

SINCLAIR COMMUNITY COLLEGE
Dayton, Ohio

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**
June 30, 2017 and 2016



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Sinclair Community College, Montgomery County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2016 through June 30, 2017. 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 that reads "Dave Yost".

Dave Yost
Auditor of State

December 22, 2017

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Independent Auditor's Report

To the Board of Trustees
Sinclair Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Sinclair Community College (the "College") as of and for the years ended June 30, 2017 and 2016 and its discretely presented component unit as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 (the "Foundation"), which is the sole discretely presented component unit. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report 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 General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Trustees
Sinclair Community College

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Sinclair Community College as of June 30, 2017 and 2016 and its discretely presented component unit, the Foundation, as of December 31, 2016 and 2015 and the changes in its financial position, and, where applicable, cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of College's proportionate share of the net pension liability, and schedules of College's contributions, as identified on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sinclair Community College's basic financial statements. The supplemental schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and is not a required part of the basic financial statements.

The supplemental schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Trustees
Sinclair Community College

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017 on our consideration of Sinclair Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and 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* in considering Sinclair Community College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 8, 2017

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2017 and 2016

This annual report consists of three main parts - the MD&A, the financial statements, and a section containing reports on the audit of federal grants and contracts received by the College.

This management's discussion and analysis (MD&A) of Sinclair Community College's (the "College" or Sinclair) financial performance provides an overview of the College's financial activities for the fiscal years ended June 30, 2017 and 2016. Please read it in conjunction with the College's financial statements, which begin on page 19.

Financial and Institutional Highlights

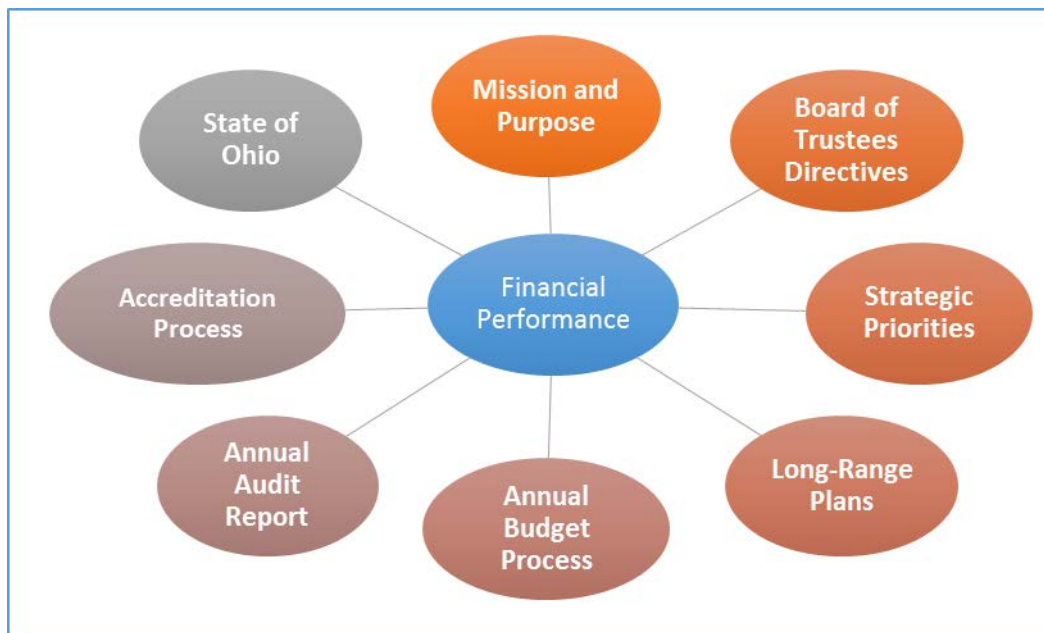
- Sinclair Community College realized many important achievements in fiscal 2017 as related to the four core strategies of quality and innovation, accessibility, sustainability, and community alignment. Several of these are discussed below.
- Sinclair's financial health remains strong due to the prudent planning and vigilance of the Board of Trustees, administration and other College leaders. The College's financial accountability score pursuant to Ohio Senate Bill 6 remains among the highest in the state. For instance, Sinclair received a score of 4.8 out of 5.0 maximum for the latest year reported.
- The College continues to enjoy success with the *College Credit Plus* program, a State of Ohio initiative to provide college credit courses to high school students. Roughly 4,300 students from over 100 high schools realized the benefits of this program during fiscal 2017, representing an increase of 26%.
- Forward progress was made on student success initiatives, which have resulted in higher course completion rates and more students completing degrees and certificates (a record number of 5,039 degrees and certificates were earned in fiscal 2017). This has contributed to Sinclair's receiving an increased share of performance-based state funding for the past two years.
- Maintaining a longstanding commitment to access, affordability and efficiency, Sinclair's tuition for Montgomery County residents remains the lowest in the state of Ohio.
- The opening of a \$32 million state-of-the-art Health Sciences Center in August 2017 highlighted a busy year of progress on the College's campus master plan. As the next major master plan project, the Board of Trustees approved \$13 million for creating an Integrated Student Services Center by renovating Buildings 10 and 11. The new center will allow for transformational improvements in the flow of services and processes to better assist students and will result in establishing a true "front door" to the College.
- The College continued to demonstrate an exceptional level of commitment to teaching and learning in fiscal 2017. In comparison to noninstructional expenses such as facility and administrative costs, Sinclair devotes a significantly higher percentage of its resources to the instruction, academic, and student support functions than the average of Ohio's other public community colleges, as shown by Ohio Department of Higher Education's benchmarking data.

Financial Management Philosophy and Accountability

Sinclair Community College utilizes a forward-thinking and systematic approach to managing financial resources that is guided by the following principles:

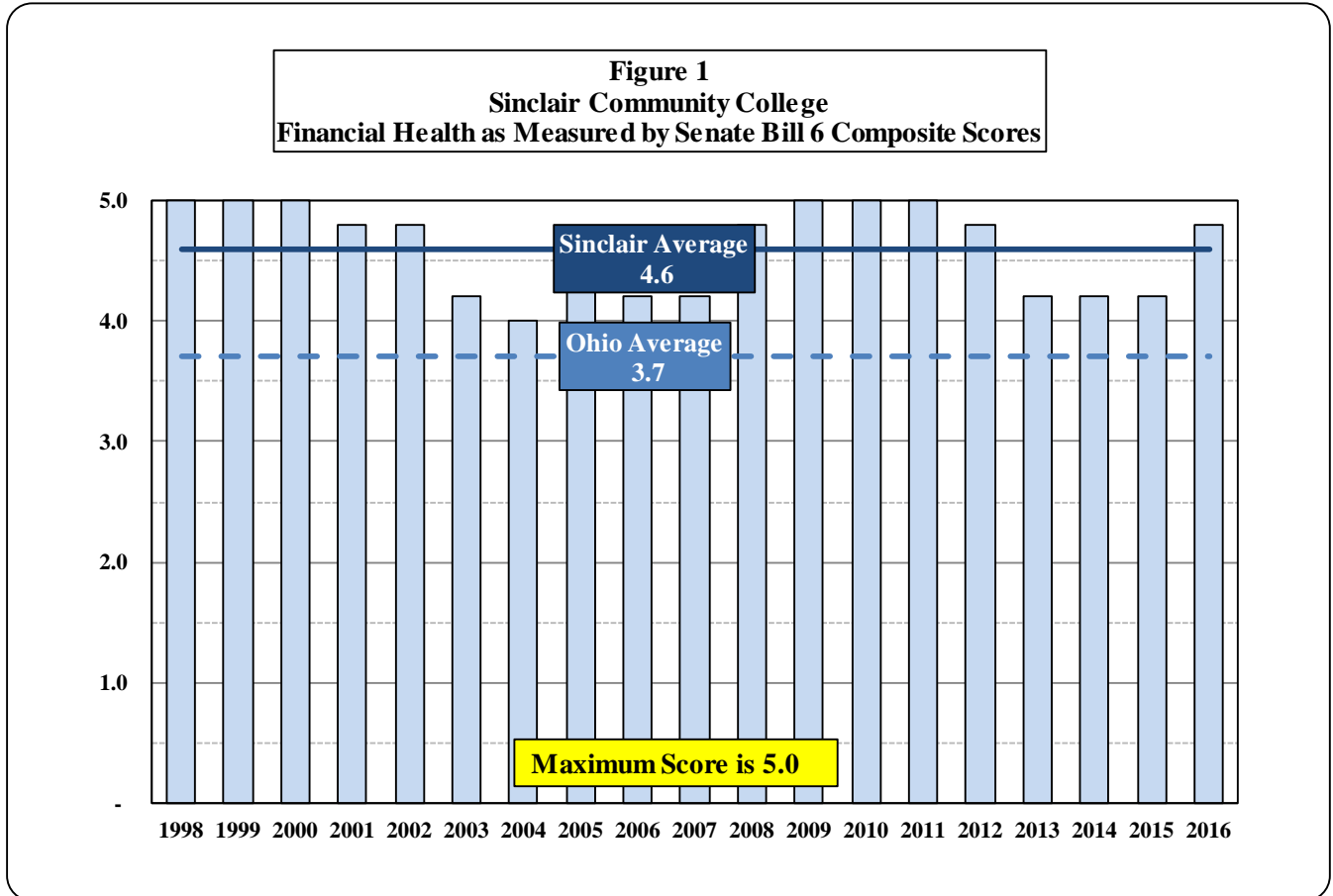
- **Use money as a tool to accomplish the mission:** Money is a tool used in fulfilling our service mission, but is not an end in itself.
- **Employ results-oriented spending:** This is generally tied to an expectation of clear mission results.
- **Focus on long-term stability:** Use financial modeling and planning to help ensure the long-term sustainability and financial viability of the College.
- **Pay as you go:** Save money up front and place in allocated reserves for later use in major capital expenditures, thereby avoiding or minimizing the use of debt financing.
- **Save with a plan and purpose:** Maintain allocated reserves to provide flexibility in managing future opportunities and challenges.
- **Plan for margin:** Budget for a 3% to 5% positive margin on the annual operating budget (revenue to exceed expenses) to provide funding for facility maintenance, capital spending, and other needs.
- **Save and plan for emergencies:** Plan/budget for unforeseen emergencies and contingencies.

Inputs into the financial management and measurement process come from a variety of sources as shown in the diagram below:



SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2017 and 2016

The State of Ohio computes a fiscal accountability measure each year for all public higher education institutions pursuant to Senate Bill 6 passed in 1997. Sinclair's annual scores are depicted in Figure 1 below. The College has averaged an overall score of 4.6 since the inception of the reporting, which is above average as compared to Ohio's public higher education system as a whole.



Overview of the Financial Statements

The financial statements are presented in the format required by generally accepted accounting principles and accepted by the Ohio Department of Higher Education 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 position
- Statements of revenues, expenses, and changes in net position
- 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, 2017 and 2016 and the results of its operations for the fiscal years then ended.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2017 and 2016

Governmental Accounting Standards Board (GASB) Statement No. 68

GASB 68, *Accounting and Financial Reporting for Pensions*, is national and applies to all government financial reports prepared in the 50 states in accordance with generally accepted accounting principles. GASB 68 requires the College to report a share of the unfunded liabilities of Ohio's state retirement systems in its statements of net position in 2017 and 2016, and also has an impact in 2017 and 2016 on the statements of revenues, expenditures and changes in net position. The amount of net pension liability reported on the statements of net position equals the College's proportionate share of the unfunded pension liabilities of the state systems that are associated with current, former, and retired College employees and their beneficiaries, and is significant. **However, under Ohio law, there is no legal means to enforce the State systems' pension liabilities reported under GASB 68 against the College or any other Ohio public employer. Consequently, the reader should keep that in mind when reviewing the financial statements and considering Sinclair's real financial position and operational results.**

Net Position

Table 1 below is a condensed version of the balance sheet and net position. The components of net position that relate to the results of College operations, exclusive of the GASB 68 pension accounting, are shown in Table 1A. A discussion of the underlying factors impacting the change in net position is provided below.

The College's total net position can be viewed as being comprised of four components: 1) capital assets, 2) externally restricted net position, 3) unrestricted net position resulting from College operations, and 4) unrestricted net position related to pension activity (GASB 68 impact). 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 position. These are:

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

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2017 and 2016

TABLE 1
CONDENSED STATEMENTS OF NET POSITION
(in millions of dollars)

	June 30,		
	2017	2016	2015
Assets:			
Current assets	\$ 67.3	\$ 67.1	\$ 85.5
Investments	127.0	127.8	95.8
Capital assets, net	150.5	133.4	134.1
Total assets	344.8	328.3	315.4
Deferred outflows of resources - pension activity *	40.4	26.3	10.3
Total assets and deferred outflows	<u>\$ 385.2</u>	<u>\$ 354.6</u>	<u>\$ 325.7</u>
Liabilities:			
Current liabilities	\$ 24.7	\$ 22.1	\$ 25.0
Long-term liabilities	4.7	4.5	4.3
Net pension liability *	172.6	151.4	125.3
Total liabilities	202.0	178.0	154.6
Deferred inflows of resources:			
Property tax levy	37.5	37.3	28.3
Pension activity *	10.7	9.5	18.1
Total deferred inflows	48.2	46.8	46.4
Total liabilities and deferred inflows	250.2	224.8	201.0
Net position:			
Investment in capital assets	150.5	133.4	134.1
Restricted - expendable	2.6	2.7	2.4
Unrestricted - operations	124.8	128.4	121.3
Unrestricted - pension activity *	(142.9)	(134.7)	(133.1)
Total net position	135.0	129.8	124.7
Total liabilities, deferred inflows and net position	<u>\$ 385.2</u>	<u>\$ 354.6</u>	<u>\$ 325.7</u>

* Line item related to GASB 68 pension accounting

TABLE 1A
NET POSITION EXCLUDING GASB 68 PENSION ACCOUNTING
(in millions of dollars)

	June 30,		
	2017	2016	2015
Investment in capital assets	\$ 150.5	\$ 133.4	\$ 134.1
Restricted - expendable	2.6	2.7	2.4
Unrestricted - operations	124.8	128.4	121.3
Total net position excluding GASB 68	<u>\$ 277.9</u>	<u>\$ 264.5</u>	<u>\$ 257.8</u>

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2017 and 2016

Fiscal 2017

Total net position at June 30, 2017 was \$135.0 million (Table 1). Liabilities of \$29.4 million, exclusive of the net pension liability, were only 8.5% of total assets of \$344.8 million, 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. The College reported a net pension liability of \$172.6 million, pension-related deferred outflows of resources of \$40.4 million, and deferred inflows of resources of \$10.7 million. A fuller discussion of pension reporting can be found in Notes A and H of this report. Deferred inflows of resources also include future property tax levy receipts of \$37.5 million - see Notes A and F for a discussion.

Net position exclusive of GASB 68 (Table 1A) improved by \$13.4 million (from \$264.5 million to \$277.9 million) in fiscal 2017. The increase had these components:

- A net increase from operations of \$15.9 million after depreciation expenses of \$11.3 million, but exclusive of the change in the fair value of investments
- A decrease in the fair value of investments of \$2.5 million; that is, net unrealized gains in the investment portfolio decreased from \$4.7 million at June 30, 2016 to \$2.2 million at June 30, 2017

Also in fiscal 2017, capital asset acquisitions consumed approximately \$28.4 million of unrestricted and restricted net position and added a corresponding amount to capital assets.

Fiscal 2016

Total net position at June 30, 2016 the College's net position was \$129.8 million. Liabilities of \$26.6 million, exclusive of the net pension liability, were only 8.1% of total assets of \$328.3 million, 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. The College reported a net pension liability of \$151.4 million, pension-related deferred outflows of resources of \$26.3 million, and deferred inflows of resources of \$9.5 million. A fuller discussion of pension reporting can be found in Notes A and H of this report. Deferred inflows of resources also include future property tax levy receipts of \$37.3 million - see Notes A and F for a discussion.

Net position exclusive of GASB 68 pension accounting (Table 1A) improved by \$6.7 million (from \$257.8 million to \$264.5 million) in fiscal 2016. The increase had these components:

- A net increase from operations of \$6.1 million after depreciation expenses of \$11.9 million, but exclusive of the change in the fair value of investments
- An increase in the fair value of investments of \$0.6 million; that is, net unrealized gains in the investment portfolio increased from \$4.1 million at June 30, 2015 to \$4.7 million at June 30, 2016

Also in fiscal 2016, capital asset acquisitions consumed approximately \$11.2 million of unrestricted and restricted net position and added a corresponding amount to capital assets.

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position (SRECNP) shown in Table 2 present the College's operating results for fiscal years 2017, 2016, and 2015. Table 2A presents a summary of the statements excluding the impact of GASB 68 pension accounting. The following narrative provides an overview of the key elements in the SRECNP.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2017 and 2016

TABLE 2
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(in millions of dollars)

	Year ended June 30,		
	2017	2016	2015
Operating revenues:			
Student tuition and fees, net of grants and scholarships	\$ 28.3	\$ 26.7	\$ 28.3
Federal grants and contracts	4.6	5.9	6.6
State and local grants and contracts	1.9	2.1	1.3
Nongovernmental grants and contracts	4.5	6.0	5.6
Sales and services of educational departments	1.6	1.2	1.2
Auxiliary enterprises, net of grants and scholarships	8.4	8.1	7.4
Other	1.8	1.2	1.0
Total operating revenues	<u>51.1</u>	<u>51.2</u>	<u>51.4</u>
Operating expenses:			
Instruction	72.8	66.4	67.5
Public service	3.0	2.7	1.9
Academic support	12.5	13.7	14.8
Student services	18.5	17.7	17.7
Institutional support	19.7	17.9	18.2
Plant operations and maintenance	12.9	12.4	12.5
Depreciation	11.3	11.9	12.0
Student aid	6.0	6.4	7.4
Auxiliary enterprises	10.5	11.3	11.1
Total operating expenses	<u>167.2</u>	<u>160.4</u>	<u>163.1</u>
Nonoperating and other revenues:			
State appropriations	47.7	45.1	43.0
County tax levy	37.5	33.1	28.7
Federal student aid grant programs	23.5	25.5	29.9
State student aid grant programs	1.0	1.2	1.1
Investment income	3.3	2.7	3.0
Net change in the fair value of investments	(2.5)	0.6	(0.9)
Capital grants	10.8	6.1	4.3
Total nonoperating and other revenues	<u>121.3</u>	<u>114.3</u>	<u>109.1</u>
Change in net position	<u>5.2</u>	<u>5.1</u>	<u>(2.6)</u>
Net position:			
Beginning of year	129.8	124.7	262.3
Adjustment for change in accounting principle	-	-	(135.0)
Net position - beginning of year	<u>129.8</u>	<u>124.7</u>	<u>127.3</u>
End of year	<u>\$ 135.0</u>	<u>\$ 129.8</u>	<u>\$ 124.7</u>

TABLE 2A
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
EXCLUDING GASB 68 PENSION ACCOUNTING
(in millions of dollars)

	Year ended June 30,		
	2017	2016	2015
Total Operating Revenues	\$ 51.1	\$ 51.2	\$ 51.4
Total Operating Expenses	159.0	158.8	165.0
Total Nonoperating and Other Revenues	<u>121.3</u>	<u>114.3</u>	<u>109.1</u>
Change in Net Position	13.4	6.7	(4.5)
Net position:			
Beginning of year	264.5	257.8	262.3
End of year	<u>\$ 277.9</u>	<u>\$ 264.5</u>	<u>\$ 257.8</u>

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2017 and 2016

Revenues (Operating, Nonoperating)

- Operating revenue of the College is defined as payments received for goods and services provided, and is composed mainly of tuition and fees, federal and state grants, and income from auxiliary operations. *(Note: In accordance with the required reporting display, gross tuition and fees on the SRECNP are reduced by grants and scholarships used to help pay those charges, resulting in net tuition revenue).*
 - In fiscal 2017, operating revenue remained flat, compared to prior year, due to an increase in net student tuition and fees and other income offset by a decrease in federal grants and contracts and nongovernmental grants and contracts. A decrease in Pell loans taken out by students was the main cause for the increase in net student tuition and fees revenue. Other income increased due to receipt of contributions for the Health Sciences Center capital project from gifts to the Sinclair Foundation. Federal grants and contracts decreased due to the fulfillment of the Department of Labor grant in prior year. Finally, a decrease in nongovernmental grants and contracts is primarily due to qualifications of specific criteria related to scholarships.
 - In fiscal 2016, operating revenue remained flat, compared to prior year, due to a slight increase in state and local grants and contracts and auxiliary enterprises being offset by a decrease in net student tuition and fees. A decline in enrollment and the statewide tuition rate freeze were the main causes for the decrease in student tuition and fees revenue.
- Nonoperating revenue includes state appropriations, county property tax levy receipts, certain government grants, investment income, and state capital grants.
 - In fiscal 2017, nonoperating revenue increased \$7.0 million or 6.1% over the previous year due to the following:
 - State appropriations were \$2.6 million, or 5.8%, higher than the prior year. This increase was due to additional higher education funding, appropriated to partially offset a mandated freeze in tuition, coupled with the College's increased share of performance-based funding.
 - County tax levy revenue was up \$4.4 million due to full year receipts versus a partial year in 2016 from the 1 mill levy (Levy B), which was passed by voters in November 2015.
 - Federal student aid revenues declined by \$2.0 million as the result of changes in student Pell Grant eligibility.
 - A \$4.7 million increase in capital grants was due to revenue from state capital grants related to construction of the Health Science Center building.

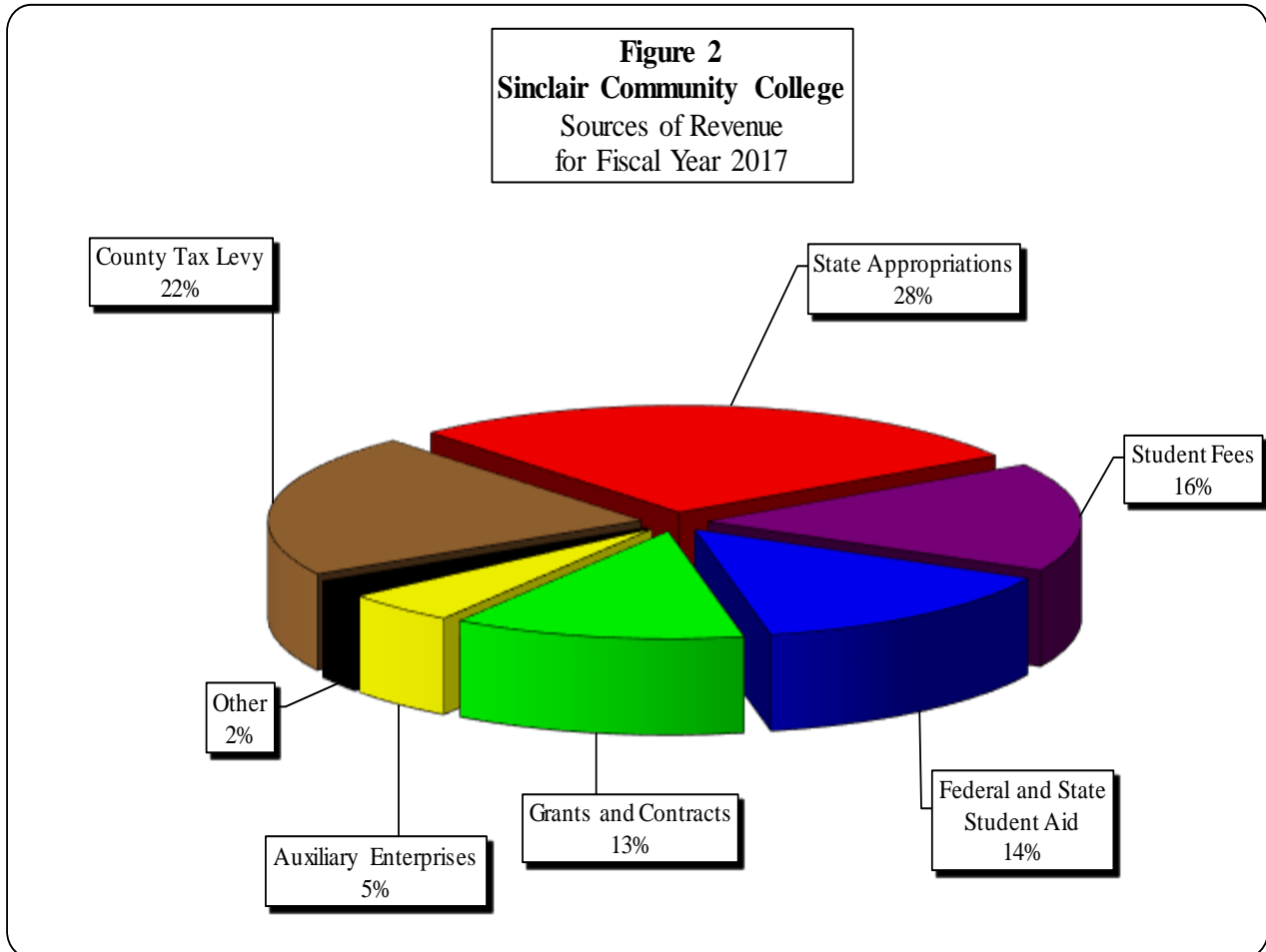
Investment income and the fair value of investments decreased by \$2.5 million over the prior year. These amounts mainly reflect changes in the net unrealized gains/losses associated with investments held by the College. Those changes are primarily the result of price movements in the fixed income securities year over year. At June 30, 2017, the portfolio includes \$2.2 million in net unrealized gains.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2017 and 2016

- In fiscal 2016, nonoperating revenue increased \$5.2 million or 4.8% over the previous year due to the following:
 - State appropriations were \$2.1 million, or 4.9%, higher than the prior year. This increase was due to additional higher education funding, appropriated to partially offset a mandated freeze in tuition, coupled with the College's increased share of performance-based funding.
 - County tax levy revenue was up \$4.4 million due to partial year receipts from the 1 mill levy (Levy B), which was passed by voters in November 2015. This increase represents about half of the annual amount the College can expect to realize from Levy B for the eight-year term.
 - Federal student aid revenues declined by \$4.4 million as the result of lower enrollments and changes in student Pell Grant eligibility.
 - A \$1.8 million increase in capital grants was due to revenue from state capital grants related to construction of Sinclair's National Unmanned Aerial Systems Training and Certification Center and Indoor Flying Pavilion.
 - Investment income and the fair value of investments increased by \$1.2 million over the prior year. This swing accounted for approximately 23% of the change in nonoperating and other revenues. These amounts mainly reflect changes in the net unrealized gains associated with investments held by the College. Those changes are primarily the result of price movements in the bond market year over year. At June 30, 2016, the portfolio includes \$4.7 million in net unrealized gains.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2017 and 2016

Figure 2 below presents the composition of Sinclair's revenue streams.

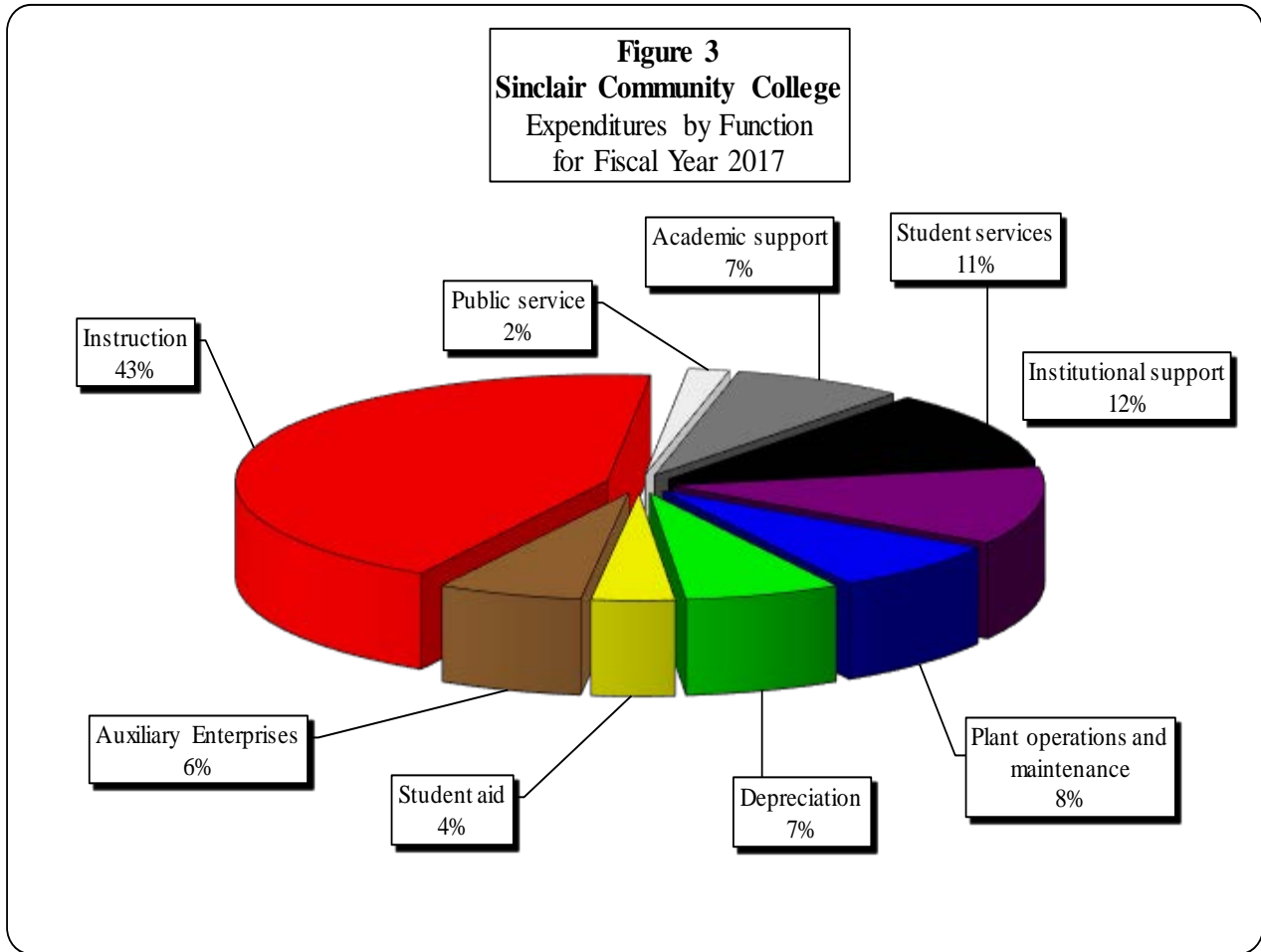


Operating Expenses

- Operating expenses are those expenditures related to the College's educational programs and services. GASB 68 pension-related expenses are included in operating expenses.
 - Operating expenses in total increased by \$6.8 million or 4.2% in 2017 due to the net impact of GASB 68 pension accounting changes. GASB 68 accounted for \$8.2 million of expense in 2017 and \$1.6 million in 2016, and impacted most of the functional category comparisons. Exclusive of the GASB 68 expenses, operating expenses in 2017 were virtually the same as in 2016. The College continues to be proactive in reducing costs through efficiency and restructuring initiatives.
 - Operating expenses in total declined by \$2.7 million or 1.7% in 2016. Excluding the impact of GASB 68 pension accounting in 2016 (\$1.6 million increase in expenses) and 2015 (\$1.9 million decrease in expenses), the decrease was \$6.2 million or 3.8%. Expense reductions were primarily traceable to the College's proactive actions to reduce costs through efficiency and restructuring initiatives. The decline was also partially due to lower enrollments.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2017 and 2016

Figure 3 breaks out Sinclair's total operating expenses by functional category.



SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2017 and 2016

Cash Flows

The statements of cash flows present information related to the cash inflows and outflows that result from the operating, noncapital and capital financing, and investing activities of the College. In each of the years shown in Table 3, the major cash inflows were from student tuition and fees, grants and contracts, auxiliary enterprise charges, state appropriations, county tax levy receipts, federal Pell Grant and Direct Loan Program receipts, and investment maturities. The major cash outflows were payments to employees and vendors, payments of Pell Grant and Direct Loan funds to students, and the purchase of capital assets and new investments.

TABLE 3
CONDENSED STATEMENT OF CASH FLOWS
(in millions of dollars)

	Years Ended June 30,		
	2017	2016	2015
Cash (used in) provided by:			
Operating activities	\$ (94.7)	\$ (96.7)	\$ (106.0)
Noncapital financing activities	111.0	106.0	103.7
Capital and related financing activities	(17.1)	(5.2)	(4.1)
Investing activities	1.0	(28.8)	0.4
Net increase (decrease) in cash and cash equivalents	0.2	(24.7)	(6.0)
Cash and cash equivalents, beginning of year	16.0	40.7	46.7
Cash and cash equivalents, end of year	\$ 16.2	\$ 16.0	\$ 40.7

Capital Assets

Highlights of the College's capital program in Table 4 below include the following:

- Building improvement projects on the Dayton campus in 2017 include most of the construction of the Health Science Center, which opened in August. In 2016, building improvements included the completion of the two-year, first floor renovation of Building 13 for the National Unmanned Aerial Systems Training and Certification Center and the high efficiency hot water system.
- Other projects in 2017 include emergency call station replacements, installation of new generators and renovation of restrooms. Major facility life cycle maintenance projects were completed at the Dayton campus in 2016, including the air temperature control system upgrade, air handler replacements, installation of exhaust fans in the parking garage walkway, replacement of exterior doors, and replacement of common area carpet in Buildings 10, 11, and 12. Additional projects in 2016 included classroom cabinetry, Building 14 roof replacement and the beginning of a five-year electrical system testing project.
- Additions to equipment inventory in 2017 included replacement of IT systems, 3D printers, machining laboratories, and Health Science Center equipment. In 2016, additions to equipment included security network switches, printers, classroom video and digital media equipment, server upgrades and various aviation items including a helicopter, an AT aircraft, and an airplane engine. Additional items donated were UAS airframes along with various parts, a robotic simulation/software package, and a UAS hexicopter with video equipment.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2017 and 2016

TABLE 4
CAPITAL ASSETS
(net of depreciation, in millions of dollars)

	Years Ended June 30,		
	2017	2016	2015
Land and improvements	\$ 15.4	\$ 15.4	\$ 15.4
Buildings and improvements	125.9	110.4	111.2
Equipment	9.0	7.5	7.2
Library books	0.2	0.1	0.3
Total capital assets	\$ 150.5	\$ 133.4	\$ 134.1

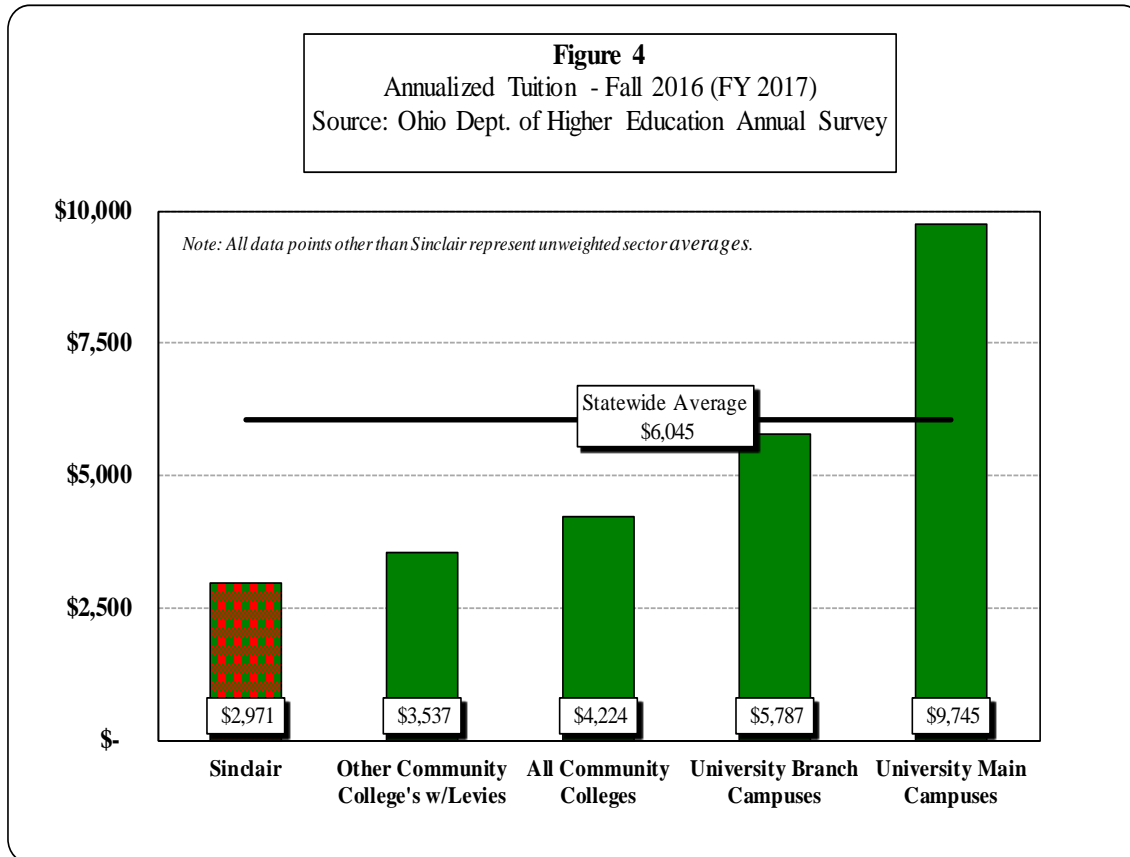
Factors Impacting Future Periods

State of Ohio Appropriations: Sinclair expects to enjoy better than average results in the allocation of dollars through the State of Ohio's performance-based funding model in fiscal 2018 due to its aggressive efforts to increase the number of students successfully completing courses, attaining intermediate milestones and earning degrees/certificates and/or transferring to baccalaureate institutions. The current State of Ohio two-year operating budget (HB49) provided no increase in overall community college funding for fiscal 2018 and fiscal 2019. Hence, increases for Sinclair will derive from growth and continued improvement in student success outcomes.

Montgomery County Levy: The two levies of the College are used entirely for expenditures benefiting students who reside in Montgomery County. This support manifests in the form of tuition subsidy and support for services at the Dayton campus. Levy A (3.2 mills, 10 years) was renewed in November 2017 and is complemented by Levy B (1.0 mill, 8 years), recently passed for the first time in the fall of 2015. Combined, these levies are expected to account for \$36 million in annual revenue going forward. For the first time in 10 years, the outlook for property values looks to have stabilized, reversing a long trend of declines.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2017 and 2016

Tuition and Fees: Sinclair's tuition for Montgomery County residents remains the lowest in the state of Ohio (see Figure 4 for a comparison of Sinclair's tuition rate versus other Ohio public institutions of higher education). The current State of Ohio two-year operating budget (HB49) freezes tuition for community colleges in fiscal 2018 while permitting an increase of up to \$10 per credit hour in fiscal 2019. The College will assess options and needs as part of its long-term financial planning and fiscal 2019 budgeting process.



Student Enrollments: After a period of significant growth, community colleges nationally and in the state of Ohio have experienced a softening of enrollment due to normal business cycles and improvement in the economy. Sinclair's enrollments stabilized in fiscal 2017 and are trending positive so far in fiscal 2018. The College expects sustained long-term enrollment growth in light of heightened importance of college attainment and Sinclair's quality and affordability competitive advantages.

Workforce Development: Sinclair will continue to review and refresh its non-credit training and conference center offerings to ensure that the division of Workforce Development is aligned with community needs. Sinclair is a leader in the Unmanned Aerial Systems new market and has forged important partnerships with various national and regional organizations.

Campus Master Plan: During fiscal 2018 and beyond, the College will leverage the \$32 million Health Sciences Center that opened in the fall of 2017 and continue to enhance the learning and student services spaces on campus. Work will soon begin in earnest on, among other projects, a revitalized Student Services Center and "front door" to the College, a revamped advanced manufacturing center and re-clustering of existing spaces to optimize efficiency and effectiveness.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2017 and 2016

Efficiency and Accountability. Sinclair has a history of being efficient, affordable, and accountable. In fact, the College has realized over \$40 million in cumulative savings, efficiencies, and cost avoidance during the past 10 years. As a result of this fiscal stewardship, the College has:

- Maintained the lowest tuition in the state of Ohio for Montgomery County residents over many years
- A cost per student that is below the average of Ohio community colleges
- No debt and very little deferred maintenance while maintaining the College's physical assets in exemplary condition.

Sinclair will continue to drive efficiencies and cost savings to ensure that financial resources remain healthy and on a sustainable pathway.

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 16,153,943	\$ 15,976,539
Accounts receivable, net	8,415,645	8,337,161
Prepaid expenses	2,999,409	3,433,181
Interest receivable	489,720	426,206
Property tax levy receivable	37,489,644	37,255,886
Inventories	1,718,633	1,660,875
Total current assets	<u>67,266,994</u>	<u>67,089,848</u>
Noncurrent assets:		
Investments	127,010,727	127,820,900
Capital assets, net	150,469,974	133,454,515
Total noncurrent assets	<u>277,480,701</u>	<u>261,275,415</u>
 Total assets	 344,747,695	 328,365,263
 Deferred outflows of resources – Pension activity	 <u>40,400,534</u>	 <u>26,257,333</u>
 Total assets and deferred outflows of resources	 <u>\$ 385,148,229</u>	 <u>\$ 354,622,596</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Accounts payable and accruals	\$ 7,725,772	\$ 6,314,725
Accrued salaries, wages and benefits	11,004,947	9,669,663
Unearned student fee income	4,181,886	4,442,834
Deposits	1,753,494	1,716,943
Total current liabilities	<u>24,666,099</u>	<u>22,144,165</u>
Noncurrent liabilities:		
Compensated absences	4,666,765	4,449,764
Net pension liability	172,611,550	151,430,521
Total liabilities	<u>201,944,414</u>	<u>178,024,450</u>
Deferred inflows of resources:		
Property tax levy	37,489,644	37,255,886
Pension activity	10,678,241	9,513,847
Total deferred inflows of resources	<u>48,167,885</u>	<u>46,769,733</u>
Net position:		
Net investment in capital assets	150,469,974	133,454,515
Restricted – Expendable	2,643,471	2,678,128
Unrestricted	(18,077,515)	(6,304,230)
Total net position	<u>135,035,930</u>	<u>129,828,413</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 385,148,229</u>	 <u>\$ 354,622,596</u>

See accompanying notes to financial statements

SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 974,930	\$ 999,689
Investments	26,075,772	25,118,076
Pledges receivable, net of allowances of \$17,765 and \$22,114 at December 31, 2016 and 2015, respectively	1,036,014	1,298,119
Property and equipment	5,247,026	5,047,105
Total assets	\$ 33,333,742	\$ 32,462,989
Liabilities and Net Assets		
Liabilities		
Payable to Sinclair Community College	\$ 175,702	\$ 625,212
Other payables	79,707	95,391
Total liabilities	255,409	720,603
Net Assets		
Unrestricted	21,454,534	20,548,075
Temporarily restricted	5,624,864	5,640,737
Permanently restricted	5,998,935	5,553,574
Total net assets	33,078,333	31,742,386
Total liabilities and net assets	\$ 33,333,742	\$ 32,462,989

See accompanying notes to financial statements

SINCLAIR COMMUNITY COLLEGE
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 Years ended June 30, 2017 and 2016

	2017	2016
Operating Revenues		
Student tuition and fees	\$ 46,487,434	\$ 46,320,293
Less grants and scholarships	(18,159,639)	(19,594,530)
Student tuition and fees, net of grants and scholarships	28,327,795	26,725,763
Federal grants and contracts	4,593,023	5,902,111
State and local grants and contracts	1,941,671	2,092,581
Nongovernmental grants and contracts	4,435,428	5,972,410
Sales and services of educational departments	1,562,766	1,181,863
Auxiliary enterprises:		
Food service	501,893	483,394
Bookstore (net of grants and scholarships of \$3,096,852 and \$3,373,139 in 2017 and 2016, respectively)	5,833,767	5,979,132
Parking	2,075,278	1,664,583
Other operating revenues	1,838,788	1,166,661
Total operating revenues	51,110,409	51,168,498

See accompanying notes to financial statements

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2017 and 2016

	2017	2016
Operating Expenses		
Educational and general:		
Instruction	\$ 72,758,996	\$ 66,408,547
Public service	3,001,578	2,707,079
Academic support	12,476,452	13,698,165
Student services	18,477,470	17,663,054
Institutional support	19,756,339	17,897,449
Plant operations and maintenance	12,864,801	12,423,358
Depreciation	11,348,992	11,921,612
Student aid	6,022,720	6,437,874
Auxiliary enterprises:		
Food service	279,442	268,476
Bookstore	8,323,092	8,985,381
Parking	1,900,352	2,001,911
Total operating expenses	167,210,234	160,412,906
Operating Loss	(116,099,825)	(109,244,408)
Nonoperating Revenues (Expense):		
State appropriations	47,741,520	45,104,604
County tax levy	37,481,556	33,077,459
Federal student aid grant programs	23,480,481	25,520,191
State student aid grant programs	1,038,661	1,250,565
Investment income	3,285,687	2,713,855
Net (decrease) increase in the fair value of investments	(2,527,298)	563,901
Total nonoperating revenues	110,500,607	108,230,575
Loss before Other Revenues	(5,599,218)	(1,013,833)
Other Revenues - State Capital Grants	10,806,735	6,145,266
Increase in Net Position	5,207,517	5,131,433
Net Position		
Beginning of year	129,828,413	124,696,980
End of year	\$ 135,035,930	\$ 129,828,413

See accompanying notes to financial statements

SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended December 31, 2016 and 2015

	2016	2015
Revenue and Support		
Contributions	\$ 3,260,858	\$ 5,635,410
Net investment income (loss)	2,009,014	(560,400)
Lease income	158,572	182,414
Total revenue and support	5,428,444	5,257,424
Expenses		
Scholarships	954,010	1,296,476
Project support	2,824,526	4,689,109
Operating expenses	313,961	278,947
Total expenses	4,092,497	6,264,532
Increase (Decrease) in Net Assets	1,335,947	(1,007,108)
Net Assets		
Beginning of year	31,742,386	32,749,494
End of year	\$ 33,078,333	\$ 31,742,386

See accompanying notes to financial statements

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Tuition and fees	\$ 27,581,618	\$ 27,055,020
Grants and contracts	11,105,564	14,566,387
Payments to vendors and employees	(144,324,622)	(150,050,856)
Auxiliary enterprise charges	8,270,152	8,344,849
Sales and services of educational departments	1,472,763	1,167,096
Other receipts	1,208,247	2,213,381
Net cash used in operating activities	<u>(94,686,278)</u>	<u>(96,704,123)</u>
Cash Flows from Noncapital Financing Activities		
State appropriations	47,741,520	45,104,604
Property tax levy receipts	37,481,556	33,077,459
Direct student loan receipts	25,188,736	29,129,666
Direct student loan disbursements	(25,041,110)	(27,165,342)
Deposits	36,551	17,898
Federal student aid grant programs	24,480,754	24,623,080
State student aid grant programs	1,028,342	1,167,459
Net cash provided by noncapital financing activities	<u>110,916,349</u>	<u>105,954,824</u>
Cash Flows from Capital and Related Financing Activities		
Capital grants	10,806,735	6,145,266
Purchases of capital assets	(27,868,455)	(11,320,382)
Net cash used in capital and related financing activities	<u>(17,061,720)</u>	<u>(5,175,116)</u>
Cash Flows from Investing Activities		
Proceeds from maturities of investments	29,983,934	40,359,062
Interest on investments	3,294,944	3,036,812
Purchase of investments	(32,269,825)	(72,226,341)
Net cash provided by (used in) investing activities	<u>1,009,053</u>	<u>(28,830,467)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	177,404	(24,754,882)
Cash and Cash Equivalents		
Beginning of year	15,976,539	40,731,421
End of year	<u>\$ 16,153,943</u>	<u>\$ 15,976,539</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
 STATEMENTS OF CASH FLOWS
 Years ended June 30, 2017 and 2016

	2017	2016
Reconciliation of Operating Loss to Net Cash		
Used in Operating Activities		
Operating loss	\$ (116,099,825)	\$ (109,244,408)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	11,348,992	11,921,612
Changes in operating assets and liabilities, deferred inflows of resources, and deferred outflows of resources which (used) provided cash:		
Accounts receivable	(1,216,064)	2,373,414
Inventory	(57,758)	(198,647)
Prepaid expenses	433,772	(383,642)
Accounts payable and accruals	1,411,046	(2,034,395)
Accrued salaries, wages, and benefits	1,552,285	(543,703)
Unearned student fee income	(260,947)	(171,034)
Deferred outflows of resources - Pension activity	(14,143,202)	(15,918,951)
Deferred inflows of resources - Pension activity	1,164,394	(8,608,174)
Net pension liability	21,181,029	26,103,805
Net cash used in operating activities	\$ (94,686,278)	\$ (96,704,123)

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Cash and Cash Equivalents: Cash, certificates of deposit, and money market funds, stated at cost, are considered cash and cash equivalents with original maturities less than 90 days.

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 \$783,200 and \$893,700 at June 30, 2017 and 2016, 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.

Inventories: Inventories, which consist principally of publications, general merchandise, and other goods, are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Investments: Investments are stated at fair value. Purchases and sales of investments are accounted for on the trade date basis. Realized and unrealized gains and losses are reported as investment income or loss.

The College has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price at which the investment could be sold on June 30, 2017.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 net investment in capital assets component of net position is adjusted as appropriate. Capital asset additions of equipment and fixtures with a cost equal to or in excess of \$5,000 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 \$100,000 are capitalized and depreciated on a straight-line basis over the estimated useful lives as follows:

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

Deferred Outflows of Resources: In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. For the College, deferred outflows of resources are related to the net pension liability (see Note H).

Unearned Student Fee Income: Unearned student fee income includes the unearned portion of student tuition and fees for the summer and fall sessions. Unearned student fee income also includes advance payments received from businesses for non-credit classes and seminars conducted after June 30.

Compensated Absences: Administrative and professional employees earn vacation leave at a rate of 13.34 hours for each month of service up to a maximum of 240 hours. Support staff earns vacation at a rate of eight hours per month for the first five years of service up to a maximum of 240 hours. After five years of continuous employment, an additional eight hours per year (.66 hours per month) are added to the accrual rate each year until the maximum monthly accrual rate of 13.34 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.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans of the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS) and the additions to/deductions from the systems' fiduciary net position have been determined on the same basis as they are reported by the systems. OPERS and STRS use the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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

Deferred Inflows of Resources: In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. For the College, deferred inflows of resources include property taxes and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. For pension, these amounts are related to the net pension liability (see Note H).

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

- Net investment in capital assets: Capitalized physical assets, net of accumulated depreciation (see Note D).
- Restricted - expendable: Resources related to grants, contracts, and taxes, including taxes levied in the prior reporting period and received in the reporting period, whose use is subject to externally-imposed restrictions including limitations on the use of net assets imposed by enabling legislation.
- Unrestricted: Resources that are not subject to externally-imposed restrictions. Unrestricted resources may be designated for specific purposes by the Board of Trustees. Substantially all of the College's unrestricted resources are designated for future uses or contingencies (See Note B).

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

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, Sinclair Community College grant programs, and the Sinclair Community College Foundation. Payments made directly to students from grants and scholarships are presented as Student Aid.

Operating Versus Nonoperating Revenues and Expenses: The College defines operating activities as reported on the statement of revenues, expenses, and changes in net position 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, and *GASB's Implementation Guide*. Nonoperating revenue includes state appropriations, county property tax levy receipts, certain government grants, investment income, and state capital grants.

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.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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

Tax Abatement: For the year ended June 30, 2017, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, which improves disclosure of tax abatement information, such as how the tax abatements affect the College's financial statements, operations, and ability to raise resources in the future, by reporting (1) the College's own tax abatement agreements, and (2) those entered into by other governments that reduce the College's tax revenues.

The College's property tax revenue is affected by tax abatements entered into by Montgomery County. The College's property tax revenues were reduced by \$464,673 for the year ended June 30, 2017.

Adoption of Standards: In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The new lease standard will increase current and noncurrent assets upon adoption. The effects on the statement of revenues, expenses and changes in net position are not expected to be significant. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2021.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The College is currently evaluating the impact of this standard. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2019.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the College to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the plan. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2018.

Reclassification: The College no longer records fall semester tuition in accounts receivable and unearned student fee income as of June 30 in the statement of net position. Due to this change, accounts receivable and unearned student fee income decreased by approximately \$11,629,000 and \$10,754,000 at June 30, 2017 and 2016, respectively.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE B – CASH AND INVESTMENTS

In accordance with the Ohio Revised Code and the College's investment 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 and federally insured cash account program, obligations of any state, obligations of any Ohio political subdivision, certificates of deposit, 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, bankers' acceptances, corporate obligations, U.S. and global fixed income mutual funds, and domestic and international equity mutual funds. 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.

Deposits: At June 30, 2017, the carrying amount of the College's deposits in all funds was \$16,153,943 (reported as cash and cash equivalents in the statement of net position) and the financial institution balance was \$21,250,481. The difference between the carrying amount and the financial institution balance was primarily due to outstanding checks at June 30, 2017. Of the financial institution balance, \$1,115,449 was covered by federal depository insurance and \$588,526 had federal Securities Investor Protection Corporation coverage. The remaining balance of \$19,546,506 was uninsured.

At June 30, 2016, the carrying amount of the College's deposits in all funds was \$15,976,539 (reported as cash and cash equivalents in the statement of net position) and the financial institution balance was \$19,447,776. The difference between the carrying amount and the financial institution balance was primarily due to outstanding checks at June 30, 2016. Of the financial institution balance, \$1,114,852 was covered by federal depository insurance and \$542,372 had federal Securities Investor Protection Corporation coverage. The remaining balance of \$17,790,552 was uninsured.

The uninsured deposits were either 1) held in accounts at Ohio banks that maintain collateral pools securing public funds deposits in accordance with the Ohio Revised Code (\$6,940,605 at June 30, 2017 and \$8,265,770 at June 30, 2016), or 2) were secured by a letter of credit (\$9,406,626 at June 30, 2017 and \$7,937,100 at June 30, 2016), or 3) in the case of money market account balances were backed by the underlying securities held by the fund (\$3,199,275 at June 30, 2017 and \$1,587,682 at June 30, 2016). The custodial credit risk for deposits is the risk that, in the event of the failure of a financial institution, the College's deposits may not be returned to the College, or the College may not be able to recover the value of collateral securities that are in the possession of an outside party.

Investments: Investments at June 30, 2017 and 2016 were \$127,010,727 (amortized cost basis of \$124,844,925) and \$127,820,900 (amortized cost basis of \$123,127,799), respectively.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE B – CASH AND INVESTMENTS (Continued)

Investments at June 30 were as follows:

	Fair Value at June 30, 2017	Maturities				
		Less than 1 Year	1 - 5 Years	6 - 10 Years	11 - 20 Years	Greater than 20 Years
U.S. Treasury notes	\$ 499,550	\$ 499,550	\$ -	\$ -	\$ -	\$ -
Government National Mortgage Association (GNMA) bonds	49,061,535	1,983	148,920	6,319,939	10,873,689	31,717,004
Other federal agency securities	8,266,078	499,324	7,766,754	-	-	-
Municipal bonds	1,746,543	-	1,746,543	-	-	-
Corporate bonds	37,184,186	7,513,011	28,689,425	981,750	-	-
STAR Ohio	29,762,403	29,762,403	-	-	-	-
Certificates of deposit	490,432	490,432	-	-	-	-
Total	\$ 127,010,727	\$ 38,766,703	\$ 38,351,642	\$ 7,301,689	\$ 10,873,689	\$ 31,717,004

	Fair Value at June 30, 2016	Maturities				
		Less than 1 Year	1 - 5 Years	6 - 10 Years	11 - 20 Years	Greater than 20 Years
U.S. Treasury notes	\$ 1,252,317	\$ 750,247	\$ 502,070	\$ -	\$ -	\$ -
Government National Mortgage Association (GNMA) bonds	63,527,457	8,611	62,241	103,393	22,819,932	40,533,280
Other federal agency securities	11,360,496	789,561	8,765,206	1,805,729	-	-
Municipal bonds	1,815,180	-	1,612,648	-	202,532	-
Corporate bonds	33,412,924	4,245,005	22,582,820	6,585,099	-	-
STAR Ohio	15,543,021	15,543,021	-	-	-	-
Certificates of deposit	909,505	216,074	693,431	-	-	-
Total	\$ 127,820,900	\$ 21,552,519	\$ 34,218,416	\$ 8,494,221	\$ 23,022,464	\$ 40,533,280

The certificates of deposit were fully FDIC insured. The federal agency, municipal and corporate bonds were all credit quality "A" or higher, as required by the College's investment policy. Government National Mortgage Association (GNMA) bonds 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. U.S. treasuries and GNMA bonds are not subject to the credit risk disclosures of GASB Statement No. 40.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE B – CASH AND INVESTMENTS (Continued)

A GNMA bond does not mature all at once on its stated maturity date. Rather, a portion of each bond matures every month, and an entire bond will usually mature many years before its maturity date. The following homeowner actions result in the return of principal to the owners of a GNMA bond: 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 deemed appropriate. For the years ended June 30, 2017 and 2016, the College's GNMA investments returned principal as follows:

	2017	2016
Years:		
0 - 5	\$ 72,197	\$ 44,638
6 - 10	2,049,954	763,495
11 - 20	2,544,452	4,334,161
Greater than 20	7,587,330	9,133,768
Total (at cost)	\$ 12,253,933	\$ 14,276,062

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 allocated net positions designated by the Board of Trustees or restricted by outside parties for the following purposes:

	2017	2016
Capital improvements, facility renovations, equipment	\$ 68,770,027	\$ 69,994,695
Tuition stabilization, rainy day fund, uninsured losses, other contingencies and initiatives	23,665,985	26,452,620
Auxiliary enterprises	14,973,653	14,659,717
Board-designated endowment	17,072,942	16,989,354
Agency funds	329,135	286,419
Total unrestricted net position before pension activity	124,811,742	128,382,805
Pension activity	(142,889,257)	(134,687,035)
Total unrestricted net position	(18,077,515)	(6,304,230)
Restricted grants and contracts	2,643,471	2,678,128
Total unrestricted and restricted net position	\$ (15,434,044)	\$ (3,626,102)

NOTE C – FAIR VALUE MEASUREMENTS

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE C – FAIR VALUE MEASUREMENTS (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The College's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The College has the following recurring fair value measurements as of June 30, 2017 and 2016:

	Balance at June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt securities:				
U.S. Treasury notes	\$ 499,550	\$ -	\$ 499,550	\$ -
Residential mortgage-backed securities	57,327,613	-	57,327,613	-
Municipal bonds	1,746,543	-	1,746,543	-
Corporate bonds	37,184,186	-	37,184,186	-
Total debt securities	<u>\$ 96,757,892</u>	<u>\$ -</u>	<u>\$ 96,757,892</u>	<u>\$ -</u>

	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt securities:				
U.S. Treasury notes	\$ 1,252,317	\$ -	\$ 1,252,317	\$ -
Residential mortgage-backed securities	74,887,953	-	74,887,953	-
Municipal bonds	1,815,180	-	1,815,180	-
Corporate bonds	33,412,924	-	33,412,924	-
Total debt securities	<u>\$ 111,368,374</u>	<u>\$ -</u>	<u>\$ 111,368,374</u>	<u>\$ -</u>

Debt securities classified in Level 1 are valued using prices quoted in active markets for those securities. The fair value of debt securities classified as Level 2 are valued using other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Investments on the statement of net position as of June 30, 2017 and 2016 include certificates of deposits of \$490,432 and \$909,505, respectively, and investments in STAR Ohio of \$29,762,403 and \$15,543,021, respectively. The certificates of deposit and STAR Ohio are excluded from the fair value table above as they are measured at amortized cost.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE C – FAIR VALUE MEASUREMENTS (Continued)

There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption rates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transactions to \$50 million, requiring excess amounts to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

NOTE D – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2017 and 2016 is summarized as follows:

	June 30, 2017			
	Beginning Balance	Additions	Disposals	Ending Balance
Cost:				
Land and improvements	\$ 15,453,006	\$ -	\$ -	\$ 15,453,006
Buildings and improvements	272,721,896	24,027,696	-	296,749,592
Equipment and fixtures	31,493,983	4,241,445	(921,267)	34,814,161
Library materials	2,317,536	95,310	(168,927)	2,243,919
Total cost	<u>321,986,421</u>	<u>28,364,451</u>	<u>(1,090,194)</u>	<u>349,260,678</u>
Less accumulated depreciation:				
Buildings and improvements	162,348,170	8,639,077	-	170,987,247
Equipment and fixtures	24,015,625	2,694,850	(921,267)	25,789,208
Library materials	2,168,111	15,065	(168,927)	2,014,249
Total accumulated depreciation	<u>188,531,906</u>	<u>11,348,992</u>	<u>(1,090,194)</u>	<u>198,790,704</u>
Capital assets, net	<u>\$ 133,454,515</u>	<u>\$ 17,015,459</u>	<u>\$ -</u>	<u>\$ 150,469,974</u>
	June 30, 2016			
	Beginning Balance	Additions	Disposals	Ending Balance
Cost:				
Land and improvements	\$ 15,443,208	\$ 9,798	\$ -	\$ 15,453,006
Buildings and improvements	266,502,430	8,209,927	(1,990,461)	272,721,896
Equipment and fixtures	28,962,981	3,027,767	(496,765)	31,493,983
Library materials	2,517,454	72,890	(272,808)	2,317,536
Total cost	<u>313,426,073</u>	<u>11,320,382</u>	<u>(2,760,034)</u>	<u>321,986,421</u>
Less accumulated depreciation:				
Buildings and improvements	155,279,596	9,059,035	(1,990,461)	162,348,170
Equipment and fixtures	21,788,845	2,723,545	(496,765)	24,015,625
Library materials	2,301,887	139,032	(272,808)	2,168,111
Total accumulated depreciation	<u>179,370,328</u>	<u>11,921,612</u>	<u>(2,760,034)</u>	<u>188,531,906</u>
Capital assets, net	<u>\$ 134,055,745</u>	<u>\$ (601,230)</u>	<u>\$ -</u>	<u>\$ 133,454,515</u>

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE E – LONG-TERM LIABILITIES

Long-term liabilities activity for the years ended June 30, 2017 and 2016 is summarized as follows:

	June 30, 2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 4,725,621	\$ 533,640	\$ (300,437)	\$ 4,958,824	\$ 292,059
	June 30, 2016				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 4,664,191	\$ 295,799	\$ (234,369)	\$ 4,725,621	\$ 275,857

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

NOTE F – STATE AND COUNTY SUPPORT

The College is an institution of higher education that receives a student-based subsidy from the State of Ohio using a performance outcomes-based formula devised by the Ohio Department of Higher Education (formerly known as 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's campuses, as well as for the renovation of facilities and the purchase of equipment.

The College also receives support from two Montgomery County, Ohio property tax levies. A successful ballot issue in the March 2008 primary election replaced a 2.5 mill levy with a 3.2 mill levy that commenced January 1, 2008 and will end December 31, 2017. On November 3, 2015, an additional 1 mill operating levy was passed. It commenced January 1, 2015 and will end December 31, 2022. 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.

Property taxes receivable represent outstanding property taxes which were measurable at June 30, 2017. Total property tax collections for the next fiscal year are measurable amounts; however, since these revenue collections to be received during the available period are not intended to finance 2017 operations, the receivable amount is recorded as deferred inflows of resources.

NOTE G – LEASE OBLIGATIONS

The College leases land, buildings, and office space under operating lease agreements, some with a related party, Courseview Holdings, LLC as referenced in Note L. These facilities are not recorded as assets on the statements of net position. The total rental expense under these agreements was \$1,693,198 and \$1,561,080 for the years ended June 30, 2017 and 2016, respectively.

SINCLAIR COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017 and 2016

NOTE G – LEASE OBLIGATIONS (Continued)

Future minimum lease payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2017 are as follows:

Year Ending June 30:	Amount
2018	\$ 1,617,720
2019	1,426,254
2020	1,250,101
2021	1,110,575
2022	769,098
2023-2027	97,145
Total minimum lease payments	\$ 6,270,892

NOTE H – PENSION PLANS

Plan Descriptions: The College participates in the State Teachers Retirement System of Ohio (STRS) and the Ohio Public Employees Retirement System (OPERS), statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that cover substantially all employees of the College. Each system has three retirement plan options available to its members, and provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The systems also each provide postemployment healthcare benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Each retirement system issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. The reports may be obtained by contacting:

State Teachers Retirement System
 of Ohio
 275 E. Broad Street
 Columbus, Ohio 43215
 (888) 227-7877
www.strsoh.org

Ohio Public Employees Retirement
 System
 277 East Town Street
 Columbus, Ohio 43215
 (800) 222-7377
www.opers.org

Contributions: State retirement law requires contributions by covered employees and their employers, and Chapters 145 and 3307 of the ORC limit the maximum rate of contributions. The retirement boards of the systems individually set contributions rates within the allowable limits. The adequacy of employer contribution rates is determined annually by an actuarial valuation using the entry age normal cost method. Under these provisions, each employer’s contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

In 2017, member contributions were 14 percent, 10 percent, and 13 percent of gross wages for STRS, OPERS, and OPERS – Law enforcement. In 2016, member contributions were 13 percent, 10 percent, and 13 percent of gross wages for STRS, OPERS, and OPERS – Law enforcement. The plans’ 2017 and 2016 employer contribution rates on covered payroll to each system are as follows:

SINCLAIR COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017 and 2016

NOTE H – PENSION PLANS (Continued)

	Employer Contribution Rate			
	Pension	Post		Total
		Retirement Healthcare	Death Benefits	
STRS	14.00%	0.00%	0.00%	14.00%
OPERS	12.00%	2.00%	0.00%	14.00%
OPERS - Law enforcement	16.10%	2.00%	0.00%	18.10%

The College's required and actual contributions to the plans were:

	Years Ended June 30	
	2017	2016
STRS	\$ 5,203,277	\$ 5,354,650
OPERS	4,877,062	4,763,754
Total	<u>\$ 10,080,339</u>	<u>\$ 10,118,404</u>

Benefits Provided:

STRS: Plan benefits are established under Chapter 3307 of the ORC, as amended by Substitute Senate Bill 342 in 2012, which gives the Retirement Board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the COLA as the need or opportunity arises, depending on the retirement system's funding progress.

Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age. Beginning August 1, 2015, eligibility requirements for an unreduced benefit changed. The maximum annual retirement allowance, payable for life, considers years of credited service, final average salary (three to five years) and multiplies by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013 must have at least 10 years of qualifying service credit to apply for disability benefits.

A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the plan. Death benefit coverage up to \$2,000 can be purchased by participants in all three of the plans. Various other benefits are available to members' beneficiaries.

OPERS: Plan benefits are established under Chapter 145 of the ORC, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depend on years of service (15 to 30 years) and on attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years' service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15-30 years), age (48-62 years) and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and who has completed 60 contributing months is eligible for a disability benefit.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE H – PENSION PLANS (Continued)

A death benefit of \$500 - \$2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for law enforcement and public safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent.

Net Pension Liability, Deferrals, and Pension Expense: At June 30, 2017 and 2016, the College reported a liability for its proportionate share of the net pension liability of STRS and OPERS. The net pension liability was measured as of July 1, 2016 and 2015 for STRS and December 31, 2016 and 2015 for OPERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

Plan	Measurement Date	Net Pension Liability		Proportionate Share		Percent Change
		2017	2016	2017	2016	
STRS	July 1	\$ 118,235,708	\$ 109,021,783	0.35323%	0.39448%	-0.04125%
OPERS	December 31	54,375,842	42,408,738	0.24041%	0.24594%	-0.00553%

For the years ended June 30, 2017 and 2016, the College recognized pension expense of \$18,371,626 and \$9,482,900, respectively. At June 30, 2017 and 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,878,911	\$ (443,928)	\$ 4,970,017	\$ (922,305)
Changes in assumptions	8,713,574	-	-	-
Net difference between projected and actual earnings on pension plan investments	18,000,929	-	12,663,609	(7,840,727)
Changes in proportion and differences between College contributions and proportionate share of contributions	892,092	(10,234,313)	1,185,472	(750,815)
College contributions subsequent to the measurement date	7,915,028	-	7,438,235	-
Total	\$ 40,400,534	\$ (10,678,241)	\$ 26,257,333	\$ (9,513,847)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE H – PENSION PLANS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Amount
2018	\$ 6,415,716
2019	6,954,490
2020	7,165,388
2021	1,281,595
2022	(5,413)
Thereafter	(4,511)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2018).

Actuarial Assumptions: The total pension liability is based on the results of an actuarial valuation, which were determined using the following assumptions for 2016, applied to all periods included in the measurement on June 30, 2017:

	STRS	OPERS
	As of June 30, 2016	As of December 31, 2016
Valuation date	July 1, 2016	December 31, 2016
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	2.00 percent	3.00 percent
Salary increases, including inflation	2.75 - 12.25 percent	3.25 - 10.75 percent
Inflation	2.75 percent	3.25 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	7.50 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended July 1, 2012	Period of 5 years ended December 31, 2015
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022-Scale AA)	RP-2014 Healthy Annuitant Mortality Table

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE H – PENSION PLANS (Continued)

The following are actuarial assumptions for 2015, applied to all periods included in the measurement in June 30, 2016:

	STRS As of June 30, 2015	OPERS As of December 31, 2015
Valuation date	July 1, 2015	December 31, 2015
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	2.00 percent	3.00 percent
Salary increases, including inflation	2.75 - 12.25 percent	4.25 - 10.05 percent
Inflation	2.75 percent	3.75 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	8.00 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended July 1, 2012	Period of 5 years ended December 31, 2010
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022-Scale AA)	RP-2000 mortality table projected 20 years using Projection Scale AA

Discount Rate: The discount rate used to measure the total pension liability at June 30, 2017 was 7.75 percent and 7.50 percent for STRS and OPERS, respectively. The discount rate used to measure the total pension liability at June 30, 2016 was 7.75 percent and 8.0 percent for STRS and OPERS, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The 2017 target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

STRS - as of July 1, 2016			OPERS - as of December 31, 2016		
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	31.00%	5.50%	Fixed income	23.00%	2.75%
International equity	26.00%	5.35%	Domestic equity	20.70%	6.34%
Alternatives	14.00%	5.50%	Real estate	10.00%	4.75%
Fixed income	18.00%	1.25%	Private equity	10.00%	8.97%
Real estate	10.00%	4.25%	International equity	18.30%	7.95%
Liquidity reserves	1.00%	0.50%	Other investments	18.00%	4.92%
Total	<u>100.00%</u>		Total	<u>100.00%</u>	

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE H – PENSION PLANS (Continued)

The 2016 target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

STRS - as of July 1, 2015			OPERS - as of December 31, 2015		
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	31.00%	5.50%	Fixed income	23.00%	2.31%
International equity	26.00%	5.35%	Domestic equity	20.70%	5.84%
Alternatives	14.00%	5.50%	Real estate	10.00%	4.25%
Fixed income	18.00%	1.25%	Private equity	10.00%	9.25%
Real estate	10.00%	4.25%	International equity	18.30%	7.40%
Liquidity reserves	1.00%	0.50%	Other investments	18.00%	4.59%
Total	100.00%		Total	100.00%	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the College, calculated using the discount rate listed below, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate (dollars in thousands):

Plan	1.00 Percent Decrease	Current Discount Rate	1.00 Percent Increase
STRS	6.75% \$ 157,125,648	7.75% \$ 118,235,708	8.75% \$ 85,429,751
OPERS	6.50% 83,422,544	7.50% 54,375,842	8.50% 30,186,192
	\$ 240,548,192	\$ 172,611,550	\$ 115,615,943

Pension Plan Fiduciary Net Position: Detailed information about the pension plans' fiduciary net positions is available in the separately issued STRS and OPERS financial reports.

Assumption Changes: During the current measurement period, the OPERS Board adopted certain assumption changes which impacted the annual actuarial valuations prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent for OPERS, which increased the College's respective net pension liability.

Changes Between Measurement Date and Report Date: In March 2017, the STRS Board adopted certain assumption changes that will impact its annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the College's net pension liability is expected to be significant.

Payable to the Pension Plans: At June 30, 2017 and 2016, the College reported payables of \$703,522 and \$1,413,083, respectively, for the outstanding amounts of contributions required for the years then ended.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE H – PENSION PLANS (Continued)

Defined Contribution Pension Plan: The Alternative Retirement Plan (ARP) is a defined contribution pension plan, under IRS Section 401(a), and established by Ohio Amended Substitute House Bill 586 (ORC 3305.02) on March 31, 1998, for public institutions of higher education. The College's Board of Trustees adopted the College's plan on April 18, 1998. Full-time employees are eligible to choose a provider, in lieu of STRS or OPERS, from the list of nine providers currently approved by the Ohio Department of Insurance and who hold agreements with the College. Employee and employer contributions equal to those required by STRS, SERS, and OPERS are required for the ARP, less any amounts required to be remitted to the state retirement system in which the employee would otherwise have been enrolled.

Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the ARP. Under this plan, employees who would have otherwise been required to be in STRS or OPERS, and who elect to participate in the ARP, must contribute the employee's share of retirement contributions to one of nine private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Board of Regents. That amount is 4.50 percent for STRS and 0.77 percent for OPERS for the years ended June 30, 2017 and 2016. The employer also contributes what would have been the employer's contribution under STRS, or OPERS, less the aforementioned percentages, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting. The ARP does not provide disability benefits, survivor benefits, or postretirement health care. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options. STRS and OPERS also offer a defined contribution plan and a combined plan with features of both a defined contribution plan and a defined benefit plan. For the years ended June 30, 2017 and 2016, employee contributions totaled \$461,728 and \$463,306, respectively, and the College recognized pension expense of \$440,823 and \$470,484, respectively.

NOTE I – OTHER POSTEMPLOYMENT BENEFITS

State Teachers Retirement System (STRS Ohio): STRS Ohio provides access to healthcare coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated healthcare costs will be absorbed by STRS Ohio. Nearly all healthcare plan enrollees, for the most recent year, pay a portion of the healthcare costs in the form of a monthly premium.

Ohio Public Employees Retirement System (OPERS): OPERS provides access to postretirement healthcare coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Access to healthcare coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided per the Ohio Revised Code.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE I – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment healthcare benefits. The portion of employer contributions allocated to health care for members in the traditional and combined plans was 1.0 percent during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2 percent for both plans, and that rate has remained in effect through 2016. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the healthcare benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the College's 2017, 2016, and 2015 contributions required and made to OPERS used to fund postretirement benefits was approximately \$737,000, \$635,500, and \$666,700, respectively.

The ORC grants authority to STRS Ohio to provide healthcare coverage to eligible benefit recipients, spouses, and dependents. By Ohio law, healthcare benefits are not guaranteed and the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. Effective July 1, 2014, no employer contributions for STRS are being allocated to postemployment healthcare.

NOTE J – 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's Aviation Policy includes unmanned aerial systems. Additionally, the College carries professional coverage for employees and its Board of Trustees, Crime & Employee Dishonesty coverage and Cyber Liability coverage. The College retains a consulting firm to perform an annual examination of all insurance policies.

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. The College also offers a high deductible health savings account option for its employees. 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 \$1,399,000 and \$1,237,000 reported at June 30, 2017 and 2016, respectively, 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. The amount is in the accrued salaries, wages and benefits on the statement of net position.

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

	Beginning Balance	Current Year Claims	Claim Payments	Ending Balance
2017	\$ 1,237,000	\$ 10,003,359	\$ (9,841,359)	\$ 1,399,000
2016	1,257,000	8,344,516	(8,364,516)	1,237,000
2015	1,300,000	7,924,981	(7,967,981)	1,257,000

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

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE K – 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, 2017 and 2016, the College is not aware of any potential disallowances.

NOTE L – SINCLAIR COMMUNITY COLLEGE FOUNDATION

The financial statements of the Sinclair Community College Foundation (the “Foundation”) are included in this report in accordance with GASB Statement No. 61, *The Financial Reporting Entity – Omnibus*. This statement amended GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an Amendment of GASB 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 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 consolidated statements of financial position and consolidated statements of activities and changes in net assets for the years ended December 31, 2016 and 2015 are discretely presented following the corresponding College financial statements.

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.

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.

Investments: The Foundation’s investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Venture capital funds are measured at cost. Collective trust funds are stated at fair value and are based on the funds’ net asset value as supplied by the fund manager. Other investments are recorded at cost or, if acquired by gift, at fair value at the date of the gift.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE L – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The Foundation had no Level 1 investments at December 31, 2016 and 2015.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. The Foundation had the following Level 2 investments at December 31:

	2016	2015
Fixed-income security funds	\$ 4,449,297	\$ 4,371,887
Equity funds	21,365,449	20,527,529
Total	<u>\$ 25,814,746</u>	<u>\$ 24,899,416</u>

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. The Foundation had no Level 3 investments at December 31, 2016 and 2015.

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 \$1,036,014 and \$1,298,119, representing the present value of those pledges receivable at December 31, 2016 and 2015, respectively. The fair value of pledges due within one year approximates their 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 discount rates ranging from 2-5 percent.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE L – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

Pledges receivable at December 31 are summarized as follows:

	2016	2015
Less than one year	\$ 534,296	\$ 570,942
One to five years	326,020	584,270
More than five years	214,510	214,510
Total pledges	1,074,826	1,369,722
Less allowance for doubtful accounts	(16,748)	(22,114)
Less discount	(22,064)	(49,489)
Net pledges	\$ 1,036,014	\$ 1,298,119

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 is to be expended as the donor has specified, principally for scholarships and other student financial aid.

Support to the College: During the years ended June 30, 2017 and 2016, the Foundation provided resources of \$3,087,669 and \$4,224,733, respectively, to or on behalf of the College for restricted purposes.

Land and Buildings: Capital assets consist of the following at December 31:

	2016	2015
Land	\$ 4,526,086	\$ 4,290,853
Buildings	882,783	882,783
Total cost	5,408,869	5,173,636
Less accumulated depreciation	(161,843)	(126,531)
Capital assets, net	\$ 5,247,026	\$ 5,047,105

The Foundation purchased the land and building in 2012 and donated it to Courseview Holdings, LLC, a limited liability company of which the Foundation is the sole member and for which the amounts are included in the Foundation's consolidated financial statements. All of the property is being leased by the LLC to the College for the College's use in expanding its Courseview Campus in Mason, Ohio.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE M – SUBSEQUENT EVENT

On November 1, 2017, the College entered into a Purchase and Sale Agreement with Far Hills Community Church, an Ohio non-profit corporation, whereby the College agreed to purchase real property and fixtures for \$9,650,000. The site would be used as an academic center to serve the students and families within the rapidly growing community of southern Montgomery County.

The purchase is contingent on the following approvals within 120 days: 1) the College's Board of Trustees; 2) rezoning of the property by the City of Centerville; 3) the Chancellor of the Ohio Department of Higher Education and Ohio Controlling Board; and, 4) the location as an academic center by the Chancellor of the Ohio Department of Higher Education.

REQUIRED SUPPLEMENTARY INFORMATION

SINCLAIR COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017 and 2016

Schedule of College's Proportionate Share of the Net Pension Liability - STRS

	2017	2016	2015
College's proportion of the collective STRS net pension liability:			
As a percentage	0.35323%	0.39448%	0.38931%
Amount	\$ 118,235,708	\$ 109,021,783	\$ 94,694,808
College's covered-employee payroll	\$ 37,701,940	\$ 39,747,965	\$ 39,228,052
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	313.61%	274.28%	241.40%
STRS fiduciary net position as a percentage of the total pension liability	66.78%	72.10%	74.71%

Schedule of College's Contributions - STRS

	2017	2016	2015
Statutorily required contribution	\$ 5,203,276	\$ 5,761,983	\$ 5,568,809
Contributions in relation to the actuarially determined contractually required contribution	\$ 5,203,276	\$ 5,354,650	\$ 5,779,151
Contribution deficiency (excess)	\$ -	\$ 407,333	\$ (210,342)
Covered employee payroll	\$ 38,126,183	\$ 37,701,940	\$ 39,747,965
Contributions as a percentage of covered employee payroll	13.65%	14.20%	14.54%

Schedule of College's Proportionate Share of the Net Pension Liability - OPERS

	2017	2016	2015
College's proportion of the collective OPERS net pension liability:			
As a percentage	0.24041%	0.24594%	0.25480%
Amount	\$ 54,375,842	\$ 42,408,738	\$ 30,631,908
College's covered-employee payroll	\$ 34,035,381	\$ 34,200,224	\$ 35,928,988
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	159.76%	124.00%	85.26%
OPERS fiduciary net position as a percentage of the total pension liability	77.39%	81.19%	86.53%

Schedule of College's Contributions - OPERS

	2017	2016	2015
Statutorily required contribution	\$ 4,877,063	\$ 4,783,467	\$ 4,883,767
Contributions in relation to the actuarially determined contractually required contribution	\$ 4,877,063	\$ 4,763,754	\$ 4,666,770
Contribution deficiency	\$ -	\$ 19,713	\$ 216,997
Covered employee payroll	\$ 35,162,517	\$ 34,035,381	\$ 34,200,224
Contributions as a percentage of covered employee payroll	13.87%	14.00%	13.65%

SINCLAIR COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017 and 2016

Changes to Benefit Terms: There were no changes in benefit terms affecting the STRS and OPERS plans for the plan years ended June 30, 2016 and December 31, 2016, respectively.

Changes of Assumptions (STRS): There were no changes in assumptions affecting STRS for the plan year ended June 30, 2016.

Changes of Assumptions (OPERS): During the plan year ended December 31, 2016, there were changes to several assumptions for OPERS. The wage inflation dropped from 3.75 percent to 3.25 percent. The projected salary increase range changed from 4.25-10.05 percent to 3.25-10.75 percent. The mortality tables used changed from RP-2000 to RP-2014.

SUPPLEMENTARY INFORMATION

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Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Trustees
Sinclair Community College

We have audited, 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, the financial statements of Sinclair Community College (the "College") as of and for the year ended June 30, 2017 and its discretely presented component unit as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 8, 2017. Our report includes reference to other auditors who audited the financial statements of the Sinclair Community College Foundation, as described in our report on Sinclair Community College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sinclair Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To Management and the Board of Trustees
Sinclair Community College

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sinclair Community College's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

December 8, 2017

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees
Sinclair Community College

Report on Compliance for Each Major Federal Program

We have audited Sinclair Community College's (the "College") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. Sinclair Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sinclair Community College's major federal programs based on our audit of the types of compliance requirements referred to above.

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance 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 Sinclair Community 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Sinclair Community College's compliance.

To the Board of Trustees
Sinclair Community College

Opinion on Each Major Federal Program

In our opinion, Sinclair Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Sinclair Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sinclair Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

December 8, 2017

Sinclair Community College

Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Total Amount Provided to Subrecipients	Federal Expenditures
Clusters:				
Student Financial Aid Assistance Cluster - U.S. Department of Education:				
Federal Supplemental Education Opportunity				
Grant Program	84.007	N/A	\$ 598,490	598,490
Federal Work Study Program	84.033	N/A	245,263	245,263
Federal Pell Grant Program	84.063	N/A	22,717,217	22,717,217
Federal Direct Student Loans	84.268	N/A	25,041,598	25,041,598
Total Student Financial Aid Assistance Cluster			48,602,568	48,602,568
Trio Cluster - U.S Department of Education:				
Trio Upward Bound	84.047A	N/A	646,350	646,350
Trio Student Support Services	84.042A	N/A	293,383	293,383
Trio Talent Search Program	84.044A	N/A	353,597	353,597
Total Trio Cluster			1,293,330	1,293,330
Research and Development Cluster - National Science Foundation:				
NSF - Virtual Online Tensile Strength Testing Simulation	47.076	N/A	\$ 29,291	45,270
NSF - Leadership Capacity BLDG	47.076	N/A	44,264	63,434
NSF - Lead with Guitars In STEM	47.076	N/A	74,171	244,565
NSF - Building an Academic Pathway for the Aerial Sensing Data Analyst	47.076	N/A	182,674	182,674
NSF - Increasing Technician Preparedness in the Built Environment	47.076	N/A	30,166	142,629
NSF - Bridging the Gap in Automated/Connected Vehicle Tech Ed	47.076	N/A		
NSF - Creating Pathways for Big Data Careers - Pass-through Education Development Center, Inc.	47.076	11947		22,103
NSF - AM-WATCH - Pass-through Tennessee Technological University	47.076	BL77101569		9,861
NCE Supply Chain Technology Education - Pass-through Riverside Community College District	47.076	DUE-1104176		16,992
NSF - The Ohio LSAMP Alliance - Pass-through The Ohio State University	47.076	60042097-SCC		54,149
NSF - National Center Supply Chain Automation - Pass-through Riverside Community College District	47.076	C-0005504		45,243
Total Research and Development Cluster			177,892	826,920
TANF Cluster - Department of Health and Human Services:				
Temporary Assistance for Needy Families, Fast Forward Center:				
Pass-through Montgomery County - Department of Job and Family Services	93.558	CE#400011		300,000

Sinclair Community College

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2017

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Total Amount Provided to Subrecipients	Federal Expenditures
Other Federal Awards:				
Department of Agriculture - Child and Adult Care Food Program - Pass-through State of Ohio Department of Education	10.558	063362	\$	25,910
Department of Defense - The Dayton Plan for Economic Diversity - Pass-through Wright State Applied Research Corporation	12.614	1082-004		172,411
Department of Justice - BJA Bulletproof Vest Program	16.607	N/A		1,413
Department of Labor - Trade Adjustment Assistance - Community College and Career Training Grant Program - Pass-through Lorain County Community College	17.282	1553	\$	49,671
National Aeronautics and Space Administration - CC-Stars! Bridge Program - Pass-through Ohio Space Grant Consortium	43.008	NNX14AR49A		15,537
Department of Veterans Affairs - VA Annual Reporting Fee	64.027	N/A		2,964
Department of Energy Energy - Efficiency Training Program - Pass-through University of Dayton	81.041	RSC15052		106,999
U.S. Department of Education:				
Connect for Completion	84.031A	N/A		387,870
Career and Technical Education - Basic Grants to States - Pass-through State of Ohio Department of Education	84.048	20-C2 2005		349,216
Total Department of Education			-	737,086
Corporation for National Community and Service - AmeriCorps for Mentoring Collaborative - Pass-through Ohio Commission on Service and Volunteerism	94.006	15AFH-1502-17-OC103		334,747
Air Force Research Laboratory - UAS Tech Warrior - Pass-through Wright State University	12.800	670260-1		50,000
Air Transportation Centers of Excellence - ERAU ASSURE Project - Pass-through Embry-Riddle Aeronautical University	20.109	61446-SCC		15,609
OSU ASSURE Project - Pass-through The Ohio State University	20.109	60056666		6,824
Total Air Transportation Centers of Excellence			-	22,433
Total Federal Awards			\$ 227,563	\$ 53,119,566

See Notes to Schedule of Expenditures
of Federal Awards.

Sinclair Community College

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Sinclair Community College (the "College") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Sinclair Community College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Sinclair Community College.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The College has elected not to use the 10-percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, in the year ended June 30, 2017, the College carried forward \$36,290 of Federal Work Study program (84.033) funds and \$24,998 of Federal Supplemental Education Opportunity Grant program (84.007) funds from the 2016-2017 award year to be spent in the 2017-2018 award year.

Sinclair Community College

Schedule of Findings and Questioned Costs Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)?

Yes No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063, and 84.268	Student Financial Aid Assistance Cluster
84.042A, 84.047A, and 84.044A	TRIO Cluster
47.076	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Sinclair Community College

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2017

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

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Dave Yost • Auditor of State

SINCLAIR COMMUNITY COLLEGE

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 4, 2018**