

**SCHENECTADY COUNTY COMMUNITY COLLEGE
FINANCIAL REPORT
AUGUST 31, 2013**

SCHENECTADY COUNTY COMMUNITY COLLEGE

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SCHENECTADY COUNTY COMMUNITY COLLEGE

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INDEPENDENT AUDITOR'S REPORT

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Board of Directors
Schenectady County Community College

Report on the Financial Statements

We have audited the accompanying statements of net position, statements of revenues, expenses and change in net position, and the statement of cash flows of the Schenectady County Community College, a component unit of Schenectady County, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the Schenectady County Community College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Change in Accounting Principle

As described in Note 13 to the financial statements, the Schenectady County Community College implemented a change in the way they account for capital projects funded through state and county appropriations. Our opinion is not modified with respect to that matter.

Correction of Error

As described in Note 14 to the financial statements, certain state appropriations for capital projects and their related depreciation expense had not been reflected in the financial statements. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis information on pages A1 through A7 and the schedule of funding progress for the retiree health plan on page C1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Schenectady County Community College's basic financial statements. The supplemental schedules on pages D1 through D5 and schedule of expenditures of federal awards on page E1 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules on pages D1 through D5 and schedule of expenditures of federal awards on page E1 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules on pages D1 through D5 and schedule of expenditures of federal awards on page E1 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2014 on our consideration of the Schenectady County Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Schenectady County Community College's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY
February 19, 2014

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial position and activities of Schenectady County Community College for the year ended August 31, 2013. The Management Discussion and Analysis should be read in conjunction with the audited statements and related footnotes which follow in the financial report.

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

Financial statements for the year ended August 31, 2013 were prepared using all applicable guidelines including Governmental Accounting Standards Board (GASB) statements 34, 35, 38, and 45.

Financial Highlights

The College's financial position reflects an ongoing challenge in addressing the cost of postretirement benefits for health care. The financial position at August 31, 2013, with total assets of \$44.6 million and total liabilities of \$24.7 million, is total net position of \$19.9 million. This is approximately a \$17,000 decrease from August 31, 2012, restated for accounting changes balance.

Because of an accounting change recommended by the State University of New York, outstanding debts for capital projects are no longer counted as a liability of the College. Debt for the College's capital projects is issued by Schenectady County and by the Dormitory Authority of the State of New York (DASNY) and debt service is paid directly by Schenectady County and the State of New York. This change also affects revenues and expenditures associated with debt service. (See Note 13, Accounting Changes, page B21 for a detailed explanation.)

The net position as of August 31, 2013 is summarized in the following categories (in thousands):

Invested in capital assets	\$28,147
Restricted	
Faculty Student Association	2,085
Loan Fund	89
Unrestricted Net Position	<u>(10,395)</u>
Total Net Position	\$19,927

Net position of \$10.4 million consist of \$16.7 million in health benefit liabilities for retired College employees, both present and future, less the current unrestricted fund balance of \$6.3 million. GASB 45 requires that unfunded retiree health benefits be recorded as a as a liability. Unrestricted fund balance rose by \$0.5 million in fiscal year 2013 from \$5.8 million in fiscal year 2012.

Revenues, expenses, and the change in net position for the year ended August 31, 2013 are summarized as follows (in thousands):

Operating revenues	\$ 25,341
Non-operating revenues	<u>13,228</u>
Total revenues	<u>38,569</u>
Operating expenses	\$ 36,858
Non-operating expenses	
Amortization of postretirement benefit UAL	<u>1,728</u>
Total operating expenses	<u>38,586</u>
Net position, beginning of year	\$19,944
Increase (decrease) in net position	(<u>17</u>)
Net position, end of year	<u>\$19,927</u>

Overview of the Financial Statements

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

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

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

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

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

Statement of Net Position

The Statement of Net Position presents the financial position of the College at the end of its fiscal year. As of August 31, 2013, the College's total assets were \$44,663,478, total liabilities were \$24,735,985, and net assets were \$19,927,493. Included in the assets are capital assets including land valued at \$713,209; buildings, improvements and equipment valued at \$61,866,808, less accumulated depreciation of \$34,309,229 for a net capital asset book value of \$27,557,579. This latter amount includes the capital assets of Faculty Student Association, with a depreciated value of \$123,116.

In general, current assets are those assets that are available to satisfy current obligations and current liabilities are those liabilities that will be paid within one year. Cash and equivalents totaled \$14,737,839 as of 8/31/13, and was \$1,640,135 or 13% more than on 8/31/12. Receivables from governments, students, and other were \$965,163 as of 8/31/13, which was \$1,129,406 or 46% lower than at the end of the previous fiscal year.

Included in the current liabilities for the primary institution were, accounts payable of \$750,578 that decreased by \$132,674, and deferred revenues of \$3,066,758 that decreased by \$162,217. The accounts payable decrease is a result of purchase orders being completed and paid by the end of the fiscal year.

The College recognizes a liability for compensated absences which increased by \$171,738 for the year ended August 31, 2013, from \$1,376,546 in 2012 to \$1,548,284 (see Note 1 D). This liability recognizes vacation time earned by employees but not used during the current or prior period, for which the employee can receive compensation in a future period. In addition, the College recognizes a liability for sick leave for employees who, at the balance sheet date, currently are eligible to receive payments for unused sick leave as well as employees who are expected to become eligible in the future to receive such payments.

Also included in the SCCC financial report as a component unit is the SCCC Foundation, Inc. with total assets of \$5,034,060, total liabilities of \$173,869, and a net position value of \$4,860,191.

Capital Assets

As required in GASB 34, fixed assets and related depreciation are reported in the College's 2013 financial statements. A majority of the fixed assets are owned by the County of Schenectady in trust for the use of the College in carrying out its institutional purpose. The College has entered into financing agreements with the Dormitory Authority of the State of New York (DASNY) to finance part of its educational facilities. The DASNY bonds for these facilities will be repaid from the appropriations received from the State of New York. The County has issued bonds to pay for their share of the capital expenses. These bonds will be paid from County appropriations. The College has no obligation to repay either of these debt obligations.

Depreciation expense on capital assets recorded in the College financial statements, excluding the blended component unit, for the year ended August 31, 2013 was \$1,930,304. A summary of capital assets, excluding the property of the Faculty Student Association, by major classification, and related accumulated depreciation compared to the prior year is as follows (in thousands):

	<u>Balance 8/31/13</u>	<u>Balance 8/31/12</u> <u>(Restated)</u>
Capital Assets		
Land	\$ 713,209	\$ 713,209
Buildings & Leasehold Improvement	53,937,795	51,854,595
Equipment	<u>7,524,736</u>	<u>6,676,837</u>
Total Capital Assets	<u>\$ 61,462,531</u>	<u>\$ 58,531,432</u>
Less Accumulated Depreciation:		
Buildings & Leasehold Improvements	\$ 29,553,669	\$ 28,163,009
Equipment	<u>4,474,397</u>	<u>3,945,248</u>
Total Accumulated Depreciation	<u>\$ 34,028,066</u>	<u>\$ 32,108,257</u>
Capital Assets, Net	<u>\$ 27,424,465</u>	<u>\$ 26,423,175</u>

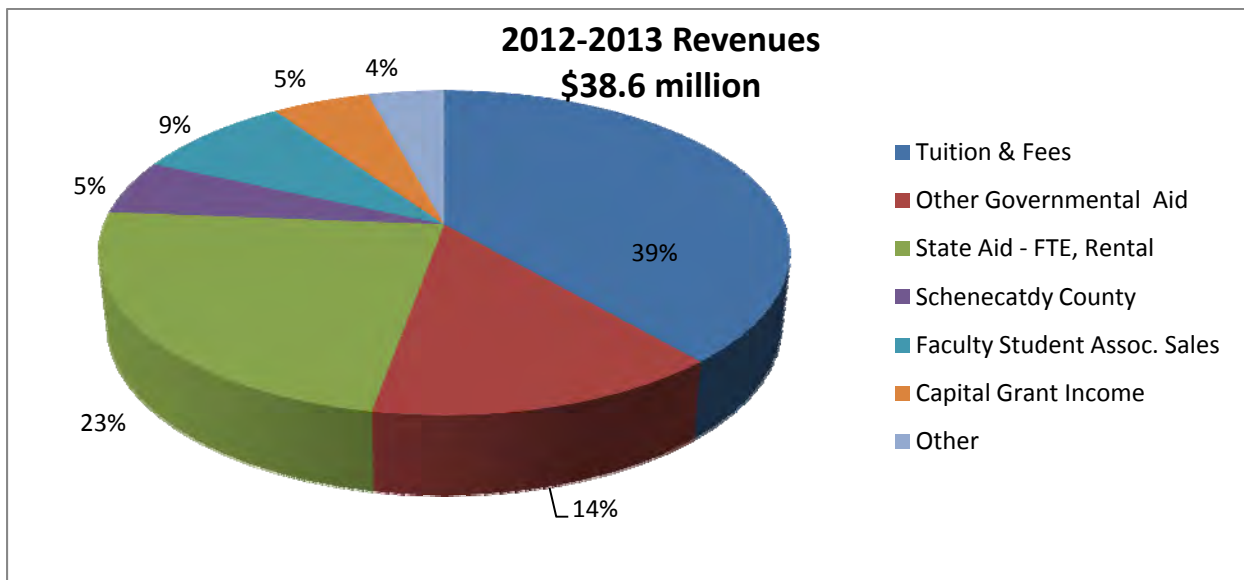
Debt

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

Statement of Revenues, Expenses, and Changes in Net Assets

2012-13 Revenues

The chart that follows provides a graphical breakdown of total current revenues of \$38.6 million for the College for the year ending August 31, 2013. These revenues include both operating revenue and non-operating revenue. These revenues also include the revenues of the Faculty Student Association that operates the College Store that sells books, supplies, clothing, and other items.



Tuition and fees at \$14.9 million made up 39% of total revenues in 2012-2013. Of this amount, \$10.6 million was paid through federal and state grants and loans to eligible students. Full-time tuition was \$1,692 per semester while part-time tuition was \$141 per credit hour. Tuition remained at the same level in 2012-13 as in 2011-12, while some laboratory fees were increased to reflect actual costs. Detail for tuition is shown in a table on page D4.

State aid at \$9.0 million was 23% of revenues. This amount includes \$8.6 million in aid that is based on prior year full-time equivalent enrollment (FTE), \$347,562 for approved rental costs and \$16,102 for High Needs funding. The amount of State aid increased from \$2,122 per FTE in 2011-12 to \$2,272 per FTE in 2012-13. The calculation for FTE aid in 2012-13 is shown on page D3.

Schenectady County's contribution towards the College's operating costs was \$2.1 million or 5% of 2012-13 revenues. Capital grant income of \$2.1 million or 5% of revenues is values of College capital construction projects funded by Schenectady County and New York State. For 2012-13, this primarily consisted of renovations of the College's heating and cooling systems.

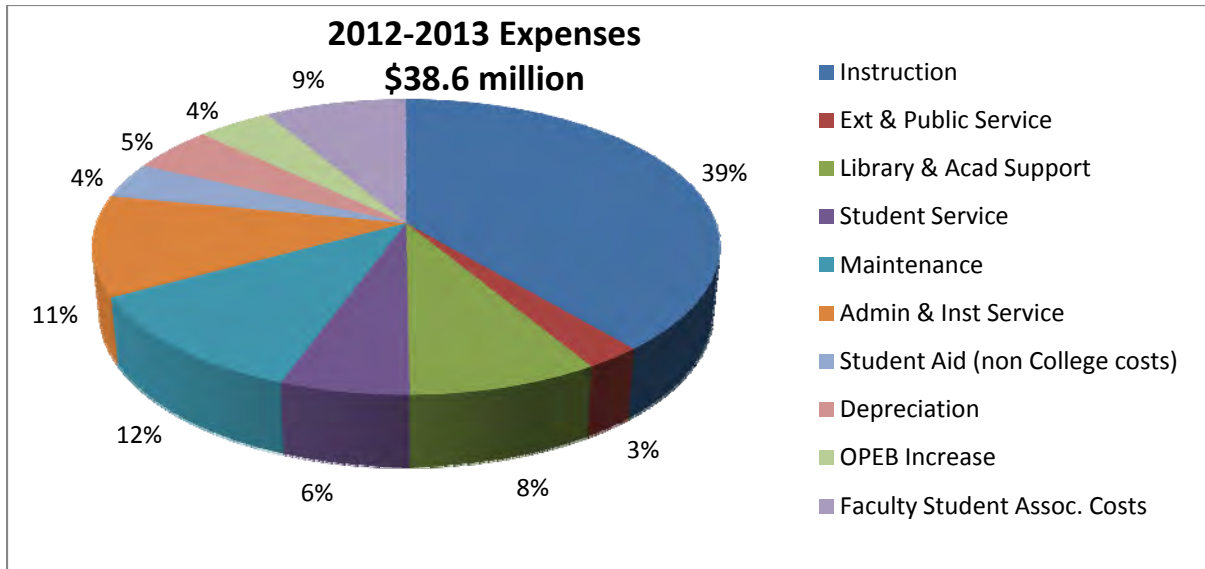
Other governmental aid includes federal and New York State grants for specialized job training, new academic programs, student services, and student aid for non-College services such as room and board. Other governmental aid was \$5.6 million or 14% of revenues in 2012-13.

Sales of books and other materials at the College Store run by the Faculty Student Association were \$3.3 million or 8.7% of revenues. All other revenue totaled \$1.6 million or 4% of revenues from a wide range of sources.

2012-13 Expenses

The chart that follows provides a graphical breakdown of the year's total expenses of \$38.6 million for the College, including the 2012-13 addition cost of post-employment benefits of \$1.7 million. The cost of instruction at \$14.9 million accounted for 39% of total expenses, followed by facility maintenance costs of \$4.4 million or 12% of total spending. Student services which include counseling and cost of administering financial aid, was \$4.4 million or 12% of expenses. Administration and institutional services were \$4.2 million or 11% of spending. The costs of the Faculty Student Association, primarily the cost goods sold, totaled \$3.3 million which was 9% of expenses.

GASB 45 is a major requirement that each public entity account for and report other post-retirement benefits (OPRB) in its accounting statements. Through actuarial analysis, state and local governments must identify the true costs of the other post-retirement benefits earned by employees over their estimated years of actual service. In 2013 the additional unfunded cost to amortize retiree health benefits was \$1.7 million which was equal to 4% of spending.



Economic Factors Bearing on the College's Future

The greatest fiscal challenge facing the College is that it has prospered financially in recent years by growing enrollment. Fully 90% of the College's General Fund revenues are enrollment based. Spring 2014 will be the first time in many years the College's enrollment will be significantly lower than the previous year. It remains to be seen whether this is a temporary event or the start of a trend.

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

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

The College also continues to develop new programs of study. Recent examples include the addition of Casino and Gaming Management and Supply Chain Management in 2013. A new Biotechnology program is also being developed and new lab space will be constructed.

The College is hoping to be an active participant in Governor's Cuomo's new initiatives. Start-Up New York gives tax benefits to companies that develop on or near New York State Colleges. The College also hopes to receive funding from the New York Rising grant program for projects to remediate flood risks from storms and the adjacent Mohawk River.

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.

Contract agreements with the College's three labor unions have expired and negotiations are on-going. The contract with Schenectady County's Civil Service Employee Association that represents support staff expired on December 31, 2012. The College's contracts with faculty and college administrators expired on August 31, 2013.

Contacting College Management

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

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

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

	<u>Primary Institution</u>	<u>Component Unit, SCCC Foundation, Inc.</u>
ASSETS		
Current Assets		
Cash and equivalents	\$ 14,737,839	\$ 409,867
Receivables		
Federal, state and local	500,037	-
Tuition (net of \$2,739,070 allowance for uncollectible accounts)	168,207	-
Other	296,919	120,332
Prepaid expenses	199,678	1,758
Inventories	490,010	-
Total Current Assets	<u>16,392,690</u>	<u>531,957</u>
Noncurrent Assets		
Investments	-	4,487,103
Receivables, net of current portion	-	15,000
Land	713,209	-
Capital assets, net of accumulated depreciation of \$34,309,229	27,557,579	-
Total Noncurrent Assets	<u>28,270,788</u>	<u>4,502,103</u>
TOTAL ASSETS	<u>\$ 44,663,478</u>	<u>\$ 5,034,060</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 750,578	\$ -
Accrued expenses	2,386,705	130,269
Deferred revenue	3,066,758	43,600
Due to other governments	31,750	-
Other liabilities	236,253	-
Total Current Liabilities	<u>6,472,044</u>	<u>173,869</u>
Noncurrent Liabilities		
Accrued expenses	18,263,941	-
Total Noncurrent Liabilities	<u>18,263,941</u>	<u>-</u>
Total Liabilities	<u>24,735,985</u>	<u>173,869</u>
Net Position		
Invested in Capital Assets	28,147,674	
Restricted:		
Scholarships	-	1,739,274
Faculty Student Association	2,085,465	-
Loan Fund	88,791	-
Unrestricted:		
Total Net Position	<u>(10,394,437)</u>	<u>3,120,917</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 44,663,478</u>	<u>\$ 5,034,060</u>

SCHENECTADY COUNTY COMMUNITY COLLEGE
STATEMENT OF NET POSITION
AUGUST 31, 2012

	<u>Primary Institution</u>		<u>Component Unit, SCCC Foundation, Inc.</u>
	<u>As Previously Reported (Restated)</u>	<u>Proforma</u>	
ASSETS			
Current Assets			
Cash and equivalents	\$ 13,097,704	\$ 13,097,704	\$ 1,087,325
Receivables			
Federal, state and local	1,224,929	1,224,929	-
Tuition (net of \$2,303,535 allowance for uncollectible accounts)	662,288	662,288	-
Other	207,352	207,352	180,468
Prepaid expenses	301,554	301,554	-
Inventories	446,023	446,023	-
Total Current Assets	<u>15,939,850</u>	<u>15,939,850</u>	<u>1,267,793</u>
Noncurrent Assets			
Investments	-	-	3,702,851
Receivables, net of current portion	-	-	47,315
Amounts available for capital costs	-	-	-
Deposits with trustee	44,779	-	-
Land	713,209	713,209	-
Capital assets, net of accumulated depreciation of \$32,373,056	26,496,297	26,496,297	-
Total Noncurrent Assets	<u>27,254,285</u>	<u>27,209,506</u>	<u>3,750,166</u>
TOTAL ASSETS	<u>\$ 43,194,135</u>	<u>\$ 43,149,356</u>	<u>\$ 5,017,959</u>
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 883,252	\$ 883,252	\$ -
Accrued expenses	2,035,129	2,035,129	189,055
Deferred revenue	3,228,975	3,228,975	25,036
Due to other governments	3,645	3,645	-
Current portion of bonds payable	1,713,987	-	-
Other liabilities	198,563	198,563	-
Total Current Liabilities	<u>8,063,551</u>	<u>6,349,564</u>	<u>214,091</u>
Noncurrent Liabilities			
Accrued expenses	16,855,133	16,855,133	-
Deferred revenue, net of current portion	-	-	30,000
Bonds payable, net of current portion	20,976,694	-	-
Total Noncurrent Liabilities	<u>37,831,827</u>	<u>16,855,133</u>	<u>30,000</u>
Total Liabilities	<u>45,895,378</u>	<u>23,204,697</u>	<u>244,091</u>
Net Position			
Invested in capital assets, net of related debt	4,579,569	27,225,509	-
Restricted:			
Scholarships	-	-	1,754,302
Faculty Student Association	1,836,783	1,836,783	-
Loan Fund	89,123	89,123	-
Unrestricted	(9,206,718)	(9,206,756)	3,019,566
Total Net Position	<u>(2,701,243)</u>	<u>19,944,659</u>	<u>4,773,868</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 43,194,135</u>	<u>\$ 43,149,356</u>	<u>\$ 5,017,959</u>

See accompanying notes to financial statements.

B2.

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

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

See accompanying notes to financial statements.

B3.

SCHENECTADY COUNTY COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2012

	Primary Institution		Component Unit, SCCC Foundation, Inc.
	As Previously Reported (Restated)	Proforma	
Operating Revenue			
Student tuition and fees net of scholarship allowance of \$10,889,143	\$ 4,144,233	\$ 4,144,233	\$ -
Government aid and grants	16,057,497	16,057,497	-
Charges to other counties	-	-	-
Investment income	-	-	151,956
Interest income	-	-	98,811
Contributions	150,000	150,000	960,539
Other revenues	1,598,207	1,598,207	1,963
Auxiliary enterprises:			
Sales	3,442,803	3,442,803	-
Other	167,538	167,538	-
Total Operating Revenue	<u>25,560,278</u>	<u>25,560,278</u>	<u>1,213,269</u>
Operating Expenses			
Instruction	14,609,951	14,609,951	-
Extension and public service	883,838	883,838	-
Library	846,892	846,892	-
Student services	2,190,129	2,190,129	-
Maintenance and operation of plant	3,914,208	3,914,208	-
General administration	2,739,527	2,739,527	-
General institutional services	2,269,904	2,269,904	-
Student aid	1,654,036	1,654,036	-
Academic Support	2,513,746	2,513,746	-
Foundation	-	-	788,320
Auxiliary enterprises:			
Cost of sales	2,485,396	2,485,396	-
Other	1,054,207	1,054,207	-
Depreciation expense	32,672	32,672	-
Depreciation expense	1,744,615	1,744,615	-
Total Expenses	<u>36,939,121</u>	<u>36,939,121</u>	<u>788,320</u>
Operating Income (Loss)	<u>(11,378,843)</u>	<u>(11,378,843)</u>	<u>424,949</u>
Non-Operating Revenues (Expenses)			
State aid	8,227,292	8,227,292	-
Sponsoring county contribution	2,098,694	2,098,694	-
Capital Grant Income	-	5,653,040	-
Interest income	11,711	11,711	-
Investment income	836,314	-	-
Debt service paid by other governments	1,219,376	-	-
Interest expense	(1,074,705)	-	-
Other expense	(926)	(926)	-
Amortization of postemployment benefit UAL under GASB 45	(1,622,357)	(1,622,357)	-
Non-Operating Revenues (Expenses)	<u>9,695,399</u>	<u>14,367,454</u>	<u>-</u>
Change in Net Position	<u>(1,683,444)</u>	<u>2,988,611</u>	<u>424,949</u>
Net Position, Beginning of Year as previously reported	(1,205,156)	16,956,048	4,348,919
Prior Period Adjustment	<u>187,357</u>	<u>-</u>	<u>-</u>
Net Position, Beginning of year as Restated	<u>(1,017,799)</u>	<u>16,956,048</u>	<u>-</u>
Net Position, End of Year	<u>\$ (2,701,243)</u>	<u>\$ 19,944,659</u>	<u>\$ 4,773,868</u>

See accompanying notes to financial statements.

B4.

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

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

See accompanying notes to financial statements.

B5.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2012**

	Primary Institution (Restated)	Component Unit, SCCC Foundation, Inc.
Cash Flows From Operating Activities		
Cash received from tuition, fees and grants	\$ 19,469,466	\$ -
Cash received from sales and commissions	3,442,803	-
Cash received for student aid	12,818,635	-
Contributions from donors	-	650,648
Cash paid to benefit recipients	-	(287,759)
Cash paid to suppliers and employees	(32,985,122)	(230,833)
Cash paid for student aid	(12,543,179)	-
Interest and dividends received	-	98,811
Net Cash Provided (Used) By Operating Activities	(9,797,397)	230,867
Cash Flows From Noncapital Financing Activities		
State Aid	8,227,292	-
Sponsoring county contribution	2,361,030	-
Net Cash Provided by Noncapital Financing Activities	10,588,322	-
Cash Flows From Capital and Related Financing Activities		
Cash paid for capital assets	(1,080,589)	-
Net Cash (Used) by Capital and Related Financing Activities	(1,080,589)	-
Cash Flows From Investing Activities		
Purchases of investments	-	(619,484)
Sales of investments	-	546,384
Interest income	11,711	-
Net Cash Provided (Used) by Investing Activities	11,711	(73,100)
Net Increase (Decrease) in Cash and Equivalents	(277,953)	157,767
Cash and Equivalents, Beginning of Year	13,375,657	929,558
Cash and Equivalents, End of Year	\$ 13,097,704	\$ 1,087,325
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities		
Operating income (loss)	\$ (11,378,843)	\$ 424,949
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	1,777,287	-
Non Cash Contribution	(150,000)	-
Unrealized and realized losses on investments	-	(151,956)
(Increase) decrease in assets:		
Receivables	(42,559)	(125,669)
Inventories	95,938	-
Prepaid expenses	(53,955)	-
Increase (decrease) in liabilities:		
Accounts payable	278,061	-
Accrued expenses	(386,395)	88,507
Deferred revenue	23,636	(4,964)
Other liabilities	39,433	-
Net Cash Provided (Used) By Operating Activities	\$ (9,797,397)	\$ 230,867

See accompanying notes to financial statements.

B6.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

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

Component Unit:

In conforming with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as either discretely presented or blended component units.

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

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

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Blended Component Unit:

The Faculty Student Association (FSA) is a separate legal organization. The Board of Directors is composed of four faculty members, elected by the College faculty, four college students appointed by the Student Senate, the President, Vice President and Treasurer of the College Student Government Association, and four College administrators who serve by virtue of their position. The FSA provides services such as operation of the College Store and Food Service to benefit the College. The activity of the FSA has been included in the financial statements of the college as of and for the years ended May 31, 2013 and May 31, 2012. The separate audited financial statements can be requested from FSA.

B. Basis of Accounting/Measurement Focus

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

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

- (i) Revenues - Major sources of revenue are accrued and recorded in the period earned. Deferred revenues are used to recognize tuition paid in advance. Material adjustments to State aid for prior years are credited or charged directly to fund balance. If "expenditure" is the primary factor for determining reimbursement under the terms of a grant, revenue is recognized when the expenditure is incurred.

Pell Grants are reported as current restricted funds; the revenues are included as Government Aid and Grants and the expenditures as Student Aid. Grants made through the New York State Tuition Assistance Program (TAP) are treated similarly. During the years ended August 31, 2013 and 2012, respectively there was \$9,422,159 and \$9,789,263 distributed to the College for Pell grants and \$2,576,350 and \$2,590,600 for TAP.

- (ii) Expenditures are accrued and recorded in the period incurred, including retirement costs. Funds used to purchase fixed assets are accounted for as capital assets and depreciated over their useful lives.
- (v) Encumbrances are reservations of net position for outstanding purchase commitments. Expenditures for such commitments are recorded in the period in which the liability is incurred. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year and lapse at the conclusion of the year. The reserve for encumbrances was \$335,100 and \$584,696 as of August 31, 2013 and 2012 respectively.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basis of Accounting/Measurement Focus

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

C. Budgetary Data

Budget Policies - The budget policies are as follows:

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

D. Compensated Absences

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

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

The liability for compensated absences is calculated using rates in effect as the balance sheet date. The liability at August 31, 2013 and 2012 is \$1,548,284 and \$1,376,546.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Inventories

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

F. Self-Insured Workers' Compensation Plan

The College is self-insured through the County for workers' compensation claims. The accompanying financial statements reflect a liability for estimated future payments on claims filed of \$9,769 and \$80,382 at August 31, 2013 and 2012, respectively. Workers' compensation expense related to the College was \$(5,972) and \$127,789 for the years ended August 31, 2013 and 2012.

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

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

	<u>2013</u>	<u>2012</u>
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	\$ 80,382	\$ 110,799
Incurred claims and claim adjustment expenses:		
Net provision for incurred claims expenses for events of the current year and change in provision for incurred events of prior years and payments made for claims during the current year	(98,416)	(30,417)
Recoveries	<u>27,803</u>	<u>-</u>
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	<u>\$ 9,769</u>	<u>\$ 80,382</u>

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Investments

Investments are carried at fair value.

H. Capital Assets, Net of Accumulated Depreciation

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

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

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

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

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

I. Operating/Nonoperating Revenues

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

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

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J. Eliminations and Reclassifications

All interfund activity has been eliminated in the preparation of the statements of Net Position and the statement of revenues, expenses and changes in Net Position. Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

K. Implementation of New Accounting Standard

In June 2011 the Governmental Accounting Standards Board (GASB) issued Statement 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The College implemented GASB 63 during the fiscal year ended August 31, 2013. There was no significant impact on the financial statements.

L. Implementation of Accounting Standards Not Yet in Effect

GASB has issued Statement 65, *Items Previously Reported as Assets and Liabilities*, effective for the year ending August 31, 2014.

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

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

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

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

GASB has issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective for the year ending August 31, 2015.

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

2. CASH AND EQUIVALENTS

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

Collateral is required for certificates of deposit and for all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State, municipalities and school districts. At year end, the book amount of the College's deposits was \$14,737,839 and the bank balance was \$13,028,525.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

2. CASH AND EQUIVALENTS

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

Total financial institution (bank) balances at August 31, 2013, per the bank were \$13,028,525. These deposits are categorized as follows:

<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>
\$ 13,028,525	\$ -	\$ -	\$13,028,525

3. INVESTMENTS-SCCC FOUNDATION, INC.

The Foundation's investments are carried at fair value based on quoted market prices when available and are subject to the risk that market values may decline. Non-listed securities are fair valued utilizing inputs from identical assets or significantly similar securities. Inputs include recent trades, benchmark interest rates, spreads, two-sided markets, benchmark securities, offers, reference data, and industry and economic events. As of August 31, investments consist of the following:

	<u>Cost</u>	<u>August 31, 2013 Fair Value</u>
Cash Funds	\$ 316,484	\$ 316,484
PIMCO Advisors Funds	489,811	491,347
Common Stock	1,104,570	1,359,542
Mutual Funds	769,433	1,071,193
Corporate Bonds	882,611	901,816
U.S. Government Securities	<u>336,250</u>	<u>346,721</u>
 Total	 <u>\$ 3,899,159</u>	 <u>\$ 4,487,103</u>
	 <u>Cost</u>	 <u>August 31, 2012 Fair Value</u>
Cash Funds	\$ 198,020	\$ 198,020
PIMCO Advisors Funds	489,811	509,616
Common Stock	893,951	925,390
Mutual Funds	649,022	794,180
Corporate Bonds	767,267	891,623
U.S. Government Securities	<u>239,123</u>	<u>384,022</u>
 Total	 <u>\$ 3,237,194</u>	 <u>\$ 3,702,851</u>

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

4. ACCRUED EXPENSES

Accrued expenses consist of the following:

Current Liabilities	<u>2013</u>	<u>2012</u>
Primary Government		
Compensated absences	\$ 478,283	\$ 346,546
Accrued wages	194,730	145,822
Workers' compensation	9,769	80,382
Accrued postretirement benefits	993,628	920,932
Retirement	673,470	503,854
Other	<u>36,825</u>	<u>37,593</u>
Total Primary Government	2,386,705	2,035,129
Component Unit	<u>130,269</u>	<u>189,055</u>
 Total Current	 <u>2,516,974</u>	 <u>2,224,184</u>
 Noncurrent Liabilities		
Primary Government		
Accrued postretirement benefits	17,193,941	15,825,133
Compensated absences	<u>1,070,000</u>	<u>1,030,000</u>
 Total Noncurrent Liabilities	 <u>18,263,941</u>	 <u>16,855,133</u>
 Total	 <u>\$ 20,780,915</u>	 <u>\$ 19,079,317</u>

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

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

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

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

	Balance at 8/31/12 (Restated)	Additions	Retirements	Balance at 8/31/13
Primary Government:				
Land	\$ 713,209	\$ -	\$ -	\$ 713,209
Buildings and building improvements	\$ 51,854,595	\$ 2,083,200	\$ -	\$ 53,937,795
Equipment	6,676,837	858,390	10,491	7,524,736
Total	<u>58,531,432</u>	<u>2,941,590</u>	<u>10,491</u>	<u>61,462,531</u>
Less accumulated depreciation for:				
Buildings and leasehold improvements	28,163,009	1,390,660	-	29,553,669
Equipment	<u>3,945,248</u>	<u>539,640</u>	<u>10,491</u>	<u>4,474,397</u>
Total Accumulated Depreciation	<u>32,108,257</u>	<u>1,930,300</u>	<u>10,491</u>	<u>34,028,066</u>
Governmental Activities Capital Assets, net	<u>\$ 26,423,175</u>	<u>\$ 1,011,290</u>	<u>\$ -</u>	<u>\$ 27,434,465</u>
Blended Component Unit (FSA):				
Equipment	\$ 337,921	\$ 66,356	\$ -	\$ 404,277
Less accumulated depreciation	<u>264,799</u>	<u>16,362</u>	<u>-</u>	<u>281,161</u>
Business-type Activities Capital Assets, net	<u>\$ 73,122</u>	<u>\$ 49,994</u>	<u>\$ -</u>	<u>\$ 123,116</u>

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

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

6. OPERATING LEASES

The College leases property under noncancellable operating leases expiring through August 2016. Future minimum lease payments under the lease are as follows:

<u>Year Ending August 31</u>	<u>Total</u>
2014	\$ 415,500
2015	415,500
2016	<u>215,400</u>
Total Minimum Lease Payments	<u>\$ 1,046,400</u>

7. PENSION PLANS

General Information

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

Plan Descriptions

Teachers' Retirement System (TRS)

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

Employees' Retirement System (ERS)

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

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

7. PENSION PLANS

Funding Policies

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

TIAA-CREF

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

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

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

	<u>ERS</u>	<u>TRS</u>	<u>TIAA-CREF</u>
2012-2013	\$ 863,160	\$ 144,122	\$ 650,315
2011-2012	708,734	128,950	659,196
2010-2011	592,463	86,790	664,202

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

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

8. HEALTH INSURANCE BENEFITS

Employee Benefits

Substantially all employees receive benefits through a health plan funded directly by the County. The cost of health insurance is recognized monthly when billed and was \$2,744,519 and \$3,000,312 in 2013 and 2012, respectively. The monthly premiums include a provision for estimated incurred and unpaid claims and claims administration expenses.

Postretirement Health Insurance Benefits

Plan Description

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

Funding Policy

The obligations of the plan members, employers and other entities are established by action of the County pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement. The College currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the County. The cost of providing those benefits to 135 retirees was approximately \$917,000 and \$1,066,000 for the years ended August 31, 2013 and 2012, respectively.

Actuarial Methods and Assumptions

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

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

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

8. HEALTH INSURANCE BENEFITS

Postretirement Health Insurance Benefits

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

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

Annual OPRB Cost and Net OPRB Obligation

The College's annual other postretirement benefit (OPRB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table summarizes the Annual OPRB Cost at August 31, 2013:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Normal Cost	\$ 833,868	\$ 801,796	\$ 949,990
Amortization of UAL	1,728,299	1,622,357	2,034,317
Interest	<u>102,487</u>	<u>98,847</u>	<u>119,372</u>
ARC	2,664,654	2,523,000	3,103,679
Interest on OPRB Obligation	665,094	611,441	542,812
Adjustment to ARC	<u>(961,563)</u>	<u>(836,966)</u>	<u>(784,773)</u>
OPRB Expense	2,368,185	2,297,475	2,861,718
Amortization of UAL and Adjustment	<u>(1,728,299)</u>	<u>(1,622,357)</u>	<u>2,034,317</u>
OPRB Expense - Operating	<u>\$ 639,886</u>	<u>\$ 675,118</u>	<u>\$ 2,861,718</u>
Net OPRB Obligation at the Beginning of the Year	\$ 16,746,065	\$ 15,365,669	\$ 13,570,298
OBRB Expense	2,368,185	2,297,475	2,861,718
Net OPRB Contributions made during the fiscal Year	<u>(926,681)</u>	<u>(917,079)</u>	<u>(1,066,347)</u>
Net OPRB Obligation at the End of the Year	<u>\$ 18,187,569</u>	<u>\$ 16,746,065</u>	<u>\$ 15,365,669</u>
Percentage of Expense Contributed	39.13%	39.95%	37.26%

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

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

8. HEALTH INSURANCE BENEFITS

Funded Status

	<u>2013</u>
Actuarial Accrued Liability at end of year	\$ 31,081,205
Plan Assets at end of year	<u>-</u>
Unfunded Actuarial Accrued Liability	<u>\$ 31,081,205</u>
Percentage of Funded Accrued Liability	0%

9. COMMITMENTS AND CONTINGENCIES

Federal and State Grants

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

10. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has purchased commercial insurance for all risk above minimal deductible amounts except for workers' compensation insurance. Settled claims have not exceeded the commercial coverage by any material amounts during the year ended August 31, 2013. There was no reduction in insurance coverage during 2013.

11. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash Investing and Financing Activities:

	<u>2013</u>	<u>2012</u>
Fixed assets purchased by other governments	<u>\$ 2,083,202</u>	<u>\$ 5,653,039</u>
Noncash contribution	<u>\$ -</u>	<u>\$ 150,000</u>

12. RELATED PARTY TRANSACTIONS

The following schedule presents significant transactions between the primary government (the College) and its component units, for the years ended August 31, 2013 and 2012:

	<u>Payments To</u>		<u>Receipts From</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Schenectady Community College Foundation	\$ 31,807	\$ 32,805	\$ 573,091	\$ 218,744
Faculty Student Association	\$ 552,175	\$ 250,951	\$ 164,250	\$ 95,225

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

12. RELATED PARTY TRANSACTIONS

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

The following transactions also took place between the primary government (Schenectady County) and its component unit (the College) for the years ended August 31, 2013 and 2012:

Non-cash Investing and Financing Activities:

	<u>2013</u>	<u>2012</u>
Sponsoring County Contribution	<u>\$ 2,098,694</u>	<u>\$ 2,098,694</u>
Capital Asset additions paid for by the County (see Note 5 and 1.H)	<u>\$ 1,041,601</u>	<u>\$ 2,826,520</u>

13. ACCOUNTING CHANGES

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

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

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

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012**

13. ACCOUNTING CHANGES

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

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

The effect on the statement of revenues, expenses, and changes in net position for the year ended August 31, 2012, as presented in the proforma financial statements, is as follows:

Recognition of capital grant income	\$ 5,653,040
Removal of investment income	(836,314)
Removal of debt service paid by other governments	(1,219,376)
Removal of interest expense	<u>1,074,705</u>
Effect on the Change in Net Position	<u>\$ 4,672,055</u>

14. PRIOR PERIOD ADJUSTMENT

During the year ended August 31, 2013 it came to management's attention that certain State appropriations for capital projects and their related depreciation expense had not been reflected in the financial statements. As a result the August 31, 2012 financial statements have been restated to reflect the impact of recording the capital projects and the related depreciation. Capital assets and amounts available for capital costs were increased by a combined \$187,357 as of October 1, 2011. Depreciation expense for the year ended August 31, 2012 was increased by \$76,563. The net effect of these changes was an increase in net assets at August 31, 2012 of \$110,794.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 FOR THE YEAR ENDED AUGUST 31, 2013**

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
January 1, 2012	\$ -	\$31,081,205	\$31,081,205	0%	\$10,244,121	303%
January 1, 2011	\$ -	\$30,021,729	\$30,021,729	0%	\$9,516,566	315%
January 1, 2010	\$ -	\$36,584,553	\$36,584,553	0%	\$10,024,581	365%

**SCHENECTADY COUNTY COMMUNITY COLLEGE
RECONCILIATION OF REVENUES, EXPENSES AND FUND BALANCE AS
REFLECTED IN ANNUAL REPORT TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

	<u>Revenues</u>	<u>Expenses</u>
Totals by fund:		
Unrestricted current funds (per annual report) \$	26,120,146	25,668,651
Restricted current funds (per annual report)	20,941,501	20,692,821
Plant funds	2,083,202	-
Loan Fund	10	342
Totals (all funds)	<u>49,144,859</u>	<u>46,361,814</u>

Adjustments to reconcile to financial statements:		
Scholarship allowances	(10,575,509)	(10,575,509)
Expended for plant facilities	-	(858,390)
Retirement of indebtedness	-	-
Depreciation	-	1,930,302
GASB 45 OPEB costs not recognized in annual report	-	1,728,299
Miscellaneous adjustments	-	-
Adjusted totals	<u>\$ 38,569,350</u>	<u>38,586,516</u>

Per audited financial statements:		
Operating revenue / expenses	25,340,862	36,858,217
Nonoperating revenue / expenses	13,228,488	1,728,299
Other revenue / expenses	-	-
Totals per financial statements	<u>\$ 38,569,350</u>	<u>38,586,516</u>

<u>Net Asset / Fund Balance Reconciliation:</u>	<u>Reported Amounts</u>
Current Unrestricted Fund Balance *	\$ 6,287,663
GASB 45 non-operating adjustments	(16,682,059)
Other (explain): Miscellaneous	<u>(41)</u>
Unrestricted Net Assets (per financial statements)	<u>\$ (10,394,437)</u>

* Line 113 (column C) of annual report

**SCHENECTADY COUNTY COMMUNITY COLLEGE
RECONCILIATION OF REVENUE, EXPENSES AND FUND BALANCE
AS REFLECTED IN ANNUAL REPORT TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

	<u>Annual Report</u>	<u>Audited Financial Statements</u>	<u>Reconciled Difference</u>
2012-2013 Gross (Total) Unrestricted Operating Costs	\$ 25,668,651	\$ 25,668,651	\$ -
Total Revenues - Offset to Expense	837,587	837,587	
2012-2013 Costs Not Allowable for State Aid	-	-	-
2012-2013 Total Revenues - Offset to Expense Plus Costs Not Allowable for State Aid	<u>837,587</u>	<u>837,587</u>	<u>-</u>
2012-2013 Net Operating Costs	<u>\$ 24,831,064</u>	<u>\$ 24,831,064</u>	<u>\$ -</u>

Description of reconciled difference(s)

NONE

\$ -

Total Reconciled Difference

\$ -

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF STATE OPERATING AID
FOR THE YEAR ENDED AUGUST 31, 2013**

Total Operating Costs	\$	25,668,651	
Total Revenues - Offset to Expense		837,587	
Costs Not Allowable for State Aid		<u>-</u>	
(a) Net Operating Costs	\$	<u>24,831,064</u>	@ 40% = \$ <u>9,932,426</u>
Rental Costs - Physical Space	\$	<u>759,288</u>	\$ <u>347,562</u>
High Needs Funding			\$ <u>16,102</u>
<u>Funded FTE Students - Basic Aid</u>			
		<u>Net FTE Allowable</u>	
2009-10 Actual		3,467.6	X 0.20 = 693.5
2010-11 Actual		3,746.4	X 0.30 = 1,123.9
2011-12 Actual		3,819.9	X 0.50 = 1,910.0
2012-2013 Calculated FTE (20-30-50% Rule)			<u>3,727.4</u>
12-13 Funded FTE (Greater of 20-30-50% Rule or Prior Year Actual)			<u>3,819.9</u>
Funded FTE Students - Basic Aid		3,819.9	@ \$2,272 = \$ 8,678,810
High Needs Funding			16,102
2012-13 Approved Rental Costs			<u>347,562</u>
(b) Funded FTE and Rental Costs			<u>\$ 9,042,474</u>
Basic Aid - Lesser of (a) or (b)			<u>\$ 9,042,474</u>

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF STATE-AIDABLE FTE TUITION RECONCILIATION
FOR THE YEAR ENDED AUGUST 31, 2013**

<u>Full-time Student Headcount</u>	<u>Headcount, Credit Hours and FTE</u>	<u>Rate</u>	<u>Tuition</u>
Fall 2012 full-time students per End of Term SDF	2,710	\$1,692	\$ 4,585,320
Spring 2013 full-time students per SDF	2,447	\$1,692	4,140,324
Summer 2013 full-time students per SDF	4	\$1,692	6,768
Total Full-time Headcount	<u>5,161</u>		
Total Credit Hours of Full-time Students	<u>69,807</u>		
<u>Part-time Student Credit Hours</u>			
Fall 2012 part-time students per End of Term SDF	19,871	\$141.00	2,801,811
Spring 2013 part-time credits per SDF	13,574	\$141.00	1,913,934
Summer 2013 part-time credits per SDF	7,291	\$141.00	1,028,031
Fall 2012 per Form 24	452		0
Spring 2013 per Form 24	480		0
Summer 2013 per Form 24	1		0
Total Part-time Credit Hours	<u>41,669</u>		
Total Credit Hours	<u>111,476</u>		
Total State-aidable FTE	<u>3,715.9</u>		
Total calculated tuition based on headcount and credit hours			14,476,188
Reconciliation to Annual Report and Audited Financial Statements			
Less: Discounts for senior audit and cross registration			(1,264,300)
Other - Miscellaneous			(19,158)
Add: Non-credit remedial tuition revenue			<u>27,400</u>
Tuition revenue reported on annual report (lines 206-208)			13,220,130
Add: Charges to non-resident students			202,102
Other fees and charges			1,376,729
Student revenue - non state-aidable courses			<u>110,811</u>
Tuition and Fee Revenue Per Statement of Revenue, Expenses and Changes in Net Position, Gross			<u>\$ 14,909,772</u>

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 9/1/2012- 8/31/2013
<u>U.S. Department of Education</u>			
Direct Programs:			
Federal Direct Student Loans	84.032	N/A	\$ 10,013,909
Federal Pell Grant Program	84.063	N/A	9,422,159
Federal Work Study Program	84.033	N/A	81,969
Federal Supplemental Educational Opportunity Grant	84.007	N/A	81,662
TRIO-Student Support Services	84.042	N/A	<u>295,048</u>
Total U.S. Department of Education			<u>19,894,747</u>
Corporation for National and Community Services			
Direct Program:			
Learn and Service America Higher Education	94.005	N/A	<u>157</u>
<u>U.S. Department of Health and Human Services</u>			
Direct Program:			
Affordable Care Act Health Profession Opportunity Grant	93.093	N/A	<u>2,637,775</u>
Total Expenditures of Federal Awards			<u>\$ 22,532,679</u>

**SCHENECTADY COUNTY COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AUGUST 31, 2013**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Schenectady County Community College under programs of the federal government for the year ended August 31, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Schenectady County Community College, it is not intended to and does not represent the financial position, changes in net position, or cash flows of Schenectady Community College.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Schedule includes amounts for Federal Direct Student Loans \$10,013,909 administered by Schenectady County Community College. These amounts are not included as revenues or expenses in the accompanying financial statements as they are distributed to students.

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Timothy A. Reynolds, CPA

Martin D. Hull, CPA

Thomas J. Ross, CPA

Heather D. Patten, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Board of Directors
Schenectady County Community College**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position and the related statements of revenues, expenses, and changes in net position and cash flows of Schenectady County Community College as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise Schenectady County Community College's basic financial statements, and have issued our report thereon dated February 19, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant. Given these limitations material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questions costs referenced as 2013-01 and 2013-02 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs referenced as item 2013-03, to be a significant deficiency.

Compliance and Other Matters

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

Management's Response to Findings

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

Purpose of this Report

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

Marvin and Company, A.C.

Latham, NY
February 19, 2014

Kevin J. McCoy, CPA
Thomas W. Donovan, CPA
Frank S. Venezia, CPA
James E. Amell, CPA
Carol A. Hausamann, CPA
Daniel J. Litz, CPA
Karl F. Newton, CPA
Kevin P. O'Leary, CPA
Timothy A. Reynolds, CPA
Martin D. Hull, CPA

Thomas J. Ross, CPA
Heather D. Patten, CPA

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

To the Board of Directors of
Schenectady County Community College

Report on Compliance for Each Major Federal Program

We have audited Schenectady County Community College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Schenectady County Community College's major federal programs for the year ended August 31, 2013. Schenectady County Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Schenectady County Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the statement of net position, and the related statements of revenues, expenses and changes in net position and cash flows of Schenectady County Community College as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise Schenectady County Community College's basic financial statements. We issued our report thereon dated February 19, 2014, which contained an unmodified opinion on those financial statements. Our

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

Morin and Company, P.C.

Latham, NY
February 19, 2014

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X No

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$ 675,980

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

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013**

SECTION 2 - FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weaknesses

2013-01 Reconciliation of Bank Accounts

Statement of Condition: During our performance of audit procedures over cash accounts of the College we noted unexplained variances on the operating account between the general ledger balance and the reconciled bank balance. We also noted that during the fiscal year bank reconciliations had been signed off as being reviewed.

Criteria: One of the most important controls performed is the reconciliation of the bank statement to the general ledger. An important aspect of that control is to ensure there are no variances between the general ledger and reconciled bank balance. The timely, critical and thorough review of the bank reconciliations ensures variances are investigated and not carried month to month.

Cause of Condition: The variance is partially due to timing issues and items clearing the bank in one month and not being posted to the general ledger until a subsequent month. Items meeting this criteria were shown as "reconciling" items and therefore did not cause the variance. The other reason for variances is due to the College's practice of voiding old checks which impacts prior months rather than making a journal entry. Bank reconciliations were signed off as being reviewed even with differences remaining due to a combination of time and resource constraints, as well as a lack of adequate knowledge and information available to identify and correct the source of differences. For some other monthly bank reconciliations were not performed.

Effect of Condition: Activity is being reflected in the incorrect month in the general ledger accounts. The result is unexplained variances between the general ledger and reconciled bank statement balances and the recording of activity incorrectly and backwards resulting in journal entries made as part of the audit.

Recommendation: There should be no variances between the reconciled bank balances and the general ledger balance each month. Reconciling items should not consist of items which clear the bank statement in the current month but are not recorded in the general ledger until the following month, this reflects an inaccurate picture of the other general ledger accounts which are affected by the activity recorded in the incorrect month. The College should maintain their own outstanding check listing and should consider investigating the bank reconciliation capabilities within Banner to make the reconciliation process less cumbersome and inefficient. The College should not void old outstanding checks when they reissue them instead a journal entry should be recorded reflecting the reissue. Bank reconciliations should be reviewed timely, critically and thoroughly by someone independent of other cash functions. Bank reconciliations should only be signed off on once variances are reduced to a clearly inconsequential level.

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013**

SECTION 2 - FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weaknesses

2013-01 Reconciliation of Bank Accounts

Management Response: We recognize that the reconciling of bank accounts is a continuing problem but the College has made progress and does now reconcile bank accounts monthly. The number and value of discrepancies has been substantially reduced. Timeliness remains an issue particularly during high activity periods for the Bursars Office such as fall and spring enrollment.

We will investigate how other colleges using Banner perform bank reconciliation.

2013-02 Reconciliation of General Ledger and Restatement

Statement of Condition: As a result of audit procedures, numerous journal entries were required to be made, including a restatement of 8/31/12 information, see footnote number 14.

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

Cause of Condition: Various account balances required adjustment. Specific to the restatement certain capital project expenditures made in prior years, related capital grant income and depreciation expense were not recorded, until audit procedures for the 2013 year-end were performed.

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

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

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013**

SECTION 2 - FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weaknesses

2013-02 Reconciliation of General Ledger and Restatement

Management Response: One of the specific problems with the General Ledger was caused by certain capital expenses being directly processed by Schenectady County without the College having a financial record of the expense. Schenectady County has agreed to give the College access to the County's finance system to view College's capital project reports.

We will work with the auditors to have a more formal closeout period at the end of the fiscal year and during that period we will review both expenditures and revenues in detail to minimize the number of auditors' adjustments.

Significant Deficiencies

2013-03 Fixed Asset Management

Statement of Condition: Property plant and equipment records used to prepare the financial statements did not include all capital projects from prior years. In addition, we noted that the schedule management uses to calculate depreciation expense and accumulated depreciation does track each asset. Each asset should be depreciated until its net book value is equal to its estimated residual value. Disposals cost and their accumulated depreciation should be removed from the books individually resulting in the recording of a loss on disposal rather than netting disposals against the depreciable base cost.

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

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

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

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

**SCHENECTADY COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013**

SECTION 2 - FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiencies

2013-03 Fixed Asset Management

Management Response: Key staff in Financial Services and Information Technology received Banner training for its capitalization and depreciation module in August 2013 to implement new procedures for the 2013-14 fiscal year. Existing capital assets were entered as a group and will be depreciated using Banner. Going forward, Banner will be used to track each asset individually, and each asset will be removed from Banner as it is disposed of.

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

None