

SINCLAIR COMMUNITY COLLEGE
Dayton, Ohio

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**
June 30, 2019 and 2018

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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, 2018 through June 30, 2019. 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 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

December 12, 2019

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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, 2019 and 2018 and its discretely presented component unit as of June 30, 2019 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of Sinclair Community College as of June 30, 2019 and 2018 and its discretely presented component unit, Sinclair Community College Foundation, as of June 30, 2019 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.

Other Matters

Report on Prior Year Financial Statements

The basic financial statements of the discretely presented component unit, Sinclair Community College Foundation, as of and for the year ended June 30, 2018 were audited by a predecessor auditor, whose report dated December 13, 2018 expressed an unmodified opinion on the component unit.

To the Board of Trustees
Sinclair Community College

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 the College's pension contributions, the schedules of the College's proportionate share of the net OPEB liability, and the schedules of the 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 November 12, 2019 on our consideration of Sinclair Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sinclair Community College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 12, 2019

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2019 and 2018

Introduction

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 Sinclair Community College (the "College" or Sinclair).

Management's discussion and analysis (MD&A) of the College's financial performance provides an overview of the College's financial activities for the fiscal years ended June 30, 2019 and 2018. Please read it in conjunction with the College's financial statements, which begin on page 19.

Financial and Institutional Highlights

Sinclair Community College realized many important achievements in fiscal 2019 as related to its mission and strategic priorities. Several of these are discussed below.

- Sinclair's student success investments continued to drive positive outcomes in regards to higher student course completion rates and a record number of degrees and certificates awarded in fiscal 2019 (over 8,000). As a result, the College received an increased share of performance-based state funding for the fourth consecutive year.
- During fiscal 2019 Sinclair received final approval from the Higher Learning Commission to begin offering Baccalaureate degrees in Aviation Technology/Professional Pilot and Unmanned Aerial Systems.
- 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 fiscal health as measured by the Ohio Senate Bill 6 accountability scorecard was a perfect score of 5.0 for fiscal 2019.
- Maintaining a longstanding commitment to access, affordability and efficiency, Sinclair's tuition for Montgomery County residents remained the lowest in the State of Ohio. In addition, the College earned the distinction of 21st most affordable community college in the nation based on the U.S. Department of Education's annual college affordability list.
- To further improve student affordability, the College's Board of Trustees approved in fiscal 2019 transitioning to an online virtual bookstore with potential savings of 20-30% on textbook costs.
- 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. Approximately 6,700 students from over one hundred high schools were enrolled during fiscal 2019 representing a 27% increase versus last year.
- During the year the Board continued to support the College's new strategic plan priorities by approving to spend \$2.5 million in fiscal 2020 for a variety of initiatives including launching a Work Based Learning office, enhanced services to military-affiliated students and refreshing the strategic plan for regional centers.
- Fiscal 2019 was another busy year of implementing the College's facilities campus master plan highlighted by the near completion of a \$15 million Integrated Student Services Center (renovation of Building 10). The new center will allow for transformational improvements in the flow of services and processes to better assist students and establish a true "front door" to the College.
- During 2019, the College held its first classes at its new regional campus in Centerville, Ohio. The Centerville regional campus offers classes in general education, health science and cyber security.
- The College continued to demonstrate an exceptional level of commitment to teaching and learning in fiscal 2019 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, 2019 and 2018

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:

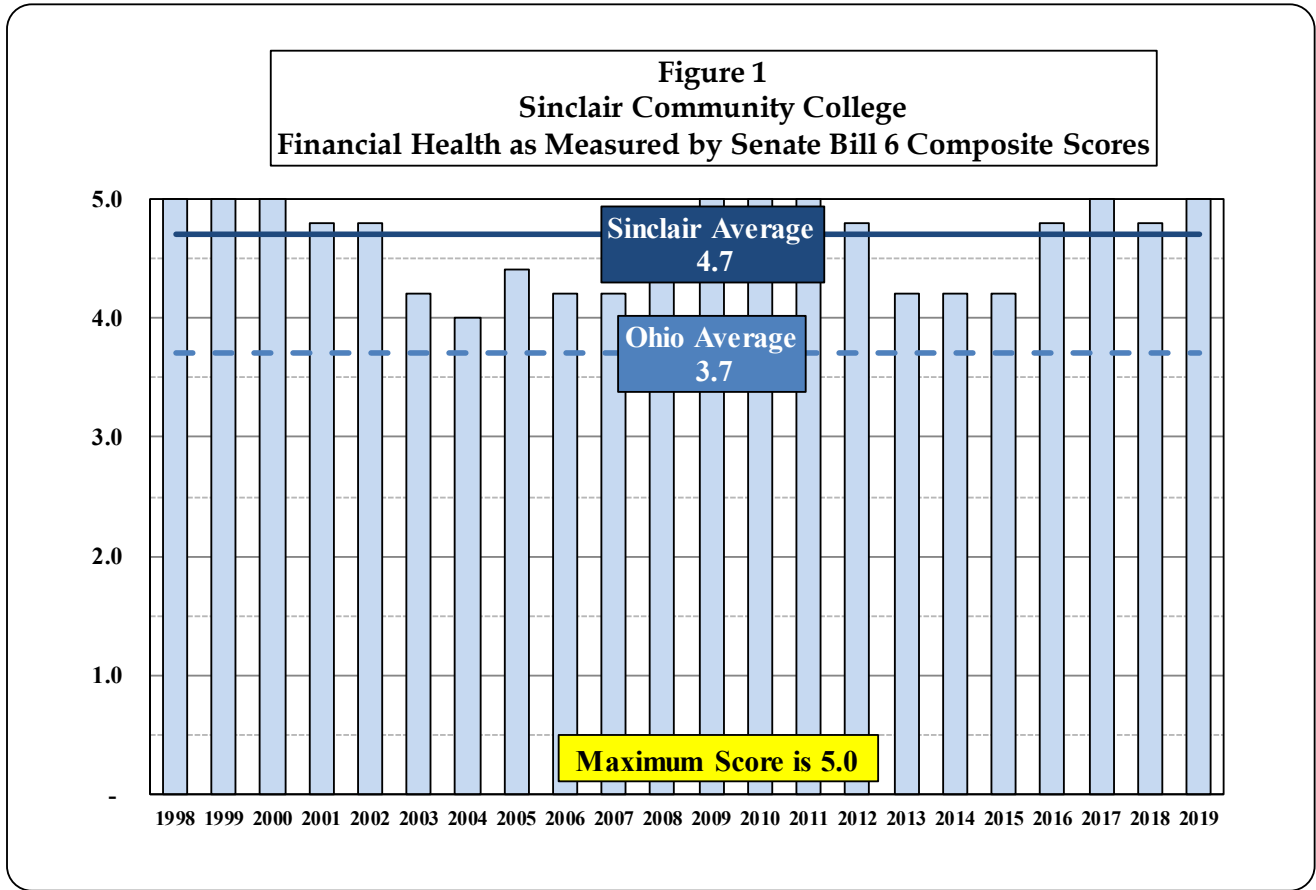
- **Use money as a tool to accomplish the mission:** Money is a tool used in fulfilling our service mission, but is not an end in itself.
- **Employ results-oriented spending:** This is generally tied to an expectation of clear mission results.
- **Focus on long-term stability:** Use financial modeling 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, 2019 and 2018

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 4.7 since inception and achieved a perfect 5.0 score in fiscal 2019.



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, 2019, 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, 2019 and 2018

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 2019, 2018 and 2017, and its impact in 2019, 2018, and 2017 on the statements of revenues, expense 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 other postemployment benefits (OPEB) other than pension, in its statements of net position in 2019 and 2018 and its impact in 2019 and 2018 on the statements of revenues, expenses 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, 2019 and 2018

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

	June 30,		
	2019	2018	2017
Assets:			
Current assets	\$ 60.8	\$ 54.7	\$ 67.3
Investments	126.5	129.0	127.0
Capital assets, net	182.6	167.2	150.5
Total assets	369.9	350.9	344.8
Deferred outflows of resources - pension activity *	42.0	35.3	40.4
Deferred outflows of resources - other postemployment benefit activity *	4.0	2.8	-
Total assets and deferred outflows	<u>415.9</u>	<u>389.0</u>	<u>385.2</u>
Liabilities:			
Current liabilities	25.8	22.4	24.7
Long-term liabilities	5.0	5.0	4.7
Net pension liability *	145.6	119.7	172.6
Net other postemployment benefit liability *	28.6	41.5	-
Total liabilities	205.0	188.6	202.0
Deferred inflows of resources:			
Property tax levy	38.1	37.7	37.5
Pension activity *	12.7	22.5	10.7
Other postemployment benefit activity *	8.8	3.8	-
Total deferred inflows	59.6	64.0	48.2
Total liabilities and deferred inflows	264.6	252.6	250.2
Net position:			
Investment in capital assets	182.6	167.2	150.5
Restricted - expendable	1.9	2.1	2.6
Unrestricted - operations	116.4	116.5	124.8
Unrestricted - pension activity *	(116.2)	(106.9)	(142.9)
Unrestricted - other postemployment benefit activity *	(33.4)	(42.5)	-
Total net position	151.3	136.4	135.0
Total liabilities, deferred inflows and net position	<u>\$ 415.9</u>	<u>\$ 389.0</u>	<u>\$ 385.2</u>

* Line item related to pension or OPEB accounting

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

	June 30,		
	2019	2018	2017
Investment in capital assets	\$ 182.6	\$ 167.2	\$ 150.5
Restricted - expendable	1.9	2.1	2.6
Unrestricted - operations	116.4	116.5	124.8
Total net position excluding pension & OPEB	<u>\$ 300.9</u>	<u>\$ 285.8</u>	<u>\$ 277.9</u>

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2019 and 2018

Fiscal 2019

Total net position at June 30, 2019 was \$151.3 million (Table 1). Liabilities of \$30.8 million, exclusive of the net pension and OPEB liabilities, were only 8.3% of total assets of \$369.9 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 net pension and OPEB liabilities of \$174.2 million, pension and OPEB deferred outflows of resources of \$46.0 million, and pension and OPEB deferred inflows of resources of \$21.5 million. A fuller discussion of pension reporting can be found in Notes A and H of this report. Deferred inflows of resources also include future property tax levy receipts of \$38.1 million - see Notes A and F for a discussion.

Net position exclusive of pension and OPEB activity (Table 1A) improved by \$15.1 million (from \$285.8 million to \$300.9 million) in fiscal 2019. The increase had these components:

- A net increase from operations of \$12.3 million after depreciation expenses of \$11.7 million, but exclusive of the change in the fair value of investments
- A increase in the fair value of investments of \$2.8 million; that is, net unrealized gains (losses) in the investment portfolio increased from \$(0.2) million at June 30, 2018 to \$2.6 million at June 30, 2019

Also in fiscal 2019, capital asset acquisitions consumed approximately \$26.7 million of unrestricted and restricted net position and added a corresponding amount to capital assets.

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 net pension and OPEB liabilities 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.

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position (SRECNP) shown in Table 2 present the College's operating results for fiscal years 2019, 2018, and 2017. 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 SRECNP.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2019 and 2018

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

	Year ended June 30,		
	2019	2018	2017
Operating revenues:			
Student tuition and fees, net of grants and scholarships	\$ 29.6	\$ 28.0	\$ 28.3
Federal grants and contracts	3.8	4.7	4.6
State and local grants and contracts	1.9	1.8	1.9
Nongovernmental grants and contracts	4.0	3.8	4.5
Sales and services of educational departments	0.9	1.2	1.6
Auxiliary enterprises, net of grants and scholarships	8.4	9.1	8.4
Other	2.4	2.0	1.8
Total operating revenues	51.0	50.6	51.1
Operating expenses:			
Instruction	61.5	28.6	72.8
Public service	2.0	3.0	3.0
Academic support	13.6	12.0	12.5
Student services	21.0	19.9	18.5
Institutional support	22.8	19.3	19.7
Plant operations and maintenance	14.6	13.4	12.9
Depreciation	11.7	12.1	11.3
Student aid	6.1	6.2	6.0
Auxiliary enterprises	9.1	10.1	10.5
Total operating expenses	162.4	124.6	167.2
Nonoperating and other revenues (expenses):			
State appropriations	49.4	48.1	47.7
County tax levy	37.5	38.1	37.5
Federal student aid grant programs	23.0	24.7	23.5
State student aid grant programs	0.8	1.2	1.0
Investment income	3.8	3.2	3.3
Net change in the fair value of investments	2.8	(2.4)	(2.5)
Capital grants	9.0	7.0	10.8
Total nonoperating and other revenues	126.3	119.9	121.3
Change in net position	14.9	45.9	5.2
Net position:			
Beginning of year	136.4	135.0	129.8
Adjustment for change in accounting principle	-	(44.5)	-
Net position - beginning of year	136.4	90.5	129.8
End of year	\$ 151.3	\$ 136.4	\$ 135.0

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2019 and 2018

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

	2019	2018	2017
Operating revenues:			
Student tuition and fees, net of grants and scholarships	\$ 29.6	\$ 28.0	\$ 28.3
Federal grants and contracts	3.8	4.7	4.6
State and local grants and contracts	1.9	1.8	1.9
Nongovernmental grants and contracts	4.0	3.8	4.5
Sales and services of educational departments	0.9	1.2	1.6
Auxiliary enterprises, net of grants and scholarships	8.4	9.1	8.4
Other	2.4	2.0	1.8
Total operating revenues	51.0	50.6	51.1
Operating expenses:			
Instruction	71.6	70.2	69.7
Public service	2.0	3.0	3.0
Academic support	12.0	11.6	11.7
Student services	18.3	18.5	17.0
Institutional support	17.6	17.8	17.3
Plant operations and maintenance	13.8	13.1	12.5
Depreciation	11.7	12.1	11.3
Student aid	6.1	6.2	6.0
Auxiliary enterprises	9.1	10.1	10.5
Total operating expenses	162.2	162.6	159.0
Nonoperating and other revenues (expenses):			
State appropriations	49.4	48.1	47.7
County tax levy	37.5	38.1	37.5
Federal student aid grant programs	23.0	24.7	23.5
State student aid grant programs	0.8	1.2	1.0
Investment income	3.8	3.2	3.3
Net change in the fair value of investments	2.8	(2.4)	(2.5)
Capital grants	9.0	7.0	10.8
Total nonoperating and other revenues	126.3	119.9	121.3
Change in net position	15.1	7.9	13.4
Net position:			
Beginning of year	285.8	277.9	264.5
End of year	\$ 300.9	\$ 285.8	\$ 277.9

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2019 and 2018

Revenues (Operating, Nonoperating)

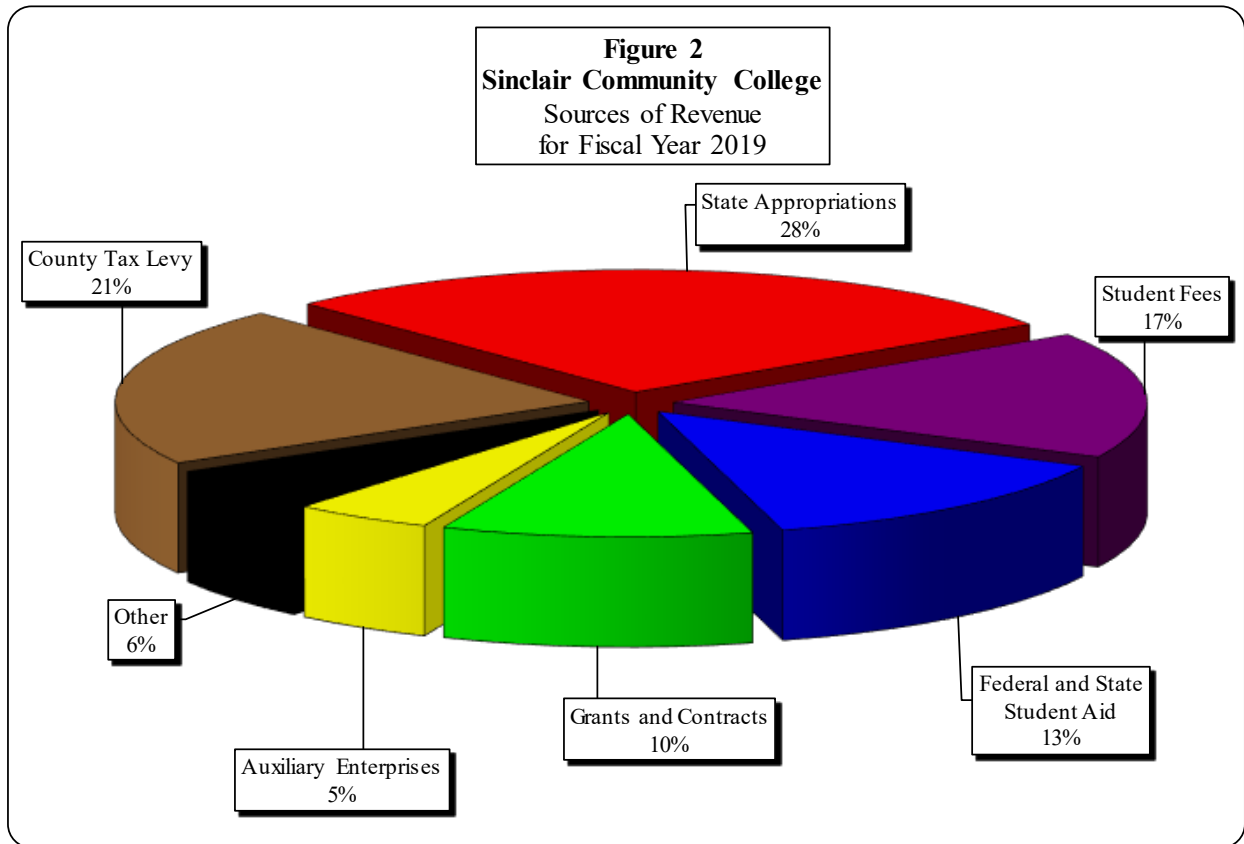
- Operating revenue of the College is defined as payments received for goods and services provided, and is composed mainly of tuition and fees, federal and state grants, and income from auxiliary operations. *(Note: In accordance with the required reporting display, gross tuition and fees on the condensed SRECNP are reduced by grants and scholarships used to help pay those charges, resulting in net tuition revenue).*
 - In fiscal 2019, operating revenue increased slightly by \$0.4 million, compared to prior year, due to a slight increase in net student tuition and fees (attributable to a slight increase in student headcount), state and local grants and contracts, nongovernmental grants and contracts, and other income offset by an decrease in federal grants and contracts, sales and service of educational departments, and auxiliary enterprises.
 - 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.
- Nonoperating revenue includes state appropriations, county property tax levy receipts, certain government grants, investment income, and state capital grants.
 - In fiscal 2019, nonoperating revenue increased \$6.4 million or 5.3% versus the previous year due to the following:
 - State appropriations were \$1.3 million, or 2.7%, higher than the prior year. This increase resulted from the College's increased share of performance-based funding.
 - County tax levy revenue was down \$0.6 million due to a slight decrease in property tax collections in Montgomery County.
 - Federal student aid revenues was down by \$1.7 million primarily due to less Pell grants.
 - A \$2.0 million increase in capital grants was primarily due to \$2.4 million of state capital grants received in 2019 for the Plaza Membrane Project partially offset by the completion of other state capital grants received in 2018 for other capital projects.
 - The fair value of investments increased by \$2.8 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, 2019, the portfolio includes \$2.6 million in net unrealized gains.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2019 and 2018

- 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, 2019 and 2018

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



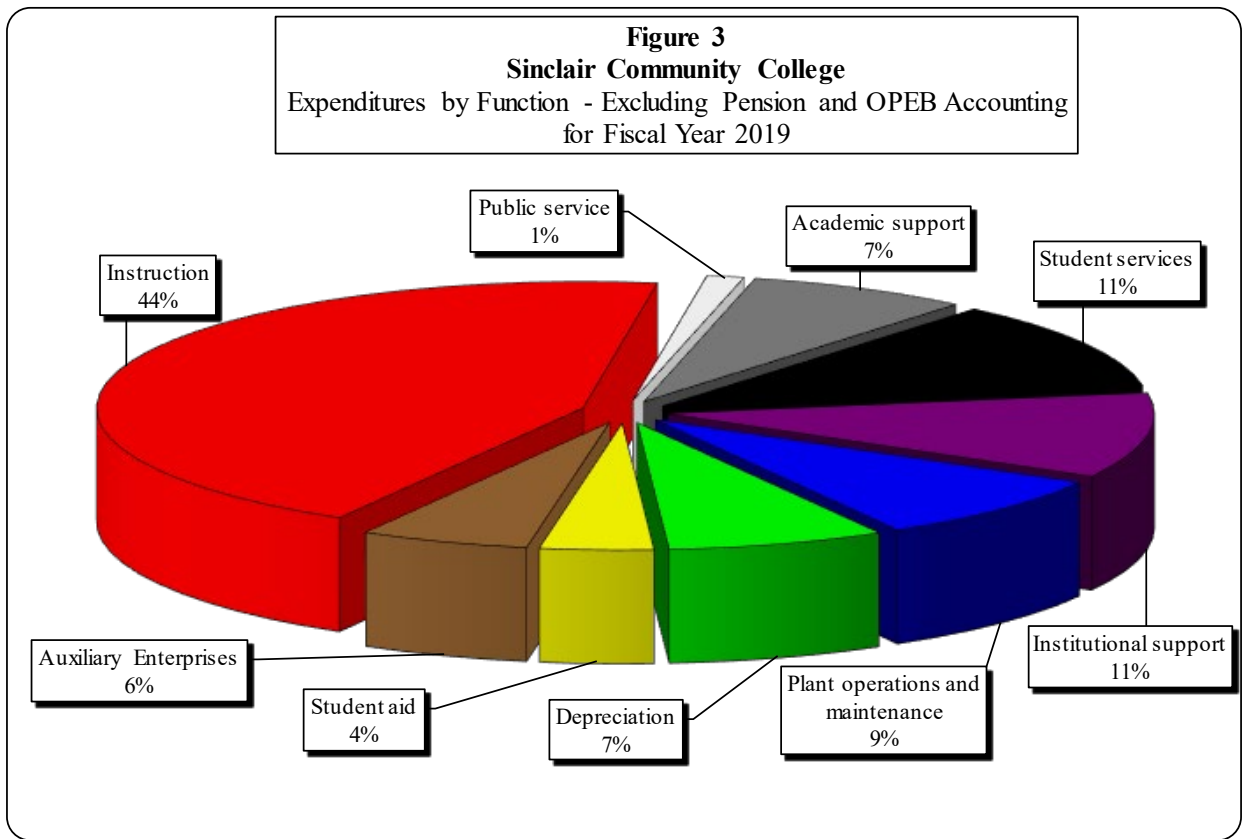
Operating Expenses

- 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 (\$0.2 million increase in 2019 and \$38.0 million decrease in 2018).**
 - Total operating expenses increased by \$37.8 million or 30.3% in 2019 due to the aforementioned net impacts of pension and OPEB accounting changes related to 2018 (see below). The net impact of pension and OPEB accounting changes was increase in expense of \$0.2 million in 2019 compared to a net decrease in expense of \$38.0 million in 2018. Exclusive of the pension and OPEB expenses, operating expenses in 2019 decreased slightly by \$0.4 million or 0.2%. 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, 2019 and 2018

- 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. 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.

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, 2019 and 2018

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,		
	2019	2018	2017
Cash (used in) provided by:			
Operating activities	\$ (97.8)	\$ (101.2)	\$ (94.7)
Non-capital financing activities	110.9	112.0	111.0
Capital and related financing activities	(17.8)	(21.8)	(17.1)
Investing activities	8.9	(1.3)	1.0
Net increase (decrease) in cash and cash equivalents	4.2	(12.3)	0.2
Cash and cash equivalents, beginning of year	3.9	16.2	16.0
Cash and cash equivalents, end of year	\$ 8.1	\$ 3.9	\$ 16.2

Capital Assets

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

- Building improvement projects on the Dayton campus in 2019 and 2018 include the construction of the new Integrated Student Services Center and the Plaza Membrane Enhancements, building renovations to the Centerville Learning Center, new biology labs and other projects. The Health Science Center was completed and opened in August 2017.
- Other projects in 2019 include building renovations to the Centerville Learning Center, new biology labs, electric grid updates, replacement of air handlers and generators, LED lighting in parking lots, and additional renovations to Blair Hall. Other projects in 2018 include the purchase of the Centerville Learning Center, replacement of air handlers and windows, and renovations to Blair Hall.
- Additions to equipment inventory in 2019 included replacement of IT systems, vehicles for the automotive classes, and lab equipment. Additions to equipment inventory in 2018 included replacement of IT systems, police vehicles, automotive equipment, ambulance simulator, and Health Science Center equipment.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2019 and 2018

TABLE 4
CAPITAL ASSETS

(net of depreciation, in millions of dollars)

	2019	2018	2017
Land and improvements	18.2	18.2	15.4
Buildings and improvements	156.2	140.4	125.9
Equipment and fixtures	8.0	8.4	9.0
Library materials	0.2	0.2	0.2
Total capital assets	182.6	167.2	150.5

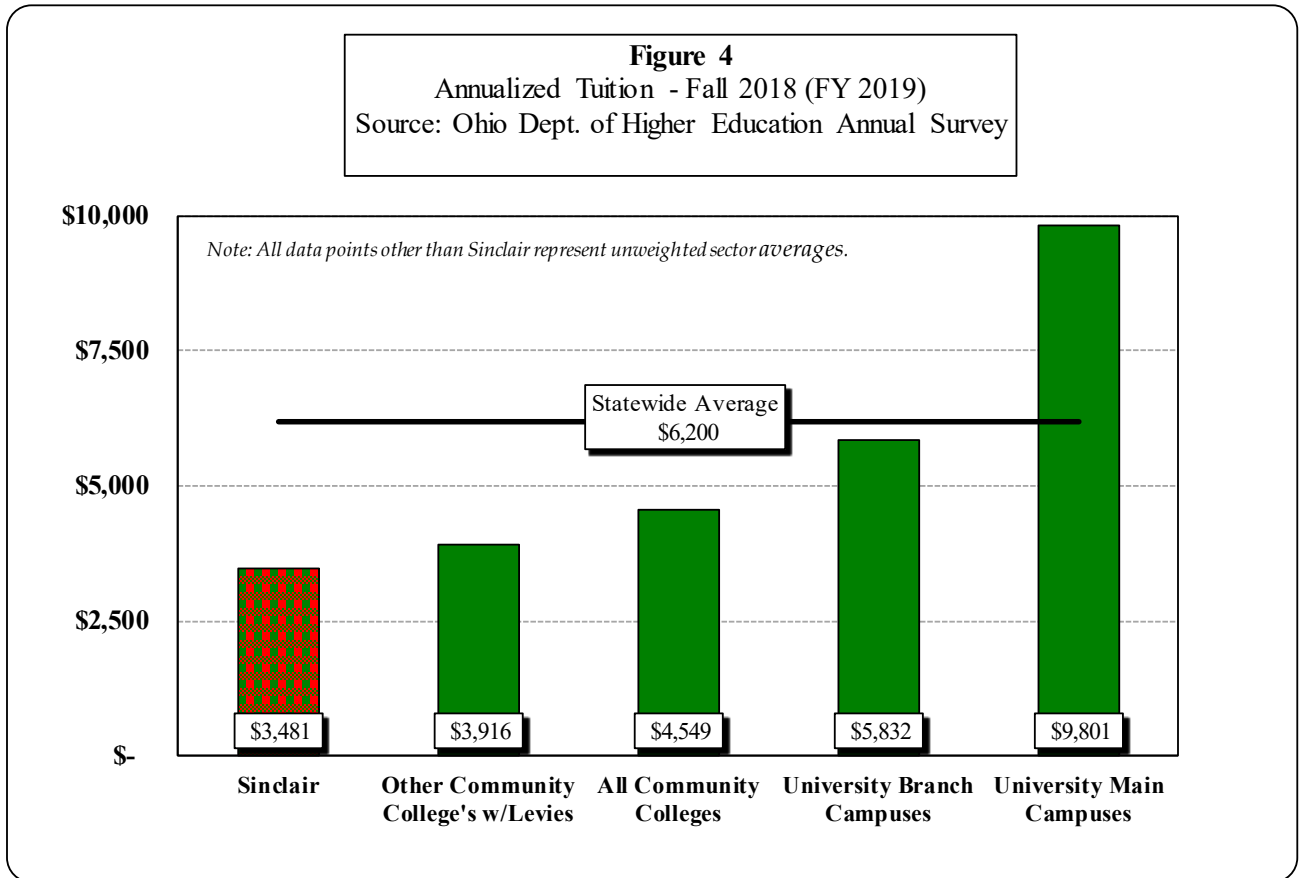
Factors Impacting Future Periods

State of Ohio Appropriations: The new two-year operating budget (HB166) for fiscal years 2020 and 2021 provided increases in funding for community colleges of 2% and 1% per year, respectively. Sinclair expects to continue to enjoy better than average results in the allocation of dollars through the State's performance-based funding model 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. Since the new formula was enacted in 2015, the College's share of overall community college funding has increased in each ensuing year including the preliminary projection for fiscal year 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 targeted to support growth in high demand programs such as health sciences), passed for the first time in the fall of 2015. Combined, these levies are expected to account for nearly \$38 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 new two-year operating budget (HB166) for fiscal years 2020 and 2021 permits increases of up to \$5 per credit hour per year for in-state rates. Sinclair deferred implementing a \$5 increase in in-state rates until spring semester of 2020. These new funds are being used to support the significant and increasing investments the College is making for improving student success and completion, which are paying great dividends in graduating more students with degrees and certificates.

SINCLAIR COMMUNITY COLLEGE
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the years ended June 30, 2019 and 2018



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, with a slight increase in fiscal 2019 and 2018, and are trending positive so far in fiscal 2020. 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 has serviced 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 addition, the College is moving forward to develop and deploy a strategy to promote workforce learning through Sinclair's Health Sciences Simulation Lab.

SINCLAIR COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2019 and 2018

Facilities Campus Master Plan: Fiscal 2019 was another busy year of implementing the College's facilities campus master plan highlighted by the near completion of a \$15 million Integrated Student Services Center (renovation of Building 10). The new center will allow for transformational improvements in the flow of services and processes to better assist students and establish a true "front door" to the College. In addition, the College made substantially progress on other key components of the master plan including expansion of Biology Labs, narrowing and development along fourth and fifth streets and renovating the campus plaza to include a direct entrance to the library. Other projects that are in progress include creation of a pedestrian pathway from the student garage to the new student services center and adding a parking deck pavilion to the student garage. Collectively, these projects are making the campus and support services easier to access and navigate.

Sinclair's Strategic Planning: During 2018, the College undertook a comprehensive strategic planning process, which included participants from the Sinclair College and Foundation Board of Trustees, community leaders, elected officials, faculty, staff and students. This process resulted in the Sinclair Board of Trustees' 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. The College is in the process of implementing strategies and programs to meet the objectives of the plan. For instance, the Board approved spending for fiscal 2020 of \$2.5 million for a variety of initiatives including launching of a Work Based Learning office, enhanced services to military-affiliated students and refreshing the strategic plan for regional centers.

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 example, Sinclair's utility costs are \$1.2 million or 32% lower than ten years ago due to implementing energy conservation measures. 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, 2019 and 2018

	2019	2018
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 8,102,353	\$ 3,938,948
Accounts receivable, net	9,481,886	8,093,141
Prepaid expenses	3,334,341	2,806,666
Interest receivable	459,630	490,000
Property tax levy receivable	38,100,712	37,660,633
Inventories	1,335,237	1,696,688
Total current assets	60,814,159	54,686,076
Noncurrent assets:		
Investments	126,492,341	129,022,962
Capital assets, net	182,601,616	167,205,823
Total noncurrent assets	309,093,957	296,228,785
Total assets	369,908,116	350,914,861
Deferred outflows of resources:		
Pension activity	42,006,190	35,315,242
Other postemployment benefits activity	4,048,776	2,844,324
Total deferred outflows of resources	46,054,966	38,159,566
Total assets and deferred outflows of resources	\$ 415,963,082	\$ 389,074,427
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Accounts payable and accruals	\$ 9,587,592	\$ 5,526,605
Accrued salaries, wages and benefits	10,589,346	11,136,732
Unearned student fee income	3,783,783	3,981,996
Deposits	1,843,134	1,774,742
Total current liabilities	25,803,855	22,420,075
Noncurrent liabilities:		
Compensated absences	4,986,295	4,992,733
Net pension liability	145,588,687	119,739,302
Net other postemployment benefit liability	28,657,051	41,548,756
Total liabilities	205,033,888	188,700,866
Deferred inflows of resources:		
Property tax levy	38,100,712	37,660,633
Pension activity	12,653,783	22,488,107
Other postemployment benefit activity	8,834,670	3,751,092
Total deferred inflows of resources	59,589,165	63,899,832
Net position:		
Net investment in capital assets	182,601,616	167,205,823
Restricted – Expendable	1,987,670	2,139,524
Unrestricted	(33,251,257)	(32,871,618)
Total net position	151,338,029	136,473,729
Total liabilities, deferred inflows of resources, and net position	\$ 415,963,082	\$ 389,074,427

SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Year ended June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 215,075	\$ 417,377
Contributions receivable - Net	180,540	345,112
Investments:		
Fixed income security funds	3,620,963	3,111,190
Equity funds	26,869,267	27,621,410
Venture capital funds	227,491	180,869
Total investments	30,717,721	30,913,469
Prepaid expenses	9,420	8,200
Cash surrender value of life insurance	276,271	214,510
Property and equipment - Net	5,158,748	5,194,059
 Total assets	 \$ 36,557,775	 \$ 37,092,727
 Liabilities and Net Assets		
Liabilities		
Payable to Sinclair Community College	\$ 211,050	\$ 915,507
Other payables	77,722	79,707
Total liabilities	288,772	995,214
 Net Assets		
Without donor restrictions	24,211,430	24,011,619
With donor restrictions	12,057,573	12,085,894
Total net assets	36,269,003	36,097,513
 Total liabilities and net assets	 \$ 36,557,775	 \$ 37,092,727

SINCLAIR COMMUNITY COLLEGE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 Years ended June 30, 2019 and 2018

	2019	2018
Revenues		
Operating revenues:		
Student tuition and fees	\$ 49,304,073	\$ 48,102,892
Less grants and scholarships	(19,718,341)	(20,113,647)
Student tuition and fees, net of grants and scholarships	29,585,732	27,989,245
Federal grants and contracts	3,830,060	4,731,635
State and local grants and contracts	1,927,834	1,784,325
Nongovernmental grants and contracts	4,023,070	3,758,893
Sales and services of educational departments	908,522	1,257,980
Auxiliary enterprises:		
Food service	460,103	468,008
Bookstore (net of grants and scholarships of \$1,923,451 and \$2,424,574 in 2019 and 2018 respectively)	5,083,728	5,594,024
Parking	2,857,645	3,043,467
Other operating revenues	2,356,194	2,012,267
Total operating revenues	51,032,888	50,639,844

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended June 30, 2019 and 2018

	2019	2018
Expenses		
Operating expenses:		
Educational and general:		
Instruction	\$ 61,508,887	\$ 28,565,589
Public service	2,044,595	3,031,523
Academic support	13,636,406	12,011,703
Student services	21,008,217	19,866,705
Institutional support	22,772,022	19,254,747
Plant operations and maintenance	14,625,165	13,355,169
Depreciation	11,710,208	12,068,840
Student aid	6,110,401	6,247,879
Auxiliary enterprises:		
Food service	258,586	285,265
Bookstore	6,629,446	7,643,133
Parking	2,163,576	2,189,731
Total operating expenses	162,467,509	124,520,284
Operating Loss	(111,434,621)	(73,880,440)
Nonoperating Revenues (Expenses):		
State appropriations	49,377,392	48,058,402
County tax levy	37,489,314	38,139,184
Federal student aid grant programs	23,013,412	24,723,288
State student aid grant programs	821,099	1,195,731
Investment income	3,781,254	3,198,285
Net increase (decrease) in the fair value of investments	2,849,229	(2,388,101)
Total nonoperating revenues	117,331,700	112,926,789
Gain before Other Revenues	5,897,079	39,046,349
Other Revenues - State Capital Grants	8,967,221	6,958,939
Increase in Net Position	14,864,300	46,005,288
Net Position		
Beginning of year	136,473,729	135,035,930
Adjustment to change in accounting principle	-	(44,567,489)
Net Position - adjusted beginning of year	136,473,729	90,468,441
End of year	\$ 151,338,029	\$ 136,473,729

SINCLAIR COMMUNITY COLLEGE FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2019 and six months ended June 30, 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions	\$ 503,294	\$ 1,436,346	\$ 1,939,640	\$ 140,286	\$ 511,878	\$ 652,164
Net investment income (loss)	905,179	340,079	1,245,258	(144,125)	(29,680)	(173,805)
Lease income	11,095	-	11,095	80,462	-	80,462
Administration fee income	100,353	-	100,353	101,416	-	101,416
Other income	61,761	-	61,761	-	-	-
Net assets released from restrictions - Satisfaction of donor restrictions	1,804,746	(1,804,746)	-	1,105,315	(1,105,315)	-
Total revenue, gains, and other support	<u>3,386,428</u>	<u>(28,321)</u>	<u>3,358,107</u>	<u>1,283,354</u>	<u>(623,117)</u>	<u>660,237</u>
Expenses						
Expenses:						
Program	2,730,711	-	2,730,711	1,470,058	-	1,470,058
Management and general	278,148	-	278,148	110,767	-	110,767
Fundraising	177,758	-	177,758	16,016	-	16,016
Total expenses	<u>3,186,617</u>	<u>-</u>	<u>3,186,617</u>	<u>1,596,841</u>	<u>-</u>	<u>1,596,841</u>
Increase (Decrease) in Net Assets	199,811	(28,321)	171,490	(313,487)	(623,117)	(936,604)
Net Assets - Beginning of year	<u>24,011,619</u>	<u>12,085,894</u>	<u>36,097,513</u>	<u>24,325,106</u>	<u>12,709,011</u>	<u>37,034,117</u>
Net Assets - End of year	<u>\$ 24,211,430</u>	<u>\$ 12,057,573</u>	<u>\$ 36,269,003</u>	<u>\$ 24,011,619</u>	<u>\$ 12,085,894</u>	<u>\$ 36,097,513</u>

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Tuition and fees	\$ 26,796,530	\$ 28,005,352
Grants and contracts	10,102,974	10,195,675
Payments to vendors and employees	(147,108,572)	(152,058,460)
Auxiliary enterprise charges	8,414,144	9,297,187
Sales and services of educational departments	825,910	1,581,351
Other receipts	3,135,169	1,766,651
Net cash used in operating activities	(97,833,845)	(101,212,244)
Cash Flows from Noncapital Financing Activities		
State appropriations	49,377,392	48,058,402
Property tax levy receipts	37,489,314	38,139,184
Direct student loan receipts	20,714,680	23,332,754
Direct student loan disbursements	(20,725,204)	(23,360,209)
Deposits	68,392	21,248
Federal student aid grant programs	23,010,609	24,738,658
State student aid grant programs	984,374	1,115,293
Net cash provided by noncapital financing activities	110,919,557	112,045,330
Cash Flows from Capital and Related Financing Activities		
Capital grants	8,967,221	6,958,939
Purchases of capital assets	(26,748,828)	(28,757,856)
Net cash used in capital and related financing activities	(17,781,607)	(21,798,917)
Cash Flows from Investing Activities		
Proceeds from maturities of investments	31,831,236	20,479,120
Interest on investments	3,825,297	2,659,130
Purchase of investments	(26,797,233)	(24,387,414)
Net cash provided by (used in) investing activities	8,859,300	(1,249,164)
Net Increase (Decrease) in Cash and Cash Equivalents	4,163,405	(12,214,995)
Cash and Cash Equivalents		
Beginning of year	3,938,948	16,153,943
End of year	\$ 8,102,353	\$ 3,938,948

SINCLAIR COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2019 and 2018

	2019	2018
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (111,434,621)	\$ (73,880,440)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	11,706,139	12,041,284
Loss on disposal of equipment	4,070	27,557
Changes in operating assets and liabilities, deferred inflows of resources, and deferred outflows of resources which provided (used) cash:		
Accounts receivable	(1,563,693)	415,026
Inventory	361,451	21,945
Prepaid expenses	(527,675)	192,743
Accounts payable and accruals	4,060,987	(2,199,167)
Accrued salaries, wages, benefits and compensated absences	(553,824)	457,753
Unearned student fee income	(198,213)	(199,890)
Deferred outflow of resources - pension activity	(6,690,948)	5,085,292
Deferred outflow of resources - other postemployment benefit activity	(1,204,452)	(2,844,324)
Deferred inflow of resources - pension activity	(9,834,324)	11,809,866
Deferred inflow of resources - other postemployment benefit activity	5,083,578	3,751,092
Net pension liability	25,849,385	(52,872,248)
Net other postemployment benefit activity	(12,891,705)	(3,018,733)
Net cash used in operating activities	\$ (97,833,845)	\$ (101,212,244)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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 \$558,000 and \$677,000 at June 30, 2019 and 2018, 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, 2019.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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 statements of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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. The College reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in 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 Ohio Public Employees Retirement System Pension Plan (OPERS) and the State Teachers Retirement System of Ohio Pension Plan (STRS) and the additions to/deductions from the OPERS' and STRS' fiduciary net position have been determined on the same basis as they are reported by the OPERS and STRS. 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, 2019 and 2018

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 OPERS' and STRS' fiduciary net position have been determined on the same basis as they are reported by the OPERS and STRS. 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, deferred inflows of resources, 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. The College reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Note H.

The College also has deferred inflows of resources for property taxes. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations.

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, 2019 and 2018

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: 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 \$407,980 and \$464,616 for the year ended June 30, 2019 and 2018, respectively.

Adjustment to Change in Accounting Principle: 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.

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.

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.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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, 2019, the carrying amount of the College's deposits in all funds was \$8,102,353 (reported as cash and cash equivalents in the statement of net position) and the financial institution balance was \$10,310,728. The difference between the carrying amount and the financial institution balance was primarily due to outstanding checks at June 30, 2019. Of the financial institution balance, \$1,076,932 was covered by federal depository insurance and \$250,000 had Federal Securities Investor Protection Corporation coverage. The remaining balance of \$8,983,796 was uninsured.

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.

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 (\$4,511,119 at June 30, 2019 and \$4,552,543 at June 30, 2018), or 2) in the case of money market account balances were backed by the underlying securities held by the fund (\$4,472,678 at June 30, 2019 and \$1,515,693 at June 30, 2018). 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, 2019 and 2018

NOTE B – CASH AND INVESTMENTS (Continued)

Investments: Investments at June 30, 2019 and 2018 were \$126,492,341 (amortized cost basis of \$123,939,362) and \$129,022,962 (amortized cost basis of \$129,319,212), respectively.

Investments at June 30 were as follows:

	Fair Value at June 30, 2019	Maturities				
		Less than 1 Year	1 - 5 Years	6 - 10 Years	11 - 20 Years	Greater than 20 Years
U.S. Treasury notes	\$ 1,004,410	\$ 1,004,410	\$ -	\$ -	\$ -	\$ -
Government National Mortgage Association (GNMA) bonds	34,071,921	312	1,163,203	4,156,632	16,210,786	12,540,988
Other federal agency securities	8,828,452	995,970	7,832,482	-	-	-
Municipal bonds	2,281,188	-	2,281,188	-	-	-
Fixed income security funds	11,641,645	11,641,645	-	-	-	-
Equity funds	9,647,294	9,647,294	-	-	-	-
Corporate bonds	37,217,766	10,264,629	26,436,307	516,830	-	-
STAR Ohio	21,541,400	21,541,400	-	-	-	-
Certificates of deposit	258,265	-	258,265	-	-	-
Total	\$ 126,492,341	\$ 55,095,660	\$ 37,971,445	\$ 4,673,462	\$ 16,210,786	\$ 12,540,988

	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

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

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE B – CASH AND INVESTMENTS (Continued)

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

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, 2019 and 2018, the College's GNMA investments returned principal as follows:

	2019	2018
Years:		
0 - 5	\$ 368,167	\$ 154,109
6 - 10	1,276,525	1,812,212
11 - 20	1,865,115	1,682,060
Greater than 20	2,174,500	4,944,738
Total (at cost)	\$ 5,684,307	\$ 8,593,119

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:

	2019	2018
Capital improvements, facility renovations, equipment	\$ 70,685,130	\$ 69,073,213
Tuition stabilization, rainy day fund, uninsured losses, other contingencies and initiatives	16,687,585	19,371,871
Auxiliary enterprises	11,403,261	10,532,398
Board-designated endowment	17,247,305	17,152,160
Agency funds	404,687	366,431
Total unrestricted net position before pension and other postemployment benefit activity	116,427,968	116,496,073
Pension activity	(116,236,280)	(106,912,167)
Other postemployment benefit activity	(33,442,945)	(42,455,524)
Total unrestricted net position	(33,251,257)	(32,871,618)
Restricted grants and contracts	1,987,670	2,139,524
Total unrestricted and restricted net position	\$ (31,263,587)	\$ (30,732,094)

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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, 2019 and 2018:

	Balance at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt securities:				
U.S. Treasury notes	\$ 1,004,410	\$ -	\$ 1,004,410	\$ -
Fixed income security funds	11,641,645	11,641,645	-	-
Equity funds	9,647,294	9,647,294	-	-
Government National Mortgage Association (GNMA) Bonds	34,071,921	-	-	-
Other federal agency securities	8,828,452	-	42,900,373	-
Municipal bonds	2,281,188	-	2,281,188	-
Corporate bonds	37,217,766	-	37,217,766	-
Total debt securities	<u>\$ 104,692,676</u>	<u>\$ 21,288,939</u>	<u>\$ 83,403,737</u>	<u>\$ -</u>

	Balance at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt securities:				
U.S. Treasury notes	\$ 498,515	\$ -	\$ 498,515	\$ -
Fixed income security funds	4,652,591	4,652,591	-	-
Equity funds	5,475,389	5,475,389	-	-
Government National Mortgage Association (GNMA) Bonds	38,938,706	-	-	-
Other federal agency securities	8,584,206	-	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>

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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, 2019 and 2018 include certificates of deposits of \$258,265 and \$149,427, respectively, and investments in STAR Ohio of \$21,541,400 and \$29,798,329, 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, 2019 and 2018 is summarized as follows:

	June 30, 2019				Ending Balance
	Beginning Balance	Additions	Transfers	Disposals	
Cost:					
Land and improvements	\$ 18,173,733	\$ -	\$ -	\$ -	\$ 18,173,733
Buildings and improvements	309,150,553	4,373,729	6,045,487	-	319,569,769
Equipment and fixtures	36,298,447	1,809,231	-	(243,935)	37,863,743
Library materials	2,243,537	71,932	-	(70,102)	2,245,367
Total cost	<u>365,866,270</u>	<u>6,254,892</u>	<u>6,045,487</u>	<u>(314,037)</u>	<u>377,852,612</u>
Less accumulated depreciation:					
Buildings and improvements	180,314,718	9,373,593	-	-	189,688,311
Equipment and fixtures	27,890,620	2,254,506	-	(239,865)	29,905,261
Library materials	2,008,789	78,039	-	(70,102)	2,016,726
Total accumulated depreciation	<u>210,214,127</u>	<u>11,706,138</u>	<u>-</u>	<u>(309,967)</u>	<u>221,610,298</u>
Construction in progress	<u>11,553,680</u>	<u>21,395,440</u>	<u>(6,589,818)</u>	<u>-</u>	<u>26,359,302</u>
Capital assets, net	<u>\$ 167,205,823</u>	<u>\$ 15,944,194</u>	<u>\$ (544,331)</u>	<u>\$ (4,070)</u>	<u>\$ 182,601,616</u>

As of June 30, 2019, the College was a party to outstanding construction contracts and commitments totaling approximately \$7,400,000.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE D – CAPITAL ASSETS (Continued)

	June 30, 2018				Ending Balance
	Beginning Balance	Additions	Transfers	Disposals	
Cost:					
Land and improvements	\$ 15,453,006	\$ 2,720,727	\$ -	\$ -	\$ 18,173,733
Buildings and improvements	271,023,062	14,358,218	23,769,273	-	309,150,553
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>323,534,148</u>	<u>19,208,267</u>	<u>23,769,273</u>	<u>(645,418)</u>	<u>365,866,270</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>-</u>	<u>(617,861)</u>	<u>210,214,127</u>
Construction in progress	25,726,530	9,596,423	(23,769,273)	-	11,553,680
Capital assets, net	<u>\$ 150,469,974</u>	<u>\$ 16,763,406</u>	<u>\$ -</u>	<u>\$ (27,557)</u>	<u>\$ 167,205,823</u>

NOTE E – LONG-TERM LIABILITIES

Long-term liabilities activity for the years ended June 30, 2019 and 2018 is summarized as follows:

	June 30, 2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	<u>\$ 5,249,083</u>	<u>\$ 341,640</u>	<u>\$ (298,088)</u>	<u>\$ 5,292,635</u>	<u>\$ 306,340</u>

	June 30, 2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	<u>\$ 4,958,824</u>	<u>\$ 589,265</u>	<u>\$ (299,006)</u>	<u>\$ 5,249,083</u>	<u>\$ 256,350</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, 2019 and 2018

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, 2019. 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 2019 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 K. These facilities are not recorded as assets on the statements of net position. The total rental expense under these agreements was \$1,733,111 and \$1,740,148 for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments for all significant operating leases with initial or remaining terms in excess of one year as of June 30, 2019 are as follows:

Year Ended June 30:	Amount
2020	\$ 1,502,609
2021	1,274,190
2022	147,646
2023	19,429
2024	19,429
2025-2029	97,145
2030-2034	97,145
Total minimum lease payments	\$ 3,157,593

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, 2019 and 2018

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' 2019 employer contribution and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate					Member Contribution Rate
	Post					Total
	Pension	Retirement Healthcare	Death Benefits	Medicare B	Total	
STRS	14.00%	0.00%	0.00%	0.00%	14.00%	14.00%
OPERS - State/Local	14.00%	0.00%	0.00%	0.00%	14.00%	10.00%
OPERS - Law enforcement	18.10%	0.00%	0.00%	0.00%	18.10%	13.00%

The plans' 2018 employer contribution and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate					Member Contribution Rate
	Post					Total
	Pension	Retirement Healthcare	Death Benefits	Medicare B	Total	
STRS	14.00%	0.00%	0.00%	0.00%	14.00%	14.00%
OPERS (through 12/31/17)	13.00%	1.00%	0.00%	0.00%	14.00%	10.00%
OPERS (beginning 1/1/18)	14.00%	0.00%	0.00%	0.00%	14.00%	10.00%
OPERS - Law enforcement (through 12/31/17)	17.10%	1.00%	0.00%	0.00%	18.10%	13.00%
OPERS - Law enforcement (beginning 1/1/18)	18.10%	0.00%	0.00%	0.00%	18.10%	13.00%

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

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

	Years Ended June 30			
	2019		2018	
	Pension	OPEB	Pension	OPEB
STRS	\$ 5,640,113	\$ -	\$ 5,302,536	\$ -
OPERS	5,350,294	-	5,132,581	-
Total	\$ 10,990,407	\$ -	\$ 10,435,117	\$ -

Benefits Provided:

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

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

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

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

STRS Ohio provides access to healthcare coverage to retirees who participated in the Defined Benefit or Combined Plans, and their dependent. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the State Teachers Retirement Board (the "Board") has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium.

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 (5 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 (5-30 years), age (48-62 years) and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

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

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

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

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent, or an amount based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Net Pension Liability, Deferrals, and Pension Expense: At June 30, 2019 and 2018, the College reported a liability for its proportionate share of the net pension liability of STRS and OPERS. As of June 30, 2019 and 2018, the net pension liability was measured as of July 1, 2018 and 2017 for STRS and December 31, 2018 and 2017 for OPERS, respectively. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates, except STRS' net pension liability's actuarial valuation was dated July 1, 2018, and 2017, respectively, which was rolled forward to the measurement date. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

Plan	Measurement Date	Net Pension Liability		Proportionate Share		Percent Change 2018-19	Percent Change 2017-18
		2019	2018	2019	2018		
STRS	July 1	\$ 77,919,147	\$ 81,840,400	0.35438%	0.34452%	0.00986%	-0.00871%
OPERS	December 31	67,669,540	37,898,902	0.24895%	0.24546%	0.00349%	0.00505%

For the years ended June 30, 2019 and 2018, the College recognized pension expense (credit) of \$9,324,113 and \$(24,657,379), respectively. At June 30, 2019 and 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,846,081	\$ (1,609,464)	\$ 3,230,010	\$ (1,595,295)
Changes in assumptions	19,859,823	-	22,555,087	-
Net difference between projected and actual earnings on pension plan investments	9,366,152	(4,724,936)	-	(11,066,053)
Changes in proportion and differences between College contributions and proportionate share of contributions	2,423,694	(6,319,383)	1,347,107	(9,826,759)
College contributions subsequent to the measurement date	8,510,440	-	8,183,038	-
Total	<u>\$ 42,006,190</u>	<u>\$ (12,653,783)</u>	<u>\$ 35,315,242</u>	<u>\$ (22,488,107)</u>

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

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

Year Ended June 30:	Amount
2020	\$ 10,948,554
2021	5,052,333
2022	1,172,125
2023	3,693,440
2024	(13,376)
Thereafter	(11,111)

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

Net OPEB Liability (Asset), Deferrals, and OPEB Expense: At June 30, 2019, the College reported a liability (asset) for its proportionate share of the net OPEB liability (asset) of STRS and OPERS. For June 30, 2019, the net OPEB liability (asset) was measured as of June 30, 2018 for STRS, and December 31, 2018 for the OPERS plan. For June 30, 2018, the net OPEB liability (asset) was measured as of June 30, 2017 for STRS and December 31, 2017 for the OPERS plan. The total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of those dates, except OPERS which used an actuarial valuation dated December 31, 2017 and 2016, respectively, rolled forward to the measurement date by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals, during the year for the defined benefit health care plans.

Typically, the College’s proportion of the net OPEB liability (asset) would be 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, except as noted below.

For plan years ending June 30, 2018 and 2017, STRS did not allocate employer contributions to the OPEB plan. Therefore, STRS’ calculation of the employers’ proportionate share is based on total contributions to the plan for both pension and OPEB.

For plan years ending December 31, 2018 and 2017, OPERS allocated 0.0% and 1% of the total 14% employer contributions to the OPEB plan. Therefore, OPERS’ calculation of the employers’ proportionate share is based on total contributions to the plan for both pension and OPEB.

Plan	Measurement Date	Net OPEB (Asset) Liability		Proportionate Share		Percent Change 2018-2019
		2019	2018	2019	2018	
STRS	June 30	\$ (5,694,000)	\$ 13,441,724	0.35438%	0.34452%	0.00986%
OPERS	December 31	34,351,051	28,107,032	0.26348%	0.25883%	0.00465%

Each plan above used the same proportionate share to allocate the net OPEB liability for recording the beginning balance at July 1, 2018, therefore, there was no change in proportionate share from July 1, 2017 to June 30, 2018

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

For the year ended June 30, 2019 and 2018, the College recognized OPEB credit of \$(9,021,579) and \$(2,111,965), respectively. At June 30, 2019 and 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 676,752	\$ (424,982)	\$ 797,834	\$ -
Changes in assumptions	1,107,519	(7,759,141)	2,046,490	(1,082,774)
Net difference between projected and actual earnings on OPEB plan investments	1,574,794	(650,547)	-	(2,668,318)
Changes in proportion and differences between College contributions and proportionate share of contributions	689,711	-	-	-
Total	<u>\$ 4,048,776</u>	<u>\$ (8,834,670)</u>	<u>\$ 2,844,324</u>	<u>\$ (3,751,092)</u>

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

Year Ended June 30:	Amount
2019	\$ 10,450
2020	(903,993)
2021	(1,122,942)
2022	(446,343)
2023	(1,187,838)
Thereafter	(1,135,228)

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

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

Actuarial Assumptions: The total pension liability and OPEB liability (asset) is based on the results of an actuarial valuation, and were determined using the following actuarial assumptions for the College's current year:

	STRS	OPERS
Valuation date - pension	July 1, 2018	December 31, 2018
Valuation date - OPEB	June 30, 2018	December 31, 2017
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	None	2.15 percent - 3.00 percent
Salary increases, including inflation	2.50 percent - 12.50 percent	3.25 percent - 10.75 percent
Inflation	2.50 percent	2.50 percent
Investment rate of return - pension	7.45 percent, net of investment expense, including inflation	7.20 percent, net of investment expense, including inflation
Investment rate of return - OPEB	7.45 percent, net of investment expense, including inflation	6.00 percent, net of investment expense, including inflation
Healthcare cost trends	-5.23 percent to 9.62 percent initial, 4.0 percent ultimate	10.00 percent initial, 3.50 percent ultimate in 2029
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Mortality basis	RP-2014 Healthy Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of between ages 80 and 84, and 100% of thereafter, projected forward generationally using mortality improvement scale MP-2016	RP-2014 Healthy Annuitant Mortality Table

The following are actuarial assumptions for the College's prior year:

	STRS	OPERS
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 percent - 12.50 percent	3.25 percent - 10.75 percent
Inflation	2.50 percent	2.50 percent
Investment rate of return - pension	7.45 percent, net of investment expense, including inflation	7.50 percent, net of investment expense
Investment rate of return - OPEB	4.51 percent, net of investment expense, including inflation	6.50 percent, net of investment expense
Healthcare cost trends	6.00 percent to 11.00 percent initial, 4.50 percent ultimate	7.50 percent initial, 3.25 percent ultimate in 2028
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Mortality basis	RP-2014 Healthy Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of between ages 80 and 84, and 100% of thereafter, projected forward generationally using mortality improvement scale MP-2016	RP-2014 Healthy Annuitant Mortality Table

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

Pension Discount Rate: 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 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 pension liabilities for STRS were 7.45 percent and 7.75 percent for plan years ended June 30, 2018 and 2017, respectively. The discount rates used to measure the total pension liability for OPERS were 7.20 percent and 7.50 percent for the plan years ended December 31, 2018 and 2017, respectively.

OPEB Discount Rate: 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. Plans that project fiduciary net position to be insufficient to make all projected future benefit payments for current active and inactive employees used a blended discount rate between the long-term expected rate of return on plan investments and a 20-year municipal bond rate applied to all periods of projected benefit payments to determine the total OPEB liability (asset).

STRS – OPEB Discount Rate: The discount rate used to measure the total OPEB liabilities (assets) were 7.45 percent and 4.13 percent for the plan years ended June 30, 2018 and 2017, respectively. At June 30, 2018, the 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). At June 30, 2017, the plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees. 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 the Bond Buyer 20-year municipal bond rate of 3.58 percent. At June 30, 2017, the long-term expected rate of return on health care investments was applied to projected costs through the year 2037, and the municipal bond rate was applied to all health care costs after that date.

OPERS – OPEB Discount Rate: The discount rate used to measure the total OPEB liabilities (assets) were 3.96 percent and 3.85 percent for the plan years ended December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, the plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees. 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 of 6.00 and 6.50 percent and the Fidelity 20-year Municipal General Obligation AA Index rate of 3.71 percent and 3.31 percent at December 31, 2018 and December 31, 2017, respectively. At December 31, 2018, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date. At December 31, 2017, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

The long-term expected rate of return on pension and OPEB plans investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. OPERS has two different portfolios of investment, a defined benefit portfolio for pension and health care portfolio for OPEB. As a result, there are different target allocations and long-term expected real rates of return disclosed for each portfolio. The target allocation and best estimates of arithmetic (geometric for STRS) real rates of return for each major asset class are summarized in the following table as of the dates listed below:

STRS - as of July 1, 2018			OPERS - as of December 31, 2018				
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Defined Benefit Portfolio		Health Care Portfolio		
			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%	2.79%	34.00%	2.42%
International equity	23.00%	7.55%	Domestic equity	19.00%	6.21%	21.00%	6.00%
Alternatives	17.00%	7.09%	Real estate	10.00%	4.90%	0.00%	0.00%
Fixed income	21.00%	3.00%	Private equity	10.00%	10.81%	0.00%	0.00%
Real estate	10.00%	6.00%	International equity	20.00%	7.83%	22.00%	7.83%
Liquidity reserves	1.00%	2.25%	REITs	0.00%	0.00%	6.00%	5.98%
Total	100.00%		Other investments	18.00%	5.50%	17.00%	5.57%
			Total	100.00%		100.00%	

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		
			Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return	
Domestic equity	28.00%	5.10%	Fixed income	23.00%	2.20%	34.00%	1.88%
International equity	23.00%	5.30%	Domestic equity	19.00%	6.37%	21.00%	6.37%
Alternatives	17.00%	4.84%	Real estate	10.00%	5.26%	0.00%	0.00%
Fixed income	21.00%	0.75%	Private equity	10.00%	8.97%	0.00%	0.00%
Real estate	10.00%	3.75%	International equity	20.00%	7.88%	22.00%	7.88%
Liquidity reserves	1.00%	0.00%	REITs	0.00%	0.00%	6.00%	5.91%
Total	100.00%		Other investments	18.00%	5.26%	17.00%	5.39%
			Total	100.00%		100.00%	

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

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

2019						
Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.45%	\$ 113,790,776	7.45%	\$ 77,919,147	8.45%	\$ 47,558,831
OPERS	6.20%	100,554,965	7.20%	67,669,540	8.20%	40,374,341
		\$ 214,345,741		\$ 145,588,687		\$ 87,933,172
2018						
Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.75%	\$ 117,315,429	7.75%	\$ 81,840,400	8.75%	\$ 51,958,006
OPERS	6.50%	68,048,927	7.50%	37,898,902	8.50%	12,800,615
		\$ 185,364,356		\$ 119,739,302		\$ 64,758,621

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents the net pension liability (asset) of the College, calculated using the discount rate listed below, as well as what the College's net OPEB liability (asset) 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:

2019						
Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.45%	\$ (4,880,680)	7.45%	\$ (5,694,000)	8.45%	\$ (6,378,392)
OPERS	2.96%	43,947,797	3.96%	34,351,051	4.96%	26,719,101
		\$ 39,067,117		\$ 28,657,051		\$ 20,340,709
2018						
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
		\$ 55,386,703		\$ 41,548,756		\$ 30,439,912

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rate: The following presents the net OPEB liability (asset) of the College, calculated using the healthcare cost trend rate listed below, as well as what the College's net OPEB liability (asset) 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:

2019						
Plan	1.00 Percent Decrease		Current Trend Rate		1.00 Percent Increase	
STRS	6.45%	\$ (6,339,782)	7.45%	\$ (5,694,000)	8.45%	\$ (5,039,072)
OPERS	2.96%	33,018,812	3.96%	34,351,051	4.96%	35,885,431
		\$ 26,679,030		\$ 28,657,051		\$ 30,846,359

2018						
Plan	1.00 Percent Decrease		Current Trend 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%	28,107,032	4.25%	29,361,675
		\$ 36,231,171		\$ 41,548,756		\$ 48,203,415

Pension Plan and OPEB 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 valuation for OPEB prepared as of June 30, 2018. The most significant changes were an increase in the OPEB discount rate from 4.13 percent to 7.45 percent and a reduction with health care cost trend rates.

Payable to the Pension Plans: At June 30, 2019, the College reported a payable of \$755,985 for the outstanding amount of contributions to the pension plan, required for the year ended June 30, 2019. At June 30, 2018, the College reported a payable of \$716,411 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018. There was no reported payable to the OPEB plan as of June 30, 2019 and 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, 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.

SINCLAIR COMMUNITY COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019 and 2018

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

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 4.47 percent for STRS and 2.50 percent for OPERS for the years ended June 30, 2019 and 2018. 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 College 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, 2019 and 2018, employee contributions totaled \$475,744 and \$475,529, respectively, and the College recognized pension expense of \$421,473 and \$415,145, respectively.

NOTE I – INSURANCE

The College maintains comprehensive and umbrella insurance coverage with private carriers for real property, building contents, vehicles, and liability. Vehicle policies include liability coverage for bodily injury and property damage. The College'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 \$1,366,000 and \$1,287,000 reported at June 30, 2019 and 2018, respectively, is based on an estimate provided by an actuary and the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. No incremental claim adjustment expenses are included in the estimate. The amount is in the accrued salaries, wages and benefits on the statement of net position.

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

	Beginning Balance	Current Year Claims	Claim Payments	Ending Balance
2019	\$ 1,287,000	\$ 9,205,052	\$ (9,156,052)	\$ 1,336,000
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

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

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

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, 2019 and 2018, the College is not aware of any potential disallowances.

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION

The College is the sole beneficiary of the Sinclair Community College Foundation (the “Foundation”), a separate not-for-profit entity governed by a separate board of trustees, organized for the purpose of promoting education activities. Amounts received by the College from the Foundation in the form of private gifts, grants, and contracts amounted to \$2,603,358 and \$2,157,755 for the years ended June 30, 2019 and 2018, respectively.

The following tables present information about the Foundation’s assets measured at fair value on a recurring basis at June 30, 2019 and 2018.

	June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Fixed income security funds	\$ 3,620,963	\$ -	\$ -	\$ 3,620,963
Equity funds	26,869,267	-	-	26,869,267
	30,490,230	-	-	30,490,230
Investments valued at NAV				227,491
Total				\$ 30,717,721

	June 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Fixed income security funds	\$ 3,111,190	\$ -	\$ -	\$ 3,111,190
Equity funds	27,621,410	-	-	27,621,410
	30,732,600	-	-	30,732,600
Investments valued at NAV				180,869
Total				\$ 30,913,469

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

The fair value of the investments valued at net asset value (NAV) at June 30, 2019 and 2018 was determined primarily based on unobservable inputs. The Foundation estimates the fair value of these investments based on the most recent investment statement provided for the respective funds. The Foundation holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period.

	2019	2018
Limited partnerships	\$ 227,491	\$ 180,869

There were unfunded commitments of \$400,000 and \$400,000 as of June 30, 2019 and 2018, respectively. The limited partnerships do not have any redemption restrictions or notice periods.

The limited partnership investments hold investments in various preferred stocks, convertible promissory notes, and common stocks. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Capital assets consist of the following at June 30, 2019 and 2018:

	2019	2018
Land	\$ 4,526,086	\$ 4,526,086
Building	882,783	882,783
Total cost	5,408,869	5,408,869
Less accumulated depreciation	(250,121)	(214,810)
Net property and equipment	\$ 5,158,748	\$ 5,194,059

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.

Net assets of the Foundation are classified based on the presence or absence for donor-imposed restrictions:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed or the donor-imposed restriction have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE K – SINCLAIR COMMUNITY COLLEGE FOUNDATION (Continued)

Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Net assets with donor restrictions were as follows:

	2019	2018
Specified purpose:		
Scholarships	\$ 8,455,911	\$ 8,106,190
Program support	3,421,122	3,634,592
Total	11,877,033	11,740,782
Passage of time - Contributions receivable	180,540	345,112
Total	\$ 12,057,573	\$ 12,085,894

The endowment net asset composition by type of fund as of June 30, 2019 and 2018 were as follows:

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Totals
Donor restricted endowment funds:			
Original amount	\$ -	\$ 6,793,294	\$ 6,793,294
Accumulated gains	-	2,832,364	2,832,364
Quasi endowment funds	84,586	-	84,586
Total	\$ 84,586	\$ 9,625,658	\$ 9,710,244
	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Totals
Donor restricted endowment funds:			
Original amount	\$ -	\$ 6,343,848	\$ 6,343,848
Accumulated gains	-	3,016,000	3,016,000
Quasi endowment funds	86,800	-	86,800
Total	\$ 86,800	\$ 9,359,848	\$ 9,446,648

SINCLAIR COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

REQUIRED SUPPLEMENTARY INFORMATION

SINCLAIR COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION - PENSION
 June 30, 2019 and 2018

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

	2019	2018	2017	2016	2015
College's proportion of the collective STRS net pension liability:					
As a percentage	0.35438%	0.34452%	0.35323%	0.39448%	0.38931%
Amount	\$77,919,147	\$81,840,400	\$118,235,708	\$109,021,783	\$94,694,808
College's covered payroll	\$39,633,414	\$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	196.60%	214.66%	313.61%	274.28%	241.40%
STRS fiduciary net position as a percentage of the total pension liability	77.30%	75.29%	66.78%	72.10%	74.71%

Schedule of College's Pension Contributions - STRS

	2019	2018	2017	2016	2015
Statutorily required contribution	\$5,640,113	\$5,302,536	\$5,203,277	\$5,761,983	\$5,568,809
Contributions in relation to the actuarially determined contractually required contribution	\$5,640,113	\$5,302,536	\$5,203,277	\$5,354,650	\$5,779,151
Contribution deficiency (excess)	\$0	\$0	\$0	\$407,333	(\$210,342)
Covered employee payroll	\$39,062,517	\$39,633,414	\$38,126,183	\$37,701,940	\$39,747,965
Contributions as a percentage of covered employee payroll	14.44%	13.38%	13.65%	14.20%	14.54%

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

	2019	2018	2017	2016	2015
College's proportion of the collective OPERS net pension liability:					
As a percentage	0.24895%	0.24546%	0.24041%	0.24594%	0.25480%
Amount	\$67,669,540	\$37,898,902	\$54,375,842	\$42,408,738	\$30,631,908
College's covered payroll	\$36,862,111	\$35,162,517	\$34,200,224	\$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	183.57%	107.78%	158.99%	124.00%	85.26%
OPERS fiduciary net position as a percentage of the total pension liability	74.91%	84.85%	77.39%	81.19%	86.53%

Schedule of College's Pension Contributions - OPERS

	2019	2018	2017	2016	2015
Statutorily required contribution	\$5,350,294	\$5,132,581	\$4,877,063	\$4,783,467	\$4,883,767
Contributions in relation to the actuarially determined contractually required contribution	\$5,350,294	\$5,132,581	\$4,877,063	\$4,763,754	\$4,666,770
Contribution deficiency (excess)	\$0	\$0	\$0	\$19,713	\$216,997
Covered employee payroll	\$38,669,533	\$36,862,111	\$35,162,517	\$34,035,381	\$34,200,224
Contributions as a percentage of covered employee payroll	13.84%	13.92%	13.87%	14.00%	13.65%

SINCLAIR COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION - PENSION
June 30, 2019 and 2018

Changes to Benefit Terms: There were no changes in benefit terms affecting the STRS and OPERS plans for the plan years ended June 30, 2019 and December 31, 2018, 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, 2019 and 2018

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

	2019	2018
College's proportion of the collective STRS net OPEB (asset) liability:		
As a percentage	0.35438%	0.34452%
Amount	(\$5,694,000)	\$13,441,724
College's covered payroll	\$39,633,414	\$38,126,183
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	-14.37%	35.26%
STRS fiduciary net position as a percentage of the total pension liability	176.00%	47.11%

Schedule of College's OPEB Contributions - STRS

	2019	2018
Statutorily required contribution	\$0	\$0
Contributions in relation to the actuarially determined contractually required contribution	\$0	\$0
Contribution deficiency (excess)	\$0	\$0
Covered employee payroll	\$39,062,517	\$39,633,414
Contributions as a percentage of covered employee payroll	0.00%	0.00%

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

	2019	2018
College's proportion of the collective OPERS net OPEB liability:		
As a percentage	0.26348%	0.25883%
Amount	\$34,351,051	\$28,107,032
College's covered payroll	\$36,862,111	\$35,162,517
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	93.19%	79.93%
OPERS fiduciary net position as a percentage of the total pension liability	46.33%	54.14%

Schedule of College's OPEB Contributions - OPERS

	2019	2018
Statutorily required contribution	\$0	\$0
Contributions in relation to the actuarially determined contractually required contribution	\$0	\$0
Contribution deficiency (excess)	\$0	\$0
Covered employee payroll	\$38,669,533	\$36,862,111
Contributions as a percentage of covered employee payroll	0.00%	0.00%

SINCLAIR COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION - OPEB
June 30, 2019 and 201

Changes to Benefit Terms: There were no changes in benefit terms affecting the STRS and OPERS plans for the plan years ended June 30, 2018 and December 31, 2018, respectively.

Changes of Assumptions (STRS): During the plan year ended June 30, 2018, there were changes to several assumptions for STRS. The investment rate of return increased from 4.51 percent to 7.45 percent. The health care cost trend rates decreased from 6.00 percent to 11.00 percent initial and 4.50 percent ultimate to -5.23 percent to 9.62 percent initial and 4 percent ultimate. The discount rate increased from a blended rate between the long-term expected rate of return and a 20-year municipal bond rate of 4.13 percent to the investment rate of return of 7.45 percent.

Changes of Assumptions (OPERS): There were no significant changes in assumptions for the OPERS plan for the plan years ended December 31, 2018.

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") and its discretely presented component unit as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 12, 2019.

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

Plante & Moran, PLLC

November 12, 2019

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required
by the Uniform Guidance

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 the College's major federal program for the year ended June 30, 2019. 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, 2019.

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

November 12, 2019

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

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	\$ -	\$ 614,603
Federal Work-Study Program	84.033	N/A	-	211,809
Federal Pell Grant Program	84.063	N/A	-	22,111,502
Federal Direct Student Loans	84.268	N/A	-	<u>20,725,204</u>
Total Student Financial Assistance Cluster			-	43,663,118
Trio Cluster - U.S. Department of Education:				
Trio Upward Bound	84.047A	N/A	-	589,808
Trio Student Support Services	84.042A	N/A	-	267,747
Trio Talent Search Program	84.044A	N/A	-	<u>544,709</u>
Total Trio Cluster			-	1,402,264
Research and Development Cluster - National Science Foundation:				
NSF - Enhancing IT	47.076	N/A	-	47,774
NSF - C3P	47.076	N/A	-	41,687
NSF - COMPLETE	47.076	N/A	-	26,888
NSF - Building an Academic Pathway for the Aerial Sensing Data Analyst	47.076	N/A	-	184,195
NSF - Increasing Technician Preparedness in the Built Environment	47.076	N/A	21,400	98,869
NSF - Bridging the Gap in Automated/Connected Vehicle Tech Ed	47.076	N/A	-	247,907
NSF - STEM Guitar Project	47.076	N/A	70,890	389,875
NSF - Creating Pathways for Big Data Careers - Pass-through Education Development Center, Inc.	47.076	11947	-	12,188
NSF - AM-WATCH - Pass-through Tennessee Technological University	47.076	BL77101569	-	35,270
NSF - National Convergence Technology Center - Pass-through Collin County Community College District	47.076	216007-SCC	-	14,303
NSF - The Ohio LSAMP Alliance - Pass-through The Ohio State University	47.076	60042097-SCC, 60067276-SCC	-	48,412
NSF - National Center Supply Chain Automation - Pass-through Riverside Community College District	47.076	C-0005504	-	<u>78,483</u>
Total Research and Development Cluster			92,290	1,225,851
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 Justice - BJA Bulletproof Vest Program				
	16.738	N/A	-	1,744
Department of Labor - Trade Adjustment Assistance Community College and Career Training Grant Program:				
Training Grant Program - Pass-through Lorain County Community College	17.282	1553	-	39,557
College Apprenticeship Consortium Project - Pass-through Ohio Dept. of Job and Family Services	17.285	G-1819-15-0348	-	<u>39,887</u>
Total Department of Labor			-	79,444

Sinclair Community College

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2019

Federal Grant/Program Title	CFDA Number	Pass-through Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Other programs (continued):				
Department of Veteran Affairs - VA Annual Reporting Fee	64.027	N/A	\$ -	\$ 7,702
Department of Energy - Efficiency Training Program - Pass-through University of Dayton	81.041	RSC17036, RSC18009	-	4,133
U.S. Department of Education:				
Connect for Completion	84.031A	N/A	-	241,214
Career and Technical Education - Basic Grants to States - Pass-through State of Ohio Department of Education	84.048	20-C2 2005	-	468,483
CCAMPIS	84.335A	N/A	-	<u>66,513</u>
Total Department of Education			-	776,210
Corporation for National and Community Service - AmeriCorps for Mentoring Collaborative - Pass-through Ohio Commission on Service and Volunteerism	94.006	15AFH-1502-17-OC103	-	63,167
National Endowment for the Humanities - Encountering Ethics	45.162	N/A	-	40,423
National Security Agency:				
NSA Cybersecurity Workforce Education	12.902	N/A	-	81,986
3D Virtual Reality Cyber Security Camps - Pass-through University of Cincinnati	12.902	011081-004	-	<u>17,788</u>
Total National Security Agency			-	<u>99,774</u>
Total federal awards			<u>\$ 92,290</u>	<u>\$ 47,663,830</u>

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

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, 2019. 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 \$30,000 of Federal Work-Study (FWS) Program (84.033) funds and \$41,195 of Federal Supplemental Education Opportunity Grant (FSEOG) Program (84.007) funds from the 2017-2018 award year, which were spent in the 2018-2019 award year. The College carried forward \$30,000 of FWS Program funds and \$8,413 of FSEOG Program funds from the 2018-2019 award year to be spent in the 2019-2020 award year. During 2019, the College also transferred and spent \$75,000 of FWS funds in the FSEOG program.

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
84.007, 84.033, 84.063, and 84.268	Student Financial Assistance Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$1,429,915

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Audit Findings

Reference Number	Finding
Current Year	None

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
Current Year	None	

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OHIO AUDITOR OF STATE KEITH FABER



SINCLAIR COMMUNITY COLLEGE

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 26, 2019**