

SINCLAIR COMMUNITY COLLEGE
Dayton, Ohio

FINANCIAL STATEMENTS
June 30, 2016 and 2015



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, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style.

Dave Yost
Auditor of State

December 14, 2016

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SINCLAIR COMMUNITY COLLEGE

Dayton, Ohio

FINANCIAL STATEMENTS

June 30, 2016 and 2015

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Independent Auditor's Report

To the Board of Trustees
Sinclair Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Sinclair Community College (the "College") as of and for the years ended June 30, 2016 and 2015 and its discretely presented component unit as of and for the years ended December 31, 2015 and 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 audits. We did not audit the financial statements of the Sinclair Community College Foundation (the "Foundation"), which is the sole discretely presented component unit. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 opinions.

To the Board of Trustees
Sinclair Community College

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Sinclair Community College as of June 30, 2016 and 2015 and its discretely presented component unit, the Foundation, as of December 31, 2015 and 2014 and the changes in its financial position, and, where applicable, cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the basic financial statements, effective July 1, 2015, the College adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. 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 College's proportionate share of the net pension liability, and schedules of College's contributions, as identified on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

To the Board of Trustees
Sinclair Community College

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2016 on our consideration of Sinclair Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sinclair Community College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 15, 2016

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2016 and 2015

This management's discussion and analysis (MD&A) of Sinclair Community College's (the "College" or Sinclair) financial performance provides an overview of the College's financial activities for the fiscal years ended June 30, 2016 and 2015. 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 2016 as related to the four core strategies of quality and innovation, accessibility, sustainability, and community alignment. Several of these are discussed below.
- Sinclair's financial health remains strong due to the prudent planning and vigilance of the Board of Trustees, administration and other College leaders. In November of 2015, Montgomery County voters passed Sinclair's 1 mill levy ballot issue (Levy B), which will provide \$8.6 million per year over an eight-year period. These additional resources will be invested in educational programs and infrastructure to support jobs of the future in healthcare, advanced manufacturing, information technology and other important industries.
- The College successfully implemented *College Credit Plus*, a State of Ohio initiative to provide college credit courses to high school students, which has resulted in partnerships with over 100 area high schools and more than 3,400 enrolled high school students taking Sinclair classes. Results thus far in fiscal year 2017 indicate an even higher level of enrollment.
- Continued forward progress was made on student success initiatives, which have resulted in higher course completion rates and more students completing degrees and certificates. This has contributed to the College's receiving a greater share of performance-based state funding during fiscal year 2016.
- The College's tuition for Montgomery County residents remained the lowest in the State of Ohio. Sinclair further demonstrated its commitment to access and affordability by implementing new initiatives, such as reducing the number of credit hours to achieve a degree, which collectively resulted in a 9% average collegewide savings opportunity in total student cost of attendance.
- Substantial progress on Sinclair's campus master plan included:
 - Opening of Sinclair's National Unmanned Aerial Systems (UAS) Training and Certification Center and Indoor Flying Pavilion
 - Beginning construction on the \$32 million Health Sciences Center slated to open in fall 2017
 - Launching an initiative to dramatically refresh the aesthetic and functional appeal of the Dayton campus
- The College continued to demonstrate an exceptional level of commitment to teaching and learning in fiscal year 2016. In comparison to noninstructional expenses such as facility and administrative costs, Sinclair devotes a significantly higher percentage of its resources to the instruction, academic, and student support functions than the average of Ohio's other public community colleges, as demonstrated by the Ohio Department of Higher Education's benchmarking data.

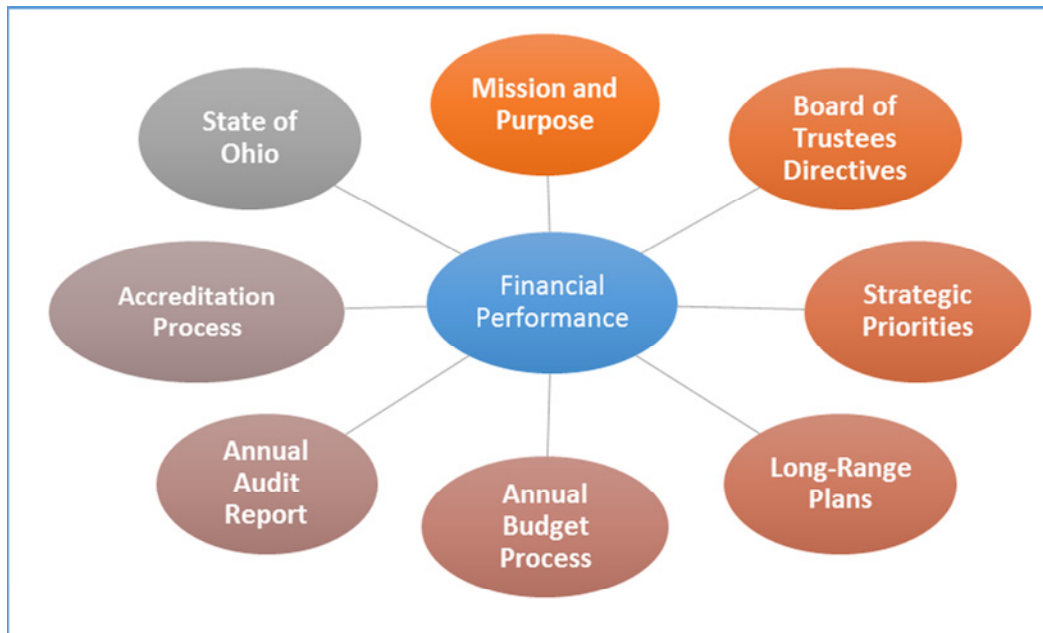
SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2016 and 2015

Financial Management Philosophy and Accountability

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

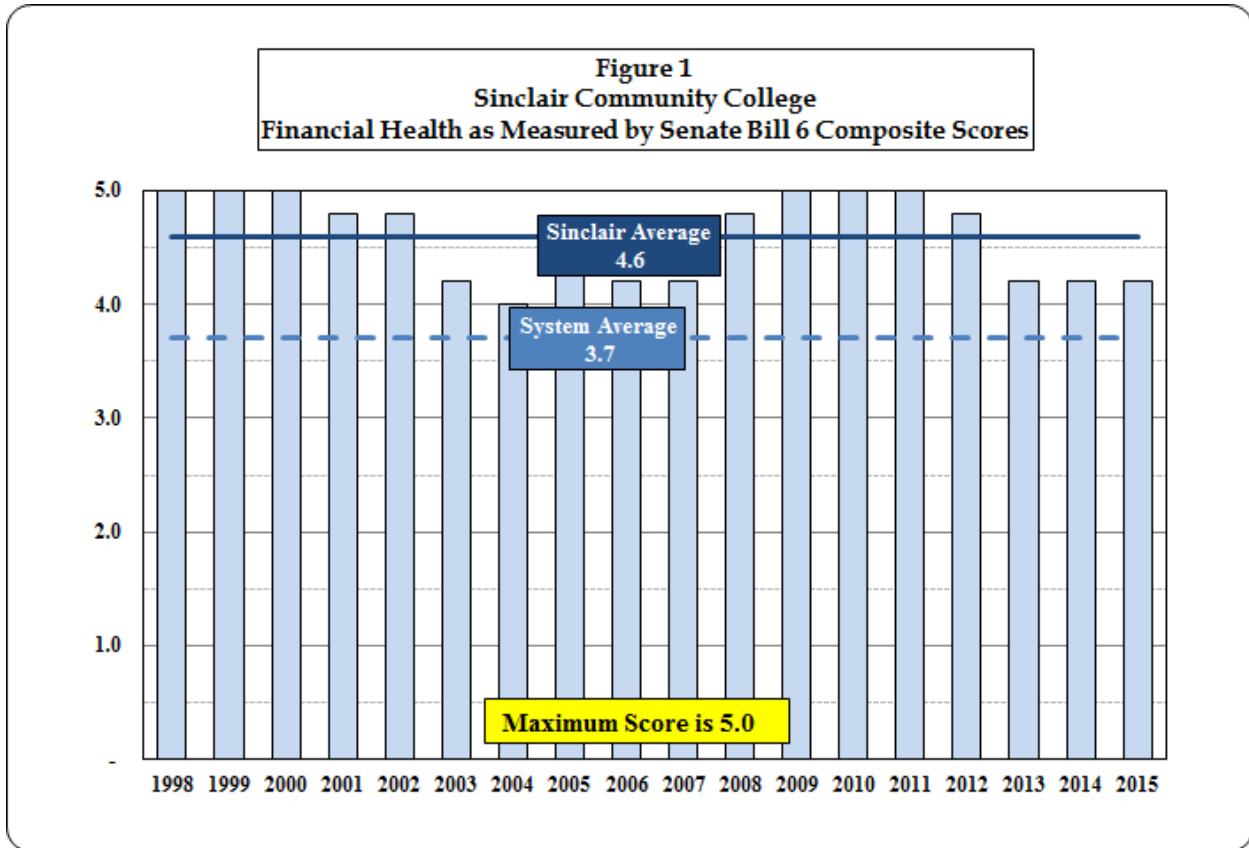
- **Use money as a tool to accomplish the mission:** Money is a tool used in fulfilling our service mission, but is not an end in itself.
- **Employ results-oriented spending:** This is generally tied to an expectation of clear mission results.
- **Focus on long-term stability:** Use financial modeling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

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



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

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2016 and 2015



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 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, 2016 and 2015 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, 2016 and 2015

In fiscal year 2015, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB standards are national and apply to all government financial reports prepared in the 50 states in accordance with generally accepted accounting principles. GASB 68 required the College to report a share of the unfunded liabilities of Ohio's state retirement systems in its statements of net position in 2016 and 2015, and also has an impact in 2016 and 2015 on the statements of revenues, expenditures and changes in net position. The amount of net pension liability reported on the statements of net position equals the College's proportionate share of the unfunded pension liabilities of the state systems that are associated with current, former, and retired College employees and their beneficiaries, and is significant. However, under Ohio law, there is no legal means to enforce the State systems' pension liabilities reported under GASB 68 against the College or any other Ohio public employer. Consequently, the reader should keep that in mind when reviewing the financial statements and considering Sinclair's real financial position and operational results.

Net Position

Total net position at June 30, 2016 was \$129.8 million (see Table 2). The College's total net position can be viewed as being comprised of four components: 1) capital assets, 2) externally restricted net position, 3) unrestricted net position resulting from College operations, and 4) unrestricted net position related to pension activity (GASB 68 impact). In the discussion that follows, it will be helpful to keep in mind that two major types of transactions do not change the value of total net position. These are:

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

A discussion of the underlying factors impacting the change in net position, exclusive of the impact of pension activity, is provided below.

The components of net position that relate to the results of College operations, exclusive of the GASB 68 pension accounting, are shown in Table 1:

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

	2016	2015	Percentage Change 2015-16	2014
Invested in capital assets	\$ 133.4	\$ 134.1	(0.5%)	\$ 137.6
Restricted—expendable	2.7	2.4	12.5%	2.9
Unrestricted—operations	128.4	121.3	5.9%	121.8
 Total operating net position	 \$ 264.5	 \$ 257.8	 2.6%	 \$ 262.3

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2016 and 2015

Fiscal 2016

As is shown in Table 1, at June 30, 2016 the College's net position, exclusive of pension activity, was \$264.5 million. Liabilities of \$37.4 million (Table 2), exclusive of the net pension liability, were only 11.0% of total assets of \$339.1 million, primarily due to the fact that the College has purposely avoided long-term debt by strategically using various funding sources, including state capital appropriations, to manage growth and maintain a low level of deferred infrastructure maintenance. The College reported a net pension liability of \$151.4 million, pension-related deferred inflows of resources of \$9.5 million, and deferred outflows of resources of \$26.3 million. A fuller discussion of pension reporting can be found in Notes A and H of this report.

Deferred inflows of resources also include future property tax levy receipts of \$37.3 million - see Notes A and F for a discussion.

Net position, as shown in Table 1, improved by \$6.7 million (from \$257.8 million to \$264.5 million) in fiscal 2016. The increase had these components:

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

Also in fiscal 2016, capital asset acquisitions consumed approximately \$11.3 million of unrestricted and restricted net position and added a corresponding amount to capital assets.

Fiscal 2015

As is shown in Table 1, 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. The College reported a net pension liability of \$125.3 million, pension-related deferred inflows of resources of \$18.1 million, and deferred outflows of resources of \$10.3 million at June 30, 2015 (Table 2). The implementation of GASB 68 also had the effect of restating net position at July 1, 2014 from \$264.4 million to \$127.3 million (Table 3).

Deferred inflows of resources also include future property tax levy receipts of \$28.3 million.

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 from operations of \$3.6 million after depreciation expenses 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.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2016 and 2015

TABLE 2
NET POSITION
(in millions of dollars)

	2016	2015	Percentage Change 2015-16	2014
Assets:				
Current assets	\$ 77.9	\$ 96.6	(19.4%)	\$ 100.7
Investments	127.8	95.8	33.4%	94.1
Capital assets, net	133.4	134.1	(0.5%)	137.6
Total assets	339.1	326.5	3.9%	332.4
Deferred outflows of resources - pension activity *	26.3	10.3	155.3%	-
Liabilities:				
Current liabilities	32.9	36.1	(8.9%)	37.3
Long-term liabilities	4.5	4.3	4.7%	4.3
Net pension liability *	151.4	125.3	20.8%	-
Total liabilities	188.8	165.7	13.9%	41.6
Deferred inflows of resources:				
Property tax levy	37.3	28.3	31.8%	28.5
Pension activity *	9.5	18.1	(47.5%)	-
Net position:				
Invested in capital assets	133.4	134.1	(0.5%)	137.6
Restricted—expendable	2.7	2.4	12.5%	2.9
Unrestricted—operations	128.4	121.3	5.9%	121.8
Unrestricted—pension activity *	(134.7)	(133.1)	(1.2%)	-
Total net position	\$ 129.8	\$ 124.7	4.1%	\$ 262.3

* Line item related to GASB 68 pension accounting

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2016 and 2015

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position (SRECNP) shown in Table 3 present the College's operating results for fiscal years 2016, 2015, and 2014. The following narrative provides an overview of the key elements in the SRECNP.

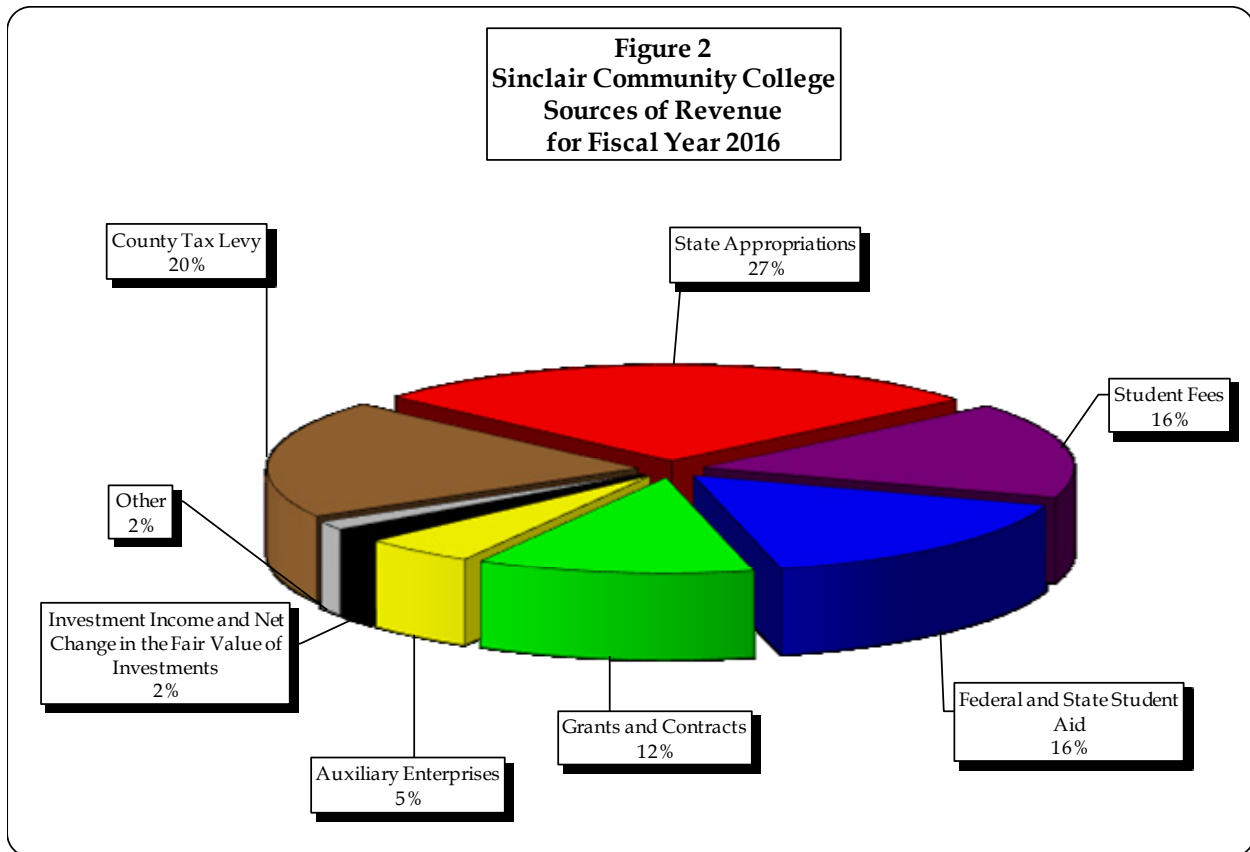
Revenues (Operating, Nonoperating, and Other)

- 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 nonoperating. These include state appropriations, county property tax levy receipts, federal student financial aid funding, investment income, and state capital grants. *(Note: In accordance with the required reporting display, gross tuition and fees on the SRECNP are reduced by grants and scholarships used to help pay those charges, resulting in net tuition revenue).*
 - In fiscal year 2016, operating revenue remained fairly flat due to a slight increase in grants and contracts (\$0.5 million) and auxiliary enterprises (\$0.7 million) being offset by a decrease in net student tuition and fees (\$1.6 million). A decline in enrollment and the statewide tuition rate freeze were the main causes for the decrease in student tuition and fees revenue.
 - 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 in 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 Grants awarded more than offset the impact of an enrollment decline on tuition and fee revenue.
 - Nonoperating revenue increased \$5.2 million (4.8%) over the previous year due to the following:
 - State appropriations were \$2.1 million, or 4.9%, higher than the prior year. This increase was due to additional higher education funding, appropriated to offset the mandated freeze in tuition, coupled with the College's increased share of performance-based funding.
 - County tax levy revenue was up \$4.4 million primarily due to partial year receipts from the 1 mill levy (Levy B), which was passed by voters in November 2015. This increase represents about half of the annual amount the College can expect to realize from Levy B for the eight year term.
 - A \$1.8 million increase in capital grants was due to revenue from state capital grants related to construction of Sinclair's National Unmanned Aerial Systems Training and Certification Center and Indoor Flying Pavilion.
 - Investment income and the fair value of investments increased by \$1.2 million over the prior year. This swing accounted for approximately 23% of the change in nonoperating and other revenues. These amounts mainly reflect changes in the net unrealized gains associated with investments held by the College. Those changes are primarily the result of price movements in the bond market year over year. At June 30, 2016, the portfolio includes \$4.7 million in net unrealized gains.
 - Federal student aid revenues declined by \$4.4 million as the result of lower enrollments and changes in student Pell Grant eligibility.
 - In fiscal year 2015, nonoperating and other revenues decreased by \$7.3 million (6.3%). 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.
-

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2016 and 2015

- Revenue from capital grants declined by \$0.9 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 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 included \$4.1 million in net unrealized gains.

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

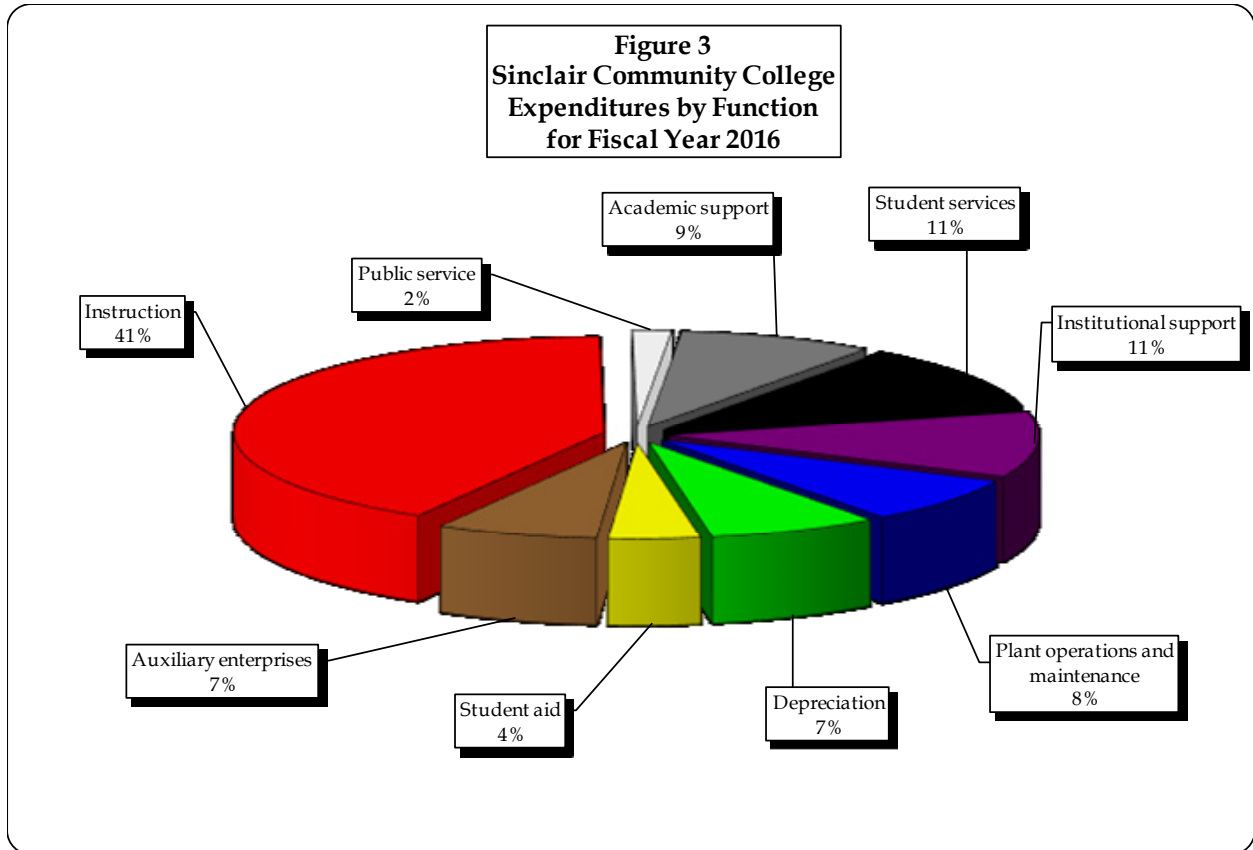


Operating Expenses

- Operating expenses in total declined by \$2.7 million or 1.7% in 2016. Excluding the impact of GASB 68 pension accounting in 2016 and 2015, the real decline was \$6.2 million or 3.8%. Expense reductions were primarily traceable to the College's proactive actions to reduce costs through efficiency and restructuring initiatives. The decline was also partially due to lower enrollments.
- In fiscal year 2015, operating expenses in total declined by \$4.9 million or 2.9%. Expense reductions were attributable to a decline in enrollment and savings from efficiency and restructuring initiatives. These reductions more than offset an increase in the academic support and depreciation categories. The academic support category increase was due to strategic investments in initiatives for improving student advising and completion.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2016 and 2015

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, 2016 and 2015

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

	2016	2015	Percentage Change 2015-2016	2014
Operating revenues:				
Student tuition and fees, net of grants and scholarships	\$ 26.7	\$ 28.3	(5.7%)	\$ 27.8
Federal grants and contracts	5.9	6.6	(10.6%)	6.0
State and local grants and contracts	2.1	1.3	61.5%	0.9
Nongovernmental grants and contracts	6.0	5.6	7.1%	5.9
Sales and services of educational departments	1.2	1.2	0.0%	1.1
Auxiliary enterprises, net of grants and scholarships	8.1	7.4	9.5%	7.2
Other	1.2	1.0	20.0%	0.6
Total operating revenues	51.2	51.4	(0.4%)	49.5
Operating expenses:				
Instruction	66.4	67.5	(1.6%)	70.2
Public service	2.7	1.9	42.1%	2.1
Academic support	13.7	14.8	(7.4%)	14.2
Student services	17.7	17.7	0.0%	18.4
Institutional support	17.9	18.2	(1.6%)	18.5
Plant operations and maintenance	12.4	12.5	(0.8%)	13.4
Depreciation	11.9	12.0	(0.8%)	11.2
Student aid	6.4	7.4	(13.5%)	8.0
Auxiliary enterprises	11.3	11.1	1.8%	12.0
Total operating expenses	160.4	163.1	(1.7%)	168.0
Nonoperating and other revenues:				
State appropriations	45.1	43.0	4.9%	43.0
County tax levy	33.1	28.7	15.3%	29.0
Federal student aid grant programs	25.5	29.9	(14.7%)	33.7
State student aid grant programs	1.2	1.1	9.1%	1.1
Investment income	2.7	3.0	(10.0%)	3.7
Net change in the fair value of investments	0.6	(0.9)	166.7%	0.7
Capital grants	6.1	4.3	41.9%	5.2
Total nonoperating and other revenues	114.3	109.1	4.8%	116.4
Change in net position	5.1	(2.6)	296.2%	(2.1)
Net position:				
Beginning of year	124.7	262.3	(52.5%)	264.4
Adjustment for change in accounting principle	-	(135.0)	-	-
Net position - beginning of year	124.7	127.3	(2.0%)	264.4
End of year	\$ 129.8	\$ 124.7	4.1%	\$ 262.3

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2016 and 2015

Cash Flows

The Statements of cash flows present information related to the cash inflows and outflows that result from the operating, noncapital and capital financing, and investing activities of the College. In each of the years shown in Table 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)

	2016	2015	Percentage Change 2015-2016	2014
Cash (used in) provided by:				
Operating activities	\$ (96.7)	\$ (106.0)	8.8%	\$ (107.1)
Non-capital financing activities	106.0	103.7	2.2%	106.4
Capital and related financing activities	(5.2)	(4.1)	(26.8%)	(7.8)
Investing activities	(28.8)	0.4	(7300.0%)	11.4
Net (decrease) increase in cash and cash equivalents	(24.7)	(6.0)	(311.7%)	2.9
Cash and cash equivalents, beginning of year	40.7	46.7	(12.8%)	43.8
Cash and cash equivalents, end of year	<u>\$ 16.0</u>	<u>\$ 40.7</u>	<u>(60.7%)</u>	<u>\$ 46.7</u>

Capital Assets

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

- Building improvement projects on the Dayton campus in 2016 included the completion of the two-year, first floor renovation of Building 13 for the National Unmanned Aerial Systems Training and Certification Center and the high efficiency hot water system. In 2015 at nearby Austin Landing, a Cybertechnology Center was opened.
- Two-to-four year major facility life cycle maintenance projects were completed at the Dayton campus in 2016, including the air temperature control system upgrade, air handler replacements, installation of exhaust fans in the parking garage walkway, replacement of exterior doors, and replacement of common area carpet in Buildings 10, 11, and 12. Additional projects in 2016 included classroom cabinetry, Building 14 roof replacement and the beginning of a five-year electrical system testing project. Major facility life cycle maintenance projects at the Dayton campus in 2015 included boiler burner upgrades and the continuation of various projects, including masonry repairing and sealing and refurbishment of the women's locker room.
- Additions to equipment inventory in 2016 included security network switches, printers, classroom video and digital media equipment, server upgrades and various aviation items including a helicopter, an AT aircraft, and an airplane engine. Additional items donated were UAS airframes along with various parts, a robotic simulation/software package, and a UAS hexicopter with video equipment. 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.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2016 and 2015

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

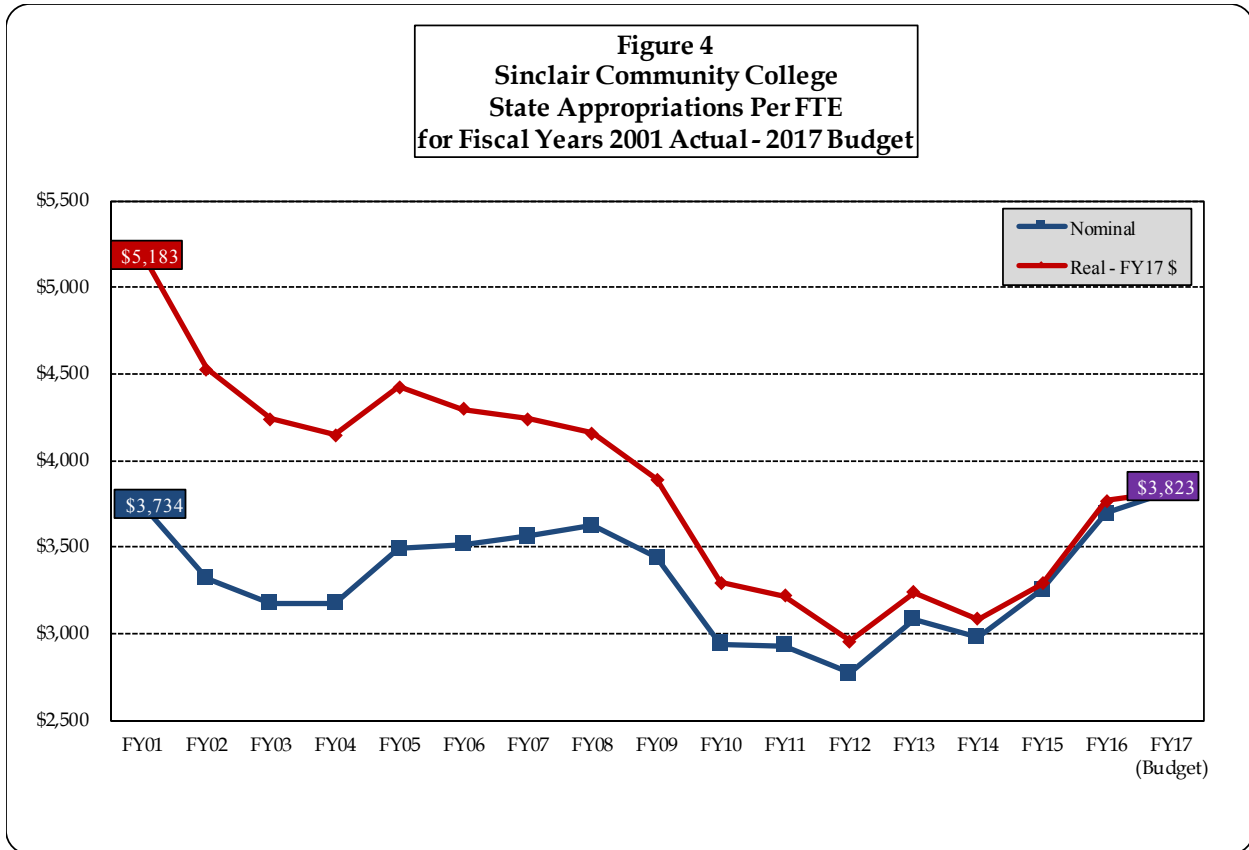
	2016	2015	Percentage Change 2015-2016	2014
Land and improvements	\$ 15.4	\$ 15.4	0.0%	\$ 15.4
Buildings and improvements	110.4	111.2	(0.7%)	113.5
Equipment	7.5	7.2	4.2%	8.5
Library books	0.1	0.2	(50.0%)	0.2
Total capital assets	\$ 133.4	\$ 134.0	(0.4%)	\$ 137.6

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. 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. Additional higher education funding for the fiscal 2016-2017 biennium and Sinclair's improvement in student outcome measures has contributed to the College's increase in funding during recent years. The State of Ohio will be enacting a new two-year budget in June 2017 for the fiscal 2018 – 2019 biennium. What implications the new budget legislation will have on higher education funding and tuition policy in Ohio are not yet clear.

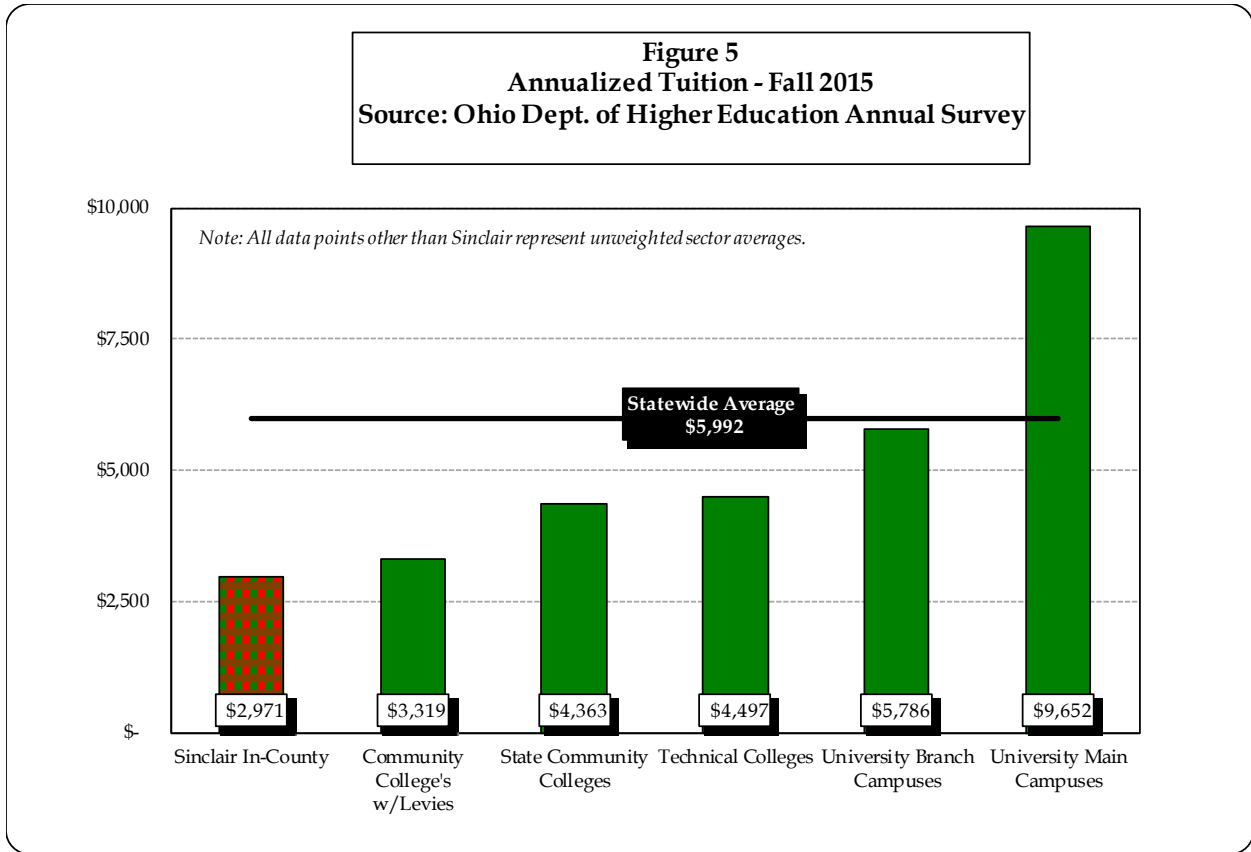
SINCLAIR COMMUNITY COLLEGE
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the years ended June 30, 2016 and 2015



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 3.2 mill levy (Levy A) 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 support critical investments in expanding fields with high demand for graduates, the Board of Trustees requested that an additional 1 mill levy be placed on the ballot in November of 2015. This issue (Levy B) was passed by the voters and will raise \$8.6 million in revenue per year for eight years beginning in calendar year 2016. As previously alluded, these additional resources will be invested in educational programs and infrastructure to support jobs of the future in healthcare, advanced manufacturing, information technology, and other important industries.

Tuition and Fees: 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). Per House Bill 64, the current biennial budget bill for the State of Ohio, Sinclair's tuition for Montgomery County and in-state residents was frozen for fiscal years 2016 and 2017 at 2015 levels. As mentioned previously, a future uncertainty is the tuition policy that may emerge in the next state budget legislation to be passed in June 2017.

SINCLAIR COMMUNITY COLLEGE
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the years ended June 30, 2016 and 2015



Student Enrollments: After a 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.

Workforce Development: In 2016 Sinclair opened its National Unmanned Aerial Systems Training and Certification Center and Indoor Flying Pavilion. Sinclair continued to support local economic development and job creation as evidenced by its relationship with auto glass manufacturer Fuyao and the opening of a Cybertechnology Center at Austin Landing.

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) Sinclair is in the fourth year of a five-year grant from the U.S. Department of Education Title III program, *Connect 4 Completion*, which is transforming advising and facilitating the implementation of Career Communities for students; b) the *City Connects* project to create a holistic advising process for students continues to receive support from the Mathile Family Foundation; c) 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; d) in partnership with Civitas Learning 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. The latter effort, known as LIFT (Leveraging Information for Transformation), puts actionable information in the hands of faculty and student support personnel in a much more timely fashion than previously was possible.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2016 and 2015

Efficiency and Accountability: Sinclair has a history of being efficient, affordable, and accountable. In fact, the College has realized \$30 million in cumulative savings, efficiencies, and cost avoidance during the past eight years. As a result of this fiscal stewardship, the College has:

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

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

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets and Deferred Outflows of Resources		
Current Assets:		
Cash and cash equivalents	\$ 15,976,539	\$ 40,731,421
Accounts receivable, net	19,091,043	22,798,279
Prepaid expenses	3,433,181	3,049,539
Interest receivable	426,206	285,862
Property tax levy receivable	37,255,886	28,309,702
Inventories	<u>1,660,875</u>	<u>1,462,228</u>
Total current assets	77,843,730	96,637,031
Noncurrent Assets :		
Investments	127,820,900	95,853,021
Capital assets, net	<u>133,454,515</u>	<u>134,055,745</u>
Total noncurrent assets	<u>261,275,415</u>	<u>229,908,766</u>
Total assets	339,119,145	326,545,797
Deferred Outflows of Resources – pension activity	<u>26,257,333</u>	<u>10,338,382</u>
Total assets and deferred outflows of resources	<u>\$ 365,376,478</u>	<u>\$ 336,884,179</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities:		
Accounts payable and accruals	\$ 6,314,725	\$ 8,349,120
Accrued salaries, wages and benefits	9,669,663	10,368,270
Unearned student fee income	15,196,716	15,717,465
Deposits	<u>1,716,943</u>	<u>1,699,045</u>
Total current liabilities	32,898,047	36,133,900
Noncurrent Liabilities :		
Compensated absences	4,449,764	4,294,860
Net pension liability	<u>151,430,521</u>	<u>125,326,716</u>
Total liabilities	188,778,332	165,755,476
Deferred Inflows of Resources:		
Property tax levy	37,255,886	28,309,702
Pension activity	<u>9,513,847</u>	<u>18,122,021</u>
Total deferred inflows of resources	46,769,733	46,431,723
Net Position:		
Net investment in capital assets	133,454,515	134,055,745
Restricted – expendable	2,678,128	2,416,319
Unrestricted	<u>(6,304,230)</u>	<u>(11,775,084)</u>
Total net position	<u>129,828,413</u>	<u>124,696,980</u>
Total liabilities, deferred inflows of Resources, and net position	<u>\$ 365,376,478</u>	<u>\$ 336,884,179</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 999,689	\$ 884,166
Investments:		
Fixed income security funds	4,371,887	4,705,689
Equity funds	20,527,529	21,461,990
Venture capital funds	<u>218,660</u>	<u>380,917</u>
Total investments	25,118,076	26,548,596
Pledges receivable, net of allowances of \$22,114 and \$8,186 at December 31, 2015 and 2014, respectively	1,298,119	615,606
Land, leased to a related party	4,290,853	4,281,836
Buildings, net of accumulated depreciation, leased to a related party	<u>756,252</u>	<u>791,563</u>
Total assets	<u>\$ 32,462,989</u>	<u>\$ 33,121,767</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Payable to Sinclair Community College	\$ 625,212	\$ 274,670
Other payables	<u>95,391</u>	<u>97,603</u>
Total liabilities	720,603	372,273
Net assets:		
Unrestricted	20,548,075	21,730,604
Temporarily restricted	5,640,737	5,061,032
Permanently restricted	<u>5,553,574</u>	<u>5,957,858</u>
Total net assets	<u>31,742,386</u>	<u>32,749,494</u>
Total liabilities and net assets	<u>\$ 32,462,989</u>	<u>\$ 33,121,767</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues		
Operating revenues:		
Student tuition and fees	\$ 46,320,293	\$ 50,756,785
Less grants and scholarships	<u>(19,594,530)</u>	<u>(22,482,881)</u>
Student tuition and fees net of grants and scholarships	26,725,763	28,273,904
Federal grants and contracts	5,902,111	6,656,601
State and local grants and contracts	2,092,581	1,272,236
Nongovernmental grants and contracts	5,972,410	5,584,504
Sales and services of educational departments	1,181,863	1,197,923
Auxiliary enterprises:		
Food service	483,394	540,461
Bookstore (net of grants and scholarships of \$3,373,139 and \$4,354,569 in 2016 and 2015, respectively)	5,979,132	6,087,406
Parking	1,664,583	788,985
Other operating revenues	<u>1,166,661</u>	<u>963,466</u>
Total operating revenues	<u>51,168,498</u>	<u>51,365,486</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Expenses		
Operating expenses:		
Educational and general:		
Instruction	\$ 66,408,547	\$ 67,530,723
Public service	2,707,079	1,903,752
Academic support	13,698,165	14,749,806
Student services	17,663,054	17,705,115
Institutional support	17,897,449	18,212,593
Plant operations and maintenance	12,423,358	12,514,769
Depreciation	11,921,612	11,995,879
Student aid	6,437,874	7,383,900
Auxiliary enterprises:		
Food service	268,476	264,440
Bookstore	8,985,381	9,911,609
Parking	<u>2,001,911</u>	<u>893,027</u>
Total operating expenses	<u>160,412,906</u>	<u>163,065,613</u>
Operating loss	(109,244,408)	(111,700,127)
Nonoperating revenues (expenses):		
State appropriations	45,104,604	42,982,037
County tax levy	33,077,459	28,682,028
Federal student aid grant programs	25,520,191	29,880,013
State student aid grant programs	1,250,565	1,082,710
Investment income	2,713,855	3,021,494
Net increase (decrease) in the fair value of investments	<u>563,901</u>	<u>(850,078)</u>
Total nonoperating revenues	<u>108,230,575</u>	<u>104,798,204</u>
Loss before other revenues, expenses, gains or losses	(1,013,833)	(6,901,923)
Other revenues – state capital grants	<u>6,145,266</u>	<u>4,351,341</u>
Increase (decrease) in net position	5,131,433	(2,550,582)
Net position:		
Beginning of year	124,696,980	262,268,613
Adjustment for change in accounting principle	<u> -</u>	<u>(135,021,051)</u>
Net position – beginning of year	<u>124,696,980</u>	<u>127,247,562</u>
End of year	<u>\$ 129,828,413</u>	<u>\$ 124,696,980</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended December 31, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Contributions	\$ 940,379	\$ 4,457,633	\$ 237,398	\$ 5,635,410	\$ 252,765	\$ 2,417,189	\$ 172,504	\$ 2,842,458
Net investment income	(529,373)	(31,027)	-	(560,400)	1,310,087	555,194	22,526	1,887,807
Lease income	182,414	-	-	182,414	194,925	-	-	194,925
Net assets released from restrictions	<u>4,488,583</u>	<u>(4,488,583)</u>	<u>-</u>	<u>-</u>	<u>3,005,419</u>	<u>(3,005,419)</u>	<u>-</u>	<u>-</u>
Total revenue and support	5,082,003	(61,977)	237,398	5,257,424	4,763,196	(33,036)	195,030	4,925,190
Expenses:								
Scholarships	1,296,476	-	-	1,296,476	1,060,701	-	-	1,060,701
Project support	4,689,109	-	-	4,689,109	2,662,008	-	-	2,662,008
Operating expenses	<u>278,947</u>	<u>-</u>	<u>-</u>	<u>278,947</u>	<u>258,039</u>	<u>-</u>	<u>-</u>	<u>258,039</u>
Total expenses	<u>6,264,532</u>	<u>-</u>	<u>-</u>	<u>6,264,532</u>	<u>3,980,748</u>	<u>-</u>	<u>-</u>	<u>3,980,748</u>
Change in net assets from operations	(1,182,529)	(61,977)	237,398	(1,007,108)	782,448	(33,036)	195,030	944,442
Change in donor restriction	<u>-</u>	<u>641,682</u>	<u>(641,682)</u>	<u>-</u>	<u>(202,260)</u>	<u>202,260</u>	<u>-</u>	<u>-</u>
Change in net assets	(1,182,529)	579,705	(404,284)	(1,007,108)	580,188	169,224	195,030	944,442
Net assets, beginning 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>
Net assets, end of year	<u>\$ 20,548,075</u>	<u>\$ 5,640,737</u>	<u>\$ 5,553,574</u>	<u>\$ 31,742,386</u>	<u>\$ 21,730,604</u>	<u>\$ 5,061,032</u>	<u>\$ 5,957,858</u>	<u>\$ 32,749,494</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 27,055,020	\$ 27,847,905
Grants and contracts	14,566,387	12,680,008
Payments to vendors and employees	(150,050,856)	(155,025,842)
Auxiliary enterprise charges	8,344,849	7,284,658
Sales and services of educational departments	1,167,096	1,285,916
Other receipts	<u>2,213,381</u>	<u>(83,891)</u>
Net cash used in operating activities	(96,704,123)	(106,011,246)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	45,104,604	42,982,037
Property tax levy receipts	33,077,459	28,682,028
Direct student loan receipts	29,129,666	33,683,279
Direct student loan disbursements	(27,165,342)	(32,883,324)
Deposits	17,898	5,972
Federal student aid grant programs	24,623,080	30,036,074
State student aid grant programs	<u>1,167,459</u>	<u>1,201,605</u>
Net cash provided by noncapital financing activities	105,954,824	103,707,671
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants	6,145,266	4,351,341
Purchases of capital assets	<u>(11,320,382)</u>	<u>(8,400,101)</u>
Net cash used in capital and related financing activities	(5,175,116)	(4,048,760)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investments	40,359,062	15,680,464
Interest on investments	3,036,812	3,304,180
Purchase of investments	<u>(72,226,341)</u>	<u>(18,575,924)</u>
Net cash (used in) provided by investing activities	<u>(28,830,467)</u>	<u>408,720</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,754,882)	(5,943,615)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>40,731,421</u>	<u>46,675,036</u>
End of year	<u>\$ 15,976,539</u>	<u>\$ 40,731,421</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (109,244,408)	\$ (111,700,127)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	11,921,612	11,995,879
Changes in operating assets and liabilities, deferred inflows of resources, and deferred outflows of resources which provided (used) cash:		
Accounts receivable	2,723,129	(2,059,679)
Inventory	(198,647)	225,464
Prepaid expenses	(383,642)	(1,327,968)
Accounts payable and accruals	(2,034,395)	(565,185)
Accrued salaries, wages, and benefits	(543,703)	(356,309)
Unearned student fee income	(520,749)	(312,625)
Net pension liability	<u>1,576,680</u>	<u>(1,910,696)</u>
Net cash used in operating activities	<u>\$ (96,704,123)</u>	<u>\$ (106,011,246)</u>

See accompanying notes to financial statements.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government, state and local governments, and private sources, in connection with reimbursement of allowable expenditures made pursuant to the College’s grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts of approximately \$893,700 and \$1,004,300 at June 30, 2016 and 2015, 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. As of June 30, 2016, the College retrospectively applied GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

The College has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price at which the investment could be sold on June 30, 2016.

Capital Assets: Capital assets are recorded at cost, or if acquired by gift, at fair value at the date of the gift.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

When capital assets are sold or otherwise disposed of, the net carrying value of such assets is removed from the accounts and the net investment in capital assets component of net position is adjusted as appropriate. Capital asset additions of equipment and fixtures with a cost equal to or in excess of \$5,000 are capitalized and depreciated on a straight-line basis over the estimated useful lives in the table that follows. Buildings and improvements with a cost in excess of \$100,000 are capitalized and depreciated on a straight-line basis over the estimated useful lives as follows:

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

Deferred Outflows of Resources: In addition to assets, the 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 H).

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

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

All College employees earn 10 hours of sick leave for each month of service up to a maximum of 120 hours per year. Unused sick leave accumulates up to a maximum of 1,200 hours. This sick leave will either be absorbed by time off due to illness or injury, or within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-quarter of the accumulated sick leave up to a maximum payout of 240 hours. The College has accrued a sick leave liability for all employees equal to the maximum payout upon retirement.

Pensions: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability, and to measure the annual costs of pension benefits. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans of the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS) and the additions to/deductions from the systems' fiduciary net position have been determined on the same basis as they are reported by the systems. OPERS and STRS use the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

Deferred Inflows of Resources: In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. 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, 2016, but which were levied to finance fiscal year 2017 operations. Deferred inflows of resources related to pensions are explained in Note H.

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

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

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

Grants and Scholarships: Student tuition and fees and bookstore revenues are presented net of grants and scholarships applied directly to student accounts. Grants and scholarships consist primarily of awards to students from the Federal Pell Grant Program, Sinclair Community College grant programs, and the Sinclair Community College Foundation. Payments made directly to students from grants and scholarships are presented as Student Aid.

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of Standards: As of June 30, 2016, the College retrospectively applied Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. See Note C for additional information.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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

As of June 30, 2015, 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.

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.

Reclassification: Certain 2015 amounts have been reclassified to conform to the 2016 presentation. In particular, deferred inflows of resources totaling \$2,241,769 related to OPERS and STRS, previously presented net within deferred outflows resources of \$18,122,021 in 2015, have been reclassified to their respective deferred outflows of resources line on the 2015 statement of net position.

NOTE B – CASH AND INVESTMENTS

In accordance with the Ohio Revised Code and the College's investment policy, the College is authorized to invest cash in securities of the United States government or of its agencies or instrumentalities, the treasurer of state's pooled investment program and federally insured cash account program, obligations of any state, obligations of any Ohio political subdivision, certificates of deposit, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds, bankers' acceptances, corporate obligations, U.S. and global fixed income mutual funds, and domestic and international equity mutual funds. The classification of cash and cash equivalents and investments in the financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less.

Deposits: At June 30, 2016, the carrying amount of the College's deposits in all funds was \$15,976,539 (reported as cash and cash equivalents in the statement of net position) and the financial institution balance was \$19,447,776. The difference between the carrying amount and the financial institution

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE B – CASH AND INVESTMENTS (Continued)

balance was primarily due to outstanding checks at June 30, 2016. Of the financial institution balance, \$1,114,852 was covered by federal depository insurance and \$542,372 had federal Securities Investor Protection Corporation coverage. The remaining balance of \$17,790,552 was uninsured.

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.

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 (\$8,265,770 at June 30, 2016 and \$13,100,204 at June 30, 2015), or 2) were secured by a letter of credit (\$7,937,100 at June 30, 2016 and \$13,596,000 at June 30, 2015), or 3) in the case of money market account balances were backed by the underlying securities held by the fund (\$1,587,682 at June 30, 2016 and \$6,182,977 at June 30, 2015). The custodial credit risk for deposits is the risk that, in the event of the failure of a financial institution, the College's deposits may not be returned to the College, or the College may not be able to recover the value of collateral securities that are in the possession of an outside party.

Investments: Investments at June 30, 2016 and 2015 were \$127,820,900 (amortized cost basis of \$123,127,799) and \$95,853,021 (amortized cost basis of \$91,723,821), respectively.

As of June 30, 2016 and 2015 the College's investments consisted of the following securities:

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

	Maturities					
	Fair Value at June 30, 2015	Less than 1 year	1 – 5 Years	6 – 10 years	11 – 20 Years	Greater than 20 Years
Government National Mortgage Assn. bonds	\$77,809,035	\$ 732	\$83,278	\$4,051,550	\$22,272,082	\$51,401,393
Corporate bonds	10,170,850	10,170,850	-	-	-	-
Certificates of deposit	7,873,136	7,873,136	-	-	-	-
Total	<u>\$95,853,021</u>	<u>\$18,044,718</u>	<u>\$83,278</u>	<u>\$4,051,550</u>	<u>\$22,272,082</u>	<u>\$51,401,393</u>

The certificates of deposit were fully FDIC insured. The federal agency, municipal and corporate bonds were all credit quality "A" or higher, as required by the College's investment policy. Government National

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SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE B – CASH AND INVESTMENTS (Continued)

Mortgage Association (GNMA) bonds are aggregations of home mortgages that carry the full faith and credit guaranty of the U.S. government, the same guaranty provided to U.S. Treasury instruments. U.S. treasuries and GNMA bonds are not subject to the credit risk disclosures of GASB Statement No. 40.

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, 2016 and 2015, the College's GNMA investments returned principal as follows:

<u>Years</u>	<u>2016</u>	<u>2015</u>
0-5	\$ 44,638	\$ 51,937
6-10	763,495	665,934
11-20	4,334,161	5,451,305
Greater than 20	<u>9,133,768</u>	<u>9,018,288</u>
Total (at cost)	<u>\$ 14,276,062</u>	<u>\$ 15,187,464</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>2016</u>	<u>2015</u>
Capital improvements, facility renovations, equipment	\$ 69,994,695	\$ 60,837,140
Tuition stabilization, rainy day fund, uninsured losses, other contingencies and initiatives	26,452,620	28,832,311
Auxiliary enterprises	14,659,717	14,463,090
Board-designated endowment	16,989,354	16,920,324
Agency funds	<u>286,419</u>	<u>282,406</u>
Subtotal unrestricted net position	128,382,805	121,335,271
Pension activity	<u>(134,687,035)</u>	<u>(133,110,355)</u>
Total unrestricted net position	<u>(6,304,230)</u>	<u>(11,775,084)</u>
Restricted grants and contracts	<u>2,678,128</u>	<u>2,416,319</u>
Total unrestricted and restricted net position	<u>\$ (3,626,102)</u>	<u>\$ (9,358,765)</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE C – FAIR VALUE MEASUREMENTS

The College adopted GASB Statement No. 72, *Fair Value Measurement and Application* as of June 30, 2016. Statement No. 72 applies to the valuation of the College's investment securities. The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

The College has the following recurring fair value measurements as of June 30, 2016 and 2015:

Assets Measured at Fair Value on a Recurring Basis

	Fair Value Measurements Using			
	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by fair value level:				
Debt securities:				
U.S. Treasury Notes	\$ 1,252,317	\$ -	\$ 1,252,317	\$ -
Residential mortgage-backed securities	73,387,648		73,387,648	
Other federal agency securities	1,500,305		1,500,305	
Municipal bonds	1,815,180		1,815,180	
Corporate bonds	33,412,924		33,412,924	
Total debt securities	\$111,368,374	\$ -	\$111,368,374	\$ -

	Fair Value Measurements Using			
	Balance at June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by fair value level:				
Debt securities:				
Residential mortgage-backed securities	\$ 77,809,035	\$ -	\$ 77,809,035	\$ -
Corporate bonds	10,170,850		10,170,850	
Total debt securities	\$ 87,979,885	\$ -	\$ 87,979,885	\$ -

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

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE C – FAIR VALUE MEASUREMENTS (Continued)

Investments on the statement of net position as of June 30, 2016 and 2015 include certificates of deposits of \$909,505 and \$7,873,136, respectively, and investments in STAR Ohio of \$15,543,021 and \$0, respectively. The certificates of deposit and STAR Ohio are excluded from the fair value table above as they are measured at amortized cost.

There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption rates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transactions to \$100 million, requiring excess amounts to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

NOTE D – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2016 and 2015 is summarized as follows:

<u>2016</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Cost:				
Land and improvements	\$ 15,443,208	\$ 9,798	\$ -	\$ 15,453,006
Buildings and improvements	266,502,430	8,209,927	(1,990,461)	272,721,896
Equipment and fixtures	28,962,981	3,027,767	(496,765)	31,493,983
Library materials	<u>2,517,454</u>	<u>72,890</u>	<u>(272,808)</u>	<u>2,317,536</u>
Total cost	313,426,073	11,320,382	(2,760,034)	321,986,421
Less accumulated depreciation:				
Buildings and improvements	155,279,596	9,059,035	(1,990,461)	162,348,170
Equipment and fixtures	21,788,845	2,723,545	(496,765)	24,015,625
Library materials	<u>2,301,887</u>	<u>139,032</u>	<u>(272,808)</u>	<u>2,168,111</u>
Total accumulated depreciation	<u>179,370,328</u>	<u>11,921,612</u>	<u>(2,760,034)</u>	<u>188,531,906</u>
Capital assets, net	<u>\$ 134,055,745</u>	<u>\$ (601,230)</u>	<u>\$ -</u>	<u>\$ 133,454,515</u>
<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	305,835,494	8,400,101	(809,522)	313,426,073
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>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE E – LONG-TERM LIABILITIES

Long-term liabilities activity for the years ended June 30, 2016 and 2015 is summarized as follows:

<u>2016</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 4,664,191	\$ 295,799	\$ (234,369)	\$ 4,725,621	\$ 275,857

<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

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

NOTE F – STATE AND COUNTY SUPPORT

The College is an institution of higher education that receives a student-based subsidy from the State of Ohio using a performance outcomes-based formula devised by the Ohio Department of Higher Education (formerly known as the Ohio Board of Regents). In addition to student subsidies, the State of Ohio provides a portion of the funding for the construction of major plant facilities on the College's campuses, as well as for the renovation of facilities and the purchase of equipment.

The College also receives support from two Montgomery County, Ohio property tax levies. A successful ballot issue in the March 2008 primary election replaced a 2.5 mill levy with a 3.2 mill levy that commenced January 1, 2008 and will end December 31, 2017. On November 3, 2015 an additional 1 mill operating levy was passed. It commenced January 1, 2015 and will end December 31, 2022. By state law, levy receipts must be used solely for the benefit of Montgomery County residents attending the College in the form of student tuition subsidy, student scholarships and instructional facilities, equipment, and support services located within Montgomery County. Property taxes receivable represent outstanding property taxes which were measurable at June 30, 2016. 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 2016 operations, the receivable amount is recorded as deferred inflows of resources.

NOTE G – LEASE OBLIGATIONS

The College leases land, buildings, and office space under operating lease agreements, some with a related party, Courseview Holdings, LLC as referenced in Note L. These facilities are not recorded as assets on the statements of net position. The total rental expense under these agreements was \$1,561,080 and \$1,632,584 for the years ended June 30, 2016 and 2015, respectively.

Future minimum lease payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2016 are as follows:

Years ending June 30,	
2017	\$ 1,482,839
2018	1,407,169
2019	1,281,382
2020	1,134,207
2021	1,012,866
2022-2026	<u>749,105</u>
Total minimum lease payments	<u>\$ 7,067,568</u>

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SINCLAIR COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016 and 2015

NOTE H – PENSION PLANS

Plan Descriptions: The College participates in the State Teachers Retirement System of Ohio (STRS) and the Ohio Public Employees Retirement System (OPERS). 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 postemployment healthcare benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

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

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

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

Contributions: State retirement law requires contributions by covered employees and their employers, and 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.

In 2016, OPERS member contributions were 10 percent of gross wages, and STRS member contributions were 13 percent of gross wages. The plans’ 2016 employer contribution rates on covered payroll to each system were:

	Employer Contribution Rate			
	Pension	Post		Total
		Retirement	Healthcare	
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, 2016 and 2015

NOTE H – PENSION PLANS (Continued)

In 2015, OPERS member contributions were 10 percent of gross wages and STRS member contributions were 12 percent of gross wages. The plans' 2015 employer contribution rates on covered payroll to each system were:

	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%

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

	For the years ended 6/30	
	2016	2015
OPERS	\$ 4,763,754	\$ 4,666,770
STRS	5,354,650	5,779,151
	<u>\$ 10,118,404</u>	<u>\$ 10,445,921</u>

Benefits Provided:

STRS – Plan benefits are established under Chapter 3307 of the Ohio 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 changed. The maximum annual retirement allowance, payable for life, considers years of credited service, final average salary (three to five years) and multiplies by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

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

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

(Continued)

SINCLAIR COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016 and 2015

NOTE H – 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, 2016 and 2015, the College reported a liability for its proportionate share of the net pension liability of OPERS and STRS. The net pension liability was measured as of December 31, 2015 and 2014 for OPERS and July 1, 2015 and 2014 for STRS. 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
		2016	2015	2016	2015	
STRS	July 1	\$ 109,021,783	\$ 94,694,808	0.39448%	0.38931%	0.00516%
OPERS	December 31	\$ 42,408,738	\$ 30,631,908	0.24594%	0.25480%	-0.00886%

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SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE H – PENSION PLANS (Continued)

For the years ended June 30, 2016 and 2015, the College recognized pension expense of \$9,482,900 and \$9,982,611, respectively. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,970,017	\$ (922,305)
Net difference between projected and actual earnings on pension plan investments	12,663,609	(7,840,727)
Changes in proportion and differences between College contributions and proportionate share of contributions	1,185,472	(750,815)
College contributions subsequent to the measurement date	<u>7,438,235</u>	<u>-</u>
Total	<u><u>\$ 26,257,333</u></u>	<u><u>\$ (9,513,847)</u></u>

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 911,643	\$ (589,232)
Net difference between projected and actual earnings on pension plan investments	1,652,536	(17,518,899)
Changes in proportion and differences between College contributions and proportionate share of contributions	4,096	(13,890)
College contributions subsequent to the measurement date	<u>7,770,107</u>	<u>-</u>
Total	<u><u>\$ 10,338,382</u></u>	<u><u>\$ (18,122,021)</u></u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE H – PENSION PLANS (Continued)

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

Year Ended June 30	Amount
2017	\$ 4,457,149
2018	4,457,149
2019	5,259,577
2020	5,420,796
2021	(3,986)
Thereafter	(13,460)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2017).

Actuarial Assumptions: The total pension liability for 2016 is based on the results of actuarial valuations using the following assumptions, applied to all periods included in the measurement:

	STRS - as of 7/1/15	OPERS - as of 12/31/15
Valuation date	July 1, 2015	December 31, 2015
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
Wage 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

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE H – PENSION PLANS (Continued)

The total pension liability for 2015 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
Wage 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 2016 target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

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	20.70%	5.84%
Alternatives	14.00%	5.50%	Real Estate	10.00%	4.25%
Fixed Income	18.00%	1.25%	Private Equity	10.00%	9.25%
Real Estate	10.00%	4.25%	International Equity	18.30%	7.40%
Liquidity Reserves	1.00%	0.50%	Other Investments	18.00%	4.59%
Total	<u>100%</u>	<u>5.11%</u>	Total	<u>100%</u>	<u>5.27%</u>

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE H – PENSION PLANS (Continued)

The 2015 target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

Investment Category	STRS		Investment Category	OPERS	
	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	100%	5.11%	Total	100%	5.28%

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

Plan	1.00 percent decrease		Current Discount Rate		1.00 percent increase	
STRS	6.75%	151,439	7.75%	109,022	8.75%	73,151
OPERS	7.00%	67,761	8.00%	42,409	9.00%	21,033
		<u>\$ 219,200</u>		<u>\$ 151,431</u>		<u>\$ 94,184</u>

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

Payable to the Pension Plans: At June 30, 2016 and 2015 the College reported payables of \$1,413,083 and \$1,407,523, respectively, for the outstanding amounts of contributions required for the years then ended.

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, 2016 and 2015 an employee in an OPERS eligible position contributed 10 percent of his or her earned income to their ARP account, while the College paid 13.23 percent into his or her ARP account and the remaining .77 percent was paid to OPERS.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE H – PENSION PLANS (Continued)

An employee in an STRS Ohio eligible position contributed 13 percent and 12 percent of his or her earned income to his or her ARP account in the years ended June 30, 2016 and 2015, 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, 2016 and 2015, were as follows:

<u>Year</u>	<u>ARP</u>
2016	\$470,484
2015	\$446,254

NOTE I – OTHER POSTEMPLOYMENT BENEFITS

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

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment healthcare benefits. The portion of employer contributions allocated to health care for members in the traditional and combined plans was 1.0 percent during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2 percent for both plans, and that rate has remained in effect through 2016. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the healthcare benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the College’s 2016, 2015, and 2014 contributions required and made to OPERS used to fund postretirement benefits was approximately \$635,500, \$666,700, and \$539,500, 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the healthcare costs in the form of a monthly premium.

Under Ohio Law, funding for postemployment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of the covered payroll was allocated to postemployment health care for the year ended June 30, 2014. Effective July 1, 2014, 0 percent of covered payroll was allocated to postemployment health care. The portion of the College’s 2016, 2015, and 2014 contributions required and made to STRS Ohio used to fund post-employment benefits was \$0, \$0, and \$395,000, respectively.

(Continued)

SINCLAIR COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016 and 2015

NOTE J – INSURANCE

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

The College is self-insured for certain employee health benefit programs. Funding for these programs is based on actuarial projections provided by the plan administrators. The College also offers a high deductible health savings account option for its employees. Aggregate and specific stop loss insurance is maintained for benefit payments that exceed the maximum limits outlined in the policy. The claims liability of approximately \$1,237,000 reported at June 30, 2016 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 of Year	Current Year Claims	Claims Payments	Balance at End of Year
2016	\$ 1,257,000	\$ 8,344,516	\$ 8,364,516	\$ 1,237,000
2015	1,300,000	7,924,981	7,967,981	1,257,000
2014	1,294,000	8,073,056	8,067,056	1,300,000

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 K – CONTINGENCIES

The College receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. As of June 30, 2016 the College is not aware of any potential disallowances.

NOTE L – SINCLAIR COMMUNITY COLLEGE FOUNDATION

The financial statements of the Sinclair Community College Foundation (the “Foundation”) are included in this report in accordance with GASB Statement No. 61, *The Financial Reporting Entity – Omnibus*. This statement amended GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*. to provide additional guidance to determine whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary entity. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of an institution.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE L – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

The Foundation is a 501(c)(3) charitable foundation with its own governing board. The Foundation is operated for the benefit of the College, and raises funds that are used to provide student scholarships and to support specific activities and projects proposed by faculty and staff that are related to the College's educational mission. The Foundation's consolidated statements of financial position and consolidated statements of activities and changes in net assets for the years ended December 31, 2015 and 2014 are discretely presented following the corresponding College financial statements.

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

Complete financial statements for the Foundation can be obtained from the Sinclair Community College Foundation at 444 W. Third St., Room 7230, Dayton, Ohio 45402.

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

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

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The Foundation had no Level 1 investments at December 31, 2015 and 2014.

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

	<u>2015</u>	<u>2014</u>
Fixed-income security funds	\$ 4,371,887	\$ 4,705,689
Equity funds	<u>20,527,529</u>	<u>21,461,990</u>
Total	<u>\$24,899,416</u>	<u>\$26,167,679</u>

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. The Foundation had no Level 3 investments at December 31, 2015 and 2014.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE L – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

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

Pledges Receivable: As the collection of pledges is estimated to be probable, the Foundation recorded a receivable of \$1,298,119 and \$615,606, representing the present value of those pledges receivable at December 31, 2015 and 2014, 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 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 570,942	\$ 207,514
One to five years	584,270	215,870
More than five years	<u>214,510</u>	<u>214,510</u>
	1,369,722	637,894
Allowance for doubtful accounts	(22,114)	(8,186)
Discount	<u>(49,489)</u>	<u>(14,102)</u>
	<u>\$ 1,298,119</u>	<u>\$ 615,606</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.

Support to the College: During the years ended June 30, 2016 and 2015, the Foundation provided resources of \$4,224,733 and \$4,216,608, respectively, to or on behalf of the College for restricted purposes.

(Continued)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE L – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

Land and Buildings:

Capital assets consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 4,290,853	\$ 4,281,836
Buildings	<u>882,783</u>	<u>882,783</u>
Total cost	5,173,636	5,164,619
Accumulated depreciation	<u>(126,531)</u>	<u>(91,220)</u>
	<u>\$ 5,047,105</u>	<u>\$ 5,073,399</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.

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION

SINCLAIR COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2016 and 2015

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

	2016	2015
College's proportion of the collective STRS net pension liability:		
As a percentage	0.39448%	0.38931%
Amount	\$109,021,783	\$94,694,808
College's covered-employee payroll	\$40,430,982	\$40,979,167
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	269.65%	231.08%
STRS fiduciary net position as a percentage of the total pension liability	72.10%	74.71%

Schedule of College's Contributions - STRS

	2016	2015
Statutorily required contribution	\$5,761,983	\$5,568,809
Contributions in relation to the actuarially determined contractually required contribution	\$5,354,650	\$5,779,151
Contribution deficiency (excess)	\$407,333	(\$210,342)
Covered employee payroll	\$37,639,320	\$40,430,982
Contributions as a percentage of covered employee payroll	14.23%	14.29%

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

	2016	2015
College's proportion of the collective OPERS net pension liability:		
As a percentage	0.24594%	0.25480%
Amount	\$42,408,738	\$30,631,908
College's covered-employee payroll	\$33,966,463	\$35,863,448
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	124.85%	85.41%
OPERS fiduciary net position as a percentage of the total pension liability	81.19%	86.53%

Schedule of College's Contributions - OPERS

	2016	2015
Statutorily required contribution	\$4,783,467	\$4,883,767
Contributions in relation to the actuarially determined contractually required contribution	\$4,763,754	\$4,666,770
Contribution deficiency (excess)	\$19,713	\$216,997
Covered employee payroll	\$33,754,216	\$33,044,576
Contributions as a percentage of covered employee payroll	14.11%	14.12%

SINCLAIR COMMUNITY COLLEGE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016 and 2015

Changes of Benefit Terms: There were no changes in benefit terms affecting the STRS and OPERS plans for the plan years ended June 30, 2015 and December 31, 2015, respectively.

Changes of Assumptions: There were no changes in assumptions or plan amendments affecting the STRS and OPERS plans for the plan years ended June 30, 2015 and December 31, 2015, respectively.

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, 2016 and its discretely presented component unit as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated November 15, 2016. Our report includes reference to other auditors who audited the financial statements of the Sinclair Community College Foundation, as described in our report on Sinclair Community College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To Management and the Board of Trustees
Sinclair Community College

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sinclair Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Plante & Moran, PLLC

November 15, 2016

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

Independent Auditor's Report

To the Board of Trustees
Sinclair Community College

Report on Compliance for Each Major Federal Program

We have audited Sinclair Community College's (the "College") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sinclair Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Sinclair Community College's compliance.

To the Board of Trustees
Sinclair Community College

Opinion on Each Major Federal Program

In our opinion, Sinclair Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Sinclair Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sinclair Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Plante & Moran, PLLC

November 15, 2016

Sinclair Community College

Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Total Amount Provided to Subrecipients	Federal Expenditures
Clusters:				
Student Financial Assistance Cluster - U.S. Department of Education:				
Federal Work Study Program	84.033	N/A	\$	263,071
Federal Supplemental Education Opportunity Grant Program	84.007	N/A		455,796
Federal Pell Grant Program	84.063	N/A		24,878,706
Federal Direct Student Loans	84.268	N/A		<u>27,164,854</u>
Total Student Financial Assistance Cluster				52,762,427
Trio Cluster - U.S. Department of Education:				
Trio Upward Bound	84.047A	N/A		567,165
Trio Student Support Services	84.042A	N/A		282,031
Trio Talent Search Program	84.044A	N/A		<u>243,231</u>
Total Trio Cluster				1,092,427
Research and Development Cluster - National Science Foundation:				
NSF - Virtual Online Tensile Strength Testing Simulation	47.076	N/A	\$ 4,693	18,180
NSF - Leadership Capacity BLDG	47.076	N/A	72,385	106,500
NSF - Lead with Guitars in STEM	47.076	N/A	135,111	312,405
NSF - Increasing Technican Preparedness in the Built Environmei	47.076	N/A		2,264
NSF - Creating Pathways for Big Data Careers - Pass-through Education Development Center, Inc.	47.076	I1947		12,912
NCE Supply Chain Technology Education - Pass-through Riverside Community College District	47.076	DUE-I104176		80,374
NSF - The Ohio LSAMP Alliance - Pass-through The Ohio State University	47.076	60042097-SCC	<u>-</u>	<u>24,912</u>
Total Research and Development Cluster			212,189	557,547
TANF Cluster - Department of Health and Human Services - 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, & CE#500019		304,120
Other federal awards:				
Department of Agriculture - Child and Adult Care Food Program - Pass-through State of Ohio Department of Education	10.558	063362		33,048
Department of Defense - The Dayton Plan for Economic Diversity - Pass-through Wright State Applied Research Corporation	12.614	1082-004		55,717
Department of Justice - BJA Bulletproof Vest Program	16.738	N/A		6,128
Department of Labor - Trade Adjustment Assistance Community College and Career Training Grant Program - Pass-through Lorain County Community College	17.282	1553	1,054,556	2,637,808
National Aeronautics and Space Administration - CC-Stars! Bridge Program - Pass-through Ohio Space Grant Consortium	43.008	NNX14AR49A		24,675
Department of Veterans Affairs - VA Annual Reporting Fee	64.027	N/A		2,568
Department of Energy Energy - Efficiency Training Program - Pass-through University of Dayton	81.041	RSC15052		88,084

See Notes to Schedule of Expenditures
of Federal Awards.

Sinclair Community College

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2016

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Total Amount Provided to Subrecipients	Federal Expenditures
Other federal awards (Continued):				
U.S. Department of Education:				
Connect for Completion	84.031A	N/A		\$ 409,484
Career and Technical Education - Basic Grants to States - Pass-through State of Ohio Department of Education	84.048	20-C2 2005		<u>369,236</u>
Total Department of Education				778,720
Corporation for National Community and Service -				
AmeriCorps for Mentoring Collaborative - Pass-through Ohio Commission on Service and Volunteerism	94.006	15AFH-1502-16-OC103		<u>185,112</u>
Total federal awards			<u>\$ 1,266,745</u>	<u>\$ 58,528,381</u>

Sinclair Community College

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Sinclair Community College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Sinclair Community College.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, in the year ended June 30, 2016, Sinclair Community College carried back and spent \$21,335 of Federal Work Study (FWS) Program (84.033) funds and \$18,860 of Federal Supplemental Education Opportunity Grant (FSEOG) Program (84.007) funds in 2014-2015. The College carried forward \$24,678 of FWS Program (84.033) funds and \$28,898 of FSEOG Program (84.007) funds from the 2015-2016 award year to be spent in the 2016-2017 award year.

Sinclair Community College

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

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

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

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

Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, and 84.268	Student Financial Assistance Cluster
17.282	Trade Adjustment Assistance Community College and Career Training Grant Program

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

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

Sinclair Community College

Summary Schedule of Prior Audit Findings Year Ended June 30, 2016

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2015-001	Student Financial Aid Cluster - Federal Pell Grant Program - 84.063	Of the 25 students selected for testing, one refund did not occur within 45 days of the College determining the student withdrew.	Fully corrected	N/A

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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
DECEMBER 27, 2016**