

**SCHENECTADY COUNTY COMMUNITY COLLEGE**

**ANNUAL REPORT**

**AUGUST 31, 2016**

**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of the County of Schenectady, New York)**

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**August 31, 2016**

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Schenectady County Community College

We have audited the accompanying financial statements of Schenectady County Community College (the College) (a component unit of the County of Schenectady, New York) and its discretely presented component units, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Faculty-Student Association of Schenectady County Community College, Inc. (the Association), which is shown as a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Association, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Schenectady County Community College Foundation, Inc. (the Foundation) and the Association were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component units as of August 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the 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 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 financial statements, and other knowledge we obtained during our audit of the 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.

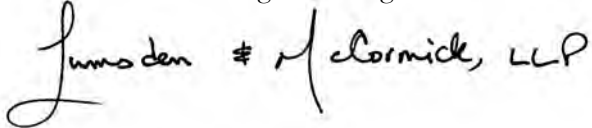
### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James D. McCormick, LLP". The signature is written in a cursive style with a large initial 'J'.

February 16, 2017

**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of the County of Schenectady, New York)**  
**Management's Discussion and Analysis**  
**August 31, 2016 (Unaudited)**

This section of Schenectady County Community College's (the College) Annual Report presents management's discussion and analysis (MD&A) of the College's financial activity for the year ended August 31, 2016 and presents information for 2016 in comparison with 2015. This MD&A is designed to focus on current activities, resulting changes, and currently known facts. Please read it in conjunction with the financial statements and the related footnotes. Responsibility for the completeness and fairness of this information rests with the College's management.

College management has determined that Schenectady County Community College Foundation, Inc. (the Foundation) and the Faculty-Student Association of Schenectady County Community College (the Association) are reported with the College as discrete component units pursuant to accounting guidance. Separately issued financial statements of the component units may be obtained from the College's business office.

The balance sheet reports current financial resources, capital assets, deferred outflows of resources, current and long-term liabilities, deferred inflows of resources, and net position. The statement of revenues, expenses, and changes in net position focuses on both the operating and non-operating revenues and expenses of the College. The statement of cash flows summarizes the cash activities of the College including operating, non-capital financing, capital financing, and investing activities.

These statements can help the user determine if the College, as a whole, is better or worse off as a result of the year's activities. Over time, increases or decreases in the net position of the College are one indicator of whether its financial health is improving or deteriorating. The user will need to consider many other non-financial factors, such as the trend in applicants and enrollment, student retention, and the condition of the physical buildings and infrastructure to assess the overall health of the College.

### **Financial Highlights**

As of August 31, 2016, the College's net position was \$10,535,000 and decreased by \$2,680,000 or -20.3% from August 31, 2015. The reduction in net position for 2016 directly relates to operating results due to a decline in FTE's together with non-cash accounting recognition of other postemployment benefits (OPEB) and pension expense. The impact of GASB 68 (unfunded pension liabilities) increased the College's liabilities by \$3,324,000. The College's OPEB also increased by \$1,626,000.

The estimated cost of unfunded OPEB is the primary reason for the College's unrestricted deficit of \$16,480,000 as of August 31, 2016. The College is similar to virtually all other governmental units in New York State in this regard. The College's 2016 ending fund balance, as reported in its annual financial report to SUNY, was a positive \$5,321,000 and does not reflect unfunded OPEB, pension items or capital assets. The latter was a decline of \$286,540, though this was less than the \$400,000 in fund balance that was appropriated to balance the 2015-16 operating budget.

**Condensed Balance Sheets  
As of August 31, 2016 and 2015**

			Change	
	2016	2015	\$	%
Current assets	\$ 12,589,000	\$ 13,785,000	\$ (1,196,000)	-8.7%
Net pension asset	-	1,364,000	(1,364,000)	-100.0%
Capital assets, net of depreciation	27,015,000	26,819,000	196,000	0.7%
<b>Total assets</b>	<b>39,604,000</b>	<b>41,968,000</b>	<b>(2,364,000)</b>	<b>-5.6%</b>
Deferred outflows of resources	5,177,000	1,114,000	4,063,000	364.7%
<b>Total assets and deferred outflows of resources</b>	<b>\$ 44,781,000</b>	<b>\$ 43,082,000</b>	<b>\$ 1,699,000</b>	<b>3.9%</b>
Current liabilities	\$ 5,008,000	\$ 5,611,000	\$ (603,000)	-10.7%
Noncurrent liabilities	23,895,000	22,178,000	1,717,000	7.7%
Net pension liability	4,061,000	737,000	3,324,000	451.0%
<b>Total liabilities</b>	<b>32,964,000</b>	<b>28,526,000</b>	<b>4,438,000</b>	<b>15.6%</b>
Deferred inflows of resources	1,282,000	1,341,000	(59,000)	-4.4%
Net position				
Net investment in capital assets	27,015,000	26,819,000	196,000	0.7%
Unrestricted (deficit)	(16,480,000)	(13,604,000)	(2,876,000)	21.1%
<b>Total net position</b>	<b>10,535,000</b>	<b>13,215,000</b>	<b>(2,680,000)</b>	<b>-20.3%</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 44,781,000</b>	<b>\$ 43,082,000</b>	<b>\$ 1,699,000</b>	<b>3.9%</b>

**Operating Expenses**

The table and chart that follow provide a summary of the year's total expenses of \$39,161,000 for the College, including OPEB of \$1,905,000. The cost of instruction at \$11.6 million accounted for 29.6% of total expenses, followed by operations and maintenance costs of \$8.1 million or 20.7% of spending. Academic support costs were \$5.1 million or 13.0% of total expenses. Institutional support was \$4.8 million or 12.2% of expenses. Student aid was \$2.1 million or 5.5% of expenses.

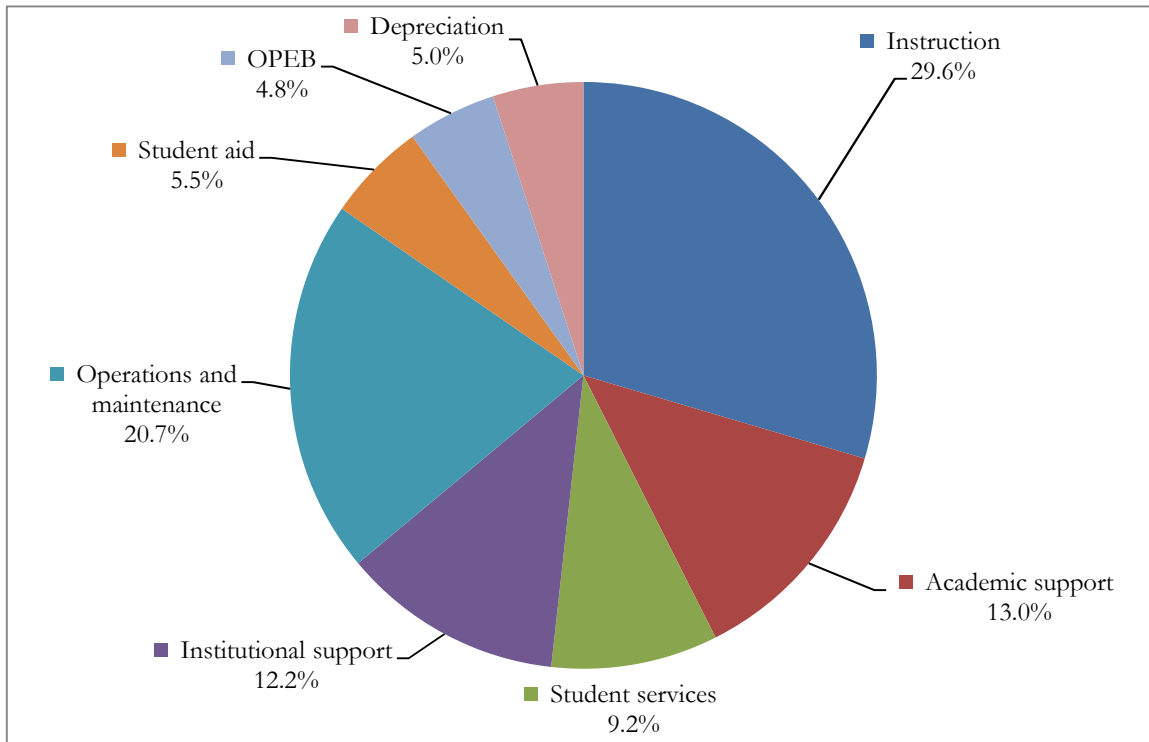
OPEB is a major requirement for public entities to report the estimated cost of these future benefits. Through actuarial analysis, state and local governments must identify the estimated cost of OPEB earned by employees over their estimated years of actual service. In 2016 the additional unfunded cost to amortize retiree health benefits was \$1.9 million which was equal to 4.8% of operating expenses.

Depreciation of the College's capital assets was calculated at \$2.0 million which is 5.0% of expenses.

**Operating Expenses**  
For the Years Ended August 31, 2016 and 2015

			Change	
	2016	2015	\$	%
Instruction	\$ 11,590,000	\$ 15,661,000	\$ (4,071,000)	-26.0%
Academic support	5,081,000	3,140,000	1,941,000	61.8%
Student services	3,621,000	4,377,000	(756,000)	-17.3%
Institutional support	4,782,000	1,875,000	2,907,000	155.0%
Operations and maintenance	8,094,000	8,057,000	37,000	0.5%
Student aid	2,136,000	2,573,000	(437,000)	-17.0%
Other postemployment benefits	1,905,000	354,000	1,551,000	438.1%
Depreciation	1,952,000	2,194,000	(242,000)	-11.0%
<b>Total</b>	<b>\$ 39,161,000</b>	<b>\$ 38,231,000</b>	<b>\$ 930,000</b>	<b>2.4%</b>

**Percentage of Operating Expenses**  
For the Year Ended August 31, 2016



**Revenues**

The table and pie chart that follow provide a breakdown of total revenues of \$36.5 million for the College for the year ended August 31, 2016. This includes both operating and non-operating revenues.

Federal and State aid to students for tuition and fees was \$9.7 million or 26.5% of total revenues. Net tuition and fees paid by students was \$5.3 million and made up 14.6% of total revenues for the year ended August 31, 2016. Combined tuition and fees from all sources were 41.1% of total revenues. Full-time tuition was \$1,764 per semester while part-time tuition was \$147 per credit hour.



State aid at \$10.0 million was 27.5% of revenues. This amount includes \$9.5 million in aid that is based on prior year FTE's, \$0.4 million for approved rental costs, and \$0.1 million for Job Linkage funding. The amount of State aid increased from \$2,497 per FTE in 2014-15 to \$2,597 per FTE in 2015-16. The calculation for FTE aid in 2015-16 is shown on page 35 of the annual report.

Schenectady County's contribution towards the College's operating costs was \$2.1 million or 5.9% of 2015-16 revenues. Revenues from other New York counties for students attending the College (chargebacks) were \$2.5 million or 6.8% of revenues.

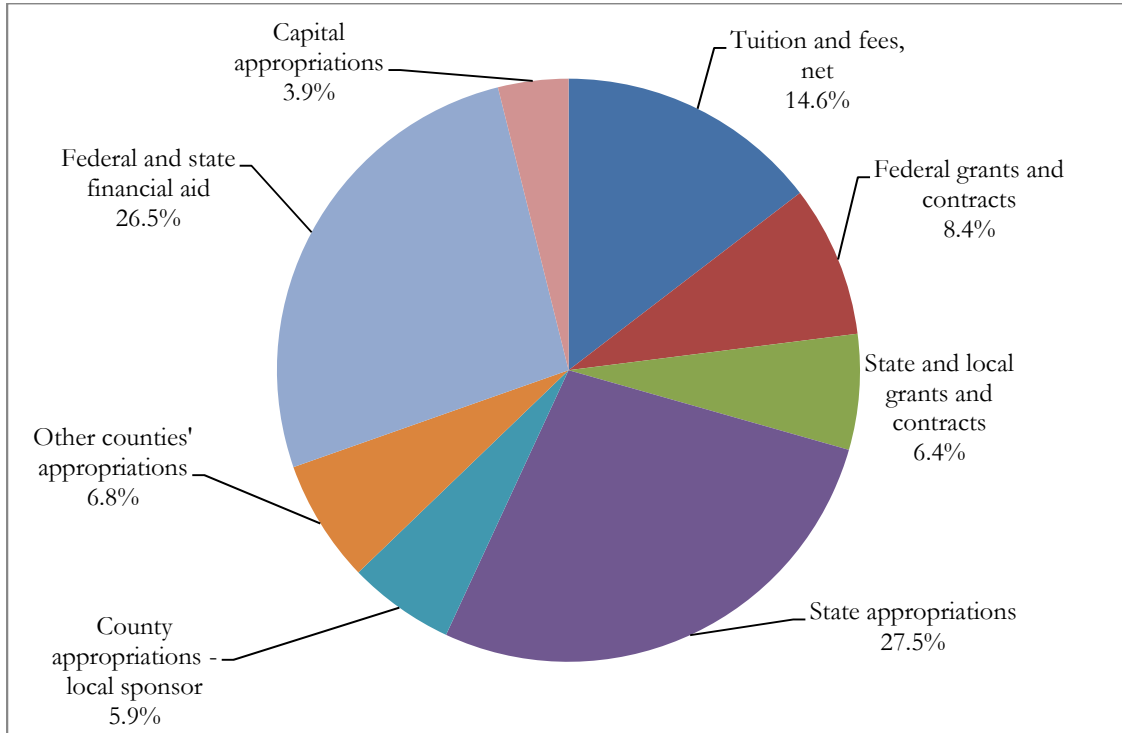
Capital appropriations were \$1.4 million or 3.9% of College revenue in 2015-16. This is the cost of new capital projects at the College that were funded by Schenectady County and New York State.

Federal and New York State grants and contracts fund specialized job training, new academic programs, and student services. Federal grants and contracts were \$3.1 million in 2015-16 or 8.4% of revenues with health profession training making up the largest component. State and local grants and contracts were \$2.3 million or 6.4% of revenues. State and local grants and contracts were primarily for student services.

**Revenues**  
**For the Years Ended August 31, 2016 and 2015**

			<b>Change</b>	
	<b>2016</b>	<b>2015</b>	<b>\$</b>	<b>%</b>
Tuition and fees, net	\$ 5,343,000	\$ 5,664,000	\$ (321,000)	-5.7%
Federal grants and contracts	3,051,000	3,171,000	(120,000)	-3.8%
State/local grants, contracts, and other	2,342,000	1,575,000	767,000	48.7%
State appropriations	10,040,000	10,020,000	20,000	0.2%
County appropriation - local sponsor	2,141,000	2,099,000	42,000	2.0%
Other counties' appropriations	2,469,000	1,592,000	877,000	55.1%
Federal and state financial aid	9,668,000	11,038,000	(1,370,000)	-12.4%
Capital appropriations	1,427,000	1,274,000	153,000	12.0%
	<b>\$ 36,481,000</b>	<b>\$ 36,433,000</b>	<b>\$ 48,000</b>	<b>0.1%</b>

**Percentage of Revenues**  
For the Year Ended August 31, 2016



**Capital Assets**

The primary cost of campus facilities is shared by Schenectady County (the County) and the State of New York (the State). Pursuant to State Education Law relative to community colleges, title to real property rests in and is held by the local sponsor (the County) in trust for the use and purpose of the College. The College has a stewardship responsibility as such assets are integral to the operations of the College; therefore, the College capitalizes and depreciates all campus facility activity.

Total capital assets, less accumulated depreciation, totaled \$27 million as of August 31, 2016 which was an increase of \$0.2 million over the previous year. Construction in progress of \$0.6 million and a \$1.6 million increase in buildings and equipment offset depreciation expense of \$2 million.

**Capital Assets**

	<u>2016</u>	<u>2015</u>
Land	\$ 713,000	\$ 713,000
Construction in progress	631,000	-
Buildings, infrastructure, and improvements	55,526,000	54,730,000
Furniture, fixtures and equipment	6,470,000	5,749,000
	<u>63,340,000</u>	<u>61,192,000</u>
Less accumulated depreciation	<u>36,325,000</u>	<u>34,373,000</u>
	<u>\$ 27,015,000</u>	<u>\$ 26,819,000</u>

## **Economic Factors that will Affect the Future**

The greatest fiscal challenge facing the College is maintaining the financial prosperity of recent years. Fully 90% of the College's 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 2016-17 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.

Governor Andrew Cuomo has recently proposed the Excelsior Scholarship Program which is intended to make New York State public colleges tuition free for families with annual incomes below \$125,000 per year. It is unclear what the impact will be for enrollment in community colleges in New York State if the program is approved by the New York State Legislature.

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 was constructed on the sixth floor of Elston Hall. A non-credit beer brewing program has also been developed and is very successful and the College's Workforce Development and Community Education division continues to work with local businesses to meet training needs.

The Rivers Casino and Resort recently opened one mile from the College on the grounds of the former Alco locomotive manufacturing site. The College is working with Rush Street Gaming, the casino's 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 to 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. Negotiations with the faculty unit are underway and negotiations with the college administrators will begin soon. The contract with another bargaining group, the Civil Service Employees Association or CSEA, expired on December 31, 2016 and negotiations with this unit are also expected to begin soon. In 2015 the College recognized a new bargaining group for adjunct faculty and negotiations are on-going.

## **Contact for the College's Financial 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, New York 12305 or by e-mail at [richarcj@sunysccc.edu](mailto:richarcj@sunysccc.edu).

**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
(A Component Unit of the County of Schenectady, New York)

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**Balance Sheet**

**August 31, 2016**

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**Assets**

**Current assets:**

Cash	\$ 10,337,205
Accounts and other receivables, net (Note 3)	429,048
Due from federal, state and other governments	1,742,440
Prepaid expenses	79,777
	<u>12,588,470</u>

**Noncurrent assets:**

Capital assets, net (Note 4)	27,015,308
<b>Total assets</b>	<u>39,603,778</u>

**Deferred outflows of resources:**

Deferred outflows of resources from pensions (Note 6)	5,177,411
<b>Total assets and deferred outflows of resources</b>	<u>\$ 44,781,189</u>

**Liabilities**

**Current liabilities:**

Accounts payable and accrued liabilities	\$ 2,191,384
Unearned revenue	2,679,875
Other liabilities (Note 5)	136,439
	<u>5,007,698</u>

**Noncurrent liabilities:**

Compensated absences (Note 5)	1,621,000
Other postemployment benefits (Note 8)	22,274,038
Net pension liability (Note 6)	4,061,308
<b>Total liabilities</b>	<u>32,964,044</u>

**Deferred inflows of resources:**

New York State tuition assistance	638,890
Deferred inflows of resources from pensions (Note 6)	642,992
<b>Total deferred inflows of resources</b>	<u>1,281,882</u>

**Net position:**

Net investment in capital assets	27,015,308
Unrestricted (deficit)	(16,480,045)
<b>Total net position</b>	<u>10,535,263</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 44,781,189</u>

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See accompanying notes.

**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
(A Component Unit of the County of Schenectady, New York)

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**Statement of Revenues, Expenses, and Changes in Net Position**

For the year ended August 31, 2016

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**Operating revenues:**

Tuition and fees	\$ 13,041,969
Less scholarship allowances	7,699,531
Net tuition and fees	<u>5,342,438</u>
Federal grants and contracts	3,051,183
State and local grants and contracts	1,976,261
Other revenues	<u>365,273</u>
<b>Total operating revenues</b>	<u><b>10,735,155</b></u>

**Operating expenses:**

Instruction	11,589,463
Academic support	5,080,439
Student services	3,621,138
Institutional support	4,782,487
Operations and maintenance	8,093,914
Student aid	2,136,093
Other postemployment costs (including cumulative adjustment of \$278,490)	1,904,994
Depreciation	<u>1,952,070</u>
<b>Total operating expenses</b>	<u><b>39,160,598</b></u>
<b>Operating loss</b>	<u><b>(28,425,443)</b></u>

**Non-operating revenues:**

County appropriations - local sponsor	2,140,668
Other counties' appropriations	2,468,575
State appropriations	10,040,478
Federal and state financial aid	9,668,270
Interest income	<u>319</u>
<b>Total non-operating revenues</b>	<u><b>24,318,310</b></u>

**Loss before other revenue** (4,107,133)

Capital appropriations 1,427,202

**Change in net position** (2,679,931)

**Net position - beginning of year** 13,215,194

**Net position - end of year** **\$ 10,535,263**

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**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
(A Component Unit of the County of Schenectady, New York)

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**Statement of Cash Flows**

**For the year ended August 31, 2016**

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**Operating activities:**

Tuition and fees, net	\$ 5,794,035
Federal, state and local grants and contracts	3,754,826
Payments to employees for services and benefits	(23,196,348)
Payments to vendors and suppliers	(9,303,127)
Financial aid and scholarships	(2,136,093)
Other	590,182
<b>Net operating activities</b>	<u>(24,496,525)</u>

**Non-capital financing activities:**

State appropriations	9,431,019
County appropriations	4,595,942
Federal and state financial aid	9,686,153
<b>Net non-capital financing activities</b>	<u>23,713,114</u>

**Capital and related financing activities:**

Purchases of capital assets	<u>(721,080)</u>
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**Investing activities:**

Interest income	<u>319</u>
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**Net change in cash** (1,504,172)

Cash - beginning of year	<u>11,841,377</u>
<b>Cash - end of year</b>	<u>\$ 10,337,205</u>

**Reconciliation of net operating loss to net cash flows used in operating activities:**

Operating loss	(28,425,443)
Adjustments to reconcile operating loss to net cash flows from operating activities:	
Depreciation	1,952,070
Other postemployment benefits	1,626,504
Net pension activity	681,184
Changes in other assets and liabilities:	
Accounts and other receivables	212,613
Due from federal, state and other governments	(490,776)
Prepaid expenses	(79,777)
Accounts payable and accrued liabilities	345,049
Unearned revenue	(392,662)
Other liabilities	74,713
<b>Net operating activities</b>	<u>\$ (24,496,525)</u>

**Noncash transaction:**

Construction costs funded by State and County	<u>\$ 1,427,202</u>
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**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
(A Component Unit of the County of Schenectady, New York)

<b>Balance Sheets Component Units</b>	<b>August 31, 2016 Foundation</b>	<b>May 31, 2016 Association</b>
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 103,810	\$ 572,278
Contributions and other receivables, net	133,717	125,623
Bookstore inventory	-	468,570
Prepaid expenses and other assets	26,705	299,054
	264,232	1,465,525
<b>Noncurrent assets:</b>		
Contributions and other receivables, net of current portion	24,833	75,000
Property and equipment, net	-	873,063
Investments	6,475,057	586,510
	6,499,890	1,534,573
<b>Total assets</b>	<b>\$ 6,764,122</b>	<b>\$ 3,000,098</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Due to College	\$ 263,418	\$ -
Accounts payable and accrued liabilities	13,331	304,363
Deferred revenue	8,800	90,000
Agency funds	331,268	-
Other liabilities	-	326,676
<b>Total liabilities</b>	616,817	721,039
<b>Net assets:</b>		
Unrestricted	2,854,147	2,133,525
Temporarily restricted	2,450,161	-
Permanently restricted	842,997	145,534
<b>Total net assets</b>	6,147,305	2,279,059
<b>Total liabilities and net assets</b>	<b>\$ 6,764,122</b>	<b>\$ 3,000,098</b>

See accompanying notes.

**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
(A Component Unit of the County of Schenectady, New York)

**Statements of Activities**  
**Component Units**

For the year ended	August 31, 2016 Foundation	May 31, 2016 Association
<b>Changes in unrestricted net assets:</b>		
Revenue and other support:		
Sales and services	\$ -	\$ 2,695,696
Student fees and related services	-	124,220
Contributions and support	342,919	-
SUNY grant income	-	46,087
Investment income (loss), net	252,465	(4,368)
Other income	11,733	33,927
Total unrestricted revenue	607,117	2,895,562
Net assets released from restriction	252,486	-
Total revenue and other support	859,603	2,895,562
Expenses:		
Cost of sales	-	1,937,996
Scholarships	213,471	-
Operating expenses	294,987	905,381
Depreciation	-	60,086
Management and general	95,800	-
Fundraising	98,063	-
Total expenses	702,321	2,903,463
Change in unrestricted net assets	157,282	(7,901)
<b>Changes in temporarily restricted net assets:</b>		
Contributions	1,306,897	-
Investment income, net	162,203	-
Net assets released from restriction	(252,486)	-
Change in temporarily restricted net assets	1,216,614	-
<b>Changes in permanently restricted net assets:</b>		
Contributions	32,660	-
Change in net assets	1,406,556	(7,901)
Net assets - beginning	4,740,749	2,286,960
Net assets - ending	\$ 6,147,305	\$ 2,279,059

See accompanying notes.



**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of the County of Schenectady, New York)**

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**Notes to Financial Statements**

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**1. Summary of Significant Accounting Policies**

**Reporting Entity**

Schenectady County Community College (the College) is a locally sponsored, two-year community college founded in 1969. The College is part of a statewide system of two-year institutions designed to provide technical, para-professional, and university parallel education. The College is one of thirty community colleges within the State University of New York (SUNY). SUNY community colleges are financed by New York State (the State), student tuition, and a local government sponsor. Schenectady County, New York (the County) is the College's local sponsor.

**Basis of Presentation**

The financial statements of the College are prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the College's accounting policies are described below.

**Discretely Presented Component Units**

In evaluating how to define the College for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the College's reporting entity is based on several criteria set forth in accounting guidance including legal standing, fiscal dependency, and financial accountability.

Based on the application of these criteria, the following is a brief review of the entities included in the reporting entity as discretely presented component units:

- The Faculty-Student Association of Schenectady County Community College, Inc. (the Association) was established in 1969 to operate, manage, and promote educational activities and relationships between and among students, faculty, staff, and alumni of the College. The Association operates campus-based food services and the College Store for the benefit of students and faculty. The Association reports on a June 1 through May 31 fiscal year; accordingly, all balances in the accompanying financial statements related to the Association are as of and for the year ended May 31, 2016.
- Schenectady County Community College Foundation, Inc. (the Foundation) was established in 1972 for the purpose of maintaining their endowments for specific scholarship and institutional programs for the College. The Foundation maintains the same fiscal year of the College.

The financial statements of these component units have been presented in accordance with the display requirements of the Financial Accounting Standards Board (FASB). Significant footnote disclosure information of the component units is contained in Note 10.

## Measurement Focus

The College reports as a special-purpose government engaged in business-type activities, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The College's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The College's policy for defining operating activities in the statement of revenues, expenses, and changes in net position are those that generally result from exchange transactions such as receipts for services and payments made to purchase those goods or services. Certain other transactions are reported as non-operating activities and include the College's operating appropriations from the State and counties, certain federal and state grants, and interest income.

## Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## Net Position

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of assets reduced by liabilities and deferred inflows of resources related to those assets if their use is subject to externally imposed stipulations. Restrictions are imposed by external organizations such as federal and state laws or by third parties providing funds to the College. The College currently has no restricted resources meeting this definition.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the above restrictions and are available for general use by the College.

The College has a policy of generally using unrestricted amounts first.

## Campus Facilities, Equipment and Related Debt

The County and the State equally share the primary cost of capital assets. Pursuant to State Education Law relative to community colleges, title to real property rests in and is held by the local sponsor (the County) in trust for the uses and purposes of the College. The College has a stewardship responsibility since such assets are integral to the operations of the College; therefore, the College records all campus facility activity.

The College recognizes revenue for State and County capital contributions when the construction or acquisition cost is incurred, or the capital asset is purchased. Debt obligations incurred by the County and the State to finance the construction and acquisition of campus facilities and equipment are not recognized in the financial statements since the College is not obligated under any debt service arrangements for the County or State debt.

The Foundation and Association maintain their own title to capital assets as applicable and issue debt as needed for the acquisition or construction of capital assets.

### Capital Assets

The College records capital assets at actual or estimated historical cost. Contributed assets are recorded at fair value at the time received. Depreciation is provided over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of the College’s capital assets are as follows:

	<b>Capitalization Policy</b>	<b>Estimated Useful Life</b>
Buildings and infrastructure	\$ 5,000	15-40
Land improvements	\$ 5,000	3-15
Furniture, fixtures and equipment	\$ 5,000	5

### Compensated Absences

The College recognizes a liability for vacation time and additional salary related payments as benefits have been earned by employees based on the rendering of past service and the probability that the employees will be compensated. This includes vacation time that was earned but not used for which employees receive compensation in future periods.

In addition, the College recognizes a liability for vested sick leave and additional salary related payments for employees who are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

### Unearned Revenue

Student tuition and related fees billed and payable prior to the end of the fiscal year and related to the following semester are considered unearned and recognized as revenue when earned in the subsequent fiscal year.

### Deferred Inflows of Resources

Deferred inflows of resources include New York State tuition assistance payments (TAP) received by the College on behalf of eligible students. Amounts received prior to the College’s year end have a time restriction as they are applicable to the following semester and are recognized as revenue when applied to the respective students’ accounts.

### Pensions

The financial statements recognize the net pension asset (liability), deferred outflows and deferred inflows of resources, pension expense (revenue), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans. The College’s participation in the plans is mandated by State law and includes the New York State Teachers’ Retirement System (TRS) and the New York State and Local Employees’ Retirement System (ERS) (the Systems). The Systems recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. More information on pension activity for the Systems is included in Note 6.

## **Revenues**

The State provides aid to the College based upon operating costs and a formula based on student full-time equivalents. The County also provides funding to the College in the form of a sponsor contribution which is appropriated annually by the County legislature as part of the County's budgeting function. Revenue is recognized in the accounting period earned. State and County appropriations are recognized when legally available for expenditure. Revenues and expenses arising from non-exchange transactions are recognized when all eligibility requirements are met.

Grants to students for financial aid and scholarships through the Federal Pell Grant Program and TAP are recorded as non-operating revenues from Federal and State sources and as either financial aid and scholarship expense or scholarship allowances offsetting tuition and fees revenue. For the year ended August 31, 2016, approximately \$7,659,000 was distributed to the College for PELL grants, and \$2,009,000 for TAP awards.

Student tuition and fees are presented net of scholarships and financial aid applied to student accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are generally reflected as expenses.

## **Reserve for Excess Student Revenue**

State Education Law mandates that tuition revenue not exceed one-third of net operating costs. This mandate has been waived by the State. As a result, the College has not recognized a reserve for excess student revenue.

## **Interfund Transfers**

The College uses fund accounting for the SUNY annual report (and as displayed in the accompanying supplementary information) and as such, operations include transactions between funds. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services between restricted and unrestricted current funds. These amounts are eliminated in the basic financial statements.

## **Exempt Tax Status**

The College is a unit of the State and is therefore generally exempt from income taxes under §115 of the Internal Revenue Code. The component units are nonprofit organizations and accordingly, no provision for income taxes has been included in the accompanying financial statements.

## **2. Cash**

Cash management is governed by State laws and as established by the College's written policies. Cash 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. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit 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 and its municipalities and school districts.

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. At August 31, 2016, the College's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' trust department or agents in the College's name.

### 3. Accounts and Other Receivables

	2016
Student tuition and fees	\$ 1,390,067
Other	191,981
	<u>1,582,048</u>
Less allowance for doubtful accounts	1,153,000
	<u>\$ 429,048</u>

### 4. Capital Assets

	September 1, 2015	Additions	Retirements/ Reclassifications	August 31, 2016
Nondepreciable capital assets:				
Land	\$ 713,209	\$ -	\$ -	\$ 713,209
Construction in progress	-	631,486	-	631,486
Total nondepreciable capital assets	<u>713,209</u>	<u>631,486</u>	<u>-</u>	<u>1,344,695</u>
Depreciable capital assets:				
Buildings and infrastructure	54,016,831	795,716	-	54,812,547
Land improvements	713,140	-	-	713,140
Furniture, fixtures and equipment	5,749,319	721,080	-	6,470,399
Total depreciable assets	<u>60,479,290</u>	<u>1,516,796</u>	<u>-</u>	<u>61,996,086</u>
Less accumulated depreciation:	34,373,403	1,952,070	-	36,325,473
Net capital assets	<u>\$ 26,819,096</u>	<u>\$ 196,212</u>	<u>\$ -</u>	<u>\$ 27,015,308</u>

### 5. Liabilities

	September 1, 2015	Increases	Decreases	August 31, 2016	Due Within One Year
Other postemployment benefits	\$ 20,647,534	\$ 3,284,411	\$ 1,657,907	\$ 22,274,038	\$ -
Compensated absences	1,529,933	610,297	519,230	1,621,000	-
Due to related entities	71,350	136,439	71,350	136,439	136,439
	<u>\$ 22,248,817</u>	<u>\$ 4,031,147</u>	<u>\$ 2,248,487</u>	<u>\$ 24,031,477</u>	<u>\$ 136,439</u>

The College leases real property under the terms of operating lease agreements. Future minimum lease payments due under noncancelable operating leases are:

Years ending August 31,	
2017	\$ 595,760
2018	589,707
2019	573,543
2020	454,154
2021	390,067
2022-2026	1,993,106
2027-2028	557,839
	<u>\$ 5,154,176</u>

Rental expense for all operating leases was \$807,500 for the year ended August 31, 2016.

## 6. Pension Plans

### Plan Descriptions

The College participates in the following cost-sharing, multiple employer, public employee retirement systems:

- TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from the New York State Teachers' Retirement System at [www.nystrs.org](http://www.nystrs.org).
- ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at [www.osc.state.ny.us/retire](http://www.osc.state.ny.us/retire).

*Benefits:* The Systems provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

*Contribution Requirements:* No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% (TRS) or 3% (ERS) of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers' Retirement Board. This rate was 13.26% for 2016. For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the College to the pension accumulation fund. For 2016, these rates ranged from 9.4% - 21.8% based on the respective employees' longevity tiers.

A liability is accrued based on the College's legally required contributions for employee services rendered. The amounts outstanding and payable to TRS and ERS for the year ended August 31, 2016 were \$307,922 and \$540,227, respectively.

### Net Pension Asset (Liability), Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

Liabilities of \$143,673 and \$3,917,635 were recognized for the College's proportionate share of the TRS and ERS net pension liability as of August 31, 2016.

The TRS net pension liability was measured as of June 30, 2016 and the total pension liability was determined by an actuarial valuation as of June 30, 2015, with update procedures applied to roll forward the net pension position to June 30, 2016. The College's proportion of the net pension position was based on the ratio of its actuarially determined employer contributions to TRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2016, the College's proportion was 0.013414%, an increase of 0.000285% from its proportion measured as of June 30, 2015.

The ERS net pension liability was measured as of March 31, 2016, and the total pension liability was determined by an actuarial valuation as of April 1, 2015. The College's proportion of the net pension liability was based on the ratio of its actuarially determined employer contributions to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. Since the College's required contributions are included with the County's, the County has provided the College its proportion, determined on the basis of total payroll of the College, the County and the County's other reporting entities over the total payroll of all entities. At March 31, 2016, the College's proportion was 0.024817% an increase of 0.003002% from its proportion measured as of March 31, 2015.

For the year ended August 31, 2016, the College recognized net pension expense of \$1,695,805 (expense from TRS of \$529,259 and from ERS of \$1,166,546). At August 31, 2016, the College reported deferred outflows and deferred inflows of resources as follows:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 46,673	\$ 20,128	\$ 472,136
Changes of assumptions	818,454	-	1,062,186	-
Net difference between projected and actual earnings on pension plan investments	323,053	-	2,363,023	-
Changes in proportion and differences between College contributions and proportionate share of contributions	-	67,213	16,896	56,970
College contributions subsequent to the measurement date	33,444	-	540,227	-
	<b>\$ 1,174,951</b>	<b>\$ 113,886</b>	<b>\$ 4,002,460</b>	<b>\$ 529,106</b>

College contributions subsequent to the measurement date will be recognized as an addition to (reduction of) the net pension asset (liability) in the year ending August 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending August 31,	TRS	ERS
2017	\$ 90,340	\$ 739,934
2018	90,340	739,934
2019	341,232	739,934
2020	263,172	713,325
2021	115,508	-
Thereafter	127,029	-
	<b>\$ 1,027,621</b>	<b>\$ 2,933,127</b>

## Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2015 valuation, with update procedures used to roll forward the total pension liability to June 30, 2016, were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014. These assumptions are:

**Inflation** – 2.5%

**Salary increases** – Based on TRS member experience, dependent on age and gender, ranging from 1.9-4.72%

**Projected Cost of Living Adjustments (COLA)** – 1.5% annually

**Investment rate of return** – 7.5% compounded annually, net of investment expense, including inflation

**Mortality** – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014

**Discount rate** – 7.5%

The long-term expected rate of return on TRS pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. 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.

For ERS, the actuarial assumptions used in the April 1, 2015 valuation, with update procedures used to roll forward the total pension liability to March 31, 2016, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

**Inflation** – 2.5%

**Salary increases** – 3.8%

**COLA** – 1.3% annually

**Investment rate of return** – 7.0% compounded annually, net of investment expense, including inflation

**Mortality** – Based on ERS experience from April 1, 2010 – March 31, 2015 with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014

**Discount rate** – 7.0%

The long-term expected rate of return on ERS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflations) 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.

## Investment Asset Allocation

Best estimates of arithmetic real rates of return for each major asset class and the Systems' target asset allocations as of the applicable valuation dates are summarized as follows:



Asset Class	TRS		ERS	
	Target Allocation	Long-Term Expected	Target Allocation	Long-Term Expected
		Real Rate of Return		Real Rate of Return
Domestic equities	37%	6.1%	38%	7.3%
International equities	18%	7.3%	13%	8.5%
Private equities	7%	9.2%	10%	11.0%
Real estate	10%	5.4%	8%	8.3%
Domestic fixed income securities	17%	1.0%	2%	4.0%
Global fixed income securities	2%	0.8%	-	-
Bonds and mortgages	8%	3.1%	18%	4.0%
Short-term	1%	0.1%	2%	2.3%
Other	-	-	9%	6.8%-8.7%
	<b>100%</b>		<b>100%</b>	

### Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Systems' 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 liability.

The following presents the College's proportionate share of its net pension liability calculated using the discount rate of 7.5% (TRS) and 7.0% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	At Current		
	1.0% Decrease	Discount Rate	1.0% Increase
College's proportionate share of the TRS net pension asset (liability)	\$ (1,874,543)	\$ (143,673)	\$ 1,308,090
College's proportionate share of the ERS net pension asset (liability)	\$ (8,981,713)	\$ (3,917,635)	\$ 240,423

### 7. Pension Plans – TIAA-CREF

The Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) is a State University Optional Retirement Plan (ORP). TIAA-CREF is a multiple-employer defined contribution plan administered by a separate board of trustees. TIAA-CREF provides benefits through annuity contracts and provides retirement and death benefits to those employees who elect to participate in the ORP. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. Employees who joined TIAA-CREF after July 27, 1976 and have less than ten years of service or membership are required to contribute 3% of their salaries. Employees hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based upon their annual compensation. Employer contributions range from 8% to 15% depending upon when the employee was hired. Employee contributions are deducted from their salaries and remitted on a current basis to TIAA-CREF. Employer contributions for the year ended August 31, 2016 was \$620,638.

## 8. Other Postemployment Benefits

The County administers the Schenectady County Retiree Medical Plan (the Plan) as a single-employer defined benefit postemployment benefit plan, through which College retirees receive benefits. The Plan provides for continuation of medical insurance benefits for substantially all employees and their spouses upon retirement. The Plan can be amended by the County subject to collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report.

Eligibility for benefits is met by employees who participate and retire from the College with at least 10 years of service in the Systems. Employees hired before June 8, 2004 and their spouses receive benefits at no cost for their lifetimes. Employees hired after June 8, 2004 along with their spouses receive benefits between 50 - 100% of cost depending on years of service. For the year ended August 31, 2016, the College contributed \$1,657,907 for Plan benefits.

The costs associated with this Plan are accounted for in accordance with GASB Statement No. 45. The objective of this statement is to improve the faithfulness and usefulness of financial information presented with respect to postemployment benefits other than pensions (OPEB). GASB Statement No. 45 requires that the College recognize the cost of these benefits during the periods when employees render the services that will ultimately entitle them to the benefits, rather than continuing to use the “pay as you go” method (recognize the cost as the retiree premiums and reimbursements are paid). This cost is referred to as the annual required contribution (ARC) and includes two components:

- Amortization of the unfunded actuarial accrued liability (UAAL) for the current year, which is the actuarially-determined, unfunded present value of all future OPEB costs associated with current employees and retirees as of the beginning of the year.
- Normal cost which is the actuarially-determined cost of future OPEB earned in the current year.

The ARC represents an amount that, if funded each year, would ultimately satisfy the UAAL as well as each year’s normal cost during that timeframe. GASB Statement No. 45 permits the College to amortize the UAAL over a period not to exceed 30 years. A liability is recognized to the extent that actual funding of the Plan is less than the ARC. The College funds the Plan to the extent of premium payments and reimbursements on a “pay as you go” basis.

The expense recognized by the College is referred to as the OPEB cost and includes the ARC, an annual adjustment to the ARC, and interest on the other postemployment benefits liability (net OPEB obligation). The following table illustrates the College’s OPEB, the amount actually contributed to the Plan, and changes in the College’s net OPEB obligation:

	<u>2016</u>
Annual required contribution	
Normal cost	\$ 1,450,062
Amortization of unfunded actuarial accrued liability	2,055,948
Interest	951,985
ARC adjustment	<u>(1,173,584)</u>
Annual OPEB cost	3,284,411
Contributions made	<u>1,657,907</u>
Change in net OPEB obligation	1,626,504
Net OPEB obligation - beginning of year	<u>20,647,534</u>
Net OPEB obligation - end of year	<u>\$ 22,274,038</u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the previous three years were as follows:

<b>Years Ended August 31,</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2016	\$ 3,284,411	50.5%	\$ 22,274,038
2015	\$ 1,407,726	74.9%	\$ 20,647,534
2014	\$ 3,082,716	31.7%	\$ 20,293,615

As of January 1, 2016, the total actuarial accrued liability for future benefits was \$36,973,560. Since there were no Plan assets, the entire liability was unfunded. The annual payroll of employees eligible to be covered by the Plan was \$8,603,717, and the ratio of the UAAL to covered payroll was 429.7%. A schedule of funding progress for the past three actuarial valuations is presented as required supplementary information and displays trend data on plan assets (if any) and the actuarial accrued liability for benefits.

The actuarial valuation involves estimates of costs and the impact of events far into the future. Examples include employee turnover and retirement rates, employee and retiree mortality, and changes in healthcare costs and interest rates. The Plan is subject to routine actuarial valuations in future years and these analyses will reflect revised estimates and assumptions as actual results are compared to past projections and informed expectations of the future. Similarly, the January 1, 2016 valuation reflected Plan benefits and cost sharing between the College and Plan members in effect at the time. Any changes in these factors will impact the results of future valuations.

The actuarial calculations reflect a long-term perspective and use techniques designed to reduce short-term volatility in actuarial accrued liabilities. A summary of the methods and assumptions is provided below:

**Retirement age for active employees:**

2010 New York State pension valuation with ages beginning at 55 through 70

**Marital status:**

80% of future retirees are assumed to elect spousal coverage, with male spouses assumed to be three years older than female spouses

**Mortality:**

RP-2014 sex-distinct mortality tables adjusted backwards to 2006 with Scale MP-2014, then adjusted for improvements with Scale MP-2015 on a generational basis

**Turnover:**

New York State pension valuation 2010 rates with ages beginning at 30 through 55

**Healthcare cost trend:**

Range starting at 6.0%, peaking at 11%, and settling at 3.9% beyond 2075, based on the Society of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model

**Actuarial cost method:**

Projected unit credit method

**Discount rate:**

4.0%

**Amortization method:**

30 years, level dollar, open group

## 9. Risk Management

### Workers' Compensation

The College participates in the County's self-insured workers' compensation plan (Comp Plan). The Comp Plan includes the workers' compensation claims 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 claims that have been incurred but not reported. The length of time for estimated claims varies depending on the coverage involved. Because actual claims are dependent on complex factors such as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liabilities is an estimate. Claim liabilities are recomputed periodically using 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 is implicit in the calculation because reliance is placed both on actual historical data and other factors that are modifiers of past experience. Adjustments to claim 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.

Claims activity for this plan is as follows:

	<b>Beginning of Year</b>	<b>Claims and Changes in Estimates</b>	<b>Claims Paid</b>	<b>End of Year</b>
2016	\$ 9,850	\$ 1,506	\$ 1,506	\$ 9,850
2015	\$ 10,399	\$ 10,423	\$ 10,972	\$ 9,850

### General Liability

The College purchases commercial insurance for various risks of loss due to torts, theft, damage, errors and omissions, and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### Grants

The College receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the College. Based on prior experience, management expects any such amounts to be immaterial.

## 10. Component Units

Discretely presented component unit information is comprised of the College's Association and Foundation. Separately issued financial statements of the component units may be obtained from the College's business office. The following disclosures relate to the component units in accordance with generally accepted accounting principles promulgated by FASB.

### Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the component units has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the component units in perpetuity.

Under the New York State Prudent Management of Institutional Funds Act (NYPMIFA), the Board of Directors of the Foundation has substantial discretion to establish policies over endowment funds. The Board of Directors has chosen to preserve the historical dollar value of the corpus of the permanent endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. Net appreciation of the invested assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

### Contributions and Other Receivables

The Foundation records contributions, including unconditional promises to give, at fair value at the date received. Management establishes an allowance for uncollectible receivables based on a specific review of outstanding receivables, as well as past collection experience.

	2016	
	Association	Foundation
Contributions receivable	\$ -	\$ 158,550
Other receivables	222,623	-
	<u>222,623</u>	<u>158,550</u>
Less allowance for doubtful accounts	22,000	-
	<u>200,623</u>	<u>158,550</u>
Less current portion	125,623	133,717
Noncurrent amount	<u>\$ 75,000</u>	<u>\$ 24,833</u>

### Property and Equipment – Association

	2016
Leasehold improvements	\$ 834,524
Furnishings and equipment	471,611
	<u>1,306,135</u>
Less accumulated depreciation	433,072
	<u>\$ 873,063</u>

### Investments

Investments for the Association and Foundation are as follows:

	2016	
	Association	Foundation
Marketable securities:		
Money market funds	\$ -	\$ 236,471
Fixed income	-	2,435,461
Equities	-	3,803,125
Mutual funds	586,510	-
	<u>\$ 586,510</u>	<u>\$ 6,475,057</u>

Total investment returns for the Foundation are as follows:

	<u>2016</u>
Interest and dividends	\$ 121,406
Net realized and unrealized gains	<u>334,352</u>
	<u>\$ 455,758</u>

Investment management fees amounted to \$41,090 for the year ended August 31, 2016, which are included within management and general expenses on the accompanying statement of activities.

The fair value of marketable securities of the Foundation is determined by quoted prices in active markets. The Association uses net asset value (NAV) per share (or its equivalent) as a practical expedient to determine the fair value of investments that (i) do not have a determinable fair value predicated upon quoted prices in active markets, and (ii) have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company.

### **Deferred Compensation Agreement**

The Association has entered into deferred compensation agreements with several key employees. All full time employees are eligible to receive benefits. The agreements require a percentage of salaries to be paid into separate accounts for the benefit of each employee. The Association retains title to and beneficial ownership of the accounts until termination of employment, at which time the balance in the account is paid out to the employee in accordance with the agreements. These assets are subject to claims of the Association's general creditors in the event of bankruptcy. The deferred compensation obligation as of May 31, 2016 totaled \$326,676.

**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
(A Component Unit of the County of Schenectady, New York)

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**Required Supplementary Information**  
**Schedule of Funding Progress**  
**Postemployment Benefit Plan**

August 31, 2016

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Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2013	\$ -	\$ 31,081,205	\$ (31,081,205)	—	\$ 10,244,121	303.4%
January 1, 2014	\$ -	\$ 38,709,436	\$ (38,709,436)	—	\$ 11,282,754	343.1%
January 1, 2016	\$ -	\$ 36,973,560	\$ (36,973,560)	—	\$ 8,603,717	429.7%

**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of the County of Schenectady, New York)**

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**Required Supplementary Information**  
**Schedule of the College's Proportionate Share of the Net Pension Position**  
**New York State Teachers' Retirement System**

<b>As of the measurement date of June 30,</b>	<b>2016</b>	<b>2015</b>
College's proportion of the net pension position	0.013414%	0.013129%
College's proportionate share of the net pension asset (liability)	\$ (143,673)	\$ 1,363,638
College's covered payroll	\$ 2,069,970	\$ 1,972,088
College's proportionate share of the net pension position as a percentage of its covered payroll	6.94%	69.15%
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%

*Data prior to 2015 is unavailable.*

The following is a summary of assumption changes:

<b>As of the measurement date of</b>	<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>
Inflation	2.5%	3.0%
Salary increases (range)	1.9%-4.72%	4.0%-10.9%
Cost of living adjustments	1.5%	1.625%
Investment rate of return	7.5%	8.0%
Discount rate	7.5%	8.0%



**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
(A Component Unit of the County of Schenectady, New York)

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**Required Supplementary Information  
Schedule of College Contributions  
New York State Teachers' Retirement System**

August 31,	2016	2015
Contractually required contribution	\$ 274,478	\$ 345,707
Contribution in relation to the contractually required contribution	(274,478)	(345,707)
Contribution deficiency (excess)	\$ -	\$ -
College's covered payroll	\$ 2,069,970	\$ 1,972,088
Contributions as a percentage of covered payroll	13.26%	17.53%

*Data prior to 2015 is unavailable.*

**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
(A Component Unit of the County of Schenectady, New York)

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**Required Supplementary Information**  
**Schedule of the College's Proportionate Share of the Net Pension Position**  
**New York State and Local Employees' Retirement System**

<b>As of the measurement date of March 31,</b>	<b>2016</b>	<b>2015</b>
College's proportion of the net pension position	0.024817%	0.021815%
College's proportionate share of the net pension asset (liability)	\$ (3,917,635)	\$ (736,959)
College's covered payroll	\$ 6,028,236	\$ 5,348,887
College's proportionate share of the net pension position as a percentage of its covered payroll	64.99%	13.78%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%

*Data prior to 2015 is unavailable.*

The following is a summary of assumption changes:

<b>As of the measurement date of</b>	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
Inflation	2.5%	2.7%
Salary increases	3.8%	4.9%
Cost of living adjustments	1.3%	1.4%
Investment rate of return	7.0%	7.5%
Discount rate	7.0%	7.5%

**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
(A Component Unit of the County of Schenectady, New York)

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**Required Supplementary Information**  
**Schedule of College Contributions**  
**New York State and Local Employees' Retirement System**

<u>August 31,</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 944,922	\$ 1,074,900
Contribution in relation to the contractually required contribution	(944,922)	(1,074,900)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 6,028,236	\$ 5,348,887
Contributions as a percentage of covered payroll	<u>15.67%</u>	<u>20.10%</u>

*Data prior to 2015 is unavailable.*

**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
(A Component Unit of the County of Schenectady, New York)

**Supplementary Information**  
**Reconciliation of Revenues, Expenses, and Fund Balance as Reflected**  
**in the Annual Report to the Audited Financial Statements**

For the year ended August 31, 2016

	<u>Revenues</u>	<u>Expenses</u>	
<b>Totals by fund:</b>			
Unrestricted current funds (per annual report)	\$ 28,077,162	\$ 28,363,692	
Restricted current funds (per annual report)	22,231,376	22,231,376	
Plant fund	1,427,202	-	
<b>Totals (all funds)</b>	<b>51,735,740</b>	<b>50,595,068</b>	
<b>Adjustments to reconcile to financial statements:</b>			
Scholarship allowances	(7,699,531)	(7,699,531)	
GASB 45 OPEB adjustment	-	1,904,994	
Depreciation	-	1,952,070	
Expended for plant fund	-	(721,080)	
Loan program	(7,555,542)	(7,555,542)	
GASB 68 net pension adjustments	-	681,184	
Other reconciling items	-	3,435	
<b>Adjusted totals</b>	<b>\$ 36,480,667</b>	<b>\$ 39,160,598</b>	
<b>Per audited financial statements:</b>			
Operating revenues/expenses	\$ 10,735,155	\$ 39,160,598	
Non-operating revenues/expenses	24,318,310	-	
Other revenues	1,427,202	-	
<b>Totals per financial statements</b>	<b>\$ 36,480,667</b>	<b>\$ 39,160,598</b>	
	<b>Annual Report</b>	<b>Unrestricted Current Fund</b>	
	<b>Report</b>	<b>Difference</b>	
Total unrestricted expenses	\$ 28,363,692	\$ 30,949,870	\$ (2,586,178)
Total revenues - offset to expense plus costs not allowable for state-aid	1,229,651	1,229,651	-
Net operating costs	\$ 27,134,041	\$ 29,720,219	\$ (2,586,178)
Explanation of reconciling difference			
GASB 45 OPEB costs not included in annual report	\$ 1,904,994		
GASB 68 pension costs not included in annual report	681,184		
	\$ 2,586,178		
Net position/fund balance reconciliation:		<b>Reported</b>	
Current unrestricted fund balance		<b>Amounts</b>	
GASB 45 liability (per financial statements)		\$ 5,320,882	
Net GASB 68 pension asset/liability, deferred outflows and deferred inflow		(22,274,038)	
Unrestricted net position (deficit) per financial statements		473,111	
		<b>\$ (16,480,045)</b>	



**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
(A Component Unit of the County of Schenectady, New York)

**Supplementary Information**  
**Schedule of State-Aidable FTE Tuition Reconciliation**

For the year ended August 31, 2016

Calculated tuition based on State-aidable FTE per Annual Report:

	<b>Headcount Credit Hours and FTE</b>	<b>Rate</b>	<b>Equated Tuition</b>
<b><u>Full-time Student Headcount</u></b>			
Fall 2015 full-time students per end of term SDF	2,209.0	\$ 1,764	\$ 3,896,676
Spring 2016 full-time students per end of term SDF	1,870.0	1,764	3,298,680
Summer 2016 full-time students per end of term SDF	2.0	1,764	3,528
Total full-time headcount	<u>4,081.0</u>		
Total credit hours of full-time students	<u>56,999.0</u>		
<b><u>Part-time Student Credit Hours</u></b>			
Fall 2015 part-time credits per end of term SDF	20,511.0	147	3,015,117
Spring 2016 part-time credits per end of term SDF	13,138.0	147	1,931,286
Summer 2016 part-time credits per end of term SDF	5,896.0	147	866,712
Fall 2015 per Form 24	179.6	-	-
Spring 2016 per Form 24	167.1	-	-
Summer 2016 per Form 24	13.8	-	-
Total part-time credit hours	<u>39,905.5</u>		
Total credit hours	<u>96,904.5</u>		
Total non-credit FTEs	<u>105.5</u>		
<b>Total State-aidable FTE</b>	<b><u>3,335.7</u></b>		

**Total calculated tuition based on headcount and credit hours** 13,011,999

**Reconciliation to Annual Report and Audited Financial Statements:**

Less:	Bad debt allowance charged to tuition	(299,801)
	Difference in tuition for discounted classes	(1,533,798)
Add:	Non-credit remedial tuition revenue collected	405
	Other - miscellaneous	<u>5,001</u>

**Tuition revenue reported on annual report (lines 206-208)** 11,183,806

Add:	Charges to non-resident students	273,700
	Service fees, including technology fee	1,375,588
	Student revenue - non State-aidable courses	<u>208,875</u>

**Tuition and fee revenue per audited financial statements** **\$ 13,041,969**

**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
(A Component Unit of the County of Schenectady, New York)

**Supplementary Information**  
**Schedule of Expenditures of Federal Awards**

For the year ended August 31, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Education</u></b>			
<b>Direct Programs</b>			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	n/a	\$ 98,250
Federal Work-Study Program	84.033	n/a	108,516
Federal Pell Grant Program	84.063	n/a	7,658,965
Federal Direct Student Loans	84.268	n/a	7,555,542
Title IV Administration	84.XXX	n/a	11,115
<b>Total Student Financial Assistance Cluster</b>			<b>15,432,388</b>
TRIO_Student Support Services	84.042	n/a	202,307
<b>Total U.S. Department of Education - Direct Programs</b>			<b>15,634,695</b>
<b>Passed Through New York State Department of Education:</b>			
Career and Technical Education -- Basic Grants to States	84.048	8000-16-6490	504,982
<b>Total U.S. Department of Education</b>			<b>16,139,677</b>
<b><u>Corporation for National and Community Service</u></b>			
<b>Direct Program</b>			
Learn and Serve America _ Higher Education	94.005	n/a	194
<b><u>U.S. Department of Health and Human Services</u></b>			
<b>Direct Programs</b>			
Affordable Care Act (ACA) Health Profession Opportunity Grants	93.093	n/a	646,701
Affordable Care Act (ACA) Health Profession Opportunity Grants	93.093	90FX0054-01-00	1,294,509
Health Careers Opportunity Program	93.822	n/a	191,131
<b>Total U.S. Department of Health and Human Services</b>			<b>2,132,341</b>
<b><u>U.S. Department of Labor</u></b>			
<b>Passed through Monroe Community College</b>			
Trade Adjustment Assistance Community College and Career Training (TAACCT) Grants	17.282	n/a	4,594
<b>Total Expenditures of Federal Awards</b>			<b>\$ 18,276,806</b>

**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of the County of Schenectady, New York)**

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**Notes to Schedule of Expenditures of Federal Awards**

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**1. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by Schenectady County Community College (the College), an entity as defined in Note 1 to the College's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

**Basis of Accounting**

The federal programs are maintained on the accrual basis of accounting. The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the College's financial reporting system.

**Indirect Costs**

Indirect costs and administrative allowances are set by New York State or Federal awarding agencies based upon contractual rates. As such, the College does not apply the 10% de minimis rate permitted by the Uniform Guidance.

**2. Federal Direct Student Loans**

Total student loans guaranteed by the U.S. Department of Education issued through the College under Federal Direct Student Loans CFDA #84.268 for the year ended August 31, 2016 were as follows:

Federal Direct Loans	\$ 3,487,509
Unsubsidized Federal Direct Loans	3,900,133
Federal Direct PLUS Loans	167,900
	<u>\$ 7,555,542</u>



**INDEPENDENT AUDITORS' 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***

The Board of Trustees  
Schenectady County Community College

We have audited, in accordance with the 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 Schenectady County Community College (the College) (a component unit of the County of Schenectady, New York) as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 16, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## Purpose of this Report

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

Jumden # McCormick, LLP

February 16, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Trustees  
Schenectady County Community College

**Report on Compliance for Each Major Federal Program**

We have audited Schenectady County Community College's (the College) (a component unit of the County of Schenectady, New York) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2016. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item [2016-001]. Our opinion on each major federal program is not modified with respect to this matter.

The College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

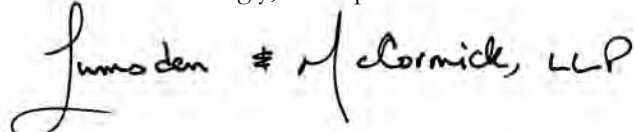
## Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Jameson & McCormick, LLP". The signature is written in a cursive style.

February 16, 2017

**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
(A Component Unit of the County of Schenectady, New York)

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**Schedule of Findings and Questioned Costs**

For the year ended August 31, 2016

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**Section I. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? Yes [2016-001]

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA #</u>	<u>Amount</u>
<b>Student Financial Assistance Cluster:</b>		
Federal Supplemental Educational Opportunity Grants	84.007	\$ 98,250
Federal Work-Study Program	84.033	108,516
Federal Pell Grant Program	84.063	7,658,965
Federal Direct Student Loans	84.268	7,555,542
Title IV Administration	84.XXX	11,115
Total Student Financial Assistance Cluster		<u>\$ 15,432,388</u>

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

Auditee qualified as low-risk auditee? Yes

**Section II. Financial Statement Findings**

No matters were reported.

**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
(A Component Unit of the County of Schenectady, New York)

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**Schedule of Findings and Questioned Costs (continued)**

**For the year ended August 31, 2016**

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**Section III. Federal Award Findings and Questioned Costs**

**U.S. Department of Education**

**Finding 2016-001:** Student Financial Assistance Cluster - CFDA #84.007 Federal Supplemental Educational Opportunity Grants; CFDA #84.033 Federal Work-Study Program; CFDA #84.063 Federal Pell Grant Program; CFDA #84.268 Federal Direct Student Loans; CFDA #84.XXX Title IV Administration

**Criteria:** The College is required to perform a calculation for returnable Title IV funds (federal financial aid) for any student that received federal financial aid and ceases to be enrolled prior to the end of the semester. The calculation is required to be performed no later than 30 days after the College becomes aware of the student's enrollment status or the end of the semester. The College then has 45 days from the date the calculation was performed to return any unearned federal financial aid to the Department of Education (DOE) (34CFR §668.22b). The College is required to notify students of their requirement to complete exit counseling within 30 days of learning the borrower has withdrawn or failed to complete the required exit counseling session.

**Condition:** The College did not return federal financial aid within the required time frame consistently throughout the year. Documentation of efforts to notify borrowers of their requirement to complete an exit counseling session was not consistently maintained during the year.

**Statement of Cause:** In one instance (of our sample of ten), the funds required to be returned as a result of the Return of Title IV calculation were not returned within the required time frame. In three instances (sample of eighteen), documentation of the College's effort to notify the borrower of their requirement to complete an exit counseling session was not maintained.

**Effect:** The College did not return the applicable federal financial aid to the DOE within the required time frame. Documentation was not provided to satisfy the College's requirement to notify borrowers of their requirement to complete an exit counseling session.

**Questioned Costs:** None

**Auditors' Recommendation:** The College should review its procedures for timely return of federal financial aid to ensure compliance with DOE regulations. The College should ensure documentation of notifications sent to borrowers is maintained as required.

**View of Responsible Officials and Planned Corrective Actions:** The College Director of Financial Aid has developed procedures to ensure the timely return of federal financial aid and the maintenance of electronic notifications of exit counseling session requirements.

**SCHENECTADY COUNTY COMMUNITY COLLEGE**  
(A Component Unit of the County of Schenectady, New York)

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**Summary Schedule of Prior Audit Findings**

**August 31, 2016**

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**Finding 2015-001:**  
**(Internal Control over Financial Reporting under**  
***Government Auditing Standards*)**

Management implemented a formal year end closing process to ensure an accurate representation of the College's financial standing; as a result, this finding has been resolved.