

**SCHENECTADY COUNTY COMMUNITY COLLEGE
FINANCIAL REPORT
AUGUST 31, 2014**

SCHENECTADY COUNTY COMMUNITY COLLEGE

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SCHENECTADY COUNTY COMMUNITY COLLEGE

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INDEPENDENT AUDITOR'S REPORT

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Schenectady County Community College

Report on the Financial Statements

We have audited the accompanying statements of net position, statements of revenues, expenses and change in net position, and the statement of cash flows of the Schenectady County Community College, a component unit of Schenectady County as of and for the year ended August 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Schenectady County 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 an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Schenectady County Community College, as of August 31, 2014 and 2013, and its changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis information on pages A1 through A6 and the schedule of funding progress for the retiree health plan on page C1 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Schenectady County Community College's basic financial statements. The supplemental schedules on pages D1 through D4 and schedule of expenditures of federal awards on page E1 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules on pages D1 through D4 and schedule of expenditures of federal awards on page E1 are the responsibility of management and were derived from and relate 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 schedules on pages D1 through D4 and schedule of expenditures of federal awards on page E1 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 February 8, 2015 on our consideration of the Schenectady County Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 Schenectady County Community College's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY
February 8 2015

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial position and activities of Schenectady County Community College (the College or SCCC) for the year ended August 31, 2014. The Management Discussion and Analysis should be read in conjunction with the audited statements and related footnotes which follow in the financial report.

For financial reporting purposes, Schenectady County Community College's reporting entity consists of all sectors of the college including the Faculty Student Association. The SCCC Foundation is reported as a separate column in the statements as a component unit of the College.

Financial statements for the year ended August 31, 2014 were prepared using all applicable guidelines including Governmental Accounting Standards Board (GASB) statements 34, 35, 38, and 45.

Financial Highlights

The College's financial position at August 31, 2014, with total assets of \$44.3 million and total liabilities of \$27.6 million, is total net position of \$16.7 million. This is a \$3.2 million decrease from August 31, 2013 with \$2.1 million of that change due to the actuarial cost of post-retirement benefits.

The net position as of August 31, 2014 is summarized in the following categories (in thousands):

Invested in capital assets	\$ 27,538
Restricted	
Faculty Student Association	2,196
Loan Fund	89
Unrestricted Net Position	<u>(13,095)</u>
Total Net Position	<u>\$ 16,728</u>

Unrestricted net position deficit of \$-13.1 million consist of \$18.8 million in health benefit liabilities for retired College employees, both present and future, less the current unrestricted fund balance of \$5.7 million. GASB 45 requires that unfunded retiree health benefits be recorded as a as a liability. Unrestricted fund balance declined by \$0.6 million in fiscal year 2014 from \$6.3 million in fiscal year 2013.

Revenues, expenses, and the change in net position for the year ended August 31, 2014 are summarized as follows (in thousands):

Operating revenues	\$ 27,226
Non-operating revenues	<u>11,908</u>
Total revenues	<u>\$ 39,134</u>
Operating expenses	\$ 40,183
Non-operating expenses	
Amortization of postretirement benefit UAL	<u>2,151</u>
Total operating expenses	<u>\$ 42,334</u>
Net position, beginning of year	\$ 19,928
Increase (decrease) in net position	<u>(3,200)</u>
Net position, end of year	<u>\$ 16,728</u>

Overview of the Financial Statements

The financial statements of Schenectady County Community College have been prepared in accordance with accounting principles generally accepted in the U.S. as prescribed by the GASB. The object of these standards is to enhance the understandability and usefulness of the external financial reports issued by public colleges and universities. Additionally, the financial statements focus on the College as a whole, rather than on individual entities, funds, or activities.

The financial statements presentation consists of: a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and accompanying notes. These statements provide information on the financial position of the College and the financial activity and results of its operations during the year. A description of these statements follows:

The *Statement of Net Position* presents information on all of the College's assets and liabilities, with the difference between the two reported as net position.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing the change in the College's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement include items that will result in cash received or dispersed in future fiscal periods (i.e. the receipt of amounts due from students for tuition and fees, or the payment accrued for compensated absences).

The *Statement of Cash Flows* provides information on the major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used from operating, investing, capital, and non-capital financing activities.

Statement of Net Position

The Statement of Net Position presents the financial position of the College at the end of its fiscal year. As of August 31, 2014, the College's total assets were \$44,357,088, total liabilities were \$27,629,538, and net assets were \$16,727,550. Included in the assets are capital assets including land at \$713,209; buildings, improvements and equipment at \$63,727,493, less accumulated depreciation of \$35,954,958 for a net capital asset book value of \$28,485,744. This latter amount includes the capital assets of Faculty Student Association, with a net book value of \$947,368.

In general, current assets are those assets that are available to satisfy current obligations and current liabilities are those liabilities that will be paid within one year. Cash and equivalents totaled \$12,427,333 as of 8/31/14, and were \$2,310,506 lower than on 8/31/13. Receivables from governments, students, and other were \$2,691,076 as of 8/31/14, which was \$1,725,913 higher than at the end of the previous fiscal year. Part of the fluctuation from 2013 to 2014 is due to the timing of payments from Schenectady County.

Included in the current liabilities for the primary institution were, accounts payable of \$1,019,045 that increased by \$268,467, and deferred revenues of \$3,383,691 (revenues for the following fiscal year) that increased by \$316,933.

The College recognizes a liability for compensated absences which decreased by \$11,394 for the year ended August 31, 2014, from \$1,548,284 at August 31, 2013 to \$1,536,890 at August 31, 2014 (see Note 1 D). This liability recognizes vacation time earned by employees but not used during the current or prior period, for which the employee can receive compensation in a future period. In addition, the College recognizes a liability for sick leave for employees who, at the balance sheet date, currently are eligible to receive payments for unused sick leave as well as employees who are expected to become eligible in the future to receive such payments.

Also included in the SCCC financial report as a component unit is the SCCC Foundation, Inc. with total assets of \$5,441,163, total liabilities of \$232,087, and a net position value of \$5,209,076.

Capital Assets

As required in GASB 34, fixed assets and related depreciation are reported in the College's 2014 financial statements. All fixed assets are owned by the County of Schenectady in trust for the use of the College in carrying out its institutional purpose. The College has entered into financing agreements with the Dormitory Authority of the State of New York (DASNY) to finance part of its educational facilities. The DASNY bonds for these facilities will be repaid from the appropriations received from the State of New York. The County has issued bonds to pay for their share of the capital expenses. These bonds will be paid from County appropriations. The College has no obligation to repay either of these debt obligations.

Depreciation expense on capital assets recorded in the College financial statements, excluding the blended component unit, for the year ended August 31, 2014 was \$1,609,292. A summary of capital assets, excluding the property of the Faculty Student Association, by major classification, and related accumulated depreciation compared to the prior year is as follows:

	<u>Balance 8/31/14</u>	<u>Balance 8/31/13</u>
Capital Assets		
Land	\$ 713,209	\$ 713,209
Buildings & Leasehold Improvement	54,147,306	53,937,595
Equipment	<u>8,315,219</u>	<u>7,524,736</u>
Total Capital Assets	<u>\$ 62,462,525</u>	<u>\$ 61,462,531</u>
Less Accumulated Depreciation:		
Buildings & Leasehold Improvements	\$ 30,651,297	\$ 29,553,669
Equipment	<u>4,986,061</u>	<u>4,474,397</u>
Total Accumulated Depreciation	<u>\$ 35,637,358</u>	<u>\$ 34,028,066</u>
Capital Assets, Net	<u>\$ 26,825,167</u>	<u>\$ 27,424,465</u>

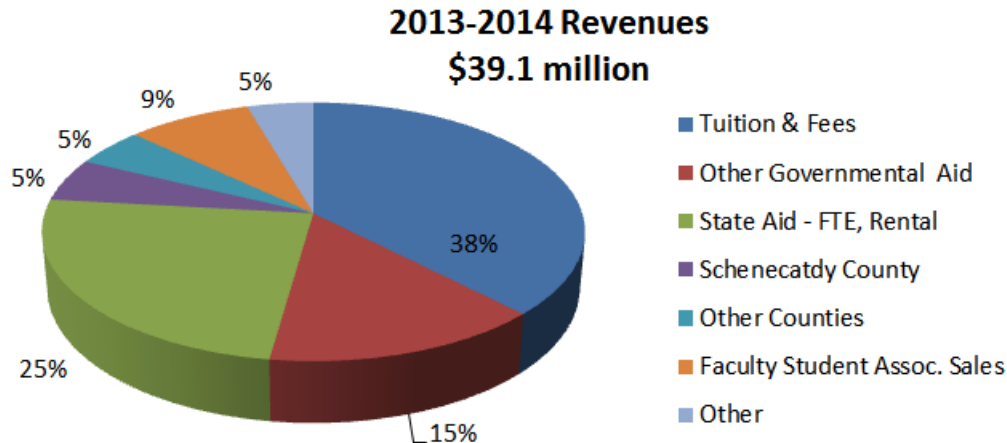
Debt

The College is not authorized to issue debt. Rather, the County and the State (through the Dormitory Authority) issue bonds for the acquisition, construction, and improvement of real property to be used by the College.

Statement of Revenues, Expenses, and Changes in Net Position

2013-14 Revenues

The chart that follows provides a graphical breakdown of total revenues of \$39.1 million for the College for the year ending August 31, 2014. These revenues include both operating revenue and non-operating revenue. These revenues also include the revenues of the Faculty Student Association that operates the College Store that sells books, supplies, clothing, and other items.



Tuition and fees at \$14.7 million made up 38% of total revenues in 2013-2014. Of this amount, \$10.4 million was paid through federal and state grants and loans to eligible students. Full-time tuition was \$1,692 per semester while part-time tuition was \$141 per credit hour. Tuition remained at the same level in 2013-14 as in 2012-13, while some laboratory fees were increased to reflect actual costs. Detail for tuition is shown in a table on page D4.

State aid at \$9.6 million was 25% of revenues. This amount includes \$9.1 million in aid that is based on prior year full-time equivalent enrollment (FTE), \$0.4 million for approved rental costs and \$0.1 million for Job Linkage funding. The amount of State aid increased from \$2,272 per FTE in 2012-13 to \$2,422 per FTE in 2013-14. The calculation for FTE aid in 2013-14 is shown on page D3.

Schenectady County's contribution towards the College's operating costs was \$2.1 million or 5% of 2013-14 revenues. Revenues from other New York counties for students attending the College (chargebacks) were \$1.9 million or 5% of revenues.

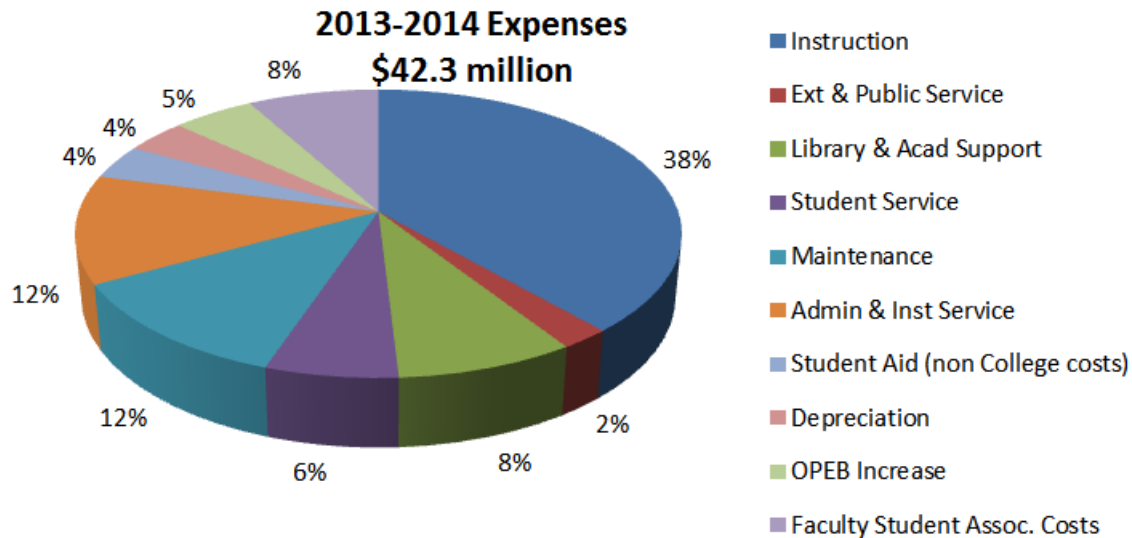
Other governmental aid includes federal and New York State grants for specialized job training, new academic programs, student services, and student aid for non-College services such as room and board. Other governmental aid was \$5.7 million or 15% of revenues in 2013-14.

Sales of books and other materials at the College Store run by the Faculty Student Association were \$3.3 million or 9% of revenues. All other revenue totaled \$1.8 million or 5% of revenues from a wide range of sources.

2013-14 Expenses

The chart that follows provides a graphical breakdown of the year's total expenses of \$42.3 million for the College, including the 2013-14 additional cost of post-employment benefits of \$2.1 million. The cost of instruction at \$16.3 million accounted for 38% of total expenses, followed by administration and institutional services costs of \$5.2 million or 12% of total spending. Facility maintenance costs were \$5.0 million or 12% of spending. Library and academic support was \$3.5 million or 8% of spending. Student services which include counseling and cost of administering financial aid, was \$2.6 million or 6% of expenses. The costs of the Faculty Student Association, primarily the cost goods sold, totaled \$3.4 million which was 8% of expenses.

GASB 45 is a major requirement that each public entity account for and report other post-retirement benefits (OPEB) in its accounting statements. Through actuarial analysis, state and local governments must identify the true costs of the other post-retirement benefits earned by employees over their estimated years of actual service. In 2014 the additional unfunded cost to amortize retiree health benefits was \$2.1 million which was equal to 5% of spending.



Economic Factors Bearing on the College's Future

The greatest fiscal challenge facing the College is that it has prospered financially in recent years by growing enrollment. Fully 90% of the College's General Fund revenues are enrollment based. Spring 2014 was the first time in many years the College's enrollment was significantly lower than the previous year. That trend has continued in 2014-15 and we expect that with improving regional economic conditions and declining local high school age populations that this trend will continue.

Still, the College is continuing to make investments to increase or maintain enrollment into the future. In January 2014, the College opened a new extension site in the Albany County Office Building in downtown Albany. Albany County does not have its own community college and we expect that the Albany site could be a source of future growth

The College has recently completed a ten-year facilities master plan that uses enrollment increases in science programs, and over-utilized science laboratories to justify the need for a new science building. For now, a new Nanotechnology laboratory, funded with federal grant funds, opened in the fall of 2014.

The College also continues to develop new programs of study. Recent examples include the addition of Casino and Gaming Management and Supply Chain Management in 2014. A new Biotechnology program is also being developed and we expect new lab space will be constructed.

The College is hoping to be an active participant in Governor Cuomo's new initiatives. Start-Up New York gives tax benefits to companies that develop on or near New York State Colleges.

The City of Schenectady was recently chosen as the site for the Capitol region's casino, Rivers Casino and Resort that will be located one mile from the College on the grounds former Alco locomotive manufacturing site. The College is already in discussions with Rush Street Gaming, the casinos operator, for training programs linked to the College's Casino and Gaming Management program.

Emphasis on efforts to increase student retention continues. Even in years of significant enrollment growth, there has been a drop in enrollment in the spring when compared to the fall term as students struggle with academic demands. Beginning with the fall 2014 semester, new students were required to take a one credit class to orient freshman students the academic demands of college life.

The College's contracts with two labor bargaining groups, the faculty and college administrators, expired on August 31, 2013 and negotiations are ongoing. The contract with the College's third bargaining group, the Civil Service Employees Association or CSEA, expires on December 31, 2015.

Contacting College Management

This financial report is designed to provide the College community, oversight agencies, and County taxpayers with a general overview of the College's finances and demonstrate the College's accountability for the money it receives.

If you have any questions about this report or need additional information, contact Charles J. Richardson, Vice President of Administration, 78 Washington Avenue, Schenectady, NY 12305 or by e-mail at richarcj@sunysccc.edu.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
STATEMENT OF NET POSITION
AUGUST 31, 2014**

	Primary Institution	Component Unit, SCCC Foundation, Inc.
ASSETS		
Current Assets		
Cash and equivalents	\$ 12,427,333	\$ 287,182
Receivables		
Federal, state and local	1,902,338	-
Tuition (net of \$2,927,514 allowance for uncollectible accounts)	358,635	-
Other	430,103	94,218
Prepaid expenses	180,697	658
Inventories	572,238	-
Total Current Assets	15,871,344	382,058
Noncurrent Assets		
Investments	-	5,013,325
Receivables, net of current portion	-	10,000
Land	713,209	-
Capital assets, net of accumulated depreciation of \$ 35,954,958	27,772,535	35,780
Total Noncurrent Assets	28,485,744	5,059,105
TOTAL ASSETS	\$ 44,357,088	\$ 5,441,163
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 1,019,045	\$ -
Accrued expenses	2,372,963	211,867
Deferred revenue	3,383,691	20,220
Due to other governments	32,902	-
Other liabilities	276,927	-
Total Current Liabilities	7,085,528	232,087
Noncurrent Liabilities		
Accrued expenses	20,544,010	-
Total Noncurrent Liabilities	20,544,010	-
Total Liabilities	27,629,538	232,087
Net Position		
Invested in Capital Assets	27,538,376	
Restricted:		
Scholarships	-	1,892,305
Faculty Student Association	2,195,915	-
Loan Fund	88,765	-
Unrestricted:		
Total Net Position	16,727,550	3,316,771
TOTAL LIABILITIES AND NET POSITION	\$ 44,357,088	\$ 5,441,163

**SCHENECTADY COUNTY COMMUNITY COLLEGE
STATEMENT OF NET POSITION
AUGUST 31, 2013**

	Primary Institution	Component Unit, SCCC Foundation, Inc.
ASSETS		
Current Assets		
Cash and equivalents	\$ 14,737,839	\$ 409,867
Receivables		
Federal, state and local	500,037	-
Tuition (net of \$2,739,070 allowance for uncollectible accounts)	168,207	-
Other	296,919	120,332
Prepaid expenses	199,678	1,758
Inventories	490,010	-
Total Current Assets	16,392,690	531,957
Noncurrent Assets		
Investments	-	4,487,103
Amounts available for capital costs	-	15,000
Land	713,209	-
Capital assets, net of accumulated depreciation of \$34,309,229	27,557,579	-
Total Noncurrent Assets	28,270,788	4,502,103
TOTAL ASSETS	\$ 44,663,478	\$ 5,034,060
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 750,578	\$ -
Accrued expenses	2,386,705	130,269
Deferred revenue	3,066,758	43,600
Due to other governments	31,750	-
Other liabilities	236,253	-
Total Current Liabilities	6,472,044	173,869
Noncurrent Liabilities		
Accrued expenses	18,263,941	-
Total Noncurrent Liabilities	18,263,941	-
Total Liabilities	24,735,985	173,869
Net Position		
Invested in capital assets, net of related debt	28,147,672	-
Restricted:		
Scholarships	-	1,739,274
Faculty Student Association	2,085,465	-
Loan Fund	88,791	-
Unrestricted	(10,394,435)	3,120,917
Total Net Position	19,927,493	4,860,191
TOTAL LIABILITIES AND NET POSITION	\$ 44,663,478	\$ 5,034,060

See accompanying notes to financial statements.

B2.

SCHENECTADY COUNTY COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2014

	Primary Institution	Component Unit, SCCC Foundation, Inc.
Operating Revenue		
Student tuition and fees net of scholarship allowance of \$10,381,867	\$ 4,350,642	\$ -
Government aid and grants	16,095,497	-
Charges to other counties	1,885,170	-
Investment income	-	468,031
Interest income	-	89,149
Contributions	-	937,323
Other revenues	1,352,234	21,933
Auxiliary enterprises:		
Sales	3,332,498	-
Other	210,196	-
Total Operating Revenue	27,226,237	1,516,436
Operating Expenses		
Instruction	16,291,425	-
Extension and public service	978,857	-
Library	837,595	-
Student services	2,602,853	-
Maintenance and operation of plant	4,976,799	-
General administration	2,589,356	-
General institutional services	2,561,377	-
Student aid	1,635,432	-
Academic Support	2,668,175	-
Foundation	-	1,165,119
Auxiliary enterprises:		
Cost of sales	2,393,670	-
Other	1,002,137	-
Depreciation expense - Auxillary	36,439	-
Depreciation expense	1,609,292	2,432
Total Expenses	40,183,407	1,167,551
Operating Income (Loss)	(12,957,170)	348,885
Non-Operating Revenues (Expenses)		
State aid	9,597,442	-
Sponsoring county contribution	2,098,694	-
Capital Grant Income	209,511	-
Interest income	2,654	-
Other expense	-	-
Amortization of postemployment benefit UAL per GASB 45	(2,151,074)	-
Non-Operating Revenues (Expenses)	9,757,227	-
Change in Net Position	(3,199,943)	348,885
Net Position, Beginning of Year	19,927,493	4,860,191
Net Position, End of Year	\$ 16,727,550	\$ 5,209,076

See accompanying notes to financial statements.

B3.

SCHENECTADY COUNTY COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2013

	<u>Primary Institution</u>	<u>Component Unit, SCCC Foundation, Inc.</u>
Operating Revenue		
Student tuition and fees net of scholarship allowance of \$10,575,509	\$ 4,334,263	\$ -
Government aid and grants	16,037,866	-
Charges to other counties	87	-
Investment income	-	220,996
Interest income	-	91,619
Contributions	-	870,232
Other revenues	1,427,195	1,820
Auxiliary enterprises:		
Sales	3,347,068	-
Other	194,383	-
Total Operating Revenue	<u>25,340,862</u>	<u>1,184,667</u>
Operating Expenses		
Instruction	14,995,052	-
Extension and public service	971,262	-
Library	810,434	-
Student services	2,215,094	-
Maintenance and operation of plant	4,440,478	-
General administration	2,156,089	-
General institutional services	2,080,683	-
Student aid	1,505,592	-
Academic Support	2,460,462	-
Foundation	-	1,098,344
Auxiliary enterprises:		
Cost of sales	2,398,017	-
Other	878,390	-
Benefits	-	-
Depreciation expense	16,362	-
Depreciation expense	1,930,302	-
Total Expenses	<u>36,858,217</u>	<u>1,098,344</u>
Operating Income (Loss)	<u>(11,517,355)</u>	<u>86,323</u>
Non-Operating Revenues (Expenses)		
State aid	9,042,474	-
Sponsoring county contribution	2,098,694	-
Capital Grant Income	2,083,202	-
Interest income	4,118	-
Other expense	-	-
Amortization of postemployment benefit UAL under GASB 45	(1,728,299)	-
Non-Operating Revenues (Expenses)	<u>11,500,189</u>	<u>-</u>
Change in Net Position	<u>(17,166)</u>	<u>86,323</u>
Net Position, Beginning of Year as previously reported	(2,701,243)	4,773,868
Cummulative Effect of Accounting Change	<u>22,645,902</u>	<u>-</u>
Net Position, Beginning of Year	<u>19,944,659</u>	<u>4,773,868</u>
Net Position, End of Year	<u>\$ 19,927,493</u>	<u>\$ 4,860,191</u>

See accompanying notes to financial statements.

B4.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2014**

	Primary Institution	Component Unit, SCCC Foundation, Inc.
Cash Flows From Operating Activities		
Cash received from tuition, fees and grants	\$ 22,799,746	\$ -
Cash received from sales	3,332,498	-
Cash received for student aid	10,919,175	-
Contributions from donors	-	734,832
Cash paid to benefit recipients	-	(587,576)
Cash paid to suppliers and employees	(36,541,099)	(262,687)
Cash paid for student aid	(12,017,299)	-
Interest and dividends received	-	89,149
Net Cash Used By Operating Activities	<u>(11,506,979)</u>	<u>(26,282)</u>
Cash Flows From Noncapital Financing Activities		
State Aid	9,795,646	-
Sponsoring county contribution	1,049,347	-
Net Cash Provided by Noncapital Financing Activities	<u>10,844,993</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities		
Cash paid for capital assets	(1,651,174)	(38,212)
Net Cash Used by Capital and Related Financing Activities	<u>(1,651,174)</u>	<u>(38,212)</u>
Cash Flows From Investing Activities		
Purchases of investments	-	(332,409)
Sales of investments	-	274,218
Interest income	2,654	-
Net Cash Provided (Used) by Investing Activities	<u>2,654</u>	<u>(58,191)</u>
Net Decrease in Cash and Equivalents	(2,310,506)	(122,685)
Cash and Equivalents, Beginning of Year	<u>14,737,839</u>	<u>409,867</u>
Cash and Equivalents, End of Year	<u>\$ 12,427,333</u>	<u>\$ 287,182</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities		
Operating income (loss)	\$ (12,957,170)	\$ 348,885
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	1,645,731	2,432
Unrealized and realized gains on investments	-	(468,031)
(Increase) decrease in assets:		
Receivables	(676,567)	31,114
Inventories	(82,228)	-
Prepaid expenses	18,981	1,100
Increase (decrease) in liabilities:		
Accounts payable	268,467	-
Accrued expenses	115,253	81,598
Deferred revenue/due to other governments	119,880	(23,380)
Other liabilities	40,674	-
Net Cash Used By Operating Activities	<u>\$ (11,506,979)</u>	<u>\$ (26,282)</u>

See accompanying notes to financial statements.

B5.

SCHENECTADY COUNTY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2013

	Primary Institution (Restated)	Component Unit, SCCC Foundation, Inc.
Cash Flows From Operating Activities		
Cash received from tuition, fees and grants	\$ 20,717,128	\$ -
Cash received from sales and commissions	3,347,068	-
Cash received for student aid	12,499,963	-
Contributions from donors	-	766,818
Cash paid to benefit recipients	-	(743,377)
Cash paid to suppliers and employees	(33,410,969)	(229,262)
Cash paid for student aid	(12,081,100)	-
Interest and dividends received	-	91,619
Net Cash Provided (Used) By Operating Activities	(8,927,910)	(114,202)
Cash Flows From Noncapital Financing Activities		
State Aid	8,865,305	-
Sponsoring county contribution	2,623,367	-
Net Cash Provided by Noncapital Financing Activities	11,488,672	-
Cash Flows From Capital and Related Financing Activities		
Cash paid for capital assets	(924,745)	-
Net Cash (Used) by Capital and Related Financing Activities	(924,745)	-
Cash Flows From Investing Activities		
Purchases of investments	-	(741,904)
Sales of investments	-	178,648
Interest income	4,118	-
Net Cash Provided (Used) by Investing Activities	4,118	(563,256)
Net Increase (Decrease) in Cash and Equivalents	1,640,135	(677,458)
Cash and Equivalents, Beginning of Year	13,097,704	1,087,325
Cash and Equivalents, End of Year	\$ 14,737,839	\$ 409,867
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities		
Operating income (loss)	\$ (11,517,355)	\$ 86,323
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	1,946,664	-
Non Cash Contribution	-	-
Unrealized and realized losses on investments	-	(220,996)
(Increase) decrease in assets:		
Receivables	781,900	92,451
Inventories	(43,987)	-
Prepaid expenses	101,876	(1,758)
Increase (decrease) in liabilities:		
Accounts payable	(132,672)	-
Accrued expenses	32,085	(58,786)
Deferred revenue	(134,110)	(11,436)
Other liabilities	37,689	-
Net Cash Provided (Used) By Operating Activities	\$ (8,927,910)	\$ (114,202)

See accompanying notes to financial statements.

B6.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Schenectady County Community College (the College) was established in 1969 and is administered by a Board of Trustees consisting of ten voting members; five are appointed by the Schenectady County Legislature, four by the Governor and one by the Student Body. The College is sponsored by Schenectady County (the County) and is part of the overall County educational system. The budget is subject to the approval of the Schenectady County Legislature. The County provides one-half of capital costs and a substantial portion of the net operating costs of the College. Title to real property of the College rests with the County. The County issues bonds and notes for capital costs which are classified as County debt. The College's financial statements are shown as a discretely presented component unit in the financial statements of Schenectady County.

Section 6304.6 of the New York State Education Law prescribes the manner in which community colleges are financed. Specifically, paragraph 6 authorizes the College Board of Trustees to receive and collect State financial aid, the County's share of operating costs, tuition, fees and all other sources of revenue and to pay all proper bills and accounts of the College.

As required by accounting principles generally accepted in the United States of America (GAAP), the financial statements of the reporting entity include those of the Schenectady County Community College (the primary government) and its component units. The component units discussed below are included in the College's reporting entity because of the significance of their operational or financial relationships with the College.

Operational or financial responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Component Unit:

In conforming with GAAP, the financial statements of component units have been included in the financial reporting entity as either discretely presented or blended component units.

The Schenectady County Community College Foundation, Inc. (the Foundation) is a separate legal organization and is managed by twenty-two Board of Directors consisting of twenty-four Directors elected by College Trustees and the President of the College serving as ex-officio director. The Foundation was organized to oversee and administer endowment funds for the College. Revenue, including scholarship grants, is recognized when earned and expenses, including scholarship awards, are recognized when incurred. The Foundation's financial information, including endowment and quasi-endowment funds and funds that expire through the passage of time, is discretely presented in the College's financial statements.

The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has determined that the Foundation is not a private foundation as defined in Section 509(a)(1) and Section 170(b)(1)(A)(vi) of the Code.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Blended Component Unit:

The Faculty Student Association (FSA) is a separate legal organization. The Board of Directors is composed of four faculty members, elected by the College faculty, four college students appointed by the Student Senate, the President, Vice President and Treasurer of the College Student Government Association, and four College administrators who serve by virtue of their position. The FSA provides services such as operation of the College Store and Food Service to benefit the College. The activity of the FSA has been included in the financial statements as of and for the years ended May 31, 2014 and May 31, 2013. The separate audited financial statements can be requested from FSA.

B. Basis of Accounting/Measurement Focus

Basis of accounting refers to the timing of which revenues and expenditures/expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what should be measured.

The College maintains its books and records and prepares its financial statements on the accrual basis.

- (i) Revenues - Major sources of revenue are accrued and recorded in the period earned. Deferred revenues are used to recognize tuition and grants paid in advance. If "expenditure" is the primary factor for determining reimbursement under the terms of a grant, revenue is recognized when the expenditure is incurred.

Pell Grants are reported as current restricted funds; the revenues are included as Government Aid and Grants and the expenditures as Student Aid. Grants made through the New York State Tuition Assistance Program (TAP) are treated similarly. During the years ended August 31, 2014 and 2013, respectively there was \$9,411,802 and \$9,422,159 distributed to the College for Pell grants and \$2,572,366 and \$2,576,350 for TAP.

- (ii) Expenditures are accrued and recorded in the period incurred, including retirement costs. Funds used to purchase fixed assets are accounted for as capital assets and depreciated over their useful lives.
- (v) Encumbrances are reservations of net assets for outstanding purchase commitments. Expenditures for such commitments are recorded in the period in which the liability is incurred. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year and lapse at the conclusion of the year. The reserve for encumbrances was \$384,115 and \$335,100 as of August 31, 2014 and 2013 respectively.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basis of Accounting/Measurement Focus

- (iv) In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* followed by Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The College implemented the provisions of these statements during the year ended August 31, 2002 as a special purpose government engaged only in a business type activity.
- (v) When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the College first applies restricted resources until such resources are exhausted.
- (vi) The College uses the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange like transactions are recognized when the exchange takes place. For non-exchange transactions, including government grants, the College uses a one-year availability period.

C. Budgetary Data

Budget Policies - The budget policies are as follows:

- (i) The College Board of Trustees submits a tentative budget to the Schenectady County Legislature for the fiscal year commencing the following September 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- (ii) After public hearings are conducted to obtain taxpayer comments, the Schenectady County Legislature adopts the budget.
- (iii) Budgets are proposed on the same basis of accounting except that (1) capital assets acquired are recorded as expenses and depreciation is not recorded, and (2) changes in the post-retirement liability are not reflected in the budget.

D. Compensated Absences

The College recognizes a liability for vacation leave and additional salary-related payments as the benefits are earned by the employees, based on the rendering of past service and the probability that the employees will be compensated for the benefits through paid time off or some other means. This includes vacation leave that was earned but not used during the current or prior period and for which employees can receive compensation in a future period. Amounts do not include leave expected to lapse and includes leave that new employees will eventually qualify for.

In addition, the College recognizes a liability for vesting sick leave and additional salary-related payments for employees who, at the date of the statement of net position, are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

The liability for compensated absences is calculated using rates in effect as the balance sheet date. The liability at August 31, 2014 and 2013 is \$1,536,890 and \$1,548,283.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Inventories

Inventories are comprised of College Bookstore items held for sale and are carried at the lower of cost (first-in, first-out basis) or market.

F. Self-Insured Workers' Compensation Plan

The College is self-insured through the County for workers' compensation claims. The accompanying financial statements reflect a provision for estimated future payments on claims filed of \$10,399 and \$9,769 at August 31, 2014 and 2013, respectively. Workers' compensation expense related to the College was \$27,135 and \$(42,810) for the years ended August 31, 2014 and 2013.

The County Plan establishes workers' compensation claims liabilities for the College based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to the liability in the periods in which they are made. It is at least reasonably possible this estimate could change in the near term.

As discussed above, the College establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the College during the past and previous year:

	<u>2014</u>	<u>2013</u>
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	\$ 9,769	\$ 80,382
Incurred claims and claim adjustment expenses:		
Provision for incurred claims expenses for events of the current year and change in provision for incurred events of prior years	27,135	(42,810)
Payments made for claims during the current year	<u>(26,505)</u>	<u>(27,803)</u>
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	<u>\$ 10,399</u>	<u>\$ 9,769</u>

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Investments

Investments are carried at fair value based on quoted market prices.

H. Capital Assets, Net of Accumulated Depreciation and Bonds Payable

Pursuant to New York State Education Law relative to community colleges, title to real property is held by the County in trust for the use of the College in carrying out its institutional purposes. The State University of New York requires the College to include the cost of certain land, buildings and improvements and equipment utilized by the College. Therefore, the amounts reflected in the College's financial statements entitled land and capital assets, net of accumulated depreciation represents the book value of buildings, improvements and furniture and equipment funded by the County or New York State.

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5-40
Furniture, fixtures and equipment	3-15
Vehicles	5

Debt utilized for the acquisition of capital assets is a legal obligation of the County or the Dormitory Authority of the State of New York (DASNY). No revenues or assets of the College have been pledged or will be available to pay the principal and interest. Principal and interest payments on the debt are payable from amounts appropriated each year by the State of New York pursuant to the State Education Law, and the County in the case of County-related debt.

When assets are acquired that will be paid for through County and State bond issuances they are recorded on the statement of net assets as capital assets. As a result the College's policy is to recognize capital grant income for assets financed by County and State Debt. No related debt obligations have been reflected in the accompanying financial statements.

I. Operating/Nonoperating Revenues

Operating revenues reported in the statements of revenues, expenses and changes in net assets consist of tuition and fees charged to students and their counties of residence as well as various grants and contracts intended to support programs administered by the College. The grants and contracts are derived from a variety of sources including State and Federal governments as well as local sources.

Nonoperating revenues reported in the statements of revenues, expenses and changes in net assets consist of revenues from sources not directly derived from services or programs provided in the operations of the College's normal activity.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J. *Eliminations and Reclassifications*

All interfund activity has been eliminated in the preparation of the statements of net assets and the statement of revenues, expenses and changes in net assets. Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

K. *Implementation of New Accounting Standards*

The College has adopted all current Statements of the GASB that are applicable. At August 31, 2014, the College implemented the following new standard issued by GASB:

GASB has issued Statement 66, *GASB Technical Corrections – 2012 – an Amendment of Statements 10 and 62*, effective for the year ending August 31, 2014.

L. *Future Changes in Accounting Standards*

The College will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*, effective for the year ending August 31, 2015.

GASB has issued Statement 69, *Government Combinations and Disposals of Government Operations*, effective for the year ending August 31, 2015.

GASB has issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending August 31, 2015.

GASB has issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective for the year ending August 31, 2015.

2. CASH AND EQUIVALENTS

The College's investment policies are governed by State statutes. College monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The College is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for certificates of deposit and for all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State, municipalities and school districts. At year end, the book amount of the College's deposits was \$12,427,333.

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or collateralized for which the securities are held by the College's agent in the College's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the College's name, or (3) uncollateralized.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

2. CASH AND EQUIVALENTS

Total financial institution (bank) balances at August 31, 2014, per the bank were \$13,399,782. These deposits are categorized as follows:

<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>
\$ 13,399,782	\$ -	\$ -	\$13,399,782

3. INVESTMENTS-SCCC FOUNDATION, INC.

The Foundation's investments are carried at fair value based on quoted market prices and are subject to the risk that market values may decline. As of August 31, investments consist of the following:

	<u>Cost</u>	<u>August 31, 2014 Fair Value</u>
Cash Funds	\$ 167,752	\$ 167,752
PIMCO Advisors Funds	330,478	335,444
Common Stock	1,120,528	1,596,804
Mutual Funds	1,287,503	1,895,166
Corporate Bonds	487,800	647,165
U.S. Government Securities	<u>344,462</u>	<u>370,994</u>
 Total	 <u>\$ 3,738,523</u>	 <u>\$ 5,013,325</u>
	<u>Cost</u>	<u>August 31, 2013 Fair Value</u>
Cash Funds	\$ 316,484	\$ 316,484
PIMCO Advisors Funds	489,811	491,347
Common Stock	1,104,570	1,359,542
Mutual Funds	769,433	1,071,193
Corporate Bonds	882,611	901,816
U.S. Government Securities	<u>336,250</u>	<u>346,721</u>
 Total	 <u>\$ 3,899,159</u>	 <u>\$ 4,487,103</u>

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

4. ACCRUED EXPENSES

Accrued expenses consist of the following:

Current Liabilities	<u>2014</u>	<u>2013</u>
Primary Government		
Compensated absences	\$ 456,890	\$ 478,283
Accrued wages	260,385	194,730
Workers' compensation	10,399	9,769
Accrued postretirement benefits	829,605	993,628
Retirement	765,433	673,470
Other	<u>50,251</u>	<u>36,825</u>
Total Primary Government	2,372,963	2,386,705
Component Unit	<u>211,867</u>	<u>130,269</u>
 Total Current	 <u>2,584,830</u>	 <u>2,516,974</u>
 Noncurrent Liabilities		
Primary Government		
Accrued postretirement benefits	19,464,010	17,193,941
Compensated absences	<u>1,080,000</u>	<u>1,070,000</u>
 Total Noncurrent Liabilities	 <u>20,544,010</u>	 <u>18,263,941</u>
 Total	 <u>\$ 23,128,840</u>	 <u>\$ 20,780,915</u>

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

5. CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION AND BONDS PAYABLE

The College has recorded fixed assets and related depreciation in the financial statements. All real property is owned by the County of Schenectady and not by the College.

The recorded fixed assets (see Note 1.H) are summarized as follows:

	<u>Balance at 8/31/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 8/31/14</u>
Primary Government:				
Land	\$ 713,209	\$ -	\$ -	\$ 713,209
Buildings and building improvements	\$ 53,937,795	\$ 209,511	\$ -	\$ 54,147,306
Equipment	7,524,734	790,485	-	8,315,219
Total	<u>61,462,529</u>	<u>999,996</u>	<u>-</u>	<u>62,462,525</u>
Less accumulated depreciation for:				
Buildings and leasehold improvements	29,553,669	1,097,628	-	30,651,297
Equipment	4,474,397	511,664	-	4,986,061
Total Accumulated Depreciation	<u>34,028,066</u>	<u>1,609,292</u>	<u>-</u>	<u>35,637,358</u>
Governmental Activities Capital Assets, net	<u>\$ 27,434,463</u>	<u>\$ (609,296)</u>	<u>\$ -</u>	<u>\$ 26,825,167</u>
Blended Component Unit (FSA):				
Equipment	\$ 404,277	\$ 860,691	\$ -	\$ 1,264,968
Less accumulated depreciation	281,161	36,439	-	317,600
Business-type Activities Capital Assets, net	<u>\$ 123,116</u>	<u>\$ 824,252</u>	<u>\$ -</u>	<u>\$ 947,368</u>

The College has entered into financing agreements with the Dormitory Authority of the State of New York (DASNY) to finance some of its educational facilities. The DASNY bonds for these facilities, which have a maximum 30-year life, will be repaid from the appropriations received from the State of New York. The County has issued various serial bonds, which will be paid from County appropriations. The College has no obligation to repay this debt. As a result, no debt has been reflected in the financial statements.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

6. OPERATING LEASES

The College leases property under noncancellable operating leases expiring through December 2019. Future minimum lease payments under the lease are as follows:

<u>Year Ending August 31</u>	<u>Total</u>
2015	\$ 573,800
2016	373,600
2017	155,900
2018	152,300
2019	113,200
2020-2025	<u>37,700</u>
Total Minimum Lease Payments	<u>\$ 1,406,500</u>

7. PENSION PLANS

General Information

The College participates in the New York State and Local Employees' Retirement System (ERS), and the New York State Teachers' Retirement System (TRS), collectively referred to herein as the "Systems". The Systems are cost-sharing, multiple-employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

Plan Descriptions

Teachers' Retirement System (TRS)

The TRS is administered by the New York State Teachers' Retirement Board. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The TRS issues a publicly available financial report that contains financial statements and required supplementary information for TRS. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System (ERS)

The ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12208.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

7. PENSION PLANS

Funding Policies

The Systems are noncontributory except for employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and before April 1, 2012, employees in ERS contribute 3% of their salaries throughout their active membership and those in TRS contribute 3.5% throughout their active membership. Those joining after April 1, 2012 are required to contribute between 3% and 6%, depending on their salaries, for their entire working career. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board.

8. PENSION PLANS

TIAA-CREF

The College also participates in the Teachers Insurance and Annuity Association of America College Retirement Equity Fund (TIAA-CREF). This is a cost-sharing, multiple-public-employer retirement system. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. TIAA-CREF offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional method of benefit payments. All benefits generally vest after ten years of credited service.

TIAA-CREF provides that all participating employers in TIAA-CREF are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate. TIAA-CREF is noncontributory except for employees who joined after July 27, 1976 who contribute 3% of their salary. Employee contributions are deducted by employers from employees' paychecks and are sent monthly to TIAA-CREF.

The College is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>TRS</u>	<u>TIAA-CREF</u>
2013-2014	\$ 1,163,934	\$ 341,330	\$ 661,451
2012-2013	863,160	144,122	650,315
2011-2012	708,734	128,950	659,196

The College's contributions were equal to 100 percent of the contributions required for each year.

SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013

9. HEALTH INSURANCE BENEFITS

Employee Benefits

Substantially all employees receive benefits through a health plan funded directly by the County. The cost of health insurance is recognized monthly when billed and was \$3,373,194 and \$2,744,519 in 2014 and 2013, respectively. The monthly premiums include a provision for estimated incurred and unpaid claims and claims administration expenses.

Postretirement Health Insurance Benefits

Plan Description

Schenectady County (the County) administers the Schenectady County Retiree Medical Plan (the Plan) as a single-employer defined benefit Other Postretirement Benefit plan, through which College retirees receive benefits. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the County subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Funding Policy

The obligations of the plan members, employers and other entities are established by action of the County pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement. The College currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the County. The cost of providing those benefits to approximately 135 retirees was approximately \$977,000 and \$926,000 in premium payments for the years ended August 31, 2014 and 2013, respectively.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the College are subject to continual revision as actual results are compared with past expectations and new estimates about the future. It's at least reasonably possible these estimates could change in the near-term.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the College and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the College and plan members to that point. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

9. HEALTH INSURANCE BENEFITS

Postretirement Health Insurance Benefits

Actuarial Methods and Assumptions

The actuarial cost method used to calculate the costs of the Plan for age, disability, vested and surviving spouse's benefits is known as the Projected Unit Credit Actuarial Cost Method. Under this method, each Participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions.

The following assumptions were used in the calculation: a) a 4% discount rate compounded annually b) The uninsured Pensioners 1994 Tables for Males and Females c) Withdrawal from Service follows the Ultimate Turnover Rates from the Vaughn table d) active employees would continue their current elections into retirement; actual elections for retirees were used e) Medicare is expected to continue to cover the same portion of costs as it currently does and Medicare Part B premiums are assumed to increase at the same rate as medical f) 80% of employees were assumed married; females assumed to be three years younger than males; employees who currently have elected to cover their spouses are assumed to continue to do so upon retirement g) an annual healthcare cost trend rate of 12% initially, reduced by decrements to an ultimate rate of 5% after six years.

Annual OPRB Cost and Net OPRB Obligation

The College's annual other postretirement benefit (OPRB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table summarizes the Annual OPRB Cost at August 31, 2014:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Normal Cost	\$ 782,080	\$ 833,868	\$ 801,796
Amortization of UAL	2,152,473	1,728,299	1,622,357
Interest	<u>117,382</u>	<u>102,487</u>	<u>98,847</u>
ARC	3,051,935	2,664,654	2,523,000
Interest on OPRB Obligation	727,503	665,094	611,441
Adjustment to ARC	<u>(696,722)</u>	<u>(961,563)</u>	<u>(836,966)</u>
OPRB Expense	3,082,716	2,368,185	2,297,475
Amortization of UAL and Adjustment	<u>(2,151,074)</u>	<u>(1,728,299)</u>	<u>(1,622,357)</u>
OPRB Expense - Operating	<u>\$ 931,642</u>	<u>\$ 639,886</u>	<u>\$ 675,118</u>
Net OPRB Obligation at the Beginning of the Year	\$ 18,187,569	\$ 16,746,065	\$ 15,365,669
OBRB Expense	3,082,716	2,368,185	2,297,475
Net OPRB Contributions made during the fiscal Year	<u>(976,670)</u>	<u>(926,681)</u>	<u>(917,079)</u>
Net OPRB Obligation at the End of the Year	<u>\$ 20,293,615</u>	<u>\$ 18,187,569</u>	<u>\$ 16,746,065</u>
Percentage of Expense Contributed	31.68%	39.13%	39.95%

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

9. HEALTH INSURANCE BENEFITS

Postretirement Health Insurance Benefits

Annual OPRB Cost and Net OPRB Obligation

An amount equal to the amortization of UAL is recognized in the accompanying financial statements as non-operating expense. The remainder of the ARC less current year contributions is reflected as operating expenses in the accompanying financial statements.

Funded Status

	<u>2014</u>
Actuarial Accrued Liability at end of year	\$ 38,709,436
Plan Assets at end of year	<u>-</u>
Unfunded Actuarial Accrued Liability	<u>\$ 38,709,436</u>
Percentage of Funded Accrued Liability	0%

10. COMMITMENTS AND CONTINGENCIES

Federal and State Grants

The College receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, College management believes such disallowances, if any, would not be material.

11. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has purchased commercial insurance for all risk above minimal deductible amounts except for workers' compensation insurance. Settled claims have not exceeded the commercial coverage by any material amounts during the year ended August 31, 2014. There was no reduction in insurance coverage during 2014.

12. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash Investing and Financing Activities:

	<u>2014</u>	<u>2013</u>
Fixed assets purchased by other governments	<u>\$ 209,511</u>	<u>\$ 2,083,202</u>

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

13. RELATED PARTY TRANSACTIONS

The following schedule presents significant transactions between the primary government (the College) and its component units, for the years ended August 31, 2014 and 2013:

	<u>Payments</u>		<u>Receipts</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Schenectady Community College				
Foundation	\$ 31,689	\$ 31,807	\$ 362,516	\$ 573,091
Faculty Student Association	\$ 74,612	\$ 525,175	\$ 312,000	\$ 164,250

Payments made to the Foundation were for surcharge payments for the Casola Dining Room and Scholarships sponsored by the College. Receipts from the Foundation were for scholarships to be disbursed to Students. Payments to the Faculty Student Association were for supplies and commencement fees. Receipts from the Faculty Student Association were for facility fees, student handbooks and various projects the Faculty Student Association sponsored.

The following transactions also took place between the primary government (Schenectady County) and its component unit (the College) for the years ended August 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Sponsoring County Contribution	<u>\$ 2,098,694</u>	<u>\$ 2,098,694</u>
Capital Asset additions paid for by the County (see Note 6 and 1.H)	<u>\$ 104,756</u>	<u>\$ 1,041,601</u>

14. ACCOUNTING CHANGES

Resulting from the recommendation from the State University of New York (SUNY), the College implemented a change in the way the College accounts for Capital Projects that are funded through State and County appropriations. In most cases major capital projects are funded with bonds issued by the State and County sponsor, each paying for 50% of the costs. The College has historically recognized capital assets held for their benefit in the College financial statements. The College also recognized the related obligations of the State and the County as liabilities in the College financial statements as well. On an annual basis the College recognized depreciation expense and interest expense as well as non-operating revenue representing the amount of debt service that was paid by the State and the County to the bondholders, thereby reducing the outstanding amount of debt recognized in the financial statements.

Since the State of New York has changed to disbursement based bonding, the tracking and accounting for capital projects and related debt service activity for the community college has become increasingly complex. Because of this, the Dormitory Authority of the State of New York (DASNY) is concerned that it will no longer be able to provide accurate and timely information regarding these transactions to community colleges. As a result, the College has changed its policy to recognize revenue for state appropriations when the project is approved, the appropriation is made available and an expenditure for the project is incurred.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013**

14. ACCOUNTING CHANGES

This methodology is considered most appropriate under the circumstances to fairly present this activity and will represent a more accurate and proper treatment of the transaction in the College's financial statements as it relates to the purpose and commitment of State funds for capital projects. The prior accounting treatment results in debt being recorded by the College as well as the State and the County. This change will result in the debt only being recorded by the State and the County for their proportionate share. Significant system changes would need to be made in order to accurately account for and track the activity under the previous method. Even as changes were made and additional resources employed, the risk of accounting errors and misstatements will be reduced under the new method due to its relative simplicity. Lastly, the change will provide consistent accounting treatment and revenue recognition in all community college financial statements.

The effect on the August 31, 2013 beginning net position of the College from implementing the change is as follows:

Removal of current portion of bonds payable	\$ 1,713,987
Removal of bonds payable, net of current portion	20,976,694
Removal of deposits with trustee	<u>(44,779)</u>
Cumulative effect of Accounting Change	<u>\$ 22,645,902</u>

**SCHENECTADY COUNTY COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 FOR THE YEAR ENDED AUGUST 31, 2014**

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
January 1, 2013	\$ -	\$38,709,436	\$38,709,436	0%	\$11,282,754	343%
January 1, 2012	\$ -	\$31,081,205	\$31,081,205	0%	\$10,244,121	303%
January 1, 2011	\$ -	\$30,021,729	\$30,021,729	0%	\$9,516,566	315%

**SCHENECTADY COUNTY COMMUNITY COLLEGE
RECONCILIATION OF REVENUES, EXPENSES AND FUND BALANCES AS
REFLECTED IN ANNUAL REPORT TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014**

	<u>Revenues</u>	<u>Expenses</u>
Totals by fund:		
Unrestricted current funds (per annual report)	\$ 28,151,949	\$ 28,701,945
Restricted current funds (per annual report)	21,154,969	21,044,520
Plant funds	209,511	-
Loan Fund	(27)	-
Totals (all funds)	<u>\$ 49,516,402</u>	<u>\$ 49,746,465</u>

Adjustments to reconcile to financial statements:		
Scholarship allowances	(10,381,687)	(10,381,687)
Expended for plant facilities	-	(790,483)
Retirement of indebtedness	-	-
Depreciation	-	1,609,292
GASB 45 OPEB costs not recognized in annual report	-	2,151,074
Miscellaneous adjustments	(177)	(180)
Adjusted totals	<u>\$ 39,134,538</u>	<u>\$ 42,334,481</u>

Per audited financial statements:		
Operating revenue / expenses	27,226,237	40,183,407
Nonoperating revenue / expenses	11,908,301	2,151,074
Other revenue / expenses	-	-
Totals per financial statements	<u>\$ 39,134,538</u>	<u>\$ 42,334,481</u>

<u>Net Asset / Fund Balance Reconciliation:</u>	<u>Reported Amounts</u>
Current Unrestricted Fund Balance *	\$ 5,737,668
GASB 45 non-operating adjustments	(18,833,133)
Other (explain): Miscellaneous	(41)
Unrestricted Net Assets (per financial statements)	<u>\$ (13,095,506)</u>

* Line 113 (column C) of annual report

**SCHENECTADY COUNTY COMMUNITY COLLEGE
RECONCILIATION OF REVENUES, EXPENSES AND FUND BALANCES
AS REFLECTED IN ANNUAL REPORT TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014**

	<u>Annual Report</u>	<u>Audited Financial Statements</u>	<u>Reconciled Difference</u>
2013-2014 Gross (Total) Unrestricted Operating Costs	\$ 28,701,944	\$ 28,701,945	\$ (1)
Total Revenues - Offset to Expense	676,789	676,789	
2013-2014 Costs Not Allowable for State Aid	-	-	-
2013-2014 Total Revenues - Offset to Expense Plus Costs Not Allowable for State Aid	<u>676,789</u>	<u>676,789</u>	<u>-</u>
2013-2014 Net Operating Costs	<u>\$ 28,025,155</u>	<u>\$ 28,025,156</u>	<u>\$ (1)</u>
Description of reconciled difference(s)			
Rounding Differences			<u>\$ (1)</u>
Total Reconciled Difference			<u><u>\$ -</u></u>

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF STATE OPERATING AID
FOR THE YEAR ENDED AUGUST 31, 2014**

Total Operating Costs	\$	28,701,944	
Total Revenues - Offset to Expense		676,789	
Costs Not Allowable for State Aid		<u>-</u>	
(a) Net Operating Costs	\$	<u>28,025,155</u>	@ 40% = \$ <u>11,210,062</u>
Rental Costs - Physical Space	\$	<u>1,127,706</u>	\$ <u>422,525</u>
Next Generation NY Job Linkage Program			\$ <u>88,300</u>
<u>Funded FTE Students - Basic Aid</u>			
		<u>Net FTE Allowable</u>	
2010-11 Actual		3,746.4	X 0.20 = 749.3
2011-12 Actual		3,819.9	X 0.30 = 1,146.0
2013-14 Actual		3,712.80	X 0.50 = 1,856.4
2012-2013 Calculated FTE (20-30-50% Rule)			<u>3,751.7</u>
13-14 Funded FTE (Greater of 20-30-50% Rule or Prior Year Actual)			<u>3,751.7</u>
Funded FTE Students - Basic Aid		3,751.7	@ \$2,422 = \$ 9,086,617
Next Generation NY Job Linkage Program			88,300
2013-14 Approved Rental Costs			<u>422,525</u>
(b) Funded FTE and Rental Costs			<u>\$ 9,597,442</u>
Basic Aid - Lesser of (a) or (b)			<u>\$ 9,597,442</u>

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF STATE-AIDABLE FTE TUITION RECONCILIATION
FOR THE YEAR ENDED AUGUST 31, 2014**

<u>Full-time Student Headcount</u>	<u>Headcount, Credit Hours and FTE</u>	<u>Rate</u>	<u>Tuition</u>
Fall 2013 full-time students per End of Term SDF	2,704	\$1,692	\$ 4,575,168
Winter 2013 full-time students per SDF	-	\$1,692	-
Spring 2014 full-time students per SDF	2,346	\$1,692	3,969,432
Summer 2014 full-time students per SDF	6	\$1,692	10,152
Total Full-time Headcount	<u>5,056</u>		
Total Credit Hours of Full-time Students	<u>68,960</u>		
<u>Part-time Student Credit Hours</u>			
Fall 2013 part-time students per End of Term SDF	20,318	\$141.00	2,864,838
Winter 2013 part-time credits per SDF	-	\$141.00	-
Spring 2014 part-time credits per SDF	13,121	\$141.00	1,850,061
Summer 2014 part-time credits per SDF	7,296	\$141.00	1,028,736
Fall 2013 per Form 24	355		
Winter 2013 per Form 24			
Spring 2014 per Form 24	180		-
Summer 2014 per Form 24	16		-
Total Part-time Credit Hours	<u>41,286</u>		
Total Credit Hours	<u>110,246</u>		
Total State-aidable FTE	<u>3,826</u>		
Total calculated tuition based on headcount and credit hours			14,298,387
Reconciliation to Annual Report and Audited Financial Statements			
Less: Difference in tuition for discounted classes			(1,428,988)
Calculated State-aidable non-credit remedial tuition			(40,162)
Add: Non-credit remedial tuition revenue			40,162
Other - Miscellaneous			<u>75,219</u>
Tuition revenue reported on annual report (lines 206-208)			12,944,618
Add: Charges to non-resident students			252,569
Other fees and charges			1,398,388
Student revenue - non state-aidable courses			<u>136,935</u>
Tuition and Fee Revenue Per Statement of Revenue, Expenses and Changes in Net Position, Gross			<u>\$ 14,732,510</u>

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 9/1/2013- 8/31/2014
<u>U.S. Department of Education</u>			
Direct Programs:			
Federal Direct Student Loans	84.032	N/A	\$ 9,381,048
Federal Pell Grant Program	84.063	N/A	9,411,802
Federal Work Study Program	84.033	N/A	73,537
Federal Supplemental Educational Opportunity Grant	84.007	N/A	94,108
TRIO-Student Support Services	84.042	N/A	<u>241,340</u>
Total U.S. Department of Education			<u>19,201,835</u>
Corporation for National and Community Services			
Direct Program:			
Learn and Service America Higher Education	94.005	N/A	<u>1,320</u>
<u>U.S. Department of Health and Human Services</u>			
Direct Program:			
Affordable Care Act Health Profession Opportunity Grant	93.093	N/A	<u>2,637,119</u>
Total Expenditures of Federal Awards			<u><u>\$ 21,840,274</u></u>

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AUGUST 31, 2014**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Schenectady County Community College under programs of the federal government for the year ended August 31, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Schenectady County Community College, it is not intended to and does not represent the financial position, changes in net assets, or cash flows of Schenectady Community College.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule was prepared on the accrual basis of accounting. Grant awards are recorded as revenue when the criteria for earning the revenue is met, generally when the expenditure of grant funds is made. Grant expenditures are recorded when the liability is incurred.

Pass-through entity identifying numbers are presented where available.

The amounts reported as federal expenditures in the Schedule represent expenditures of federal funds as obtained from the appropriate federal financial reports for the applicable program and periods. The non-federal share of expenditures, if any, is excluded from the Schedule.

The Schedule includes amounts for Federal Direct Student Loans \$9,381,048 administered by Schenectady County Community College. These amounts are not included as revenues or expenses in the accompanying financial statements as they are distributed to students.

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**INDEPENDENT AUDITOR'S 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**

**Board of Directors
Schenectady County 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 the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Schenectady County Community College as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise Schenectady County Community College's basic financial statements, and have issued our report thereon dated February 8, 2015.

Internal Control Over Financial Reporting

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

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, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs referenced as 2014-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs referenced as items 2014-002 and 2014-003 to be significant deficiencies.

Compliance and Other Matters

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

Management's Response to Findings

Management's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

Marvin and Company, P.C.

Latham, NY
February 8, 2015

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
OMB CIRCULAR A-133**

To the Board of Directors of
Schenectady County Community College

Report on Compliance for Each Major Federal Program

We have audited Schenectady County Community College's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Schenectady County Community College's major federal programs for the year ended August 31, 2014. Schenectady County Community College's major federal program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Schenectady County Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Schenectady County Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Schenectady County Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Report on Internal Control Over Compliance

Management of Schenectady County Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Schenectady County Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Schenectady County Community College's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Schenectady County Community College as of and for the year ended August 31, 2014, and have issued our report thereon dated February 8, 2015 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures

of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the audit committee, and Board of Directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Marvin and Company, P.C.

Latham, NY
February 8, 2015

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.033	Federal Work Study Program
84.007	Federal Supplemental Educational Opportunity Grants
93.093	Affordable Care Act Health Profession Opportunity Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 655,208

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

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014**

SECTION 2 - FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weaknesses

2014-001 Reconciliation of General Ledger

Statement of Condition: As a result of audit procedures, numerous journal entries were required to be made.

Criteria: In order to represent an accurate financial position of the College, general ledger accounts should be reconciled and monitored throughout the year by management. All activity related to the current fiscal year should be included in that fiscal years financial information.

Cause of Condition: Various account balances required adjustment.

Effect of Condition: Without the application of audit procedures to account balances, various accounts would be incorrectly stated at year end including Accrued Expenses, Accounts Payable, Fixed Assets and Expenses.

Recommendation: The general ledger should be reconciled by management throughout the year. Management should also monitor account balances more closely and implement a formal closing process for end of year reconciliations and cut-off. Annual expenses should be evaluated to determine if the entire years of expenses have been captured. In situations where invoices have not been provided the College should estimate the amount of unbilled expenses or request the bills from the vendor.

Management Response: Beginning in 2014-15 we will close out most spending at the end of July and will encumber monies, and pay greater attention to subsequent disbursements to capture expenses in the correct year for all major non-salary account accounts including fringe benefits. The College will work with the auditing firm to learn how to perform the full accrual for pension costs. Employee fringe benefits make up 25% of College spending and we should be able to project these costs prior to the end of the year.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014**

SECTION 2 - FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiencies

2014-002 Fixed Asset Management

Statement of Condition: During the 2013-2014 year, the College began utilizing the Banner capitalization and depreciation functionality. This usage allows the College to track each asset individually over the life of the asset. However, assets acquired before the 2013-2014 year are still not being calculated correctly.

Criteria: A comprehensive set of records of additions, disposals and depreciation should be maintained by asset.

Cause of Condition: These practices have been followed by the College for many years and due to the staffing levels the College has been unable to implement recommended changes.

Effect of Condition: Although it would appear to be immaterial to the financial statements capital assets and related grant income and depreciation expense could be misstated.

Recommendation: Tracking and updating information on an asset by asset basis can be a time consuming process. College management currently uses a series of excel spread sheets to achieve this goal. In light of the size and complexity of the College and their fixed assets, we recommend that management begin developing a plan for increased automation of these processes. Considering other initiatives that the College is in the process of undertaking we would caution that a thorough plan should be developed for the gradual implementation of automated processes in this area. Management should continue to evaluate and consider using Banner.

Management Response: The College does use Banner as a result of earlier Auditor recommendations. The ongoing problem is that we have not made adjustments to previous years. We will undertake a thorough review of fixed assets from previous years and recommend fixed asset adjustments in order to resolve this issue and work with our auditors to fixed asset adjustments in order to resolve this issue.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014**

SECTION 2 - FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiencies

2014-003 Tuition Reconciliation

Statement of Condition: The tuition reconciliation was revised several times during the audit and the underlying reports to support the reconciliation were changed several times.

Criteria: As part of the Annual Financial Report, a reconciliation between the full and part time headcount, credit hours and full time equivalents times the corresponding rates compared to the amount recorded as tuition revenue is required. In addition, credit hours should agree to the AAFTE reports provided to SUNY.

Cause of Condition: There are periodic reconciliations done to ensure the accuracy of the data used in this calculation; however the form of the reconciliation and information used in the calculation changes.

Effect of Condition: As the information relative to credit hours and full time equivalents used by the Finance Office varies from the information used by Institutional Research Office and provided to SUNY to perform the tuition reconciliation it is difficult to perform an accurate reconciliation.

Recommendation: The Institutional Research Department should work with the Finance Department to develop methods to identify variances between the statistical data that the Finance Department uses for tuition revenue reconciliations and the statistics used by the Institutional Research Department for reporting to SUNY, so that reconciling items between the two can be efficiently identified for required reporting.

Management Response: This has been an on-going problem and we continue to work to reconcile data and reports. While there are technical issues that develop in defining and counting enrollment, the College recognizes that these issues must be resolved in a timely manner both internally and with SUNY.

SECTION 3 - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2014**

FINDING – 2013-01 Reconciliation of Bank Accounts

Current Status

This finding was addressed.

FINDING – 2013-02 Reconciliation of General Ledger and Restatement

Current Status

This finding was repeated as item 2014-01.

FINDING – 2013-03 Fixed Asset Management

Current Status

This finding was repeated as item 2014-02