

SINCLAIR COMMUNITY COLLEGE
Dayton, Ohio

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**
June 30, 2018 and 2017



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, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 21, 2018

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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, 2018 and 2017 and its discretely presented component unit as of June 30, 2018 and December 31, 2017 and for the six months ended June 30, 2018 and the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise Sinclair Community 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 Sinclair Community College Foundation (the "Foundation"), which is the sole discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us and, our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 respective financial position of Sinclair Community College as of June 30, 2018 and 2017 and its discretely presented component unit, the Foundation, as of June 30, 2018 and December 31, 2017 and for the six months ended June 30, 2018 and the year ended December 31, 2017 and the respective changes in their 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.

To the Board of Trustees
Sinclair Community College

Emphasis of Matter

As discussed in Note A to the basic financial statements, effective July 1, 2017, the College adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the College's proportionate share of the net pension liability, the schedules of College's pension contributions, the schedules of the College's proportionate share of the net OPEB liability, and the schedules of College's OPEB contributions 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 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.



SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2018 and 2017

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

This management's discussion and analysis (MD&A) of Sinclair Community College's (the "College" or Sinclair) financial performance provides an overview of the College's financial activities for the fiscal years ended June 30, 2018 and 2017. Please read it in conjunction with the College's financial statements, which begin on page 20.

Financial and Institutional Highlights

Sinclair Community College realized many important achievements in fiscal 2018 as related to its mission and strategic priorities. Several of these are discussed below.

- Chief among the milestones attained by the College was its reaffirmation of accreditation by the Higher Learning Commission (HLC). Regional accreditation not only signifies quality but also enables the College to participate in federal college aid programs promulgated under Title IV. The combination of these benefits ensure that Sinclair students receive a marketable education at a reasonable cost.
- Sinclair's financial health remains strong due to the prudent planning and vigilance of the Board of Trustees, administration and other College leaders. The College's financial accountability score pursuant to Ohio Senate Bill 6 is among the highest in the state and a perfect score of 5.0 was achieved for the latest year reported.
- *Citizens for Sinclair* successfully passed a renewal (no tax increase) of Sinclair's Montgomery County 3.2 mill tax levy with a voter approval of 74%, the highest level in the College's history.
- Maintaining a longstanding commitment to access, affordability and efficiency, Sinclair's tuition for Montgomery County residents remained the lowest in the State of Ohio.
- A comprehensive strategic planning process was undertaken in 2018 which resulted in the Board of Trustee's adoption of alignment, growth and equity as the three top-level strategic priorities.
- The College continues to enjoy success with the *College Credit Plus* program, a State of Ohio initiative to provide college credit courses to high school students. Roughly 5,300 students from over one hundred high schools were enrolled during fiscal 2018 representing a 23% increase.
- The College made forward progress on student success initiatives, which have resulted in higher course completion rates and more students completing degrees and certificates (a record number of 5,800 degree and certificates were earned in fiscal 2018). This has contributed to Sinclair's receiving an increased share of performance-based state funding for the past three years.
- The State of Ohio approved Sinclair's first two bachelor's degrees in Unmanned Aerial Systems and Aviation.
- The opening of a \$32 million dollar Health Sciences Center in August 2017 highlighted a busy year of progress on the College's campus master plan. As the next major master plan project, the Board of Trustees approved \$13 million for creating an Integrated Student Services Center by renovating Buildings 10 and 11. The new center will allow for transformational improvements in the flow of services and processes to better assist students and will result in establishing a true "front door" to the College.
- During 2018, the College purchased a 100,000 square foot property on 40 acres in Centerville, Ohio, for the purpose of establishing a regional learning center in southern Montgomery County.
- The College continued to demonstrate an exceptional level of commitment to teaching and learning in fiscal 2018 by devoting 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.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2018 and 2017

Financial Management Philosophy and Accountability

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

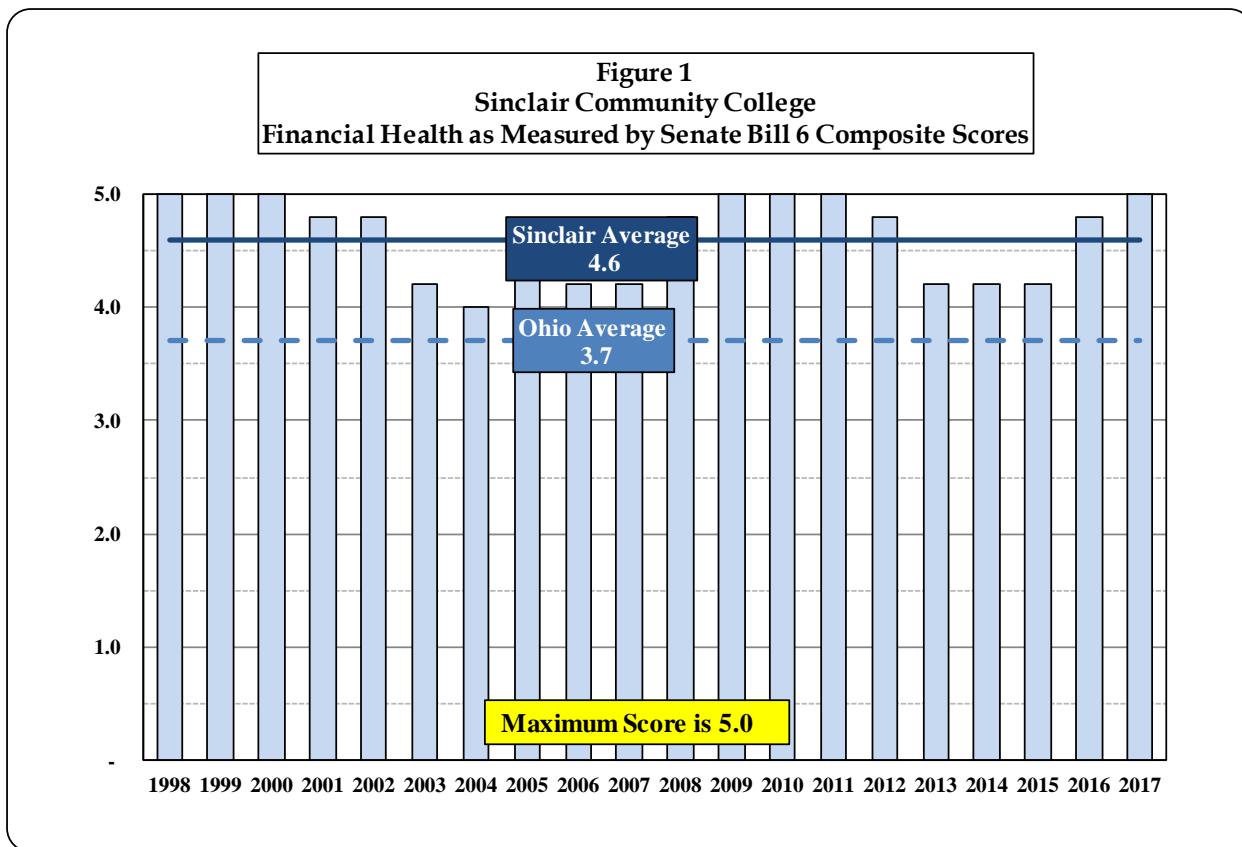
- ***Use money as a tool to accomplish the mission:*** Money is a tool used in fulfilling our service mission, but is not an end in itself.
- ***Employ results-oriented spending:*** This is generally tied to an expectation of clear mission results.
- ***Focus on long-term stability:*** Use financial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

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



SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2018 and 2017

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



Overview of the Financial Statements

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

- Statements of net position
- Statements of revenues, expenses, and changes in net position
- Statements of cash flows

The statements are prepared on an accrual basis and present all assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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, 2018 and 2017 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, 2018 and 2017

Governmental Accounting Standards Board (GASB) Statements No. 68 and 75

GASB 68, *Accounting and Financial Reporting for Pensions*, requires the College to report a share of the unfunded liabilities of Ohio's state retirement systems, in its statements of net position in 2018 and 2017, and its impact in 2018 and 2017 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. **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.**

Effective July 1, 2017, GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the College to report a share of the unfunded liabilities of the Ohio's state retirement systems, related to the postemployment benefits (OPEB) other than pension, in its statements of net position in 2018 and its impact in 2018 on the statements of revenues, expenditures and changes in net position. The amount of the OPEB liability reported on the statements of net position equals the College's proportionate share of the unfunded OPEB liabilities of the state systems that are associated with the current, former and retired College employees and their beneficiaries. **However, under Ohio law, there is no legal means to enforce the State systems' OPEB liabilities reported under GASB 75 against the College or any other Ohio public employer. Consequently, the reader should keep that in mind when reviewing the financial statements and considering Sinclair's real financial position and operational results.**

Net Position

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

The College's total net position can be viewed as being comprised of five components: 1) capital assets, 2) externally restricted net position, 3) unrestricted net position resulting from College operations, 4) unrestricted net position related to pension activity and 5) unrestricted net position related to OPEB activity. In the discussion that follows, it will be helpful to keep in mind that two major types of transactions do not change the value of total net position. These are:

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

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2018 and 2017

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

	June 30,		
	2018	2017	2016
Assets:			
Current assets	\$ 54.7	\$ 67.3	\$ 67.1
Investments	129.0	127.0	127.8
Capital assets, net	<u>167.2</u>	<u>150.5</u>	<u>133.4</u>
Total assets	350.9	344.8	328.3
Deferred outflows of resources - pension activity *	35.3	40.4	26.3
Deferred outflows of resources - other postemployment benefit activity *	<u>2.8</u>	-	-
Total assets and deferred outflows	<u>389.0</u>	<u>385.2</u>	<u>354.6</u>
Liabilities:			
Current liabilities	22.4	24.7	22.1
Long-term liabilities	5.0	4.7	4.5
Net pension liability *	119.7	172.6	151.4
Net other postemployment benefit liability *	<u>41.5</u>	-	-
Total liabilities	<u>188.6</u>	<u>202.0</u>	<u>178.0</u>
Deferred inflows of resources:			
Property tax levy	37.7	37.5	37.3
Pension activity *	22.5	10.7	9.5
Other postemployment benefit activity *	<u>3.8</u>	-	-
Total deferred inflows	<u>64.0</u>	<u>48.2</u>	<u>46.8</u>
Total liabilities and deferred inflows	<u>252.6</u>	<u>250.2</u>	<u>224.8</u>
Net position:			
Investment in capital assets	167.2	150.5	133.4
Restricted - expendable	2.1	2.6	2.7
Unrestricted - operations	116.5	124.8	128.4
Unrestricted - pension activity *	<u>(106.9)</u>	<u>(142.9)</u>	<u>(134.7)</u>
Unrestricted - other postemployment benefit activity *	<u>(42.5)</u>	-	-
Total net position	<u>136.4</u>	<u>135.0</u>	<u>129.8</u>
Total liabilities, deferred inflows and net position	<u>\$ 389.0</u>	<u>\$ 385.2</u>	<u>\$ 354.6</u>

* Line item related to pension or OPEB accounting

TABLE 1A
NET POSITION EXCLUDING PENSION AND OPEB ACCOUNTING
(in millions of dollars)

	June 30,		
	2018	2017	2016
Investment in capital assets	\$ 167.2	\$ 150.5	\$ 133.4
Restricted - expendable	2.1	2.6	2.7
Unrestricted - operations	116.5	124.8	128.4
Total net position excluding pension & OPEB	<u>\$ 285.8</u>	<u>\$ 277.9</u>	<u>\$ 264.5</u>

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2018 and 2017

Fiscal 2018

Total net position at June 30, 2018 was \$136.4 million (Table 1). Liabilities of \$27.4 million, exclusive of the net pension and OPEB liabilities, were only 7.8% of total assets of \$350.9 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 and OPEB liability of \$161.2 million, pension and OPEB deferred outflows of resources of \$38.1 million, and pension and OPEB deferred inflows 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 \$37.7 million - see Notes A and F for a discussion.

Net position exclusive of pension and OPEB activity (Table 1A) improved by \$7.9 million (from \$277.9 million to \$285.8 million) in fiscal 2018. The increase had these components:

- A net increase from operations of \$10.3 million after depreciation expenses of \$12.1 million, but exclusive of the change in the fair value of investments
- A decrease in the fair value of investments of \$2.4 million; that is, net unrealized gains (losses) in the investment portfolio decreased from \$2.2 million at June 30, 2017 to \$(0.2) million at June 30, 2018

Also in fiscal 2018, capital asset acquisitions consumed approximately \$28.8 million of unrestricted and restricted net position and added a corresponding amount to capital assets.

Fiscal 2017

Total net position at June 30, 2017 was \$135.0 million (Table 1). Liabilities of \$29.4 million, exclusive of the net pension liability, were only 8.5% of total assets of \$344.8 million, primarily due to the fact that the College has purposely avoided long-term debt by strategically using various funding sources, including state capital appropriations, to manage growth and maintain a low level of deferred infrastructure maintenance. The College reported a net pension liability of \$172.6 million, pension deferred outflows of resources of \$40.4 million, and pension deferred inflows of resources of \$10.7 million. A fuller discussion of pension reporting can be found in Notes A and H of this report. Deferred inflows of resources also include future property tax levy receipts of \$37.5 million - see Notes A and F for a discussion.

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

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

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

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position (SRECPN) shown in Table 2 present the College's operating results for fiscal years 2018, 2017, and 2016. Table 2A presents a summary of the statements excluding the impact of pension and OPEB accounting. The following narrative provides an overview of the key elements in the SRECPN.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2018 and 2017

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

	Year ended June 30,		
	2018	2017	2016
Operating revenues:			
Student tuition and fees, net of grants and scholarships	\$ 28.0	\$ 28.3	\$ 26.7
Federal grants and contracts	4.7	4.6	5.9
State and local grants and contracts	1.8	1.9	2.1
Nongovernmental grants and contracts	3.8	4.5	6.0
Sales and services of educational departments	1.2	1.6	1.2
Auxiliary enterprises, net of grants and scholarships	9.1	8.4	8.1
Other	2.0	1.8	1.2
Total operating revenues	<u>50.6</u>	<u>51.1</u>	<u>51.2</u>
Operating expenses:			
Instruction	28.6	72.8	66.4
Public service	3.0	3.0	2.7
Academic support	12.0	12.5	13.7
Student services	19.9	18.5	17.7
Institutional support	19.3	19.7	17.9
Plant operations and maintenance	13.4	12.9	12.4
Depreciation	12.1	11.3	11.9
Student aid	6.2	6.0	6.4
Auxiliary enterprises	10.1	10.5	11.3
Total operating expenses	<u>124.6</u>	<u>167.2</u>	<u>160.4</u>
Nonoperating and other revenues:			
State appropriations	48.1	47.7	45.1
County tax levy	38.1	37.5	33.1
Federal student aid grant programs	24.7	23.5	25.5
State student aid grant programs	1.2	1.0	1.2
Investment income	3.2	3.3	2.7
Net change in the fair value of investments	(2.4)	(2.5)	0.6
Capital grants	7.0	10.8	6.1
Total nonoperating and other revenues	<u>119.9</u>	<u>121.3</u>	<u>114.3</u>
Change in net position			
Net position:	45.9	5.2	5.1
Beginning of year	135.0	129.8	124.7
Adjustment for change in accounting principle	(44.5)	-	-
Net position - beginning of year	<u>90.5</u>	<u>129.8</u>	<u>124.7</u>
End of year	<u>\$ 136.4</u>	<u>\$ 135.0</u>	<u>\$ 129.8</u>

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2018 and 2017

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

	2018	2017	2016
Operating revenues:			
Student tuition and fees, net of grants and scholarships	\$ 28.0	\$ 28.3	\$ 26.7
Federal grants and contracts	4.7	4.6	5.9
State and local grants and contracts	1.8	1.9	2.1
Nongovernmental grants and contracts	3.8	4.5	6.0
Sales and services of educational departments	1.2	1.6	1.2
Auxiliary enterprises, net of grants and scholarships	9.1	8.4	8.1
Other	2.0	1.8	1.2
Total operating revenues	50.6	51.1	51.2
Operating expenses:			
Instruction	70.2	69.7	66.1
Public service	3.0	3.0	2.7
Academic support	11.6	11.7	13.5
Student services	18.5	17.0	17.3
Institutional support	17.8	17.3	17.3
Plant operations and maintenance	13.1	12.5	12.3
Depreciation	12.1	11.3	11.9
Student aid	6.2	6.0	6.4
Auxiliary enterprises	10.1	10.5	11.3
Total operating expenses	162.6	159.0	158.8
Nonoperating and other revenues:			
State appropriations	48.1	47.7	45.1
County tax levy	38.1	37.5	33.1
Federal student aid grant programs	24.7	23.5	25.5
State student aid grant programs	1.2	1.0	1.2
Investment income	3.2	3.3	2.7
Net change in the fair value of investments	(2.4)	(2.5)	0.6
Capital grants	7.0	10.8	6.1
Total nonoperating and other revenues	119.9	121.3	114.3
Change in net position			
	7.9	13.4	6.7
Net position:			
Beginning of year	277.9	264.5	257.8
End of year	<u>\$ 285.8</u>	<u>\$ 277.9</u>	<u>\$ 264.5</u>

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2018 and 2017

Revenues (Operating, Nonoperating)

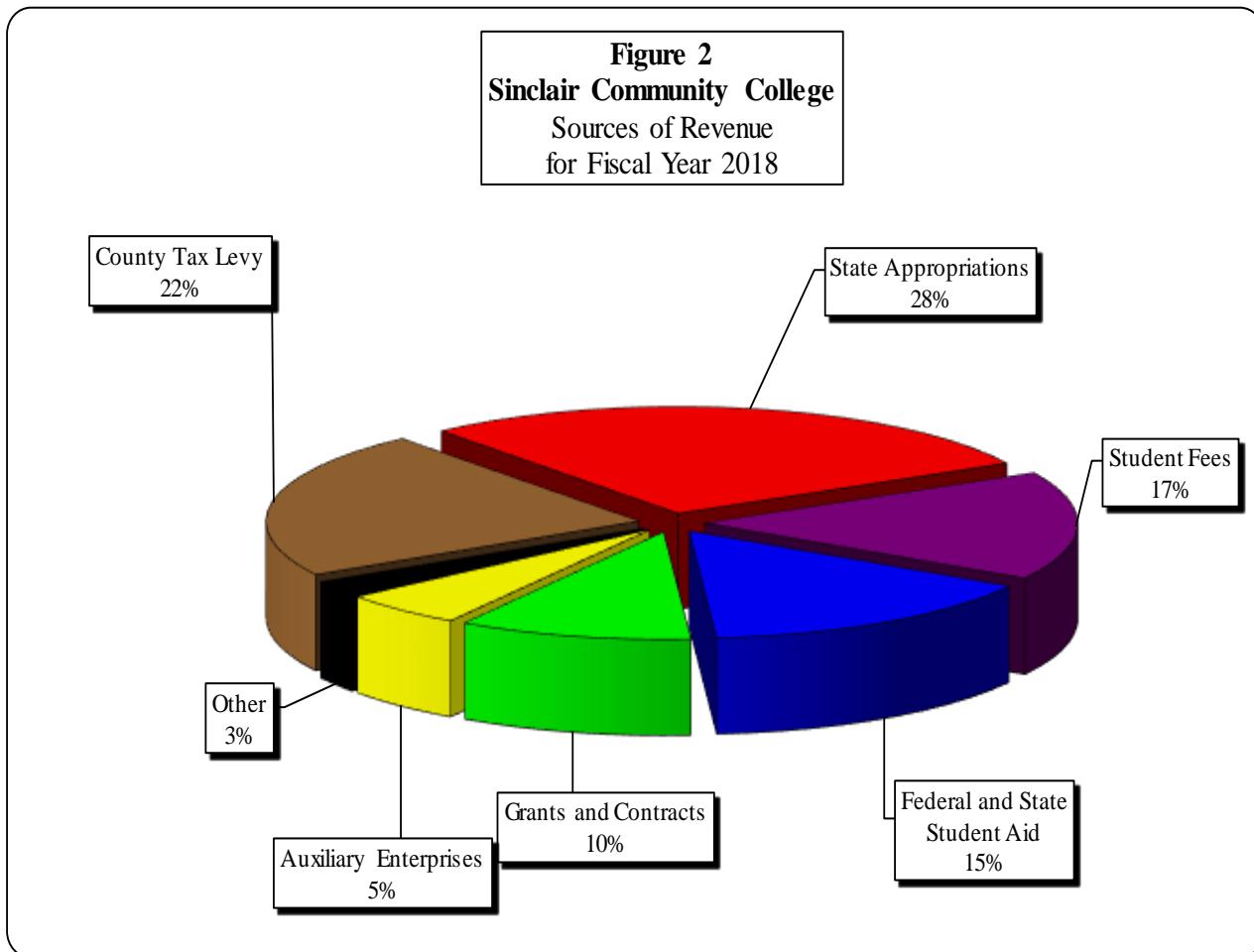
- Operating revenue of the College is defined as payments received for goods and services provided, and is composed mainly of tuition and fees, federal and state grants, and income from auxiliary operations. (*Note: In accordance with the required reporting display, gross tuition and fees on the condensed SRECNP are reduced by grants and scholarships used to help pay those charges, resulting in net tuition revenue.*)
 - In fiscal 2018, operating revenue decreased slightly by \$0.5 million, compared to prior year, due to a slight decrease in net student tuition and fees (attributable to an increase in Pell grants and other student scholarships), state and local grants and contracts, nongovernmental grants and contracts, and sales and services of educational departments offset by an increase in federal grants and contracts, auxiliary enterprises and other income. Other income increased due to contributions for the Health Sciences Center from donors. A decrease in nongovernmental grants and contracts primarily relates to the completion of a private grant.
 - In fiscal 2017, operating revenue remained flat, compared to prior year, due to an increase in net student tuition and fees and other income offset by a decrease in federal grants and contracts and nongovernmental grants and contracts. A decrease in Pell loans taken out by students was the main cause for the increase in net student tuition and fees revenue. Other income increased due to contributions for the Health Sciences Center from donors. Federal grants and contracts decreased due to the fulfillment of the Department of Labor grant in prior year. Finally, a decrease in nongovernmental grants and contracts is primarily due to qualifications of specific criteria related to scholarships.
- Nonoperating revenue includes state appropriations, county property tax levy receipts, certain government grants, investment income, and state capital grants.
 - In fiscal 2018, nonoperating revenue decreased \$1.4 million or (1.2)% versus the previous year due to the following:
 - State appropriations were \$0.4 million, or 0.8%, higher than the prior year. This increase resulted from the College's increased share of performance-based funding.
 - County tax levy revenue was up \$0.6 million due to a slight increase in property tax collections in Montgomery County.
 - Federal student aid revenues was up by \$1.2 million primarily due to additional Pell grants.
 - A \$3.8 million decrease in capital grants was primarily due to \$8.0 million of state capital grants received in 2017 for the Health Sciences Center partially offset by state capital grants received in 2018 for the Integrated Student Services Center and other capital projects.
 - The fair value of investments decreased by \$2.4 million over the prior year. These amounts mainly reflect changes in the net unrealized gains/losses associated with investments held by the College. Those changes are primarily the result of price movements in the fixed income securities year over year. At June 30, 2018, the portfolio includes \$(0.2) million in net unrealized losses.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2018 and 2017

- In fiscal 2017, nonoperating revenue increased \$7.0 million or 6.1% over the previous year due to the following:
 - State appropriations were \$2.6 million, or 5.8%, higher than the prior year. This increase was due to additional higher education funding, appropriated to partially offset a mandated freeze in tuition, coupled with the College's increased share of performance-based funding.
 - County tax levy revenue was up \$4.4 million due to full year receipts versus a partial year in 2016 from the 1 mill levy (Levy B), which was passed by voters in November 2015.
 - Federal student aid revenues declined by \$2.0 million as the result of changes in student Pell Grant eligibility.
 - A \$4.7 million increase in capital grants was due to revenue from state capital grants related to construction of Health Science Center building.
 - Investment income and the fair value of investments decreased by \$2.5 million over the prior year. These amounts mainly reflect changes in the net unrealized gains/losses associated with investments held by the College. Those changes are primarily the result of price movements in the fixed income securities year over year. At June 30, 2017, the portfolio includes \$2.2 million in net unrealized gains.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2018 and 2017

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



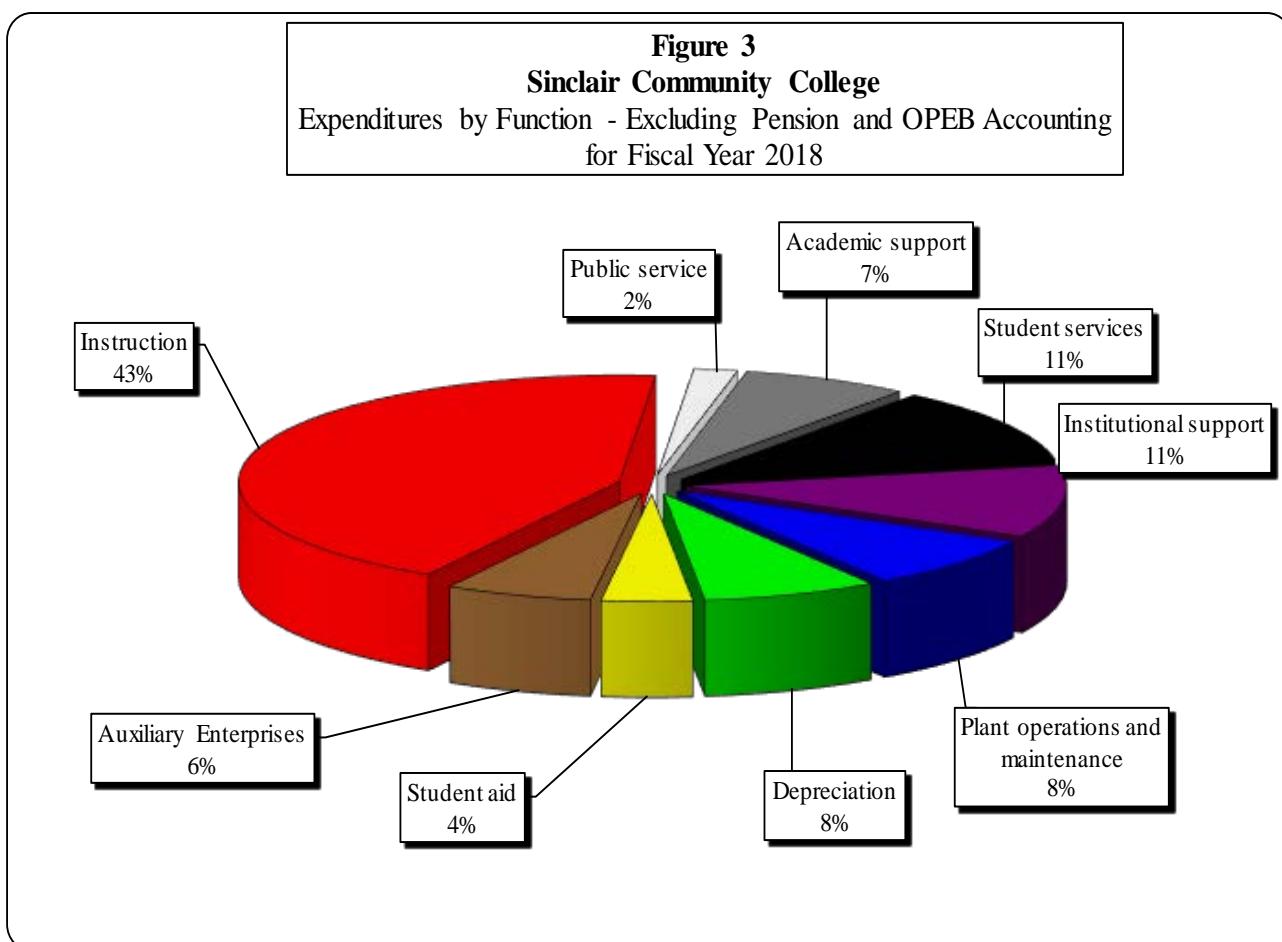
Operating Expenses

- Operating expenses are those expenditures related to the College's educational programs and services. **Note that pension and OPEB accounting related expense impacts are included in operating expenses (\$38.0 million decrease in 2018 and \$8.2 million increase in 2017).**
 - Total operating expenses decreased by \$42.6 million or 25.5% in 2018 due to the aforementioned net impacts of pension and OPEB accounting changes. Regarding the \$38.0 million decrease from pension and OPEB accounting in 2018, this is comprised of a decrease of approximately \$43.7 million related to STRS with a corresponding increase of approximately \$5.7 million related to OPERS. The STRS reduction primarily impacted the instruction category with a reduction of \$41.7 million while other categories (all categories of OPERS and non-instructional categories of STRS) collectively increased by \$3.7 million. The \$8.2 million increase in 2017 affected all functional categories. Exclusive of the pension and OPEB expenses, operating expenses in 2018 increased by only \$3.6 million or 2.2%. The College continues to be proactive in controlling costs through efficiency and restructuring initiatives while investing new resources for supporting student access and success.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2018 and 2017

- Operating expenses in total increased by \$6.8 million or 4.2% in 2017 due to the net impact of GASB 68 pension accounting changes. Pension accounted for \$8.2 million of expense in 2017 and \$1.6 million in 2016, and impacted most of the functional category comparisons. Exclusive of the pension expenses, operating expenses in 2017 were virtually the same as in 2016. The College continues to be proactive in reducing costs through efficiency and restructuring initiatives.

Figure 3 breaks out Sinclair's total operating expenses by functional category excluding the impacts of pension and OPEB accounting.



**SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2018 and 2017**

Cash Flows

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

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

	Years Ended June 30,		
	2018	2017	2016
Cash (used in) provided by:			
Operating activities	\$ (101.2)	\$ (94.7)	\$ (96.7)
Non-capital financing activities	112.0	111.0	106.0
Capital and related financing activities	(21.8)	(17.1)	(5.2)
Investing activities	(1.3)	1.0	(28.8)
Net (decrease) increase in cash and cash equivalents	(12.3)	0.2	(24.7)
Cash and cash equivalents, beginning of year	16.2	16.0	40.7
Cash and cash equivalents, end of year	\$ 3.9	\$ 16.2	\$ 16.0

Capital Assets

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

- Building improvement projects on the Dayton campus in 2018 and 2017 include the construction of the Health Sciences Center, which opened in August 2018.
- Other projects in 2018 include the purchase of the Centerville Learning Center, replacement of air handlers and windows, and renovations to Blair Hall. Other projects in 2017 include emergency call station replacements, installation of new generators and renovation of restrooms.
- Additions to equipment inventory in 2018 included replacement of IT systems, police vehicles, automotive equipment, ambulance simulator, and Health Science Center equipment. Additions to equipment inventory in 2017 included replacement of IT systems, 3D printers, machining laboratories, and Health Sciences Center equipment.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2018 and 2017

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

	2018	2017	2016
Land and improvements	\$ 18.2	\$ 15.4	\$ 15.4
Buildings and improvements	140.4	125.9	110.4
Equipment	8.4	9.0	7.5
Library books	0.2	0.2	0.1
 Total capital assets	<u>\$ 167.2</u>	<u>\$ 150.5</u>	<u>\$ 133.4</u>

Factors Impacting Future Periods

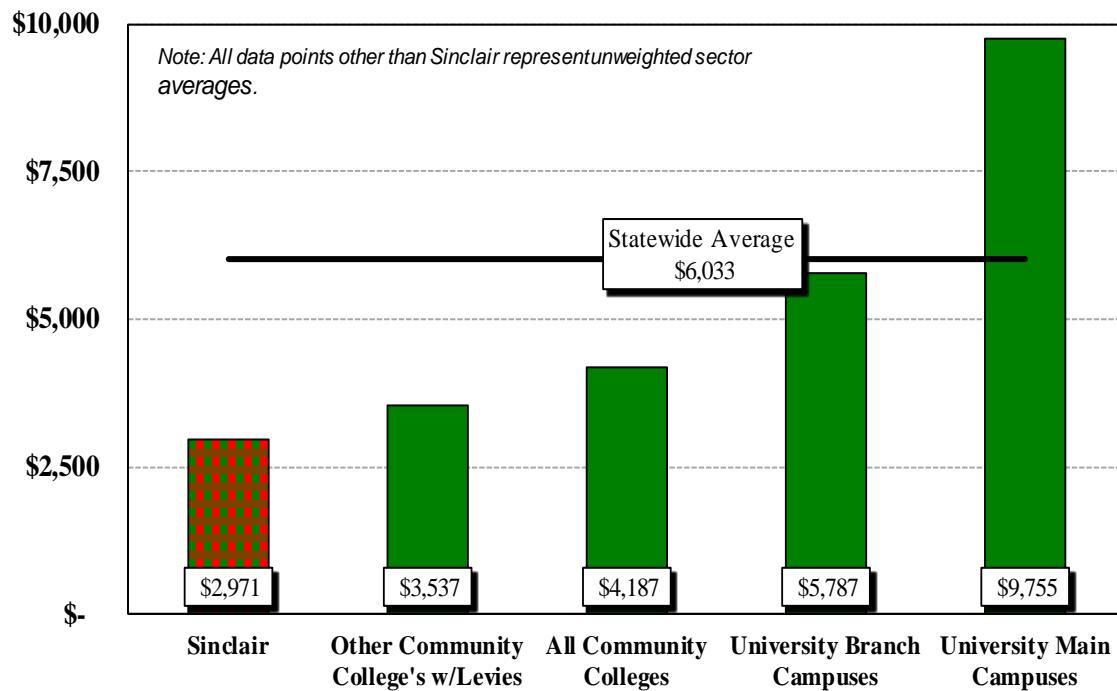
State of Ohio Appropriations: Although the current State of Ohio two-year operating budget (HB49) provided no increase in overall community college funding for fiscal 2019, Sinclair expects to continue to enjoy better than average results in the allocation of dollars through the State's performance-based funding model in 2019 due to its aggressive efforts to increase the number of students successfully completing courses, attaining intermediate milestones and earning degrees/certificates and/or transferring to baccalaureate institutions. Continued improvement in these areas as well as overall enrollment volume will be necessary for the College to continue to realize such gains, especially in light of the forthcoming change in the Governor's office coupled with a new biennial budget commencing in fiscal 2020.

Montgomery County Levy: The two levies of the College are used entirely for expenditures benefiting students who reside in Montgomery County. This support manifests in the form of tuition subsidy and support for services at the Dayton campus. Levy A (3.2 mills, 10 years) was renewed in November of 2017 and is complemented by Levy B (1.0 mill, 8 years), passed for the first time in the fall of 2015. Combined, these levies are expected to account for \$37 million in annual revenue going forward. Property values have recently stabilized after nearly a decade of volatility.

Tuition and Fees: Sinclair's tuition for Montgomery County residents remains the lowest in the state of Ohio (see Figure 4 for a comparison of Sinclair's tuition rate versus other Ohio public institutions of higher education). The current State of Ohio two-year operating budget (HB49) froze tuition for community colleges in fiscal 2018 while permitting an increase of up to \$10 per credit hour in fiscal 2019. The College did increase tuition by \$10 per credit hour for fall semester in 2018. The aforementioned change in gubernatorial administration and forthcoming biennial budget portend a bit of uncertainty in this regard.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2018 and 2017

Figure 4
Annualized Tuition - Fall 2017 (FY 2018)
Source: Ohio Dept. of Higher Education Annual Survey



Student Enrollments: After a period of significant growth, community colleges nationally and in the State of Ohio have experienced a softening of enrollment due to normal business cycles and improvement in the economy. Sinclair's enrollments remained stable in fiscal 2018 vis-à-vis 2017 and are trending positive so far in fiscal 2019. The College expects sustained long-term enrollment growth in light of the heightened importance of college attainment and Sinclair's quality and affordability competitive advantages. The opening of Sinclair's Centerville Learning Center in 2019 will service the demand for educational programs in this rapidly growing region of the community.

Workforce Development and Related Activities: Sinclair will continue to review and refresh its non-credit training and conference center offerings to ensure that the division of Workforce Development is aligned with community needs. Sinclair is a leader in new markets in Unmanned Aerial Systems (UAS), forging important partnerships with various national and regional organizations. In recognition of the importance of UAS to the College's mission, those activities were recently realigned within the organization so as to improve visibility afford greater autonomy to the UAS team.

Campus Master Plan: During fiscal 2018 work began on a new Integrated Student Services Center (ISSC) and the "front door" to the College, construction commenced on new biology labs and existing spaces were re-clustered to optimize efficiency and effectiveness.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2018 and 2017

Sinclair's Strategic Planning: The College undertook a comprehensive strategic planning process during 2018. Participants in the process included the Sinclair College and Foundation Board of Trustees, community leaders, elected officials, faculty, staff and students. This process resulted in the Sinclair Board of Trustee's adoption of alignment, growth and equity as the three top-level strategic priorities. The process also resulted in a set of strategic policy rules and alignment strategies to guide future initiatives.

Efficiency and Accountability: Sinclair has a history of being efficient, affordable, and accountable. In fact, the College has realized over \$40 million in cumulative savings, efficiencies, and cost avoidance during the past ten 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, 2018 and 2017

	2018	2017
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 3,938,948	\$ 16,153,943
Accounts receivable, net	8,093,141	8,415,645
Prepaid expenses	2,806,666	2,999,409
Interest receivable	490,000	489,720
Property tax levy receivable	37,660,633	37,489,644
Inventories	1,696,688	1,718,633
Total current assets	<u>54,686,076</u>	<u>67,266,994</u>
Noncurrent assets:		
Investments	129,022,962	127,010,727
Capital assets, net	<u>167,205,823</u>	<u>150,469,974</u>
Total noncurrent assets	<u>296,228,785</u>	<u>277,480,701</u>
Total assets	350,914,861	344,747,695
Deferred outflows of resources:		
Pension activity	35,315,242	40,400,534
Other postemployment benefits activity	<u>2,844,324</u>	-
Total deferred outflows of resources	<u>38,159,566</u>	<u>40,400,534</u>
Total assets and deferred outflows of resources	<u>\$ 389,074,427</u>	<u>\$ 385,148,229</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Accounts payable and accruals	\$ 5,526,605	\$ 7,725,772
Accrued salaries, wages and benefits	11,136,732	11,004,947
Unearned student fee income	3,981,996	4,181,886
Deposits	<u>1,774,742</u>	<u>1,753,494</u>
Total current liabilities	<u>22,420,075</u>	<u>24,666,099</u>
Noncurrent liabilities:		
Compensated absences	4,992,733	4,666,765
Net pension liability	<u>119,739,302</u>	<u>172,611,550</u>
Net other postemployment benefit liability	<u>41,548,756</u>	-
Total liabilities	<u>188,700,866</u>	<u>201,944,414</u>
Deferred inflows of resources:		
Property tax levy	37,660,633	37,489,644
Pension activity	<u>22,488,107</u>	<u>10,678,241</u>
Other postemployment benefit activity	<u>3,751,092</u>	-
Total deferred inflows of resources	<u>63,899,832</u>	<u>48,167,885</u>
Net position:		
Net investment in capital assets	167,205,823	150,469,974
Restricted – Expendable	2,139,524	2,643,471
Unrestricted	<u>(32,871,618)</u>	<u>(18,077,515)</u>
Total net position	<u>136,473,729</u>	<u>135,035,930</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 389,074,427</u>	<u>\$ 385,148,229</u>

**SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and December 31, 2017**

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
ASSETS		
Cash and cash equivalents	\$ 425,577	\$ 870,689
Investments:		
Fixed income security funds	3,111,190	4,326,405
Equity funds	27,621,410	26,370,916
Venture capital funds	<u>180,869</u>	<u>224,136</u>
Total investments	30,913,469	30,921,457
Pledges receivable, net of allowances of \$7,050 and \$8,695 at June 30, 2018 and December 31, 2017, respectively	559,622	801,425
Land, leased to related party	4,526,086	4,526,086
Buildings, net of accumulated depreciation, leased to related party	<u>667,973</u>	<u>685,629</u>
Total assets	<u>\$ 37,092,727</u>	<u>\$ 37,805,286</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Payable to Sinclair Community College	\$ 915,507	\$ 691,462
Other payables	79,707	79,707
Total liabilities	<u>995,214</u>	<u>771,169</u>
Net assets		
Unrestricted	24,011,619	24,325,106
Temporarily restricted	5,087,694	5,954,311
Permanently restricted	<u>6,998,200</u>	<u>6,754,700</u>
Total net assets	<u>36,097,513</u>	<u>37,034,117</u>
Total liabilities and net assets	<u>\$ 37,092,727</u>	<u>\$ 37,805,286</u>

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2018 and 2017

	2018	2017
Revenues		
Operating revenues:		
Student tuition and fees	\$ 48,102,892	\$ 46,487,434
Less grants and scholarships	<u>(20,113,647)</u>	<u>(18,159,639)</u>
Student tuition and fees, net of grants and scholarships	27,989,245	28,327,795
Federal grants and contracts	4,731,635	4,593,023
State and local grants and contracts	1,784,325	1,941,671
Nongovernmental grants and contracts	3,758,893	4,435,428
Sales and services of educational departments	1,257,980	1,562,766
Auxiliary enterprises:		
Food service	468,008	501,893
Bookstore (net of grants and scholarships of \$2,424,574 and \$3,096,852 in 2018 and 2017 respectively)	5,594,024	5,833,767
Parking	3,043,467	2,075,278
Other operating revenues	<u>2,012,267</u>	<u>1,838,788</u>
Total operating revenues	<u>50,639,844</u>	<u>51,110,409</u>

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2018 and 2017

	2018	2017
Expenses		
Operating expenses:		
Educational and general:		
Instruction	\$ 28,565,589	\$ 72,758,996
Public service	3,031,523	3,001,578
Academic support	12,011,703	12,476,452
Student services	19,866,705	18,477,470
Institutional support	19,254,747	19,756,339
Plant operations and maintenance	13,355,169	12,864,801
Depreciation	12,068,840	11,348,992
Student aid	6,247,879	6,022,720
Auxiliary enterprises:		
Food service	285,265	279,442
Bookstore	7,643,133	8,323,092
Parking	2,189,731	1,900,352
Total operating expenses	<u>124,520,284</u>	<u>167,210,234</u>
Operating Loss	(73,880,440)	(116,099,825)
Nonoperating Revenues (Expense):		
State appropriations	48,058,402	47,741,520
County tax levy	38,139,184	37,481,556
Federal student aid grant programs	24,723,288	23,480,481
State student aid grant programs	1,195,731	1,038,661
Investment income	3,198,285	3,285,687
Net decrease in the fair value of investments	(2,388,101)	(2,527,298)
Total nonoperating revenues	<u>112,926,789</u>	<u>110,500,607</u>
Gain (Loss) before Other Revenues	39,046,349	(5,599,218)
Other Revenues - State Capital Grants	<u>6,958,939</u>	<u>10,806,735</u>
Increase in Net Position	46,005,288	5,207,517
Net Position		
Beginning of year	135,035,930	129,828,413
Adjustment to change in accounting principle	(44,567,489)	-
Net Position - adjusted beginning of year	<u>90,468,441</u>	<u>129,828,413</u>
End of year	<u>\$ 136,473,729</u>	<u>\$ 135,035,930</u>

SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Six months ended June 30, 2018 and year ended December 31, 2017

	<u>2018</u>	<u>2017</u>
Revenue and support:		
Contributions	\$ 652,164	\$ 2,082,906
Net investment income (loss)	(173,805)	5,000,406
Lease Income	<u>80,462</u>	<u>153,426</u>
Total revenue and support	558,821	7,236,738
Expenses:		
Scholarships	602,264	1,128,115
Project support	766,378	1,858,271
Operating expenses	<u>126,783</u>	<u>294,568</u>
Total expenses	<u>1,495,425</u>	<u>3,280,954</u>
Change in net assets	(936,604)	3,955,784
Net assets, beginning of year	<u>37,034,117</u>	<u>33,078,333</u>
Net assets, end of year	<u>\$ 36,097,513</u>	<u>\$ 37,034,117</u>

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Tuition and fees	\$ 28,005,352	\$ 27,581,618
Grants and contracts	10,195,675	11,105,564
Payments to vendors and employees	(152,058,460)	(144,324,622)
Auxiliary enterprise charges	9,297,187	8,270,152
Sales and services of educational departments	1,581,351	1,472,763
Other receipts	1,766,651	1,208,247
Net cash used in operating activities	<u>(101,212,244)</u>	<u>(94,686,278)</u>
Cash Flows from Noncapital Financing Activities		
State appropriations	48,058,402	47,741,520
Property tax levy receipts	38,139,184	37,481,556
Direct student loan receipts	23,332,754	25,188,736
Direct student loan disbursements	(23,360,209)	(25,041,110)
Deposits	21,248	36,551
Federal student aid grant programs	24,738,658	24,480,754
State student aid grant programs	1,115,293	1,028,342
Net cash provided by noncapital financing activities	<u>112,045,330</u>	<u>110,916,349</u>
Cash Flows from Capital and Related Financing Activities		
Capital grants	6,958,939	10,806,735
Purchases of capital assets	<u>(28,757,856)</u>	<u>(27,868,455)</u>
Net cash used in capital and related financing activities	<u>(21,798,917)</u>	<u>(17,061,720)</u>
Cash Flows from Investing Activities		
Proceeds from maturities of investments	20,479,120	29,983,934
Interest on investments	2,659,130	3,294,944
Purchase of investments	<u>(24,387,414)</u>	<u>(32,269,825)</u>
Net cash (used in) provided by investing activities	<u>(1,249,164)</u>	<u>1,009,053</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(12,214,995)	177,404
Cash and Cash Equivalents		
Beginning of year	16,153,943	15,976,539
End of year	<u>\$ 3,938,948</u>	<u>\$ 16,153,943</u>

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (73,880,440)	\$ (116,099,825)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	12,041,284	11,348,992
Loss on disposal of equipment	27,557	-
Changes in operating assets and liabilities, deferred inflows of resources, and deferred outflows of resources which provided (used) cash:		
Accounts receivable	415,026	(1,216,064)
Inventory	21,945	(57,758)
Prepaid expenses	192,743	433,772
Accounts payable and accruals	(2,199,167)	1,411,046
Accrued salaries, wages, benefits and compensated absences	457,753	1,552,285
Unearned student fee income	(199,890)	(260,947)
Deferred outflow of resources - pension activity	5,085,292	(14,143,202)
Deferred outflow of resources - other postemployment benefit activity	(2,844,324)	-
Deferred inflow of resources - pension activity	11,809,866	1,164,394
Deferred inflow of resources - other postemployment benefit activity	3,751,092	-
Net pension liability	(52,872,248)	21,181,029
Net other postemployment benefit activity	(3,018,733)	-
Net cash used in operating activities	\$ (101,212,244)	\$ (94,686,278)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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 \$677,000 and \$783,200 at June 30, 2018 and 2017, respectively. The College determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, previous loss history, and the condition of the general economy and the industry as a whole.

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

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

The College has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price at which the investment could be sold on June 30, 2018.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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

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

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

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

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

Compensated Absences: Administrative and professional employees earn vacation leave at a rate of 13.33 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: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans of the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS) and the additions to/deductions from the systems' fiduciary net position have been determined on the same basis as they are reported by the systems. OPERS and STRS use the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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

Other Postemployment Benefit: For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of OPERS and STRS and additions to/deductions from systems' fiduciary net position have been determined on the same basis as they are reported by the systems. OPERS and STRS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, OPERS and STRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

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

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

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

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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

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.

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

The College's property tax revenue is affected by tax abatements entered into by Montgomery County. The College's property tax revenues were reduced by \$464,616 and \$464,673 for the year ended June 30, 2018 and 2017, respectively.

Adoption of Standards: The GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which requires governments providing other postemployment benefit (OPEB) plans to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statements, the College has reported a change in accounting principle adjustment to unrestricted net position of \$44,567,489, which is the net of the net OPEB liability and related deferred outflows of resources as of July 1, 2017. June 30, 2017 amounts have not been restated to reflect the impact of GASB No. 75 because the information is not available to calculate the impact on OPEB expense for the fiscal year ended June 30, 2017.

Upcoming Accounting Pronouncements: In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The College is currently evaluating the impact of this standard, specifically related to holding assets for student club accounts. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2020.

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

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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

In June 2018, the GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the College's financial statements for the fiscal year ending June 30, 2021.

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

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, 2018, the carrying amount of the College's deposits in all funds was \$3,938,948 (reported as cash and cash equivalents in the statement of net position) and the financial institution balance was \$7,304,306. The difference between the carrying amount and the financial institution balance was primarily due to outstanding checks at June 30, 2018. Of the financial institution balance, \$986,070 was covered by federal depository insurance and \$250,000 had Federal Securities Investor Protection Corporation coverage. The remaining balance of \$6,068,236 was uninsured.

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

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 (\$4,552,543 at June 30, 2018 and \$6,940,605 at June 30, 2017), or 2) were secured by a letter of credit (\$9,406,626 at June 30, 2017), or 3) in the case of money market account balances were backed by the underlying securities held by the fund (\$1,515,693 at June 30, 2018 and \$3,199,275 at June 30, 2017). 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.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE B – CASH AND INVESTMENTS (Continued)

Investments: Investments at June 30, 2018 and 2017 were \$129,022,962 (amortized cost basis of \$129,319,212) and \$127,010,727 (amortized cost basis of \$124,844,925), respectively.

Investments at June 30 were as follows:

	Fair Value at June 30, 2018	Maturities				
		Less than 1 Year	1 - 5 Years	6 - 10 Years	11 - 20 Years	Greater than 20 Years
U.S. Treasury notes	\$ 498,515	\$ 498,515	\$ -	\$ -	\$ -	\$ -
Government National Mortgage Association (GNMA) bonds	38,938,706	1,032	424,133	6,474,072	8,378,536	23,660,933
Other federal						
agency securities	8,584,206	497,740	8,086,466	-	-	-
Municipal bonds	2,606,703	199,973	2,406,730	-	-	-
Fixed income security funds	4,652,591	4,652,591				
Equity funds	5,475,389	5,475,389				
Corporate bonds	38,319,096	7,480,581	30,327,108	511,407	-	-
STAR Ohio	29,798,329	29,798,329	-	-	-	-
Certificates of deposit	149,427	149,427	-	-	-	-
Total	\$ 129,022,962	\$ 48,753,577	\$ 41,244,437	\$ 6,985,479	\$ 8,378,536	\$ 23,660,933

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

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

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

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE B – CASH AND INVESTMENTS (Continued)

A GNMA bond does not mature all at once on its stated maturity date. Rather, a portion of each bond matures every month, and an entire bond will usually mature many years before its maturity date. The following homeowner actions result in the return of principal to the owners of a GNMA bond: 1) making a monthly mortgage payment which includes a principal component, 2) refinancing a mortgage and thereby paying off the old mortgage, 3) selling a home and paying off the mortgage. GNMA principal amounts returned to the College are either reinvested, held as cash, or used in operations as deemed appropriate. For the years ended June 30, 2018 and 2017, the College's GNMA investments returned principal as follows:

	2018	2017
Years:		
0 - 5	\$ 154,109	\$ 72,197
6 - 10	1,812,212	2,049,954
11 - 20	1,682,060	2,544,452
Greater than 20	4,944,738	7,587,330
Total (at cost)	\$ 8,593,119	\$ 12,253,933

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:

	2018	2017
Capital improvements, facility renovations, equipment	\$ 69,073,213	\$ 68,770,027
Tuition stabilization, rainy day fund, uninsured losses, other contingencies and initiatives	19,371,871	23,665,985
Auxiliary enterprises	10,532,398	14,973,653
Board-designated endowment	17,152,160	17,072,942
Agency funds	366,431	329,135
Total unrestricted net position before pension and other postemployment benefit activity	116,496,073	124,811,742
Pension activity	(106,912,167)	(142,889,257)
Other postemployment benefit activity	(42,455,524)	-
Total unrestricted net position	(32,871,618)	(18,077,515)
Restricted grants and contracts	2,139,524	2,643,471
Total unrestricted and restricted net position	\$ (30,732,094)	\$ (15,434,044)

**SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE C – FAIR VALUE MEASUREMENTS

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

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, 2018 and 2017:

	Quoted Prices		
	in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Balance at June 30, 2018	(Level 1)	(Level 2)	(Level 3)
Investments by Fair Value Level			
Debt securities:			
U.S. Treasury notes	\$ 498,515	\$ 498,515	
Fixed income security funds	4,652,591	\$ 4,652,591	
Equity funds	5,475,389	5,475,389	
Residential mortgage-backed securities	47,522,912	47,522,912	
Municipal bonds	2,606,703	2,606,703	
Corporate bonds	38,319,096	38,319,096	
Total debt securities	<u>\$ 99,075,206</u>	<u>\$ 10,127,980</u>	<u>\$ 88,947,226</u>
			<u>\$ -</u>
	Quoted Prices		
	in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Balance at June 30, 2017	(Level 1)	(Level 2)	(Level 3)
Investments by Fair Value Level			
Debt securities:			
U.S. Treasury notes	\$ 499,550	\$ -	\$ 499,550
Residential mortgage-backed securities	57,327,613	-	57,327,613
Municipal bonds	1,746,543	-	1,746,543
Corporate bonds	37,184,186	-	37,184,186
Total debt securities	<u>\$ 96,757,892</u>	<u>\$ -</u>	<u>\$ 96,757,892</u>
			<u>\$ -</u>

**SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE C – FAIR VALUE MEASUREMENTS (Continued)

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

Investments on the statement of net position as of June 30, 2018 and 2017 include certificates of deposits of \$149,427 and \$490,432, respectively, and investments in STAR Ohio of \$29,798,329 and \$29,762,403, respectively. The certificates of deposit and STAR Ohio are excluded from the fair value table above as they are measured at amortized cost.

NOTE D – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2018 and 2017 is summarized as follows:

	June 30, 2018			
	Beginning Balance	Additions	Disposals	Ending Balance
Cost:				
Land and improvements	\$ 15,453,006	\$ 2,720,727	\$ -	\$ 18,173,733
Buildings and improvements	296,749,592	23,954,641	-	320,704,233
Equipment and fixtures	34,814,161	2,060,058	(575,772)	36,298,447
Library materials	2,243,919	69,264	(69,646)	2,243,537
Total cost	<u>349,260,678</u>	<u>28,804,690</u>	<u>(645,418)</u>	<u>377,419,950</u>
Less accumulated depreciation:				
Buildings and improvements	170,987,247	9,327,471	-	180,314,718
Equipment and fixtures	25,789,208	2,649,627	(548,215)	27,890,620
Library materials	2,014,249	64,186	(69,646)	2,008,789
Total accumulated depreciation	<u>198,790,704</u>	<u>12,041,284</u>	<u>(617,861)</u>	<u>210,214,127</u>
Capital assets, net	<u>\$ 150,469,974</u>	<u>\$ 16,763,406</u>	<u>\$ (27,557)</u>	<u>\$ 167,205,823</u>

**SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE D – CAPITAL ASSETS (Continued)

	June 30, 2017			
	Beginning Balance	Additions	Disposals	Ending Balance
Cost:				
Land and improvements	\$ 15,453,006	\$ -	\$ -	\$ 15,453,006
Buildings and improvements	272,721,896	24,027,696	-	296,749,592
Equipment and fixtures	31,493,983	4,241,445	(921,267)	34,814,161
Library materials	2,317,536	95,310	(168,927)	2,243,919
Total cost	<u>321,986,421</u>	<u>28,364,451</u>	<u>(1,090,194)</u>	<u>349,260,678</u>
Less accumulated depreciation:				
Buildings and improvements	162,348,170	8,639,077	-	170,987,247
Equipment and fixtures	24,015,625	2,694,850	(921,267)	25,789,208
Library materials	2,168,111	15,065	(168,927)	2,014,249
Total accumulated depreciation	<u>188,531,906</u>	<u>11,348,992</u>	<u>(1,090,194)</u>	<u>198,790,704</u>
Capital assets, net	<u>\$ 133,454,515</u>	<u>\$ 17,015,459</u>	<u>\$ -</u>	<u>\$ 150,469,974</u>

NOTE E – LONG-TERM LIABILITIES

Long-term liabilities activity for the years ended June 30, 2018 and 2017 is summarized as follows:

	June 30, 2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 4,958,824	\$ 589,265	\$ (299,006)	\$ 5,249,083	\$ 256,350
June 30, 2017					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	<u>\$ 4,725,621</u>	<u>\$ 533,640</u>	<u>\$ (300,437)</u>	<u>\$ 4,958,824</u>	<u>\$ 292,059</u>

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.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE F – STATE AND COUNTY SUPPORT (Continued)

The College also receives support from two Montgomery County, Ohio property tax levies. A successful ballot issue in the November 2017 primary election renewed a 3.2 mill levy that commenced January 1, 2018 and will end December 31, 2027. 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, 2018. 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 2018 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 \$1,740,148 and \$1,693,198 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2018 are as follows:

Year Ended June 30:	Amount
2019	\$ 1,718,688
2020	1,418,871
2021	1,275,264
2022	808,443
2023	29,429
2024-2028	137,145
2029-2033	96,911
Total minimum lease payments	<u><u>\$ 5,484,751</u></u>

NOTE H – PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFIT PLANS

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

**SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE H – PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

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

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

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

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

Member contributions are set at the maximum authorized by the ORC. The plans' 2018 and 2017 employer contribution and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate			Member Contribution Rate	
	Pension	Post Retirement Healthcare	Death Benefits	Total	Total
STRS	14.00%	0.00%	0.00%	14.00%	14.00%
OPERS (through 12/31/16)	12.00%	2.00%	0.00%	14.00%	10.00%
OPERS (beginning 1/1/17)	13.00%	1.00%	0.00%	14.00%	10.00%
OPERS - Law enforcement (through 12/31/16)	16.10%	2.00%	0.00%	18.10%	13.00%
OPERS - Law enforcement (beginning 1/1/17)	17.10%	1.00%	0.00%	18.10%	13.00%

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

	Years Ended June 30	
	2018	2017
STRS	\$ 5,302,536	\$ 5,203,277
OPERS	5,132,581	4,877,062
Total	<u>\$ 10,435,117</u>	<u>\$ 10,080,339</u>

Benefits Provided:

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

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE H – PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

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

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

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

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

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

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.

In addition to the pension benefits described above, Ohio Law provides that the University fund postretirement healthcare benefits to retirees and their dependents through employer contributions. The portion of employer contributions, for all employers, allocated to health care was 2.0 percent during calendar years 2017 and 2016.

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, 2018 and 2017, the College reported a liability for its proportionate share of the net pension liability of STRS and OPERS. As of June 30, 2018 and 2017, the net pension liability was measured as of July 1, 2017 and 2016 for STRS and December 31, 2017 and 2016 for OPERS, respectively. 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.

**SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE H – PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Plan	Measurement Date	Net Pension Liability		Proportionate Share		Percent Change
		2018	2017	2018	2017	
STRS	July 1	\$ 81,840,400	\$ 118,235,708	0.34452%	0.35323%	-0.00871%
OPERS	December 31	37,898,902	54,375,842	0.24546%	0.24041%	0.00505%

For the years ended June 30, 2018 and 2017, the College recognized pension (credit) expense of \$(24,657,379) and \$18,371,626, respectively. At June 30, 2018 and 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 3,230,010	\$ (1,595,295)	\$ 4,878,911	\$ (443,928)	
Changes in assumptions	22,555,087	-	8,713,574	-	
Net difference between projected and actual earnings on pension plan investments	-	(11,066,053)	18,000,929	-	
Changes in proportion and differences between College contributions and proportionate share of contributions	1,347,107	(9,826,759)	892,092	(10,234,313)	
College contributions subsequent to the measurement date	8,183,038	-	7,915,028	-	
Total	<u>\$ 35,315,242</u>	<u>\$ (22,488,107)</u>	<u>\$ 40,400,534</u>	<u>\$ (10,678,241)</u>	

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

Year Ended June 30:	Amount	
2019	\$ 4,378,144	
2020	4,172,382	
2021	(1,318,688)	
2022	(2,531,953)	
2023	(19,117)	
Thereafter	(36,671)	

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2019).

**SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE H – PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Net OPEB Liability, Deferrals, and OPEB Expense: At June 30, 2018, the College reported a liability for its proportionate share of the net OPEB liability of STRS and OPERS. For June 30, 2018, the net OPEB liability was measured as of June 30, 2017 for STRS, and December 31, 2017 for the OPERS plan. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates. The College's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

Plan	Measurement Date	Net OPEB Liability		Proportionate Share
		2018	2018	
STRS	June 30	\$ 13,441,724		0.34516%
OPERS	December 31	28,107,032		0.25883%

For the year ended June 30, 2018, the College recognized OPEB (credit) of \$(2,111,965). At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 797,834	\$ -
Changes in assumptions	2,046,490	(1,082,774)
Net difference between projected and actual earnings on OPEB plan investments	-	(2,668,318)
Total	\$ 2,844,324	\$ (3,751,092)

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

	Amount
Year Ended June 30:	
2019	\$ 270,682
2020	270,682
2021	(627,635)
2022	(718,219)
2023	(51,139)
Thereafter	(51,139)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability in the next year (2019).

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE H – PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Actuarial Assumptions: The total pension and OPEB liability is based on the results of an actuarial valuation, which were determined using the following assumptions for 2017, applied to all periods included in the measurement on June 30, 2018:

	STRS	OPERS
	As of June 30, 2017	As of December 31, 2017
Valuation date - pension	July 1, 2017	December 31, 2017
Valuation date - OPEB	June 30, 2017	December 31, 2016
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	None	3.00 percent
Salary increases, including inflation	2.50 - 12.50 percent	3.25 - 10.75 percent
Inflation	2.25 percent	3.25 percent
Investment rate of return- Pension	7.45 percent, net of pension plan investment expense, including inflation	7.50 percent, net of pension plan investment expense
Investment rate of return- OPEB	4.51 percent, net of pension plan investment expense, including inflation	6.50 percent, net of pension plan investment expense
Healthcare cost trends	6.00 - 11.00 percent initial, 4.50 percent ultimate	7.50 percent initial, 3.50 percent ultimate in 2028
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015

The following are actuarial assumptions for 2016, applied to all periods included in the measurement in June 30, 2017:

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

**SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE H – PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Discount Rate: The discount rate used to measure the total pension liability at June 30, 2018 was 7.45 percent and 7.50 percent for STRS and OPERS, respectively. The discount rate used to measure the total pension liability at June 30, 2017 was 7.75 percent and 7.50 percent for STRS and OPERS, respectively. The 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 discount rates used to measure the total OPEB liabilities at June 30, 2018 were 4.13 percent and 3.85 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 contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees for STRS and OPERS. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments and a 20-year municipal bond rate applied to the unfunded benefit payment period to determine the total OPEB liability.

The long-term expected rate of return on pension and OPEB plans investments were 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 2018 target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

STRS - as of July 1, 2017			OPERS - as of December 31, 2017				
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Defined Benefit Portfolio		Health Care Portfolio		
			Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	28.00%	7.35%	Fixed income	23.00%	2.20%	34.00%	1.88%
International equity	23.00%	7.55%	Domestic equity	19.00%	6.37%	21.00%	6.37%
Alternatives	17.00%	7.09%	Real estate	10.00%	5.26%	0.00%	0.00%
Fixed income	21.00%	3.00%	Private equity	10.00%	8.97%	0.00%	0.00%
Real estate	10.00%	6.00%	International equity	20.00%	7.88%	22.00%	7.88%
Liquidity reserves	1.00%	2.25%	REITs	0.00%	0.00%	6.00%	5.91%
Total	<u><u>100.00%</u></u>		Other investments	18.00%	5.26%	<u><u>17.00%</u></u>	<u><u>5.39%</u></u>
			Total	<u><u>100.00%</u></u>		<u><u>100.00%</u></u>	

**SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE H – PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

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

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

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:

2018						
Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.45%	\$ 117,315,429	7.45%	\$ 81,840,400	8.45%	\$ 51,958,006
OPERS	6.50%	\$ 68,048,927	7.50%	\$ 37,898,902	8.50%	\$ 12,800,615
		<u>\$ 185,364,356</u>			<u>\$ 119,739,302</u>	<u>\$ 64,758,621</u>
2017						
Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.75%	\$ 157,125,648	7.75%	\$ 118,235,708	8.75%	\$ 85,429,751
OPERS	6.50%	\$ 83,422,544	7.50%	\$ 54,375,842	8.50%	\$ 30,186,192
		<u>\$ 240,548,192</u>			<u>\$ 172,611,550</u>	<u>\$ 115,615,943</u>

Sensitivity of the Net OPEB 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 OPEB 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:

Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	3.13%	\$ 18,045,299	4.13%	\$ 13,441,724	5.13%	\$ 9,803,396
OPERS	2.85%	\$ 37,341,404	3.85%	\$ 28,107,032	4.85%	\$ 20,636,516
		<u>\$ 55,386,703</u>			<u>\$ 41,548,756</u>	<u>\$ 30,439,912</u>

**SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE H – PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate: The following presents the net OPEB liability of the College, calculated using the healthcare cost trend rate listed below, as well as what the College's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	3.13%	\$ 9,338,734	4.13%	\$ 13,441,724	5.13%	\$ 18,841,740
OPERS	2.25%	26,892,437	3.25%	28,107,031	4.25%	29,361,675
		<u>\$ 36,231,171</u>		<u>\$ 41,548,755</u>		<u>\$ 48,203,415</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.

Assumption Changes: During the current measurement period, the STRS Board adopted certain assumption changes which impacted the annual actuarial valuations prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent for STRS, which increased the College's respective net pension liability.

Payable to the Pension Plans: At June 30, 2018 and 2017, the College reported payables to the pension plan of \$716,411 and \$703,522, respectively, for the outstanding amounts of contributions required for the years then ended. There was no reported payables to the OPEB plan as of June 30, 2018.

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

Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the ARP. Under this plan, employees who would have otherwise been required to be in STRS or OPERS, and who elect to participate in the ARP, must contribute the employee's share of retirement contributions to one of nine private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Board of Regents. That amount is 4.50 percent for STRS and 0.77 percent for OPERS for the years ended June 30, 2017 and 2016. The employer also contributes what would have been the employer's contribution under STRS, or OPERS, less the aforementioned percentages, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting. The ARP does not provide disability benefits, survivor benefits, or postretirement health care. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options. STRS and OPERS also offer a defined contribution plan and a combined plan with features of both a defined contribution plan and a defined benefit plan. For the years ended June 30, 2018 and 2017, employee contributions totaled \$475,529 and \$461,728, respectively, and the College recognized pension expense of \$415,145 and \$440,823, respectively.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE I – INSURANCE

The College maintains comprehensive and umbrella insurance coverage with private carriers for real property, building contents, vehicles, and liability. Vehicle policies include liability coverage for bodily injury and property damage. The College'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 \$1,287,000 and \$1,399,000 reported at June 30, 2018 and 2017, respectively, is based on an estimate provided by an actuary and the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. No incremental claim adjustment expenses are included in the estimate. The amount is in the accrued salaries, wages and benefits on the statement of net position.

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

	Beginning	Current Year		Claim	Ending
	Balance	Claims	Payments	Balance	
2018	\$ 1,399,000	\$ 8,691,235	\$ (8,803,235)	\$ 1,287,000	
2017	1,237,000	10,003,359	(9,841,359)	1,399,000	
2016	1,257,000	8,344,516	(8,364,516)	1,237,000	

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

NOTE J – CONTINGENCIES

The College receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. As of June 30, 2018 and 2017, the College is not aware of any potential disallowances.

NOTE K – 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.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE K – 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. Effective January 1, 2018, the Foundation changed its year end to June 30 to strategically align with the College. The Foundation's consolidated statements of financial position and consolidated statements of activities and changes in net assets for the six months ended June 30, 2018 and year ended December 31, 2017 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 the following Level 1 investments at June 30, 2018 and December 31, 2017:

	2018	2017
Fixed-income security funds	\$ 3,111,190	\$ 4,326,405
Equity funds	27,621,410	26,370,916
Total	\$ 30,732,600	\$ 30,697,321

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 no Level 2 investments.

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.

**SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017**

NOTE K – 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 \$559,622 and \$801,425, representing the present value of those pledges receivable at June 30, 2018 and December 31, 2017, 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 June 30, 2018 and December 31, 2017 are summarized as follows:

	2018	2017
Less than one year	\$ 180,300	\$ 258,800
One to five years	180,508	361,403
More than five years	214,510	214,510
Total pledges	575,318	834,713
Less allowance for doubtful accounts	(8,646)	(8,696)
Less discount	(7,050)	(24,592)
Net pledges	\$ 559,622	\$ 801,425

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, 2018 and 2017, the Foundation provided resources of \$2,157,755 and \$3,087,669, respectively, to or on behalf of the College for restricted purposes.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

Land and Buildings: Capital assets consist of the following at June 30, 2018 and December 31, 2017:

	2018	2017
Land	\$ 4,526,086	\$ 4,526,086
Buildings	882,783	882,783
Total cost	<u>5,408,869</u>	<u>5,408,869</u>
Less accumulated depreciation	<u>(214,810)</u>	<u>(197,154)</u>
Capital assets, net	<u>\$ 5,194,059</u>	<u>\$ 5,211,715</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.

REQUIRED SUPPLEMENTARY INFORMATION

SINCLAIR COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION - PENSION
June 30, 2018 and 2017

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

	2018	2017	2016	2015
College's proportion of the collective STRS net pension liability:				
As a percentage	0.34452%	0.35323%	0.39448%	0.38931%
Amount	\$81,840,400	\$118,235,708	\$109,021,783	\$94,694,808
College's covered-employee payroll	\$38,126,183	\$37,701,940	\$39,747,965	\$39,228,052
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	214.66%	313.61%	274.28%	241.40%
STRS fiduciary net position as a percentage of the total pension liability	75.29%	66.78%	72.10%	74.71%

Schedule of College's Pension Contributions - STRS

	2018	2017	2016	2015
Statutorily required contribution	\$5,302,536	\$5,203,277	\$5,761,983	\$5,568,809
Contributions in relation to the actuarially determined contractually required contribution	\$5,302,536	\$5,203,277	\$5,354,650	\$5,779,151
Contribution deficiency (excess)	\$0	\$0	\$407,333	(\$210,342)
Covered employee payroll	\$39,633,414	\$38,126,183	\$37,701,940	\$39,747,965
Contributions as a percentage of covered employee payroll	13.38%	13.65%	14.20%	14.54%

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

	2018	2017	2016	2015
College's proportion of the collective OPERS net pension liability:				
As a percentage	0.24546%	0.24041%	0.24594%	0.25480%
Amount	\$37,898,902	\$54,375,842	\$42,408,738	\$30,631,908
College's covered-employee payroll	\$35,162,517	\$34,035,381	\$34,200,224	\$35,928,988
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	107.78%	159.76%	124.00%	85.26%
OPERS fiduciary net position as a percentage of the total pension liability	84.85%	77.39%	81.19%	86.53%

Schedule of College's Pension Contributions - OPERS

	2018	2017	2016	2015
Statutorily required contribution	\$5,132,581	\$4,877,063	\$4,783,467	\$4,883,767
Contributions in relation to the actuarially determined contractually required contribution	\$5,132,581	\$4,877,063	\$4,763,754	\$4,666,770
Contribution deficiency (excess)	\$0	\$0	\$19,713	\$216,997
Covered employee payroll	\$36,862,111	\$35,162,517	\$34,035,381	\$34,200,224
Contributions as a percentage of covered employee payroll	13.92%	13.87%	14.00%	13.65%

SINCLAIR COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION - PENSION
June 30, 2018 and 2017

Changes to Benefit Terms: There were no changes in benefit terms affecting the STRS and OPERS plans for the plan years ended June 30, 2017 and December 31, 2017, respectively.

Changes of Assumptions (STRS): During the plan year ended June 30, 2017, there were changes to several assumptions for STRS. The cost-of-living adjustment dropped from 2.00 percent to 0.00 percent. The wage inflation dropped from 2.75 percent to 2.50 percent. The investment rate of return decreased from 7.75 percent to 7.45 percent. The mortality tables used changed from RP-2000 to RP-2014.

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

SINCLAIR COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION - OPEB
June 30, 2018 and 2017

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

	2018
College's proportion of the collective STRS net pension liability:	
As a percentage	0.34452%
Amount	\$13,441,724
College's covered-employee payroll	\$38,126,183
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	35.26%
STRS fiduciary net position as a percentage of the total pension liability	47.11%

Schedule of College's OPEB Contributions - STRS

	2018
Statutorily required contribution	\$0
Contributions in relation to the actuarially determined contractually required contribution	\$0
Contribution deficiency (excess)	\$0
Covered employee payroll	\$39,633,414
Contributions as a percentage of covered employee payroll	0.00%

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

	2018
College's proportion of the collective OPERS net pension liability:	
As a percentage	0.25880%
Amount	\$28,107,031
College's covered-employee payroll	\$35,162,517
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	79.93%
OPERS fiduciary net position as a percentage of the total pension liability	54.14%

Schedule of College's OPEB Contributions - OPERS

	2018
Statutorily required contribution	\$0
Contributions in relation to the actuarially determined contractually required contribution	\$0
Contribution deficiency (excess)	\$0
Covered employee payroll	\$36,862,111
Contributions as a percentage of covered employee payroll	0.00%

SINCLAIR COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION - OPEB
June 30, 2018 and 2017

Changes to Benefit Terms: There were no changes in benefit terms affecting the STRS and OPERS plans for the plan years ended June 30, 2017 and December 31, 2017, respectively.

Changes of Assumptions (STRS and OPERS): There were no changes in assumptions affecting the STRS and OPERS plans for the plan years ended June 30, 2017 and December 31, 2017, 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, 2018 and its discretely presented component unit as of and for the six months ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 14, 2018. Our report includes a reference to other auditors who audited the financial statements of the Sinclair Community College Foundation, as described in our report on the Sinclair Community College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions 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.

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 the 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*.

To Management and the Board of Trustees
Sinclair Community College

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

December 14, 2018

Report on Compliance for Each Major Federal Program and 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 its major federal program for the year ended June 30, 2018. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the 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 the 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.

To the Board of Trustees
Sinclair Community College

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

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

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

Plante & Moran, PLLC

December 14, 2018

Sinclair Community College

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Federal Grant/Program Title	CFDA Number	Pass-through Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Clusters:				
Student Financial Assistance Cluster - U.S. Department of Education:				
Federal Supplemental Education Opportunity	84.007	N/A	\$ -	\$ 523,376
Federal Work-Study Program	84.033	N/A	-	222,800
Federal Pell Grant Program	84.063	N/A	-	23,901,844
Federal Direct Student Loans	84.268	N/A	-	23,360,209
Total Student Financial Assistance Cluster			-	48,008,229
Trio Cluster - U.S. Department of Education:				
Trio Upward Bound	84.047A	N/A	-	648,310
Trio Student Support Services	84.042A	N/A	-	282,430
Trio Talent Search Program	84.044A	N/A	-	466,795
Total Trio Cluster			-	1,397,535
Research and Development Cluster - National Science Foundation:				
NSF - Virtual Online Tensile Strength Testing Simulation	47.076	N/A	14,126	28,440
NSF - Lead with Guitars In STEM	47.076	N/A	23,459	74,072
NSF - Building an Academic Pathway for the Aerial Sensing Data Analyst	47.076	N/A	-	216,829
NSF - Increasing Technician Preparedness in the Built Environment	47.076	N/A	41,707	175,640
NSF - Bridging the Gap in Automated/Connected Vehicle Tech Ed	47.076	N/A	-	93,004
NSF - STEM Guitar Project	47.076	N/A	64,556	239,207
NSF - Creating Pathways for Big Data Careers -				
Pass-through Education Development Center, Inc.	47.076	11947	-	25,731
NSF - AM-WATCH -				
Pass-through Tennessee Technological University	47.076	BL77101569	-	25,890
NSF - National Convergence Technology Center -				
Pass-through Collin County Community College District	47.076	216007-SCC	-	10,026
NSF - The Ohio LSAMP Alliance -				
Pass-through The Ohio State University	47.076	60042097-SCC	-	56,898
NSF - National Center Supply Chain Automation -				
Pass-through Riverside Community College District	47.076	C-0005504	-	81,195
Total Research and Development Cluster			143,848	1,026,932
TANF Cluster - Department of Health and Human Services -				
Temporary Assistance for Needy Families, Fast Forward Center -				
Pass-through Montgomery County - Department of Jobs and Family Services	93.558	CE#700275, CE#800062	-	300,000
Other Programs:				
Department of Defense - The Dayton Plan for Economic Diversity -				
Pass-through Wright State Applied Research Corporation	12.614	1082-004	-	394,085
Department of Justice - BJA Bulletproof Vest Program	16.607	N/A	-	431

Sinclair Community College

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2018

Federal Grant/Program Title	CFDA Number	Pass-through Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Other Programs (Continued):				
Department of Labor - Trade Adjustment Assistance Community College and Career Training Grant Program - Pass-through Lorain County Community College	17.282	1553	\$ -	\$ 252,553
College Apprenticeship Consortium Project -				
Pass-through Ohio Dept. of Job and Family Services	17.285	G-1819-15-0348	-	37,514
Total Department and Labor				290,067
National Aeronautics and Space Administration - CC-Stars! Bridge Program -				
Pass-through Ohio Space Grant Consortium	43.008	NNX14AR49A	-	3,772
Department of Veteran Affairs - VA Annual Reporting Fee	64.027	N/A	-	2,560
Department of Energy - Efficiency Training Program -				
Pass-through University of Dayton	81.041	RSC15052	-	25,829
U.S. Department of Education:				
Connect for Completion	84.031A	N/A	-	421,398
Career and Technical Education - Basic Grants to States -				
Pass-through State of Ohio Department of Education	84.048	20-C2 2005	-	430,750
Total Department of Education			-	852,148
Corporation for National and Community Service:				
AmeriCorps for Mentoring Collaborative -				
Pass-through Ohio Commission on Service and Volunteerism	94.006	15AFH-1502-17-OC103	-	51,147
AmeriCorps for Mentoring Collaborative -				
Pass-through Ohio Commission on Service and Volunteerism	94.006	15AFH-1502-18-OC103	-	292,535
AmeriCorps Regional Kickoff Event -				
Pass-through Ohio Commission on Service and Volunteerism	94.006	15AFH-1502-18-OC103	-	7,753
Total Corporation for National Community and Service			-	351,435
Air Transportation Center of Excellence -				
Air Transportation Center of Excellence - OSU ASSURE Project -				
Pass-through The Ohio State University	20.109	60056666	-	8,110
National Endowment for the Humanities -				
Encountering Ethics	45.162	N/A	-	15,368
National Security Agency:				
NSA Cybersecurity Workforce Education	12.902	N/A	-	115,096
3D Virtual Reality Cyber Security Camps -				
Pass-through The Ohio State University	12.902	011081-004	-	10,982
Total National Security Agency			-	126,078
Total federal awards			\$ 143,848	\$ 52,802,579

See notes to schedule of expenditures
of federal awards.

Sinclair Community College

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Sinclair Community College (the “College”) under programs of the federal government for the year ended June 30, 2018. The information in the 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 the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Adjustments and Transfers

The College carried forward \$36,290 of Federal Work-Study (FWS) Program (84.033) funds and \$25,313 of Federal Supplemental Education Opportunity Grant (FSEOG) Program (84.007) funds from the 2016-2017 award year, which were spent in the 2017-2018 award year. The College carried forward \$30,000 of FWS Program funds and \$41,195 of FSEOG Program funds from the 2017-2018 award year to be spent in the 2018-2019 award year. During 2018, the College also transferred and spent \$75,000 of FWS funds in the FSEOG program.

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Sinclair Community College

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

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?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X None reported
Noncompliance material to financial statements noted?			
	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X None reported

Federal Awards

Internal control over major programs:			
• Material weakness(es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X 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)?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.007, 84.033, 84.063, and 84.268	Student Financial Assistance Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$1,584,077
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> X Yes <input type="checkbox"/> No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

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Dave Yost • Auditor of State

SINCLAIR COMMUNITY COLLEGE

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
JANUARY 3, 2019