

# ***Sinclair Community College***

*Financial Statements and Single Audit Reports for  
the Year Ended June 30, 2002*





STATE OF OHIO  
OFFICE OF THE AUDITOR

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Board of Trustees  
Sinclair Community College

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, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Sinclair Community College is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

November 20, 2002

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# SINCLAIR COMMUNITY COLLEGE

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Sinclair Community College's (the "College") financial performance provides an overview of the College's financial activities for the fiscal year ended June 30, 2002. Please read it in conjunction with the College's financial statements, which begin on page 6.

### Financial Highlights

- As compared to the prior year, fiscal year 2002 net assets increased slightly to \$263.9 million.
- Operating revenue increased 9.0%, primarily due to credit hour enrollment growth of 7.6% and an increase in student tuition, effective winter quarter 2002. The tuition increase was necessary to offset a 4.7% reduction in state appropriations that resulted from executive-ordered state budget cuts.
- Operating expenses increased only 3.4%, which is considered modest in relation to the increase in enrollments. In response to the cut in state appropriations, the institution implemented measures to maintain a balanced budget, which included reductions in department operating budgets.
- Nonoperating and other revenue declined \$2.0 million, primarily due to the aforementioned reduction in state appropriations.

### 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:

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement 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, 2002, and the results of its operations for the fiscal year then ended. This is the initial year of implementation of the new governmental reporting model. As such, audited prior year information in the new format is not available for inclusion in the financial statements. Beginning next year, the financial statements will display two-year comparative balances.

## Net Assets

The College's total net assets increased modestly in fiscal 2001-2002, from \$259.5 million to \$263.9 million. This change resulted primarily from increases in cash and cash equivalents of \$2.1 million, in accounts receivable of \$2.3 million, and in capital assets (net of accumulated depreciation) of \$1.2 million.

**TABLE 1**  
**NET ASSETS**  
(in millions of dollars)

	2001	2002	<u>Percentage Change</u>
Current and noncurrent assets	\$ 56.4	\$ 61.0	8.2 %
Investments	103.2	102.4	(0.8)%
Capital assets, net	<u>123.0</u>	<u>124.2</u>	1.0 %
 Total assets	 282.6	 287.6	 1.8 %
Current liabilities	19.9	20.2	1.5 %
Long-term liabilities	<u>3.3</u>	<u>3.5</u>	6.1 %
 Total liabilities	 23.2	 23.7	 2.2 %
Net assets:			
Invested in capital assets	123.0	124.2	1.0 %
Restricted - expendable	2.0	2.1	5.0 %
Unrestricted	<u>134.5</u>	<u>137.6</u>	2.3 %
 Total net assets	 <u>\$ 259.5</u>	 <u>\$ 263.9</u>	 1.7 %

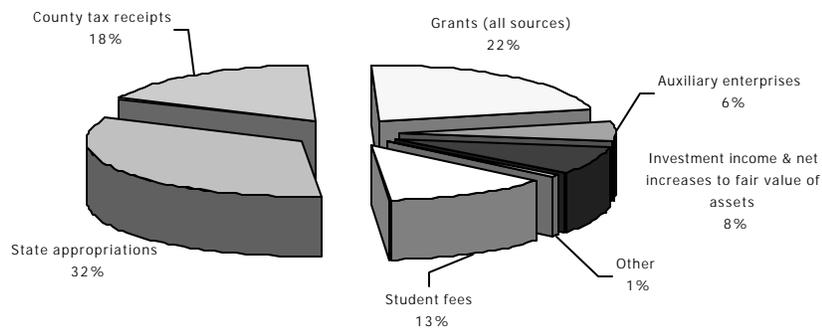
## Revenues and Expenses

The increase in net assets for fiscal year 2002 was \$4.4 million or \$2.3 million lower than fiscal year 2001. The decline primarily resulted from a decrease in non-operating revenues due to reductions in state appropriations. Operating revenues increased 9.0% due to student tuition and fee increases and additional funds received from federal and nongovernmental grants and contracts. The increase in student tuition and fees resulted from a 7.6% increase in credit enrollments and an 8.6% increase in student tuition rates, effective winter quarter 2002. Operating expenses increased \$3.9 million or 3.4%. These increases were primarily attributable to costs necessary to support the delivery of instruction.

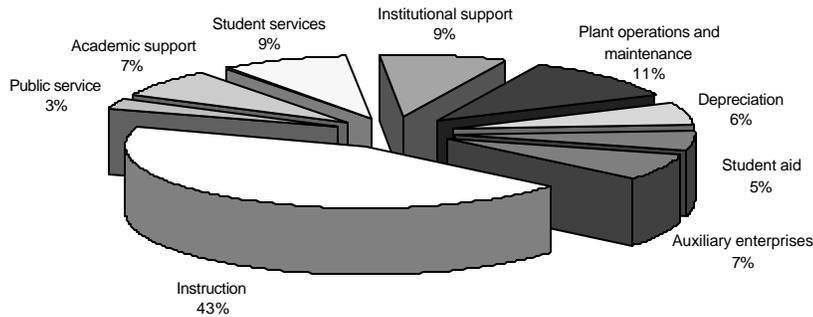
**TABLE 2**  
**REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
(in millions of dollars)

	2001	2002	<u>Percentage Change</u>
			<u>2001-2002</u>
Revenues - operating			
Student tuition and fees, net	\$ 13.9	\$ 15.3	10.1 %
Federal grants and contracts	12.3	13.8	12.2 %
State and local grants and contracts	4.7	4.2	(10.6)%
Nongovernmental grants and contracts	1.8	2.9	61.1 %
Sales and services of educational departments	0.5	0.4	(20.0)%
Auxiliary enterprises, net	6.5	6.9	6.2 %
Other	<u>0.5</u>	<u>0.3</u>	(40.0)%
Total operating revenues	40.2	43.8	9.0 %
Expenses - operating:			
Instruction	47.3	51.0	7.8 %
Public service	3.2	3.2	
Academic support	8.5	8.5	
Student services	9.7	10.1	4.1 %
Institutional support	9.6	10.0	4.2 %
Plant operations and maintenance	15.1	13.3	(11.9)%
Depreciation	7.1	7.1	
Student aid	4.3	5.7	32.6 %
Auxiliary enterprises	<u>8.4</u>	<u>8.2</u>	(2.4)%
Total operating expenses	113.2	117.1	3.4 %
Nonoperating and other revenues:			
State appropriations	42.2	40.2	(4.7)%
County tax levy receipts	21.0	21.4	1.9 %
Investment income	8.6	7.7	(10.5)%
Net increase in the fair value of investments	4.2	2.3	(45.2)%
Capital grants	<u>3.7</u>	<u>6.1</u>	64.9 %
Increase in net assets	<u>\$ 6.7</u>	<u>\$ 4.4</u>	(34.3)%

**Figure 2.1**  
**Sinclair Community College**  
**Sources of Revenue**  
**for Fiscal Year 2002**



**Figure 2.2  
Sinclair Community College  
Expenditures By Function  
for Fiscal Year 2002**



**Economic Factors and Next Year's Budget**

- The most significant economic issue for Sinclair and other higher education institutions has been a prolonged downturn in the State of Ohio economy and revenue collections, which has resulted in cutbacks in state appropriations for fiscal years 2001, 2002 and 2003.
- Since state appropriations represent the largest revenue source for Sinclair, the College has had to implement another 8.6% tuition increase effective summer quarter 2002 and has taken measures to further control costs as evidenced by a meager .6% increase in budgeted operating costs per student. In spite of recent tuition increases, the College's tuition for Montgomery County residents of \$34.75 per credit hour is the lowest among all public State of Ohio colleges.
- For fiscal year 2003, the College is anticipating additional growth in student enrollments. This will likely exert further cost pressures relative to maintaining adequate staffing, space and support services. Also causing cost concern are escalating increases in health care costs.

**Capital Assets**

Land value increased \$1.5 million, primarily due to the completion of the Center of Interactive Learning Park and the acquisition of the Dayton Typographic property. The equipment inventory increased \$1.9 million, net of depreciation expense; new acquisitions included multimedia setups for approximately fifty campus locations.

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

	2001	2002	<u>Percentage Change</u>
Land	\$ 8.3	\$ 9.8	18.1 %
Buildings and improvements	106.3	104.2	(2.0)%
Equipment	6.8	8.7	27.9 %
Library books	<u>1.6</u>	<u>1.5</u>	(6.3)%
	<u>\$ 123.0</u>	<u>\$ 124.2</u>	0.98 %

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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 consolidated statement of net assets of Sinclair Community College (the "College") as of June 30, 2002, and the related consolidated statements of revenues, expenses and changes in net assets and cash flows 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.

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, the financial statements referred to above present fairly, in all material respects, the financial position of Sinclair Community College at June 30, 2002, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the basic financial statements, in fiscal year 2002, the College adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, GASB 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Management's Discussion and Analysis on pages 1 – 4 are not a required part of the basic financial statements but are 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 supplementary information. However, we did not audit the information and express no opinion on it.

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 17 and 18, 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 page 24, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule and additional information are the responsibility of the College's management. Such additional information has 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 8, 2002, 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 8, 2002

# SINCLAIR COMMUNITY COLLEGE

## STATEMENT OF NET ASSETS

JUNE 30, 2002

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### ASSETS

#### CURRENT ASSETS:

Cash and cash equivalents (Note B)	\$ 26,070,998
Accounts receivable, net	5,396,808
Prepaid expenses	298,932
Interest receivable	572,473
Property tax levy receivable	21,186,504
Inventories, at average cost	<u>949,136</u>
Total current assets	<u>54,474,851</u>

#### NONCURRENT ASSETS:

Restricted cash and cash equivalents (Note B)	2,048,751
Restricted accounts receivable	4,502,911
Investments (Note B)	102,410,618
Capital assets, net (Note C)	<u>124,212,477</u>
Total noncurrent assets	<u>233,174,757</u>
Total assets	<u>\$ 287,649,608</u>

### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES:

Accounts payable and accruals	\$ 5,582,724
Accrued salaries, wages and benefits (Notes F and G)	7,755,411
Deferred student fee income	4,151,379
Deposits	<u>2,775,290</u>
Total current liabilities	<u>20,264,804</u>

#### NONCURRENT LIABILITIES -

Accrued salaries, wages and benefits (Notes D, F and G)	<u>3,453,827</u>
Total liabilities	<u>23,718,631</u>

#### NET ASSETS:

Invested in capital assets	124,212,477
Restricted - expendable	2,084,154
Unrestricted	<u>137,634,346</u>
Total net assets	<u>263,930,977</u>
Total liabilities and net assets	<u>\$ 287,649,608</u>

The accompanying notes are an integral part of the financial statements.

# SINCLAIR COMMUNITY COLLEGE

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2002

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### REVENUES

Operating revenues:	
Student tuition and fees	\$ 21,549,957
Less grants and scholarships	(6,261,595)
Student tuition and fees net of grants and scholarships (Note A)	15,288,362
Federal grants and contracts	13,836,763
State and local grants and contracts	4,173,339
Nongovernmental grants and contracts	2,854,558
Sales and services of educational departments	446,961
Auxiliary enterprises:	
Food service	219,936
Bookstore net of grants and scholarships (Note A)	6,196,184
Parking	539,792
Other operating revenues	<u>270,601</u>
Total operating revenues	<u>43,826,496</u>

### EXPENSES

Operating expenses:	
Education and general:	
Instruction	51,052,494
Public service	3,241,490
Academic support	8,469,805
Student services	10,058,500
Institutional support	10,014,439
Plant operations and maintenance	13,266,787
Depreciation	7,089,654
Student aid	5,713,560
Auxiliary enterprises:	
Food service	240,865
Bookstore	7,372,435
Parking	<u>641,717</u>
Total operating expenses	<u>117,161,746</u>
Operating loss	<u>(73,335,250)</u>
Nonoperating revenues:	
State appropriations	40,219,932
County tax levy receipts	21,438,306
Investment income	7,735,309
Net increase in the fair value of investments	<u>2,262,896</u>
Total nonoperating revenues	<u>71,656,443</u>
Income before other revenues, expenses, gains or losses	<u>(1,678,807)</u>
Capital grants	<u>6,121,803</u>
Total other revenues	6,121,803
INCREASE IN NET ASSETS	<u>4,442,996</u>
NET ASSETS:	
Beginning of year as previously reported	363,960,882
Cumulative effect of change in Accounting Principle (Note A)	(104,472,901)
Beginning of year as restated	<u>259,487,981</u>
End of Year	<u>\$ 263,930,977</u>

The accompanying notes are an integral part of the financial statements.

# SINCLAIR COMMUNITY COLLEGE

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2002

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### CASH FLOWS FROM OPERATING ACTIVITIES:

Tuition and fees	\$ 15,467,689
Grants and contracts	19,284,712
Payments to vendors and employees	(108,608,032)
Auxiliary enterprise charges	6,940,794
Sales and services of educational departments	654,299
Other receipts	<u>276,422</u>
Net cash used in operating activities	<u>(65,984,116)</u>

### CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Direct student loan receipts	5,120,804
Direct student loan disbursements	(5,053,992)
Deposits	(2,753,081)
State appropriations	40,219,932
County levy	<u>21,438,306</u>
Net cash provided by non-capital financing activities	58,971,969

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	6,121,803
Purchases of capital assets	<u>(8,286,314)</u>
Net cash used in capital and related financing activities	<u>(2,164,511)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from maturities of investments	29,466,213
Interest on investments	8,181,211
Purchase of investments	<u>(26,338,360)</u>
Net cash provided by investing activities	<u>11,309,064</u>

### NET INCREASE IN CASH AND CASH EQUIVALENTS

2,132,406

### CASH AND CASH EQUIVALENTS:

Beginning of year	25,987,343
End of year	<u>\$ 28,119,749</u>

### RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES -

Operating loss	\$ (73,335,250)
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### ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:

Depreciation	7,089,654
Changes in net assets:	
Accounts receivable	(1,432,775)
Grants receivable	(1,016,772)
Inventory	116,664
Prepaid expenses	(242,562)
Accounts payable	17,419
Accrued salaries and compensated absences	1,537,943
Deferred revenue	<u>1,281,563</u>
Net cash used in operating activities	<u>\$ (65,984,116)</u>

The accompanying notes are an integral part of the financial statements.

# SINCLAIR COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2002

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### 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 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 GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions.” Expenses are recognized when the related liabilities are incurred.

**Financial Statements** – The College reports as “business type activities,” as defined by GASB Statement No 35. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. In accordance with GASB Statement No. 35, the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows are reported on a consolidated basis.

**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 – Expendable* – net assets related to grants and contracts activity, whose use is subject to externally-imposed restrictions.

*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.

The cumulative effect of applying GASB Statement No. 35 to the College's financial statements is reported as a restatement of beginning net assets. The following is a reconciliation of the total June 30, 2001, fund balances as previously reported, to the restated Net Assets – Beginning of the Year balance reported on the Statement of Revenues, Expenditures and Changes in Net Assets:

	<u>June 30, 2001</u>
Combined fund balances, as previously reported	\$ 363,960,882
Summer quarter deferred fee income and expenses	29,741
Deferred property tax levy	21,186,504
Accumulated depreciation	(125,750,782)
Reclass from deposits	<u>61,636</u>
Combined fund balances, restated as net assets	<u>\$ 259,487,981</u>

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

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

**Deferred Student Fee Income** consists of the unearned portion of student tuition and fees for the Summer 2002 session, which began on June 19, 2002, and all of the recorded student tuition and fees resulting from early registration for the Fall 2002 session.

**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	10-40 years
Equipment and fixtures	3-20 years
Library materials	10 years

In fiscal year 2001-2002, the College increased its capitalization limit for equipment, furniture and fixtures from \$500 to \$5,000. With respect to this change, all equipment, furniture and fixtures previously capitalized with a value of less than \$5,000 were removed from the accounts. The approximate net carrying value of these assets was \$10.0 million.

**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 earn 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 reached.

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 2002 presentation.

***Accounting Pronouncements*** – Effective July 1, 2001, the College adopted Government Accounting Standards Board (“GASB”) Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments,” and GASB Statement No. 35, “Basic Financial Statements – and Management’s Discussion and Analysis -for Public Colleges and Universities – an amendment of GASB Statement No. 34.” Also effective July 1, 2001, the College adopted two related GASB Statements: GASB Statement No. 37, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus,” and GASB Statement No. 38, “Certain Financial Statement Note Disclosures.” These statements establish comprehensive new financial reporting requirements for governmental colleges and universities throughout the United States. Much of the reporting of the College has been restructured and includes management discussion and analysis.

GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14,” was issued in May 2002. This Statement amends Statement 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 are effective for financial statements for periods beginning after June 15, 2003. The College believes, based on a preliminary assessment of the Statement, that the Sinclair Foundation will be included as a component unit of the College in its financial statements beginning in fiscal year 2004.

## 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, 2002, the carrying amount of the College's deposits in all funds was \$22,163,670 (included in cash and cash equivalents in the balance sheet) and the bank balance was \$25,019,984. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2002. Of the bank balance, \$9,773,281 was covered by federal depository insurance or by collateral held by the College's agent in the College's name. The remaining balance of \$15,246,703 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 \$108,366,701 (amortized cost basis of \$104,924,386). The College's investments include \$102,410,618 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 \$5,956,083 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, 2002. 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 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	\$ 64,575,359
Tuition stabilization, unplanned income decline, uninsured losses, other contingencies and initiatives	55,824,652
Auxiliary enterprises	6,057,784
Restricted grants and contracts	2,084,154
Board designated endowment	<u>10,978,465</u>
 Total allocated net assets	 <u><u>\$ 139,520,414</u></u>

### C. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2002, is summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Land and improvements	\$ 8,335,275	\$ 1,429,020	\$	\$ 9,764,295
Buildings and improvements	178,847,903	2,756,609		181,604,512
Equipment and fixtures	11,049,313	3,961,768	457,212	14,553,869
Library materials	<u>4,714,224</u>	<u>209,518</u>	<u>64,708</u>	<u>4,859,034</u>
Total	<u>202,946,715</u>	<u>8,356,915</u>	<u>521,920</u>	<u>210,781,710</u>
Less accumulated depreciation:				
Buildings and improvements	72,567,607	4,860,840		77,428,447
Equipment and fixtures	4,296,928	1,727,235	180,248	5,843,915
Library materials	<u>3,066,363</u>	<u>295,216</u>	<u>64,708</u>	<u>3,296,871</u>
Total accumulated depreciation	<u>79,930,898</u>	<u>6,883,291</u>	<u>244,956</u>	<u>86,569,233</u>
Capital assets, net	<u>\$ 123,015,817</u>	<u>\$ 1,473,624</u>	<u>\$ 276,964</u>	<u>\$ 124,212,477</u>

### D. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2002, is summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Compensated absences	<u>\$3,575,164</u>	<u>\$265,246</u>	<u>\$243,615</u>	<u>\$3,596,795</u>	<u>\$142,968</u>

Long-term liabilities are primarily accumulated sick leave payable to employees upon retirement. See Note A – *Compensated Absences* for further discussion.

## **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 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.

## **F. 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 statewide 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. 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, 2002, 2001, and 2000 were as follows:

Year	Contribution	
	PERS	STRS
2002	\$3,441,293	\$4,605,624
2001	2,618,918	3,949,684
2000	2,949,659	3,699,108

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

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

- ARPs consist of insurance carrier annuity contracts that provide retirement and death benefits but no health or disability benefits. The Ohio Department of Insurance has approved nine companies to serve as ARP providers.
- In contrast to PERS and STRS, ARPs 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, 2002 and 2001 were \$130,180 and \$88,747, respectively.

## **G. OTHER POSTEMPLOYMENT BENEFITS**

PERS provides postretirement health care coverage to age and service retirants (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 F). The rate for PERS and PERS law enforcement division was 4.3% of the totals 13.55% and 16.70%, 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, 2000, is \$11.736 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14.365 billion and \$2.629 billion, respectively. The number of PERS active contributing participants was 411,076 for the year ended December 31, 2000. For the year ended June 30, 2002, the College contributed \$1,133,217 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 \$3.256 billion as of June 30, 2001. Eligible benefit recipients reported for STRS totaled 102,132 as of June 30, 2001. For the year ended June 30, 2002, the College contributed \$1,480,380 to STRS to fund these benefits.

## **H. 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.

## **I. 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.

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# SINCLAIR COMMUNITY COLLEGE

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2002

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	\$ 198,050
Federal Work Study Program		84.033	66,544
Federal Pell Grant Program		84.063	9,634,629
Federal Direct Loan Program		84.268	4,947,959
			<u>14,847,182</u>
Trio Cluster:			
Trio Upward Bound		84.047	223,019
Trio Student Support Services		84.042	<u>217,284</u>
			<u>440,303</u>
Adult Education State Grant Program, pass-through from State of Ohio Department of Education	063362-AB-SL-2002, 063362-AB-SL-2002, 063362-AB-SL-2001C, and 063362-AB-SL-2001C	84.002	367,717
Vocational Education Basic Grants to States, pass-through from State of Ohio Department of Education	20-C2 2002 and 20-C2 2001	84.048	305,916
Tech-Prep Education, pass-through from State of Ohio Department of Education	3E-00 2000 and 3E-00 2001	84.243	250,000
			<u>923,633</u>
National Science Foundation - Education and Human Resources		47.076	<u>1,082,928</u>
U.S. Department of Health and Human Services - Temporary Assistance for Needy Families, pass-through from Montgomery County Department of Human Services	Resolution 02-262 Resolution 02-1005 Resolution 01-1294	93.558	<u>1,109,663</u>
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	88,598
Employment and Training Administration Pilots, Demonstrations, and Research Projects		17.261	<u>78,838</u>
			<u>167,436</u>
Federal Emergency Management Agency, pass-through from Miami Valley Fire/EMS Alliance	9062000	83.526	<u>7,145</u>
U.S. Department of Agriculture - Summer Food Service Program for Children, pass-through from State of Ohio Department of Education	23 UN 2001 and 24 UN 2001	10.559	<u>1,072</u>
U.S. Department of Justice - Bulletproof Vest Partnership Program		16.607	<u>2,800</u>
National Aeronautics and Space Administration - Aerospace Education Services Program, pass-through from Cuyahoga Community College	NAS 3-02123-SCC	43.001	<u>199,668</u>
Total Federal Awards			<u>\$18,781,830</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, 2002**

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### **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, 2002 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 or changes in net assets.

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.



## **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, 2002, and have issued our report thereon dated October 8, 2002, which includes an explanatory paragraph relating to the change in accounting principle described in Note A of the 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.

### **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 8, 2002.

\* \* \* \* \*

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 8, 2002



## **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, 2002. 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, 2002.

### **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 8, 2002

# SINCLAIR COMMUNITY COLLEGE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2002

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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) National Science Foundation (CFDA No. 47.076); and (iii) Temporary Assistance for Needy Families (CFDA No. 93-558).
  - Dollar Threshold Used to Distinguish Between Type A and Type B programs – \$563,455
  - 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

# SINCLAIR COMMUNITY COLLEGE

## ADDITIONAL INFORMATION - COLLEGE OFFICIALS, ETC. AS OF JUNE 30, 2002

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<b>Board of Trustees</b>	<b>Expiration of Term</b>
Jerome F. Tatar, Chairman	July 1, 2005
Marva Cosby, Vice Chairman	July 30, 2003
Gerald Hauer	October 1, 2004
Katherine Hollingsworth	July 1, 2005
William H. Krull II	October 12, 2002
Lawrence Porter	July 9, 2007
Ethel M. Washington	October 12, 2002
Joyce Young	October 1, 2004

### **College Administration**

Dr. Ned J. Sifferlen, President

Dr. Steven L. Johnson, Provost and Chief Operating Officer

W. Joseph Gorman, Vice President for Business Operations (retired on June 30, 2002)

Deirdre L. Delaney, Vice President for Business Operations (effective July 1, 2002)

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 Continental Casualty Company to an aggregate limit of \$5,000,000.

### **College Location**

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



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
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  
DECEMBER 5, 2002**