SINCLAIR COMMUNITY COLLEGE
Dayton, Ohio

FINANCIAL STATEMENTS
June 30, 2008 and 2007

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Sinclair Community College, Montgomery County, prepared by Crowe Horwath LLP, for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 20, 2009

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SINCLAIR COMMUNITY COLLEGE
Dayton, Ohio

FINANCIAL STATEMENTS
June 30, 2008 and 2007

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Crowe Horwath LLP
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Sinclair Community College (the "College") as of and for the years ended June 30, 2008 and 2007, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Sinclair Community College Foundation (Foundation), the component unit, (whose year ends are December 31, 2007 and 2006). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Sinclair Community College as of June 30, 2008 and 2007 (December 31, 2007 and 2006 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 4, 2008, 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 2008 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 2008 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 Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 4, 2008

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, 2008 and 2007. Please read it in conjunction with the College's financial statements, which begin on page 13.

Financial and Institutional Highlights

- The College's financial position was strengthened in fiscal 2008. In September 2007 the College opened its Courseview Campus in the city of Mason. The new campus had strong first year enrollments and has developed numerous partnerships with area colleges and universities. In addition, the College's Learning Centers at Englewood and Huber Heights experienced significant enrollment growth in their second year of operations with more than double the number of full-time equivalent (FTE) enrollments. In March 2008 voters approved the passage of a new ten year replacement levy for the College's Montgomery County operations. Throughout the fiscal year, previously approved organizational restructuring and realignment changes resulted in significant revenue and expense improvements.

- Previous actions to expand accessibility to students have been successful as Sinclair's FTE enrollments grew by 1.7% in fiscal year 2008. Further, FTE enrollments for Fall quarter 2008 (fiscal 2009) were 7% above a year ago. The Courseview Campus, now in its second year of operation, has seen FTE enrollments increase from Fall quarter 2007 to Fall quarter 2008 by 135%. The University of Cincinnati, Miami University, Wright State University and several other institutions are offering programs at Courseview under partnership agreements with the College. These partnerships will allow a student to complete his or her first two years of college as a Sinclair student, and then transfer into a four-year degree program offered on the same campus.

- The successful Montgomery County levy ballot issue capped a two-year campaign effort by community leadership and volunteers. The new 3.2 mill levy replaced a 2.5 mill levy that was passed in 1998. The levy will allow the College to continue to advance its mission of providing Montgomery County residents with affordable, accessible, and high quality programs and services.

- In fiscal 2008, more than $3 million in revenue and expense improvements were realized from the implementation of planned restructuring and realignment initiatives. These initiatives were developed in fiscal 2007, when the College undertook a comprehensive review of all its programs and services to improve efficiency and effectiveness and ensure alignment with community needs.

- As in prior years, in fiscal 2008 the College's operating results continued to demonstrate an exceptional level of commitment to teaching and learning. In comparison to non instructional expenses such as facility costs, the College devotes a significantly higher percentage of its resources to instruction and academic support functions than the average of Ohio's other public two year colleges.

- In compliance with the State of Ohio's mandate for all public higher education institutions, the College did not raise tuition in fiscal 2008, nor will it raise tuition in fiscal 2009. At $45 per credit hour for Montgomery County residents, the College's tuition remains the lowest in the state.

Overview of the Financial Statements

This annual report consists of three main parts – 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, 2008 and 2007, and the results of its operations for the fiscal years then ended.

Net Assets

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

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

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

Fiscal 2008

At June 30, 2008, net assets were $246.6 million or about 90% of the value of total assets of $275.0 million. Liabilities of $28.4 million were only about 10% 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 increased by $6.7 million (from $239.9 million to $246.6 million) in fiscal 2008. The increase had these components:

- Revenue in excess of expense of $12.8 million (exclusive of the change in fair value of investments and depreciation expense);
- An increase in the fair value of investments of $1.7 million; and
- Depreciation expense of $7.8 million.

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

Fiscal 2007

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.

TABLE 1
NET ASSETS
(in millions of dollars)

	2008	2007	Percentage Change 2007-08	2006
Current assets	$ 54.8	$ 45.8	19.7%	$ 44.1
Investments	85.2	81.6	4.4%	89.6
Capital assets, net	135.0	135.1	(0.1%)	134.4
Total assets	275.0	262.5	4.8%	268.1
Current liabilities	24.1	18.5	30.3%	20.0
Long-term liabilities	4.4	4.2	4.8%	4.1
Total liabilities	28.5	22.7	25.6%	24.1
Net assets:				
Invested in capital assets	135.0	135.1	(0.1%)	134.4
Restricted-expendable	30.1	23.2	29.7%	23.3
Unrestricted	81.5	81.6	(0.1%)	86.3
Total net assets	$ 246.6	$ 239.9	2.8%	$ 244.0

Statements of Revenues, Expenses and Changes in Net Assets

Overview

The Statement of Revenues, Expenses and Changes in Net Assets (SRECNA) presented in Table 2 below presents the results of operations for the College for the fiscal years 2006 through 2008. Total net assets for the College increased by $6.7 million from 2007 to 2008 (2.8%), more than offsetting a decline of $4.1 million from 2006 to 2007. This reversal can be traced to developments in several significant areas as follows:

- The College has benefited from a second consecutive year of improvement in operating revenues, particularly student tuition and fees. This increase was driven in part by a 1.7% increase in full-time equivalent enrollments. It is important to note that the tuition rates charged in 2008 were held constant at 2007 levels in accordance with the mandates of House Bill 119, the biennial state appropriations bill for 2008-2009.

- Careful management and restructuring of operating expenses limited expenditure growth to only 1.3%. On a per student basis, operating expenses declined by 0.4%.

- Within the category of nonoperating revenues, three contributing elements combined to produce the overall increase in net assets:

    - State appropriations grew by 3.3% from 2007 to 2008 as a result of the passage of the aforementioned state biennial budget.

    - County levy revenue grew by almost 28% in 2008 as a result of the 3.2 mill replacement levy passed in March of 2008. The College will not begin to receive proceeds from the new levy until January 2009 but accounting practices calls for accruing a portion of those proceeds in fiscal 2008.

    - Finally, the increase in net assets in 2008 includes an increase in the fair value of investments of $1.7 million.

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

Revenues (Operating, Nonoperating and Other)

- Despite tuition rates being held flat at 2007 levels, the College realized a 5.4% increase in net tuition and fee revenue largely due to an increase in enrollments. This result counters that of the 2007 fiscal year results wherein a 6% increase in tuition rates offset a slight decline in enrollments.

- State appropriations grew by 3.3% from 2007 to 2008, after three consecutive years of essentially flat funding. As noted above, the biennial budget for the State of Ohio for 2008-2009 made funding for higher education a priority, albeit in exchange for a two-year freeze in tuition rates. Notwithstanding this increase, fiscal 2008 state funding per FTE is still 3% lower than 2001 in nominal terms; on an inflation-adjusted basis it is 20% lower.

- County levy revenue grew by almost 28% in 2008 as a result of the 3.2 mill replacement levy passed in March of 2008. The College will not begin to receive proceeds from the new levy until January 2009 but accounting practices calls for accruing a portion of those proceeds in fiscal 2008. In fiscal year 2007, county levy revenues grew only nominally as the College's 2.5 mill operating levy approached the end of its 10-year term.

- The federal and state student aid grant programs lines are new this year in the nonoperating revenues category. Included in these lines are revenues from the Federal Pell Grant Program, the Ohio Instructional Grant Program, and several others. In prior years, these revenues were included in the corresponding federal and state grants lines in operating revenues. However, the Governmental Accounting Standards Board issued an implementation guide in 2008 which clarified its position on the classification of revenue from these programs as nonoperating revenue. Appropriate reclassifications have been made in the 2007 and 2006 statements to conform to the 2008 display.

- Nonoperating revenues in 2008 also include an increase in the fair value of investments of $1.7 million. In 2007, the fair value of investments increased $.4 million, while it decreased $4.5 million in 2006. The College has a policy of holding its investments to maturity; therefore, unrealized gains and losses are not expected to be realized.

Operating Expenses

- Total expenses grew by only 1.3% from 2007 to 2008 primarily due to cost restructuring and efficiency efforts resulting from the College's *Program Alignment* process that was undertaken in fiscal year 2007. On a per student basis, operating expenses decreased by 0.4%. Student services expenditures increased as a result of the launch of the Courseview Campus and student aid expenditures increased principally due to an increase in the maximum Pell award per student. Depreciation expenses grew by 6.8% as a result of the capitalization of a variety of large facility maintenance projects such as roof replacement, carpet replacement and parking garage repair.

- From 2006 to 2007, total operating expenses grew by roughly 3% due to increases in compensation expenses, particularly health insurance, and targeted investments to expand program accessibility throughout the region, which included the opening of Learning Centers in Huber Heights and Englewood. Also contributing to the overall increase was a 16% increase in depreciation expense owing to the capital investment in equipment and furnishings for the aforementioned sites as well as the renovated Library.

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

	2008	2007	Percentage Change 2007-2008	2006
Operating revenues:				
Student tuition and fees, net of grants and scholarships	$ 23.4	$ 22.2	5.4%	$ 20.5
Federal grants and contracts	4.5	5.4	(16.7%)	5.1
State and local grants and contracts	2.9	2.6	11.5%	2.7
Nongovernmental grants and contracts	2.5	2.8	(10.7%)	2.9
Sales and services of educational departments	1.2	1.2	0.0%	1.1
Auxiliary enterprises, net of grants and scholarships	8.4	7.3	15.1%	7.5
Other	1.0	0.8	25.0%	0.7
Total operating revenues	43.9	42.3	3.8%	40.5
Operating expenses:				
Instruction	61.7	62.2	(0.8%)	62.1
Public service	4.5	4.6	(2.2%)	4.7
Academic support	9.9	10.1	(2.0%)	8.9
Student services	13.4	12.9	3.9%	11.8
Institutional support	14.6	14.6	0.0%	14.0
Plant operations and maintenance	13.5	13.5	0.0%	13.2
Depreciation	7.8	7.3	6.8%	6.3
Student aid	7.5	6.7	11.9%	6.4
Auxiliary enterprises	10.2	9.4	8.5%	9.7
Total operating expenses	143.1	141.3	1.3%	137.1
Nonoperating and other revenues:				
State appropriations	46.7	45.2	3.3%	45.0
County tax levy receipts	28.4	22.2	27.9%	21.8
Federal student aid grant programs	15.0	13.5	11.1%	13.2
State student aid grant programs	4.4	4.9	(10.2%)	4.3
Investment income	5.0	5.4	(7.4%)	5.6
Net increase (decrease) in the fair value of investments	1.7	0.4	325.0%	(4.5)
Capital grants	4.7	3.3	42.4%	4.9
Total nonoperating and other revenues	105.9	94.9	11.6%	90.3
Increase (decrease) in net assets	$ 6.7	$ (4.1)	263.4%	$ (6.3)

Figure 2.1
Sinclair Community College
Sources of Revenue
for Fiscal Year 2008

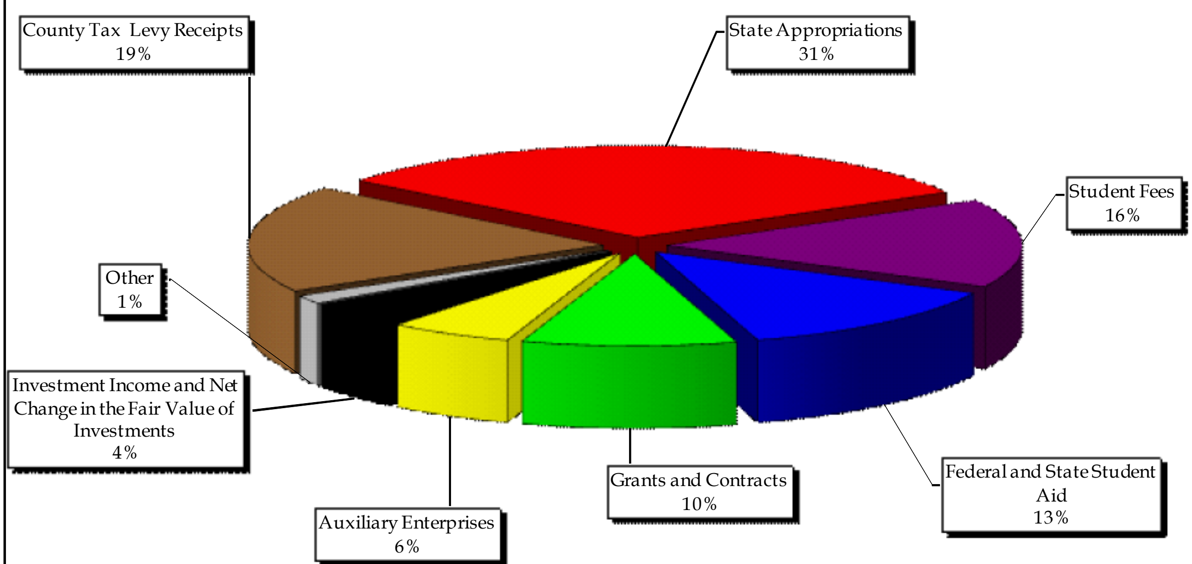
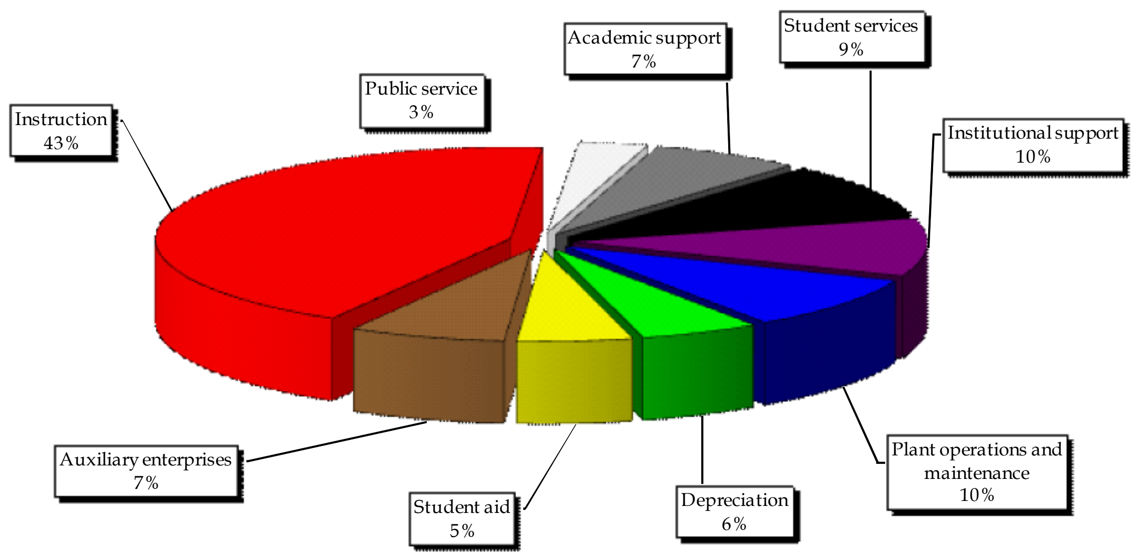


Figure 2.2
Sinclair Community College
Expenditures by Function
for Fiscal Year 2008



Capital Assets

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

- In fiscal 2008, new additions to equipment inventory included the classroom and laboratory equipment installed at the Courseview Campus. Courseview, which operates in a leased facility located in Mason, Ohio, began offering classes in the fall of 2007.
- Building improvements in 2008 on the downtown Dayton campus included the construction of a new and popular snack bar in Building 10, and numerous life cycle maintenance projects such as roof replacements, carpet replacement and parking garage waterproofing membrane repair.
- 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 or classroom facilities as needed to support future growth of the downtown campus.
- Also in 2007, new additions to equipment inventory included the classroom and laboratory equipment installed in the new Huber Heights Learning Center.

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

	2008	2007	Percentage Change 2007-2008	2006
Land and improvements	$ 12.5	$ 12.5	0.0%	$ 10.9
Buildings and improvements	116.1	114.7	1.2%	114.7
Equipment	6.0	6.8	(11.8%)	7.6
Library books	0.4	1.1	(63.6%)	1.2
Total capital assets	$ 135.0	$ 135.1	(0.1%)	$ 134.4

Economic Factors and Other Impacts on 2009 and Beyond

- Persistent economic uncertainty lies ahead that will provide revenue challenges and cost pressures for Sinclair and other public higher education institutions within the State of Ohio. These factors include:
  - The global economic downturn that has major implications for the state economy
  - Implications of the University System of Ohio and related funding changes
  - 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

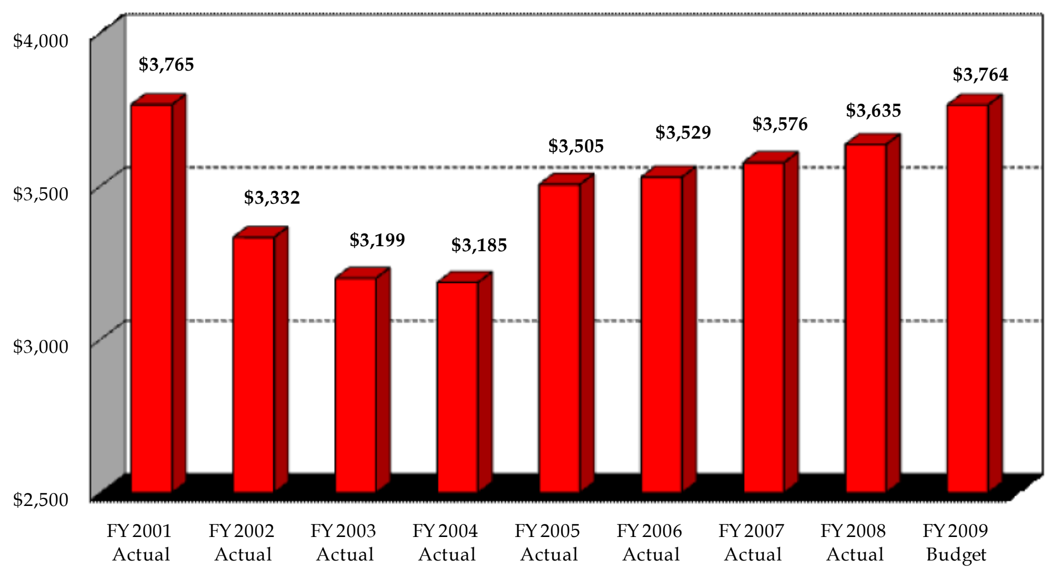
  However, Sinclair has taken actions, through restructuring of operations and reduction of costs, to meet these challenges and to continue to maintain strong and sustainable financial and programmatic performance in order to support the needs of educating more citizens and providing workforce training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

- Public higher education in the State of Ohio continues to transform under the auspices of the University System of Ohio (USO). This system is expected to ensure a more integrated and collaborative enterprise that will educate a substantial number of new students over the next ten years. The implications of the new system are still being realized, including the impact on state funding and tuition policy oversight. Note that:

    - The State of Ohio directly or indirectly controls nearly half of all revenues to the College through the allocation of state subsidy and oversight of tuition rates. Although the current biennial budget bill (for fiscal years' 2008 and 2009) provided some priority for state funding, it also required that tuition rates be frozen at 2007 levels for both years. Although the State's core mechanism for channeling subsidy to members of the USO (known as State Investment in Instruction) was not reduced in either round of budget cuts directed by the Governor in calendar 2008, there is much concern regarding the outlook for the state economy in the next biennium and the implications for higher education funding. Furthermore, it is not clear the extent to which the State will allow USO schools to raise tuition rates, if at all, during the next budget cycle.

    - Table 2.3 shows the history of state appropriations per full-time equivalent (FTE) student since 2001 for Sinclair. Although 2009 portends a modest increase versus 2008, it has only now recovered to the same subsidy amount provided in 2001. When adjusted for expected inflation over fiscal 2009, however, it has actually declined by approximately 20%.

Figure 2.3
Sinclair Community College
State Appropiations Per FTE
for Fiscal Years 2001 Actual - 2009 Budget

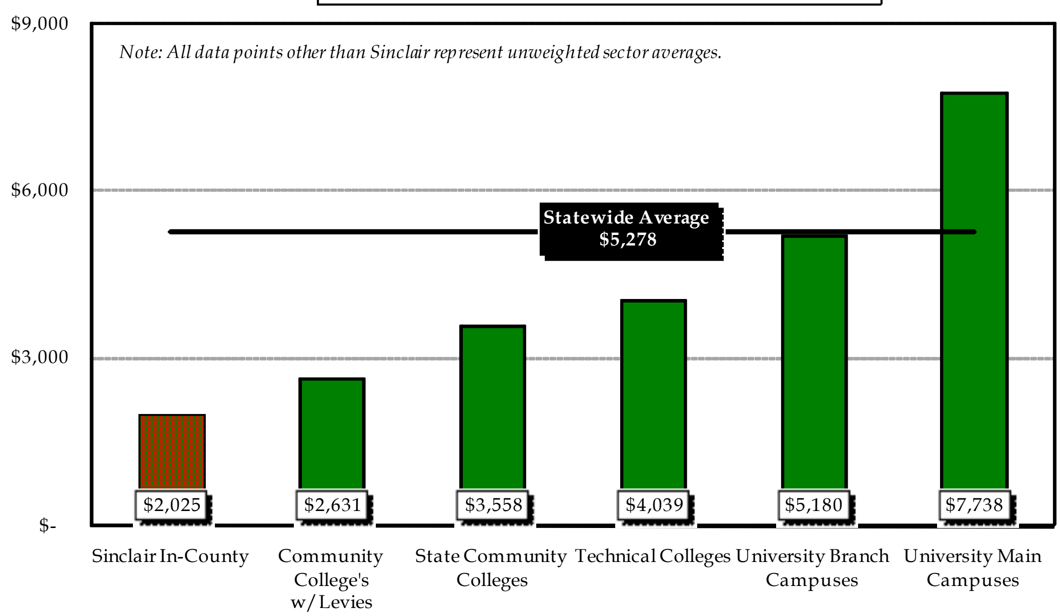


- Finding ways to operate more efficiently and effectively will be critically important in the future environment. This was affirmed by the General Assembly in the aforementioned state budget bill, which mandates that all colleges and universities in the state system demonstrate quantifiable efficiency improvement for both 2008 and 2009. Sinclair has acted with foresight in this regard, launching 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 and is expected to continue to drive savings in the coming years as many of the component initiatives involve permanent improvements in the College's conduct of its operations.

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

- The recently passed 3.2 mill Montgomery County property tax levy provides just over 19% 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 stability of levy revenues vis-à-vis other more volatile streams, namely state funding, enables the College to better plan for and adapt to its constituents' needs.

Figure 2.4
Annualized Tuition - Fall 2008
Source: Ohio Board of Regents Annual Survey



SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
June 30, 2008 and 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 10,199,217	$ 14,771,643
Accounts receivable, net	13,881,524	7,348,143
Prepaid expenses	882,178	831,423
Interest receivable	410,739	395,945
Property tax levy receivable	28,366,455	21,150,337
Inventories	1,083,253	1,318,536
Total current assets	54,823,366	45,816,027
NONCURRENT ASSETS:		
Investments	85,178,961	81,633,818
Capital assets, net	135,037,913	135,066,356
Total noncurrent assets	220,216,874	216,700,174
Total assets	$ 275,040,240	$ 262,516,201
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accruals	$ 5,707,956	$ 4,186,347
Accrued salaries, wages and benefits	10,908,155	10,613,184
Deferred student fee income	6,236,618	2,774,659
Deposits	1,199,704	908,752
Total current liabilities	24,052,433	18,482,942
NONCURRENT LIABILITIES:		
Accrued salaries, wages and benefits	4,398,642	4,177,684
Total liabilities	28,451,075	22,660,626
NET ASSETS:		
Invested in capital assets	135,037,913	135,066,356
Restricted – expendable	30,061,974	23,232,803
Unrestricted	81,489,278	81,556,416
Total net assets	246,589,165	239,855,575
Total liabilities and net assets	$ 275,040,240	$ 262,516,201

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

	2007	2006
ASSETS		
Cash and Cash Equivalents	$ 244,670	$ 837,522
Investments:		
Fixed income securities	8,957,935	8,361,165
Equities	18,378,502	17,150,346
Miami Valley Venture Funds	286,680	176,710
Total investments	27,623,117	25,688,221
Accounts receivable	10,550	-
Pledges receivable, net of allowances of $34,820 and $37,360 at December 31, 2007 and 2006, respectively	1,919,901	2,041,438
Total assets	$ 29,798,238	$ 28,567,181
LIABILITIES AND NET ASSETS		
Payable to Sinclair Community College	$ 11,787	$ 69,084
Other payables	60,000	278,220
Total liabilities	71,787	347,304
Net assets:		
Unrestricted	18,584,737	17,590,905
Temporarily restricted	6,448,322	6,077,773
Permanently restricted	4,693,392	4,551,199
Total net assets	29,726,451	28,219,877
Total liabilities and net assets	$ 29,798,238	$ 28,567,181

See accompanying notes to financial statements.

	2008	2007
REVENUES		
Operating revenues:		
Student tuition and fees	$ 33,823,343	$ 32,798,286
Less grants and scholarships	(10,462,993)	(10,572,929)
Student tuition and fees net of grants and scholarships	23,360,350	22,225,357
Federal grants and contracts	4,495,776	5,406,626
State and local grants and contracts	2,920,420	2,584,135
Nongovernmental grants and contracts	2,475,863	2,751,255
Sales and services of educational departments	1,232,313	1,184,821
Auxiliary enterprises		
Food service	410,704	389,428
Bookstore (net of grants and scholarships of $3,170,252 and $2,954,493 in 2008 and 2007, respectively)	7,083,196	5,979,559
Parking	911,908	965,159
Other operating revenues	965,063	814,626
Total operating revenues	$ 43,855,593	$ 42,300,966

(Continued)

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2008 and 2007

	2008	2007
EXPENSES		
Operating expenses:		
Educational and general:		
Instruction	$ 61,661,033	$ 62,171,514
Public service	4,503,551	4,588,159
Academic support	9,945,009	10,089,806
Student services	13,390,065	12,930,269
Institutional support	14,613,599	14,601,129
Plant operations and maintenance	13,535,791	13,513,205
Depreciation	7,779,957	7,313,326
Student aid	7,462,652	6,739,766
Auxiliary enterprises:		
Food service	196,379	192,015
Bookstore	9,128,610	8,317,883
Parking	826,507	807,618
Total operating expenses	143,043,153	141,264,690
Operating loss	(99,187,560)	(98,963,724)
Nonoperating revenues (expenses):		
State appropriations	46,715,846	45,208,771
County tax levy	28,358,059	22,181,484
Federal student aid grant programs	14,980,032	13,526,746
State student aid grant programs	4,418,600	4,881,025
Investment income	5,022,122	5,351,252
Net increase in the fair value in investments	1,740,981	399,771
Total nonoperating revenues	101,235,640	91,549,049
Income (loss) before other revenues, expenses, gains, or losses	2,048,080	(7,414,675)
Other revenues – state capital grants	4,685,510	3,288,165
Increase (decrease) in net assets	6,733,590	(4,126,510)
Net assets:		
Beginning of year	239,855,575	243,982,085
End of year	$ 246,589,165	$ 239,855,575

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended December 31, 2007 and 2006

	2007				2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Contributions	$ 408,425	$ 1,180,088	$ 129,994	$ 1,718,507	$ 378,041	$ 512,024	$ 423,970	$ 1,314,035
Interest/dividends, net of fund expenses of $43,335 in 2007 and $43,319 in 2006	25,450	5,191	210	30,851	12,637	2,532	320	15,489
Net realized/unrealized gains on investment	1,399,518	421,648	11,989	1,833,155	1,963,423	506,306	51,373	2,521,102
Net assets released from restrictions	1,236,378	(1,236,378)	-	-	1,234,116	(1,234,116)	-	-
Total revenue and support	3,069,771	370,549	142,193	3,582,513	3,588,217	(213,254)	475,663	3,850,626
Expenses:								
Scholarships	616,729	-	-	616,729	607,406	-	-	607,406
Project support	1,234,807	-	-	1,234,807	1,428,541	-	-	1,428,541
Operating expenses	224,403	-	-	224,403	160,337	-	-	160,337
Total expenses	2,075,939	-	-	2,075,939	2,196,284	-	-	2,196,284
Change in net assets	993,832	370,549	142,193	1,506,574	1,391,933	(213,254)	475,663	1,654,342
Net assets, beginning 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
Net assets, end of year	$18,584,737	$ 6,448,322	$ 4,693,392	$29,726,451	$17,590,905	$ 6,077,773	$ 4,551,199	$28,219,877

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	$ 23,775,786	$ 22,159,743
Grants and contracts	9,108,718	11,437,627
Payments to vendors and employees	(133,595,204)	(135,374,602)
Auxiliary enterprise charges	8,413,757	7,575,135
Sales and services of educational departments	1,420,714	996,832
Other receipts	960,808	740,640
Net cash used in operating activities	(89,915,421)	(92,464,625)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State appropriations	46,715,846	45,208,771
Property tax levy receipts	21,141,941	22,374,357
Direct student loan receipts	13,949,142	8,791,340
Direct student loan disbursements	(16,290,680)	(8,768,612)
Deposits	290,952	32,418
Federal student aid grant programs	14,980,032	13,526,746
State student aid grant programs	4,418,600	4,881,025
Net cash provided by non-capital financing activities	85,205,833	86,046,045
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants	4,685,510	3,288,165
Purchases of capital assets	(7,751,514)	(7,967,497)
Net cash used in capital and related financing activities	(3,066,004)	(4,679,332)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investments	9,971,472	15,196,205
Interest on investments	5,085,450	5,526,351
Purchase of investments	(11,853,756)	(6,961,719)
Net cash provided by investing activities	3,203,166	13,760,837
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,572,426)	2,662,925
CASH AND CASH EQUIVALENTS		
Beginning of year	14,771,643	12,108,718
End of year	$ 10,199,217	$ 14,771,643

See accompanying notes to financial statements.

	2008	2007
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (99,187,560)	$ (98,963,724)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	7,779,957	7,313,326
Changes in net assets:		
Accounts receivable	(4,191,843)	770,452
Inventory	235,283	201,621
Prepaid expenses	(50,755)	(264,312)
Accounts payable	1,521,609	(2,184,632)
Accrued salaries, wages and benefits	515,929	556,877
Deferred revenue	3,461,959	105,767
Net cash used by operating activities	$ (89,915,421)	$ (92,464,625)

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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The College has elected not to apply FASB pronouncements issued after the applicable date.

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

- Invested in Capital Assets: capitalized physical assets, net of accumulated depreciation (see Note C).

- Restricted

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

  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.

(Continued)

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

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

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, and recent updates in *GASB's Implementation Guide.,* non-operating revenue includes state appropriations, county property tax levy receipts, certain government grants, investment income, and state capital grants.

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

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government, state and local governments and private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts of approximately $221,000 and $176,000 at June 30, 2008 and 2007, 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 in 2007 and 2008, and for the fall session in 2008, due to a change in the registration calendar. Deferred student fee income also includes advance payments received from health care providers for their employees' access to online continuing professional education, and advance payments received from businesses for non credit classes and seminars conducted after June 30.

(Continued)

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

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

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

(Continued)

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

Adoption of New Accounting Pronouncements: In fiscal year 2008, the provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, and Statement No. 50, Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27, became effective. Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefit expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of employers subject to governmental accounting standards. This statement was implemented prospectively. Statement No. 50 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. Adopting these statements had no effect on the College's financial statements because of the types of benefit plans in which the College participates.

Recently Issued Accounting Pronouncements: In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participation in pollution remediation activities such as site assessments and cleanups. The College will be required to implement this statement in fiscal year 2009.

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

In November, 2007, GASB issued Statement No, 52, *Land and Other Real Estate Held as Investments by Endowments*. The Statement established consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The College will be required to implement this statement in fiscal 2009.

(Continued)

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

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

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

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.

Reclassifications: Certain 2007 items have been reclassified to conform to the 2008 presentation.

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.

(Continued)

NOTE B – CASH AND INVESTMENTS (Continued)

Deposits: At June 30, 2008, the carrying amount of the College's deposits in all funds was $10,198,037 (included in cash and cash equivalents in the balance sheet) and the bank balance was $12,650,242. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2008. Of the bank balance, $721,211 was covered by federal depository insurance or by collateral held by the College's agent in the College's name. The remaining balance of $11,929,031 was uninsured. The uninsured deposits are held in accounts collateralized by a pooled collateral account at the Federal Reserve Banks of Cincinnati and New York. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be returned to the College. The College follows the deposit policy for custodial risk in accordance with the Ohio Revised Code.

Investments: Investments are stated at their fair value of $85,180,141 (amortized cost basis of $85,690,481). The College's investments include $85,178,961 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 $1,180 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, 2008.

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

Years	Amount
1-5	$ 2,347
6-10	545,540
11-20	6,684,312
Greater than 20	77,946,762
Total at fair value	$ 85,178,961

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, 2008 the College's GNMA investments returned principal as follows:

NOTE B – CASH AND INVESTMENTS (Continued)

Years	Amount
1-5	$ 6,560
6-10	111,375
11-20	869,467
Greater than 20	8,984,070
Total (at cost)	$ 9,971,472

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

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

Capital improvements, facility renovations, equipment	$ 44,541,554
Tuition stabilization, unplanned income decline, uninsured losses, other contingencies and initiatives	13,672,141
Auxiliary enterprises	8,268,205
Restricted grants and contracts	1,695,519
Restricted future proceeds from property tax levy	28,366,455
Board designated endowment	14,557,164
Total allocated net assets	$ 111,101,038

NOTE C - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2008 and 2007 is summarized as follows:

	2008 Beginning Balance	Additions	Disposals	2008 Ending Balance
Cost:				
Land and improvements	$ 12,538,141	$ 18,433		$ 12,556,574
Buildings and improvements	213,331,987	6,685,165		220,017,152
Equipment and fixtures	20,653,775	982,863	$ 1,079,898	20,556,740
Library materials	4,769,383	75,976	282,370	4,562,989
Total cost	251,293,286	7,762,437	1,362,268	257,693,455
Less accumulated depreciation:				
Buildings and improvements	98,681,964	5,261,316		103,943,280
Equipment and fixtures	13,823,805	1,776,250	1,068,975	14,531,080
Library materials	3,721,161	742,391	282,370	4,181,182
Total accumulated depreciation	116,226,930	7,779,957	1,351,345	122,655,542
Capital assets, net	$ 135,066,356	$ (17,520)	$ 10,923	$ 135,037,913

	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

(Continued)

NOTE D - LONG-TERM LIABILITIES

Long-term liabilities activity for the years ended June 30, 2008 and 2007 is summarized as follows:

2008	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 4,422,527	$ 411,024	$ 240,173	$4,593,378	$ 194,736
2007					
Compensated absences	$ 4,344,391	$ 304,511	$ 226,375	$4,422,527	$ 244,843

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

NOTE E - STATE AND COUNTY SUPPORT

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

The College also receives support from a Montgomery County, Ohio property tax levy. A successful ballot issue in the March 2008 primary election replaced a 2.5 mill levy (commenced January 1, 1999 and ended December 31, 2007) with a 3.2 mill levy that commenced January 1, 2008 and will end December 31, 2017. By state law, levy receipts must be used solely for the benefit of Montgomery County residents attending the College in the form of student tuition subsidy, student scholarships and instructional facilities, equipment and support services located within Montgomery County. Therefore, these amounts are recognized 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 $1,412,352 and $1,016,919 for the years ended June 30, 2008 and 2007, respectively.

Future minimum lease payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2008 are as follows:

(Continued)

NOTE F - LEASE OBLIGATIONS (Continued)

Years ending June 30,	
2009	$ 1,448,479
2010	1,347,874
2011	1,251,984
2012	1,156,684
2013	1,116,167
2014-2018	4,055,905
Total minimum lease payments	$10,377,093

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

OPERS plan members are required to contribute 9.5% of their annual salary from July 1, 2007 through December 31, 2007, and 10.0% from January 1, 2008 through June 30, 2008 (10.1% for law enforcement officers), and STRS members contribute 10%. The College is required to contribute 13.85% from January 1, 2007 through December 31, 2007, and 14.0% from January 1, 2008 through June 30, 2008 (17.17% for law enforcement officers from July 1, 2007 through December 31, 2007, and 17.40% from January 1, 2008 through June 30, 2008) 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.

(Continued)

NOTE G - RETIREMENT PLANS (Continued)

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 14.0%. For the period July 1, 2007 through June 30, 2008, the College was required to contribute 3.5% to STRS, and 10.5% to the member's ARP account.

Employees electing the ARP instead of OPERS are required to contribute 9.5% of their annual salary from January 1, 2007 through December 31, 2007, and 10.0% from January 1, 2008 through June 30, 2008. The College's discretionary contribution to the ARP has been set at 13.85% from July 1, 2007 through December 31, 2007 and 14.0% from January 1, 2008 through June 30, 2008.

The College's contributions to OPERS, STRS and ARP required and made for the years ended June 30, 2008, 2007, and 2006 were as follows:

		Contribution	
Year	OPERS	STRS	ARP
2008	4,292,280	5,562,832	367,480
2007	4,421,115	4,958,247	333,319
2006	4,205,425	4,941,699	314,537

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.

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 2006 and after was 1% for the employer contribution rate of 14%. For 2007, the rate for OPERS from January 1, 2007 through June 30, 2007 and July 1, 2007 through December 31, 2007 was 5.0% and 6.0%, respectively, of the total employer contribution rates. The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to OPERS and STRS.

Postretirement health care under OPERS is advance-funded on an actuarially determined basis. The number of OPERS active contributing participants was 374,979 at year-end December 31, 2007. The actuarial value of OPERS net assets available for Other Postemployment Benefits (OPEB) at December 31, 2006, is $12.0 billion. The actuarially accrued liability and unfunded actuarial accrued liability, based on the actuarial cost method used, were $30.7 billion, and $18.7 billion, respectively. For the years ended June 30, 2008 and 2007, the College's contribution to OPERS to fund these benefits was approximately $1,434,000 and $1,457,000 respectively.

Postretirement health care under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to $4.1 billion as of June 30, 2007. Eligible benefit recipients reported for STRS totaled 122,934. For the years ended June 30, 2008 and 2007, the College's contribution to STRS to fund these benefits was approximately $397,000 and $354,000, respectively.

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.

The College is self-insured for certain employee health benefit programs. Funding for these programs is based on actuarial projections provided by the plan administrators. Aggregate and specific stop loss insurance is maintained for benefit payments that exceed the maximum limits outlined in the policy. The claims liability of approximately $1,200,000 reported at June 30, 2008 is based on an estimate provided by an actuary and the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. No incremental claim adjustment expenses are included in the estimate.

(Continued)

NOTE I – INSURANCE (Continued)

Changes in claims activity for the past three fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2006	$ --	$ 3,008,142	$ 2,026,142	$ 982,000
2007	982,000	5,753,542	5,647,542	1,088,000
2008	1,088,000	6,299,796	6,188,796	1,199,000

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

NOTE J - CONTINGENCIES

The College receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. As of June 30, 2008, management is not aware of any potential disallowances.

The College is the defendant in certain litigation arising in the ordinary course of business. In the opinion of management and outside legal counsel, the ultimate outcome of such items will not have a material impact on the financial statements of the College.

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION

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

(Continued)

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

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, 2007 and 2006, 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:

	2007	2006
Fixed income securities	$ 6,634,642	$ 6,646,750
Equities	12,429,596	12,227,187
Venture capital funds	286,680	176,710
Total investments	$ 19,350,918	$ 19,050,647

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

Pledges Receivable: As the collection of pledges is estimated to be probable, the Foundation recorded a receivable of $1,919,901, representing the present value of those pledges receivable at December 31, 2007. 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%.

(Continued)

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

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

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

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, 2008 and 2007, the Foundation provided resources of $1,943,000 and $1,596,000 respectively, to or on behalf of the College for restricted purposes. Complete financial statements for the Foundation can be obtained from the Sinclair Community College Foundation at 444 W. Third St., Room 7230, Dayton, Ohio, 45402.

SUPPLEMENTARY INFORMATION

SINCLAIR COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

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		$ 314,370
Federal Work-Study Program	84.033		105,265
Federal Pell Grant Program	84.063		14,676,150
Federal Direct Student Loans	84.268		15,258,834
Academic Competitiveness Grant	84.375		21,228
Total Student Financial Assistance Cluster			30,375,847
Trio Cluster:			
Trio Upward Bound	84.047		481,814
Trio Student Support Services	84.042		262,135
Total Trio cluster			743,949
Adult Education – Basic Grants to States, 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	401,066
Higher Education Instructional Aid Strengthening Institutions	84.031		284,515
Career and Technical Education - Basic Grants to States, pass-through State of Ohio Department of Education	84.048	20-C2 2005	280,126
Tech Prep Education, pass-through from State of Ohio Department of Education	84.243	3E-00 2002 and 3ETC-2005	415,762
Child Care Access Means Parents in School	84.335		21,369
Twenty-First Century Community Learning Centers, pass-through from State of Ohio Department of Education	84.287		215,172
Total Department of Education			$ 32,737,806

(Continued)

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	1,022,453
Telehealth Network Grants	93.211		120,000
Nurse Education, Practice and Retention Grants	93.359		81,078
Child Care and Development Block Grant, pass-through from State of Ohio Dept. of Child Care and Development	93.575		69,000
Total Department of Health and Human Services			1,292,531
National Science Foundation - Education and Human Resources	47.076		647,577
Corporation for National and Community Service, pass-through from the Greater Pittsburgh Literacy Council, Literacy*AmeriCorps	94.006	06NDHTX002	176,728
Total Federal Awards			$ 34,854,642

See accompanying notes to Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Sinclair Community College. The College reporting entity is defined in Note A to the financial statements.

Basis of Accounting: The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A to the financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – FEDERAL DIRECT STUDENT LOANS

The College performs origination services for the Department of Education, but does not make Federal Direct Student Loans (FDSLs). The amounts presented represent the value of new FDSLs awarded during the year.

Crowe Horwath

Crowe Horwath LLP
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, 2008, 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, 2007 and 2006). 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 Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 4, 2008

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, 2008. 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, 2008.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 4, 2008

PART I: SUMMARY OF AUDITORS' RESULTS

<u>Financial Statements</u>

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

<u>Federal Awards</u>

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiencies 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
TRIO Cluster:	
Upward Bound	84.047
Student Support Services	84.042

Dollar threshold used to distinguish between Type A and Type B programs	$ 587,874		
Auditee qualified as low-risk auditee?	X	Yes	No

PART II: FINANCIAL STATEMENT FINDINGS SECTION

There were no findings.

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

There were no findings.

PART IV: SUMMARY OF PRIOR YEAR FINDINGS

There were no findings.

Mary Taylor, CPA
Auditor of State

SINCLAIR COMMUNITY COLLEGE

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 3, 2009

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