COUNTY OF ERIE

STEFAN I. MYCHAJLIW
COMPTROLLER

April 29, 2013

The Erie County Legislature
92 Franklin Street
Buffalo, New York 14202

Honorable Mark C. Poloncarz
Erie County Executive
95 Franklin Street
Buffalo, New York 14202

Dear Honorable Members and County Executive Poloncarz:

Enclosed are copies of the audited financial statements and management letter for Erie Community College ("ECC") for the fiscal year ended August 31, 2012.

If you have any questions regarding the enclosed, please contact me at 858-8404.

Very truly yours,

Stefan I. Mychajliw
Erie County Comptroller

SIM/nr
Enclosure
cc: Robert W. Keating, Director, Budget and Management
Jack F. Quinn, Jr., President, ECC (without Enclosure)
Erie County Audit Committee Members

Drescher & Malecki LLP
3083 William Street, Suite 5
Cheektowaga, New York 14227
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Certified Public Accountants

March 19, 2013

The Board of Trustees of Erie Community College
and Audit Committee of the County of Erie

Dear Trustees and Committee Members:

In planning and performing our audit of the financial statements of Erie Community College (the "College") an educational institution of the County of Erie, New York, as of and for the years ended August 31, 2012 and 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the College's internal control over financial reporting ("internal control") as a basis for our designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated March 19, 2013 on the financial statements of the College. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized in Exhibit I.

We also summarized new reporting requirements in Appendix A. These should be evaluated to determine the extent to which the College will be impacted in the future years.

This communication is intended solely for the information and use of the College's Board of Trustees, the Audit Committee of the County of Erie, management, and others within the College and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Drescher & Malecki LLP

Economic Environment

The events within the overall economy have resulted in many challenges that have affected local municipalities and colleges. Rising costs and lost revenues have contributed to an environment in which colleges are facing both current and future economic difficulties. Some of these economic events include:

- Decreasing interest rates—Interest rates have fallen drastically over the last few years, resulting in significantly lower interest revenue.
- Decreasing federal aid—Federal funding has declined over the recent years, resulting in significantly lower grant revenue from Recovery Act, Pell and Perkins awards.
- Health insurance—Rates for health insurance have significantly increased, as a result of increased healthcare costs.
- General insurance—Rates for general insurance have significantly increased as a result of the poor economy.
- Retirement system—The New York State Retirement System has significantly increased employer contributions.
- General wage increases—Personnel expenditures account for a significant portion of total expenditures. Raises provided to employees will result in an overall increase in personal expenditures, and will impact certain employee benefits as well.

While there are certain areas noted above where the College has no control and cannot be proactive to address the situation (i.e., reimbursement rates, federal programs, etc.), we recommend the College to continue identifying areas where options may be available and costs may be reduced, such as: consolidation of services, elimination of services, initiating new fees revenues, and wage concessions.

Untagged Capital Assets

In response to prior years' audit suggestions, the College has reviewed its untagged capital assets listing. At August 31, 2011, the College maintained $9,666,963 of untagged capital assets. At August 31, 2012, the College has reduced that amount to $1,270,268. Although assets are tracked in the untagged assets listing with cost, useful life and applicable depreciation, they are not included within the College's Datatel computerized operating system record of capital assets; thereby, increasing the potential for misappropriation and/or misstatement of capital assets.

We recommend that the College continue to perform an annual inventory of capital assets to verify the existence and location of all assets, including the remaining untagged capital assets population, as well as assure their proper identification with the asset tags provided to the applicable departments upon asset acquisition. Upon completion of the inventory, the College should update the Datatel capital assets records to accurately reflect the assets maintained and those that have been disposed of.

NEW REPORTING REQUIREMENTS

The Governmental Accounting Standards Board ("GASB") has adopted several new pronouncements, which may have a future impact upon the College:

GASB Statement No. 61—The College is required to implement GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* for the year ending August 31, 2013. This statement is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity,* and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively.

GASB Statement No. 66—The College is required to implement GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62,* effective for fiscal year ending August 31, 2013. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

GASB Statement No. 67—The College is required to implement GASB Statement No. 67, *Financial Reporting for Pension Plans*, effective for fiscal year ending August 31, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans.

GASB Statement No. 68—The College is required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal year ending August 31, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

GASB Statement No. 69—The College is required to implement GASB Statement No. 69, *Government Combinations and Disposals of Government Operations,* effective for fiscal year ending August 31, 2014. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

SUNY ECC **ERIE COMMUNITY COLLEGE**
STATE UNIVERSITY *of* NEW YORK

(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)

Basic Financial Statements and Required Supplementary Information
for the Years Ended August 31, 2012 and 2011,
Supplemental Schedules and Federal Financial Assistance Schedules
for the Year Ended August 31, 2012 and Independent Auditors' Reports

ERIE COMMUNITY COLLEGE,
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
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FINANCIAL SECTION

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Trustees, Erie Community College:

Report on the Financial Statements

We have audited the accompanying financial statements of Erie Community College (the "College"), an educational institution of the County of Erie, New York, as of and for the years ended August 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Erie Community College Foundation, Inc., which is shown as a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Erie Community College Foundation, Inc. and the Auxiliary Services Corporation of Erie Community College, Inc. were not audited in accordance with *Government Auditing Standards*.

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

Opinions

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, as of August 31, 2012 and 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the foregoing table of contents 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 and the other auditors 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedule of Reconciliation of Revenues and Expenses as Reflected in the Annual Report to the Audited Financial Statements, Schedule of State Operating Aid and the Schedule of State-Aidable FTE Tuition Reconciliation, as listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as listed in the foregoing table of contents is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The supplemental and federal awards schedules 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 audits 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 information 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 March 19, 2013 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 College's internal control over financial reporting and compliance.

Drescher & Malecki LLP

March 19, 2013

As management of Erie Community College (the "College" or "ECC"), we offer readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal years ended August 31, 2012 and 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the College's financial statements which follow this narrative. For financial reporting purposes, the College's reporting entity consists of all operations of the College as well as the financial activity of the Erie Community College Foundation, Inc. and the Auxiliary Services Corporation of Erie Community College, Inc., component units.

Financial Highlights

- Total assets of the College at August 31, 2012 increased $5.5 million or 8.6% over those of August 31, 2011. Cash increased $4.9 million while the various receivables of the College decreased $2.8 million. Net capital assets increased $3.4 million.

- Overall revenues/transfers in (including the county contribution) of the College decreased by $0.7 million, or 0.6%, during the year ended August 31, 2012 compared to the year ended August 31, 2011. Net tuition and fees revenue increased $3.2 million in 2012 over 2011, resulting from minor increases in student enrollment; while federal and state appropriations/financial aid decreased $2.7 million and the Erie County contribution remained unchanged from the prior year. Grants and other revenues decreased $1.2 million.

- Operating expenses decreased $4.0 million for the year ended August 31, 2012 from those of the year ended August 31, 2011. Salaries and wages decreased $2.3 million as the College maintained its hiring freeze, however benefits and taxes increased $1.0 million due primarily to rate increases in medical insurance and retirement benefits. Utilities were down $0.8 million reflecting the mild climate, cheaper rates and energy efficiencies the College implemented recently. Supplies, services and general decreased $2.2 million overall, with decreases in almost every functional area of the College as a result of tight budgeting.

- The College's net position was negatively impacted by approximately $1.0 million for the year ended August 31, 2012, compared to $4.3 million decrease for the year ended August 31, 2011. This overall improvement of $3.3 million is attributable to the factors mentioned above and a decrease in other post-employment benefits ("OPEB") charges of $5.7 million in 2012 compared to $6.4 million in 2011. The OPEB charges offset increases in net position generated through College operations of $4.7 million and $2.2 million for the years ended August 31, 2012 and 2011, respectively.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the College's financial statements. The College's financial statements are comprised of two components, namely the entity-wide financial statements and the notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves. The College's financial report includes three financial statements: the Statement of Net Position (Deficit); the Statement of Revenues, Expenses and Changes in Net Position (Deficit); and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles, which establish standards for external financial reporting for public colleges and universities.

The College's financial statements include not only the College itself, but also the Erie Community College Foundation, Inc. and the Auxiliary Services Corporation of Erie Community College, Inc., for which the College is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary entity itself.

The *Statement of Net Position* presents information on all the College's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the College is improving or deteriorating.

The *Statement of Revenues, Expenses and Net Position* presents information indicating how the College's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The Statement of Cash Flows presents cash generated and used for the two most recent fiscal years summarized by operating, financing and investing activities and provides a reconciliation of the College's net operating loss to its net cash used in operating activities.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other information is included in these financial statements, namely, supplemental schedules and federal awards schedule and support. Supplemental schedules present information on certain financial information as required for community colleges by the State University of New York. The federal awards schedule and support present information as required by the Office of Management and Budget Circular A-133.

Statement of Net Position

Net position may serve over time as a useful indicator of an entity's financial position. In the case of the College, liabilities exceeded assets by almost $12.0 million at August 31, 2012 and $11.0 million at August 31, 2011. The College's net position decreased $1.0 million and $4.3 million, respectively, in each of the past two years, most significantly as a result of recognizing liabilities relating to post-employment benefits ($5.7 and $6.4 million for the years ended August 31, 2012 and 2011).

Net position is displayed in two major categories in the following table:

- ***Investment in Capital Assets***—This category represents the College's total investment in long-lived capital assets such as building improvements, equipment and library collections.

- ***Unrestricted Component of Net Position***—This category represents the resources derived primarily from student tuition and fees, state and sponsor appropriations and sales and services of educational activities that are not restricted. These resources are used for transactions related to the educational and general operations of the College, and may be used at the discretion of the governing Board to meet current expenses for any purpose.

Table 1—Condensed Statement of Net Position

	August 31, 2012		2011		2010	
Assets:						
Current assets	$ 48,598,018	70.0%	$ 46,469,333	72.7%	$ 42,916,993	74.8%
Non-current assets	20,827,976	30.0%	17,474,162	27.3%	14,420,602	25.2%
Total assets	69,425,994	100.0%	63,943,495	100.0%	57,337,595	100.0%
Liabilities:						
Current liabilities	23,844,919	29.3%	23,478,055	31.3%	19,120,883	29.9%
Non-current liabilities	57,607,650	70.7%	51,449,173	68.7%	44,923,159	70.1%
Total liabilities	81,452,569	100.0%	74,927,228	100.0%	64,044,042	100.0%
Net position:						
Investment in capital assets	20,827,976	-173.2%	17,474,162	-159.1%	14,420,602	-215.0%
Unrestricted deficit	(32,854,551)	273.2%	(28,457,895)	259.1%	(21,127,049)	315.0%
Total net position	$ (12,026,575)	100.0%	$ (10,983,733)	100.0%	$ (6,706,447)	100.0%

At August 31, 2012 and 2011, total College assets were $69,425,994 and $63,943,495, respectively. Cash and cash equivalents of $45,221,166 and $40,279,263 as of August 31, 2012 and 2011, respectively, comprised the largest class of assets held by the College. The increase in cash and cash equivalents in both 2012 and 2011 was due to the collection of other receivables and the increase in net position created from College operations (without considering the effect of OPEB non-cash charges). These operational increases are attributable to increases in student tuition and fees revenue combined with controls exercised in spending. The College continued a hiring freeze originally implemented during 2009, given the difficult economic realities facing both Erie County and New York State, two of its primary sources of revenue (sponsor contribution and basic state aid).

The College's net investment in capital assets (e.g., land improvements, building improvements, machinery and equipment, less accumulated depreciation) encompasses its second largest asset class at August 31, 2012 of $20,827,976, up $3.4 million from the $17,474,162 reported at August 31, 2011. The change is attributable to building renovation and equipment additions of $6.5 million, net deletions of $1.4 million and depreciation charges amounting to nearly $1.7 million.

Current liabilities at August 31, 2012 of $23.8 million reflect an increase of $0.3 million over the August 31, 2011 total of $23.5 million. Accrued liabilities diminished $1.1 million for payroll, given a timing difference in the payment thereof. Other liabilities grew $1.1 million for funds set aside for an expected building project and in the College's chargeback account, an account generally used to fund internal capital improvements. Due to retirement systems increased $0.6 million over the prior year due to increases in retirement plan rates. These three categories comprise most of the increase from August 31, 2011. Noncurrent liabilities at August 31, 2012 and 2011 have grown significantly to $57,607,650 and $51,449,173, respectively. The increases are primarily due to the recording of other postemployment benefits, which amounted to $5,716,724 and $6,448,653 during the years ended August 31, 2012 and 2011, respectively. OPEB has become the College's most significant liability, and will continue to grow similarly from year to year until all such benefits are recorded (the liability will accrue for over 24 more years). Despite this benefit liability, the College believes it has sufficient resources to meet the College's ongoing obligation to students and creditors, even though unrestricted net position is presently in a deficit position.

A key indicator of the short-term financial health of the College is the ratio of current assets to current liabilities (current ratio). At August 31, 2012, the current ratio of 2.04 indicates that the College has sufficient available resources to meet current obligations. Table 2 presents the current ratio for the College at August 31, 2012, 2011 and 2010, which has remained relatively consistent over the years reflected.

Table 2 – Ratio of current assets to current liabilities

	Year Ended August 31,		
	2012	2011	2010
Current assets	$ 48,598,018	$ 46,469,333	$ 42,916,993
Current liabilities	23,844,919	23,478,055	19,120,883
Ratio of current assets to current liabilities	2.04	1.98	2.24

Table 3—Condensed Statement of Revenues, Expenses and Changes in Net Position

	Year Ended August 31,		
	2012	2011	2010
Operating revenues	$ 41,166,775	$ 39,199,676	$ 38,555,675
Operating expenses	129,403,017	133,400,722	132,538,690
Operating loss	(88,236,242)	(94,201,046)	(93,983,015)
Nonoperating revenues—net of nonoperating expenses of $22,184, $14,515 and $16,594 for 2012, 2011 and 2010, respectively.	69,764,083	72,494,443	72,591,266
Loss before transfers	(18,472,159)	(21,706,603)	(21,391,749)
Transfers in - County contributions	17,429,317	17,429,317	17,429,317
Change in net position	(1,042,842)	(4,277,286)	(3,962,432)
Net position at beginning of year	(10,983,733)	(6,706,447)	(2,744,015)
Net position at end of year	$ (12,026,575)	$ (10,983,733)	$ (6,706,447)

Operating revenues are received for providing educational instruction to students and other constituencies of the College. Operating expenses are those expenses paid to acquire or produce instructional and related services provided in return for the operating revenues in carrying out the mission of the College. Revenues received, for which no services are provided, are either reported as non-operating revenues, such as state and local appropriations and federal and state financial aid, or the transfer in of County contribution by Erie County, ECC's local sponsor.

Operating revenues consist of student tuition and fees, net of scholarships; grants received from federal, state and local governments as well as private enterprise; and other sources of revenue such as rent, other fees and miscellaneous. Operating expenses consist of salaries and wages, benefits and taxes, scholarships, utilities, supplies and expense, and depreciation. State and local appropriations, the local sponsor contribution, federal and state financial aid and investment income significantly offset operating losses.

Table 4 – Summary of Sources of Revenues

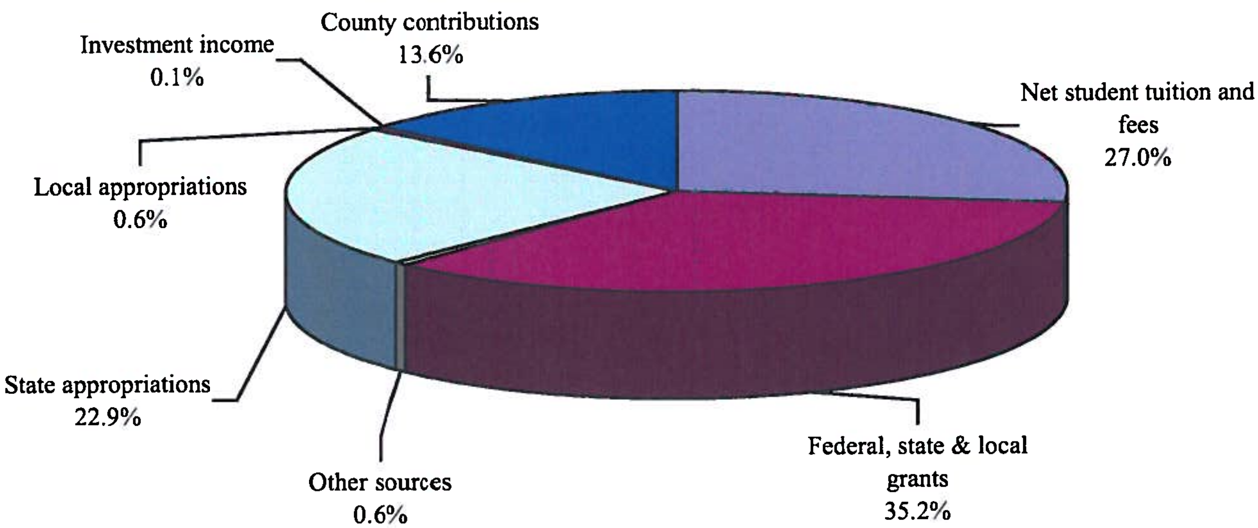
	Year Ended August 31,		
	2012	2011	2010
Program revenues (by major source):			
Student tuition and fees	$ 53,749,033	$ 52,372,473	$ 50,170,873
Less scholarships	(19,046,956)	(20,868,408)	(19,940,224)
Net student tuition and fees	34,702,077	31,504,065	30,230,649
Grants and contracts	5,654,494	6,583,866	7,412,462
Other income	810,204	1,111,745	912,564
Total program revenues	41,166,775	39,199,676	38,555,675
General revenues (by major source):			
State appropriations	29,351,782	30,472,177	33,084,106
Local appropriations	804,862	691,260	986,835
Grants and contracts	39,527,161	41,206,780	38,391,338
Investment income	102,462	138,741	145,581
Total general revenues	69,786,267	72,508,958	72,607,860
Transfers in—County contributions	17,429,317	17,429,317	17,429,317
Total revenues	$ 128,382,359	$ 129,137,951	$ 128,592,852

Operating (program) revenues increased nearly $2.0 million in 2012 over those of 2011. Additional tuition and fees of $1.4 million (tuition rate increase) and a decrease in scholarship allowances of $1.8 million make up the $3.2 million increase in net tuition and fees. Federal, state and local grants were down $0.9 million from 2011 levels of $6.6 million, while other revenues slid $0.3 million.

Non-operating (general) revenues were down $2.7 million in 2012 from 2011, to a total of $69.8 million. The federal and state financial aid decrease of $1.7 million coupled with the decreases in state and local appropriations of $1.0 million contributed to the overall decline.

Figure 1— Components of Revenues

REVENUES BY SOURCE — YEAR ENDED AUGUST 31, 2012



REVENUES BY SOURCE — YEAR ENDED AUGUST 31, 2011

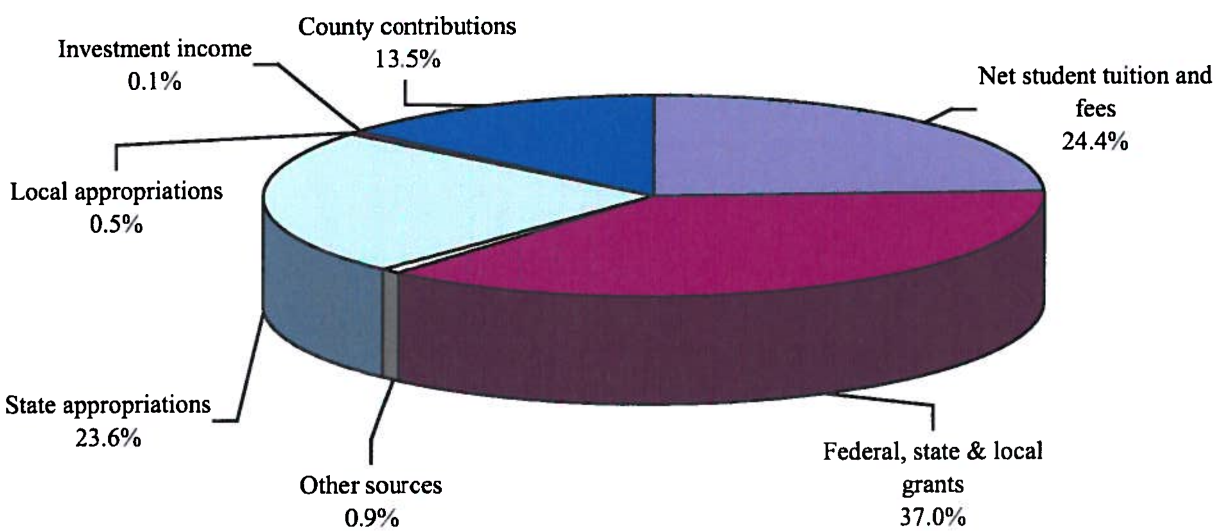


Table 5—Summary of Expenses (Functional Classifications)

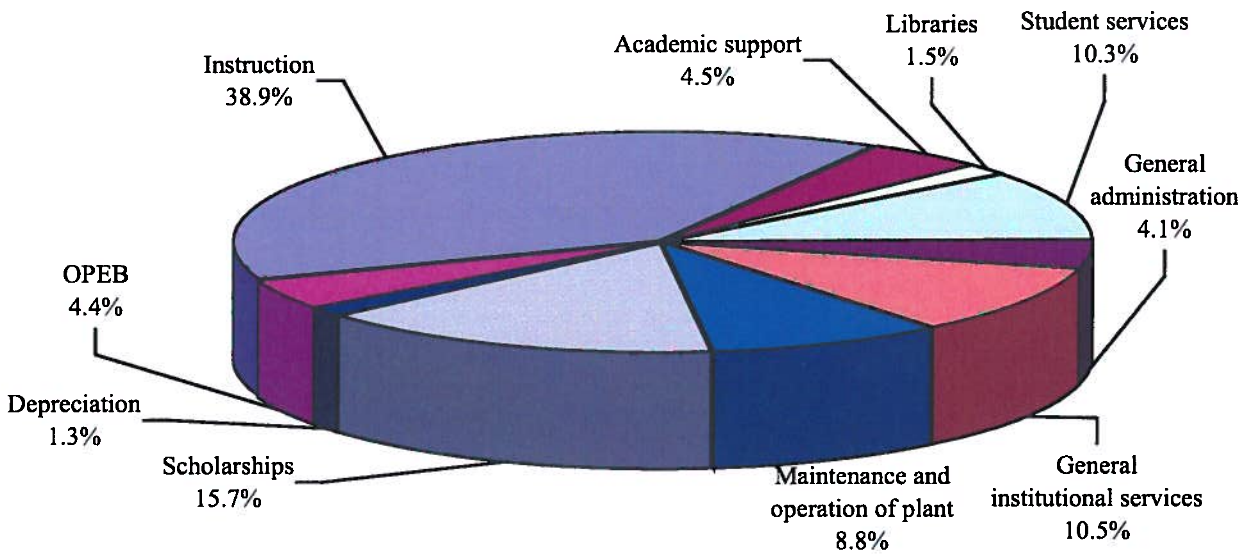
	Year Ended August 31,		
	2012	2011	2010
Operating expenses:			
Instruction	$ 50,393,136	$ 52,775,818	$ 51,424,709
Academic support	5,821,995	6,212,727	6,983,167
Libraries	1,941,212	1,985,872	1,980,652
Student services	13,260,055	12,900,826	12,289,986
General administration	5,358,511	5,308,864	4,795,977
General institutional services	13,607,198	13,634,826	11,563,349
Maintenance and operation of plant	11,324,929	12,435,484	12,665,307
OPEB	5,716,724	6,448,653	11,199,239
Scholarships	20,258,029	20,020,966	18,069,413
Depreciation	1,721,228	1,676,686	1,566,891
Total operating expenses	129,403,017	133,400,722	132,538,690
Non-operating expenses:			
Loss on disposal of capital assets	22,184	14,515	16,594
Total expenses	$ 129,425,201	$ 133,415,237	$ 132,555,284

Total expenses of $129.4 million in 2012 were 3.0% lower than those corresponding costs of $133.4 million in 2011, reflecting the College's continued emphasis on cost control. Despite this, increases in benefits for health care and retirement were experienced across all functional areas where human capital costs were involved.

Instructional costs and academic support decreased $2.8 million overall. Salaries and wages were down $2.2 million, reflecting the College's hiring freeze and the replacement of retired faculty at lower salaries, yet employee benefits increased $0.6 million given higher medical insurance premiums and retirement contribution rates. Supplies, services and general were down $1.0 million reflecting tight budgeting. Student services costs increased $0.4 million overall for increases in a student transportation contract. Maintenance and operation of plant costs decreased $1.1 million in 2012 from those incurred in 2011. Utilities accounted for $0.8 million of the decrease, given a milder climate, reduced energy rates and efficiencies gained from energy enhancements implemented at the college manifested themselves. OPEB costs of $5.7 million at August 31, 2012 decreased $0.7 million from those of the year ended August 31, 2011. Scholarships awarded to students in 2012 exceeded those of 2011 by $0.2 million primarily due to PELL grants being up $0.7 million, while SEOG and a Competitiveness grant were each down $0.2 million. Depreciation was comparable to the prior year, reflecting a very modest increase.

Figure 2—Components of Expenses (Functional Classifications)

EXPENSES — YEAR ENDED AUGUST 31, 2012



EXPENSES — YEAR ENDED AUGUST 31, 2011

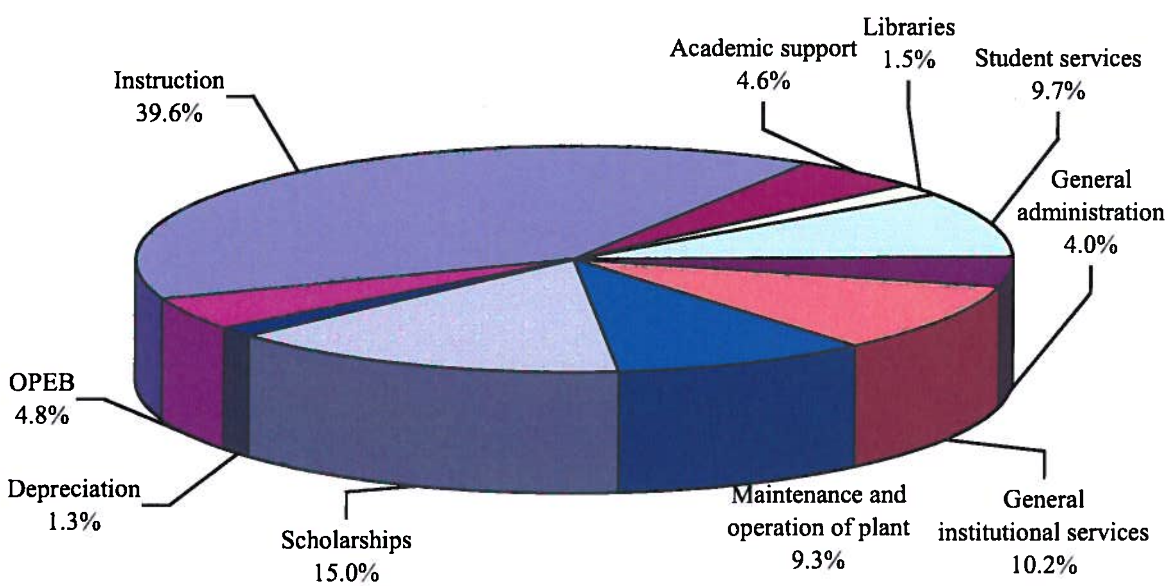


Table 6—Summary of Expenses

	Year Ended August 31,					
	2012	% of total	2011	% of total	2010	% of total
Operating expenses:						
Salaries and wages	$ 58,668,845	45.3%	$ 61,014,443	47.1%	$ 60,470,870	46.7%
Employee benefits	31,202,062	24.1%	30,232,746	23.4%	33,756,359	26.1%
Scholarships	20,237,096	15.6%	20,001,572	15.5%	18,069,413	14.0%
Utilities	1,546,161	1.2%	2,296,711	1.8%	2,373,975	1.8%
Depreciation	1,721,228	1.3%	1,676,686	1.3%	1,566,891	1.2%
Supplies, services, and general	16,027,625	12.4%	18,178,564	14.0%	16,301,182	12.6%
Nonoperating expenses:						
Loss on disposal of capital assets	22,184	0.0%	14,515	0.0%	16,594	0.0%
Total expenses	$ 129,425,201		$ 133,415,237		$ 132,555,284	

As reflected, in 2012 the College spent $0.69 of every dollar on personnel costs providing services to students, and another $0.16 thereof on direct student aid in the form of scholarships.

Statement of Cash Flows

The statement of cash flows provides information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing, and capital and non-capital financing activities of the College during the year. This statement helps users assess the College's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

The *Statement of Cash Flows* is divided into five parts:

1. *Cash flows from operating activities*—This section shows the net cash and cash equivalents used by the operating activities of the College.
2. *Cash flows from noncapital financing activities*—This section reflects the net cash and cash equivalents received for non-operating, non-investing, and non-capital financing purposes.
3. *Cash flows from capital and related financing activities*—This section reflects cash and cash equivalents used for/provided by the acquisition and construction/sale of capital assets and related items.
4. *Cash flows from investing activities*—This section shows the purchases, proceeds, and interest received from investing activities.
5. *Reconciliation of operating loss to net cash and cash equivalents used by operating activities*—This section provides a schedule that reconciles the accrual-based operating loss to the net cash flow used in operating activities.

Table 7—Condensed Statement of Cash Flows

	Year Ended August 31,		
	2012	2011	2010
Cash provided (used) by:			
Operating activities	$ (77,288,123)	$ (84,836,533)	$ (79,441,992)
Non-capital financing activity	87,224,790	94,743,581	86,462,877
Capital and related financing activities	(5,097,226)	(4,744,761)	(3,375,597)
Investing activities	102,462	138,741	145,581
Increase in cash and cash equivalents	4,941,903	5,301,028	3,790,869
Cash and cash equivalents - beginning of year	40,279,263	34,978,235	31,187,366
Cash and cash equivalents - end of year	$ 45,221,166	$ 40,279,263	$ 34,978,235

The College generated cash of $4.9 million in 2012, $5.3 million in 2011 and $3.8 million in 2010. The increase in cash during these years resulted from the College's ability to generate increases in net position from operations from increased tuition and fees, controlled spending, energy conservation and other factors. In 2010 cash was also generated from an increase in federal and state grants.

Capital Asset Activity

The College's capital asset additions, net of construction in progress transfers, for the fiscal years ended August 31, 2012 and 2011 amounted to approximately $5.1 and $4.7 million, respectively. These additions included significant building improvements and additions, enhancements and renovations to classrooms and laboratories, electrical service upgrades and technological improvements/equipment purchases. The College continued its significant investment in equipment, utilizing bonding supplied by its local sponsor, the County of Erie, New York.

Economic Outlook

A significant factor impacting the College's financial position and operations is student enrollment. Future enrollment levels will continue to be influenced by the current economic environment, which has been difficult recently, and local student demographics, which reflect a downward trend in the number of traditional aged students. As well, future enrollments could be further adversely affected by a number of factors, including any significant increase in tuition or other charges, changes in economic conditions including local employment opportunities, and higher education competition. College management has implemented enrollment strategies to identify and penetrate new markets, enhance retention and collaborate with industry/alumni/other partners to increase enrollment at the College.

Basic state aid is the funding resource provided the College by New York State based on student enrollment (FTE). The following reflects basic state aid rates per FTE over the periods indicated:

2011/12	2010/11	2009/10	2008/09	2007/08
$2,122	$2,260	$2,545	$2,675	$2,675

New York State has experienced difficulty in balancing budgets over the past four years, resulting in decreases in the basic state aid rate paid to its community colleges. For 2009/10, New York State provided a blended basic state aid rate averaging $2,545, down somewhat from the rates of the prior two years of $2,675. During 2010/11, the basic aid rate was reduced further to $2,260 per student FTE, and the 2011/12 rate cut again to $2,122. The 2012/13 rate, $2,272, represents the first time in four years the state has increased its state aid rate. The governor has proposed a 2013/14 budget holding the $2,272 rate currently in effect, however it is presently undeterminable whether the state legislature will approve the budget as presented. State appropriations were down $1.1 million for the year ended August 31, 2012 and $2.6 million for the year ended August 31, 2011 reflecting both decreased rates and student enrollment. Local economic realities combined with the downward trend in student demographics suggest the economic outlook to be a challenge for the College; providing adequate levels of student service will be challenging given the current hiring freeze as the number of students serviced per full time employee has increased approximately 40% over the last ten years.

The College's local sponsor, Erie County, has been unable to increase its College support for either 2012 or 2011 from that of the previous couple of years, given its own difficult economic realities as well as the fallout from state budget cuts. Additional support of the College by the County is not planned for the near future, either, as the County projects no increase in College funding in its four year budget projection made in 2012. As the College's financial position is closely tied to that of the state and local sponsor, it is subject to the ups and downs of these economies. In 2012 and 2011, state appropriations contributed approximately 22.9% and 23.6% of all revenues, respectively, while the local sponsor contributed 13.6% and 13.5% respectively, combined totals equaling 36.5% and 37.1% of all College resources. For the year ended August 31, 2010, the state appropriation equaled 25.7% of all revenue while the county contributed 13.6%, a combined total of 39.3%. The disappointing downward trend in support of the College by its two primary sponsors has resulted in tuition and fee increases to students and a strategy of aggressive grant pursuit to balance budgets by the College.

As a result of the state and local economic outlooks, budget constraint will continue to be closely practiced but balanced with the College's strategic plan for growth and development going forward. The College continues to offer an exceptional educational value in the Western New York region and has positioned itself as the leader of workforce development locally. The College continues its diligent work at enhancing revenues by offering more certificate and degree programs to entice student enrollment, by partnering with the local community and aggressively seeking grant funding opportunities. ECC now offers approximately 100 degree and certificate programs. Grants, including student aid, were $46.0 and $48.5 million, respectively, for the 2011-2012 and 2010-2011 years. ECC continues to maintain strict staffing levels while examining opportunities to reduce or maintain costs in accordance with its budget.

The Faculty Federation (FFECC) union contract, the College's largest, expired August 31, 2009. Contract negotiations with the union have been underway for some time; however, it is presently undeterminable what outcomes will result. The four year contract with the Administrators Association (AAECC) union which commenced September, 2007, is also concluded. Negotiations have commenced; however, it is presently undeterminable what outcomes will result there either. The College is also party to the county-wide contract with the American Federation of State, County and Municipal Employees (AFSCME) union which was renegotiated and accepted by union membership in October, 2009. Pertinent terms of the agreement include a contract length of five years through December, 2015, a 3.0% yearly salary increase from 2010-2015 respectively, a retroactive payment of up to $1,000 per employee for the years 2006-2009, and modification of health care premium payments by the union membership and the elimination of retiree health care benefits, amongst others. The impact of these new terms is minor, given College membership in the union is presently small. The College's contract with the Civil Service Employees Association, Inc. (CSEA), a county-wide agreement, expired December 31, 2006. While a tentative agreement was reached, it was subsequently rejected by union membership. Impasse was declared and the matter sent to a Fact Finder whose subsequent recommendations were rejected by the union. The Fact Finder report was presented to the Erie County Legislature for consideration and imposition under the New York Taylor law for year 2007. The Erie County Legislature has the authority to impose a wage increase for year 2007. Erie County, the College and Erie County Buffalo and Public Library submitted letters in opposition to any increase. No decision from the Erie County Legislature has been received. Negotiations have since commenced again, however, it is presently undeterminable as to the effect a new union agreement might have on College fiscal operations.

The planning and budgeting challenges above are further compounded from the perspective that the College's fiscal year ends August 31, while its two funding partners, the State and County, have March 31 and December 31 year ends, respectively.

Changes Impacting Future Operations

The College has managed to cope with cutbacks in funding by the State and the lack of increased local sponsor funding while sustaining modest increases to net position (without considering the effects of OPEB charges) through enrollment growth, increased tuition rates, and more grant funding over the past few years and cost control through vigilant budgeting. It continues to work diligently relative to recruitment techniques and other measures to negate the decrease in enrollment experienced for the 2011-2012 year. Despite this, it was necessary to increase tuition rates from $3,300 to $3,600 yearly for the 2011-2012 year, given there was no increase in funding from its local sponsor and reduced state aid, yet higher mandated/uncontrollable costs such as health insurance and retirement costs. The College maintained tuition rates for 2010-2011 after increasing tuition rates $113 (3.5%) for the 2009-2010 year. Collectively bargained increases and higher retirement and health insurance costs again drove budget planning; raising tuition rates for the 2012-2013 year from $3,600 to $3,900, despite the College's reluctance to do so. Another year of extremely tight budgeting with the College's focus on cost controls, program review and revenue enhancement is necessary for the 2013-2014 budget year.

It is believed enrollment would be favorably affected and the overall College experience enhanced if housing for College students were available at all three ECC campuses. Management is committed to developing student housing, although present state and local economic conditions suggest such housing is likely to have to be undertaken by private developers. One such developer recently opened a 300 bed housing project located close to ECC's City campus, and has experienced occupancy consisting of approximately 50% ECC students. A development project has been approved by the Town of Amherst across from the North campus; however, the developer involved is awaiting a consultant's report related to the project as discussed below.

Erie Community College continues to pursue a new 100,000 square foot, academic building at its North campus. It is anticipated this new building will provide needed space to house the College's enrollment in state of the art classrooms and laboratories and provide needed office space for existing faculty as well as those of new programs recently developed. The College, County and State have agreed to provide funding for this project on a 25/25/50% basis, respectively. Presently, an outside professional consulting firm has been engaged to conduct a program and needs analysis study, mutually funded by the College and County, to address college/community programmatic needs and assess space utilization, with a final report due at March 31, 2013. The results of the study will greatly impact the plan going forward.

Accreditation

In November, 2012, Erie Community College accreditation was reaffirmed by the Middle States Commission on Higher Education ("MSCHE"). The College is required to file a subsequent monitoring report, due March 2014, further evidencing compliance with MSCHE Standards 7 and 14, which were the subject of previous concerns during the accreditation process that included two site visits and two monitoring reports. Accreditation information, including a history of events, can be viewed at the MSCHE website at MSCHE.org, then selecting the institution icon and locating the College by name. ECC has put in place structures, systems and processes that will assist in the continuing evaluation of both its overall effectiveness in achieving its mission and goals, and its compliance with accreditation standards.

Requests for Information

This financial statement is designed to provide a general overview of the College's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to Mr. Richard Schott, Associate Vice President of Finance, 4041 Southwestern Blvd, Orchard Park, New York, 14127.

Financial Statements

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Statements of Net Position – Erie Community College
August 31, 2012 and 2011

	August 31, 2012	August 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 45,221,166	$ 40,279,263
Student receivables, net of allowance of $6,155,228 and $4,997,433 in 2012 and 2011, respectively	1,574,571	1,729,486
Due from Erie County	120,539	2,008,539
Other receivables	1,681,742	2,452,045
Total current assets	48,598,018	46,469,333
NONCURRENT ASSETS:		
Capital assets	36,303,980	39,984,148
Accumulated depreciation	(15,476,004)	(22,509,986)
Total noncurrent assets	20,827,976	17,474,162
Total assets	69,425,994	63,943,495
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	1,641,620	1,279,174
Accrued liabilities	1,325,567	2,445,092
Compensated absences	160,000	160,000
Due to retirement systems	3,395,254	2,832,469
Due to Erie County	1,873,968	2,116,455
Other liabilities	4,958,054	3,890,287
Unearned revenue	10,490,456	10,754,578
Total current liabilities	23,844,919	23,478,055
NONCURRENT LIABILITIES:		
Accrued liabilities	949,072	721,483
Compensated absences	3,847,922	3,619,411
Due to retirement systems	236,460	250,807
OPEB obligation	52,574,196	46,857,472
Total noncurrent liabilities	57,607,650	51,449,173
Total liabilities	81,452,569	74,927,228
NET POSITION:		
Investment in capital assets	20,827,976	17,474,162
Unrestricted deficit	(32,854,551)	(28,457,895)
Total net position	$ (12,026,575)	$ (10,983,733)

The notes to the financial statements are an integral part of these statements.

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Statements of Net Assets – Component Units
August 31, 2012 and 2011

	August 31, 2012		August 31, 2011	
	College Foundation	Auxiliary Services Corporation	College Foundation	Auxiliary Services Corporation
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 1,585,932	$ 1,772,668	$ 413,636	$ 1,681,383
Investments	2,056,790	-	2,082,933	-
Accounts receivable, net	-	81,649	-	261,748
Inventories	-	48,902	-	41,708
Prepaid expenses	-	699	1,500	26,023
Total current assets	3,642,722	1,903,918	2,498,069	2,010,862
NONCURRENT ASSETS:				
Capital assets, net of accumulated depreciation	-	438,376	-	476,863
Assets held by ECC Foundation	-	25,000	-	25,000
Net assets held on behalf of others	-	750,117	-	928,219
Total noncurrent assets	-	1,213,493	-	1,430,082
TOTAL	$ 3,642,722	$ 3,117,411	$ 2,498,069	$ 3,440,944
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	$ 26,649	$ 106,402	$ 4,931	$ 162,270
Unearned revenue	-	20,000	-	70,000
Obligations related to charitable remainder annuity trust:				
Annuity and life income payable	179,901	-	177,602	-
Due to remaindermen	10,154	-	16,316	-
Total current liabilities	216,704	126,402	198,849	232,270
NONCURRENT LIABILITIES:				
Net assets held on behalf of others	-	750,117	-	928,219
Total liabilities	216,704	876,519	198,849	1,160,489
NET ASSETS:				
Unrestricted	465,093	2,215,892	309,627	2,255,455
Temporarily restricted	1,152,011	25,000	1,304,550	25,000
Permanently restricted	1,808,914	-	685,043	-
Total net assets	3,426,018	2,240,892	2,299,220	2,280,455
TOTAL	$ 3,642,722	$ 3,117,411	$ 2,498,069	$ 3,440,944

The notes to the financial statements are an integral part of these statements.

ERIE COMMUNITY COLLEGE

(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)

Statements of Revenues, Expenses, and Changes in Net Position – Erie Community College
For the Years Ended August 31, 2012 and 2011

	Year Ended August 31, 2012	2011
OPERATING REVENUES:		
Student tuition and fees	$ 53,749,033	$ 52,372,473
Less: scholarship allowances	(19,046,956)	(20,868,408)
Net student tuition and fees	34,702,077	31,504,065
Federal grants and contracts	1,923,115	2,778,593
State grants	945,214	859,965
Local grants	2,786,165	2,945,308
Other sources	810,204	1,111,745
Total operating revenues	41,166,775	39,199,676
OPERATING EXPENSES:		
Salaries and wages	58,668,845	61,014,443
Employee benefits and taxes	31,202,062	30,232,746
Scholarships	20,237,096	20,001,572
Utilities	1,546,161	2,296,711
Depreciation	1,721,228	1,676,686
Supplies, services, and general	16,027,625	18,178,564
Total operating expenses	129,403,017	133,400,722
Change in net position from operations	(88,236,242)	(94,201,046)
NONOPERATING REVENUES (EXPENSES):		
State appropriations, unrestricted	29,351,782	30,472,177
Local appropriations, unrestricted	804,862	691,260
Federal and state student financial aid	39,527,161	41,206,780
Investment income	102,462	138,741
Loss on disposal of capital assets	(22,184)	(14,515)
Total nonoperating revenues (expenses)	69,764,083	72,494,443
Change in net position before transfers	(18,472,159)	(21,706,603)
TRANSFERS IN—County contributions	17,429,317	17,429,317
Change in net position	(1,042,842)	(4,277,286)
Net positon—beginning	(10,983,733)	(6,706,447)
Net position—ending	$ (12,026,575)	$ (10,983,733)

The notes to the financial statements are an integral part of these statements.

ERIE COMMUNITY COLLEGE

(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)

Statements of Revenues, Expenses, and Changes in Net Assets - Component Units
For the Years Ended August 31, 2012 and 2011

	Year Ended August 31, 2012		2011	
	College Foundation	Auxiliary Services Corporation	College Foundation	Auxiliary Services Corporation
OPERATING REVENUES:				
Contributions	$ 2,101,913	$ -	$ 669,936	$ -
Program service revenue	131,299	-	85,456	-
Special events	112,539	-	96,879	-
Support from Erie Community College	287,685	-	236,598	-
Interest and dividends	65,353	-	67,036	-
Net realized and unrealized gains	114,457	-	99,254	-
Change in value of split interest agreements	(4,108)	-	579	-
Food service gross revenue	-	1,253,144	-	1,307,127
Administrative office revenue	-	102,215	-	107,861
Vending operations revenue	-	105,654	-	112,380
Bookstore revenue	-	556,425	-	759,231
Childcare service revenue	-	817,066	-	650,361
Total operating revenues	2,809,138	2,834,504	1,255,738	2,936,960
OPERATING EXPENSES:				
Programs:				
Scholarships	242,154	-	215,241	-
College facilities improvements	210,534	-	14,666	-
Educational services	512,935	-	42,911	-
Supplies and other	273,285	-	253,798	-
Special events	76,780	-	59,567	-
Fundraising	48,188	-	41,960	-
Administrative expenses	321,949	443,889	289,374	423,069
Food service	-	660,118	-	626,213
Cost of sales	-	753,719	-	783,287
Childcare service	-	767,961	-	751,842
Total operating expenses	1,685,825	2,625,687	917,517	2,584,411
Change in net assets from operations	1,123,313	208,817	338,221	352,549
NONOPERATING/OTHER REVENUES (EXPENSES):				
Miscellaneous revenue	3,485	57,603	-	57,462
Interest income, net	-	3,795	-	4,892
Program expenses	-	(309,778)	-	(369,636)
Total nonoperating/other revenues (expenses)	3,485	(248,380)	-	(307,282)
Change in net assets	1,126,798	(39,563)	338,221	45,267
Net assets—beginning	2,299,220	2,280,455	1,960,999	2,235,188
Net assets—ending	$ 3,426,018	$ 2,240,892	$ 2,299,220	$ 2,280,455

The notes to the financial statements are an integral part of these statements.

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Statements of Cash Flows – Erie Community College
For the Years Ended August 31, 2012 and 2011

	Year Ended August 31, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	$ 34,948,463	$ 29,215,464
Federal grants and contracts	1,943,251	3,033,097
State grants and contracts	1,548,871	3,723,591
Local grants	4,674,165	1,494,835
Other sources	1,314,733	1,952,344
Personal service payments	(59,332,270)	(60,728,156)
Payments for fringe benefits	(24,936,900)	(22,908,120)
Payments to suppliers	(17,211,340)	(20,618,016)
Payments for scholarships	(20,237,096)	(20,001,572)
Net cash used by operating activities	(77,288,123)	(84,836,533)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	29,454,487	30,472,177
County contributions	17,429,317	17,429,317
Federal and state student financial aid grants	39,509,652	45,177,547
Chargeback revenues	831,334	1,664,540
Net cash provided by noncapital financing activities	87,224,790	94,743,581
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(5,097,226)	(4,744,761)
Net cash used by capital and related financial activities	(5,097,226)	(4,744,761)
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest, dividends, and realized gains on investments	102,462	138,741
Net cash provided by investing activities	102,462	138,741
Net increase in cash and cash equivalents	4,941,903	5,301,028
Cash and cash equivalents—beginning	40,279,263	34,978,235
Cash and cash equivalents—ending	$ 45,221,166	$ 40,279,263

(continued)

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Statements of Cash Flows – Erie Community College
For the Years Ended August 31, 2012 and 2011

	Year Ended August 31, 2012	2011
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$ (88,236,242)	$ (94,201,046)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,721,228	1,676,686
Decrease (increase) in student receivables, net	154,915	(805,913)
Decrease in other receivables, net	2,633,324	1,512,824
Increase (decrease) in accounts payable	362,446	(142,741)
(Decrease) increase in accrued liabilities	(663,425)	286,287
Increase in retirement liabilities	548,438	875,973
Increase in other liabilities	382,998	995,432
Increase (decrease) in unearned revenues	91,471	(1,482,688)
Increase in net OPEB obligation	5,716,724	6,448,653
Total adjustments	10,948,119	9,364,513
Net cash used by operating activities	$ (77,288,123)	$ (84,836,533)

(concluded)

The notes to the financial statements are an integral part of these statements.

ERIE COMMUNITY COLLEGE

(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)

Statements of Cash Flows – Component Units
For the Years Ended August 31, 2012 and 2011

	Year Ended August 31, 2012		2011	
	College Foundation	Auxiliary Services Corporation	College Foundation	Auxiliary Services Corporation
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	$ 1,126,798	$ (39,563)	$ 338,221	$ 45,267
Adjustments to reconcile change in net position to net cash provided (used) by operating activities:				
Depreciation	-	38,487	-	38,930
Realized and unrealized gain on investments	(114,457)	-	(99,254)	-
Changes in assets and liabilities:				
Decrease in unconditional promises to give, net	-	-	6,000	-
Decrease (increase) in accounts receivable	-	180,099	-	(69,983)
(Increase) decrease in inventory	-	(7,194)	-	2,670
Decrease (increase) in prepaid items	1,500	25,324	(1,500)	(23,051)
Increase (decrease) in accounts payable and accrued liabilities, net	21,718	(55,868)	1,335	27,898
(Decrease) in unearned revenue	-	(50,000)	-	(24,380)
(Decrease) in obligations related to charitable remainder annuity trust	(3,863)	-	(5,874)	-
Contributions restricted for long-term purposes:				
Cash contributions	(1,123,336)	-	(9,559)	-
Net cash provided (used) by operating activities	(91,640)	91,285	229,369	(2,649)
CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of investments	(155,942)	-	(1,036,258)	-
Purchase of property and equipment, net of reclassifications	-	-	-	(4,994)
Proceeds from sale of investments	296,542	-	716,667	-
Net cash provided (used) by investing activities	140,600	-	(319,591)	(4,994)
CASH FLOW FROM FINANCING ACTIVITIES:				
Collections of contributions restricted for long-term purposes—endowment funds	1,123,336	-	9,559	-
Net cash provided by financing activities	1,123,336	-	9,559	-
Net increase (decrease) in cash and cash equivalents	1,172,296	91,285	(80,663)	(7,643)
Cash and cash equivalents—beginning	413,636	1,681,383	494,299	1,689,026
Cash and cash equivalents—ending	$ 1,585,932	$ 1,772,668	$ 413,636	$1,681,383

The notes to the financial statements are an integral part of these statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as prescribed by the Governmental Accounting Standards Board ("GASB"), including GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities (an Amendment of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments)*, as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of September 1, 2001. The financial statement presentation required by GASB Statement No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective previously required. GASB Statement No. 35 reports equity as "net assets" rather than "fund balance". GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for the year ended August 31, 2012, amends the net asset reporting requirements in GASB Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Net position is classified based on the availability of assets for satisfaction of College obligations.

Financial Reporting Entity

Erie Community College (the "College", "ECC"), an educational institution of the County of Erie, New York (the "County" "Sponsor"), is a locally sponsored, two-year college. The College is supervised by the State University of New York ("SUNY"), and was established for the purpose of providing educational services primarily to the residents of the County. The College is funded primarily through New York State (the "State"), the County, and tuition revenue. The College extends credit to students, which is collateralized by expected financial aid awards.

The College is considered by the County to be part of the County's primary government. The College's financial statements are therefore incorporated into the County's financial statements. The County reports on a calendar-year basis.

The County is the sponsor of the College, and as such retains title to certain assets used in providing educational opportunities to students. These assets are excluded from the College's financial statements, and consist primarily of the College's three physical campuses. Financing for these assets, including long-term debt obligations, is the responsibility of and is provided by the County and the State.

State Education Law prescribes a tri-party funding formula in which the State is to provide 40%, students 33.3% and the County sponsor, 26.7% of the College's resources. The State and County's level of support have historically been at levels lower than that prescribed by State Education Law, while student revenues have exceeded 33.3%. The regulations permit this sponsor funding situation to continue so long as "maintenance of effort" is sustained in that the level of sponsor support does not decline from one year to the next. If sponsor support were to decline, the College would be required to adjust its tuition rates down significantly to meet the 33.3% funding requirement. The College received substantially the same level of support from the County for the three years ended August 31, 2010-2012 respectively, thus "maintenance of effort" was sustained. The College's 2012-13 and 2011-12 budgets were adopted by the County Executive and Legislature providing a continued "maintenance of effort".

The College is part of the SUNY and represents separate funds that are not included in the State's general fund. The College is a separate entity, although part of a system, which includes all other State institutions of higher education. The accompanying financial statements present all funds under the authority of the College. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the College's ability to significantly influence operations and accountability for fiscal matters of related entities.

Component Units

The following organizations were determined to have met the basic criteria for inclusion in the College reporting entity and are included in the accompanying financial statements as component units:

> *Auxiliary Services Corporation of Erie Community College, Inc.* - The purpose of the Auxiliary Services Corporation of Erie Community College, Inc. (the "Corporation"), a New York non-profit corporation, is to promote and cultivate educational and social relations through the operation of bookstores, on-campus dining services, vending facilities, childcare, and student centers for the convenience of the students, faculty, and staff of the College. The Corporation is funded through sales of merchandise and food, federal and state grants, and other fees.
>
> The Corporation operates under the terms of an agreement with the Board of Trustees of the College. This agreement authorizes the Corporation to engage in the activities described above, and may be terminated by either party on 90 days written notice. As part of this agreement, the Corporation also acts as custodian for certain funds held on behalf of other organizations. The Corporation has rent-free use of certain College premises. It was not practical to determine the fair value of the use of these premises. Separate financial statements can be obtained from the Auxiliary Services Corporation of Erie Community College, Inc., Executive Director, 4041 Southwestern Blvd., Orchard Park, NY 14127.
>
> *Erie Community College Foundation, Inc.* - The Erie Community College Foundation, Inc. (the "Foundation") is a New York State nonprofit corporation established to support the College. Its purpose is to raise, receive, and administer all private gifts and program services for the College, its programs, and its students. Separate financial statements can be obtained from Erie Community College Foundation, Inc., Executive Director, 121 Ellicott Street, Buffalo, NY 14203.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have a maturity date within 90 days of the College's original acquisition date. The College had no investments at August 31, 2012.

Investments—The Foundation follows the Not-For-Profit Entities subtopic of the FASB Accounting Standards Codification with respect to investments. Under this subtopic, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Inventories—The Corporation's inventories are stated at the lower of cost (first in, first-out) or market and consist of food and food service supplies.

Prepaid Items—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets—Capital assets include land improvements, building improvements, equipment, and books that are part of a catalogued library. Capital assets are stated at cost (or estimated historical cost) at the date of acquisition or construction, or fair value at the date of donation in the case of gifts. For the years ended August 31, 2012 and 2011, library collections are depreciated using half year convention; whereas, all other assets are depreciated using the straight-line method over the estimated useful lives of the assets. The following lives have been used for substantially all capital assets:

	Life in Years
Land improvements	20
Building improvements	20
Equipment	3–10
Library collections	10

Unearned Revenue—This balance is primarily comprised of receipts relating to tuition and fees applicable to the upcoming fall term. The College will recognize operating revenue to the extent these services are provided over the coming fiscal year.

Unconditional Promises to Give—The Foundation's unconditional promises to give are stated in the statement of net assets at their estimated realizable value. The Foundation accounts for bad debts using the direct charge-off method, directly expensing promises to give which management deems uncollectible, or realizable at less than full value. The direct charge-off method provides results similar to the reserve method in all material respects.

Compensated Absences—The College accounts for compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. This statement requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The College does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The College does not have any items that qualify for reporting in this category.

Net Position Flow Assumption—Sometimes the College will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted–net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

The College's net position is classified as follows:

Net Investment in Capital Assets—This represents the College's total investment in capital assets.

Unrestricted (Deficit)—Unrestricted (deficit) represents resources derived from education services and activities less expenses relating to the educational and general operations of the College. In the case of the College expenses have exceeded resources creating an unrestricted deficit.

Component Unit - Accounting Policies—The Foundation and the Corporation follow the Not-For-Profit Entities subtopic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification with respect to financial statement preparation. Under this subtopic, each component unit is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Foundation and the Corporation are required to present a statement of cash flows. The net assets of the Foundation and the Corporation are categorized as follows:

Unrestricted—These represent resources of the Foundation and the Corporation which have no legal or contractual obligation and are available for general use. Included within unrestricted net assets is the Corporation's Board of Trustees designated portion of unrestricted net assets to be utilized for childcare services.

Temporarily Restricted—This includes resources in which the Foundation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The Foundation's temporarily restricted net assets are for scholarships and specific program support.

Permanently Restricted—This includes resources which donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income. The Foundation's permanently restricted net assets consist of scholarships and awards.

Revenues and Expenses

Classification of Revenues—The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues—Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, less scholarship allowances, (2) most federal, state, local, and nongovernmental grants and contracts, (3) federal appropriations, and (4) sales and services of educational activities.

Non-operating Revenues—Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues—an amendment of GASB Statement No. 33*, and GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*—an amendment of GASB Statement No. 34 such as unrestricted state and local appropriations, federal and state student financial aid, investment income and loss on disposal of capital assets.

Revenue Recognition—The Corporation records revenue at the time of sale.

Income Taxes—The College and its component units are exempt from income taxes, except for unrelated business income, under federal income tax laws and regulations of the Internal Revenue Service.

Scholarship Allowances—Student tuition and fee revenues, and certain other revenues from students, are reported on the Statements of Revenues, Expenses, and Changes in Net Position, which are reduced by scholarship allowances. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the student's behalf.

Government Grants and Contracts—Government grants and contracts normally provide for the recovery of direct and indirect costs. The College recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period.

Contributions—The Foundation follows the Not-For-Profit Entities subtopic and Revenue Recognition subtopic of the FASB Accounting Standards Codification with respect to contributions. In accordance with these subtopics, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Compliance and Accountability

Private-sector standards of accounting and financial reporting issued prior to December 31, 1989 are generally followed to the extent that those standards do not conflict with or contradict guidance of the GASB. The College also has the option of following subsequent private-sector guidance subject to the same limitation. The College has elected not to follow subsequent private-sector guidance.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reported period and amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended August 31, 2012, the College adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The College elected to early implement GASB Statement No. 65. GASB Statement No. 63 amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement Nos. 63 and 65 did not have a material impact on the College's financial position or results from operations.

Additionally, during the year ended August 31, 2012, the College completed the process of evaluating the impact that will result from adopting GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. GASB Statement Nos. 57, 60, 62 and 64 did not have a material impact on the College's financial position or results from operations.

Future Impacts of Accounting Pronouncements—The College has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34* and GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, effective for the year ending August 31, 2013; GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, and GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for the year ending Augut 31, 2014; and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, effective for the year ending August 31, 2015. The College is, therefore, unable to disclose the impact that adopting GASB Statements Nos. 61, 66, 67, 68 and 69 will have on its financial position and results of operations.

2. OPERATING REVENUES

Operating revenues received from the State University of New York are regulated by a financing formula contained in the State University of New York regulations. Under the formula, the amount of basic state aid is limited to the lower of 40% of the College's net allowable expenditures or an established rate per full-time equivalent student ("FTE"). The FTE rate was $2,122 and $2,260 for the years ended August 31, 2012 and 2011, respectively.

3. CASH AND CASH EQUIVALENTS

The College's investment policies are governed by the State and its own written investment policy. The College must invest in FDIC-insured commercial banks or trust companies located within the State. The College is authorized to use demand deposits, time deposits (including certificates of deposit), and certain government obligations.

Collateral is required for time deposits not covered by federal deposit insurance. Obligations which may be pledged as collateral are obligations of the United States and its agencies, and obligations of the State and its municipalities and school districts.

The details of cash and cash equivalents at August 31, 2012 and 2011, are as follows:

	2012	2011
Petty cash (uncollateralized)	$ 2,850	$ 2,850
Deposits	45,218,316	40,276,413
Total	$45,221,166	$ 40,279,263

Deposits—All deposits are carried at fair value.

	Bank Balance	Carrying Amount
Deposits at August 31, 2012:		
Insured—FDIC	$ 2,736,013	$ 2,736,013
Uninsured—but collateralized by securities held by third-party financial institutions in the College's name	43,217,633	42,482,303
Total	$45,953,646	$ 45,218,316
Deposits at August 31, 2011:		
Insured—FDIC	$ 1,601,829	$ 1,601,829
Uninsured—but collateralized by securities held by third-party financial institutions in the College's name	39,318,238	38,674,584
Total	$40,920,067	$ 40,276,413

Custodial credit risk—deposits. In the case of deposits, this is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of August 31, 2012, none of the College's deposits were exposed to custodial credit risk because all deposits were fully insured or collateralized with securities held by the pledging financial institutions in the College's name.

4. INVESTMENTS

Erie Community College Foundation, Inc.—The portfolio of investments is carried at its fair market value. For donated investments, cost is determined to be fair market value at the date of gift. The Fair Value Measurements and Disclosures subtopic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 – unadjusted quoted prices in active markets for identical assets and have highest priority; Level 2 – observable inputs other than quoted prices for identical assets; and Level 3 – lowest priority of inputs, used only when Level 1 or Level 2 inputs were not available.

Fair market values and net unrealized gains and losses pertaining to the investment portfolio as of August 31, 2012 and 2011 are as follows:

	2012		2011	
	Cost	Quoted Market Prices (Level 1)	Cost	Quoted Market Prices (Level 1)
Fixed income	$ 622,416	$ 625,040	$ 830,133	$ 816,959
Domestic stocks	716,827	771,673	710,919	679,501
International equities	472,582	521,260	588,154	586,473
Mixed assets	135,171	138,817	-	-
	$ 1,946,996	$ 2,056,790	$ 2,129,206	$ 2,082,933
Net unrealized gain (loss)		$ 109,794		$ (46,273)

5. OTHER RECEIVABLES

Other receivables as of August 31, 2012 and 2011 consist of the following:

	2012	2011
Due from other counties	$ 133,601	$ 160,073
Due from federal government	8,669	27,313
Due from New York State	1,213,895	1,817,553
Miscellaneous receivables	325,577	447,106
Total other receivables	$ 1,681,742	$ 2,452,045

Auxiliary Services Corporation of Erie Community College, Inc.—The Corporation's receivables as of August 31, 2012 and 2011 are as follows:

	2012	2011
Trade receivables	$ 84,468	$ 264,416
Government agencies	-	151
Total receivables	84,468	264,567
Less allowance for doubtful accounts	(2,819)	(2,819)
Total receivables (net)	$ 81,649	$ 261,748

6. INVENTORIES

Auxiliary Services Corporation of Erie Community College, Inc.—The Corporation's inventories as of August 31, 2012 and 2011 are as follows:

	2012	2011
Food	$ 39,506	$ 33,208
Food service supplies	9,396	8,500
Total	$ 48,902	$ 41,708

7. CAPITAL ASSETS

A summary of capital asset transactions for the College for the years ended August 31, 2012 and 2011 is as follows:

	2012			
	Beginning Balance	Additions	Reductions	Ending Balance
Building improvements	$ 10,860,613	$ 1,393,533	$ -	$ 12,254,146
Land improvements	63,754	-	-	63,754
Construction in progress	3,346,893	3,614,369	(1,393,533)	5,567,729
Equipment	23,231,319	1,267,196	(8,513,935)	15,984,580
Library collections	2,481,569	215,662	(263,460)	2,433,771
Total capital assets	39,984,148	6,490,760	(10,170,928)	36,303,980
Less accumulated depreciation for:				
Building improvements	(1,432,849)	(577,869)	-	(2,010,718)
Land improvements	(20,721)	(3,187)	-	(23,908)
Equipment	(19,774,184)	(907,578)	8,504,923	(12,176,839)
Library collections	(1,282,232)	(232,594)	250,287	(1,264,539)
Total accumulated depreciation	(22,509,986)	(1,721,228)	8,755,210	(15,476,004)
Capital assets— net	$ 17,474,162	$ 4,769,532	$ (1,415,718)	$ 20,827,976
Summary of capital assets:				
Total cost of capital assets	$ 39,984,148	$ 6,490,760	$ (10,170,928)	$ 36,303,980
Less accumulated depreciation	(22,509,986)	(1,721,228)	8,755,210	(15,476,004)
Capital assets—net	$ 17,474,162	$ 4,769,532	$ (1,415,718)	$ 20,827,976

	2011			
	Beginning Balance	Additions	Reductions	Ending Balance
Building improvements	$ 9,166,092	$ 1,694,521	$ -	$ 10,860,613
Land improvements	63,754	-	-	63,754
Construction in progress	1,250,514	3,790,900	(1,694,521)	3,346,893
Equipment	22,561,574	759,989	(90,244)	23,231,319
Library collections	2,549,258	193,872	(261,561)	2,481,569
Total capital assets	35,591,192	6,439,282	(2,046,326)	39,984,148
Less accumulated depreciation for:				
Building improvements	(933,848)	(499,001)	-	(1,432,849)
Land improvements	(17,534)	(3,187)	-	(20,721)
Equipment	(18,926,957)	(936,035)	88,808	(19,774,184)
Library collections	(1,292,251)	(238,463)	248,482	(1,282,232)
Total accumulated depreciation	(21,170,590)	(1,676,686)	337,290	(22,509,986)
Capital assets— net	$ 14,420,602	$ 4,762,596	$ (1,709,036)	$ 17,474,162
Summary of capital assets:				
Total cost of capital assets	$ 35,591,192	$ 6,439,282	$ (2,046,326)	$ 39,984,148
Less accumulated depreciation	(21,170,590)	(1,676,686)	337,290	(22,509,986)
Capital assets—net	$ 14,420,602	$ 4,762,596	$ (1,709,036)	$ 17,474,162

The College does not have title to or ownership of certain capital assets (e.g., buildings and infrastructure) or liability for certain indebtedness; these are direct assets and obligations of the County and are reported within the County of Erie's financial statements.

Auxiliary Services Corporation of Erie Community College, Inc.—The Corporation's capital assets as of August 31, 2012 and 2011 consist of the following:

	2012	2011
Equipment	$ 286,093	$ 286,093
Facility improvements	630,312	630,312
Vehicles	8,382	8,382
Total capital assets	924,787	924,787
Less accumulated depreciation	(486,411)	(447,924)
Total capital assets (net)	$ 438,376	$ 476,863

8. PENSION PLANS

There are three major retirement plans for College employees. The New York State and Local Employees' Retirement System ("ERS"), the New York State Teachers' Retirement System ("TRS") and the Teachers Insurance and Annuity Association – College Retirement Equities Fund ("TIAA/CREF"). ERS is a cost-sharing, multiple-employer, defined benefit public plan administered by the New York State Comptroller. TRS is a cost-sharing, multiple-employer, defined benefit public plan administered by a nine-member board. TIAA/CREF is a multiple-employer, defined contribution plan administered by separate boards of trustees. Substantially all College full-time employees participate in the plans.

Obligations of employers and employees to contribute, and related benefits, are governed by the New York State Retirement and Social Security Law ("NYSRSSL") and New York State Education Law. These plans offer a wide range of programs and benefits. ERS and TRS benefits are related to years of credited service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. TIAA/CREF is a College Optional Retirement Program ("ORP") and offers benefits through annuity contracts.

ERS and TRS provide retirement benefits as well as death and disability benefits. Benefits generally vest after five years of credited service. The NYSRSSL provides that all participants in ERS and TRS are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Employees who joined ERS and TRS after July 27, 1976, and have less than ten years of service or membership are required to contribute 3 percent of their salary. Employee contributions are deducted from their salaries and remitted on a current basis to ERS and TRS. Employer contributions are actuarially determined for ERS and TRS.

TIAA/CREF provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in the ORP. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. TIAA/CREF is contributory for employees who joined after July 27, 1976, who contribute 3 percent of their salary. For employees enrolled after June 30, 1992, the College contributes 8% of salary for the first seven years of employment and 10% of salary thereafter. For employees enrolled between July 27, 1976 and June 30, 1992, the College contributes 9% of the first $16,500 in salary and 12% thereafter. Employee contributions are deducted from their salaries and remitted on a current basis to TIAA/CREF.

The College's total retirement-related payroll was $51,955,058 and $53,737,093 for the years ended August 31, 2012 and 2011, respectively. The payroll for 2012 and 2011 for the College's employees covered by TIAA/CREF was $17,959,161 and $19,260,200, ERS was $20,482,060 and $20,410,076, and TRS was $13,513,837 and $14,066,817 for each fiscal year, respectively. Employer and employee contributions under each of the plans were as follows:

	Fiscal Year Ended August 31,		
	2012	2011	2010
Employer contributions:			
TIAA/CREF	$2,385,658	$2,503,370	$2,462,766
ERS	3,212,286	2,369,359	1,576,143
TRS	1,213,898	843,146	1,020,091
Employee contributions:			
TIAA/CREF	$ 89,053	$ 103,054	$ 202,113
ERS	160,736	200,077	200,380
TRS	160,738	163,212	143,855

The employer contributions are equal to 100% of the required contributions under each of the respective plans.

Each retirement system issues a publicly available financial report that includes financial statements and supplementary information. The reports may be obtained by writing to:

New York State and Local Retirement System
110 State Street
Albany, NY 12244

New York State Teachers' Retirement System
10 Corporate Woods Drive
Albany, NY 12211

Teachers Insurance and Annuity Association/
College Retirement Equities Fund
730 Third Avenue
New York, NY 10017

9. OTHER POSTEMPLOYMENT BENEFIT ("OPEB") OBLIGATIONS

Plan Description—The College, through the County, pays for either a portion of eligible retirees' health insurance or 100% of eligible retirees' health insurance, depending on the date of retirement or the contract. Substantially, all of the College's employees may become eligible for these benefits if they have completed five or more years of full-time service with the College, or an equivalent amount of regular part-time service.

Funding Policy—Authorization for the College to pay a portion, or all, of retiree health insurance premiums was enacted by resolution of the County Legislature or through union contracts, which are ratified by the County Legislature. Retirees responsible for a portion of their health insurance premiums pay based on one of two scenarios. Employees who retired prior to January 1, 2003, pay approximately 50% of health insurance costs while the College pays the remainder. Individuals who retired on or after January 1, 2003 pay between 0% and 25% of premiums based on the amount of sick leave the retiree has banked as of their retirement date. The remainder of the retirees make no contribution and the College pays 100% of premiums. The College recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the County or by the health insurance provider. The College contributed $4,302,637 and $4,450,382, respectively for the fiscal years ended August 31, 2012 and 2011.

The College's annual other postemployment benefit ("OPEB") cost is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation:

	2012	2011
Annual required contribution	$ 10,813,826	$ 14,100,091
Interest on net OPEB obligation	2,014,871	1,627,528
Adjustment to annual required contribution	(2,809,336)	(2,269,263)
Annual OPEB cost (expense)	10,019,361	13,458,356
Prior year adjustment	-	(2,559,321)
Contributions made	(4,302,637)	(4,450,382)
Increase in net OPEB obligation	5,716,724	6,448,653
Net OPEB obligation - beginning of year	46,857,472	40,408,819
Net OPEB obligation - end of year	$ 52,574,196	$ 46,857,472

Funded Status and Funding Progress—As of January 1, 2012, the most recent valuation date, the unfunded actuarial accrued liability for benefits was $112,333,169.

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 health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The College's schedule of funding progress is presented below:

Actuarial Valuation Date	Acturial Value of Assets	Acturial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Budgeted Covered Payroll	Ratio of UAAL to Budget Covered Payroll
As of January 1, 2006	$ -	$ 113,422,637	$ 113,422,637	-	$ 50,278,164	2.26
As of September 1, 2008	-	152,700,335	152,700,335	-	52,551,782	2.91
As of January 1, 2010	-	173,689,046	173,689,046	-	53,737,093	3.23
As of August 31, 2011	-	130,506,438	130,506,438	-	53,737,093	2.43
As of January 1, 2012	-	112,333,169	112,333,169	-	51,955,058	2.16

The College's schedule of contributions is shown below:

Year Ended August 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2012	$ 10,813,826	$ 4,302,637	39.8%
2011	14,100,091	4,450,382	31.6%
2010	15,995,130	4,300,645	26.9%
2009	14,064,127	3,397,928	24.2%
2008	10,971,680	2,696,728	24.6%

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employer and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the January 1, 2012 interim valuation, the projected unit credit method was used. The actuarial assumptions included a valuation and measurement date as of January 1, 2012. The expected investment rate of return on employer's assets is 4.30%. The rate is based on the projected long-term earning rate of the assets expected to be available to pay benefits. Since the College does not currently segregate funding for these benefits, the appropriate rate is the expected return on the employer's general assets. The rates of decrement due to disability are assumed to be zero. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis, therefore the remaining amortization period at August 31, 2012, was twenty-four years.

10. RELATED-PARTY TRANSACTIONS

The County retains title to certain assets, primarily campuses, used by the College in carrying out the institutional mission. No charge is made by the County to the College for use of the campuses.

The College carries certain insurance of its own with varying limits of coverage. Beyond that, the County administers and funds its own General Liability Self-Insurance Program, thus, any litigation, claim or assessment against the College is potentially a claim against the County. A successful claim against the College could be satisfied from its own insurance or that of the County's self-insurance program.

Amounts due from the County to the College are $120,539 and $2,008,539 at August 31, 2012 and 2011, respectively. The amounts due from the County at August 31, 2012 and 2011 relate to grant money for specific programs. Amounts due to the County at August 31, 2012 and 2011 are $1,873,968 and $2,116,455, respectively. These amounts due to the County are for bills paid by the County on behalf of the College. The County contributions to the College were $17,429,317 for each of the years ended August 31, 2012 and 2011.

Erie Community College Foundation, Inc.—The Foundation's related-party transactions follow:

The Foundation receives the rent-free use of their facility and other direct support from the College. The total value of the support for the years ended August 31, 2012 and 2011, of $287,685 and $236,598, respectively, is comprised of the items in the table on the next page.

	2012	2011
Payroll, payroll taxes, and benefits	$ 262,258	$ 213,471
Facility and maintenance	11,852	11,852
Other operating expenses	13,575	11,275
Total	$ 287,685	$ 236,598

11. COMMITMENTS

Leases—The College has entered into various contract and lease agreements, including those for classroom space and office equipment. These agreements are generally subject to executory clauses which negate the contract if funds are not appropriated by the College. Minimum future payments for leases with initial or remaining terms of one year or more, as of August 31, 2012, are summarized as follows:

2013	$ 420,075
2014	114,016
2015	106,105
2016	103,468
2017	34,061
Total	$ 777,725

Total contract and lease expense for the years ended August 31, 2012 and 2011, was approximately $887,066 and $918,079, respectively.

The Corporation leases certain office equipment under a non-cancelable operating lease, which expires in January 2013. Future minimum annual lease payments under these operating leases are as follows:

Year ending August 31,	
2013	$ 4,700
Total	$ 4,700

The total lease expense charged to operations was $11,590 for both of the years ended August 31, 2012 and 2011.

Auxiliary Services Corporation of Erie Community College, Inc.—The Corporation's commitments and contingencies consist of the following:

Assets Held by Foundation—The Corporation has included monies transferred to the Erie Community College Foundation, Inc. as an asset on its Statement of Financial Position for the years ended August 31, 2012 and 2011, to administer a tuition reimbursement program for its child care employees. Employees must meet certain criteria, including length of service and pursuit of a degree in a related field. The Corporation has final discretion in administering the reimbursement program and has the right to revoke or redirect the use of the funds to another beneficiary.

Net Assets Held on Behalf of Others—The Corporation is the custodian of funds raised by various organizations associated with, but not controlled by, the Corporation. Such funds are retained and disbursed at the instruction of the particular organization. These organizations include Student Government Associations, Publications, Student Athletics, Wellness Center, and Donor Restricted Activities. Organizations receive funds that are collected by the College from students as part of the fees paid to attend the College. The funds are expended in accordance with budgets and upon written authorization from the respective organization.

Net assets held on behalf of others as of August 31, 2012 and 2011 were as follows:

	2012					
	Student Government	Publi-cations	Student Athletics	Wellness Center	Restricted Funds	Totals
Cash	$ 246,905	$ 64,353	$ 60,680	$ 54,140	$ 417,884	$ 843,962
Accounts receivable	-	-	18,217	-	7,081	25,298
Total assets	246,905	64,353	78,897	54,140	424,965	869,260
Accounts payable	4,430	-	22,051	51,971	40,691	119,143
Net assets held on behalf of others	$ 242,475	$ 64,353	$ 56,846	$ 2,169	$ 384,274	$ 750,117

	2011					
	Student Government	Publi-cations	Student Athletics	Wellness Center	Restricted Funds	Totals
Cash	$ 161,053	$ 63,050	$ 257,214	$ 9,468	$ 504,047	$ 994,832
Accounts receivable	-	-	13,149	49,555	12,423	75,127
Prepaid items	-	-	1,940	-	-	1,940
Total assets	161,053	63,050	272,303	59,023	516,470	1,071,899
Accounts payable	15,598	1,094	20,382	55,146	51,460	143,680
Net assets held on behalf of others	$ 145,455	$ 61,956	$ 251,921	$ 3,877	$ 465,010	$ 928,219

Line of Credit—The Corporation has available a $135,000 bank demand line of credit with interest payable at prime plus 1%. The line is secured by accounts receivable, inventory and equipment and is renewed annually. There were no outstanding borrowings on the line at August 31, 2012 and 2011.

Bookstore Operations— On July 1, 2009, the Corporation entered into a five-year agreement with Follett Bookstores, whereby, Follett agreed to manage the operation of the Corporation's bookstore. Under the terms of the contract, the Corporation receives compensation equal to a percentage of gross revenue with a guaranteed minimum due of $2,625,000 over the life of the contract. The Corporation recognized $556,425 and $759,231 in contract revenue for the years ended August 31, 2012 and 2011, respectively.

Capital Contribution—Under the terms of its agreement with the Board of Trustees of the College, the Corporation is required to expend a minimum of $25,000 each fiscal year on capital improvements, acquisition of equipment items, or for the College, similar expenditures approved by the College, provided that the Corporation has generated sufficient revenues in excess of expenses in any given year that a capital contribution of $25,000 is fiscally prudent for that year. The Corporation has met this requirement for the years ended August 31, 2012 and 2011.

Charitable Remainder Annuity Trust—During the year ended August 31, 2006, the Foundation entered into a trust agreement to become trustee of a charitable remainder annuity trust. The Foundation is also a 40% remaindermen of the trust principal. The trust was funded with real estate which was subsequently sold and invested in the Foundation's investment portfolio. The trust assets are reflected in investments in the Foundation's Statement of Financial Position and total $196,823 and $204,795 as of August 31, 2012 and 2011. The present value of actuarial liability to the income beneficiary was $179,901 and $177,602 as of August 31, 2012 and 2011. The liability to the other 60% charitable remaindermen was $10,154 and $16,316 as of August 31, 2012 and 2011, respectively.

12. RISK MANAGEMENT

Workers' Compensation Expense—The College is part of a self-insurance workers' compensation plan administered by the County. Since the College is considered part of the primary government unit of the County, the College does not recognize a liability for its unfunded share of workers' compensation claims. The County uses its General Fund to account for this risk financing activity and invoices the College for claims paid on its behalf. Total workers' compensation expense for the years ended August 31, 2012 and 2011, was approximately $655,000 and $470,000, respectively.

13. CONTINGENCIES

Contingencies—The nature of the educational industry is such that, from time to time, claims will be presented against the College on account of alleged negligence, acts of discrimination, breach of contract, or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. In the opinion of management, all known claims are covered by insurance or are such that an award against the College would not seriously impact the financial position of the College.

14. LABOR RELATIONS

Union Contracts— The College is a party to the County-wide contract with AFSCME which is in effect through December 15, 2015. The County-wide contract with CSEA which expired December 31, 2006, the Faculty Federation union contract, the College's largest, which expired August 31, 2009, and the Administrators' Association of Erie Community College which expired August 31, 2011, have yet to be renegotiated. The College has not recorded any liability for potential retroactive settlements as they believe the effects, if any, will not be material to the financial statements.

15. CHANGES IN LIABILITIES

Accrued Liabilities—Includes retirement incentive-wages, retirement incentive—FICA and health insurance terminal liability. Retirement incentives represent local programs for incentives to encourage retirement in order to reduce future costs. The incentives vary by program offered, but generally provide for payment of 50–100% of annual salary to be paid either as a lump-sum or over a period of up to five years or to apply such amount to the individual's share of postemployment health insurance coverage. The terminal liability is related to the self-insurance health plan with Erie County and it entails the liability assumed at the end of the plan period.

Due to Retirement Systems—The College's total liability relating to retirement is $3,631,714 and $3,083,276 as of August 31, 2012 and 2011, respectively. Of this, $3,395,254 and $2,832,469 are recorded in current liabilities as of August 31, 2012 and 2011, and $236,460 and $250,807 are recorded as noncurrent liabilities. The $3,395,254 is payable in the year ending August 31, 2013.

Compensated Absences—As explained in Note 1, the College records the value of compensated absences in accordance with GASB Statement No. 16. The liability at August 31, 2012 and 2011, for total compensated absences, both current and long-term, is $4,007,922 and $3,779,410, respectively.

The long-term obligation transactions for the College for the years ended August 31, 2012 and 2011 are as follows:

	2012				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Retirement incentive—wages	$ 34,459	$ -	$ 21,966	$ 12,493	$ 9,740
Health Insurance - Terminal Liability	697,025	249,294	-	946,319	-
NYS Employees' Retirement System	1,513,730	3,493,640	3,212,286	1,795,084	1,795,084
NYS Teachers' Retirement System	1,464,042	1,515,883	1,213,898	1,766,027	1,529,568
SUNY Optional Retirement Program	105,504	2,350,757	2,385,658	70,603	70,602
Vacation accrual	3,022,466	285,596	85,778	3,222,284	120,000
Comp-time accrual	563,174	26,133	4,974	584,333	30,000
Sick leave accrual	193,770	21,530	13,995	201,305	10,000
OPEB Liability	46,857,472	10,019,361	4,302,637	52,574,196	-
Total	$54,451,642	$17,962,194	$11,241,192	$61,172,644	$3,564,994

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Retirement incentive—wages	$ 39,192	$ -	$ 4,733	$ 34,459	$ 10,000
Health Insurance - Terminal Liability	804,976	-	107,951	697,025	-
NYS Employees' Retirement System	1,078,167	2,804,922	2,369,359	1,513,730	1,513,730
NYS Teachers' Retirement System	1,036,818	1,270,370	843,146	1,464,042	1,213,235
SUNY Optional Retirement Program	92,317	2,516,558	2,503,371	105,504	105,504
Vacation accrual	2,878,948	430,360	286,842	3,022,466	120,000
Comp-time accrual	576,209	47,953	60,988	563,174	30,000
Sick leave accrual	166,000	42,770	15,000	193,770	10,000
OPEB Liability	40,408,819	10,899,035	4,450,382	46,857,472	-
Total	$47,081,446	$18,011,968	$10,641,772	$54,451,642	$3,002,469

16. BEQUEST

Erie Community College Foundation, Inc.—During the year ended August 31, 2012, the Foundation was the recipient of a bequest from a donor of a parcel of real estate. The Foundation was granted one-third ownership of the real estate along with two additional charitable organizations. During the year ended August 31, 2012, the real estate was sold by the Foundation and the additional co-owners, and the Foundation received $1,107,904 after the expenses of the sale. This unique donation represented 53% of the Foundation's total contributions and 39% of the Foundation's total revenue for the year ended August 31, 2012.

17. FUNCTIONAL EXPENSES

A summary of the College's operating expenses for the years ended August 31, 2012 and 2011, classified by function, are as follows:

2012

	Salaries & Wages	Employee Benefits	Scholarships	Utilities	Depreciation	Supplies, Services & General	Total
Instruction	$ 33,668,437	$ 11,044,641	$ -	$ -	$ -	$ 5,680,058	$ 50,393,136
Academic support	3,847,783	1,436,088	-	-	-	538,124	5,821,995
Libraries	1,248,276	485,510	-	-	-	207,426	1,941,212
Student services	8,098,272	3,004,409	-	-	-	2,157,374	13,260,055
General administration	3,230,784	1,382,219	-	-	-	745,508	5,358,511
General institutional services	3,710,303	6,222,535	-	-	-	3,674,360	13,607,198
Maintenance and operation of plant	4,864,991	1,909,936	-	1,546,161	-	3,003,841	11,324,929
OPEB expense	-	5,716,724	-	-	-	-	5,716,724
Scholarships	-	-	20,237,096	-	-	20,933	20,258,029
Depreciation	-	-	-	-	1,721,228	-	1,721,228
Total	$ 58,668,846	$ 31,202,062	$ 20,237,096	$ 1,546,161	$ 1,721,228	$ 16,027,624	$ 129,403,017

2011

	Salaries & Wages	Employee Benefits	Scholarships	Utilities	Depreciation	Supplies, Services & General	Total
Instruction	$ 35,658,222	$ 10,469,910	$ -	$ -	$ -	$ 6,647,686	$ 52,775,818
Academic support	4,078,348	1,354,363	-	-	-	780,016	6,212,727
Libraries	1,340,450	446,609	-	-	-	198,813	1,985,872
Student services	8,222,540	2,627,700	-	-	-	2,050,586	12,900,826
General administration	3,119,857	1,120,120	-	-	-	1,068,887	5,308,864
General institutional services	3,709,501	5,583,289	-	-	-	4,342,036	13,634,826
Maintenance and operation of plant	4,885,525	2,182,102	-	2,296,711	-	3,071,146	12,435,484
OPEB expense	-	6,448,653	-	-	-	-	6,448,653
Scholarships	-	-	20,001,572	-	-	19,394	20,020,966
Depreciation	-	-	-	-	1,676,686	-	1,676,686
Total	$ 61,014,443	$ 30,232,746	$ 20,001,572	$ 2,296,711	$ 1,676,686	$ 18,178,564	$ 133,400,722

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 19, 2013, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

SUPPLEMENTAL SCHEDULES

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Reconciliation of Revenues and Expenses as Reflected in the Annual Report to the Audited Financial Statements
For the Year Ended August 31, 2012

	Revenues	Expenses
Per annual report:		
Unrestricted current funds	$ 101,591,826	$ 100,271,758
Restricted current funds	45,837,489	45,837,489
OPEB funds	-	5,716,724
Plant funds	5,097,226	3,464,640
	$ 152,526,541	$ 155,290,611
Adjustments to reconcile to financial statements:		
Scholarship allowances	(19,046,956)	(19,046,956)
Expended for plant facilities	(5,097,226)	(5,097,226)
Depreciation	-	(1,721,228)
	$ 128,382,359	$ 129,425,201
Per audited financial statements:		
Operating revenue / expenses	$ 41,166,775	$ 129,403,017
Nonoperating revenue / expenses	69,786,267	22,184
Other revenue / expenses	17,429,317	-
Totals per financial statements	$ 128,382,359	$ 129,425,201

	Annual Report	Unrestricted Current Fund
2012 Total unrestricted expenses	$ 100,271,758	$ 100,271,758
2012 Total revenues - offset to expense plus costs not allowable for state-aid.	8,011,145	8,011,145
2012 Net operating costs	$ 92,260,613	$ 92,260,613

Net Position/Fund Balance Reconciliation:	Reported Amounts
Current Unrestricted Fund Balance*	$ 19,719,645
GASB 45 Liability	(52,574,196)
Unrestricted Net Position (per financial statements)	$ (32,854,551)

* Line 113 (column C) of Annual Report to NYS

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Schedule of State Operating Aid
For the Year Ended August 31, 2012

Total Operating Costs	$ 100,271,758							
Total Revenue - Offset to Expense	(8,011,145)							
Costs Not Allowable for State Aid	-							
Net Operating Costs	$ 92,260,613		@		40%	=	$36,904,245	(a)
Rental Costs - Physical Space * 50% of cost, less $10,773	$ 397,839		@		50%*	=	$ 188,147	
High Needs Funding							$ 199,184	

Funded FTE Students - Basic Aid	Net FTE Allowable					
2008-2009 Actual	12,694.6	x	0.20	=	2,538.9	
2009-2010 Actual	13,397.5	x	0.30	=	4,019.3	
2010-2011 Actual	13,649.6	x	0.50	=	6,824.8	
2011-12 Calculated FTE (20-30-50% Rule)					13,383.0	
2011-12 Calculated FTE (20-30-50% Rule or Prior Year Actual)					13,649.6	(c)

Funded FTE Students - Basic Aid	13,649.6	(c)	@	$ 2,122	=	28,964,451	
Funded FTE, Rental Costs and High Needs Funding						$29,351,782	(b)
Basic Aid - Lesser of (a) or (b)						$29,351,782	

* Rental aid percentage and State Aid funding per FTE approved annually by SUNY Board

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Schedule of State-Aidable FTE Tuition Reconciliation
For the Year Ended August 31, 2012

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

Full-time Student Headcount	**Headcount Credit Hours and FTE**	**Rate**	**Equated Tuition**
Fall 2011 full-time students per End of Term SDF	9,378	$ 1,800	$ 16,880,400
Spring 2012 full-time students per SDF	8,989	1,800	16,180,200
Winter 2012 full-time students per SDF	3	1,800	5,400
Summer 2012 full-time students per SDF	183	1,800	329,400
Total full-time headcount	18,553		
Total credit hours of full-time students	275,260.4		
Part-time Student Credit Hours			
Fall 2011 part-time credits per End of Term SDF	30,045.0	$ 150	4,506,750
Spring 2012 part-time credits per SDF	31,378.9	150	4,706,835
Winter 2012 part-time credits per SDF	1,891.5	150	283,725
Summer 2012 part-time credits per SDF	17,040.7	150	2,556,105
Fall 2011 non-credit remedial	13,227.6	150	1,984,140
Spring 2012 non-credit remedial	19,909.6	150	2,986,440
Summer 2012 non-credit remedial	9,069.7	150	1,360,455
Fall 2011 per Form 24	641.4	150	96,210
Spring 2012 per Form 24	532.8	150	79,920
Summer 2012 per Form 24	68.5	150	10,275
Total part-time credit hours	123,805.7		
Total credit hours	399,066.1		
Total state-aidable FTE	**13,302.2**		
Total calculated tuition based on headcount and credit hours			**$ 51,966,255**

(continued)

Reconciliation to Annual Repo[illegible] and Audited Financial Statements:

Total calculated tuition bas[illegible] on headcount and credit hours

Less: Bad debt allowance ch[illegible]rged to tuition
Difference in tuition f[illegible] discounted classes
Calculated State-aida[illegible] non-credit remedial tuition
Learning centers - cre[illegible]ts generated - no tuition charged
Other - clinical waive[illegible]
Other - cross-registere[illegible] students
Other - prior term adj[illegible]tments
Other - AJE to balanc[illegible]A/R
Other - miscellaneous

Add: Forfeited tuition due t[illegible] withdrawals - FTEs not claimed
Non-credit remedial tu[illegible]tion revenue collected
Other - collections on [illegible]ad debt accounts

Tuition revenue rep[illegible]ted on annual report (lines 206-208)

Add: Charges to non-reside[illegible] students
Out-of-state resident tu[illegible]ition
Service fees
Student revenue - non [illegible]tate-aidable courses

Tuition & fee revenu[illegible] per audited financial statements

Federal Awards Schedule and Reports

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Agency Number	Federal Expenditures
U.S. Department of Defense			
Direct Program:			
Basic and Applied Scientific Research	12.300	n/a	$ 11,442
Total U.S. Department of Defense			11,442
U.S. Department of Labor			
Direct Programs:			
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	n/a	133,815
Passed through the Workforce Development Consortium:			
Workforce Investment Act—Adult Programs	17.258	YD-0376-A1	300,259
Workforce Investment Act—Dislocated Workers	17.260	YD-0376-A1	312,515
Total U.S. Department of Labor			746,589
U.S. Department of Education			
Direct Programs:			
Federal Supplemental Educational Opportunity Grants	84.007	n/a	439,620
Federal Work Study Program	84.033	n/a	222,176
Federal Pell Grant Program	84.063	n/a	27,504,313
Child Care Access Means Parents In School	84.335A	n/a	58,374
Passed through New York State:			
Career and Technical Education - Basic Grants to States	84.048	8000-08-6190	905,300
Tech-Prep Education	84.243	8080-09-0013	201,410
Total U.S. Department of Education			29,331,193
Total Expenditures of Federal Awards			$ 30,089,224

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Erie Community College (the "College") and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. LOANS MADE AND OUTSTANDING

The following is a summary of loans made during the fiscal year and loan balances outstanding at August 31, 2012. These loans are not included in the federal expenditures presented in the schedule.

Loan Program Title	Loans made in the Year Ended August 31, 2012
Federal Subsidized Stafford Loans	$ 12,293,909
Federal Unsubsidized Stafford Loans	11,168,963
Federal Plus Loans	271,300
Total Direct Loans (CFDA #84.268)	$ 23,734,172

3. INDIRECT COSTS

The College's policy is not to charge federal programs with indirect costs unless funded in the original award notification.

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

The Board of Trustees
Erie Community College:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Erie Community College (the "College"), an educational institution of the County of Erie, New York, as of and for the years ended August 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 19, 2013. Our report includes a reference to other auditors who audited the financial statements of Erie Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the Erie Community College Foundation, Inc. and the Auxiliary Services Corporation of Erie Community College, Inc. were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Drescher & Malecki LLP

March 19, 2013

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

The Board of Trustees
Erie Community College:

Report on Compliance for Each Major Federal Program

We have audited Erie Community College's (the "College's"), an educational institution of the County of Erie, New York, 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 the College's major federal programs for the year ended August 31, 2012. The College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Our audit, described below, did not include the operations of Erie Community College Foundation, Inc. or the Auxiliary Services Corporation of Erie Community College, Inc. because the Erie Community College Foundation, Inc. engaged other auditors and was not audited in accordance with *Government Auditing Standards*; and, the Auxiliary Services Corporation of Erie Community College, Inc. was not audited in accordance with *Government Auditing Standards.*

Management's Responsibility

Management is responsible for compliance with the 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 the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The financial statements of the Erie Community College Foundation, Inc. and the Auxiliary Services Corporation of Erie Community College, Inc. were not audited in accordance with *Government Auditing Standards.* 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 the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the 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, 2012.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the College's internal control over compliance.

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

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

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

Drescher & Malecki LLP

March 19, 2013

Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2012

Part I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified*

* Auditors' report refers to other auditors.

Internal control over financial reporting:

1. Material weakness(es) identified? _____ Yes ✓ No
2. Significant deficiency(ies) identified? _____ Yes ✓ None reported
3. Noncompliance material to financial statements noted? _____ Yes ✓ No

Federal Awards:

Internal control over major programs:

4. Material weakness(es) identified? _____ Yes ✓ No
5. Significant deficiencies identified? _____ Yes ✓ None reported

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

6. Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133? _____ Yes ✓ No
7. The College's major programs were:

Name of Federal Program	CFDA Number
Student Financial Aid Cluster:	
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Work Study	84.033
Federal Pell Grant Program	84.063
Direct Loan Program	84.268

8. Dollar threshold used to distinguish between Type A and Type B programs? $ 902,677
9. Auditee qualified as low-risk auditee? ✓ Yes _____ No

(continued)

Part II. FINANCIAL STATEMENT FINDINGS SECTION

No findings were noted as reportable.

Part III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No findings were noted as reportable.

Schedule of Prior Year Federal Award Findings
Year Ended August 31, 2012 (Follow Up of August 31, 2011 Findings)

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED AUGUST 31, 2011:

No findings were noted as reportable.