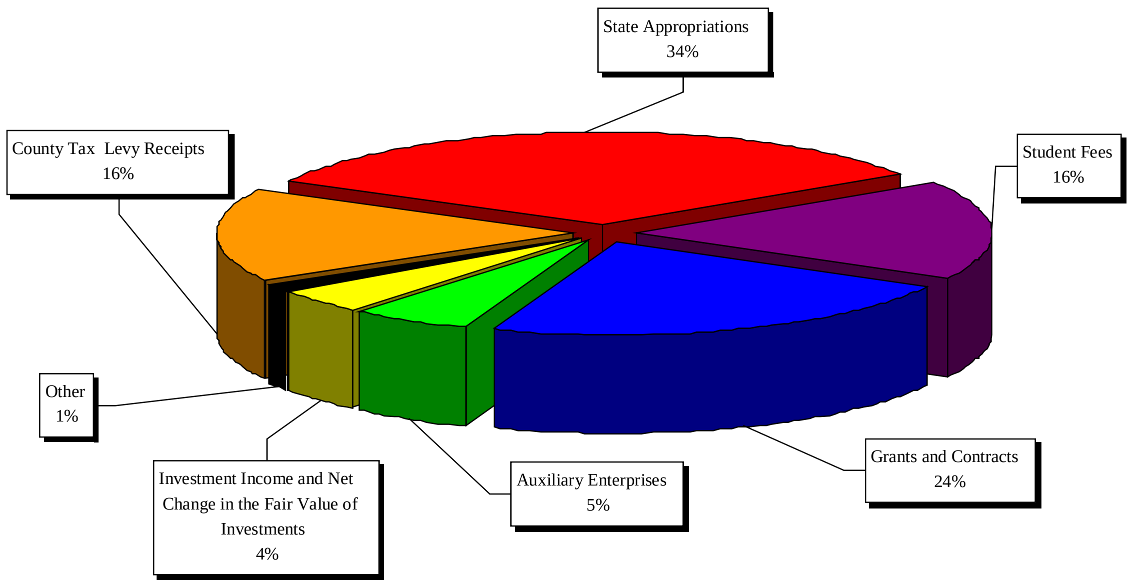
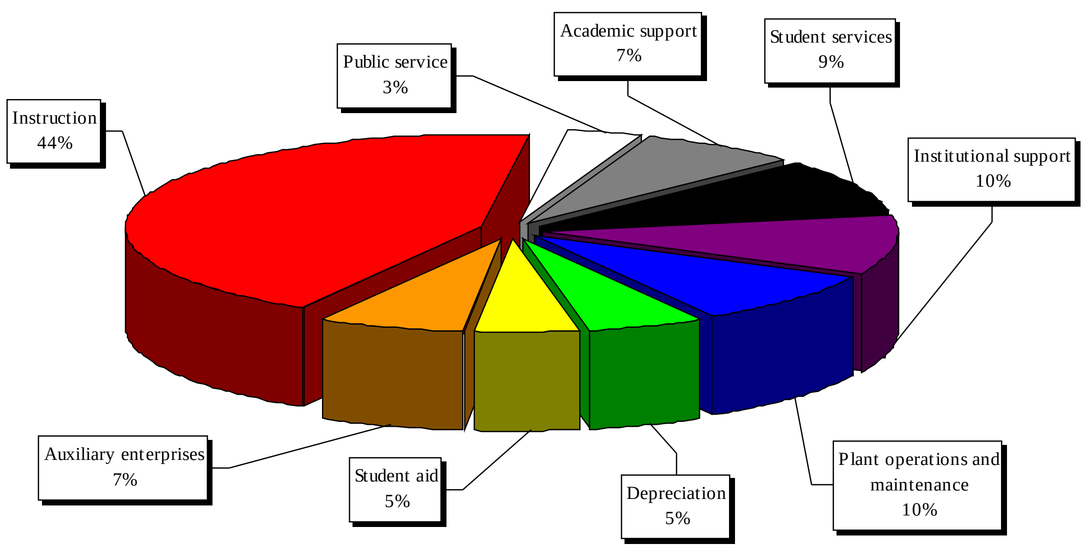


Figure 2.2
Sinclair Community College
Expenditures by Function
for Fiscal Year 2007



Capital Assets

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

- In fiscal 2007, a property that borders on the downtown Dayton campus was acquired at a cost of $1.4 million. This site may be used for the expansion of parking and/or classroom facilities as needed to support future growth of the downtown campus.
- Building additions in fiscal 2006 included a $7.3 million library renovation project. This highly attractive renovation has significantly increased student utilization of the facility.
- In both years, new additions to equipment inventory include the classroom and laboratory equipment installed in the new Huber Heights and Englewood Learning Centers, which opened in fiscal 2007 and 2006, respectively.

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

	2007	2006	Percentage Change 2006-2007	2005
Land and improvements	$ 12.5	$ 10.9	14.7%	$ 10.8
Buildings and improvements	114.7	114.7	0.0%	104.0
Equipment	6.8	7.6	(10.5%)	6.9
Library books	1.1	1.2	(8.3%)	1.3
Total capital assets	$ 135.1	$ 134.4	0.5%	$ 123.0

Economic Factors and Other Impacts on 2008 and Beyond

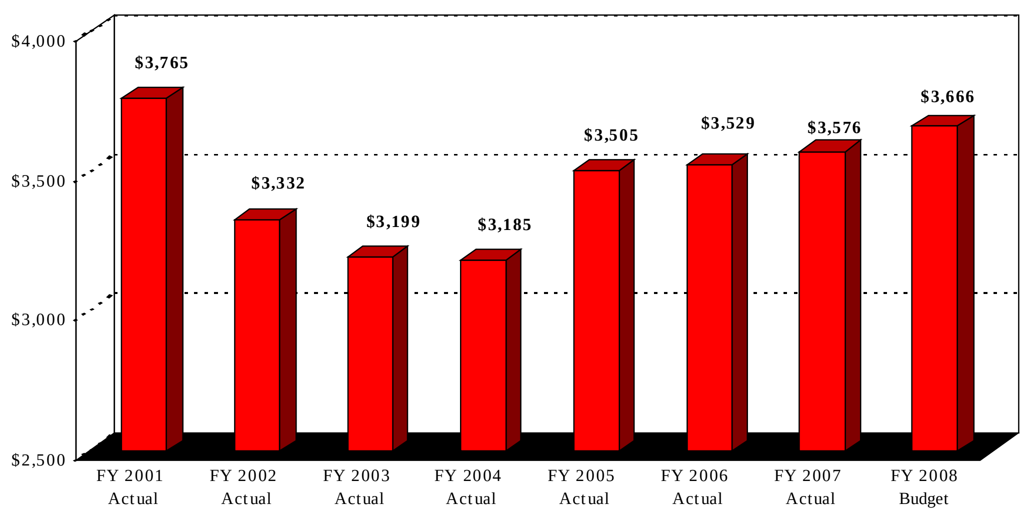
- Persistent economic uncertainty lies ahead that will provide challenges and cost pressures for Sinclair and other public higher education institutions within the State of Ohio. These cost pressures include:

  - Competitive compensation to attract and retain talent
  - The rising cost of health care
  - Utilities and other non-discretionary expenses
  - Maintenance and upkeep of campus infrastructure

  However, Sinclair has taken actions, through restructuring of operations and reduction of costs, to meet these challenges and to continue to maintain strong and sustainable financial and programmatic performance in order to support the needs of educating more citizens and providing workforce training for employers.

- Public higher education in the State of Ohio is undergoing a significant transformation. The Governor and Chancellor of the Board of Regents recently announced the establishment of "The University System of Ohio". The overarching goals are to ensure a more integrated and collaborative system that will be positioned to educate a substantial number of new students over the next ten years. The implications of the new system are currently under discussion including the impact on state funding and tuition policy oversight. Note that:
    - The State of Ohio directly or indirectly controls over half of all revenues to the College through the allocation of state subsidy and oversight of tuition rates. The recently enacted biennial budget bill for fiscal years' 2008 and 2009 provides some reinvestment of state funding but at the same time requires tuition rates to be frozen at 2007 levels for both years.
    - Table 2.3 shows the history of state appropriations per full-time equivalent (FTE) student since 2001 for Sinclair; although 2008 portends a modest increase versus 2007, it is still lower than the subsidy provided in 2001. When adjusting for inflation, the decline is approximately 20%.

Figure 2.3
Sinclair Community College
State Appropiations Per FTE
for Fiscal Years 2001 Actual - 2008 Budget

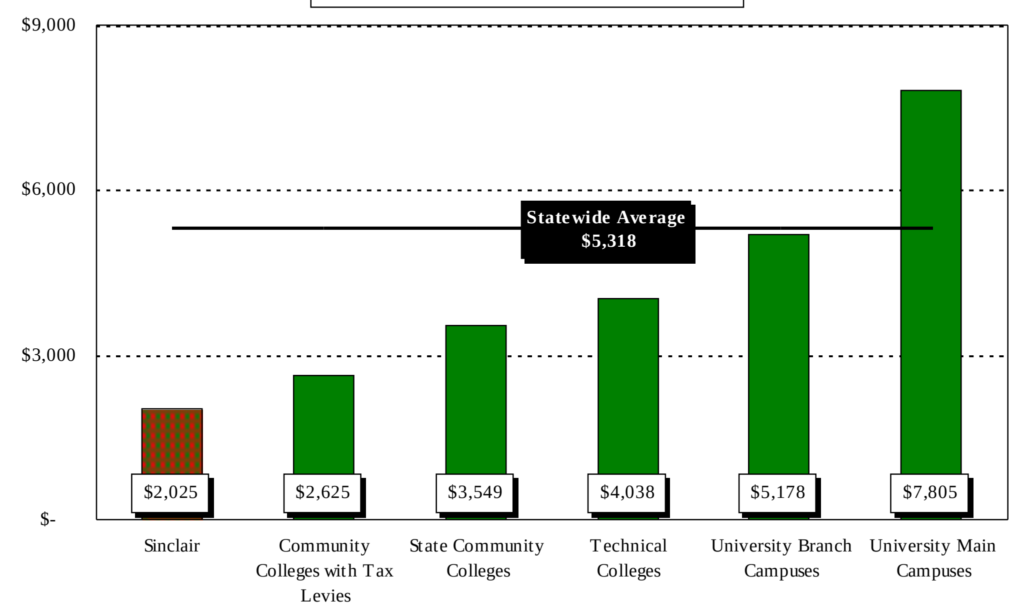


- Finding ways to operating more efficiently and effectively will be critically important in the future environment. This was affirmed by the General Assembly in the aforementioned state budget bill, which mandates that all colleges and universities in the state system demonstrate quantifiable efficiency improvement for both 2008 and 2009.

    - During recent years, Sinclair has responded to the challenge of reduced state funding per student by demonstrating efficiency improvements while growing the number of students and employers served. To further this endeavor and ensure alignment with community needs, the College undertook a comprehensive review of all programs and services during fiscal year 2007 under the name of "Program Alignment". This process yielded approximately $3 million in overall budget improvement for fiscal year 2008 through a combination of revenue enhancements and cost reduction.

- Sinclair's continued excellent financial stewardship is demonstrated in Figure 2.4; full-time tuition for Montgomery County residents at Sinclair in the least expensive of any institution in the state system.

Figure 2.4
Annualized Tuition - Fall 2007
Source: Ohio Board of Regents Annual Survey



- A 2.5 mill Montgomery County property tax levy provides just over 16% of all revenues to the College. As mentioned above, 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 Dayton campus. The levy is set to expire at the end of calendar year 2008. Continuation of the levy beyond that point is vitally important for Sinclair to continue to meet its mission.

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
Years ended June 30, 2007 and 2006

ASSETS	2007	2006
CURRENT ASSETS		
Cash and cash equivalents	$ 14,771,643	$ 12,108,718
Accounts receivable, net	7,348,143	8,141,321
Prepaid expenses	831,423	567,111
Interest receivable	395,945	435,142
Property tax levy receivable	21,150,337	21,343,210
Inventories	1,318,536	1,520,157
Total current assets	45,816,027	44,115,659
NONCURRENT ASSETS:		
Investments	81,633,818	89,604,437
Capital assets, net	135,066,356	134,412,185
Total noncurrent assets	216,700,174	224,016,622
Total assets	$ 262,516,201	$ 268,132,281
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accruals	$ 4,186,347	$ 6,370,979
Accrued salaries, wages and benefits	10,613,184	10,088,998
Deferred student fee income	2,774,659	2,668,892
Deposits	908,752	876,334
Total current liabilities	18,482,942	20,005,203
NONCURRENT LIABILITIES:		
Accrued salaries, wages and benefits	4,177,684	4,144,993
Total liabilities	22,660,626	24,150,196
NET ASSETS:		
Invested in capital assets	135,066,356	134,412,185
Restricted – expendable	23,232,803	23,252,306
Unrestricted	81,556,416	86,317,594
Total net assets	239,855,575	243,982,085
Total liabilities and net assets	$ 262,516,201	$ 268,132,281

See accompanying notes to the financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
Years ended December 31, 2006 and 2005

ASSETS	2006	2005
Cash	$ 837,522	$ 988,036
Investments (Note K):		
Fixed income securities	8,361,165	7,677,928
Equities	17,150,346	15,155,848
Miami Valley Venture Funds	176,710	180,989
Total investments	25,688,221	23,014,765
Accounts receivable		20,475
Pledges receivable, net of allowances of $37,360 and $63,379 at December 31, 2006 and 2005, respectively (Note K)	2,041,438	3,313,332
Total assets	$ 28,567,181	$ 27,336,308
LIABILITIES AND NET ASSETS		
Payable to Sinclair Community College	$ 69,084	$ 564,120
Other payables	278,220	206,953
Total liabilities	347,304	771,073
Net assets:		
Unrestricted	17,590,905	16,198,972
Temporarily restricted	6,077,773	6,291,027
Permanently restricted	4,551,199	4,075,536
Total net assets	28,219,877	26,565,535
Total liabilities and net assets	$ 28,567,181	$ 27,336,608

See accompanying notes to the financial statements.

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2007 and 2006

REVENUES	2007	2006
Operating revenues:		
Student tuition and fees	$ 32,798,286	$ 30,644,656
Less grants and scholarships	(10,572,929)	(10,193,128)
Student tuition and fees net of grants and scholarships	22,225,357	20,451,528
Federal grants and contracts	18,933,372	18,322,969
State and local grants and contracts	7,465,160	7,015,424
Nongovernmental grants and contracts	2,751,255	2,862,725
Sales and services of educational departments	1,184,821	1,072,994
Auxiliary enterprises		
Food service	389,428	366,368
Bookstore (net of grants and scholarships of $2,954,493 and $3,032,804 in 2007 and 2006, respectively)	5,979,559	6,052,745
Parking	965,159	1,106,782
Other operating revenues	814,626	751,328
Total operating revenues	$ 60,708,737	$ 58,002,863

(Continued)

EXPENSES	2007	2006
Operating expenses:		
Educational and general:		
Instruction	$ 62,171,514	$ 62,106,547
Public service	4,588,159	4,726,218
Academic support	10,089,806	8,934,374
Student services	12,930,269	11,815,300
Institutional support	14,601,129	13,991,896
Plant operations and maintenance	13,513,205	13,193,993
Depreciation	7,313,326	6,328,462
Student aid	6,739,766	6,417,730
Auxiliary enterprises:		
Food service	192,015	170,117
Bookstore	8,317,883	8,563,109
Parking	807,618	898,303
Total operating expenses	141,264,690	137,146,049
Operating loss	(80,555,953)	(79,143,186)
Nonoperating revenues (expenses):		
State appropriations	45,208,771	44,918,370
County tax levy receipts	22,181,484	21,876,766
Investment income	5,351,252	5,649,597
Net increase (decrease) in the fair value of investments	399,771	(4,455,574)
Total nonoperating revenues	73,141,278	67,989,159
Income (loss) before other revenues, expenses, gains, or losses	(7,414,675)	(11,154,027)
Other revenues – state capital grants	3,288,165	4,884,311
Increase (decrease) in net assets	(4,126,510)	(6,269,716)
Net assets:		
Beginning of year	243,982,085	250,251,801
End of year	$ 239,855,575	$ 243,982,085

See accompanying notes to the financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended December 31, 2006 and 2005

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Contributions (Note K)	$ 378,041	$ 512,024	$ 423,970	$ 1,314,035	$ 497,263	$ 635,314	$ 167,135	$ 1,299,712
Interest/dividends, net of fund expenses of $43,319 in 2006 and $41,783 in 2005	12,637	2,532	320	15,489	6,261	16,620	--	22,881
Net realized/unrealized gains (losses) on investment	1,963,423	506,306	51,373	2,521,102	1,006,806	241,103	1,603	1,249,512
Net assets released from restrictions	1,234,116	(1,234,116)	--	--	1,616,036	(1,616,036)	--	--
Total revenue and support	3,588,217	(213,2545)	475,663	3,850,626	3,126,366	241,103	168,738	2,572,105
Expenses:								
Scholarships	607,406	--	--	607,406	666,613	--	--	666,613
Project support	1,428,541	--	--	1,428,541	1,441,120	--	--	1,441,120
Operating expenses	160,337	--	--	160,337	304,202	--	--	304,202
Total expenses	2,196,284	--	--	2,196,284	2,411,935	--	--	2,411,935
Change in net assets	1,391,933	(213,254)	475,663	1,654,342	714,431	(722,999)	168,738	160,170
Net assets, beginning of year	16,198,972	6,291,027	4,075,536	26,565,535	15,484,541	7,014,026	3,906,798	26,405,365
Net assets, end of year	$ 17,590,905	$ 6,077,773	$ 4,551,199	$ 28,219,877	$ 16,198,972	$ 6,291,027	$ 4,075,536	$ 26,565,535

See accompanying notes to the financial statements.

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	$ 22,159,743	$ 20,655,821
Grants and contracts	29,845,398	27,598,759
Payments to vendors and employees	(135,374,602)	(128,473,155)
Auxiliary enterprise charges	7,575,135	7,293,356
Sales and services of educational departments	996,832	96,023
Other receipts	740,640	664,604
Net cash used in operating activities	(74,056,854)	(71,464,592)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State appropriations	45,208,771	44,918,370
Property tax levy receipts	22,374,357	21,865,118
Direct student loan receipts	8,791,340	7,369,785
Direct student loan disbursements	(8,768,612)	(7,790,038)
Deposits	32,418	133,117
Net cash provided by non-capital financing activities	67,638,274	66,496,352
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants	3,288,165	4,884,311
Purchases of capital assets	(7,967,497)	(17,803,701)
Net cash (used in) provided by capital and related financing activities	(4,679,332)	(12,919,390)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investments	15,196,205	23,320,360
Interest on investments	5,526,351	5,953,828
Purchase of investments	(6,961,719)	(18,963,753)
Net cash provided by investing activities	13,760,837	10,310,435
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,662,925	(7,577,195)
CASH AND CASH EQUIVALENTS		
Beginning of year	12,108,718	19,685,913
End of year	$ 14,771,643	$ 12,108,718

(Continued)

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2007 and 2006

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	2007	2006
Operating loss	$ (80,555,953)	$ (79,143,186)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	7,313,326	6,328,462
Changes in net assets:		
Accounts receivable	770,452	(1,078,291)
Inventory	201,621	(24,667)
Prepaid expenses	(264,312)	(52,846)
Accounts payable	(2,184,632)	1,261,483
Accrued salaries, wages and benefits	556,877	1,080,688
Deferred revenue	105,767	163,765
Net cash used by operating activities	$ (74,056,854)	$ (71,464,592)

See accompanying notes to financial statements.

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 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 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 Transaction*s. 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 Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

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 subject to externally imposed stipulations that are to be maintained permanently by the College. The College currently does not have any nonexpendable net assets.

(Continued)

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

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

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

Operating Versus Non-operating Revenues and Expenses*:* The College defines operating activities as reported on the Statement of Revenues, Expense, 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, including state appropriations, county property tax levy receipts, 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 $176,000 and $96,000 at June 30, 2007 and 2006, 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 sessions, 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)

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 assets, with the exception of land, are depreciated on the straight-line method over the following estimated useful lives:

Buildings and improvements	10-60 years
Equipment and fixtures	3-20 years
Library materials	10 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 and the Ohio Instructional Grant Program. 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.

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

Recent Accounting Pronouncements:

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. Governmental entities sometimes exchange an interest in their expected future cash flows from collecting specific receivables or specific revenues for immediate cash payments. This statement establishes criteria that the entity will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The statement also includes guidance to be used for recognizing other assets and liabilities arising from the sale of specific receivables or future revenues. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2006. The College does not anticipate that this statement will have an effect on its financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the statement excludes pollution prevention or control obligations with respect to current operations and future remediation activities that are required upon retirement of an asset. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2007. The College does not anticipate that this statement will have an effect on its financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information by pension plans and by employers that provide pension benefits. The provisions of this statement are effective for financial statements for fiscal periods beginning after June 15, 2007. Because the College participates in only State sponsored postemployment benefit plans, the adoption of this statement requires certain additional disclosures in the footnotes but has no other impact on the financial statements.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The provisions of this statement are effective for financial statements for fiscal periods beginning after June 15, 2009. The College does not anticipate that this statement will have an effect on its financial statements.

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.

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, 2007, the carrying amount of the College's deposits in all funds was $14,770,508 (included in cash and cash equivalents in the balance sheet) and the bank balance was $14,987,946. The difference between the carrying amount and bank balance is primarily due to outstanding checks at June 30, 2007. Of the bank balance, $728,561 was covered by federal depository insurance or by collateral held by the College's agent in the College's name. The remaining balance of $14,259,385 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.

(Continued)

NOTE B – CASH AND INVESTMENTS (Continued)

Investments: Investments are stated at their fair value of $81,634,953 (amortized cost basis of $83,886,274), and include funds in the State Treasurer's investment pool. The College's investments include $81,633,818 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 $1,135 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, 2007.

GNMA pools are aggregations of home mortgages. 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:

Years	Amount
1-5	$ 6,693
6-10	552,195
11-20	4,580,346
Greater than 20	76,494,584
Total at fair value	$ 81,633,818

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, 2007 the College's GNMA investments returned principal as follows:

Years	Amount
1-5	$ 1,218
6-10	102,260
11-20	1,063,340
Greater than 20	14,029,387
Total (at cost)	$ 15,196,205

(Continued)

NOTE B – CASH AND INVESTMENTS (Continued)

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 fair value 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	$ 42,633,869
Tuition stabilization, unplanned income decline, uninsured losses, other contingencies and initiatives	15,570,540
Auxiliary enterprises	8,536,985
Restricted grants and contracts	2,082,466
Restricted future proceeds from property tax levy	21,150,337
Board designated endowment	14,405,784
Total allocated net assets	$ 104,379,981

(Continued)

NOTE C - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2007 and 2006 is summarized as follows:

	2007 Beginning Balance	Additions	Disposals	2007 Ending Balance
Cost:				
Land and improvements	$ 10,950,613	$ 1,587,528	$ -	$ 12,538,141
Buildings and improvements	208,718,096	4,613,891	-	213,331,987
Equipment and fixtures	20,469,180	1,677,310	1,492,715	20,653,775
Library materials	4,757,656	128,671	116,944	4,769,383
Total cost	244,895,545	8,007,400	1,609,659	251,293,286
Less accumulated depreciation:				
Buildings and improvements	93,997,581	4,684,383	-	98,681,964
Equipment and fixtures	12,893,202	2,383,415	1,452,812	13,823,805
Library materials	3,592,577	245,528	116,944	3,721,161
Total accumulated depreciation	110,483,360	7,313,326	1,569,756	116,226,930
Capital assets, net	$ 134,412,185	$ 694,074	$ 39,903	$ 135,066,356

	2006 Beginning Balance	Additions	Disposals	2006 Ending Balance
Cost:				
Land and improvements	$ 10,846,015	$ 104,598	$ -	$ 10,950,613
Buildings and improvements	193,970,093	14,748,003	-	208,718,096
Equipment and fixtures	18,574,920	2,801,763	907,503	20,469,180
Library materials	4,613,306	161,700	17,350	4,757,656
Total cost	228,004,334	17,816,064	924,853	244,895,545
Less accumulated depreciation:				
Buildings and improvements	89,993,537	4,004,044	-	93,997,581
Equipment and fixtures	11,723,093	2,065,249	895,140	12,893,202
Library materials	3,350,758	259,169	17,350	3,592,577
Total accumulated depreciation	105,067,388	6,328,462	912,490	110,483,360
Capital assets, net	$ 122,936,946	$11,487,602	$ 12,363	$ 134,412,185

(Continued)

NOTE D - LONG-TERM LIABILITIES

Long-term liabilities activity for the years ended June 30, 2007 and 2006 is summarized as follows:

2007	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 4,344,391	$ 304,511	$ 226,375	$4,422,527	$ 244,843
2006					
Compensated absences	$ 4,177,981	$ 378,173	$ 211,763	$4,344,391	$ 199,398

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 (2 ½ mills commencing January 1, 1999 and ending December 31, 2008). Based upon a recent change in 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. Therefore, these amounts are recognized in 2006 as restricted – expendable net assets until received and 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 $1,016,919 and $427,324 for the years ended June 30, 2007 and 2006, respectively. The increase in rental expense for 2007 and future years is due to the facilities leases for the Huber Heights and Englewood Learning Centers and the Courseview Campus in Mason.

(Continued)

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, 2007, are as follows:

Years ending June 30,	
2008	$ 1,184,861
2009	1,163,632
2010	1,071,012
2011	981,963
2012	993,362
2013-2017	4,595,604
Total minimum lease payments	$ 9,990,434

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
277 East Town Street
Columbus, OH 43215-4642
(614) 222-6705
(800) 222-PERS (7377)

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

(Continued)

NOTE G - RETIREMENT PLANS (Continued)

OPERS plan members are required to contribute 9% of their annual salary from July 1, 2006 through December 31, 2006, and 9.5% from January 1, 2007 through June 30, 2007 (10.1% for law enforcement officers), and STRS members contribute 10%. The College is required to contribute 13.7% from July 1, 2006 through December 31, 2006, and 13.85% from January 1, 2007 through June 30, 2007 (16.93% for law enforcement officers from July 1, 2006 through December 31, 2006, and 17.17% from January 1, 2006 through June 30, 2006) 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. Eligibility is limited to all full time employees. ARPs for public colleges and universities were created by Ohio law to provide employees with an alternative to OPERS and STRS.

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.

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 9% of their annual salary from July 1, 2006 through December 31, 2006, and 9.5% from January 1, 2007 through June 30, 2007. The College's discretionary contribution to the ARP has been set at 13.7% from July 1, 2006 through December 31, 2006 and 13.85% from January 1, 2007 through June 30, 2007.

The College's contributions to OPERS, STRS and ARP required and made for the years ended June 30, 2007, 2006, and 2005 were as follows:

		Contribution	
Year	OPERS	STRS	ARP
2007	$ 4,421,115	$ 4,958,247	$ 333,319
2006	4,205,425	4,941,699	314,537
2005	4,143,964	4,811,469	248,795

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.

(Continued)

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 year 2005 and after was 1% for the employer contribution rate of 14% (see Note G). At June 30, 2007, the rate for OPERS and the law enforcement division was 4.5% of the total employer contribution rates of 13.7% (13.85% after January 1, 2007) and 16.93% (17.17% after January 1, 2007), respectively. 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 actuarial value of OPERS net assets available for Other Postemployment Benefits (OPEB) at December 31, 2006, is $12.8 billion. The number of OPERS active contributing participants was 381,464 at year-end December 31, 2006. For the year ended June 30, 2006, the College contributed approximately $1,457,000 to OPERS 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 $3.5 billion as of June 30, 2006. Eligible benefit recipients reported for STRS totaled 119,184 as of June 30, 2005. For the year ended June 30, 2006, the College contributed approximately $354,000 to STRS to fund these benefits.

NOTE I - 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. There have been no significant reductions in insurance coverage in the current 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, 2007, management is not aware of any potential disallowances.

(Continued)

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, 2006 and 2005, are discreetly presented following the respective College financial statement.

The Foundation's statements were prepared in accordance with the pronouncements of the Financial Accounting Standards Board. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's report for these differences.

Investments: The Foundation's investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. 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:

	2006	2005
Fixed income securities	$ 6,646,750	$ 6,258,767
Equities	12,227,187	12,064,933
Miami Valley Venture Funds	176,710	180,989
Total investments	$ 19,050,647	$ 18,504,689

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.

(Continued)

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

Pledges Receivable: As the collection of pledges is estimated to be probable, the Foundation recorded a receivable of $2,041,438, representing the present value of those pledges receivable at December 31, 2006. 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, 2006, are summarized as follows:

	Less than 1 Year	1-5 Years	More than 5 Years	Total
Pledges receivable	$ 1,065,952	$ 1,067,463	$ -	$ 2,133,415
Unamortized discount		(54,617)	-	(54,617)
Present value of pledges receivable	1,065,952	1,012,846	-	2,078,798
Allowance for doubtful accounts	(21,319)	(16,041)	-	(37,360)
Pledges receivable, net	$ 1,044,633	$ 996,805	$ -	$ 2,041,438

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, 2007 and 2006, the Foundation provided resources of $1,596,000 and $1,694,000 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.

(Continued)

SUPPLEMENTARY INFORMATION

SINCLAIR COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

Federal Grants/Pass-Through Grant/Program Title	Federal CFDA Number	Pass-though Grantor's Numbers	Federal Expenditures
U.S. Department of Education:			
Student Financial Aid Assistance Cluster:			
Federal Supplemental Educational Opportunity Grant	84.007		$ 299,439
Federal Work-Study Program	84.033		109,617
Federal Pell Grant Program	84.063		13,205,049
Federal Direct Student Loans	84.268		8,835,689
Academic Competitiveness Grant	84.375		16,731
Total Student Financial Assistance Cluster			22,466,525
Trio Cluster:			
Trio Upward Bound	84.047		370,426
Trio Student Support Services	84.042		252,202
Total Trio cluster			622,628
Adult Education State Grant Program, pass-through from 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	338,699
Higher Education Instructional Aid Strengthening Institutions	84.031		355,420
Vocation Education Basic Grants to States, pass-through State of Ohio Department of Education	84.048	20-C2 2005	241,913
Tech Prep Education, pass-through from State of Ohio Department of Education	84.243	3E-00 2002 and 3ETC-2005	398,009
Child Care Access Means Parents in School	84.335		45,780
Twenty-First Century Community Learning Centers, pass-through from State of Ohio Department of Education	84.287		286,096
Total Department of Education			$ 24,755,070

(Continued)

SINCLAIR COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

Federal Grants/Pass-Through Grant/Program Title	Federal CFDA Number	Pass-though Grantor's Numbers	Federal Expenditures
U.S. 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	1,758,763
Child Care and Development Block Grant, pass-through from State of Ohio Department of Child Care and Development	93.575		69,000
Total Department of Health and Human Services			1,827,763
National Science Foundation - Education and Human Resources	47.076		928,468
Department of Justice – Bulletproof Vest Partnership Program	16.607		222
Department of Agriculture - Summer Food Service Program for Children, pass-through from State of Ohio Department of Education	10.559	23 UN 2002	3,229
Corporation for National and Community Service:			
Learn and Serve America Higher Education	94.005	03LHHDC001	2,718
Volunteers in Service to America, pass-through from AmeriCorps	94.013	03NDHTX001	131,591
Total Corporation for National and Community Service			134,309
Total Federal Awards			$ 27,649,061

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 1 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 1 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.

NOTE 3 – TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

A portion of Temporary Assistance to Needy Families, CFDA No. 93.558, represents TEAP funds administered by the Ohio Board of Regents. The program includes commingled federal and state funds and the amount presented on the Schedule of Expenditures of Federal Awards includes both federal and state portions.

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unqualified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Reportable conditions(s) identified not considered to be material weaknesses?		Yes	X	N/A
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Reportable condition(s) identified not considered to be material weakness(es)?		Yes	X	N/A
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	X	No

(Continued)

Name of Major Programs Identified	CFDA Number(s)
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
SMART Grant	84.376
National Science Foundation - Education and Human Resources	47.076
Temporary Assistance for Needy Families	93.558
Dollar threshold used to distinguish between Type A and Type B programs	$ 564,401

Auditee qualified as low-risk auditee? X Yes ____ No

PART II: FINANCIAL STATEMENT FINDINGS SECTION

No matters are reportable

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

No matters are reportable

PART IV: SUMMARY OF PRIOR YEAR FINDINGS

No matters are reportable

Crowe Chizek and Company LLC
Member 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, 2007, 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, 2006 and 2005). 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.

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 Chizek and Company LLC

Crowe Chizek and Company LLC

Columbus, Ohio
November 19, 2007

Crowe Chizek and Company LLC
Member 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, 2007. 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, 2007.

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 Chizek and Company LLC

Crowe Chizek and Company LLC

Columbus, Ohio
November 19, 2007

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
MARCH 6, 2008