COUNTY OF ERIE

STEFAN I. MYCHAJLIW
COMPTROLLER

April 16, 2014

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, 2013.

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
Enclosures
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
Telephone: 716.565.2299
Fax: 716-565-2201

Certified Public Accountants

March 7, 2014

To the Board of Trustees of Erie Community College
and Audit Committee of the County of Erie:

In planning and performing our audit of the basic financial statements of Erie Community College (the "College"), a component unit of the County of Erie, New York, as of and for the years ended August 31, 2013 and 2012, 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, we considered the College's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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.

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

In addition, during our audit 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 7, 2014 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 the 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 or perform any additional study of these matters. Our comments are summarized in Exhibit I.

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

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Drescher & Malecki LLP

March 7, 2014

Untagged Capital Assets

In response to prior years' audit suggestions, the College has continued to review its untagged capital assets listing. At August 31, 2012 and 2011, the College maintained untagged capital assets of $1,270,268 and $9,666,963, respectively. At August 31, 2013, the College has reported these amounts as $1,356,735; indicating additions to this listing. 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 improve their performance of 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 in a timely manner 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.

APPENDIX A

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. 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 the fiscal year ending August 31, 2014. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB 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—an amendment of GASB Statement No. 25,* effective for the 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—an amendment of GASB Statement No. 27,* effective for the 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 the fiscal year ending August 31, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

GASB Statement No. 70—The College is required to implement GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* effective for the fiscal year ending August 31, 2014. The objective of this Statement is to enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees.

GASB Statement No. 71—The College is required to implement GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* The provisions of this Statement should be applied simultaneously with the provisions of Statement 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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, 2013 and 2012,
Supplemental Schedules and Federal Financial Assistance Schedules
for the Year Ended August 31, 2013 and Independent Auditors' Reports

ERIE COMMUNITY COLLEGE,
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
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Years Ended August 31, 2013 and 2012

FINANCIAL SECTION

Drescher & Malecki LLP
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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees, Erie Community College:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of Erie Community College (the "College"), a component unit of the County of Erie, New York, as of and for the years ended August 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Erie Community College Foundation, Inc. (the "Foundation"), 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 Foundation, is based solely on the report of the other auditors. 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 Foundation 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 audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the College, as of August 31, 2013 and 2012, 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 and Schedule of Funding Progress—Other Post-Employment Benefits Obligations on pages 3-14 and 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying Supplemental Schedules, as listed in the table of contents, and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Supplemental Schedules, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide on any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2014 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 the College's internal control over financial reporting and compliance.

Drescher & Malecki LLP

March 7, 2014

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, 2013 and 2012. 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 under Governmental Accounting Standards Board ("GASB"). Certain amounts have been reclassified to comply with the current year presentation.

Financial Highlights

- Total assets and deferred outflows of resources of the College at August 31, 2013 increased $12.1 million or 17.4% over those of August 31, 2012. Cash increased $3.0 million while the various receivables of the College decreased $0.2 million. Net capital assets increased $8.4 million and deferred outflows of resources increased $0.4 million.

- Overall revenues/transfers in (including the County contribution) of the College increased by $3.0 million, or 2.3%, during the year ended August 31, 2013 compared to the year ended August 31, 2012. Net tuition and fees revenue increased $1.4 million as a result of an overall tuition rate increase. State and local appropriations increased $2.3 million due to a $1.5 million increase in basic state aid, compared to a $1.1 million decrease in 2012 and a $0.8 million increase in County chargebacks ($0.1 million increase in 2012). In addition, federal and state financial aid decreased $0.8 million and the Erie County contribution remained unchanged from the prior year. Grants and other revenues decreased $0.4 million.

- Operating expenses increased $2.8 million for the year ended August 31, 2013 from those of the year ended August 31, 2012. Employee benefits increased $1.9 million due primarily to rate increases in medical insurance and retirement benefits. Depreciation increased $1.7 million due primarily to a significant investment in College-wide networking technology. Scholarships were down $2.3 million, reflecting a $0.8 million decrease in scholarship awards and $1.5 increase in scholarship allowances.

- The College's net position was negatively impacted by approximately $1.0 million for each of the years ended August 31, 2013 and 2012.

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, 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; the Statement of Revenues, Expenses and Changes in Net Position; 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, deferred outflows of resources and liabilities, with the difference between them 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 S*tatement of Revenues, Expenses and Changes in 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, the Schedule of Funding Progress—Other Post-Employment Benefits Obligations, supplemental schedules and federal awards schedule and support. Supplemental schedules present information on certain financial information as recommended for community colleges by the State University of New York. The federal awards schedule and support present information as required by the U.S. 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 *(net deficit)* by $13.0 million at August 31, 2013 and $12.0 million at August 31, 2012. The College's net position decreased $1.0 million in each of the past two years, most significantly as a result of recognizing liabilities relating to post-employment benefits, which increased $6.1 and $5.7 million for the years ended August 31, 2013 and 2012, respectively.

Net position is displayed in two major categories:

- ***Net 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; less any related debt used to acquire those assets that is still outstanding.

- ***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 Board of Trustees to meet current expenses for any purpose.

Table 1—Condensed Statements of Net Position

	August 31,					
	2013		2012		2011	
Assets:						
Current assets	$ 51,855,486	63.9%	$ 48,598,018	70.0%	$ 46,469,333	72.7%
Noncurrent assets	29,256,508	36.1%	20,827,976	30.0%	17,474,162	27.3%
Total assets	81,111,994	100.0%	69,425,994	100.0%	63,943,495	100.0%
Deferred outflows of resources	417,109	100.0%	-	0.0%	-	0.0%
Liabilities:						
Current liabilities	26,299,937	27.8%	23,844,919	29.3%	23,478,055	31.3%
Noncurrent liabilities	68,235,035	72.2%	57,607,650	70.7%	51,449,173	68.7%
Total liabilities	94,534,972	100.0%	81,452,569	100.0%	74,927,228	100.0%
Net position:						
Net investment in capital assets	23,349,217	-179.5%	20,827,976	-173.2%	17,474,162	-159.1%
Unrestricted	(36,355,086)	279.5%	(32,854,551)	273.2%	(28,457,895)	259.1%
Total net position	$ (13,005,869)	100.0%	$ (12,026,575)	100.0%	$ (10,983,733)	100.0%

At August 31, 2013 and 2012, total College assets were $81,111,994 and $69,425,994, respectively. Cash and cash equivalents were $48,245,476 and $45,221,166 as of August 31, 2013 and 2012, respectively, comprising the largest class of assets held by the College. The increase in cash and cash equivalents in both 2013 and 2012 was due to the increase in net position created from the College's operating and noncapital financing activities (without considering the effect of OPEB non-cash charges). These increases are attributable to increases in net student tuition and fees revenue and state and local appropriations, which offset increased operating expenses. The College continued to closely monitor hiring relative to new positions during these years, given the 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 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, 2013 of $29,256,508, up $8.4 million from the $20,827,976 reported at August 31, 2012. The increase is attributable to building renovation, College-wide technology and equipment additions of $14.6 million, net deletions of $2.8 million and depreciation charges amounting to $3.4 million.

At August 31, 2013, the College reported $0.4 million of deferred outflows of resources for deferred charges on a capital lease.

Current liabilities of $26,299,937 at August 31, 2013 reflect an increase of approximately $2.5 million over the August 31, 2012 total of $23,844,919. Accrued liabilities increased $0.9 million due to arbitration awards. The current portion of capital leases increased nearly $1.5 million due to a capital lease entered into during the year for technology improvements throughout the College. Other liabilities grew $0.4 million mainly for funds set aside for an expected building project. Unearned revenue decreased $0.4 million over the prior year due to an increase in tuition assistance program (TAP) awards received in advance. These three categories comprise the most significant reasons for the increase from the prior year. Noncurrent liabilities at August 31, 2013 and 2012 have grown significantly to $68,235,035 and $57,607,650, respectively. The increase is primarily due to the recording of other post-employment benefits ("OPEB"), which increased by $6,141,794 and $5,716,724, respectively, during the year ended August 31, 2013 and 2012. OPEB is 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 23 more years). Despite the significance of 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. Additionally, the aforementioned capital lease increased noncurrent liabilities at August 31, 2013 by approximately $4.4 million.

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, 2013, the current ratio of 1.97 indicates that the College has sufficient available resources to meet current obligations. Table 2 presents the current ratio for the College at August 31, 2013, 2012 and 2011, which has remained relatively consistent over the years reflected.

Table 2—Ratio of Current Assets to Current Liabilities

	Year Ended August 31,		
	2013	2012	2011
Current assets	$ 51,855,486	$ 48,598,018	$ 46,469,333
Current liabilities	26,299,937	23,844,919	23,478,055
Ratio of current assets to current liabilities	1.97	2.04	1.98

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

	Year Ended August 31,		
	2013	2012	2011
Operating revenues	$ 42,150,239	$ 41,166,775	$ 39,199,676
Operating expenses	132,221,666	129,403,017	133,400,722
Operating loss	(90,071,427)	(88,236,242)	(94,201,046)
Nonoperating revenues—net of nonoperating expenses of $96,754, $22,184 and $14,515 for 2013, 2012 and 2011, respectively.	71,662,816	69,764,083	72,494,443
Loss before transfers	(18,408,611)	(18,472,159)	(21,706,603)
Transfers in - County contributions	17,429,317	17,429,317	17,429,317
Change in net position	(979,294)	(1,042,842)	(4,277,286)
Net position at beginning of year	(12,026,575)	(10,983,733)	(6,706,447)
Net position at end of year	$ (13,005,869)	$ (12,026,575)	$ (10,983,733)

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 nonoperating 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

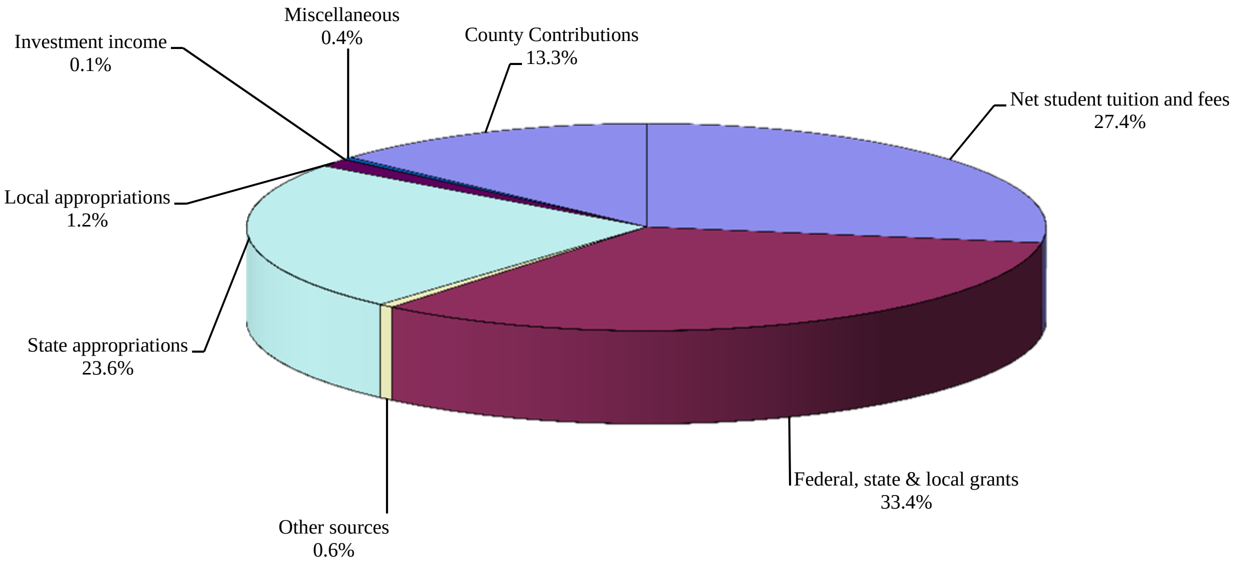
	Year Ended August 31,		
	2013	2012	2011
Program revenues (by major source):			
Student tuition and fees	$ 56,649,693	$ 53,749,033	$ 52,372,473
Less scholarships	(20,583,086)	(19,046,956)	(20,868,408)
Net student tuition and fees	36,066,607	34,702,077	31,504,065
Grants and contracts	5,282,223	5,654,494	6,583,866
Other income	801,409	810,204	1,111,745
Total program revenues	42,150,239	41,166,775	39,199,676
General revenues (by major source):			
State appropriations	30,848,720	29,351,782	30,472,177
Local appropriations	1,654,911	804,862	691,260
Grants and contracts	38,689,692	39,527,161	41,206,780
Investment income	75,247	102,462	138,741
Miscellaneous revenue	491,000	-	-
Total general revenues	71,759,570	69,786,267	72,508,958
Transfers in—County contributions	17,429,317	17,429,317	17,429,317
Total revenues	$ 131,339,126	$ 128,382,359	$ 129,137,951

Operating revenues (program) increased nearly $1.0 million in 2013 over those of 2012. Additional tuition and fees of $2.9 million (tuition rate increase) and a partially offsetting increase in scholarship allowances of $1.5 million make up the $1.4 million increase in net tuition and fees. Federal, state and local grants were down $0.4 million from 2012 levels of $5.7 million, while other revenues remained relatively stable.

Nonoperating (general) revenues were up $2.0 million in 2013 from 2012, to a total of $71.8 million. The state and local appropriations increase of $2.3 million and miscellaneous revenue for donations increase of $0.5 million offset by the decreases in federal and state financial aid of $0.8 million contributed to the overall increase.

Figure 1— Components of Revenues

Revenues by Source — Year Ended August 31, 2013



Revenues by Source — Year Ended August 31, 2012

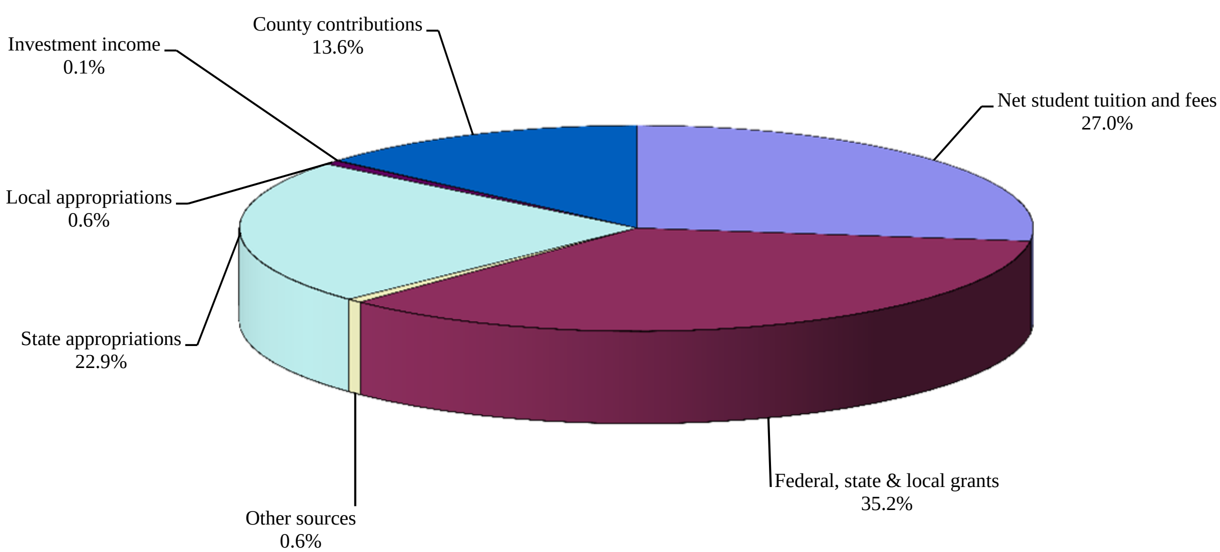


Table 5—Summary of Expenses (Functional Classifications)

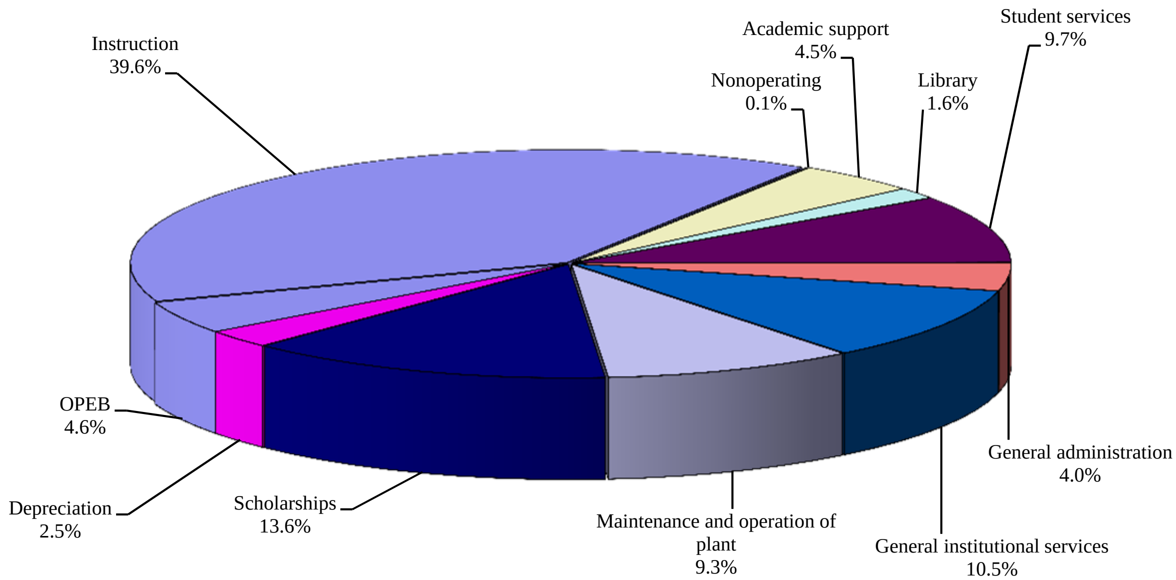
	Year Ended August 31, 2013	2012	2011
Operating expenses:			
Instruction	$ 52,400,792	$ 50,393,136	$ 52,775,818
Academic support	5,988,407	5,821,995	6,212,727
Libraries	2,095,097	1,941,212	1,985,872
Student services	12,770,889	13,260,055	12,900,826
General administration	5,280,072	5,358,511	5,308,864
General institutional services	13,906,900	13,607,198	13,634,826
Maintenance and operation of plant	12,283,410	11,324,929	12,435,484
OPEB	6,141,794	5,716,724	6,448,653
Scholarships	17,946,988	20,258,029	20,020,966
Depreciation	3,407,317	1,721,228	1,676,686
Total operating expenses	132,221,666	129,403,017	133,400,722
Nonoperating expenses:			
Loss on disposal of capital assets	22,863	22,184	14,515
Interest expense	73,891	-	-
Total expenses	$ 132,318,420	$ 129,425,201	$ 133,415,237

Total expenses of $132.3 million in 2013 were 2.2% higher than those corresponding costs of $129.4 million in 2012. Despite a continued emphasis on cost control, increases in health care rates/costs and required retirement contributions were experienced across all functional areas of the College involving human capital costs.

Instructional costs and academic support increased $2.2 million overall. Salaries and wages increased $0.9 million, yet employee benefits increased $1.9 million given higher medical insurance premiums and retirement contribution rates. Maintenance and operation of plant expenses increased approximately $1.0 million largely as a result of higher employee benefit costs ($0.5 million increase) and utility costs ($0.3 million increase). OPEB costs of $6.1 million at August 31, 2013 increased $0.4 million from those of the year ended August 31, 2012. Scholarships awarded to students in 2013 decreased from those of 2012 by $2.3 million primarily due to PELL grants being down $0.6 million and scholarship allowances being up $1.5 million. Depreciation of $3.4 million reflected an increase of $1.7 million due primarily to a $1.5 million investment in a College-wide networking technology lease.

Figure 2—Components of Expenses (Functional Classifications)

Expenses — Year Ended August 31, 2013



Expenses — Year Ended August 31, 2012

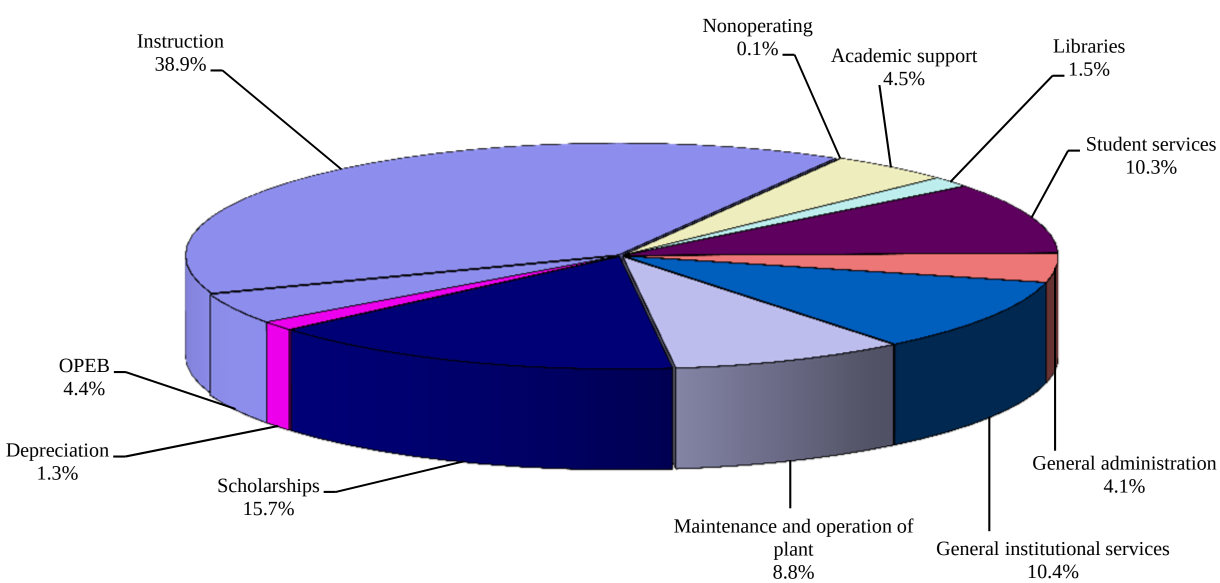


Table 6—Summary of Expenses

	Year Ended August 31,					
	2013	% of total	2012	% of total	2011	% of total
Operating expenses:						
Salaries and wages	$ 59,610,134	45.1%	$ 58,668,845	45.3%	$ 61,014,443	45.7%
Employee benefits	33,113,589	25.0%	31,202,062	24.1%	30,232,746	22.7%
Scholarships	17,925,016	13.5%	20,237,096	15.6%	20,001,572	15.0%
Utilities	1,872,219	1.4%	1,546,161	1.2%	2,296,711	1.7%
Depreciation	3,407,317	2.6%	1,721,228	1.3%	1,676,686	1.3%
Supplies, services, and general	16,293,391	12.3%	16,027,625	12.4%	18,178,564	13.6%
Nonoperating expenses:						
Loss on disposal of capital assets	22,863	0.0%	22,184	0.1%	14,515	0.0%
Interest expense	73,891	0.1%	-	0.0%	-	0.0%
Total expenses	$ 132,318,420		$ 129,425,201		$ 133,415,237	

As reflected in Table 6, in 2013 the College spent $0.70 of every dollar on personnel costs providing services to students, and another $0.14 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 noncapital 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 nonoperating, non-investing, and noncapital 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,		
	2013	2012	2011
Cash provided (used) by:			
Operating activities	$ (80,073,293)	$ (77,288,123)	$ (84,836,533)
Noncapital financing activity	88,973,777	87,224,790	94,743,581
Capital and related financing activities	(5,951,421)	(5,097,226)	(4,744,761)
Investing activities	75,247	102,462	138,741
Increase in cash and cash equivalents	3,024,310	4,941,903	5,301,028
Cash and cash equivalents - beginning of year	45,221,166	40,279,263	34,978,235
Cash and cash equivalents - end of year	$ 48,245,476	$ 45,221,166	$ 40,279,263

The College generated cash of $3.0 million in 2013, $4.9 million in 2012 and $5.3 million in 2011. The increase in cash during these years resulted from the College's ability to generate increases in net position from operations due to increased tuition and fees, controlled spending, energy conservation and various other factors.

Capital Asset Activity

The College's net capital asset additions for the fiscal years ended August 31, 2013 and 2012 amounted to approximately $11.9 and $5.1 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. Most notable were additions of $7.4 million for College-wide networking technology improvements. 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 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 using full-time equivalent student (FTE) data. The following reflects basic state aid rates per FTE over the periods indicated:

2012/13	2011/12	2010/11	2009/10	2008/09
$2,272	$2,122	$2,260	$2,545	$2,675

New York State has previously experienced difficulty in balancing budgets, resulting in decreases in the basic state aid rate paid to its community colleges from 2008-2009 through 2011-2012. For 2009-2010, New York State provided a blended basic state aid rate averaging $2,545, down somewhat from the prior year rate of $2,675. For the 2010-2011 fiscal year, the basic aid rate was reduced further to $2,260 per FTE, and the 2011-2012 rate cut again to $2,122. The 2012-2013 rate, $2,272, represented the first time in four years the state had increased its state aid rate, and the 2013-2014 rate increased $150 again to

$2,422. The governor has proposed a 2014-2015 budget holding the $2,422 rate currently in effect; however, it is presently undeterminable whether the state legislature will approve the budget as presented. State appropriations were up $1.5 million for the year ended August 31, 2013 and down $1.1 million for the year ended August 31, 2012 reflecting a blend of increased rates and decreased student enrollment. Continuing 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 continues to be challenging 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 2013 or 2012 or that of the previous couple of years, given its own economic realities. 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 2013. 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 2013 and 2012, state appropriations contributed approximately 23.6% and 22.9% of all revenues, respectively, while the local sponsor contributed 13.3% and 13.6% respectively, combined totals equaling 36.9% and 36.5% of all College resources. For the year ended August 31, 2011, the state appropriation equaled 23.6% of all revenue while the County contributed 13.5%, a combined total of 37.1%. The 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 the College budgets.

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 $45.6 and $46.0 million, respectively, for the 2013 and 2012 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 since that time; however, it is presently undeterminable what outcomes will result. The four year contract with the Administrators Association (AAECC) union which commenced September 2007 expired on August 31, 2011. Negotiations have been underway since expiration; 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. The five year agreement expires December 2015 and includes a 3.0% yearly salary increase for the remainder of the term of the agreement. 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, on three occasions, all tentative agreements were subsequently rejected by union membership. Impasse has been declared twice. The Erie County Legislature has imposed a 0% increase for 2007 so that year is closed. Impasse was declared in February 2014, after the most recent tentative agreement was voted down on February 13, 2014. Either the impasse process will proceed and/or negotiations will continue; 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 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 increased tuition rates, additional grant funding over the past few years and cost control through vigilant budgeting and position control. It continues to work diligently relative to recruitment techniques and other measures to negate the decreases in enrollment experienced over the past two years. Despite downward enrollment and higher mandated/uncontrollable costs such as health insurance and retirement costs and given there was no increase in funding from its local sponsor and reduced state aid, it was necessary to increase yearly tuition rates from $3,600 to $3,900 for the 2012-2013 year. The College also increased tuition rates from $3,300 to $3,600 for 2011-2012, after maintaining tuition rates at $3,300 for 2010-2011. Collectively, bargained increases and higher retirement and health insurance costs again drove budget planning; raising tuition rates for the 2012-2013 year, 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.

Erie Community College and Erie County continue to pursue a new 100,000 square foot academic building at the College's 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.

Accreditation

In November, 2012, Erie Community College accreditation was reaffirmed by the Middle States Commission on Higher Education ("MSCHE"). The College complied with a requirement 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 Boulevard, Orchard Park, New York, 14127.

FINANCIAL STATEMENTS

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ERIE COMMUNITY COLLEGE

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

Statement of Net Position

August 31, 2013

		Component Units		
	Erie Community College	**College Foundation**	**Auxiliary Services Corporation**	**Total**
ASSETS				
Current assets:				
Cash and cash equivalents	$ 48,245,476	$ 110,421	$ 1,890,185	$ 50,246,082
Investments	-	3,762,117	-	3,762,117
Student receivables, net of allowance of $7,045,594	1,328,230	-	-	1,328,230
Due from Erie County	519,240	-	-	519,240
Other receivables	1,762,540	34,650	107,028	1,904,218
Inventories	-	-	42,409	42,409
Prepaid items	-	-	699	699
Total current assets	51,855,486	3,907,188	2,040,321	57,802,995
Noncurrent assets:				
Capital assets	46,051,624	-	899,246	46,950,870
Less accumulated depreciation	(16,795,116)	-	(496,472)	(17,291,588)
Net assets held on behalf of others	-	-	820,206	820,206
Total noncurrent assets	29,256,508	-	1,222,980	30,479,488
Total assets	81,111,994	3,907,188	3,263,301	88,282,483
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources	417,109	-	-	417,109
LIABILITIES				
Current liabilities:				
Accounts payable	1,757,386	3,844	62,806	1,824,036
Accrued liabilities	2,202,537	-	49,226	2,251,763
Capital leases	1,476,823	-	-	1,476,823
Compensated absences	185,000	-	-	185,000
Due to retirement systems	3,539,703	-	-	3,539,703
Due to Erie County	1,618,928	-	-	1,618,928
Other liabilities	5,392,975	187,645	-	5,580,620
Unearned revenue	10,126,585	-	19,000	10,145,585
Total current liabilities	26,299,937	191,489	131,032	26,622,458
Noncurrent liabilities:				
Accrued liabilities	847,033	-	-	847,033
Capital leases	4,430,468	-	-	4,430,468
Compensated absences	3,883,079	-	-	3,883,079
Due to retirement systems	358,465	-	-	358,465
OPEB obligation	58,715,990	-	-	58,715,990
Net assets held on behalf of others	-	-	820,206	820,206
Total noncurrent liabilities	68,235,035	-	820,206	69,055,241
Total liabilities	94,534,972	191,489	951,238	95,677,699
NET POSITION				
Net investment in capital assets	23,349,217	-	-	23,349,217
Permanently restricted	-	1,860,986	-	1,860,986
Temporarily restricted	-	1,109,700	25,000	1,134,700
Unrestricted	(36,355,086)	745,013	2,287,063	(33,323,010)
Total net position	$ (13,005,869)	$ 3,715,699	$ 2,312,063	$ (6,978,107)

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

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Statement of Net Position
August 31, 2012

		Component Units		
	Erie Community College	College Foundation	Auxiliary Services Corporation	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 45,221,166	$ 1,585,932	$ 1,772,668	$ 48,579,766
Investments	-	2,056,790	-	2,056,790
Student receivables, net of allowance of $6,155,228	1,574,571	-	-	1,574,571
Due from Erie County	120,539	-	-	120,539
Other receivables	1,681,742	-	81,649	1,763,391
Inventories	-	-	48,902	48,902
Prepaid items	-	-	699	699
Total current assets	48,598,018	3,642,722	1,903,918	54,144,658
Noncurrent assets:				
Capital assets	36,303,980	-	924,787	37,228,767
Less accumulated depreciation	(15,476,004)	-	(486,411)	(15,962,415)
Assets held by ECC Foundation	-	-	25,000	25,000
Net assets held on behalf of others	-	-	750,117	750,117
Total noncurrent assets	20,827,976	-	1,213,493	22,041,469
Total assets	69,425,994	3,642,722	3,117,411	76,186,127
LIABILITIES				
Current liabilities:				
Accounts payable	1,641,620	26,649	56,599	1,724,868
Accrued liabilities	1,325,567	-	49,803	1,375,370
Compensated absences	160,000	-	-	160,000
Due to retirement systems	3,395,254	-	-	3,395,254
Due to Erie County	1,873,968	-	-	1,873,968
Other liabilities	4,958,054	190,055	-	5,148,109
Unearned revenue	10,490,456	-	20,000	10,510,456
Total current liabilities	23,844,919	216,704	126,402	24,188,025
Noncurrent liabilities:				
Accrued liabilities	949,072	-	-	949,072
Compensated absences	3,847,922	-	-	3,847,922
Due to retirement systems	236,460	-	-	236,460
OPEB obligation	52,574,196	-	-	52,574,196
Net assets held on behalf of others	-	-	750,117	750,117
Total noncurrent liabilities	57,607,650	-	750,117	58,357,767
Total liabilities	81,452,569	216,704	876,519	82,545,792
NET POSITION				
Net investment in capital assets	20,827,976	-	-	20,827,976
Permanently restricted	-	1,808,914	-	1,808,914
Temporarily restricted	-	1,152,011	25,000	1,177,011
Unrestricted	(32,854,551)	465,093	2,215,892	(30,173,566)
Total net position	$ (12,026,575)	$ 3,426,018	$ 2,240,892	$ (6,359,665)

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

ERIE COMMUNITY COLLEGE

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

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended August 31, 2013

		Component Units		
	Erie Community College	College Foundation	Auxiliary Services Corporation	Total
OPERATING REVENUES				
Student tuition and fees	$ 56,649,693	$ -	$ -	$ 56,649,693
Less: scholarship allowances	(20,583,086)	-	-	(20,583,086)
Net student tuition and fees	36,066,607	-	-	36,066,607
Federal grants and contracts	1,773,367	-	-	1,773,367
State grants	851,977	-	-	851,977
Local grants	2,656,879	-	-	2,656,879
Other sources	801,409	523,149	217,289	1,541,847
Contributions	-	449,442	-	449,442
Support from Erie Community College	-	256,861	-	256,861
Food service revenue, net	-	-	505,543	505,543
Bookstore revenue	-	-	662,182	662,182
Childcare service revenue	-	-	762,771	762,771
Total operating revenues	42,150,239	1,229,452	2,147,785	45,527,476
OPERATING EXPENSES				
Salaries and wages	59,610,134	-	-	59,610,134
Employee benefits and taxes	33,113,589	-	-	33,113,589
Scholarships	17,925,016	220,629	-	18,145,645
Utilities	1,872,219	-	-	1,872,219
Depreciation	3,407,317	-	-	3,407,317
Supplies, services, and general	16,293,391	719,142	443,691	17,456,224
Food service	-	-	657,782	657,782
Childcare service	-	-	777,023	777,023
Total operating expenses	132,221,666	939,771	1,878,496	135,039,933
Operating income (loss)	(90,071,427)	289,681	269,289	(89,512,457)
NONOPERATING REVENUES (EXPENSES)				
State appropriations, unrestricted	30,848,720	-	-	30,848,720
Local appropriations, unrestricted	1,654,911	-	-	1,654,911
Federal and state student financial aid	38,689,692	-	-	38,689,692
Investment income	75,247	-	3,121	78,368
Miscellaneous revenue	491,000	-	76,550	567,550
Loss on disposal of capital assets	(22,863)	-	-	(22,863)
Interest expense	(73,891)	-	-	(73,891)
Program expenses	-	-	(277,789)	(277,789)
Total nonoperating revenues (expenses)	71,662,816	-	(198,118)	71,464,698
Income (loss) before transfers	(18,408,611)	289,681	71,171	(18,047,759)
Transfers in—County contributions	17,429,317	-	-	17,429,317
Change in net position	(979,294)	289,681	71,171	(618,442)
Net position—beginning	(12,026,575)	3,426,018	2,240,892	(6,359,665)
Net position—ending	$ (13,005,869)	$ 3,715,699	$ 2,312,063	$ (6,978,107)

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

ERIE COMMUNITY COLLEGE

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

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended August 31, 2012

	Erie Community College	Component Units: College Foundation	Component Units: Auxiliary Services Corporation	Total
OPERATING REVENUES				
Student tuition and fees	$ 53,749,033	$ -	$ -	$ 53,749,033
Less: scholarship allowances	(19,046,956)	-	-	(19,046,956)
Net student tuition and fees	34,702,077	-	-	34,702,077
Federal grants and contracts	1,923,115	-	-	1,923,115
State grants	945,214	-	-	945,214
Local grants	2,786,165	-	-	2,786,165
Other sources	810,204	419,540	207,869	1,437,613
Contributions	-	2,101,913	-	2,101,913
Support from Erie Community College	-	287,685	-	287,685
Food service revenue, net	-	-	499,425	499,425
Bookstore revenue	-	-	556,425	556,425
Childcare service revenue	-	-	817,066	817,066
Total operating revenues	41,166,775	2,809,138	2,080,785	46,056,698
OPERATING EXPENSES				
Salaries and wages	58,668,845	-	-	58,668,845
Employee benefits and taxes	31,202,062	-	-	31,202,062
Scholarships	20,237,096	242,154	-	20,479,250
Utilities	1,546,161	-	-	1,546,161
Depreciation	1,721,228	-	-	1,721,228
Supplies, services, and general	16,027,625	1,443,671	443,889	17,915,185
Food service	-	-	660,118	660,118
Childcare service	-	-	767,961	767,961
Total operating expenses	129,403,017	1,685,825	1,871,968	132,960,810
Operating income (loss)	(88,236,242)	1,123,313	208,817	(86,904,112)
NONOPERATING REVENUES (EXPENSES)				
State appropriations, unrestricted	29,351,782	-	-	29,351,782
Local appropriations, unrestricted	804,862	-	-	804,862
Federal and state student financial aid	39,527,161	-	-	39,527,161
Investment income	102,462	-	3,795	106,257
Loss on disposal of capital assets	(22,184)	-	-	(22,184)
Miscellaneous revenue	-	3,485	57,603	61,088
Program expenses	-	-	(309,778)	(309,778)
Total nonoperating revenues (expenses)	69,764,083	3,485	(248,380)	69,519,188
Income (loss) before transfers	(18,472,159)	1,126,798	(39,563)	(17,384,924)
Transfers in—County contributions	17,429,317	-	-	17,429,317
Change in net position	(1,042,842)	1,126,798	(39,563)	44,393
Net position—beginning	(10,983,733)	2,299,220	2,280,455	(6,404,058)
Net position—ending	$ (12,026,575)	$ 3,426,018	$ 2,240,892	$ (6,359,665)

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

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Statement of Cash Flows
Year Ended August 31, 2013

		Component Units		
	Erie Community College	College Foundation	Auxiliary Services Corporation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	$ 34,968,232	$ -	$ -	$ 34,968,232
Federal grants and contracts	1,538,857	-	-	1,538,857
State grants and contracts	988,065	-	-	988,065
Local grants	2,258,178	-	-	2,258,178
Other sources	1,628,622	854,459	-	2,483,081
Food service activity	-	-	1,222,729	1,222,729
Other auxiliary service activity	-	-	1,072,649	1,072,649
Personal service payments	(58,775,045)	(432,093)	(971,588)	(60,178,726)
Payments for fringe benefits	(26,705,342)	-	(179,907)	(26,885,249)
Payments to suppliers	(18,049,844)	(287,049)	(828,248)	(19,165,141)
Payments for scholarships	(17,925,016)	(220,629)	-	(18,145,645)
Net cash provided (used) by operating activities	(80,073,293)	(85,312)	315,635	(79,842,970)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	43,080,835	-	-	43,080,835
County contributions	17,429,317	-	-	17,429,317
Federal and state student financial aid grants	26,713,227	-	-	26,713,227
Chargeback revenues	1,750,398	-	-	1,750,398
Endowment funds	-	52,072	-	52,072
Auxiliary program and other activity	-	-	(201,239)	(201,239)
Net cash provided (used) by noncapital financing activities	88,973,777	52,072	(201,239)	88,824,610
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(11,858,712)	-	-	(11,858,712)
Capital lease	5,907,291	-	-	5,907,291
Net cash used by capital and related financing activities	(5,951,421)	-	-	(5,951,421)
CASH FLOW FROM INVESTING ACTIVITIES				
Interest, dividends, and realized gains on investments	75,247	547,233	3,121	625,601
Purchases of investments	-	(1,989,504)	-	(1,989,504)
Net cash provided (used) by investing activities	75,247	(1,442,271)	3,121	(1,363,903)
Net increase (decrease) in cash and cash equivalents	3,024,310	(1,475,511)	117,517	1,666,316
Cash and cash equivalents—beginning	45,221,166	1,585,932	1,772,668	48,579,766
Cash and cash equivalents—ending	$ 48,245,476	$ 110,421	$ 1,890,185	$ 50,246,082

(continued)

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Statement of Cash Flows
Year Ended August 31, 2013

		Component Units		
	Erie Community College	College Foundation	Auxiliary Services Corporation	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	$ (90,071,427)	$ 289,681	$ 269,289	$ (89,512,457)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	3,407,317	-	35,602	3,442,919
Decrease in student receivables, net	246,341	-	-	246,341
Realized and unrealized loss on investments	-	(263,056)	-	(263,056)
(Increase) in other receivables, net	(572,584)	(34,650)	(25,379)	(632,613)
Decrease in inventories	-	-	6,493	6,493
Decrease in assets held by ECC Foundation	-	-	25,000	25,000
Increase (decrease) in accounts payable	115,766	(22,805)	6,207	99,168
Increase (decrease) in accrued liabilities	835,088	-	(577)	834,511
Increase in retirement liabilities	266,454	-	-	266,454
Increase (decrease) in other liabilities	902,674	(2,410)	-	900,264
(Decrease) in unearned revenues	(1,344,716)	-	(1,000)	(1,345,716)
Increase in net OPEB obligation	6,141,794	-	-	6,141,794
Contributions restricted for long-term purposes	-	(52,072)	-	(52,072)
Total adjustments	9,998,134	(374,993)	46,346	9,669,487
Net cash provided (used) by operating activities	$ (80,073,293)	$ (85,312)	$ 315,635	$ (79,842,970)

(concluded)

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

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Statement of Cash Flows
Year Ended August 31, 2012

	Erie Community College	Component Units: College Foundation	Component Units: Auxiliary Services Corporation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	$ 34,948,463	$ -	$ -	$ 34,948,463
Federal grants and contracts	1,943,251	-	-	1,943,251
State grants and contracts	1,548,871	-	-	1,548,871
Local grants	4,674,165	-	-	4,674,165
Other sources	1,314,733	1,590,700	-	2,905,433
Food service activity	-	-	1,433,243	1,433,243
Other auxiliary service activity	-	-	943,676	943,676
Personal service payments	(59,332,270)	(834,884)	(964,656)	(61,131,810)
Payments for fringe benefits	(24,936,900)	-	(198,805)	(25,135,705)
Payments to suppliers	(17,211,340)	(608,787)	(873,793)	(18,693,920)
Payments for scholarships	(20,237,096)	(242,154)	-	(20,479,250)
Net cash provided (used) by operating activities	(77,288,123)	(95,125)	339,665	(77,043,583)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	40,763,942	-	-	40,763,942
County contributions	17,429,317	-	-	17,429,317
Federal and state student financial aid grants	28,200,197	-	-	28,200,197
Chargeback revenues	831,334	-	-	831,334
Endowment funds	-	1,123,336	-	1,123,336
Auxiliary program and other activity	-	-	(252,175)	(252,175)
Net cash provided (used) by noncapital financing activities	87,224,790	1,123,336	(252,175)	88,095,951
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(5,097,226)	-	-	(5,097,226)
Net cash used by capital and related financing activities	(5,097,226)	-	-	(5,097,226)
CASH FLOW FROM INVESTING ACTIVITIES				
Interest, dividends, and realized gains on investments	102,462	300,027	3,795	406,284
Purchases of investments	-	(155,942)	-	(155,942)
Net cash provided (used) by investing activities	102,462	144,085	3,795	250,342
Net increase in cash and cash equivalents	4,941,903	1,172,296	91,285	6,205,484
Cash and cash equivalents—beginning	40,279,263	413,636	1,681,383	42,374,282
Cash and cash equivalents—ending	$ 45,221,166	$ 1,585,932	$ 1,772,668	$ 48,579,766

(continued)

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Statement of Cash Flows
Year Ended August 31, 2012

	Erie Community College	Component Units: College Foundation	Component Units: Auxiliary Services Corporation	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	$ (88,236,242)	$ 1,123,313	$ 208,817	$ (86,904,112)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	1,721,228	-	38,487	1,759,715
Decrease in student receivables, net	154,915	-	-	154,915
Realized and unrealized (gain) on investments	-	(114,457)	-	(114,457)
Decrease in other receivables, net	2,633,324	-	180,099	2,813,423
(Increase) in inventories	-	-	(7,194)	(7,194)
Decrease in prepaid items	-	1,500	25,324	26,824
Increase (decrease) in accounts payable	362,446	21,718	(19,747)	364,417
(Decrease) in accrued liabilities	(663,425)	-	(36,121)	(699,546)
Increase in retirement liabilities	548,438	-	-	548,438
Increase (decrease) in other liabilities	382,998	(3,863)	-	379,135
Increase (decrease) in unearned revenues	91,471	-	(50,000)	41,471
Increase in net OPEB obligation	5,716,724	-	-	5,716,724
Contributions restricted for long-term purposes	-	(1,123,336)	-	(1,123,336)
Total adjustments	10,948,119	(1,218,438)	130,848	9,860,529
Net cash provided (used) by operating activities	$ (77,288,123)	$ (95,125)	$ 339,665	$ (77,043,583)

(concluded)

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Erie Community College (the "College", "ECC") have been prepared in conformity with accounting principles generally accepted in the United States of America applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the College's accounting policies are described below.

Reporting Entity

Erie Community College, 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 as a blended component unit. 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, 2011-2013 respectively, thus "maintenance of effort" was sustained. The College's 2013-14 and 2012-13 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.

Discretely Presented Component Units. The organizations on the following page 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 nonprofit 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.

Basis of Presentation

The activities of the College are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

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

Cash and Cash Equivalents—Cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have an original maturity date within 90 days or less from the date of acquisition.

Investments—The Foundation follows the Not-For-Profit Entities subtopic of the Financial Accounting Standards Board ("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 position.

Inventory—The Corporation's inventory is stated at the lower of cost (first in, first-out) or market and consists 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. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

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, 2013 and 2012, 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

Unconditional Promises to Give—The Foundation's unconditional promises to give are stated in the statement of net position 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.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for financial reporting purposes. At August 31, 2013, the College reported $10,126,585 of unearned revenues. The College received cash in advance relating to grants and tuition and fees applicable to the upcoming fall term but has not performed the services, and therefore recognizes a liability. Additionally, the Corporation reported $19,000 of unearned revenues related to advanced payments for advertising and bookstore sales.

Compensated Absences—The College accounts for compensated absences in accordance with the provisions of GASB, which 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) until then. At August 31, 2013, the College reports $417,109 for the unamortized portion of deferred outflows supporting capital lease interest payments.

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. At August 31, 2013, 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 grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted–net position and unrestricted-net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the College's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Component Units—Accounting Policies—The Foundation and the Corporation follow the Not-For-Profit Entities subtopic of the 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 position: unrestricted net position, temporarily restricted net position and permanently restricted net position. In addition, the Foundation and the Corporation are required to present a statement of cash flows. The net position of the Foundation and the Corporation are categorized as presented on the following page.

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 position is the Corporation's Board of Trustees designated portion of unrestricted net position 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 position is 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 position consists 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.

Nonoperating 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, such as unrestricted state and local appropriations, federal and state student financial aid, investment income, miscellaneous revenue and loss on disposal of capital assets. During the year ended August 31, 2013, the College reported $491,000 of miscellaneous revenue from a third-party to assist in funding technology improvements.

Income Taxes—The College and its component units are exempt from income taxes, except for unrelated business income, under federal and state 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.

Other

The College has the option of following post November 30, 1989 private-sector standards of accounting and financial reporting that do not conflict with or contradict GASB pronouncements. However, the College has elected not to follow subsequent private-sector guidance.

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

Adoption of New Accounting Pronouncements—During the year ended August 31, 2013, the College implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. GASB Statement No. 61 clarifies the manner in determining whether or not an organization should be included as a component unit. GASB Statement No. 61 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 Statements No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*; No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*; and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* effective for the year ending August 31, 2014; and No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27;* No. 69, *Government Combinations and Disposals of Government Operations*; and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68,* effective for the year ending August 31, 2015. The College is, therefore, unable to disclose the impact that adopting GASB Statements Nos. 66, 67, 68, 69, 70 and 71 will have on its financial position and results of operations.

2. BASIC STATE AID

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 $2,272 and $2,122 for the years ended August 31, 2013 and 2012, respectively.

3. CASH AND CASH EQUIVALENTS

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

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The College has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school town subdivisions. Cash at year-end consisted of:

	2013	2012
Petty cash (uncollateralized)	$ 2,850	$ 2,850
Deposits	48,242,626	45,218,316
Total	$ 48,245,476	$ 45,221,166

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at August 31, 2013 and 2012 as follows:

	Bank Balance	Carrying Amount
Deposits at August 31, 2013:		
FDIC insured	$ 1,259,182	$ 1,259,182
Uninsured: collateral held by pledging bank's agent in the College's name	47,307,548	46,983,444
Total	$ 48,566,730	$ 48,242,626
Deposits at August 31, 2012:		
FDIC insured	$ 2,736,013	$ 2,736,013
Uninsured: collateral held by pledging bank's agent in the College's name	43,217,633	42,482,303
Total	$ 45,953,646	$ 45,218,316

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of August 31, 2013, the College's deposits were FDIC insured or collateralized.

Interest Rate Risk—In accordance with its investment policy, the College manages exposures by limiting investments to low risk type investments governed by New York State statute.

4. INVESTMENTS

Erie Community College Foundation, Inc.

The portfolio of investments is carried at their 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, 2013 and 2012 are as follows:

	2013		2012	
	Cost	Quoted Market Prices (Level 1)	Cost	Quoted Market Prices (Level 1)
Fixed income	$ 1,402,625	$ 1,398,878	$ 622,416	$ 625,040
Domestic stocks	1,451,232	1,598,432	716,827	771,673
International equities	450,978	709,982	472,582	521,260
Mixed assets	-	-	135,171	138,817
Alternatives	56,047	54,825	-	-
	$ 3,360,882	$ 3,762,117	$ 1,946,996	$ 2,056,790
Net unrealized gain		$ 401,235		$ 109,794

5. RECEIVABLES

Receivables at August 31, 2013 and 2012 include student receivables, amounts due from the County and other receivables as follows:

	August 31, 2013			August 31, 2012		
	Receivable	Allowance	Net	Receivable	Allowance	Net
Student receivables	$ 8,373,824	$ (7,045,594)	$ 1,328,230	$ 7,729,799	$ (6,155,228)	$1,574,571
Due from Erie County	519,240	-	519,240	120,539	-	120,539
Other receivables:						
Due from other counties	38,114	-	38,114	133,601	-	133,601
Due from federal government	245,580	-	245,580	8,669	-	8,669
Due from New York State	1,077,807	-	1,077,807	1,213,895	-	1,213,895
Miscellaneous	401,039	-	401,039	325,577	-	325,577
Total receivables	$ 10,655,604	$ (7,045,594)	$ 3,610,010	$ 9,532,080	$ (6,155,228)	$3,376,852

Auxiliary Services Corporation of Erie Community College, Inc.

Accounts receivable consists of the following components as of August 31, 2013 and 2012:

	2013	2012
Trade receivables	$ 107,028	$ 84,468
Less: Allowance for doubtful accounts	-	(2,819)
Accounts receivable, net	$ 107,028	$ 81,649

6. INVENTORY

Auxiliary Services Corporation of Erie Community College, Inc.

Inventory consists of the following components at August 31, 2013 and 2012:

	2013	2012
Food	$ 34,130	$ 39,506
Food service supplies	8,279	9,396
	$ 42,409	$ 48,902

7. CAPITAL ASSETS

A summary of capital asset transactions for the College for the years ended August 31, 2013 and 2012 is as follows:

	Balance September 1, 2012	Reclassifications and Additions	Deletions	Balance August 31, 2013
Capital assets, not being depreciated:				
Construction in progress	$ 5,567,729	$ 3,478,387	$ (2,767,463)	$ 6,278,653
Total capital assets, not being depreciated	5,567,729	3,478,387	(2,767,463)	6,278,653
Capital assets, being depreciated:				
Building improvements	12,254,146	2,767,463	-	15,021,609
Land improvements	63,754	-	-	63,754
Equipment	15,984,580	8,174,418	(1,861,342)	22,297,656
Library collections	2,433,771	205,906	(249,725)	2,389,952
Total capital assets, being depreciated	30,736,251	11,147,787	(2,111,067)	39,772,971
Less accumulated depreciation for:				
Building improvements	(2,010,718)	(681,894)	-	(2,692,612)
Land improvements	(23,908)	(3,188)	-	(27,096)
Equipment	(12,176,839)	(2,493,534)	1,850,965	(12,819,408)
Library collections	(1,264,539)	(228,700)	237,239	(1,256,000)
Total accumulated depreciation	(15,476,004)	(3,407,316)	2,088,204	(16,795,116)
Total capital assets being depreciated, net	15,260,247	7,740,471	(22,863)	22,977,855
Total capital assets, net	$ 20,827,976	$ 11,218,858	$ (2,790,326)	$ 29,256,508

	Balance September 1, 2011	Reclassifications and Additions	Deletions	Balance August 31, 2012
Capital assets, not being depreciated:				
Construction in progress	$ 3,346,893	$ 3,614,369	$ (1,393,533)	$ 5,567,729
Total capital assets, not being depreciated	3,346,893	3,614,369	(1,393,533)	5,567,729
Capital assets, being depreciated:				
Building improvements	10,860,613	1,393,533	-	12,254,146
Land improvements	63,754	-	-	63,754
Equipment	23,231,319	1,267,195	(8,513,934)	15,984,580
Library collections	2,481,569	215,662	(263,460)	2,433,771
Total capital assets, being depreciated	36,637,255	2,876,390	(8,777,394)	30,736,251
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)
Total capital assets being depreciated, net	14,127,269	1,155,162	(22,184)	15,260,247
Total capital assets, net	$ 17,474,162	$ 4,769,531	$ (1,415,717)	$ 20,827,976

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's financial statements.

Auxiliary Services Corporation of Erie Community College, Inc.

The Corporation's capital assets as of August 31, 2013 and 2012 consist of the following:

	2013	2012
Equipment	$ 260,552	$ 286,093
Facility improvements	630,312	630,312
Vehicles	8,382	8,382
Total capital assets	899,246	924,787
Less accumulated depreciation	(496,472)	(486,411)
Total capital assets, net	$ 402,774	$ 438,376

8. PENSION PLANS

Plan Description—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. Those joining after April 1, 2012 (Tier 6) are required to contribute 3.5% of their annual salary until March 31, 2013, after which the contribution percentage will be based on 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 $52,993,792 and $51,955,058 for the years ended August 31, 2013 and 2012, respectively. The payroll for 2013 and 2012 for the College's employees covered by TIAA/CREF was $18,352,891 and $17,959,161, ERS was $20,925,548 and $20,482,060, and TRS was $13,715,353 and $13,513,837 for each fiscal year, respectively. Employer and employee contributions under each of the plans were as follows:

	Fiscal Year Ended August 31,		
	2013	2012	2011
Employer contributions:			
TIAA/CREF	$ 2,348,915	$ 2,385,658	$ 2,503,370
ERS	4,128,430	3,212,286	2,369,359
TRS	1,529,567	1,213,898	843,146
Employee contributions:			
TIAA/CREF	$ 89,052	$ 89,053	$ 103,054
ERS	177,291	160,736	200,077
TRS	177,839	160,738	163,212

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 POST-EMPLOYMENT BENEFITS ("OPEB") OBLIGATION

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 $4,531,248 and $4,302,637, respectively for the fiscal years ended August 31, 2013 and 2012.

The College's annual 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. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

The table presented below shows the components of the College's annual OPEB cost for the past two years, the amount actually contributed to the plan, and changes in the College's net OPEB obligation.

	2013	2012
Annual required contribution ("ARC")	$ 11,564,433	$ 10,813,826
Interest on net OPEB obligation	2,260,690	2,014,871
Adjustment to ARC	(3,152,081)	(2,809,336)
Annual OPEB cost (expense)	10,673,042	10,019,361
Contributions made	(4,531,248)	(4,302,637)
Increase in net OPEB obligation	6,141,794	5,716,724
Net OPEB obligation - beginning	52,574,196	46,857,472
Net OPEB obligation - ending	$ 58,715,990	$ 52,574,196

As of the most recent valuation date, the plan was not funded. Since there were no assets, 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 healthcare 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 contributions for the most recent three fiscal years is shown below:

Year Ended August 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2013	$ 11,564,433	$ 4,531,248	39.2%
2012	10,813,826	4,302,637	39.8%
2011	14,100,091	4,450,382	31.6%

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. The projection of benefits does not incorporate the potential effect of a change in the pattern of cost sharing between the employer and plan members in the future. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the September 1, 2012 interim valuation, the projected unit credit method was used. The actuarial assumptions included a valuation and measurement date as of September 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, 2013, was twenty-three years.

10. 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, 2013 and 2012, was approximately $480,000 and $655,000, respectively.

11. LEASES

Capital Leases—The College has entered into lease agreements as a lessee for financing the acquisition of various capital assets (computer equipment, networking technology). The effective interest rate of the lease is 3.36% and lease principal payments are recorded as a reduction in capital lease liability. The College's future minimum lease payments under capital leases as of August 31, 2013, are as follows:

Year ending August 31,	
2014	$ 1,650,553
2015	1,605,308
2016	1,558,491
2017	1,510,048
Total minimum lease payments	6,324,400
Less: amount representing interest	(417,109)
Present value of minimum lease payments	$ 5,907,291

The assets acquired through capital leases are as follows:

Assets:	
Network technology	$ 7,384,113
Less: accumulated depreciation	(1,476,822)
Total assets, net	$ 5,907,291

Operating Leases—Operating lease obligations are primarily for office equipment and parking space. These agreements are generally subject to executory clauses which negate the contract if funds are not appropriated by the College. Lease expense for the years ended August 31, 2013 and 2012, was approximately $814,150 and $887,066, respectively. The future minimum payments for leases are as follows:

Year ending August 31,	
2014	$ 453,296
2015	445,385
2016	264,372
2017	34,127
Total	$ 1,197,180

Auxiliary Services Corporation of Erie Community College, Inc.

The Corporation leases certain office equipment under a non-cancelable operating lease, which expires in March 2017. Future minimum annual lease payments under these operating leases are as follows:

Year ending August 31,	
2014	$ 6,072
2015	6,072
2016	6,072
2017	3,542
Total	$ 21,758

The total lease expense charged to operations were $10,591 and $11,590 for the years ended August 31, 2013 and 2012.

12. LONG-TERM LIABILITIES

The College's long-term obligation transactions for the years ended August 31, 2013 and 2012 are as follows:

	Year ended August 31, 2013				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Retirement incentive - wages	$ 12,493	$ -	$ 5,825	$ 6,668	$ 3,916
Health insurance - terminal liability	946,319	-	102,038	844,281	-
NYS Employees' Retirement System	1,795,084	4,156,777	4,128,430	1,823,431	1,823,431
NYS Teachers' Retirement System	1,766,027	1,727,169	1,529,567	1,963,629	1,605,164
SUNY Optional Retirement Program	70,603	2,389,421	2,348,916	111,108	111,108
Capital leases	-	7,384,113	1,476,822	5,907,291	1,476,823
Vacation accrual	3,222,284	213,147	157,492	3,277,939	150,000
Comp-time accrual	584,333	25,294	25,098	584,529	25,000
Sick leave accrual	201,305	15,071	10,765	205,611	10,000
OPEB liability	52,574,196	10,673,042	4,531,248	58,715,990	-
Total	$ 61,172,644	$ 26,584,034	$ 14,316,201	$ 73,440,477	$ 5,205,442

	Year ended August 31, 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

Accrued Liabilities—Includes retirement incentive-wages 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 $3,898,168 and $3,631,714 as of August 31, 2013 and 2012, respectively. Of this, $3,539,703 and $3,395,254 are recorded in current liabilities as of August 31, 2013 and 2012, and $358,465 and $236,460 are recorded as noncurrent liabilities. The $3,539,703 is payable in the year ending August 31, 2014.

Capital Leases—During the year ended August 31, 2013, Key Government Finance, Inc. provided a $7,384,113 lease-purchase agreement for five years to the College for the purchase of network technology and equipment. The outstanding balance at August 31, 2013, was $5,907,291. Refer to Note 12 for additional information related to the College's capital leases.

Compensated Absences—As explained in Note 1, the College records the value of compensated absences in accordance with GASB. The liability at August 31, 2013 and 2012, for total compensated absences, both current and long-term, is $4,068,079 and $4,007,922, respectively.

13. 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 $519,240 and $120,539 at August 31, 2013 and 2012, respectively. The amounts due from the County at August 31, 2013 and 2012 relate to grant money for specific programs. Amounts due to the County at August 31, 2013 and 2012 are $1,618,928 and $1,873,968, 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, 2013 and 2012.

Erie Community College Foundation, Inc.

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, 2013 and 2012, of $256,861 and $287,685, respectively, is comprised of the items in the table below:

	2013	2012
Payroll, payroll taxes, and benefits	$ 232,934	$ 262,258
Facility and maintenance	11,852	11,852
Other operating expenses	12,075	13,575
Total	$ 256,861	$ 287,685

14. COMMITMENTS AND 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.

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, 2013 and 2012, 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.

During the year ended August 31, 2013, $25,000 of assets held by the Foundation were transferred to the Corporation. Additionally, the Corporation authorized the release of $15,000 temporarily restricted net assets to unrestricted net assets.

***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, 2013 and 2012 were as follows:

	2013						
	Student Government	Publi-cations	Student Athletics	Athletic Special	Wellness Center	Restricted Funds	Totals
Cash	$ 305,777	$ 75,767	$ 60,339	$ 39,639	$ 57,137	$ 402,156	$ 940,815
Accounts receivable	-	-	19,225	-	-	2,970	22,195
Total assets	305,777	75,767	79,564	39,639	57,137	405,126	963,010
Accounts payable	4,774	-	36,918	4,566	55,539	41,007	142,804
Net assets held on behalf of others	$ 301,003	$ 75,767	$ 42,646	$ 35,073	$ 1,598	$ 364,119	$ 820,206

	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

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, 2013 and 2012.

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 $662,182 and $556,425 in contract revenue for the years ended August 31, 2013 and 2012, 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, 2013 and 2012.

Erie Community College Foundation, Inc.

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 $205,407 and $196,823 as of August 31, 2013 and 2012. The present value of actuarial liability to the income beneficiary was $161,000 and $179,901 as of August 31, 2013 and 2012. The liability to the other 60% charitable remaindermen was $26,645 and $10,154 as of August 31, 2013 and 2012, respectively.

15. 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.

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, 2013 and 2012, classified by function, are as follows:

	2013						
	Salaries & Wages	Employee Benefits	Scholarships	Utilities	Depreciation	Supplies, Services & General	Total
Instruction	$ 34,652,401	$ 11,916,655	$ -	$ -	$ -	$ 5,831,736	$ 52,400,792
Academic support	3,844,226	1,519,360	-	-	-	624,821	5,988,407
Libraries	1,332,197	539,484	-	-	-	223,416	2,095,097
Student services	7,847,236	3,164,481	-	-	-	1,759,172	12,770,889
General administration	3,189,136	1,334,375	-	-	-	756,561	5,280,072
General institutional services	3,775,417	6,073,532	-	-	-	4,057,951	13,906,900
Maintenance and operation of plant	4,969,521	2,423,908	-	1,872,219	-	3,017,762	12,283,410
OPEB expense	-	6,141,794	-	-	-	-	6,141,794
Scholarships	-	-	17,925,016	-	-	21,972	17,946,988
Depreciation	-	-	-	-	3,407,317	-	3,407,317
Total	$ 59,610,134	$ 33,113,589	$ 17,925,016	$ 1,872,219	$ 3,407,317	$ 16,293,391	$ 132,221,666

	2012						
	Salaries & Wages	Employee Benefits	Scholarships	Utilities	Depreciation	Supplies, Services & General	Total
Instruction	$ 33,668,436	$ 11,044,641	$ -	$ -	$ -	$ 5,680,059	$ 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	$ 58,668,845	$ 31,202,062	$ 20,237,096	$ 1,546,161	$ 1,721,228	$ 16,027,625	$ 129,403,017

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 7, 2014, 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.

REQUIRED SUPPLEMENTARY INFORMATION

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Schedule of Funding Progress – Other Post-Employment Benefits Obligations
For the Year Ended August 31, 2013

Actuarial Valuation Date	Acturial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
As of September 1, 2012	$ -	$ 112,333,169	$ 112,333,169	-	$ 51,955,058	2.16
As of January 1, 2012	-	112,333,169	112,333,169	-	51,955,058	2.16
As of August 31, 2011	-	130,506,438	130,506,438	-	53,737,093	2.43

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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, 2013

	Revenues	Expenses
Per annual report:		
Unrestricted current funds	$ 106,794,199	$ 103,720,304
Restricted current funds	44,637,013	44,637,013
OPEB funds	-	6,141,794
Plant funds	6,442,421	6,911,388
	157,873,633	161,410,499
Adjustments to reconcile to financial statements:		
Scholarship allowances	(20,583,086)	(20,583,086)
Expended for plant facilities	(5,951,421)	(5,951,421)
Salary/fringe benefit contingent liability	-	849,745
Depreciation	-	(3,407,317)
	$ 131,339,126	$ 132,318,420
Per audited financial statements:		
Operating revenue / expenses	$ 42,150,239	$ 132,221,666
Nonoperating revenue / expenses	71,759,570	96,754
Other revenue / expenses	17,429,317	-
Totals per financial statements	$ 131,339,126	$ 132,318,420

	Annual Report	Unrestricted Current Fund	Reconciled Difference
2013 Total unrestricted expenses	$ 103,720,304	$ 104,570,049	$ 849,745
2013 Total revenues - offset to expense plus costs not allowable for state-aid.	8,395,953	8,395,953	-
2013 Net operating costs	$ 95,324,351	$ 96,174,096	$ 849,745

Net Position/Fund Balance Reconciliation:	Reported Amounts
Current Unrestricted Fund Balance*	$ 22,793,540
GASB 45 Liability	(58,715,990)
Deferred outflows of resources	417,109
Salary/fringe benefit contingent liability	(849,745)
Unrestricted Net Position (per financial statements)	$ (36,355,086)

* 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, 2013

Total Operating Costs	$ 103,720,304							
Total Revenue - Offset to Expense	(8,395,953)							
Costs Not Allowable for State Aid	-							
Net Operating Costs	$ 95,324,351		@		40%	=	$38,129,740	(a)
Rental Costs - Physical Space	$ 321,928		@		45.6%*	=	$ 146,800	
High Needs Funding							$ 199,184	

Funded FTE Students - Basic Aid	Net FTE Allowable					
2009-2010 Actual	13,397.5	x	0.20	=	2,679.5	
2010-2011 Actual	13,649.6	x	0.30	=	4,094.9	
2011-2012 Actual	13,302.2	x	0.50	=	6,651.1	
2012-13 Calculated FTE (20-30-50% Rule)					13,425.5	
2012-13 Calculated FTE (20-30-50% Rule or Prior Year Actual)					13,425.5	(c)

Funded FTE Students - Basic Aid	13,425.5	(c)	@	$ 2,272*	=	30,502,736	
Funded FTE, Rental Costs and High Needs Funding						$30,848,720	(b)
Basic Aid - Lesser of (a) or (b)						$30,848,720	

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

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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, 2013

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

Full-time Student Headcount	**Headcount Credit Hours and FTE**	**Rate**	**Equated Tuition**
Fall 2012 full-time students per End of Term SDF	9,193	$ 1,950	$ 17,926,350
Spring 2013 full-time students per SDF	8,481	1,950	16,537,950
Winter 2013 full-time students per SDF	5	1,950	9,750
Summer 2013 full-time students per SDF	164	1,950	319,800
Total full-time headcount	17,843		
Total credit hours of full-time students	252,171.2		
Part-time Student Credit Hours			
Fall 2012 part-time credits per End of Term SDF	28,912.2	$ 163	4,712,689
Spring 2013 part-time credits per SDF	29,626.0	163	4,829,038
Winter 2013 part-time credits per SDF	1,998.0	163	325,674
Summer 2013 part-time credits per SDF	17,332.8	163	2,825,238
Fall 2012 non-credit remedial	12,505.1	163	2,038,331
Spring 2013 non-credit remedial	22,245.1	163	3,625,951
Summer 2013 non-credit remedial	14,208.9	163	2,316,051
Fall 2012 per Form 24	621.4	163	101,288
Spring 2013 per Form 24	519.4	163	84,662
Summer 2013 per Form 24	58.3	163	9,503
Total part-time credit hours	128,027.2		
Total credit hours	380,198.4		
Total state-aidable FTE	**12,673.3**		
Total calculated tuition based on headcount and credit hours			**$ 55,662,275**

(continued)

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, 2013

Reconciliation to Annual Report and Audited Financial Statements:

Total calculated tuition based on headcount and credit hours		**$ 55,662,275**
Less:	Bad debt allowance charged to tuition	(2,942,070)
	Difference in tuition for discounted classes	(685,561)
	Calculated State-aidable non-credit remedial tuition	(7,980,333)
	Learning centers - credits generated - no tuition charged	(195,453)
	Other - clinical waivers	(5,611)
	Other - AJE to balance A/R	(569)
	Other - miscellaneous	(124,411)
Add:	Forfeited tuition due to withdrawals - FTEs not claimed	78,449
	Non-credit remedial tuition revenue collected	4,366
	Other - collections on bad debt accounts	172,176
	Tuition revenue reported on annual report (lines 206-208)	**$ 43,983,258**
Add:	Charges to non-resident students	205,558
	Out-of-state resident tuition	834,570
	Service fees	10,893,430
	Student revenue - non state-aidable courses	586,725
	Other - prior term adjustments	146,152
	Tuition & fee revenue per audited financial statements	**$ 56,649,693**

(concluded)

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FEDERAL AWARDS

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, 2013

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Federal Grantor/ Pass-through Number	Federal Expenditures
U.S. Department of Labor:			
Direct programs:			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	n/a	$ 202,755
Passed through the Workforce Development Consortium:			
Workforce Investment Act—Adult Programs	17.258	YD-0376-A1	517,468
Workforce Investment Act—Dislocated Workers	17.260	YD-0376-A1	145,103
Total U.S. Department of Labor			865,326
U.S. Department of Education:			
Direct programs:			
Federal Supplemental Educational Opportunity Grants	84.007	n/a	464,771
Federal Work Study Program	84.033	n/a	159,617
Federal Pell Grant Program	84.063	n/a	26,126,821
Child Care Access Means Parents In School	84.335	n/a	72,324
Passed through New York State:			
Career and Technical Education - Basic Grants to States	84.048	8000-08-6190	798,844
Total U.S. Department of Education			27,622,377
Total Expenditures of Federal Awards			$ 28,487,703

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Notes to the Schedule of Expenditures of Federal Awards
Year Ended August 31, 2013

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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

A reconciliation to the financial statements is available.

2. LOANS MADE AND OUTSTANDING

The following is a summary of loans made during the fiscal year and loan balances outstanding at August 31, 2013. These loans are not included in the federal expenditures presented in the schedule.

Loan Program Title	Loans made in the Year Ended August 31, 2013
Federal Subsidized Stafford Loans	$ 11,752,362
Federal Unsubsidized Stafford Loans	11,029,490
Federal Plus Loans	124,113
Total Direct Loans (CFDA #84.268)	$ 22,905,965

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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Drescher & Malecki LLP
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Certified Public Accountants

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 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"), a component unit of the County of Erie, New York, as of and for the years ended August 31, 2013 and 2012, 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 7, 2014. Our report includes a reference to other auditors who audited the financial statements of Erie Community College Foundation, Inc. (the "Foundation"), 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*.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 7, 2014

Drescher & Malecki LLP
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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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"), a component unit of the County of Erie, New York, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2013. 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 compliance 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*. 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

Management of 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 as a basis for designing 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 7, 2014

Part I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified*

* (which report includes a reference to other auditors)

Internal control over financial reporting:

1. Material weakness(es) identified? ______ Yes ✓ No
2. Significant deficiency(ies) identified not considered to be material weakness(es)? ______ 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 not considered to be material weakness(es)? ______ 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 OMB Circular A-133 (section .510(a))? ______ 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? $ 854,631
9. Auditee qualified as low-risk auditee? ✓ Yes ______ No

(continued)

(concluded)

Part II. FINANCIAL STATEMENT FINDINGS SECTION

No findings were noted as reportable.

Part III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No matters were reported.

Summary Schedule of Prior Audit Findings
Year Ended August 31, 2013

No matters related to Federal Awards were reported in the prior year.

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