

SINCLAIR COMMUNITY COLLEGE
Dayton, Ohio

FINANCIAL STATEMENTS
June 30, 2015 and 2014



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, 2014 through June 30, 2015. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 26, 2016

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SINCLAIR COMMUNITY COLLEGE

Dayton, Ohio

FINANCIAL STATEMENTS

June 30, 2015 and 2014

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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 year ended June 30, 2015, and its discretely presented component unit as of and for the year ended December 31, 2014, 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 audit. 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

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, 2015, and its discretely presented component unit, the Foundation, as of December 31, 2014, and the changes in its financial position, and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note M to the basic financial statements, the 2014 basic financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

As discussed in Note A to the basic financial statements, effective July 1, 2014, the College adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The College is now recognizing its unfunded pension benefit obligation as a liability on the statement of net position for the first time. This Statement also enhances accountability and transparency through revised note disclosures and required supplementary information. Our opinion is not modified with respect to this matter.

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 the College's proportionate share of the net pension liability and schedules of the 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 who 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 purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

To the Board of Trustees
Sinclair Community College

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 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.

Report on Prior Year Financial Statements and Restatement

The basic financial statements of Sinclair Community College as of and for the year ended June 30, 2014 were audited by other auditors, whose report dated November 3, 2014 expressed an unmodified opinion on those statements, prior to the restatement described in Note M.

As part of our audit of the 2015 financial statements, we also audited the adjustments described in Note M that were applied to restate the 2014 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 financial statements of the College other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2014 financial statements as a whole.

Plante & Moran, PLLC

December 21, 2015

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2015 and 2014

This discussion and analysis (MD&A) of Sinclair Community College's (the "College") financial performance provides an overview of the College's financial activities for the fiscal years ended June 30, 2015 and 2014. 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 year 2015 as related to the four core strategies of quality and innovation, accessibility, sustainability, and community alignment. Of particular note are the following:
 - Implemented *Career Communities* whereby students work together with peers, faculty, and staff from their chosen program of study to improve student advising and career counseling.
 - Implemented *College Credit Plus*, a State of Ohio initiative to provide college credit courses to high school students, which has resulted in partnerships with 100 area high schools and a record number of enrolled high school students taking Sinclair classes.
 - Gained approval by the Sinclair Board of Trustees for \$32 million in strategic capital investments to create a Health Sciences Center, the National Unmanned Aerial Systems (UAS) Training and Certification Center, and to renovate Buildings 10 and 11 to create an Integrated Student Services model for providing an enhanced level of advising and other essential services to students.
 - Achieved, for the fourth consecutive year, #1 ranking by the *Dayton Business Journal* for Sinclair's Workforce Development division in terms of number of clients served.
- Sinclair's financial health remains strong due to the prudent planning and vigilance of the Board of Trustees and administration. Significant attention has been focused on sound financial planning and sustainability budgetary adjustments in order to responsibly navigate through reduced levels of state and levy funding coupled with enrollment fluctuations. The College also implemented a \$5.0 million sustainability plan comprised of revenue enhancements and cost cutting to ensure stability going forward and to address the Governor's directive to reduce the cost of college attendance for Ohioans.
- The College's enrollments, as measured on a full-time equivalency basis (FTE), decreased by approximately 8% in fiscal year 2015 versus the prior year. Sinclair's experience mirrors the trend being realized on the state and national levels whereby community college enrollments are tapering off as the economic outlook improves.
- In accordance with state and national higher education policy goals, Sinclair continues to focus intently on improving student completion and outcomes by partnering with such diverse entities as the Bill & Melinda Gates Foundation, the Mathile Family Foundation, Boston College, and Western Governors University. In addition to leveraging grant dollars from public and private sources, the College has invested in new predictive data analytic software to bring actionable information for improving student success to a broad array of users across the Sinclair community.
- The College continued to demonstrate an exceptional level of commitment to teaching and learning in fiscal year 2015. In comparison to non-instructional 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 demonstrated by the Ohio Department of Higher Education's benchmarking data.
- Sinclair continued progress in implementing its comprehensive facilities master plan for the Dayton Campus by opening the National UAS Training and Certification Center (August 2015) and kicking off the design work for the forthcoming Health Sciences Center and Integrated Student Services model.

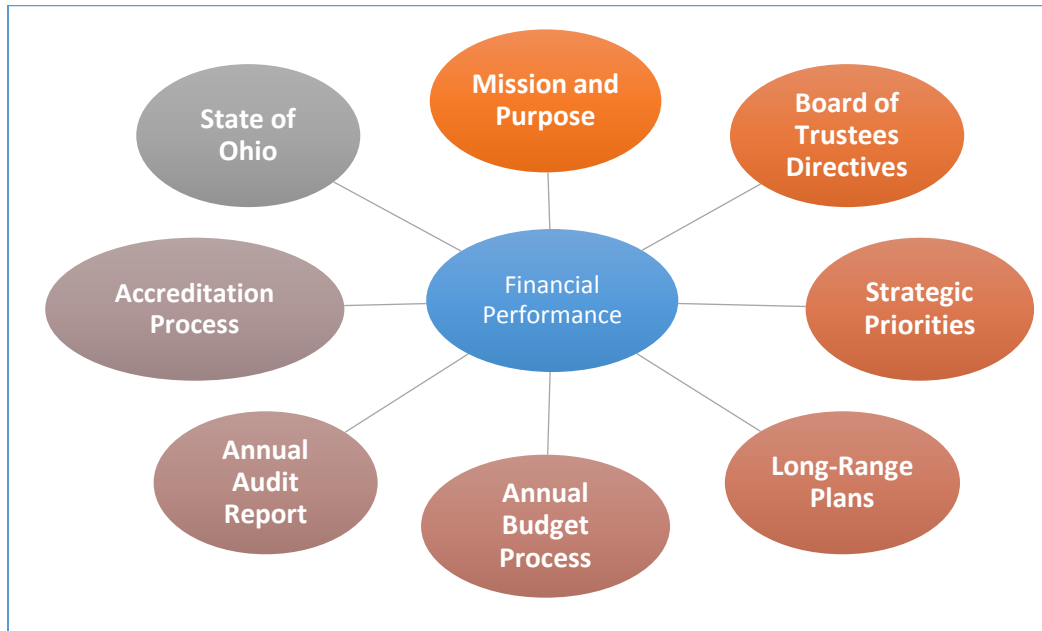
SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2015 and 2014

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:

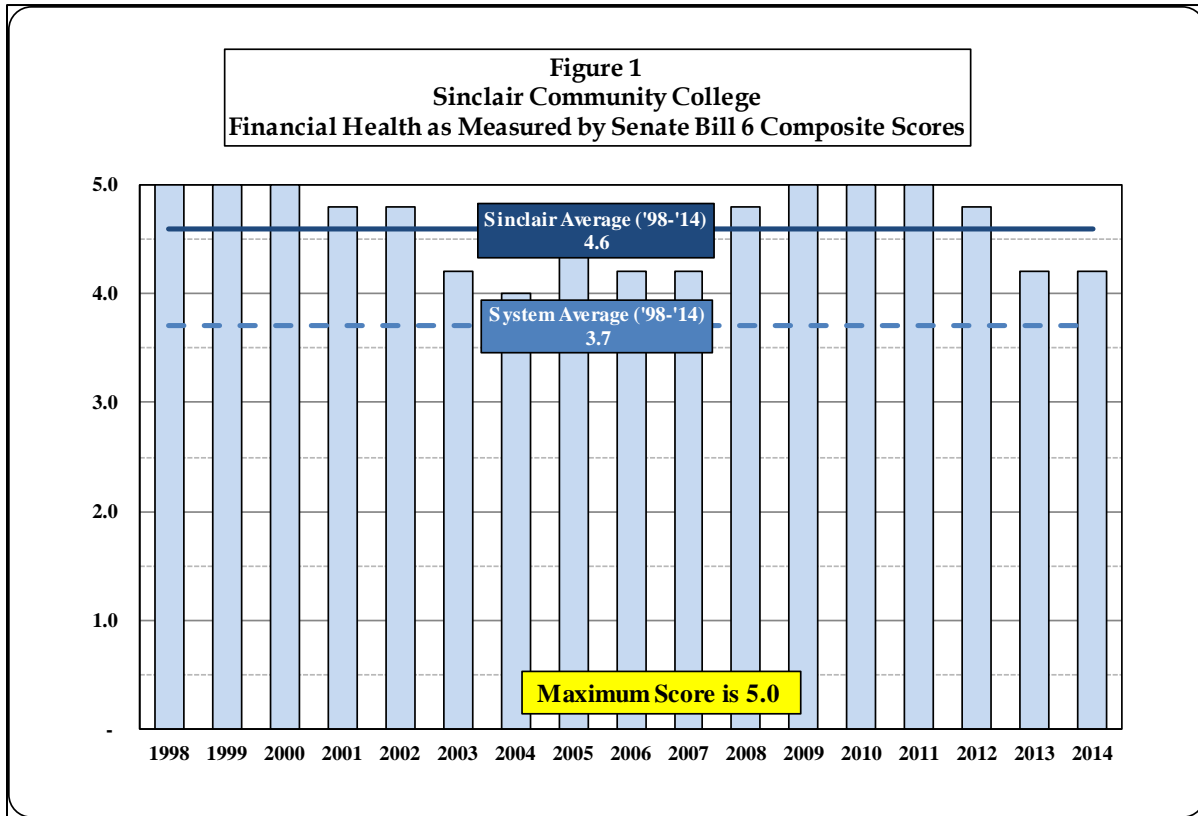
- **Use money as a tool to accomplish the mission:** Money is a tool used in fulfilling our service mission, but is not an end in itself.
- **Employ results-oriented spending:** This is generally tied to an expectation of clear mission results.
- **Focus on long-term stability:** Use financial modeling and planning to help ensure the long-term sustainability and financial viability of the College.
- **Pay as you go:** Save money upfront 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:



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. For the latest year reported (FY 2014), Sinclair received a score of 4.2 (the highest composite score possible is 5.0). 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.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2015 and 2014



Overview of the Financial Statements

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

The financial statements are presented in the format required by generally accepted accounting principles and those accepted by the Ohio Department of Higher Education (formerly known as the Ohio Board of Regents) and the Ohio Department of Budget and Management for all state-assisted two- and four-year colleges and universities in Ohio. The statements are:

- Statements of Net 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, 2015 and 2014 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, 2015 and 2014

In fiscal year 2015, the College implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. GASB 68 requires the College to report a share of the unfunded liabilities of the State retirement systems in its Statement of Net Position in 2015, and also has an impact in 2015 on the Statement of Revenues, Expenditures and Changes in Net Position. The amount of net pension liability reported on the Statement 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. Consequently, the reader should keep that in mind when reviewing the financial statements and considering Sinclair's real financial position and operational results.** For further discussion, see "Adoption of a New Accounting Standard" in this section of the report and "Adoption of New Standard" in Note A.

Net Position

Total net position at June 30, 2015 was \$124.7 million (see Table 2). This includes the impact on unrestricted net position for the implementation of GASB 68. 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. 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.

A discussion of the underlying factors impacting the change in net position, exclusive of the impact of pension activity, is provided below. A discussion of the impact of pension activity (i.e., the GASB 68 implementation) immediately follows in the section titled "*Adoption of a New Accounting Standard.*"

The components of net position that relate to the results of College operations are shown in Table 1:

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

	2015	2014	Percentage Change 2014-15	2013
Invested in capital assets	\$ 134.1	\$ 137.6	(2.5%)	\$ 135.8
Restricted—expendable	2.4	2.9	(17.2%)	2.7
Unrestricted—operations	121.3	121.8	(0.4%)	125.9
 Total operating net position	 \$ 257.8	 \$ 262.3	 (1.7%)	 \$ 264.4

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2015 and 2014

Fiscal 2015

As is shown, at June 30, 2015, the College's net position, exclusive of pension activity, was \$257.8 million. Liabilities of \$40.4 million (Table 2), exclusive of the net pension liability, were only 12.4% of total assets of \$326.5 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.

Net position as shown in Table 1 decreased by \$4.5 million (from \$262.3 million to \$257.8 million) in fiscal 2015. The decrease had these components:

- A net decrease of \$3.6 million after depreciation expense of \$12.0 million, but exclusive of the change in the fair value of investments;
- A decrease in the fair value of investments of \$0.9 million; that is, net unrealized gains in the investment portfolio decreased from \$5.0 million at June 30, 2014 to \$4.1 million at June 30, 2015.

Also in fiscal 2015, capital asset acquisitions consumed approximately \$8.4 million of unrestricted and restricted net position and added a corresponding amount to capital assets.

Fiscal 2014

At June 30, 2014, the College's net position was \$262.3 million. Liabilities of \$41.6 million (Table 2) were only 12.5% of total assets of \$332.4 million.

Total net position decreased by \$2.1 million (from \$264.4 million to \$262.3 million) in fiscal 2014. The decrease had these components:

- A net decrease of \$2.8 million after depreciation expense of \$11.2 million, but exclusive of the change in the fair value of investments;
- An increase in the fair value of investments of \$0.7 million; that is, net unrealized gains in the investment portfolio increased from \$4.3 million at June 30, 2013 to \$5.0 million at June 30, 2014.

Also in fiscal 2014, capital asset acquisitions consumed approximately \$13.1 million of unrestricted and restricted net position and added a corresponding amount to capital assets.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2015 and 2014

TABLE 2
NET POSITION
(in millions of dollars)

	2015	2014 (As Restated)	Percentage Change 2014-15	2013 (As Restated)
Assets:				
Current assets	\$ 96.6	\$ 100.7	(4.1%)	\$ 98.5
Investments	95.8	94.1	1.8%	101.1
Capital assets, net	134.1	137.6	(2.5%)	135.8
Total assets	326.5	332.4	(1.8%)	335.4
Deferred outflows of resources - pension activity *	8.1	-	-	-
Liabilities:				
Current liabilities	36.1	37.3	(3.2%)	37.9
Long-term liabilities	4.3	4.3	-	4.3
Net pension liability *	125.3	-	-	-
Total liabilities	165.7	41.6	298.3%	42.2
Deferred inflows of resources:				
Property tax levy	28.3	28.5	(0.7%)	28.9
Pension activity *	15.9	-	-	-
Net position:				
Invested in capital assets	134.1	137.6	(2.5%)	135.8
Restricted—expendable	2.4	2.9	(17.2%)	2.7
Unrestricted—operations	121.3	121.8	(0.4%)	125.9
Unrestricted—pension activity *	(133.1)	-	-	-
Total net position	\$ 124.7	\$ 262.3	(52.5%)	\$ 264.4

* New line item related to GASB 68 pension accounting

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2015 and 2014

Adoption of a New Accounting Standard

During 2015, the College adopted GASB Statement 68, "*Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*," which significantly revises accounting for pension costs and liabilities. Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the College's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service, minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the governmental employer, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since it received the benefit of the exchange. However, the College is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. Further, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the College's statements prepared on an accrual basis of accounting will include an annual pension expense (or reduction) each year for the proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows. In 2015, this activity resulted in credits against the College's pension expense of \$1.9 million.

As a result of implementing GASB 68 in 2015, the College is reporting a net pension liability of \$125.3 million, deferred inflows of resources of \$15.9 million, and deferred outflows of resources of \$8.1 million (Table 2). This implementation also had the effect of restating net position at June 30, 2014 from \$264.4 million to \$127.3 million (Table 3).

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2015 and 2014

Statements of Revenues, Expenses, and Changes in Net Position

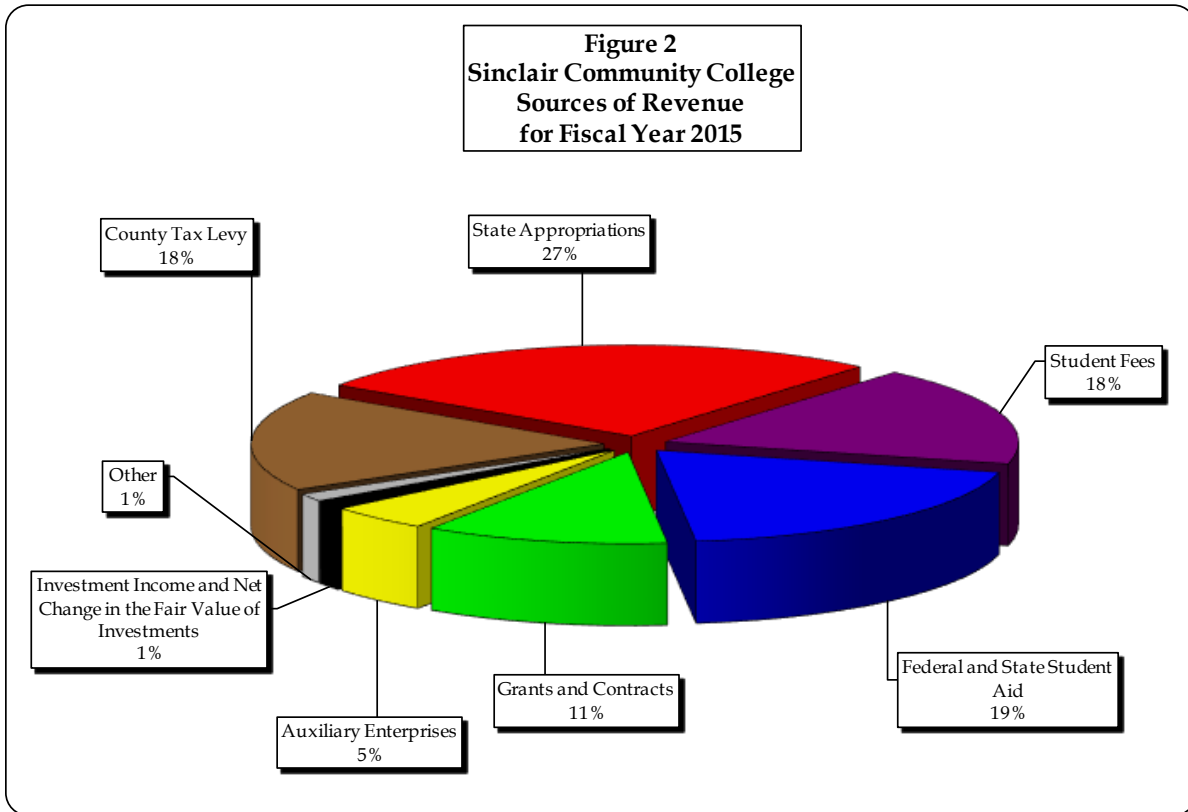
The Statements of Revenues, Expenses, and Changes in Net Position (SRECNP) shown in Table 3 presents the College's operating results for fiscal years 2015, 2014, and 2013. The following narrative provides an overview of the key elements in the SRECNP.

Revenues (Operating, Nonoperating, and Other)

- 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. Certain other revenue streams of the College are classified as non-operating. These include state appropriations, county property tax levy receipts, federal student financial aid payments, investment income, and state capital grants.
 - In fiscal year 2015, operating revenue improved by \$1.9 million or 3.8% as virtually all categories increased. The bulk of the increase derived from increases in federal, state, and local grants and contracts and net student tuition and fees. Rate hikes in tuition as well as a change in the mix of students by residency status and reduction in Pell scholarships more than offset the enrollment decline impact on tuition and fee revenue. *(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 fees, resulting in a net tuition revenue).*
 - Operating revenue increased by \$1.6 million or 3.3% in fiscal year 2014, due primarily to a 9.0% increase in net student fees resulting from rate changes and a reduction in the amount of tuition offsets. Grant revenues were up only slightly year over year, with declines in the state, local, and nongovernmental sectors offsetting a 25.0% increase from federal sources, most notably a full year's worth of activity on the College's Department of Labor Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant. Revenues from auxiliary operations were 6.5% lower than the prior year.
 - Nonoperating and other revenues decreased by \$7.3 million (6.3%) in fiscal year 2015. This change is primarily the result of the following factors:
 - Slightly more than half of the decline (\$3.8 million) can be attributed to a reduction in federal student aid revenues coincident to lower enrollments and changes in student Pell scholarship eligibility.
 - Roughly 10% of the reduction (\$0.7 million) owes to weaker investment earnings in 2015.
 - Revenue from capital grants fell by \$0.8 million primarily due to a reduction in state capital funding.
 - The fair value of investments declined by \$0.9 million versus an increase of \$0.7 million in the prior period. This swing accounted for approximately 23% of the change in nonoperating and other revenues. These amounts reflect changes in the net unrealized gains associated with investments held by the College, and are primarily the result of changes in the composition of the investment portfolio. At June 30, 2015, the portfolio includes \$4.1 million in net unrealized gains.
 - Nonoperating and other revenues increased by \$2.8 million (2.5%) in fiscal year 2014, due in part to the following factors:
 - State appropriations were \$0.4 million or 0.9% higher than the prior year. Notwithstanding this result, state funding on per-student FTE has eroded over time; a history of this long-term trend is presented in Figure 4 later in this document.
 - County tax levy revenue was up \$.1 million. Note that because the levy does not grow with inflation, the College sets aside a portion of levy receipts in a tuition stabilization fund in the early years of the levy's ten-year life cycle, for use in the later years.
 - Federal student aid grant program receipts declined by \$3.6 million or 9.7% in light of changes in eligibility for such aid on the part of Sinclair's students.
 - The impact of unrealized investment valuation changes.
-

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2015 and 2014

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

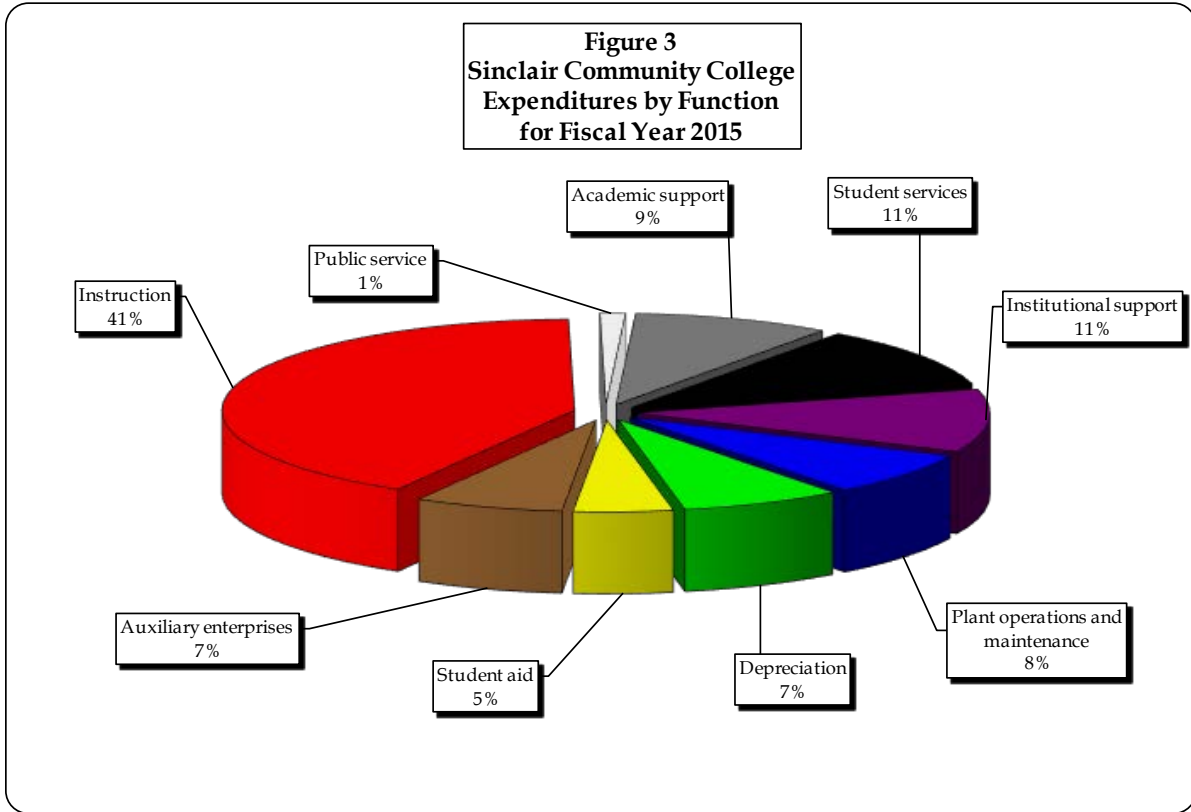


Operating Expenses

- In fiscal year 2015, operating expenses in total declined by \$4.9 million or 2.9%. Expense reductions were attributable to the decline in enrollment and the College's proactive actions to reduce costs through efficiency and restructuring initiatives. These reductions more than offset an increase in the Academic Support and Depreciation categories. The Academic Support increase was due to strategic investments in initiatives for improving student advising and completion.
- Overall, operating expenses grew by only 0.8% (\$1.4 million) in fiscal year 2014 despite enrollment growth of more than 5% over the previous year. The College implemented efficiency initiatives in instructional delivery to allow for added focus on ancillary services to students and also continued to leverage grant monies to bolster spending in this area. The increase in the Academic Support and Student Service categories was due to spending from restricted grants focused on student advising and completion initiatives. Spending for overhead activities (Institutional Support and Plant Operations and Maintenance) was restrained with only a nominal increase of 1.3% or \$0.4 million.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2015 and 2014

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, 2015 and 2014

TABLE 3
REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(in millions of dollars)

	2015	2014 (As Restated)	Percentage Change 2014-2015	2013 (As Restated)
Operating revenues:				
Student tuition and fees, net of grants and scholarships	\$ 28.3	\$ 27.8	1.8%	\$ 25.5
Federal grants and contracts	6.6	6.0	10.0%	4.8
State and local grants and contracts	1.3	0.9	44.4%	1.3
Nongovernmental grants and contracts	5.6	5.9	(5.1%)	6.5
Sales and services of educational departments	1.2	1.1	9.1%	1.3
Auxiliary enterprises, net of grants and scholarships	7.4	7.2	2.8%	7.7
Other	1.0	0.6	66.7%	0.8
Total operating revenues	51.4	49.5	3.8%	47.9
Operating expenses:				
Instruction	67.5	70.2	(3.8%)	70.7
Public service	1.9	2.1	(9.5%)	2.3
Academic support	14.8	14.2	4.2%	11.9
Student services	17.7	18.4	(3.8%)	17.1
Institutional support	18.2	18.5	(1.6%)	18.2
Plant operations and maintenance	12.5	13.4	(6.7%)	13.3
Depreciation	12.0	11.2	7.1%	9.8
Student aid	7.4	8.0	(7.5%)	9.8
Auxiliary enterprises	11.1	12.0	(7.5%)	13.5
Total operating expenses	163.1	168.0	(2.9%)	166.6
Nonoperating and other revenues:				
State appropriations	43.0	43.0	0.0%	42.6
County tax levy	28.7	29.0	(1.0%)	28.9
Federal student aid grant programs	29.9	33.7	(11.3%)	37.3
State student aid grant programs	1.1	1.1	0.0%	0.8
Investment income	3.0	3.7	(18.9%)	4.1
Net change in the fair value of investments	(0.9)	0.7	(228.6%)	(5.5)
Capital grants	4.3	5.2	(17.3%)	5.4
Total nonoperating and other revenues	109.1	116.4	(6.3%)	113.6
Change in net position	(2.6)	(2.1)	23.8%	(5.1)
Net position:				
Beginning of year - as restated	262.3	264.4	(0.8%)	269.5
Adjustment for change in accounting principle	(135.0)	-	-	-
Net position - beginning of year - as restated	127.3	264.4	-	269.5
End of year	\$ 124.7	\$ 262.3	-	\$ 264.4

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2015 and 2014

Cash Flows

The Statements of Cash Flows present information related to the cash inflows and outflows that result from the operating, non-capital and capital financing, and investing activities of the College. In each of the years shown in Table 4, the major cash inflows were from student tuition and fees and 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 new investments.

TABLE 4
CASH FLOWS
(in millions of dollars)

	2015	2014	Percentage Change 2014-2015	2013
Cash (used in) provided by:				
Operating activities	\$ (106.0)	\$ (107.1)	(1.0%)	\$ (107.3)
Non-capital financing activities	103.7	106.4	(2.5%)	117.2
Capital and related financing activities	(4.1)	(7.8)	(47.4%)	(6.8)
Investing activities	0.4	11.4	(96.5%)	20.5
Net (decrease) increase in cash and cash equivalents	(6.0)	2.9	(306.9%)	23.6
Cash and cash equivalents, beginning of year	46.7	43.8	6.6%	20.2
Cash and cash equivalents, end of year	<u>\$ 40.7</u>	<u>\$ 46.7</u>	<u>(12.8%)</u>	<u>\$ 43.8</u>

Capital Assets

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

- Building improvement projects on the Dayton campus in 2015 included the renovation of the first floor of Building 13 for the National Unmanned Aerial Systems Training and Certification Center. Work on the high efficiency hot water system continued, and renovation of Building 9 security was underway. At nearby Austin Landing, a noncredit corporate college facility was opened in May. Building improvement projects on the Dayton campus in 2014 included completion of Black Box Theater construction, work on the first phase of a high efficiency hot water system, and several classroom expansion projects. On the Courseview campus in Mason, the renovation of Building B was completed and classrooms were operational at the beginning of Fall Semester.
- Major facility life cycle maintenance projects at the Dayton campus in 2015 included Phase III of the air temperature control system upgrade; air handler replacements and boiler burner upgrades; and the continuation of various projects including masonry repairing and sealing, refurbishment of the women's locker room, and exterior door replacement. Major facility life cycle maintenance projects at the Dayton campus in 2014 included Phase II of the air temperature control system upgrade, continuation of the Buildings 10, 11, and 14 roof replacement projects, masonry repairing and sealing, refurbishment of the women's locker room for academic classes, continuation of the exterior door replacement project, and replacement of boilers and pumps in Building 9.
- In 2015, additions to equipment inventory included a portable x-ray machine, ventilators, a patient simulator manikin, and other items for the health sciences programs; rack servers and security network switches for administrative computer operations; sound and projector systems upgrades for Smith Auditorium; and two donated aircraft for use in the aviation program's labs. Additions to equipment inventory in 2014 included machinery and appliances for academic labs; and servers, chassis systems, switches, routers, and controllers for computer operations.

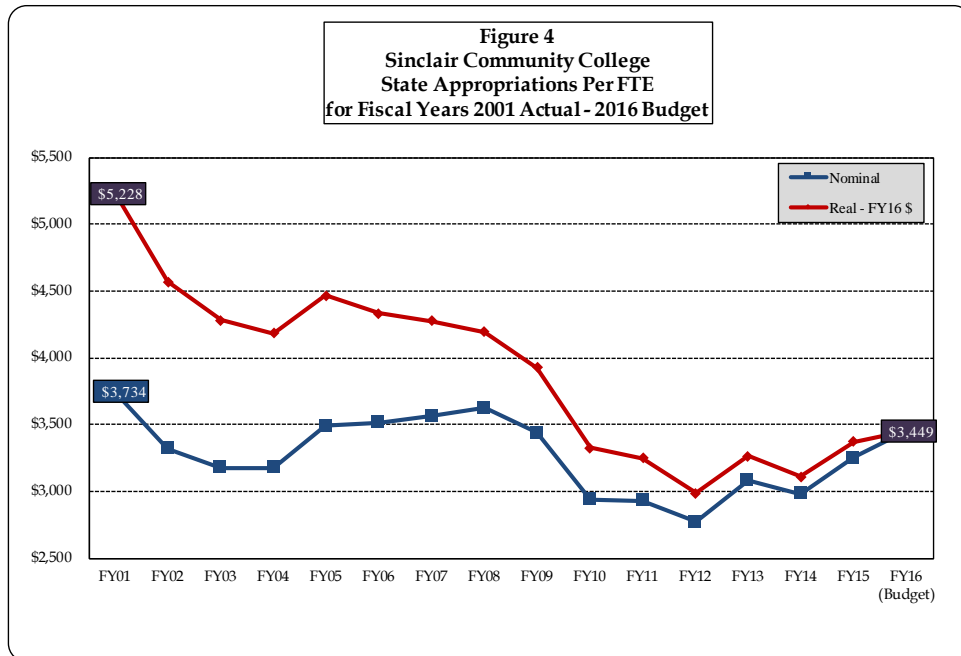
SINCLAIR COMMUNITY COLLEGE
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the years ended June 30, 2015 and 2014

TABLE 5
 CAPITAL ASSETS
 (net of depreciation, in millions of dollars)

	2015	2014	Percentage Change 2014-2015	2013
Land and improvements	\$ 15.4	\$ 15.4	0.0%	\$ 15.4
Buildings and improvements	111.2	113.5	(2.0%)	112.2
Equipment	7.2	8.5	(15.3%)	8.0
Library books	0.2	0.2	0.0%	0.2
Total capital assets	\$ 134.0	\$ 137.6	(2.6%)	\$ 135.8

Factors Impacting Future Periods

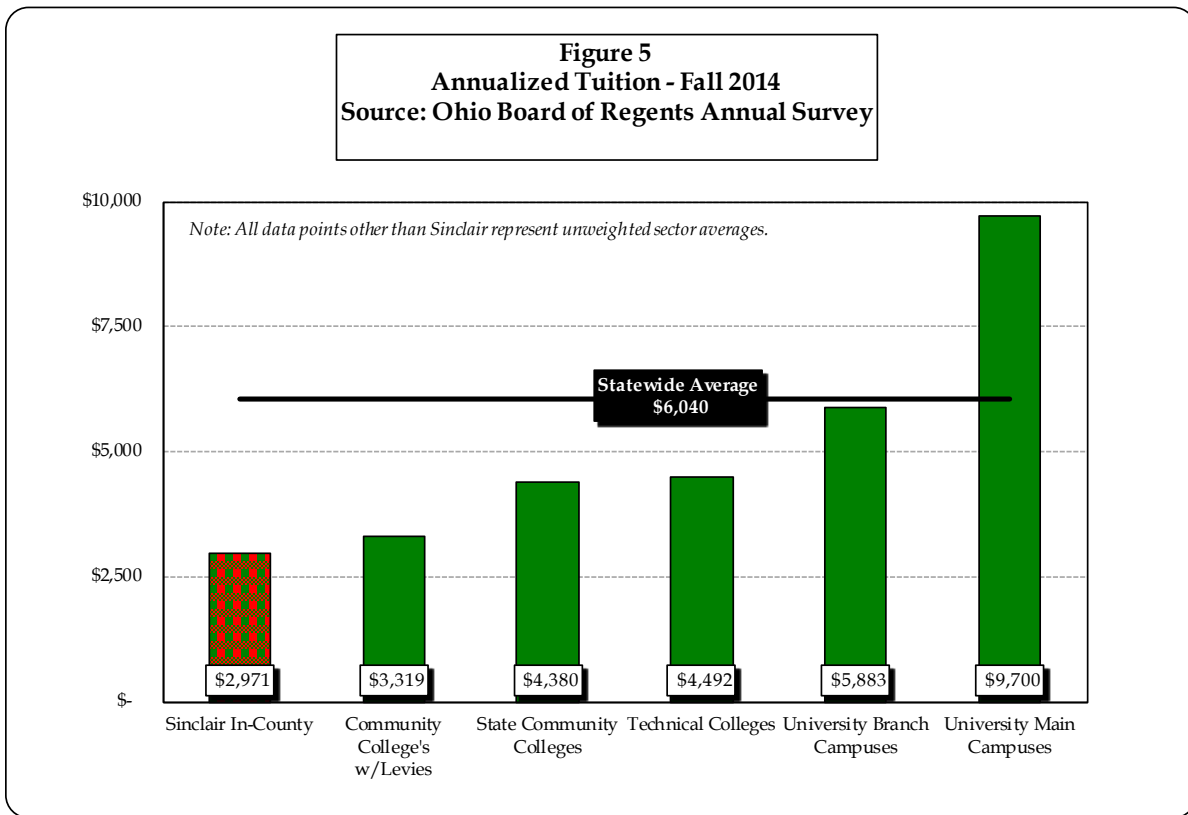
State of Ohio Appropriations: The State of Ohio's operating funding formula has undergone a substantial change to a performance-based model whereby institutional allocations are entirely based on student completion and success measures. Historically, state subsidy (State Share of Instruction or SSI) has been apportioned almost exclusively on the basis of the *volume* of full-time equivalent (FTE) students enrolled. To improve student completion, the College has aggressively implemented new strategies, systems, and interventions in concert with leading national and statewide transformational initiatives as discussed later. Figure 4 depicts the long-term trend in Sinclair's per-student state funding, a trend which is similar to that experienced by other Ohio community colleges.



SINCLAIR COMMUNITY COLLEGE
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the years ended June 30, 2015 and 2014

Montgomery County Levy: The levy is used entirely for expenditures benefiting students who reside in Montgomery County in the form of tuition subsidy and support for services at the Dayton campus and the Englewood and Huber Heights learning centers. Since the current 3.2 mil levy was passed in 2008, property value declines and legislative actions have reduced the annual levy proceeds by about \$7 million or 20%. In order to keep the college strong and support critical investments in expanding programs with high demand for jobs, the Board of Trustees requested that an additional 1.0 mill levy be placed on the ballot in November of 2015. **This issue was graciously passed by the voters and will raise about \$8.5 million in additional revenues per year beginning in calendar year 2016.**

Tuition and Fees: As state funding and county levy revenues have declined, the College has implemented aggressive cost restraint and efficiency measures. Even with these measures (yielding cumulative efficiencies and cost avoidance of \$30 million over the past eight years), the College has had to enact modest increases in tuition and fees in order to maintain quality and capacity for meeting the growing demand for programs and services. However, **Sinclair's tuition for Montgomery County residents remains the lowest in the State of Ohio** (see Figure 5 for a comparison of Sinclair's Montgomery County tuition rate versus other benchmarks as of fall 2014.) Per House Bill 64, the biennial budget bill for the State of Ohio, Sinclair's tuition for Montgomery County and in-state residents will be frozen for fiscal years 2016 and 2017 at 2015 levels.



SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2015 and 2014

Student Enrollments: After a recent period of significant growth, community colleges nationally and in the State of Ohio have experienced a softening in enrollments due to normal business cycle trends and improvement in the economy. Longer term, Sinclair expects a continued high and sustained demand for its educational and workforce training programs and services in light of the heightened importance of post-secondary education and training and Sinclair's affordability. Sinclair also expects continued growth in high school early-to-college programs through expanded high school linkages.

Workforce Development: Sinclair recently unveiled a 28,000 square foot National Unmanned Aerial Systems (UAS) Training and Certification Center in the renovated Building 13 on campus and expects to open an indoor flying pavilion for unmanned aerial vehicles adjacent to that facility later this year. Sinclair will also continue to support economic development and job creation as evidenced by its continuing relationship with the Chinese auto glass manufacturer, Fuyao. To date, the College has assisted Fuyao in the recruitment and hiring of over 500 employees, a level that is expected to grow by 50-60 per month for the foreseeable future and will likely exceed the number of employees engaged at the former GM facility when it closed in 2008.

Initiatives for Improving Student Success: Sinclair will continue to pioneer several national and statewide initiatives designed to improve community college student learning and completion as follows: a.) the Bill & Melinda Gates Foundation *Completion by Design* implementation project, which ends on July 31, 2016, is continuing to redefine the way the college supports student success; b) the U.S. Department of Labor's Round 2 TAACCCT grant, whose implementation period ends March 30, 2016, created revolutionary change in Information Technology training, and is currently being leveraged through a Round 4 TAACCCT grant to create a competency-based, hybrid credential in advanced manufacturing—one of the first in the nation; c) Sinclair is in the third year of a five-year grant from the U.S. Department of Education Title III program, *Connect 4 Completion*, which is transforming advising and implementing Career Communities for students; d) the *City Connects* project to create a holistic advising process for students continues to receive support from the Mathile Family Foundation; e) In 2015, the College received a five-year grant to continue the Student Support Services program through August 2020 to provide services for low-income, first generation students; f) Additional funding opportunities for the upcoming year include submissions of proposals to new private foundations, the U.S. Department of Education, and collaborations with other colleges through the U.S. Department of Labor. The College has also invested in new data analytic platforms and training to better predict barriers to student performance so that interventions can be implemented in a timely manner, thereby improving completion rates.

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u> <u>(As Restated)</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 40,731,421	\$ 46,675,036
Accounts receivable, net	22,798,279	21,812,325
Prepaid expenses	3,049,539	1,721,571
Interest receivable	285,862	304,050
Property tax levy receivable	28,309,702	28,454,003
Inventories	<u>1,462,228</u>	<u>1,687,692</u>
Total current assets	<u>96,637,031</u>	<u>100,654,677</u>
Noncurrent Assets		
Investments	95,853,021	94,072,137
Capital assets, net	<u>134,055,745</u>	<u>137,652,709</u>
Total noncurrent assets	<u>229,908,766</u>	<u>231,724,846</u>
Total assets	326,545,797	332,379,523
Deferred Outflows of Resources – pension activity		
	<u>8,096,613</u>	-
Total assets and deferred outflows of resources	<u>\$ 334,642,410</u>	<u>\$ 332,379,523</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable and accruals	\$ 8,349,120	\$ 8,914,305
Accrued salaries, wages and benefits	10,368,270	10,711,929
Unearned student fee income	15,717,465	16,030,090
Deposits	<u>1,699,045</u>	<u>1,693,073</u>
Total current liabilities	36,133,900	37,349,397
Noncurrent Liabilities		
Compensated absences	4,294,860	4,307,510
Net pension liability	<u>125,326,716</u>	-
Total liabilities	165,755,476	41,656,907
Deferred Inflows of Resources		
Property tax levy	28,309,702	28,454,003
Pension activity	<u>15,880,252</u>	-
Total deferred inflows of resources	44,189,954	28,454,003
Net Position		
Net investment in capital assets	134,055,745	137,652,709
Restricted – expendable	2,416,319	2,835,417
Unrestricted	<u>(11,775,084)</u>	<u>121,780,487</u>
Total net position	<u>124,696,980</u>	<u>262,268,613</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 334,642,410</u>	<u>\$ 332,379,523</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 884,166	\$ 844,997
Accounts receivable	-	10,000
Investments		
Fixed income security funds	4,705,689	4,384,956
Equity funds	21,461,990	20,767,196
Venture capital funds	<u>380,917</u>	<u>449,862</u>
Total investments	26,548,596	25,602,014
Pledges receivable, net of allowances of \$8,186 and \$3,643 at December 31, 2014 and 2013, respectively	615,606	393,006
Land	4,281,836	4,281,836
Buildings, net of accumulated depreciation	<u>791,563</u>	<u>826,874</u>
Total assets	<u>\$ 33,121,767</u>	<u>\$ 31,958,727</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Payable to Sinclair Community College	\$ 274,670	\$ 56,072
Other payables	<u>97,603</u>	<u>97,603</u>
Total liabilities	372,273	153,675
Net assets		
Unrestricted	21,730,604	21,150,416
Temporarily restricted	5,061,032	4,891,808
Permanently restricted	<u>5,957,858</u>	<u>5,762,828</u>
Total net assets	<u>32,749,494</u>	<u>31,805,052</u>
Total liabilities and net assets	<u>\$ 33,121,767</u>	<u>\$ 31,958,727</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u> (As Restated)
Revenues		
Operating revenues:		
Student tuition and fees	\$ 50,756,785	\$ 51,535,641
Less grants and scholarships	<u>(22,482,881)</u>	<u>(23,771,140)</u>
Student tuition and fees net of grants and scholarships	28,273,904	27,764,501
Federal grants and contracts	6,656,601	5,998,481
State and local grants and contracts	1,272,236	912,354
Nongovernmental grants and contracts	5,584,504	5,954,645
Sales and services of educational departments	1,197,923	1,107,691
Auxiliary enterprises		
Food service	540,461	551,940
Bookstore (net of grants and scholarships of \$4,354,569 and \$5,665,268 in 2015 and 2014, respectively)	6,087,406	5,911,819
Parking	788,985	706,188
Other operating revenues	<u>963,466</u>	<u>629,112</u>
Total operating revenues	<u>\$ 51,365,486</u>	<u>\$ 49,536,731</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u> <u>(As Restated)</u>
Expenses		
Operating expenses:		
Educational and general:		
Instruction	\$ 67,530,723	\$ 70,179,379
Public service	1,903,752	2,153,060
Academic support	14,749,806	14,253,871
Student services	17,705,115	18,393,573
Institutional support	18,212,593	18,469,508
Plant operations and maintenance	12,514,769	13,371,094
Depreciation	11,995,879	11,207,259
Student aid	7,383,900	8,032,599
Auxiliary enterprises:		
Food service	264,440	276,896
Bookstore	9,911,609	10,792,407
Parking	<u>893,027</u>	<u>912,832</u>
Total operating expenses	<u>163,065,613</u>	<u>168,042,478</u>
Operating loss	<u>(111,700,127)</u>	<u>(118,505,747)</u>
Nonoperating revenues (expenses):		
State appropriations	42,982,037	43,000,798
County tax levy	28,682,028	29,037,620
Federal student aid grant programs	29,880,013	33,713,147
State student aid grant programs	1,082,710	1,122,638
Investment income	3,021,494	3,665,365
Net (decrease) increase in the fair value in investments	<u>(850,078)</u>	<u>670,337</u>
Total nonoperating revenues	<u>104,798,204</u>	<u>111,209,905</u>
Income (loss) before other revenues, expenses, gains, or losses	(6,901,923)	(7,295,842)
Other revenues – state capital grants	<u>4,351,341</u>	<u>5,178,894</u>
Decrease in net position	(2,550,582)	(2,116,948)
Net position:		
Beginning of year – as restated	262,268,613	264,385,561
Adjustment for change in accounting principle	<u>(135,021,051)</u>	<u>-</u>
Net position – beginning of year – as restated	<u>127,247,562</u>	<u>-</u>
End of year	<u>\$124,696,980</u>	<u>\$262,268,613</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended December 31, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Contributions	\$ 252,765	\$ 2,417,189	\$ 172,504	\$ 2,842,458	\$ 226,701	\$ 3,326,809	\$ 186,040	\$ 3,739,550
Investment income	1,310,087	555,194	22,526	1,887,807	3,336,263	1,202,704	194,742	4,733,709
Lease income	194,925	-	-	194,925	194,925	-	-	194,925
Net assets released from restrictions	<u>3,005,419</u>	<u>(3,005,419)</u>	<u>-</u>	<u>-</u>	<u>3,672,079</u>	<u>(3,672,079)</u>	<u>-</u>	<u>-</u>
Total revenue and support	4,763,196	(33,036)	195,030	4,925,190	7,429,968	857,434	380,782	8,668,184
Expenses:								
Scholarships	1,060,701	-	-	1,060,701	751,872	-	-	751,872
Project support	2,662,008	-	-	2,662,008	3,377,819	-	-	3,377,819
Operating expenses	<u>258,039</u>	<u>-</u>	<u>-</u>	<u>258,039</u>	<u>306,947</u>	<u>-</u>	<u>-</u>	<u>306,947</u>
Total expenses	<u>3,980,748</u>	<u>-</u>	<u>-</u>	<u>3,980,748</u>	<u>4,436,638</u>	<u>-</u>	<u>-</u>	<u>4,436,638</u>
Change in net assets from operations	782,448	(33,036)	195,030	944,442	2,993,330	857,434	380,782	4,231,546
Change in donor restriction	<u>(202,260)</u>	<u>202,260</u>	<u>-</u>	<u>-</u>	<u>(9,040)</u>	<u>469,040</u>	<u>(460,000)</u>	<u>-</u>
Change in net assets	580,188	169,224	195,030	944,442	2,984,290	1,326,474	(79,218)	4,231,546
Net assets, beginning of year	<u>21,150,416</u>	<u>4,891,808</u>	<u>5,762,828</u>	<u>31,805,052</u>	<u>18,166,126</u>	<u>3,565,334</u>	<u>5,842,046</u>	<u>27,573,506</u>
Net assets, end of year	<u>\$ 21,730,604</u>	<u>\$ 5,061,032</u>	<u>\$ 5,957,858</u>	<u>\$ 32,749,494</u>	<u>\$ 21,150,416</u>	<u>\$ 4,891,808</u>	<u>\$ 5,762,828</u>	<u>\$ 31,805,052</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 27,847,905	\$ 26,219,963
Grants and contracts	12,680,008	12,843,924
Payments to vendors and employees	(155,025,842)	(155,714,416)
Auxiliary enterprise charges	7,284,658	7,160,481
Sales and services of educational departments	1,285,916	1,064,246
Other receipts	<u>(83,891)</u>	<u>1,351,071</u>
Net cash used in operating activities	<u>(106,011,246)</u>	<u>(107,074,731)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State appropriations	42,982,037	43,000,798
Property tax levy receipts	28,682,028	29,037,620
Direct student loan receipts	33,683,279	38,505,474
Direct student loan disbursements	(32,883,324)	(39,156,202)
Deposits	5,972	(38,277)
Federal student aid grant programs	30,036,074	33,868,980
State student aid grant programs	<u>1,201,605</u>	<u>1,221,223</u>
Net cash provided by non-capital financing activities	<u>103,707,671</u>	<u>106,439,616</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants	4,351,341	5,178,894
Purchases of capital assets	<u>(8,400,101)</u>	<u>(13,033,836)</u>
Net cash used in capital and related financing activities	<u>(4,048,760)</u>	<u>(7,854,942)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investments	15,680,464	17,610,177
Interest on investments	3,304,180	3,965,291
Purchase of investments	<u>(18,575,924)</u>	<u>(10,174,416)</u>
Net cash provided by investing activities	<u>408,720</u>	<u>11,401,052</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,943,615)	2,910,995
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>46,675,036</u>	<u>43,764,041</u>
End of year	<u>\$ 40,731,421</u>	<u>\$ 46,675,036</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (111,700,127)	\$ (118,505,747)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	11,995,879	11,207,259
Changes in net position:		
Accounts receivable	(2,059,679)	552,685
Inventory	225,464	392,313
Prepaid expenses	(1,327,968)	(216,771)
Accounts payable	(565,185)	(378,113)
Accrued salaries, wages, and benefits	(356,309)	1,297,032
Unearned student fee income	(312,625)	(1,423,389)
Net pension liability	<u>(1,910,696)</u>	<u>-</u>
Net cash used in operating activities	<u>\$ (106,011,246)</u>	<u>\$ (107,074,731)</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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.

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 C).

- 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.

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.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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

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 \$1,004,300 and \$1,461,800 at June 30, 2015 and 2014, 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.

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.

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 \$50,000 are capitalized and depreciated on a straight-line basis over the estimated useful lives as follows:

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

Grants and Scholarships: Student tuition and fees and bookstore revenues are presented net of grants and scholarships applied directly to student accounts. Grants and scholarships consist primarily of awards to students from the Federal Pell Grant Program, 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.

Compensated Absences: Administrative and professional employees earn vacation leave at a rate of 13.33 hours for each month of service up to a maximum of 240 hours. Support staff earns vacation at a rate of 8 hours per month for the first 5 years of service up to a maximum of 240 hours. After 5 years of continuous employment, an additional 8 hours per year (.66 hours per month) are added to the accrual rate each year until the maximum monthly accrual rate of 13.33 hours is reached. Upon termination of employment, an employee is entitled to payment for all accrued vacation hours. The College has accrued a vacation liability for all employees equal to amounts earned.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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

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.

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.

Restatement of Prior Year: The 2014 financial statements have been restated as described in Note M.

Adoption of New Standard: The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statement, the College has reported a Net Pension Liability of \$135,021,051 as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014. June 30, 2014 amounts have not been restated to reflect the impact of GASB 68 because the information is not available to calculate the impact on pension expense for the fiscal year ended June 30, 2014.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. For the College, deferred outflows of resources are reported on the Statements of Net Position for deferred charges related to pensions (see Note G).

In addition to liabilities, the Statements of Net Position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized 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, 2015, but which were levied to finance fiscal year 2016 operations. Deferred inflows of resources related to pensions are explained in Note G.

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 Ohio Public Employees Retirement System and the State Teachers Retirement System of Ohio pension plans (OPERS/STRS) and additions to/deductions from OPERS'/STRS' fiduciary net position have been determined on the same basis as they are reported by OPERS/STRS. OPERS/STRS use the economic resources measurement focus and the full accrual basis of accounting.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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

Pensions: (Continued) 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.

Recent Accounting Pronouncements: As of June 30, 2015, the GASB has issued the following statements not yet implemented by the College:

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The College is currently evaluating the impact this standard will have on the financial statements when adopted, during the College's June 30, 2016 fiscal year.

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.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Statement provides guidance for required disclosures regarding tax abatement agreements. This Statement will require the College to disclose information such as the name of the governmental entity that entered into the tax abatement agreement, the specific taxes being abated, and the gross dollar amount of taxes being abated during the period. 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, 2017.

NOTE B – CASH AND INVESTMENTS

In accordance with the State of Ohio's and the College's policy, the College is authorized to invest cash in securities of the United States government or of its agencies or instrumentalities, the treasurer of state's pooled investment program 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.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE B – CASH AND INVESTMENTS (Continued)

Deposits: At June 30, 2015, the carrying amount of the College's deposits in all funds was \$40,731,421 (reported as cash and cash equivalents in the Statement of Net Position) and the financial institution balance was \$42,862,540. The difference between the carrying amount and the financial institution balance was primarily due to outstanding checks at June 30, 2015. Of the financial institution balance, \$9,455,965 was covered by federal depository insurance and \$527,394 had federal Securities Investor Protection Corporation coverage. The remaining balance of \$32,879,181 was uninsured.

At June 30, 2014, the carrying amount of the College's deposits in all funds was \$46,675,036 (reported as cash and cash equivalents in the Statement of Net Position) and the bank balance was \$49,170,943. The difference between carrying amount and bank balance was primarily due to outstanding checks at June 30, 2014. Of the bank balance, \$9,718,890 was covered by federal depository insurance or by collateral held by the College's agent in the College's name. The remaining balance of \$39,452,053 and \$37,898,666 at June 30, 2014 and 2013, respectively, 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 (\$13,100,204), or 2) were secured by a letter of credit (\$13,596,000), or 3) in the case of money market account balances were backed by the underlying securities held by the fund (\$6,182,977). 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 are stated at their fair value of \$95,853,021 (amortized cost basis of \$91,723,821) and \$94,072,137 (amortized cost basis of \$89,092,859) as of June 30, 2015 and 2014, respectively. As of June 30, 2015 and 2014, the College's investments consisted of the following securities:

	<u>2015</u>	<u>2014</u>
Certificates of deposit maturing within one year	\$ 7,873,136	\$ -
Corporate bonds maturing within one year	10,170,850	-
Government National Mortgage Association bonds	<u>77,809,035</u>	<u>94,072,137</u>
	\$95,853,021	\$94,072,137

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

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. The maturities of the College's GNMA investments, based on when they were issued as 15 or 30 year bonds, are as follows:

<u>Years</u>	<u>2015</u>	<u>2014</u>
0-5	\$ 84,010	\$ 135,027
6-10	4,051,550	2,638,235
11-20	22,272,082	26,390,951
Greater than 20	<u>51,401,393</u>	<u>64,907,924</u>
Total at fair value	<u>\$ 77,809,035</u>	<u>\$ 94,072,137</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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, 2015 and 2014, the College's GNMA investments returned principal as follows:

<u>Years</u>	<u>2015</u>	<u>2014</u>
0-5	\$ 51,937	\$ 58,386
6-10	665,934	386,351
11-20	5,451,305	5,958,486
Greater than 20	<u>9,018,288</u>	<u>11,206,954</u>
 Total (at cost)	 <u>\$ 15,187,464</u>	 <u>\$ 17,610,177</u>

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:

	<u>2015</u>	<u>2014</u>
Capital improvements, facility renovations, equipment	\$ 60,837,140	\$ 58,114,893
Tuition stabilization, rainy day fund, uninsured losses, other contingencies and initiatives	28,832,311	32,073,834
Auxiliary enterprises	14,463,090	14,464,065
Board designated endowment	16,920,324	16,841,874
Agency funds	<u>282,406</u>	<u>285,821</u>
 Subtotal unrestricted net position	 121,335,271	 121,780,487
Pension activity	<u>(133,110,355)</u>	<u>-</u>
 Total unrestricted net position	 <u>(11,775,084)</u>	 <u>121,780,487</u>
 Restricted grants and contracts	 2,416,319	 2,835,417
Restricted future proceeds from property tax levy	<u>28,309,702</u>	<u>28,454,003</u>
 Total restricted net position	 <u>30,726,021</u>	 <u>31,289,420</u>
 Total unrestricted and restricted net position	 <u>\$ 18,950,937</u>	 <u>\$ 153,069,907</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE C – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2015 and 2014 is summarized as follows:

<u>2015</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Cost:				
Land and improvements	\$ 15,443,208	\$ -	\$ -	\$ 15,443,208
Buildings and improvements	259,601,822	6,900,608	-	266,502,430
Equipment and fixtures	28,008,275	1,424,716	(470,010)	28,962,981
Library materials	<u>2,782,189</u>	<u>74,777</u>	<u>(339,512)</u>	<u>2,517,454</u>
Total cost	<u>305,835,494</u>	<u>8,400,101</u>	<u>(809,522)</u>	<u>313,426,073</u>
Less accumulated depreciation:				
Buildings and improvements	146,111,019	9,168,577	-	155,279,596
Equipment and fixtures	19,507,325	2,750,344	(468,824)	21,788,845
Library materials	<u>2,564,441</u>	<u>76,958</u>	<u>(339,512)</u>	<u>2,301,887</u>
Total accumulated depreciation	<u>168,182,785</u>	<u>11,995,879</u>	<u>(808,336)</u>	<u>179,370,328</u>
Capital assets, net	<u>\$ 137,652,709</u>	<u>\$ (3,595,778)</u>	<u>\$ (1,186)</u>	<u>\$ 134,055,745</u>
<u>2014</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Cost:				
Land and improvements	\$ 15,443,208	\$ -	\$ -	\$ 15,443,208
Buildings and improvements	249,600,951	10,000,871	-	259,601,822
Equipment and fixtures	25,625,273	3,065,011	(682,009)	28,008,275
Library materials	<u>3,035,323</u>	<u>77,954</u>	<u>(331,088)</u>	<u>2,782,189</u>
Total cost	<u>293,704,755</u>	<u>13,143,836</u>	<u>(1,013,097)</u>	<u>305,835,494</u>
Less accumulated depreciation:				
Buildings and improvements	137,421,711	8,689,308	-	146,111,019
Equipment and fixtures	17,654,964	2,440,992	(588,631)	19,507,325
Library materials	<u>2,818,570</u>	<u>76,959</u>	<u>(331,088)</u>	<u>2,564,441</u>
Total accumulated depreciation	<u>157,895,245</u>	<u>11,207,259</u>	<u>(919,719)</u>	<u>168,182,785</u>
Capital assets, net	<u>\$ 135,809,510</u>	<u>\$ 1,936,577</u>	<u>\$ (93,378)</u>	<u>\$ 137,652,709</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE D – LONG-TERM LIABILITIES

Long-term liabilities activity for the years ended June 30, 2015 and 2014 is summarized as follows:

<u>2015</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 4,696,932	\$ 295,378	\$ (328,119)	\$ 4,664,191	\$ 369,331
<u>2014</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 4,683,947	\$ 275,347	\$ (262,362)	\$ 4,696,932	\$ 389,422

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

NOTE E – STATE AND COUNTY SUPPORT

The College is an institution of higher education that receives a student-based subsidy from the State of Ohio using a 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 a Montgomery County, Ohio property tax levy. 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. 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, 2015. 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 2015 operations, the receivable amount is recorded as deferred inflows of resources.

NOTE F – 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 K. These facilities are not recorded as assets on the Statements of Net Position. The total rental expense under these agreements was \$1,632,584 and \$1,664,819 for the years ended June 30, 2015 and 2014, respectively.

Future minimum lease payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2015 are as follows:

Years ending June 30,	
2016	\$ 1,398,705
2017	821,154
2018	714,498
2019	703,190
2020	585,359
2021-2025	<u>1,257,182</u>
Total minimum lease payments	<u>\$ 5,480,088</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015 and 2014

NOTE G – PENSION PLANS

Plan Descriptions: The College participates in the State Teachers Retirement System of Ohio (STRS) and the Ohio Public Employees Retirement System (OPERS). They are 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 post-employment 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 post-employment 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 Chapter's 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.

Member contributions are 10 percent of gross wages for all plans, set at the maximums authorized by the ORC. The plans' 2015 contribution rates on covered payroll to each system are:

	Employer Contribution Rate			
	Pension	Post Retirement Healthcare	Death Benefits	Total
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%

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE G – PENSION PLANS (Continued)

The plans' 2014 contribution rates on covered payroll to each system are:

	Employer Contribution Rate			Total
	Pension	Post Retirement Healthcare	Death Benefits	
STRS	13.00%	1.00%	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 are:

	For the years ended 6/30	
	2015	2014
OPERS	\$ 4,666,770	\$ 4,759,596
STRS	5,779,151	5,846,210
	<u>\$ 10,445,921</u>	<u>\$ 10,605,806</u>

Benefits Provided:

STRS – Plan benefits are established under Chapter 3307 of the Revised Code, 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 have changed. The maximum annual retirement allowance, payable for life, considers years of credited service, final average salary (3-5 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.

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SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE G – PENSION PLANS (Continued)

OPERS – Plan benefits are established under Chapter 145 of the Ohio Revised Code, 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.

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, 2015, the College reported a liability for its proportionate share of the net pension liability of STRS/OPERS. The net pension liability was measured as of December 31, 2014 for the OPERS plan. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 for the STRS plan. 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
		2015	2014	2015	2014	
STRS	July 1	\$ 94,694,808	\$ 112,496,060	0.38931%	0.38931%	0.00%
OPERS	December 31	\$ 30,631,908	\$ 30,051,712	0.25480%	0.25480%	0.00%

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE G – PENSION PLANS (Continued)

For the years ended June 30, 2015 and 2014, the College recognized pension expense of \$8,535,225 and \$10,605,806, respectively. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 322,410	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(15,866,362)
Changes in proportion and differences between College contributions and proportionate share of contributions	4,097	(13,890)
College contributions subsequent to the measurement date	7,770,106	-
Total	\$ 8,096,613	\$(15,880,252)

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

Year Ended June 30	Amount
2016	\$ (3,998,165)
2017	(3,998,165)
2018	(3,787,018)
2019	(3,744,596)
2020	(5,916)
Thereafter	(23,982)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2016).

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE G – PENSION PLANS (Continued)

Actuarial Assumptions: The total pension liability is based on the results of actuarial valuations using the following assumptions, applied to all periods included in the measurement:

	<u>STRS - as of 7/1/14</u>	<u>OPERS - as of 12/31/14</u>
Valuation date	July 1, 2014	December 31, 2014
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	2.0 percent	3.0 percent
Salary increases, including inflation	2.75 percent - 12.25 percent	4.25 percent - 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 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 target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	<u>STRS</u>		Investment Category	<u>OPERS</u>	
	Target Allocation	Long-term Expected Real Rate of Return		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 Equities	19.90%	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	19.10%	7.40%
Liquidity Reserves	1.00%	0.50%	Other Investments	18.00%	4.59%
Total	<u>100%</u>		Total	<u>100%</u>	

(Continued)

SINCLAIR COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015 and 2014

NOTE G – PENSION PLANS (Continued)

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):

<u>Plan</u>	<u>1.00 percent decrease</u>		<u>Current Discount Rate</u>		<u>1.00 percent increase</u>	
STRS	6.75%	135,566	7.75%	94,695	8.75%	60,132
OPERS	7.00%	56,355	8.00%	30,632	9.00%	8,968
		<u>\$ 191,921</u>		<u>\$ 125,327</u>		<u>\$ 69,100</u>

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued STRS/OPERS financial report.

Payable to the Pension Plan: At June 30, 2015 the College reported a payable of \$1,407,523 for the outstanding amount of contributions required for the year ended June 30, 2015.

Defined Contribution Pension Plan: All newly hired full time administrative, support staff, and faculty employees are eligible to participate in the Sinclair Community College Chapter 3305 Alternative Retirement Plan (ARP) rather than STRS Ohio or OPERS. Under Ohio law, ARPs offer insurance carrier annuity contracts that provide retirement and death benefits but no health or disability benefits. The Ohio Department of Higher Education is responsible for approving ARP providers.

An employee participating in the ARP vests in the employer contributions to their account after three years of service. The total employer contribution rate is the same as the rate for the state retirement system the employee would otherwise have enrolled in; i.e., 14 percent for either state system. However, legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would otherwise have belonged, in order to help cover the unfunded liabilities of the system. For the years ended June 30, 2015 and 2014, an employee in an OPERS eligible position contributed 10 percent of their earned income to their ARP account, while the College paid 13.23 percent into their ARP account and the remaining .77 percent was paid to OPERS.

An employee in an STRS Ohio eligible position contributed 12 percent and 11 percent of their earned income to their ARP account in the years ended June 30, 2015 and 2014, respectively. For both years the College paid 9.5 percent into the employee's ARP account and the remaining 4.5 percent was paid to STRS Ohio.

The College's contributions to the ARP required and made for the years ended June 30, 2015 and 2014 were as follows:

<u>Year</u>	<u>ARP</u>
2015	\$446,254
2014	376,028

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE H – OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS): OPERS provides access to post-retirement health care 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.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment healthcare benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar 2012. Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2 percent for both plans, and that rate remains in effect in 2015. 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 2015, 2014, and 2013 contributions required and made to OPERS used to fund post-retirement benefits was approximately \$666,700, \$539,500, and \$918,900, respectively.

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. All benefit recipients, for the most recent year, pay a portion of the healthcare costs in the form of a monthly premium.

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of the covered payroll was allocated to post-employment health care for 2014 and 2013. Effective July 1, 2014, 0 percent of covered payroll was allocated to post-employment health care. The portion of the College's 2015, 2014, and 2013 contributions required and made to STRS Ohio used to fund post-employment benefits was \$0, \$395,000, and \$409,000, respectively.

NOTE I – INSURANCE

The College maintains comprehensive and umbrella insurance coverage with private carriers for real property, building contents, vehicles, and liability. Flood and earthquake coverages have been increased from last year. Additionally, the College carries Crime & Employee Dishonesty coverage and Cyber Liability coverage. Vehicle policies include liability coverage for bodily injury and property damage. The College's Aviation Policy includes unmanned aerial systems. The College also carries professional coverage for employees and its Board of Trustees. The College retains a consulting firm to perform an annual examination of all insurance policies.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE I – INSURANCE (Continued)

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 \$1,257,000 reported at June 30, 2015 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.

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

	Balance at Beginning <u>of Year</u>	Current Year <u>Claims</u>	Claims <u>Payments</u>	Balance at End <u>of Year</u>
2015	\$ 1,300,000	\$ 7,924,981	\$ 7,967,981	\$ 1,257,000
2014	1,294,000	8,073,056	8,067,056	1,300,000
2013	1,259,200	8,047,638	8,012,838	1,294,000

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.

NOTE J – CONTINGENCIES

The College receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. As of June 30, 2015 the College is not aware of any potential disallowances.

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION

The financial statements of the Sinclair Community College Foundation are included in this report in accordance with GASB Statement No. 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 Sinclair Foundation is a 501(c) (3) charitable foundation with its own governing board. The Foundation is operated for the benefit of the College, and raises funds that are used to provide student scholarships and to support specific activities and projects proposed by faculty and staff that are related to the College's educational mission. The Foundation's Consolidated Statements of Financial Position and Consolidated Statements of Activities and Changes in Net Assets for the years ended December 31, 2014 and 2013 are discretely presented following the corresponding College financial statements.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

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.

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 \$615,606 and \$393,006, representing the present value of those pledges receivable at December 31, 2014 and 2013, 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.

Pledges receivable at December 31, 2014 and 2013 are summarized as follows:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 207,514	\$ 158,158
One to five years	215,870	26,305
More than five years	<u>214,510</u>	<u>214,510</u>
	637,894	398,973
Allowance for doubtful accounts	(8,186)	(3,643)
Discount	<u>(14,102)</u>	<u>(2,324)</u>
Net	<u>\$ 615,606</u>	<u>\$ 393,006</u>

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.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

Support to the College: During the years ended June 30, 2015 and 2014, the Foundation provided resources of \$4,216,608 and \$4,573,188, respectively, to or on behalf of the College for restricted purposes.

Land and Buildings:

Capital assets consist of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 4,281,836	\$ 4,281,836
Buildings	<u>882,783</u>	<u>882,783</u>
Total cost	5,164,619	5,164,619
Accumulated depreciation	<u>(91,220)</u>	<u>(55,909)</u>
Net	<u>\$ 5,073,399</u>	<u>\$ 5,108,710</u>

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.

NOTE L – SUBSEQUENT EVENT

On November 3, 2015, Montgomery County passed an additional operating tax levy for 1 mill. This levy is anticipated to provide approximately \$8.5 million in additional revenue annually beginning in the year ending June 30, 2016.

NOTE M – PRIOR PERIOD ADJUSTMENT

The accompanying financial statements for 2014 have been restated to correct the accounting for revenue recognition and net position - restricted nonexpendable for property taxes levied at June 30, and which under board resolution are for the following fiscal year as described in Note A and Note E. The following financial statement line items for fiscal year 2014 were affected by the change:

Statement of Net Position
June 30, 2014

	As Previously Reported	As Currently Reported	Effect of Change
Deferred Inflows of Resources – Property Taxes	\$0	\$28,454,003	\$28,454,003
Restricted Nonexpendable	\$28,454,003	\$0	(\$28,454,003)
Total Net Position	\$290,722,616	\$262,268,613	(\$28,454,003)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$332,379,523	\$332,379,523	\$0

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE M – PRIOR PERIOD ADJUSTMENT (Continued)

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2014

	As Previously Reported	As Currently Reported	Effect of Change
County tax levy	\$28,640,046	\$29,037,620	\$397,574
Total nonoperating revenues	\$110,812,331	\$111,209,905	\$397,574
Loss before other revenues, expenses, gains, or losses	(\$7,693,416)	(\$7,295,842)	\$397,574
Decrease in net position	(\$2,514,522)	(\$2,116,948)	\$397,574

The July 1, 2013 net position has been restated from \$293,237,138 to \$264,385,561.

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION

SINCLAIR COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2015 and 2014

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

	2015
College's proportion of the collective STRS net pension liability:	
As a percentage	0.38931%
Amount	\$ 94,694,808
College's covered-employee payroll	\$ 40,979,167
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	231.08%
STRS fiduciary net position as a percentage of the total pension liability	74.71%

Schedule of College's Contributions - STRS

	2015
Statutorily required contribution	\$ 5,568,809
Contributions in relation to the actuarially determined contractually required contribution	\$ 5,779,151
Contribution deficiency (excess)	\$ (210,342)
Covered employee payroll	\$ 40,430,982
Contributions as a percentage of covered employee payroll	14.29%

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

	2015
College's proportion of the collective OPERS net pension liability:	
As a percentage	0.2548%
Amount	\$ 30,631,908
College's covered-employee payroll	\$ 35,863,448
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	85.41%
OPERS fiduciary net position as a percentage of the total pension liability	86.53%

Schedule of College's Contributions - OPERS

	2015
Statutorily required contribution	\$ 4,883,767
Contributions in relation to the actuarially determined contractually required contribution	\$ 4,666,770
Contribution deficiency (excess)	\$ 216,997
Covered employee payroll	\$ 33,044,576
Contributions as a percentage of covered employee payroll	14.12%

Changes of Benefit Terms - There were no changes in benefit terms affecting the STRS and OPERS plans for the plan year ended June 30, 2014.

Changes of Assumptions - There were no changes in assumptions or plan amendments affecting the STRS and OPERS plans for the plan year ended June 30, 2014.

SUPPLEMENTARY INFORMATION

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, 2015 and its discretely presented component unit as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the Sinclair Community College basic financial statements, and have issued our report thereon dated December 21, 2015. Our report includes a 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 includes our consideration of 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 21, 2015

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 compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

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 OMB Circular A-133, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2015-001, that we consider to be a significant deficiency.

Sinclair Community College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Sinclair Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

To the Board of Trustees
Sinclair Community College

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

December 21, 2015

Sinclair Community College

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
Clusters:			
Student Financial Aid Cluster - U.S. Department of Education:			
Federal Work Study Program	84.033		\$ 262,645
Federal Supplemental Education Opportunity Grant Program	84.007		594,065
Federal Pell Grant Program	84.063		29,116,728
Federal Direct Student Loans	84.268		<u>32,883,324</u>
Total Student Financial Aid Cluster			62,856,762
Trio Cluster - U.S. Department of Education:			
Trio Upward Bound	84.047A		594,946
Trio Student Support Services	84.042A		261,672
Trio Talent Search Program	84.044A		<u>212,052</u>
Total Trio Cluster			1,068,670
Research and Development Cluster - National Science Foundation:			
High School STEM Teacher Synergistics	47.076		84,524
NSF - Virtual Online Tensile Strength Testing Simulation	47.076		51,364
NSF - Leadership Capacity BLDG	47.076		126,988
NSF - Lead with Guitars in STEM	47.076		176,727
Underwater Robotics	47.076	527679-FY10-4	1,320
NCE Supply Chain Technology Education	47.076	DUE-1104176	82,652
NSF - The Ohio LSAMP Alliance	47.076	60042097-SCC	<u>3,928</u>
Total Research and Development Cluster			527,503
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#300117 & CE#400011	296,427
Other federal awards:			
Department of Labor - Trade Adjustment Assistance Community College and Career Training Grant Program			
	17.282	1553	3,702,395
U.S. Department of Education:			
Career and Technical Education - Basic Grants to States - Pass-through State of Ohio Department of Education			
	84.048	20-C2 2005	376,833
Connect for Completion	84.031A		<u>524,791</u>
Total Department of Education			901,624
Department of Agriculture - Child and Adult Care Food Program Pass-through State of Ohio Department of Education			
	10.558	063362	17,987
Department of Veterans Affairs - VA Annual Reporting Fee			
	64.027		39
National Aeronautics and Space Administration - CC-Stars! Bridge Program			
	43.008	0W083	<u>20,670</u>
Total federal awards			<u>\$ 69,392,077</u>

See Notes to Schedule of Expenditures
of Federal Awards.

Sinclair Community College

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Sinclair Community College under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, Sinclair Community College expended \$4,746 of Federal Work Study (84.033) funds carried forward from the year ended June 30, 2014. The College carried back to June 30, 2015 and spent \$21,335 of Federal Work Study (84.033) funds and \$19,490 of Federal Supplemental Education Opportunity Grant (84.007) funds from 2015-2016. In addition, the College transferred \$75,000 of Federal Work Study funds to the Federal Supplemental Education Opportunity Grant funds during the year ended June 30, 2015.

Sinclair Community College

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

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 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, and 84.268 84.031A	Student Financial Aid Cluster Connect for Completion

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Sinclair Community College

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference
Number

Finding

2015-001 **Program Name** - Student Financial Aid Cluster - Federal Pell Grant Program, CFDA #84.063

Pass-through Entity - None

Finding Type - Significant deficiency

Criteria - The College has 45 days from the date the College determines a student's withdrawal date to calculate a return of Title IV (R2T4) refund for the student and return the funds. Withdrawal dates are defined as the time when the student officially withdraws or expresses notification to withdraw or, if the student does not officially withdraw, the date that the College determines the student is no longer in attendance (34 CFR Section 668.22 and 668.73(b)).

Condition - The College did not have adequate controls in place to ensure refunds of financial aid based on R2T4 calculations were being completed in a timely manner for all students who withdrew during the fall 2014 semester.

Questioned Costs - None

Context - Of the 25 students selected for testing, one refund did not occur within 45 days of the College determining the student withdrew.

Cause and Effect - The College uses a report to identify students that may need an R2T4 calculation performed. Some enhancements to the report were made before the College started using it for the fall 2014 semester. During their own normal internal auditing processes in late January 2015, the College identified an issue whereby a few students did not appear on the new report. After a thorough review, the College determined that the new enhancements to the report excluded a few students that may have unofficially withdrawn after being suspended in the prior term. The student identified was suspended after the end of the fall 2014 semester so he did not initially appear on the unofficial withdrawal report.

Recommendation - We recommend the College implement controls to ensure all students who unofficially withdraw during a semester have return of Title IV fund calculations performed within the required time frame so that refunds can be made within the compliance requirement time frame.

Sinclair Community College

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2015-001 (Cont.)	Views of Responsible Officials and Planned Corrective Actions - The College agrees with the recommendation. The College made the necessary changes to the report and subsequently completed the necessary returns for those students identified.

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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
FEBRUARY 9, 2016**