

**SCHENECTADY COUNTY COMMUNITY COLLEGE
FINANCIAL REPORT
AUGUST 31, 2015**

SCHENECTADY COUNTY COMMUNITY COLLEGE

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INDEPENDENT AUDITOR'S REPORT

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Report on the Financial Statements

We have audited the accompanying statements of net position, statements of revenues, expenses, and changes in net position, and the statements of cash flows of the Schenectady County Community College, a component unit of Schenectady County as of and for the years ended August 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Schenectady County Community College's basic financial statements.

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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2015 and 2014, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 7 to the financial statements, Schenectady County Community College changed its method of accounting for pensions in 2014/2015 as required by the provisions of GASB Statement Numbers 68 and 71. Our opinion is not modified with respect to that matter.

Prior Period Adjustment

As discussed in Note 13 to the financial statements, certain errors resulting in the understatement of liabilities and overstatement of revenues and expenses as of and for the year ended August 31, 2014 were discovered by management of the component unit SCCC Foundation, Inc. during the year ended August 31, 2015. Accordingly, agency funds liabilities, previously reported as unrestricted net assets and certain revenues and expenses have been corrected in the restated 2014 financial statements. A corresponding adjustment has been made to the beginning net position for the year ended August 31, 2014 to reflect the liability balance as of August 31, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages A1 through A6, the schedule of funding progress for the retiree health plan on page C1, the schedules of proportionate share of net pension liability (asset) on page C2, and the schedules of College contributions on page C3 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 an opinion on the financial statements that collectively comprise the Schenectady County Community College's basic financial statements. The supplemental information 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 supplementary 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 supplementary information on pages D1 through D4 and schedule of expenditures of federal awards on page E1 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2016 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
March 3, 2016

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, 2015. 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, 2015 were prepared using all applicable guidelines including Governmental Accounting Standards Board (GASB) statements 34, 35, 38, 45, 68 and 71.

Financial Highlights

As of August 31, 2015, the College's had total assets of \$45.9 million, including deferred outflows of resources for pensions. Total liabilities were \$30.4 million including the deferred outflow of resources for pensions. The College's net position was \$15.5 million which is a \$1.7 million decrease from August 31, 2014.

The net position as of August 31, 2015 is summarized in the following categories (in thousands):

| | |
|-----------------------------|-------------------------|
| Invested in capital assets | \$ 26,819 |
| Restricted | |
| Faculty Student Association | 2,247 |
| Loan Fund | 89 |
| Unrestricted Net Position | <u>(13,653)</u> |
| Total Net Position | <u>\$ 15,502</u> |

Unrestricted net position deficit of \$-13.7 million consists of \$20.6 million in health benefit liabilities for retired College employees, both present and future. GASB 45 requires that unfunded retiree health benefits be recorded as a liability. Unrestricted fund balance declined by \$.558 million in fiscal year 2015 from \$13.1 million in fiscal year 2014.

Revenues, expenses, and the change in net position for the year ended August 31, 2015 are summarized as follows (in thousands):

| | |
|--|-------------------------|
| Operating revenues | \$ 15,326 |
| Non-operating revenues | <u>24,430</u> |
| Total revenues | <u>\$ 39,756</u> |
| Operating expenses | \$ 41,108 |
| Non-operating expenses | |
| Amortization of postretirement benefit UAL | <u>354</u> |
| Total operating expenses | <u>\$ 41,462</u> |
| Net position, beginning of year restated | \$ 17,208 |
| Increase (decrease) in net position | <u>(1,706)</u> |
| Net position, end of year | <u>\$ 15,502</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, 2015, the College's total assets and deferred outflow of resources were \$45,918,792, total liabilities and deferred inflows of resources were \$30,416,638 and net assets were \$15,502,154. Included in the assets are capital assets including land at \$713,209; buildings, improvements and equipment at \$61,770,365, less accumulated depreciation of \$34,746,389 for a net capital asset book value of \$27,023,976. This latter amount includes the capital assets of Faculty Student Association, with a net book value of \$918,089.

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 \$12,905,709 as of August 31, 2015, and were \$478,376 higher than on August 31, 2014. Receivables from governments, students, and other were \$1,990,314 as of August 31, 2015, which was \$700,762 lower than at the end of the previous fiscal year. Part of the fluctuation from 2014 to 2015 is due to the timing of payments from Schenectady County.

Included in the current liabilities for the primary institution were, accounts payable of \$1,082,644 that increased by \$317,777, and deferred revenues of \$3,781,805 (revenues for the following fiscal year) that increased by \$143,936.

The College recognizes a liability for compensated absences which decreased by \$6,957 the year ended August 31, 2015, from \$1,536,890 at August 31, 2014 to \$1,529,933 at August 31, 2015 (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 \$5,355,485 total liabilities of \$614,736, and a net position value of \$4,740,749.

Capital Assets

As required in GASB 34, fixed assets and related depreciation are reported in the College's 2015 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, 2015 was \$2,193,854. 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 8/31/15</u> | <u>Balance 8/31/14</u> |
|---------------------------------------|------------------------|------------------------|
| Capital Assets | | |
| Land | \$ 713,209 | \$ 713,209 |
| Buildings & Leasehold Improvement | 54,729,971 | 54,147,306 |
| Equipment | <u>5,749,318</u> | <u>8,315,218</u> |
| Total Capital Assets | <u>\$ 60,479,290</u> | <u>\$ 62,462,525</u> |
| Less Accumulated Depreciation: | | |
| Buildings & Leasehold Improvements | \$ 31,121,003 | \$ 30,651,297 |
| Equipment | <u>3,252,400</u> | <u>4,986,061</u> |
| Total Accumulated Depreciation | <u>\$ 34,373,403</u> | <u>\$ 35,637,358</u> |
| Capital Assets, Net | <u>\$ 26,105,887</u> | <u>\$ 26,825,167</u> |

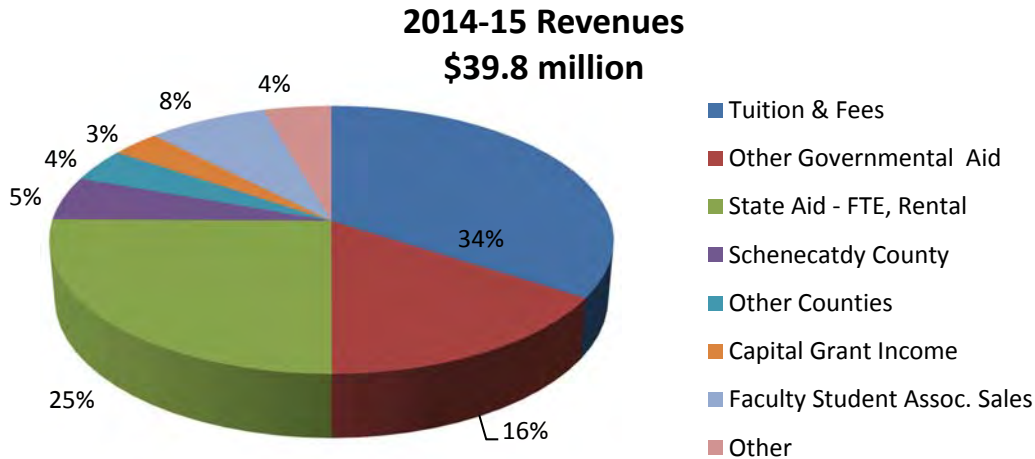
Debt

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

2014-15 Revenues

The chart that follows provides a graphical breakdown of total revenues of \$39.8 million for the College for the year ending August 31, 2015. 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 \$13.6 million made up 34% of total revenues in 2014-15. Of this amount, \$7.9 million was paid through federal and state grants and loans to eligible students. Full-time tuition was \$1,728 per semester while part-time tuition was \$144 per credit hour.

State aid at \$10.0 million was 25% of revenues. This amount includes \$9.6 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 \$2,422 per FTE in 2013-14 to \$2,497 per FTE in 2014-15. The calculation for FTE aid in 2014-15 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 \$1.6 million or 4% of revenues.

Capital grant income was \$1.3 million or 3% of College revenue in 2014-15. This is the cost of new capital projects at the College that were funded by Schenectady County and New York State.

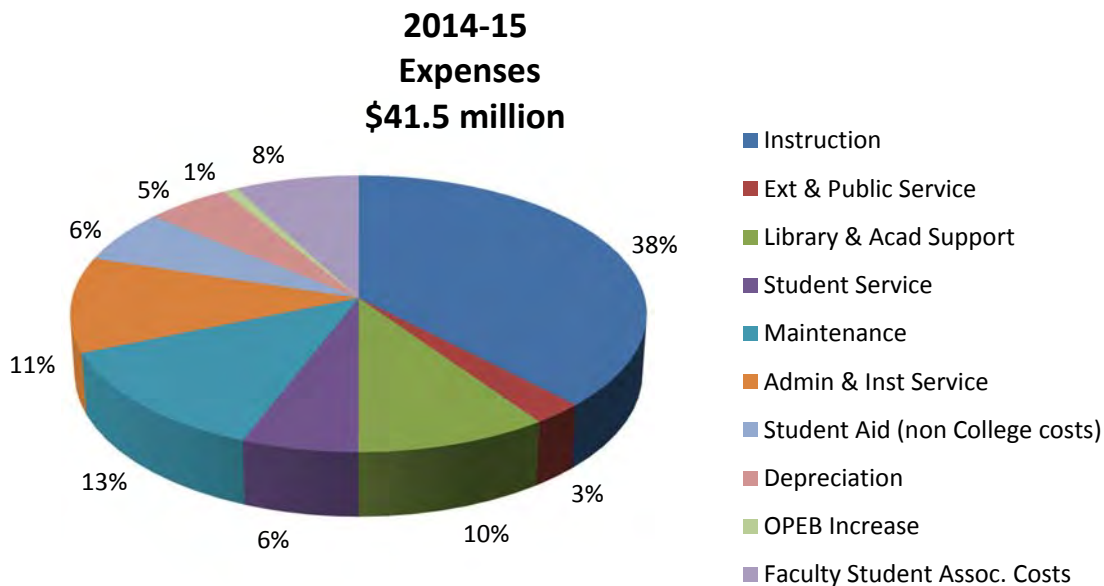
Other governmental aid includes federal and New York State grants for specialized job training, new academic programs, student services, and student aid for non-College services such as room and board. Other governmental aid was \$6.3 million or 16% of revenues in 2014-15.

Sales of books and other materials at the College Store run by the Faculty Student Association were \$3.1 million or 8% of revenues. All other revenue totaled \$1.8 million or 4% of revenues from a wide range of sources.

2014-15 Expenses

The chart that follows provides a graphical breakdown of the year's total expenses of \$41.5 million for the College, including the 2014-15 additional cost of post-employment benefits of \$0.4 million. The cost of instruction at \$15.7 million accounted for 38% of total expenses, followed by facility maintenance costs of \$5.3 million or 13% of spending. Administration and institutional services costs were \$4.6 million or 11% of total spending. Library and academic support was \$4.0 million or 10% of spending. Student services which include counseling and cost of administering financial aid, was \$2.4 million or 6% of expenses. The costs of the Faculty Student Association, primarily the cost goods sold, totaled \$3.2 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 2015 the additional unfunded cost to amortize retiree health benefits was \$0.3 million which was equal to 1% 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 2015 was the first time in many years the College's enrollment was significantly lower than the previous year. That trend has continued in 2015-16 and we expect that with improving regional economic conditions and declining local high school age populations that this trend will continue in the near term.

The College 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 has been developed and new lab space is being constructed on the sixth floor of Elston Hall.

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 chosen as the site for the Capitol Region's casino, Rivers Casino and Resort that is being built one mile from the College on the grounds former Alco locomotive manufacturing site. The College has been 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, were completed in 2015 and run through August 31, 2017. The contract with another bargaining group, the Civil Service Employees Association or CSEA, expired on December 31, 2015 and negotiations are expected to begin soon. In 2015 the College recognized a new bargaining group for adjunct faculty and negotiations are on-going.

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, 2015**

| | <u>Primary Institution</u> | <u>Component Unit, SCCC Foundation, Inc.</u> |
|--|--------------------------------|--|
| ASSETS | | |
| Current Assets | | |
| Cash and equivalents | \$ 12,905,709 | \$ 131,403 |
| Receivables | | |
| Federal, state and local | 1,302,212 | - |
| Tuition (net of \$3,475,130 allowance for uncollectible accounts) | 323,663 | - |
| Other | 364,439 | 223,733 |
| Prepaid expenses | 241,163 | 6,235 |
| Inventories | 567,066 | - |
| Total Current Assets | <u>15,704,252</u> | <u>361,371</u> |
| Noncurrent Assets | | |
| Investments | - | 4,960,978 |
| Receivables, net of current portion | - | 5,000 |
| Land | 713,209 | - |
| Capital assets, net of accumulated depreciation | 27,023,976 | 28,136 |
| Net Pension Asset, Proportionate Share | 1,363,638 | - |
| Total Noncurrent Assets | <u>29,100,823</u> | <u>4,994,114</u> |
| Total Assets | <u>44,805,075</u> | <u>5,355,485</u> |
| Deferred Outflows of Resources - Pensions | <u>1,113,717</u> | <u>-</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u><u>\$ 45,918,792</u></u> | <u><u>\$ 5,355,485</u></u> |
| LIABILITIES AND NET POSITION | | |
| Current Liabilities | | |
| Accounts payable | \$ 1,082,644 | \$ - |
| Accrued expenses | 2,916,013 | 262,516 |
| Deferred revenue | 3,781,805 | 24,950 |
| Due to other governments | 16,395 | - |
| Other liabilities | 347,185 | 327,270 |
| Total Current Liabilities | <u>8,144,042</u> | <u>614,736</u> |
| Noncurrent Liabilities | | |
| Accrued expenses | 20,949,536 | - |
| Net Pension Liability, Proportionate Share | 736,959 | - |
| Total Noncurrent Liabilities | <u>21,686,495</u> | <u>-</u> |
| Total Liabilities | <u>29,830,537</u> | <u>614,736</u> |
| Deferred Inflows of Resources - Pensions | <u>586,101</u> | <u>-</u> |
| Net Position | | |
| Invested in Capital Assets | 26,819,096 | - |
| Restricted: | | |
| Scholarships | - | 2,696,922 |
| Faculty Student Association | 2,247,666 | - |
| Loan Fund | 88,765 | - |
| Unrestricted: | <u>(13,653,373)</u> | <u>2,043,827</u> |
| Total Net Position | <u>15,502,154</u> | <u>4,740,749</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u><u>\$ 45,918,792</u></u> | <u><u>\$ 5,355,485</u></u> |

See accompanying notes to financial statements.

B1.

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

| | <u>Primary Institution</u> | <u>Restated Component Unit, SCCC Foundation, Inc.</u> |
|---|--------------------------------|---|
| ASSETS | | |
| Current Assets | | |
| Cash and equivalents | \$ 12,427,333 | \$ 287,182 |
| Receivables | | |
| Federal, state and local | 2,272,127 | - |
| Tuition (net of \$2,927,515 allowance for uncollectible accounts) | 358,635 | - |
| Other | 60,314 | 94,218 |
| Prepaid expenses | 180,697 | 658 |
| Inventories | 572,238 | - |
| Total Current Assets | <u>15,871,344</u> | <u>382,058</u> |
| Noncurrent Assets | | |
| Investments | - | 5,013,325 |
| Amounts available for capital costs | - | 10,000 |
| Land | 713,209 | - |
| Capital assets, net of accumulated depreciation | 27,772,535 | 35,780 |
| Total Noncurrent Assets | <u>28,485,744</u> | <u>5,059,105</u> |
| TOTAL ASSETS | <u>\$ 44,357,088</u> | <u>\$ 5,441,163</u> |
| LIABILITIES AND NET POSITION | | |
| Current Liabilities | | |
| Accounts payable | \$ 764,867 | \$ - |
| Accrued expenses | 2,372,963 | 211,867 |
| Deferred revenue | 3,637,869 | 20,220 |
| Due to other governments | 32,902 | - |
| Other liabilities | 276,927 | 313,535 |
| Total Current Liabilities | <u>7,085,528</u> | <u>545,622</u> |
| Noncurrent Liabilities | | |
| Accrued expenses | 20,544,010 | - |
| Total Noncurrent Liabilities | <u>20,544,010</u> | <u>-</u> |
| Total Liabilities | <u>27,629,538</u> | <u>545,622</u> |
| 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 | (13,095,506) | 3,003,236 |
| Total Net Position | <u>16,727,550</u> | <u>4,895,541</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 44,357,088</u> | <u>\$ 5,441,163</u> |

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, 2015

| | Primary Institution | Component Unit, SCCC Foundation, Inc. |
|--|--------------------------------|--|
| Operating Revenue | | |
| Student tuition and fees net of scholarship allowance of \$7,905,625 | \$ 5,664,266 | \$ - |
| Government aid and grants | 3,171,225 | - |
| Charges to other counties | 1,591,969 | - |
| Investment income (loss) | - | (128,688) |
| Interest and dividend income | - | 107,289 |
| Contributions | - | 740,861 |
| Other revenues | 1,575,462 | 22,776 |
| Auxiliary enterprises: | | |
| Sales | 3,126,830 | - |
| Other | 196,306 | - |
| Total Operating Revenue | 15,326,058 | 742,238 |
| Operating Expenses | | |
| Instruction | 15,660,335 | - |
| Extension and public service | 1,063,021 | - |
| Library | 873,960 | - |
| Student services | 2,439,336 | - |
| Maintenance and operation of plant | 5,310,795 | - |
| General administration | 2,746,490 | - |
| General institutional services | 1,875,472 | - |
| Student aid | 2,573,140 | - |
| Academic support | 3,140,240 | - |
| Foundation | - | 889,386 |
| Auxiliary enterprises: | | |
| Cost of sales | 2,253,621 | - |
| Other | 923,114 | - |
| Depreciation expense - Auxillary | 55,386 | - |
| Depreciation expense | 2,193,854 | 7,644 |
| Total Operating Expenses | 41,108,764 | 897,030 |
| Operating Income (Loss) | (25,782,706) | (154,792) |
| Non-Operating Revenues (Expenses) | | |
| State aid | 10,019,542 | - |
| Sponsoring county contribution | 2,098,694 | - |
| Federal and state nonoperating grants | 11,037,573 | - |
| Capital grant income | 1,274,313 | - |
| Interest income | 240 | - |
| Changes in postemployment benefit liabilities | (353,919) | - |
| Non-Operating Revenues (Expenses) | 24,076,443 | - |
| Change in Net Position | (1,706,263) | (154,792) |
| Net Position - Beginning of Year, as Previously Reported | 16,727,550 | 4,895,541 |
| Cumulative Effect of Change in Accounting Principle | 480,867 | - |
| Net Position - Beginning of Year, as Restated | 17,208,417 | 4,895,541 |
| Net Position, End of Year | \$ 15,502,154 | \$ 4,740,749 |

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, 2014**

| | Primary Institution | Restated Component Unit, SCCC Foundation, Inc. |
|--|--------------------------------|---|
| Operating Revenue | | |
| Student tuition and fees net of scholarship allowance of \$8,727,940 | \$ 5,413,736 | \$ - |
| Government aid and grants | 4,111,329 | - |
| Charges to other counties | 1,885,170 | - |
| Investment income | - | 468,031 |
| Interest and dividend income | - | 89,149 |
| Contributions | - | 888,184 |
| Other revenues | 1,943,067 | 21,933 |
| Auxiliary enterprises: | | |
| Sales | 3,332,498 | - |
| Other | 210,196 | - |
| Total Operating Revenue | <u>16,895,996</u> | <u>1,467,297</u> |
| Operating Expenses | | |
| Instruction | 16,313,265 | - |
| Extension and public service | 979,974 | - |
| Library | 839,227 | - |
| Student services | 2,608,189 | - |
| Maintenance and operation of plant | 4,980,328 | - |
| General administration | 2,594,292 | - |
| General institutional services | 2,563,683 | - |
| Student aid | 3,289,359 | - |
| Academic support | 2,672,507 | - |
| Foundation | - | 1,136,797 |
| Auxiliary enterprises: | | |
| Cost of sales | 2,393,670 | - |
| Other | 1,002,137 | - |
| Depreciation expense | 36,439 | - |
| Depreciation expense - Auxillary | 1,609,292 | 2,432 |
| Total Operating Expenses | <u>41,882,362</u> | <u>1,139,229</u> |
| Operating Income (Loss) | <u>(24,986,366)</u> | <u>328,068</u> |
| Non-Operating Revenues (Expenses) | | |
| State aid | 9,597,442 | - |
| Sponsoring county contribution | 2,098,694 | - |
| Federal and state nonoperating grants | 11,984,168 | - |
| Capital grant income | 209,511 | - |
| Interest income | 2,654 | - |
| Changes in post benefit liabilities | (2,106,046) | - |
| Non-Operating Revenues (Expenses) | <u>21,786,423</u> | <u>-</u> |
| Change in Net Position | <u>(3,199,943)</u> | <u>328,068</u> |
| Net Position, Beginning of Year, as Previously Reported | <u>19,927,493</u> | <u>4,860,191</u> |
| Prior Period Adjustment | <u>-</u> | <u>(292,718)</u> |
| Net Position, Beginning of Year, As Restated | <u>19,927,493</u> | <u>4,567,473</u> |
| Net Position, End of Year | <u>\$ 16,727,550</u> | <u>\$ 4,895,541</u> |

See accompanying notes to financial statements.

B4.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2015**

| | Primary Institution | Component Unit, SCCC Foundation, Inc. |
|---|--------------------------------|--|
| Cash Flows From Operating Activities | | |
| Cash received from tuition, fees and grants | \$ 18,296,700 | \$ - |
| Cash received from sales | 3,126,830 | - |
| Cash received for student aid | 2,327,657 | - |
| Contributions from donors | - | 447,779 |
| Cash paid to benefit recipients | - | (618,226) |
| Cash paid to suppliers and employees | (35,882,178) | (30,015) |
| Cash paid for student aid | (10,506,394) | - |
| Cash received for agency fund | - | 13,735 |
| Interest and dividends received | - | 107,289 |
| Net Cash Used By Operating Activities | (22,637,385) | (79,438) |
| Cash Flows From Noncapital Financing Activities | | |
| State Aid | 10,602,682 | - |
| Federal and state nonoperating grants | 11,037,573 | - |
| Sponsoring county contribution | 1,701,634 | - |
| Net Cash Provided by Noncapital Financing Activities | 23,341,889 | - |
| Cash Flows From Capital and Related Financing Activities | | |
| Cash paid for capital assets | (226,368) | - |
| Net Cash Used by Capital and Related Financing Activities | (226,368) | - |
| Cash Flows From Investing Activities | | |
| Purchases of investments | - | (117,173) |
| Sales of investments | - | 40,832 |
| Interest income | 240 | - |
| Net Cash Provided (Used) by Investing Activities | 240 | (76,341) |
| Net Increase (Decrease) in Cash and Equivalents | 478,376 | (155,779) |
| Cash and Equivalents, Beginning of Year | 12,427,333 | 287,182 |
| Cash and Equivalents, End of Year | \$ 12,905,709 | \$ 131,403 |
| Reconciliation of Net Operating Income (Loss) to Net Cash Used By Operating Activities | | |
| Operating income (loss) | \$ (25,782,706) | \$ (154,792) |
| Adjustments to reconcile operating income (loss) to net cash provided used by operating activities | | |
| Bad debt expense | - | 4,086 |
| Depreciation | 2,249,240 | 7,644 |
| Unrealized and realized (gains) losses on investments | - | 128,688 |
| (Increase) decrease in assets: | | |
| Receivables | 700,762 | (128,601) |
| Inventories | 5,172 | - |
| Prepaid expenses | (60,466) | (5,577) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 317,777 | - |
| Accrued expenses | 158,129 | 50,649 |
| Deferred revenue/due to other governments | (295,551) | 4,730 |
| Other liabilities | 70,258 | 13,735 |
| Net Cash Used By Operating Activities | \$ (22,637,385) | \$ (79,438) |

See accompanying notes to financial statements.

B5.

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

| | Primary Institution | Restated Component Unit, SCCC Foundation, Inc. |
|---|--------------------------------|---|
| Cash Flows From Operating Activities | | |
| Cash received from tuition, fees and grants | \$ 10,815,578 | \$ - |
| Cash received from sales and commissions | 3,332,498 | - |
| Cash received for student aid | 10,919,175 | - |
| Contributions from donors | - | 692,700 |
| Cash paid to benefit recipients | - | (566,261) |
| Cash paid to suppliers and employees | (36,541,099) | (262,687) |
| Cash paid for student aid | (12,017,299) | - |
| Cash received for agency fund | - | 20,817 |
| Interest and dividends received | - | 89,149 |
| Net Cash Used By Operating Activities | (23,491,147) | (26,282) |
| Cash Flows From Noncapital Financing Activities | | |
| State Aid | 9,795,646 | - |
| Federal and state nonoperating grants | 11,984,168 | - |
| Sponsoring county contribution | 1,049,347 | - |
| Net Cash Provided by Noncapital Financing Activities | 22,829,161 | - |
| 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 | (1,651,174) | (38,212) |
| 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 | 2,654 | (58,191) |
| Net Decrease in Cash and Equivalents | (2,310,506) | (122,685) |
| Cash and Equivalents, Beginning of Year | 14,737,839 | 409,867 |
| Cash and Equivalents, End of Year | \$ 12,427,333 | \$ 287,182 |
| Reconciliation of Net Operating Income (Loss) to Net Cash Used By Operating Activities | | |
| Operating income (loss) | \$ (24,986,366) | \$ 328,068 |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities | | |
| Depreciation | 1,645,731 | 2,432 |
| Unrealized and realized (gains) losses on investments | - | (468,031) |
| (Increase) decrease in assets: | | |
| Receivables | (631,539) | 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 | 119,880 | (23,380) |
| Other liabilities | 40,674 | 20,817 |
| Net Cash Used By Operating Activities | \$ (23,491,147) | \$ (26,282) |

See accompanying notes to financial statements.

B6.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

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.

Discretely Presented Component Unit:

The Schenectady County Community College Foundation, Inc. (the Foundation) is a separate legal organization and is managed by a twenty-five member 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 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, 2015 AND 2014**

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, 2015 and 2014. The separate audited financial statements can be requested from the 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, 2015 and 2014, respectively there was \$8,644,567 and \$9,411,802 distributed to the College for Pell grants and \$2,393,006 and \$2,572,366 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.
- (iii) Encumbrances are reservations of net position 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 \$460,471 and \$384,115 as of August 31, 2015 and 2014 respectively.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

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 postretirement 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 statement of net position date. The liability at August 31, 2015 and 2014 is \$1,529,933 and \$1,536,890, respectively.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

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 \$9,850 and \$10,399 at August 31, 2015 and 2014, respectively. Workers' compensation expense related to the College was \$10,423 and \$27,135 for the years ended August 31, 2015 and 2014.

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 current and previous year:

| | <u>2015</u> | <u>2014</u> |
|--|-----------------|------------------|
| Unpaid Claims and Claim Adjustment Expenses at Beginning of Year | \$ 10,399 | \$ 9,769 |
| 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 | 10,423 | 27,135 |
| Payments made for claims during the current year | <u>(10,972)</u> | <u>(26,505)</u> |
| Total Unpaid Claims and Claim Adjustment Expenses at End of Year | <u>\$ 9,850</u> | <u>\$ 10,399</u> |

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

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 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 building improvements | | 5-40 |
| 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 position 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, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J. *Eliminations and Reclassifications*

All interfund activity has been eliminated in the preparation of the statements of net position and the statement of revenues, expenses, and changes in net assets. Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

K. *Implementation of New Accounting Standards*

The College has adopted all current Statements of the GASB that are applicable. At August 31, 2015, the College implemented the following new standards issued by GASB:

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.

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 72, *Fair Value Measurement and Application*, effective for the year ending August 31, 2016.

GASB has issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for the year ending August 31, 2017.

GASB has issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the year ending August 31, 2017.

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending August 31, 2018.

GASB has issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending August 31, 2016.

GASB has issued Statement 77, *Tax Abatement Disclosures*, effective for the year ending August 31, 2017.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

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 \$12,905,709.

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.

Total financial institution (bank) balances at August 31, 2015, per the bank were \$13,711,738. These deposits are categorized as follows:

| <u>1</u> | <u>2</u> | <u>3</u> | <u>Total</u> |
|---------------|----------|----------|--------------|
| \$ 13,711,738 | \$ - | \$ - | \$13,711,738 |

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, 2015 Fair Value</u> |
|----------------------------|-------------------------|---------------------------------------|
| Cash Funds | \$ 150,453 | \$ 150,453 |
| PIMCO Advisors Funds | 387,688 | 378,190 |
| Common Stock | 1,016,502 | 1,348,492 |
| Mutual Funds | 1,592,343 | 1,956,455 |
| Corporate Bonds | 617,701 | 798,045 |
| U.S. Government Securities | <u>330,520</u> | <u>329,343</u> |
| Total | <u>\$ 4,095,207</u> | <u>\$ 4,960,978</u> |

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

3. INVESTMENTS-SCCC FOUNDATION, INC.

| | <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> |

4. ACCRUED EXPENSES

Accrued expenses consist of the following:

Current Liabilities

| | <u>2015</u> | <u>2014</u> |
|---------------------------------|------------------|------------------|
| Primary Government | | |
| Compensated absences | \$ 419,933 | \$ 456,890 |
| Accrued wages | 519,230 | 165,774 |
| Workers' compensation | 9,850 | 10,399 |
| Accrued postretirement benefits | 807,998 | 829,605 |
| Retirement | 1,018,554 | 779,817 |
| Other | <u>140,448</u> | <u>130,478</u> |
| Total Primary Government | 2,916,013 | 2,372,963 |
| Component Unit | <u>262,516</u> | <u>211,867</u> |
| Total Current | <u>3,178,529</u> | <u>2,584,830</u> |

Noncurrent Liabilities

| | | |
|---------------------------------|----------------------|----------------------|
| Primary Government | | |
| Accrued postretirement benefits | 19,839,536 | 19,464,010 |
| Compensated absences | <u>1,110,000</u> | <u>1,080,000</u> |
| Total Noncurrent Liabilities | <u>20,949,536</u> | <u>20,544,010</u> |
| Total | <u>\$ 24,128,065</u> | <u>\$ 23,128,840</u> |

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

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 8/31/14</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance at 8/31/15</u> |
|--|-------------------------------|---------------------|--------------------|-------------------------------|
| Primary Government: | | | | |
| Land | \$ 713,209 | \$ - | \$ - | \$ 713,209 |
| Buildings and building improvements | \$ 54,147,306 | \$ 1,274,313 | \$ 691,648 | \$ 54,729,971 |
| Equipment | <u>8,315,219</u> | <u>200,261</u> | <u>2,766,161</u> | <u>5,749,319</u> |
| Total | <u>62,462,525</u> | <u>1,474,574</u> | <u>3,457,809</u> | <u>60,479,290</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and building improvements | 30,651,297 | 1,161,354 | 691,648 | 31,121,003 |
| Equipment | <u>4,986,061</u> | <u>1,032,500</u> | <u>2,766,161</u> | <u>3,252,400</u> |
| Total Accumulated Depreciation | <u>35,637,358</u> | <u>2,193,854</u> | <u>3,457,809</u> | <u>34,373,403</u> |
| Governmental Activities Capital Assets, net | <u>\$ 26,825,167</u> | <u>\$ (719,280)</u> | <u>\$ -</u> | <u>\$ 26,105,887</u> |
| Blended Component Unit (FSA): | | | | |
| Equipment | \$ 1,264,968 | \$ 26,107 | \$ - | \$ 1,291,075 |
| Less accumulated depreciation | <u>317,600</u> | <u>55,386</u> | <u>-</u> | <u>372,986</u> |
| Business-type Activities Capital Assets, net | <u>\$ 947,368</u> | <u>\$ (29,279)</u> | <u>\$ -</u> | <u>\$ 918,089</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
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6. OPERATING LEASES

The College leases property under noncancellable operating leases expiring through December 2020. Future minimum lease payments under the lease are as follows:

| <u>Year Ending August 31</u> | <u>Total</u> |
|------------------------------|-------------------|
| 2016 | \$ 425,900 |
| 2017 | 177,600 |
| 2018 | 173,100 |
| 2019 | 133,700 |
| 2020 | 53,000 |
| Thereafter | <u>5,900</u> |
| Total Minimum Lease Payments | <u>\$ 969,200</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, TRS and ERS are referred to herein as the "Systems". These 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

The TRS is administered by the New York State Teachers' Retirement Board. The System provides retirement benefits as well as death and disability 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 system is governed by a 10 member Board of Trustees. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in the New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report and additional information may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

7. PENSION PLANS

Employees' Retirement System

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244 or found at www.osc.state.ny.us/retire/publications/index.php.

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.

Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976 who contribute 3% of their salary for the first ten years of membership, and employees who joined after January 1, 2010 who generally contribute 3% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller certifies the rates expressed as proportions of member's payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS.

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.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

7. PENSION PLANS

Contributions

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> |
|-----------|--------------|------------|------------------|
| 2014-2015 | \$ 1,074,900 | \$ 319,334 | \$ 629,523 |
| 2013-2014 | 1,163,934 | 341,330 | 661,451 |
| 2012-2013 | 863,160 | 144,122 | 650,315 |

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

Pension Liabilities

At August 31, 2015, the College reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2015 for ERS and June 30, 2015 for TRS. The total net pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation as of that date. The College's proportion of the net pension asset/(liability) was based on a projection of the College's long-term share of contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the College.

| | <u>ERS</u> | <u>TRS</u> |
|--|---------------|---------------|
| Actuarial valuation date | April 1, 2014 | June 30, 2014 |
| Net pension asset/(liability) | \$(736,959) | \$1,363,638 |
| College's portion of the Plan's Total net pension asset/(liability) | .0218148% | .013129% |

Pension Expense

For the year ended August 31, 2015, the College recognized its proportionate share of pension expense of \$666,955 for ERS and \$(90,208) for TRS.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

7. PENSION PLANS

Deferred Outflows and Inflows of Resources Related to Pensions

At August 31, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|--|---------------------------------------|-------------------|--------------------------------------|-------------------|
| | <u>ERS</u> | <u>TRS</u> | <u>ERS</u> | <u>TRS</u> |
| Differences between expected and actual experiences | \$ 23,591 | \$ - | \$ - | \$ 37,792 |
| Changes of assumptions | - | - | - | - |
| Net difference between projected and actual earnings on pension plan investments | 128,000 | - | - | 431,053 |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | - | 59,939 | 57,317 |
| Contributions subsequent to the measurement date | <u>588,764</u> | <u>373,362</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 740,355</u> | <u>\$ 373,362</u> | <u>\$ 59,939</u> | <u>\$ 526,162</u> |

College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2016 for ERS and June 30, 2016 for TRS. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | <u>ERS</u> | <u>TRS</u> |
|-------------|------------|--------------|
| Year ended: | | |
| 2016 | \$ 22,913 | \$ (180,762) |
| 2017 | 22,913 | (180,762) |
| 2018 | 22,913 | (180,762) |
| 2019 | 22,913 | 64,785 |
| 2020 | - | (11,612) |
| Thereafter | - | (37,049) |

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

7. PENSION PLANS

Actuarial Assumptions

The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension asset/(liability) to the measurement date. The actuarial valuation used the following actuarial assumptions:

| | <u>ERS</u> | <u>TRS</u> |
|---|--|--|
| Measurement date | March 31, 2015 | June 30, 2015 |
| Actuarial valuation date | April 1, 2014 | June 30, 2014 |
| Interest Rate | 7.5% | 8.0% |
| Salary Scale | 4.9% | 4.01% - 10.91%* |
| Decrement tables | April 1, 2005 - March 31, 2010 System's Experience | July 1, 2005 - June 30, 2010 System's Experience |
| Inflation rate | 2.7% | 3.0% |
| Projected Cost of Living Adjustments | 1.4% annually | 1.625% annually |

*TRS salary scale differs based on age and gender and have been calculated based upon recent NYSTRS member experience. See the following projected increases:

| | <u>Age</u> | <u>Female</u> | <u>Male</u> |
|----------------------------|------------|---------------|-------------|
| Projected salary increases | 25 | 10.35% | 10.91% |
| | 35 | 6.26 | 6.27 |
| | 45 | 5.39 | 5.04 |
| | 55 | 4.42 | 4.01 |

For ERS, annuitant mortality rates are based on April 1, 2005 - March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2005 - June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010. For TRS, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

7. PENSION PLANS

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

| <u>ERS</u> | <u>Target Allocation</u> | <u>Long-term expected real rate of return*</u> |
|----------------------------|-------------------------------------|---|
| | <u>2015</u> | <u>2015</u> |
| Asset Class: | | |
| Domestic equities | 38% | 7.30% |
| International equities | 13 | 8.55 |
| Private equity | 10 | 11.00 |
| Real estate | 8 | 8.25 |
| Absolute return strategies | 3 | 6.75 |
| Opportunistic portfolio | 3 | 8.60 |
| Real assets | 3 | 8.65 |
| Bonds and mortgages | 18 | 4.00 |
| Cash | 2 | 2.25 |
| Inflation-indexed bonds | 2 | 4.00 |
| | <u>100%</u> | |
| Total | <u>100%</u> | |

* Real rates of return are net of the long-term inflation assumption of 2.7% for 2015.

| <u>TRS</u> | <u>Target Allocation</u> | <u>Long-term expected real rate of return*</u> |
|----------------------------------|-------------------------------------|---|
| | <u>2014</u> | <u>2014</u> |
| Asset Class: | | |
| Domestic equities | 37% | 7.3% |
| International equities | 18 | 8.5 |
| Real estate | 10 | 5.0 |
| Alternative investments | 7 | 11.0 |
| Total equities | <u>72</u> | |
| Domestic fixed income securities | 18 | 1.5 |
| Global fixed income securities | 2 | 1.4 |
| Mortgages | 8 | 3.4 |
| Short-term | - | 0.8 |
| Total fixed income | <u>28</u> | |
| Total | <u>100%</u> | |

* Real rates of return are net of the long-term inflation assumption of 3.0% for 2014.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

7. PENSION PLANS

Discount rate

The discount rate used to calculate the total pension asset/(liability) was 7.5% for ERS and 8.0% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(liability).

Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption

The following presents the College's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.5% for ERS and 8% for TRS, as well as what the College's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is one percentage point lower (6.5% for ERS and 7% for TRS) or one percentage point higher (8.5% for ERS and 9% for TRS) than the current rate:

| ERS | 1% Decrease (6.5%) | Current Assumption (7.5%) | 1% Increase (8.5%) |
|--|-----------------------------------|--|-----------------------------------|
| Employer's proportionate share of the net pension asset/(liability) | \$(4,912,149) | \$ (736,959) | \$2,787,937 |
| | | | |
| TRS | 1% Decrease (7.0%) | Current Assumption (8.0%) | 1% Increase (9.0%) |
| Employer's proportionate share of the net pension asset/(liability) | \$ (93,018) | \$1,363,638 | \$2,605,860 |

Changes in assumptions

Changes in assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits. During the measurement periods, there were no changes in assumptions.

Collective Pension Expense

Collective pension expenses includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows or resources and deferred inflows of resources for the current period. The collective pension expense for the period ended August 31, 2015 is \$651,970 for ERS and \$(97,085) for TRS.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

7. PENSION PLANS

Payables to the pension plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of August 31, 2015 represent the projected employer contribution for the period of April 1, 2015 through August 31, 2015 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued employer retirement contributions as of August 31, 2015 amounted to \$588,764.

For TRS, employer and employee contributions for the fiscal year ended August 31, 2015 are paid to the System in September, October and November 2015. Accrued retirement contributions as of August 31, 2015 represent employee and employer contributions for the fiscal year ended June 30, 2015 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued employer retirement contributions as of August 31, 2015 amounted to \$373,362.

Restatement of Net Position

For the fiscal year ended August 31, 2015, the College implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of the Statements resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the College's participation in the New York State Teachers' and Employees' retirement systems. The College's net position has been restated as follows:

| | |
|---|----------------------|
| Net Position beginning of year, as previously reported | \$ 16,727,550 |
| GASB Statement No. 68 and No. 71 implementation: | |
| Beginning System asset - Teachers' Retirement System | 1,273,007 |
| Beginning System liability - Employees' Retirement System | (985,782) |
| Beginning deferred outflows and inflows of resources, net | <u>193,642</u> |
| Net Position beginning of year, as restated | <u>\$ 17,208,417</u> |

8. 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 \$3,529,926 and \$3,373,194 in 2015 and 2014, respectively. The monthly premiums include a provision for estimated incurred and unpaid claims and claims administration expenses.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

8. HEALTH INSURANCE BENEFITS

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 \$1,053,807 and \$976,670 in premium payments for the years ended August 31, 2015 and 2014, 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 is 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.

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.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

8. HEALTH INSURANCE BENEFITS

Postretirement Health Insurance Benefits

Actuarial Methods and 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.

Change in Plan Provisions

During the current year the provisions of the Plan for College employees was modified to require all active and inactive participants to migrate to MVP Gold upon attaining age 65. The change resulted in a significant decrease to the actuarial accrued liability.

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:

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|----------------------|----------------------|----------------------|
| Normal Cost | \$ 655,691 | \$ 782,080 | \$ 833,868 |
| Amortization of UAL | 1,045,814 | 2,152,473 | 1,728,299 |
| Interest | <u>68,060</u> | <u>117,382</u> | <u>102,487</u> |
| ARC | 1,769,565 | 3,051,935 | 2,664,654 |
| Interest on OPRB Obligation | 811,745 | 727,503 | 665,094 |
| Adjustment to ARC | <u>(1,173,584)</u> | <u>(696,722)</u> | <u>(961,563)</u> |
| OPRB Expense | 1,407,726 | 3,082,716 | 2,368,185 |
| Amortization of UAL and Adjustment | <u>(1,045,814)</u> | <u>(2,151,074)</u> | <u>(1,728,299)</u> |
| OPRB Expense - Operating | <u>\$ 361,912</u> | <u>\$ 931,642</u> | <u>\$ 639,886</u> |
| | | | |
| Net OPRB Obligation at the Beginning of the Year | \$ 20,293,615 | \$ 18,187,569 | \$ 16,746,065 |
| OBRB Expense | 1,407,726 | 3,082,716 | 2,368,185 |
| Net OPRB Contributions made during the fiscal Year | <u>(1,053,807)</u> | <u>(976,670)</u> | <u>(926,681)</u> |
| Net OPRB Obligation at the End of the Year | <u>\$ 20,647,534</u> | <u>\$ 20,293,615</u> | <u>\$ 18,187,569</u> |
| | | | |
| Percentage of Expense Contributed | 74.86% | 31.68% | 39.13% |

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

8. HEALTH INSURANCE BENEFITS

Postretirement Health Insurance Benefits

Annual OPRB Cost and Net OPRB Obligation

An amount equal to the OPRB expense less contributions made during the fiscal year is recognized in the accompanying financial statements as non-operating expense. Actual current period contributions are reflected as operating expenses in the accompanying financial statements.

Funded Status

| | <u>2015</u> |
|--|----------------------|
| Actuarial Accrued Liability at 1/1/15 | \$ 18,807,604 |
| Plan Assets at 1/1/15 | <u>-</u> |
| Unfunded Actuarial Accrued Liability | <u>\$ 18,807,604</u> |
| Percentage of Funded Accrued Liability | 0% |

9. COMMITMENTS AND CONTINGENCIES

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.

10. 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, 2015. There was no reduction in insurance coverage during 2015.

11. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash Investing and Financing Activities:

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|--------------------|
| Fixed assets purchased by other governments | <u>\$ 1,274,813</u> | <u>\$ 209,511</u> |

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014**

12. 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, 2015 and 2014:

| | <u>Payments</u> | | <u>Receipts</u> | |
|-------------------------------|-----------------|-------------|-----------------|-------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Schenectady Community College | | | | |
| Foundation | \$ 38,232 | \$ 31,689 | \$ 228,978 | \$ 362,516 |
| Faculty Student Association | \$ 20,649 | \$ 74,612 | \$ 216,607 | \$ 312,000 |

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, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Sponsoring County Contribution | <u>\$ 2,098,694</u> | <u>\$ 2,098,694</u> |
| Capital Asset additions paid for by the County (see Note 5 and 1.H) | <u>\$ 637,156</u> | <u>\$ 104,756</u> |

13. RESTATMENT AND PRIOR PERIOD ADJUSTMENTS FOR COMPONENT UNIT, SCCC FOUNDATION

As a result of an evaluation of the Foundation's net position during 2015, the Foundation discovered that certain liabilities were understated due to not properly recording agency funds as a liability. The reevaluation of the Foundation's agency funds disclosed errors that occurred in 2014 and prior, primarily from an understatement of liabilities and an overstatement of revenues and expenses during these periods. Accordingly, the financial statements for the year ended August 31, 2014 have been restated. The effect of the restatement was a decrease in unrestricted revenue of \$49,139, a decrease in unrestricted expenses of \$28,322 resulting in a decrease in the change in net position of \$20,817.

Additionally, the Foundation recorded a prior period adjustment in the August 31, 2014 financial statements, which represents the agency fund liability at August 31, 2013.

| | <u>Net Position, as Previous Reported on August 31, 2013</u> | <u>Agency Fund Restatement</u> | <u>Net Position as Restated on August 31, 2013</u> |
|--------------------|--|------------------------------------|--|
| Total Net Position | <u>\$4,860,191</u> | <u>\$(292,718)</u> | <u>\$4,567,473</u> |

**SCHENECTADY COUNTY COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 FOR THE YEAR ENDED AUGUST 31, 2015**

| 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, 2015 | \$ - | \$18,807,604 | \$18,807,604 | 0% | \$11,574,052 | 162% |
| January 1, 2014 | \$ - | \$38,709,436 | \$38,709,436 | 0% | \$11,282,754 | 343% |
| January 1, 2013 | \$ - | \$31,081,205 | \$31,081,205 | 0% | \$10,244,121 | 303% |

**SCHENECTADY COUNTY COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
 FOR THE YEAR ENDED AUGUST 31, 2015**

ERS Pension Plan
 Last 10 Fiscal Years

2015

| | |
|--|--------------|
| Proportion of the net pension liability (asset) | 0.0218148% |
| Proportionate share of the net pension liability (asset) | \$ 736,959 |
| Covered-employee payroll | \$ 5,348,887 |
| Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll | 13.78% |
| Plan fiduciary net position as a percentage of the total pension liability | 97.90% |

TRS Pension Plan
 Last 10 Fiscal Years

2015

| | |
|--|----------------|
| Proportion of the net pension liability (asset) | 0.013129% |
| Proportionate share of the net pension liability (asset) | \$ (1,363,638) |
| Covered-employee payroll | \$ 1,972,087 |
| Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll | -69.91% |
| Plan fiduciary net position as a percentage of the total pension liability | 111.48% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However until a full 10-year trend is compiled this presentation will only include information for those years for which information is available.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF COLLEGE CONTRIBUTIONS
FOR THE YEAR ENDED AUGUST 31, 2015**

ERS Pension Plan
Last 10 Fiscal Years

| | <u>2015</u> |
|--|--------------------|
| Contractually required contribution | \$ 1,074,900 |
| Contributions in relation to the contractually required contribution | <u>(1,074,900)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Covered-employee payroll | \$ 5,348,887 |
| Contributions as a percentage of covered-employee payroll | 19.72% |

TRS Pension Plan
Last 10 Fiscal Years

| | <u>2015</u> |
|--|--------------------|
| Contractually required contribution | \$ 345,707 |
| Contributions in relation to the contractually required contribution | <u>(345,707)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Covered-employee payroll | \$ 1,972,087 |
| Contributions as a percentage of covered-employee payroll | 17.53% |

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However until a full 10-year trend is compiled this presentation will only include information for those years for which information is available.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
RECONCILIATION OF REVENUES, EXPENSES AND FUND BALANCES AS
REFLECTED IN THE ANNUAL REPORT TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

| | <u>Revenues</u> | <u>Expenses</u> |
|---|----------------------|----------------------|
| Totals by fund: | | |
| Unrestricted current funds (per annual report) | \$ 27,778,388 | \$ 29,136,871 |
| Restricted current funds (per annual report) | 18,609,104 | 18,557,353 |
| Plant funds | 1,274,313 | - |
| Totals (all funds) | <u>47,661,805</u> | <u>47,694,224</u> |
| Adjustments to reconcile to financial statements: | | |
| Scholarship allowances | (7,905,625) | (7,905,625) |
| Expended for plant facilities | - | (200,261) |
| Retirement of indebtedness | - | - |
| Depreciation | - | 2,193,854 |
| GASB 45 OPEB costs not recognized in annual report | - | 353,919 |
| GASB 68 non-cash expense adjustments | - | (673,428) |
| Interest income not in annual report | 240 | - |
| Adjusted totals | <u>\$ 39,756,420</u> | <u>\$ 41,462,683</u> |
| Per audited financial statements: | | |
| Operating revenue / expenses | \$ 15,326,058 | \$ 41,108,764 |
| Nonoperating revenue / expenses | 24,430,362 | 353,919 |
| GASB 68 adjustments | - | - |
| Totals per financial statements | <u>\$ 39,756,420</u> | <u>\$ 41,462,683</u> |

| <u>Net Asset / Fund Balance Reconciliation:</u> | <u>Reported Amounts</u> |
|--|-----------------------------|
| Current Unrestricted Fund Balance * | \$ 4,379,185 |
| GASB 45 non-operating adjustments | (19,187,052) |
| GASB 68 cumulative effect of change | 480,867 |
| GASB 68 expense adjustments, current year | 673,428 |
| Other (explain): Miscellaneous | <u>198</u> |
| Unrestricted Net Assets (per financial statements) | <u>\$ (13,653,374)</u> |

* Line 113 (column C) of annual report

**SCHENECTADY COUNTY COMMUNITY COLLEGE
RECONCILIATION OF REVENUES, EXPENSES AND FUND BALANCES AS
REFLECTED IN THE ANNUAL REPORT TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

| | <u>Annual Report</u> | <u>Audited Financial Statements</u> | <u>Reconciled Difference</u> |
|--|----------------------|---|----------------------------------|
| 2014-2015 Gross (Total) Unrestricted Operating Costs | \$ 29,136,871 | \$ 29,136,871 | \$ - |
| Total Revenues - Offset to Expense | 1,264,914 | 1,264,914 | |
| 2014-2015 Costs Not Allowable for State Aid | - | - | - |
| 2014-2015 Total Revenues - Offset to Expense Plus Costs Not Allowable for State Aid | <u>1,264,914</u> | <u>1,264,914</u> | <u>-</u> |
| 2014-2015 Net Operating Costs | <u>\$ 27,871,957</u> | <u>\$ 27,871,957</u> | <u>\$ -</u> |
| Description of reconciled difference(s) | | | |
| Rounding Differences | | | <u>\$ -</u> |
| Total Reconciled Difference | | | <u><u>\$ -</u></u> |

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF STATE OPERATING AID
FOR THE YEAR ENDED AUGUST 31, 2015**

| | | | | |
|--|----------------------|---------------------------------|---------|------------------------|
| Total Operating Costs | \$ 29,136,871 | | | |
| Total Revenues - Offset to Expense | 1,264,914 | | | |
| Costs Not Allowable for State Aid | <u>-</u> | | | |
| (a) Net Operating Costs | <u>\$ 27,871,957</u> | @ | 40% | = <u>\$ 11,148,783</u> |
| Rental Costs - Physical Space | <u>\$ 1,081,188</u> | | | <u>\$ 380,518</u> |
| Next Generation NY Job Linkage Program | | | | <u>\$ 85,252</u> |
| <u>Funded FTE Students - Basic Aid</u> | | | | |
| | | <u>Net FTE Allowable</u> | | |
| 2011-12 Actual | 3819.90 | X | 0.20 | = 764.0 |
| 2013-14 Actual | 3712.80 | X | 0.30 | = 1,113.8 |
| 2014-15 Actual | 3826.10 | X | 0.50 | = <u>1,913.1</u> |
| 2014-2015 Calculated FTE (20-30-50% Rule) | | | | <u>3,790.9</u> |
| 14-15 Funded FTE (Greater of 20-30-50% Rule or Actual) | | | | <u>3,826.1</u> |
| Funded FTE Students - Basic Aid | 3,826.1 | @ | \$2,497 | = \$ 9,553,772 |
| Next Generation NY Job Linkage Program | | | | 85,252 |
| 2014-15 Approved Rental Costs | | | | <u>380,518</u> |
| (b) Funded FTE and Rental Costs | | | | <u>\$ 10,019,542</u> |
| Basic Aid - Lesser of (a) or (b) | | | | <u>\$ 10,019,542</u> |

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF STATE-AIDABLE FTE TUITION RECONCILIATION
FOR THE YEAR ENDED AUGUST 31, 2015**

| <u>Full-time Student Headcount</u> | <u>Headcount, Credit Hours and FTE</u> | <u>Rate</u> | <u>Tuition</u> |
|---|--|-------------|----------------------|
| Fall 2014 full-time students per SDF | 2,532 | \$1,728 | \$ 4,375,296 |
| Spring 2015 full-time students per SDF | 2,114 | \$1,728 | 3,652,992 |
| Summer 2015 full-time students per SDF | 4 | \$1,728 | 6,912 |
| Total Full-time Headcount | <u>4,650</u> | | |
| Total Credit Hours of Full-time Students | <u>63,933</u> | | |
| Part-time Student Credit Hours | | | |
| Fall 2014 part-time students per SDF | 21,202.0 | \$144.00 | 3,053,088 |
| Spring 2015 part-time credits per SDF | 12,749.0 | \$144.00 | 1,835,856 |
| Summer 2015 part-time credits per SDF | 5,997.0 | \$144.00 | 863,568 |
| Fall 2014 per Form 24 | 229.2 | | - |
| Spring 2015 per Form 24 | 217.1 | | - |
| Summer 2015 per Form 24 | 11.4 | | - |
| Total Part-time Credit Hours | <u>40,405.7</u> | | |
| Total Credit Hours | <u>104,338.7</u> | | |
| Total State-aidable FTE | <u>3,577</u> | | |
| Total calculated tuition based on headcount and credit hours | | | 13,787,712 |
| Reconciliation to Annual Report and Audited Financial Statements | | | |
| Less: Difference in tuition for discounted classes | | | (1,428,624) |
| Bad debt allowance charged to tuition | | | (667,219) |
| Add: Non-credit remedial tuition revenue | | | <u>110,615</u> |
| Tuition revenue reported on annual report (lines 206-208) | | | 11,802,484 |
| Add: Charges to non-resident students | | | 271,725 |
| Other fees and charges | | | 1,399,517 |
| Student revenue - non state-aidable courses | | | <u>96,165</u> |
| Tuition and Fee Revenue Per Statement of Revenue, Expenses, and Changes in Net Position, Gross | | | <u>\$ 13,569,891</u> |

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015**

| Federal Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Federal Expenditures 9/1/2014- 8/31/2015 |
|--|--------------------------------|--|---|
| <u>U.S. Department of Education</u> | | | |
| Direct Programs: | | | |
| Federal Direct Student Loans | 84.032 | N/A | \$ 8,645,241 |
| Federal Pell Grant Program | 84.063 | N/A | 8,644,567 |
| Federal Work Study Program | 84.033 | N/A | 112,250 |
| Federal Supplemental Educational Opportunity Grant | 84.007 | N/A | 86,513 |
| TRIO-Student Support Services | 84.042 | N/A | <u>270,997</u> |
| Total U.S. Department of Education | | | <u>17,759,568</u> |
| <u>Corporation for National and Community Services</u> | | | |
| Direct Program: | | | |
| Learn and Service America Higher Education | 94.005 | N/A | <u>1,854</u> |
| Total Corporation for National and Community Services | | | <u>1,854</u> |
| <u>U.S. Department of Health and Human Services</u> | | | |
| Direct Program: | | | |
| Affordable Care Act Health Profession Opportunity Grant | 93.093 | N/A | 2,209,936 |
| Health Careers Opportunity Program | 93.822 | N/A | <u>180,577</u> |
| Total U.S. Department of Health and Human Services | | | <u>2,390,513</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 20,151,935</u> |

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AUGUST 31, 2015**

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, 2015. 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 position, 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 of \$8,645,241 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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Daniel J. Litz, CPA
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Kevin P. O'Leary, CPA
Timothy A. Reynolds, CPA
Heather R. Lewis, CPA
Heather D. Patten, CPA

**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 Trustees
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 and the aggregate discretely presented component units of Schenectady County Community College as of and for the year ended August 31, 2015, 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 March 3, 2016.

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 opinion 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, 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 a certain deficiency in internal control that we consider to be a material weakness.

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 *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. 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 2015-001 to be a material weakness.

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 Finding

Management's response to the finding 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
March 3, 2016

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

To the Board of Trustees 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, 2015. Schenectady County Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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, 2015.

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.

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
March 3, 2016

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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? | <u> X </u> | Yes | <u> </u> | No |
| Significant deficiency(ies) identified? | <u> </u> | Yes | <u> X </u> | None Reported |
| Noncompliance material to financial statements noted? | <u> </u> | Yes | <u> X </u> | No |

Federal Awards

Internal control over major programs:

| | | | | |
|---|---------------|-----|--------------|---------------|
| Material weakness(es) identified? | <u> </u> | Yes | <u> X </u> | No |
| Significant deficiency(ies) identified? | <u> </u> | Yes | <u> X </u> | None Reported |

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

| | | | |
|---------------|-----|--------------|----|
| <u> </u> | Yes | <u> X </u> | No |
|---------------|-----|--------------|----|

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.063 | Federal Pell Grant Program |
| 84.032 | Federal Direct Student Loans |
| 84.033 | Federal Work Study Program |
| 84.007 | Federal Supplemental Educational Opportunity Grants |

Dollar threshold used to distinguish between type A and type B programs: \$ 604,558

Auditee qualified as a low-risk auditee?

| | | | |
|---------------|-----|--------------|----|
| <u> </u> | Yes | <u> X </u> | No |
|---------------|-----|--------------|----|

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015**

SECTION 2 - FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weaknesses

2015-001 Reconciliation of General Ledger

Statement of Condition: As a result of audit procedures, several 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 the year end 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 all the expenses related to that 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: Management will work with the auditors to develop a close out schedule and procedure that can be followed at the end of each semester and at year-end to ensure an accurate representation of the College's financial standing.

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

None