SUNY ECC **Erie Community College**
STATE UNIVERSITY OF NEW YORK

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

Basic Financial Statements and Required Supplementary Information for the Years Ended August 31, 2015 and 2014, Other Information and Federal Awards Information for the Year Ended August 31, 2015 and Independent Auditors' Reports

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(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
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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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The College's 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"), a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the reports 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 audits 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 audits and the reports of the 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, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended August 31, 2015 the College implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Other Information, as listed in the table of contents, 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 Other Information, as listed in the table of contents, has 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 any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2016 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

February 12, 2016

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, 2015 and 2014. 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., which are considered 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, 2015 increased $11.8 million, or 13.7%, over those at August 31, 2014. Cash decreased $4.3 million to $43.9 million while the various receivables of the College increased $0.5 million. Net capital assets of the College increased $3.6 million, the College's net pension asset increased $10.0 million, and deferred outflows of resources increased $2.1 million.

- Total liabilities and deferred inflows of resources of the College at August 31, 2015 increased $10.3 million, or 10.2%, over those at August 31, 2014. This is largely attributed to the increase in deferred inflows of resources relating to pensions in the amount of $7.5 million.

- Overall revenues and transfers in (includes the County of Erie, New York (the "County") contribution) of the College decreased by $0.3 million, or 0.2%, during the year ended August 31, 2015 compared to the year ended August 31, 2014. Net tuition and fees revenue decreased $1.0 million mainly due to lower overall enrollment. Local appropriations and federal and state student financial aid decreased $0.2 million and $0.3 million, respectively, as lower enrollment resulted in decreases in both County chargebacks and financial aid awarded. The other sources category of operating revenues increased $1.1 million, largely due to a refund of prior year expenses related to contract negotiations.

- Operating expenses decreased $2.9 million for the year ended August 31, 2015 compared to the year ended August 31, 2014, which is primarily attributed to the effect the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* had on 2015 activity. During 2015, the College recognized its' proportionate share of the New York State Employee Retirement System net pension asset, which reduced the employee benefit expenses. Scholarships decreased $1.6 million due to a decrease in the number of students receiving grant funding which corresponds to the overall decrease in enrollment.

- The College's net position increased $1.5 million for the year ended August 31, 2015 and decreased $1.1 million for the year ended August 31, 2014, which is primarily attributed to the effect the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* had on 2015 activity. During 2015, the College recognized its proportionate share of the New York State Employee Retirement System net pension asset, which reduced the employee benefit expenses recognized on the government-wide statements.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the College's financial statements. The College's financial statements are comprised of two components: 1) the entity-wide financial statements and 2) the notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

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 of the College's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, 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 *statement 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 for operating activities.

The *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 Required Supplementary Information, other information and federal awards information accompanied by notes. Supplemental schedules present information on certain financial information as recommended for community colleges by the State University of New York. The federal awards information and notes present information as required by the U.S. Office of Management and Budget Circular A-133.

Financial Analysis

Net position over time may serve as a useful indicator of an entity's financial position. In the case of the College, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources *(deficit net position)* by \$13.9 million at August 31, 2015 and \$15.4 million (as restated) at August 31, 2014. The College's net position increased \$1.5 million in 2015 and decreased \$2.4 million in 2014, most significantly as a result of the effect the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* had on 2015 activity.

Net position of the College 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 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. Unrestricted net position was in a deficit position as of August 31, 2015 and 2014. This demonstrates that future funding will be necessary to liquidate long-term obligations.

Table 1—Condensed Statements of Net Position—Primary Government

	August 31,			
	2015		2014 (as restated)	
Current assets	$ 47,448,045	50.8%	$ 51,289,115	61.3%
Noncurrent assets	45,868,233	49.2%	32,351,603	38.7%
Total assets	93,316,278	100.0%	83,640,718	100.0%
Deferred outflows of resources	4,185,740	100.0%	2,100,790	100.0%
Current liabilities	28,852,572	27.8%	28,056,787	27.8%
Noncurrent liabilities	75,034,606	72.2%	73,088,919	72.2%
Total liabilities	103,887,178	100.0%	101,145,706	100.0%
Deferred inflows of resources	7,532,634	100.0%	-	n/a
Net position:				
Net investment in capital assets	32,148,404	-241.3%	27,068,518	-175.7%
Unrestricted	(46,066,198)	341.3%	(42,472,716)	275.7%
Total net position	$ (13,917,794)	100.0%	$ (15,404,198)	100.0%

At August 31, 2015 and 2014, total College assets were $93,316,278 and $83,640,718, respectively. Cash and cash equivalents were $43,855,772 and $48,174,366 as of August 31, 2015 and 2014, respectively, comprising the largest class of assets held by the College. The decrease in cash and cash equivalents in the current year was related to the increase in capital assets created from the College's completion of capital projects. The decrease is also attributable to decreased net student tuition and fees revenue and grants and contract revenue of $1.8 million for the year ended August 31, 2015, as compared to the previous year. 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 net investment in capital assets (e.g., land improvements, building improvements, machinery and equipment, less accumulated depreciation) encompasses its second largest asset class at August 31, 2015 of $35,102,049, an increase of $3.6 million from the $31,498,986 reported at August 31, 2014. The increase is attributable to building renovations, College-wide technology and equipment additions of $13.7 million, net deletions of $6.1 million and depreciation charges amounting to $4.0 million.

At August 31, 2015 and 2014, the College reported deferred outflows of resources of $4.2 million and $2.1 million, respectively, representing deferred outflows relating to pensions.

Current liabilities of $28,852,572 at August 31, 2015 reflect an increase of approximately $0.8 million over the August 31, 2014 total of $28,056,787. Accounts payable and due to Erie County comprised $1.1 million of the overall increase, which was partially offset by a decrease in accrued liabilities of $0.7 million. Noncurrent liabilities at August 31, 2015 and 2014 have grown to $75,034,606 and $73,088,919, respectively. These increases are primarily due to the recording of other post-employment benefits, the ("OPEB"), which increased by $4.8 million and $2.0 million during the years ended August 31, 2015 and 2014, respectively. OPEB is the College's most significant liability, and is anticipated to continue growing from year to year until all such benefits are recorded (the liability will accrue for 21 more years). Despite the significance of this benefit liability, the College believes it has sufficient resources to meet its ongoing obligation to students and creditors, even though unrestricted net position is presently in a deficit position. Additionally, the noncurrent portion of the College's capital lease and net pension liability decreased $1.5 million and $1.0 million from August 31, 2014, respectively.

At August 31, 2015 and 2014, the College reported deferred inflows of resources of $7.5 million and $0, respectively, representing deferred inflows relating to pensions. This deferred inflow has been actuarially determined by the New York State Teachers' Retirement System.

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, 2015, the current ratio of 1.64 indicates that the College has sufficient available resources to meet current obligations. Table 2 presents the current ratio for the College at August 31, 2015, and 2014, which has decreased slightly from prior year.

Table 2—Ratio of Current Assets to Current Liabilities—Primary Government

	Year Ended August 31, 2015	2014
Current assets	$47,448,045	$51,289,115
Current liabilities	28,852,572	28,056,787
Ratio of current assets to current liabilities	1.64	1.83

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

	Year Ended August 31, 2015	2014
Operating revenues	$ 41,916,123	$ 41,514,690
Operating expenses	128,909,382	131,804,569
Operating loss	(86,993,259)	(90,289,879)
Nonoperating revenues—net of nonoperating expenses of $144,857 and $186,968 for the years ended August 31, 2015 and 2014, respectively	70,925,346	71,718,409
Loss before transfers	(16,067,913)	(18,571,470)
Transfers in—County contributions	17,554,317	17,429,317
Change in net position	1,486,404	(1,142,153)
Net position—beginning	(15,404,198)	(13,005,869)
Restatement	-	(1,256,176)
Net position—ending	$ (13,917,794)	$ (15,404,198)

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 student financial aid, or the transfer in of County contribution by Erie County, the College'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 enterprises; 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 general expenses, 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—Primary Government

	Year Ended August 31,	
	2015	2014
Operating revenues (by major source):		
Student tuition and fees	$ 55,770,605	$ 55,486,455
Less: scholarship allowances	(21,760,496)	(20,522,508)
Net student tuition and fees	34,010,109	34,963,947
Grants and contracts	6,001,723	5,707,484
Other sources	1,904,291	843,259
Total operating revenues	41,916,123	41,514,690
Nonoperating revenues (by major source):		
State appropriations, unrestricted	31,643,706	31,962,381
Local appropriations, unrestricted	1,223,829	1,380,906
Federal and state financial aid	38,172,997	38,510,567
Investment income	29,671	51,523
Total nonoperating revenues	71,070,203	71,905,377
Transfers in—County contributions	17,554,317	17,429,317
Total revenues	$ 130,540,643	$ 130,849,384

Operating revenues increased $0.4 million during the year ended August 31, 2015 from those of the year ended August 31, 2014. Increases in tuition and fees of $0.3 million (increased tuition) offset by an increase in scholarship allowances of less than $1.2 million make up the $0.9 million decrease in net tuition and fees. Federal, state and local grants during the year ended August 31, 2015 were up $0.3 million from the previous year's levels, and other sources increased $1.1 million due to the settlement of contracts and the refund of prior year expenses related to retro-wage accruals.

Nonoperating revenues were down $0.8 million during the year ended August 31, 2015 from the year ended August 31, 2014, to a total of $71.1 million. This is mainly attributable to the decrease of $0.3 million in both unrestricted state appropriations and federal and state student financial aid, which correspond with the decrease in enrollment.

Table 5—Summary of Expenses (Functional Classifications)—Primary Government

	Year Ended August 31,	
	2015	2014
Operating expenses:		
Instruction	$ 47,725,791	$ 51,751,298
Academic support	6,459,799	6,234,627
Libraries	1,844,211	2,034,704
Student services	13,921,061	14,440,123
General administration	5,364,385	4,996,620
General institutional services	15,920,069	15,340,186
Maintenance and operation of plant	12,713,602	13,543,934
OPEB expense	4,766,766	2,031,382
Scholarships	16,206,297	17,822,821
Depreciation	3,987,401	3,608,874
Total operating expenses	128,909,382	131,804,569
Nonoperating expenses:		
Loss on disposal of capital assets	16,372	13,238
Interest expense	128,485	173,730
Total expenses	$ 129,054,239	$ 131,991,537

Total expenses of $129.1 million in the year ended August 31, 2015 were 0.3% lower than those corresponding costs of $132.0 million in the previous year. Significant decreases in employee benefits and taxes and scholarships make up the majority of this variance.

Instruction costs decreased $4.0 million overall as compared to the previous year. Employee benefits expenses represent the majority of the decrease ($3.9 million) as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* had on 2015 activity. During 2015, the College recognized its' proportionate share of the New York State Employee Retirement System net pension asset, which reduced the employee benefit expenses. OPEB expense increased $2.7 million due to an increase in the College's annual required contribution. Scholarships decreased $1.6 million due to a decrease in the number of students receiving grant funding which corresponds to the overall decrease in enrollment.

Table 6—Summary of Expenses—Primary Government

	Year Ended August 31,			
	2015	% of total	2014	% of total
Operating expenses:				
Salaries and wages	$ 59,183,605	45.9%	$ 59,007,135	44.7%
Employee benefits and taxes	29,145,864	22.6%	30,822,348	23.4%
Scholarships	16,187,531	12.5%	17,804,460	13.5%
Utilities	1,868,641	1.4%	2,194,380	1.7%
Depreciation	3,987,401	3.1%	3,608,874	2.7%
Supplies, services, and general	18,536,340	14.4%	18,367,372	13.9%
Nonoperating expenses:				
Loss on disposal of capital assets	16,372	0.0%	13,238	0.0%
Interest expense	128,485	0.1%	173,730	0.1%
Total expenses	$ 129,054,239	100.0%	$ 131,991,537	100.0%

As reflected in Table 6, in 2015 the College spent $0.69 of every dollar on personnel costs providing services to students, and another $0.13 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 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 income (loss) to net cash provided by (used for) operating activities*—This section provides a schedule that reconciles the accrual-based operating loss to the net cash flow used for operating activities.

Table 7—Condensed Statements of Cash Flows—Primary Government

	Year Ended August 31, 2015	Year Ended August 31, 2014
Cash provided by (used for):		
Operating activities	$ (83,592,976)	$ (82,139,799)
Noncapital financail activities	88,328,370	89,358,579
Capital and related financing activities	(9,083,659)	(7,341,413)
Investing activities	29,671	51,523
(Decrease) increase in cash and cash equivalents	(4,318,594)	(71,110)
Cash and cash equivalents—beginning	48,174,366	48,245,476
Cash and cash equivalents—ending	$ 43,855,772	$ 48,174,366

The College used cash of $4.3 million during the year ended August 31, 2015 compared to using $71.1 thousand in 2014 for the purchase of capital assets and the payment of fringe benefits. The decrease in cash and cash equivalents of 9.0% from 2014 represents the challenges that the College has been experiencing in its operations.

Capital Asset Activity

The College's net capital asset additions for the fiscal years ended August 31, 2015 and 2014 amounted to approximately $7.6 and $5.9 million, respectively. These additions included significant building improvements and additions, enhancements and renovations to classrooms and laboratories, electrical service upgrades and technological improvements/equipment purchases. The College continued its significant investment in equipment, utilizing bonding supplied by its local sponsor, the County of Erie, New York.

Economic Outlook

A significant factor impacting the College's financial position and operations is student enrollment. Future enrollment levels will continue to be influenced by the economic environment, and local student demographics, which reflect a downward trend in the number of traditional-aged students. 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. It is projected that enrollment will stabilize in 2016 with modest increase in the following years.

Basic state aid is the funding resource provided to 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:

2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
$ 2,597	$ 2,497	$ 2,422	$ 2,272	$ 2,122	$ 2,260

New York State has previously experienced difficulty in balancing budgets, resulting in decreases in the basic state aid rate paid to its community colleges starting in the first quarter of 2009-2010. The governor has proposed a 2016-2017 budget holding the $2,597 rate currently in effect; however, it is presently undeterminable whether the state legislature will approve the budget as presented. State appropriations decreased $0.3 million for the year ended August 31, 2015 after increasing $1.1 million for the year ended August 31, 2014 reflecting a favorable 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, prior to 2015 had failed to increase its College support for the previous several years, given its own economic realities. The County's 2015 budget did, however, include a $125,000 or 0.7% increase in support and the 2016 budget increased support an additional $500,000. 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 2015 and 2014, state appropriations contributed approximately 24.3% and 24.5% of all revenues, respectively, while the local sponsor contributed 13.5% for 2015, an increase from 13.3% from the prior year. Both years for these contributions totaled a combined 37.8% of all College resources. The sponsor's recent increases in support of the College have been partially offset by the declines in state operating aid given the decline in student enrollment. Despite a tuition increase in 2015, net student tuition and fees comprise 26.1% of total revenues, down from 26.7% in 2014 due to the decrease in enrollment.

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 offers approximately 100 degree and certificate programs. Grants, including student aid, were $43.6 million and $44.2 million, respectively, for the 2015 and 2014 years. The College continues to maintain strict staffing levels while examining opportunities to reduce or maintain costs in accordance with its budget. The College has allocated $4.0 million of its unrestricted fund balance for use in the 2015/16 budget.

The Faculty Federation ("FFECC") union contract, the College's largest, expired August 31, 2009. Contract negotiations with the union had been underway since that time. The parties reached agreement on a successor contract in fall 2015 as well as a successor contract with the Administrators Association ("AAECC") union, which commenced September 2007, and had expired on August 31, 2011. Both the contract with the FFECC and AAECC contain additional salary costs but significant changes in employee benefits. The financial impact of the new agreements will affect the fiscal year ended August 31, 2016. 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, was ratified in July 2014. The agreement is effective from January 1, 2008 through December 31, 2016. The agreement provided for raises of 2.0% retroactive to January 1, 2014, an increase of 2.0% for January 1, 2015 and 2.5% increase effective January 1, 2016. All negotiated labor agreements contain concessions on health insurance, including the elimination of employer paid health insurance for new employees, holidays, summer hours and other items.

Changes Impacting Future Operations

Enrollment at the College decreased 6.3% in 2015, for a fourth consecutive year of decreases (4.1% decrease in 2014, 4.7% decrease in 2013 and 2.6% decrease in 2012). It continues to work diligently relative to recruitment techniques and other measures to negate the decreases in enrollment experienced. A downward enrollment trend coupled with higher mandated/uncontrollable costs (such as health insurance and retirement costs), small increases in funding from its local sponsor and future anticipated reductions in state aid, led to the College's decision to increase yearly tuition rates from $3,300 in 2010-2011 to $4,595 for the 2015-2016 year. Another year of extremely tight budgeting with the College's focus on cost controls, program review and revenue enhancement is necessary for the next several budget years.

Erie Community College and Erie County continue to move forward on the construction of a new 57,000 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. At this time, construction of the building is expected to begin in spring 2016, with classes to be held in the new space in fall 2017. 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. At its meeting of May 29, 2014 the Commission reaffirmed ECC's accreditation. A Periodic Review Report is due June 1, 2017 and the next self-study is scheduled for 2021-2022. Accreditation information, including a history of events, can be viewed on 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. William Reuter, Chief Administrative and Financial Officer, 121 Ellicott Street, Buffalo, New York, 14203.

Basic Financial Statements

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Statement of Net Position
August 31, 2015

	Primary Government Business-type Activities	Component Units Foundation	Component Units Auxiliary Services Corporation	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 43,855,772	$ 471,970	$ 1,785,108	$ 46,112,850
Investments	-	3,930,419	-	3,930,419
Student receivables, net of allowance of $7,979,736	1,910,827	-	-	1,910,827
Due from Erie County	30,618	-	-	30,618
Other receivables	1,650,828	270,595	144,588	2,066,011
Inventories	-	-	35,606	35,606
Prepaid items	-	-	14,769	14,769
Total current assets	47,448,045	4,672,984	1,980,071	54,101,100
Noncurrent assets:				
Capital assets	57,819,975	-	899,246	58,719,221
Less: accumulated depreciation	(22,717,926)	-	(567,836)	(23,285,762)
Net pension asset	10,651,290	-	-	10,651,290
Other assets	114,894	-	-	114,894
Net assets held on behalf of others	-	-	858,586	858,586
Total noncurrent assets	45,868,233	-	1,189,996	47,058,229
Total assets	93,316,278	4,672,984	3,170,067	101,159,329
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows relating to pensions	4,185,740	-	-	4,185,740
Total deferred outflows of resources	4,185,740	-	-	4,185,740
LIABILITIES				
Current liabilities:				
Accounts payable	2,359,201	3,356	92,180	2,454,737
Accrued liabilities	1,555,999	-	67,451	1,623,450
Capital leases	1,476,823	-	-	1,476,823
Compensated absences	400,000	-	-	400,000
Due to retirement systems	4,499,015	-	-	4,499,015
Due to Erie County	2,234,741	-	-	2,234,741
Other liabilities	6,797,705	172,149	-	6,969,854
Unearned revenue	9,529,088	-	47,000	9,576,088
Total current liabilities	28,852,572	175,505	206,631	29,234,708
Noncurrent liabilities:				
Accrued liabilities	1,054,034	-	-	1,054,034
Capital leases	1,476,822	-	-	1,476,822
Compensated absences	3,693,344	-	-	3,693,344
Due to retirement systems	331,182	-	-	331,182
OPEB obligation	65,514,138	-	-	65,514,138
Net pension liability	2,965,086	-	-	2,965,086
Net assets held on behalf of others	-	-	858,586	858,586
Total noncurrent liabilities	75,034,606	-	858,586	75,893,192
Total liabilities	103,887,178	175,505	1,065,217	105,127,900
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows relating to pensions	7,532,634	-	-	7,532,634
NET POSITION				
Net investment in capital assets	32,148,404	-	-	32,148,404
Permanently restricted	-	1,942,110	-	1,942,110
Temporarily restricted	-	1,451,837	10,000	1,461,837
Unrestricted	(46,066,198)	1,103,532	2,094,850	(42,867,816)
Total net position	$ (13,917,794)	$ 4,497,479	$ 2,104,850	$ (7,315,465)

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, 2014

	Primary Government	Component Units		
	Business-type Activities	Foundation	Auxiliary Services Corporation	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 48,174,366	$ 171,235	$ 1,708,711	$ 50,054,312
Investments	-	4,170,278	-	4,170,278
Student receivables, net of allowance of $7,874,502	1,170,503	-	-	1,170,503
Due from Erie County	522,087	-	-	522,087
Other receivables	1,422,159	351,854	106,880	1,880,893
Inventories	-	-	45,691	45,691
Prepaid items	-	-	1,949	1,949
Total current assets	51,289,115	4,693,367	1,863,231	57,845,713
Noncurrent assets:				
Capital assets	50,829,158	-	899,246	51,728,404
Less: accumulated depreciation	(19,330,172)	-	(532,154)	(19,862,326)
Net pension asset, as restated	609,238	-	-	609,238
Other assets	243,379	-	-	243,379
Net assets held on behalf of others	-	-	959,342	959,342
Total noncurrent assets	32,351,603	-	1,326,434	33,678,037
Total assets	83,640,718	4,693,367	3,189,665	91,523,750
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows relating to pensions, as restated	2,100,790	-	-	2,100,790
Total deferred outflows of resources	2,100,790	-	-	2,100,790
LIABILITIES				
Current liabilities:				
Accounts payable	1,832,330	3,981	30,035	1,866,346
Accrued liabilities	2,201,212	-	56,196	2,257,408
Capital leases	1,476,823	-	-	1,476,823
Compensated absences	250,000	-	-	250,000
Due to retirement systems	4,385,085	-	-	4,385,085
Due to Erie County	1,677,391	-	-	1,677,391
Other liabilities	6,511,773	191,418	-	6,703,191
Unearned revenue	9,722,173	-	8,000	9,730,173
Total current liabilities	28,056,787	195,399	94,231	28,346,417
Noncurrent liabilities:				
Accrued liabilities	1,084,324	-	-	1,084,324
Capital leases	2,953,645	-	-	2,953,645
Compensated absences	3,921,741	-	-	3,921,741
Due to retirement systems	415,633	-	-	415,633
OPEB obligation	60,747,372	-	-	60,747,372
Net pension liability, as restated	3,966,204	-	-	3,966,204
Net assets held on behalf of others	-	-	959,342	959,342
Total noncurrent liabilities	73,088,919	-	959,342	74,048,261
Total liabilities	101,145,706	195,399	1,053,573	102,394,678
NET POSITION				
Net investment in capital assets	27,068,518	-	-	27,068,518
Permanently restricted	-	1,889,552	-	1,889,552
Temporarily restricted	-	1,491,113	13,609	1,504,722
Unrestricted, as restated	(42,472,716)	1,117,303	2,122,483	(39,232,930)
Total net position, as restated	$ (15,404,198)	$ 4,497,968	$ 2,136,092	$ (8,770,138)

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, 2015

	Primary Government Business-type Activities	Component Units Foundation	Component Units Auxiliary Services Corporation	Total
OPERATING REVENUES				
Student tuition and fees	$ 55,770,605	$ -	$ -	$ 55,770,605
Less: scholarship allowances	(21,760,496)	-	-	(21,760,496)
Net student tuition and fees	34,010,109	-	-	34,010,109
Federal grants and contracts	1,938,060	-	-	1,938,060
State grants	1,278,960	-	-	1,278,960
Local grants	2,784,703	-	-	2,784,703
Other sources	1,904,291	175,883	193,439	2,273,613
Contributions	-	424,046	-	424,046
Support from Erie Community College	-	224,074	-	224,074
Food service revenue, net	-	-	477,477	477,477
Bookstore revenue	-	-	593,379	593,379
Childcare service revenue	-	-	740,155	740,155
Total operating revenues	41,916,123	824,003	2,004,450	44,744,576
OPERATING EXPENSES				
Salaries and wages	59,183,605	-	-	59,183,605
Employee benefits and taxes	29,145,864	-	-	29,145,864
Scholarships	16,187,531	251,028	-	16,438,559
Utilities	1,868,641	-	-	1,868,641
Depreciation	3,987,401	-	-	3,987,401
Supplies, services, and general	18,536,340	573,464	482,157	19,591,961
Food service	-	-	666,480	666,480
Childcare service	-	-	767,187	767,187
Total operating expenses	128,909,382	824,492	1,915,824	131,649,698
Operating income (loss)	(86,993,259)	(489)	88,626	(86,905,122)
NONOPERATING REVENUES (EXPENSES)				
State appropriations, unrestricted	31,643,706	-	-	31,643,706
Local appropriations, unrestricted	1,223,829	-	-	1,223,829
Federal and state student financial aid	38,172,997	-	-	38,172,997
Investment income	29,671	-	1,087	30,758
Miscellaneous revenue	-	-	76,734	76,734
Loss on disposal of capital assets	(16,372)	-	-	(16,372)
Interest expense	(128,485)	-	-	(128,485)
Program expenses	-	-	(197,689)	(197,689)
Total nonoperating revenues (expenses)	70,925,346	-	(119,868)	70,805,478
Income (loss) before transfers	(16,067,913)	(489)	(31,242)	(16,099,644)
Transfers in—County contributions	17,554,317	-	-	17,554,317
Change in net position	1,486,404	(489)	(31,242)	1,454,673
Net position—beginning	(15,404,198)	4,497,968	2,136,092	(8,770,138)
Net position—ending	$ (13,917,794)	$ 4,497,479	$ 2,104,850	$ (7,315,465)

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, 2014

	Primary Government Business-type Activities	Component Units Foundation	Component Units Auxiliary Services Corporation	Total
OPERATING REVENUES				
Student tuition and fees	$ 55,486,455	$ -	$ -	$ 55,486,455
Less: scholarship allowances	(20,522,508)	-	-	(20,522,508)
Net student tuition and fees	34,963,947	-	-	34,963,947
Federal grants and contracts	1,964,384	-	-	1,964,384
State grants	962,402	-	-	962,402
Local grants	2,780,698	-	-	2,780,698
Other sources	843,259	754,734	196,216	1,794,209
Contributions	-	789,384	-	789,384
Support from Erie Community College	-	276,022	-	276,022
Food service revenue, net	-	-	507,983	507,983
Bookstore revenue	-	-	585,275	585,275
Childcare service revenue	-	-	772,506	772,506
Total operating revenues	41,514,690	1,820,140	2,061,980	45,396,810
OPERATING EXPENSES				
Salaries and wages	59,007,135	-	-	59,007,135
Employee benefits and taxes	30,822,348	-	-	30,822,348
Scholarships	17,804,460	247,364	-	18,051,824
Utilities	2,194,380	-	-	2,194,380
Depreciation	3,608,874	-	-	3,608,874
Supplies, services, and general	18,367,372	790,507	477,438	19,635,317
Food service	-	-	679,910	679,910
Childcare service	-	-	774,286	774,286
Total operating expenses	131,804,569	1,037,871	1,931,634	134,774,074
Operating income (loss)	(90,289,879)	782,269	130,346	(89,377,264)
NONOPERATING REVENUES (EXPENSES)				
State appropriations, unrestricted	31,962,381	-	-	31,962,381
Local appropriations, unrestricted	1,380,906	-	-	1,380,906
Federal and state student financial aid	38,510,567	-	-	38,510,567
Investment income	51,523	-	2,050	53,573
Miscellaneous revenue	-	-	75,651	75,651
Loss on disposal of capital assets	(13,238)	-	-	(13,238)
Interest expense	(173,730)	-	-	(173,730)
Program expenses	-	-	(384,018)	(384,018)
Total nonoperating revenues (expenses)	71,718,409	-	(306,317)	71,412,092
Income (loss) before transfers	(18,571,470)	782,269	(175,971)	(17,965,172)
Transfers in—County contributions	17,429,317	-	-	17,429,317
Change in net position	(1,142,153)	782,269	(175,971)	(535,855)
Net position—beginning	(13,005,869)	3,715,699	2,312,063	(6,978,107)
Restatement (see Note 2)	(1,256,176)	-	-	(1,256,176)
Net position—ending, as restated	$ (15,404,198)	$ 4,497,968	$ 2,136,092	$ (8,770,138)

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, 2015

	Primary Government	Component Units		
	Business-type Activities	Foundation	Auxiliary Services Corporation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	$ 33,306,928	$ -	$ -	$ 33,306,928
Federal grants and contracts	1,764,612	-	-	1,764,612
State grants and contracts	1,255,636	-	-	1,255,636
Local grants	3,276,172	-	-	3,276,172
Other sources	2,721,636	1,057,245	-	3,778,881
Food service activity	-	-	1,087,740	1,087,740
Other auxiliary service activity	-	-	931,537	931,537
Personal service payments	(59,907,214)	(537,627)	(972,657)	(61,417,498)
Payments for fringe benefits	(29,945,105)	-	(173,750)	(30,118,855)
Payments to suppliers	(19,878,110)	(35,837)	(676,605)	(20,590,552)
Payments for scholarships	(16,187,531)	(251,028)	-	(16,438,559)
Net cash provided by (used for) operating activities	(83,592,976)	232,753	196,265	(83,163,958)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	43,873,969	-	-	43,873,969
County contributions	17,554,317	-	-	17,554,317
Federal and state student financial aid grants	25,682,611	-	-	25,682,611
Chargeback revenues	1,217,473	-	-	1,217,473
Endowment funds	-	52,558	-	52,558
Auxiliary other activity	-	-	(120,955)	(120,955)
Net cash provided by (used for) noncapital financing activities	88,328,370	52,558	(120,955)	88,259,973
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(7,606,836)	-	-	(7,606,836)
Capital lease payment	(1,476,823)	-	-	(1,476,823)
Net cash used for capital and related financing activities	(9,083,659)	-	-	(9,083,659)
CASH FLOW FROM INVESTING ACTIVITIES				
Interest, dividends, and realized gains on investments	29,671	194,740	1,087	225,498
Purchases of investments	-	(179,316)	-	(179,316)
Net cash provided by investing activities	29,671	15,424	1,087	46,182
Net increase (decrease) in cash and cash equivalents	(4,318,594)	300,735	76,397	(3,941,462)
Cash and cash equivalents—beginning	48,174,366	171,235	1,708,711	50,054,312
Cash and cash equivalents—ending	$ 43,855,772	$ 471,970	$ 1,785,108	$ 46,112,850

(continued)

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Statement of Cash Flows
Year Ended August 31, 2015

	Primary Government	Component Units		
	Business-type Activities	Foundation	Auxiliary Services Corporation	Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ (86,993,259)	$ (489)	$ 88,626	$ (86,905,122)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	3,987,401	-	35,682	4,023,083
(Increase) in student receivables, net	(740,324)	-	-	(740,324)
Realized and unrealized gain on investments	-	224,435	-	224,435
Decrease (increase) in other receivables, net	283,402	81,259	(37,708)	326,953
Decrease in inventories	-	-	10,085	10,085
(Increase) in net pension asset	(10,042,052)	-	-	(10,042,052)
(Increase) in prepaid items	-	-	(12,820)	(12,820)
(Increase) in deferred outflows relating to pension	(2,084,950)	-	-	(2,084,950)
Increase (decrease) in accounts payable	526,871	(625)	62,145	588,391
(Decrease) increase in accrued liabilities	(723,609)	-	11,255	(712,354)
Increase in retirement liabilities	29,479	-	-	29,479
Increase (decrease) in other liabilities	828,640	(19,269)	-	809,371
Increase in unearned revenues	37,143	-	39,000	76,143
Increase in net OPEB obligation	4,766,766	-	-	4,766,766
(Decrease) in net pension liability	(1,001,118)	-	-	(1,001,118)
Contributions restricted for long-term purposes	-	(52,558)	-	(52,558)
Increase in deferred inflows relating to pensions	7,532,634	-	-	7,532,634
Total adjustments	3,400,283	233,242	107,639	3,741,164
Net cash provided by (used for) operating activities	$ (83,592,976)	$ 232,753	$ 196,265	$ (83,163,958)

(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, 2014

	Primary Government	Component Units		
	Business-type Activities	Foundation	Auxiliary Services Corporation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	$ 35,066,505	$ -	$ -	$ 35,066,505
Federal grants and contracts	2,010,212	-	-	2,010,212
State grants and contracts	1,027,258	-	-	1,027,258
Local grants	2,777,851	-	-	2,777,851
Other sources	2,907,135	1,126,995	-	4,034,130
Food service activity	-	-	1,250,194	1,250,194
Other auxiliary service activity	-	-	911,062	911,062
Personal service payments	(59,749,076)	(406,335)	(979,971)	(61,135,382)
Payments for fringe benefits	(27,888,416)	-	(178,064)	(28,066,480)
Payments to suppliers	(20,486,808)	(384,172)	(878,378)	(21,749,358)
Payments for scholarships	(17,804,460)	(247,364)	-	(18,051,824)
Net cash provided by (used for) operating activities	(82,139,799)	89,124	124,843	(81,925,832)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	44,179,498	-	-	44,179,498
County contributions	17,429,317	-	-	17,429,317
Federal and state student financial aid grants	26,373,791	-	-	26,373,791
Chargeback revenues	1,375,974	-	-	1,375,974
Endowment funds	-	28,566	-	28,566
Auxiliary other activity	-	-	(308,367)	(308,367)
Net cash provided by (used for) noncapital financing activities	89,358,580	28,566	(308,367)	89,078,779
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(5,864,591)	-	-	(5,864,591)
Capital lease payment	(1,476,823)	-	-	(1,476,823)
Net cash used for capital and related financing activities	(7,341,414)	-	-	(7,341,414)
CASH FLOW FROM INVESTING ACTIVITIES				
Interest, dividends, and realized gains on investments	-	799,164	2,050	801,214
Purchases of investments	51,523	(856,040)	-	(804,517)
Net cash provided by (used for) investing activities	51,523	(56,876)	2,050	(3,303)
Net increase (decrease) in cash and cash equivalents	(71,110)	60,814	(181,474)	(191,770)
Cash and cash equivalents—beginning	48,245,476	110,421	1,890,185	50,246,082
Cash and cash equivalents—ending	$ 48,174,366	$ 171,235	$ 1,708,711	$ 50,054,312

(continued)

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Statement of Cash Flows
Year Ended August 31, 2014

	Primary Government	Component Units		
	Business-type Activities	Foundation	Auxiliary Services Corporation	Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ (90,289,879)	$ 782,269	$ 130,346	$ (89,377,264)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	3,608,874	-	35,682	3,644,556
Decrease in student receivables, net	157,727	-	-	157,727
Realized and unrealized gain on investments	-	(351,285)	-	(351,285)
Decrease (increase) in other receivables, net	338,873	(317,204)	148	21,817
(Increase) in inventories	-	-	(3,282)	(3,282)
(Increase) in prepaid items	-	-	(1,250)	(1,250)
(Increase) in net pension asset, as restated	(609,238)	-	-	(609,238)
(Increase) in deferred outflows relating to pensions, as restated	(2,100,790)	-	-	(2,100,790)
Increase (decrease) in accounts payable	74,944	137	(32,771)	42,310
(Decrease) increase in accrued liabilities	(741,941)	-	6,970	(734,971)
Increase in retirement liabilities	902,550	-	-	902,550
Increase in other liabilities	1,832,840	3,773	-	1,836,613
(Decrease) in unearned revenue	(55,169)	-	(11,000)	(66,169)
Increase in net OPEB obligation	2,031,382	-	-	2,031,382
Increase in net pension liability, as restated	3,966,204	-	-	3,966,204
Contributions restricted for long-term purposes	-	(28,566)	-	(28,566)
Restatement (see Note 2)	(1,256,176)	-	-	(1,256,176)
Total adjustments	8,150,080	(693,145)	(5,503)	7,451,432
Net cash provided by (used for) operating activities	$ (82,139,799)	$ 89,124	$ 124,843	$ (81,925,832)

(concluded)

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

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 up to 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 a 1% increase in County contributions from the year ended August 31, 2014. Prior to this increase the College had received the same level of support from the County for the three years ended August 31, 2012-2014 respectively, thus "maintenance of effort" was sustained. The College's 2014-15 and 2013-14 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 discretely presented 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 not-for-profit corporation, is to promote and cultivate educational and social relations through the operation of bookstores, on-campus dining services, vending facilities, childcare, and student centers for the convenience of the students, faculty, and staff of the College. The Corporation is funded through sales of merchandise and food, federal and state grants, and other fees.

The Corporation operates under the terms of an agreement with the Board of Trustees of the College. This agreement authorizes the Corporation to engage in the activities described above, and may be terminated by either party on 90 days written notice. As part of this agreement, the Corporation also acts as custodian for certain funds held on behalf of other organizations. The Corporation has rent-free use of certain College premises. It was not practical to determine the fair value of the use of these premises. Separate financial statements can be obtained from the Auxiliary Services Corporation of Erie Community College, Inc., Executive Director, 4041 Southwestern Blvd., Orchard Park, NY 14127.

Erie Community College Foundation, Inc.—The Erie Community College Foundation, Inc. (the "Foundation") is a New York State not-for-profit 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 the Erie Community College Foundation, Inc., Executive Director, 121 Ellicott Street, Buffalo, NY 14203.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The activities of the College are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The College follows GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which supersedes the provisions previously allowable under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, by incorporating into the GASB's literature all Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins no matter when issued except those that conflict with a GASB pronouncement.

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

Cash and Cash Equivalents—The College's cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition.

For purposes of the statements of cash flows, the Foundation considers all money market mutual funds and highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

The Corporation's cash consists of demand deposits and time deposits maintained at one bank. Cash is held in bank deposit accounts which may at times exceed federally insured limits. At August 31, 2015 and

2014, the Corporation's bank deposits were either FDIC-insured or collateralized with securities held by the pledging bank's agent in the Corporation's name.

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.

Inventories—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 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.

Other Assets—Other assets include the unamortized portion of assets supporting capital lease interest payments in the amounts of $114,894 and $243,379 at August 31, 2015 and 2014, respectively.

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

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, 2015 and 2014, 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.

Construction in progress is not depreciated. The other capital assets of the College are depreciated using the straight-line method over the following estimated useful lives:

	Estimated Useful Life (Years)
Building improvements	20
Land improvements	20
Equipment	3–10
Library collections	10

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of net 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, 2015 and 2014, the College has only one item that qualifies for reporting in this category. This item is related to pensions. This represents the effect of the net change in the College's proportion of the collective net pension asset or liability, the difference during the measurement period between the College's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date.

In addition to liabilities, the statement of net 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, 2015, the College has one item that qualifies for reporting in this category. This item represents the effect of the net change in the College's proportion of the collective net pension liability and the difference during the measurement periods between the College's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Net Position Flow Assumptions—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 follows the Not-For-Profit Entities subtopic of the FASB Accounting Standards Codification with respect to financial statement preparation. The Corporation prepares its financial statements in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") for not-for-profit organizations. Under these subtopics, 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 below:

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 non-governmental 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.

Nonoperating Activities—The Corporation includes miscellaneous revenue and program expenses, classified as non-operating activities in the statements of activities, as operating activities in the statement of cash flows. These receipts and disbursements of the Corporation are not considered to be guaranteed annual recurring transactions and, therefore, are classified as non-operating activities in the statements of activities; however, the nature of these items under the classifications provided in the statements of cash flows has been considered as operating activities.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for financial reporting purposes. At August 31, 2015, the College reported $9,529,088 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 $47,000 of unearned revenues related to advanced payments for sponserships and bookstore sales.

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 the applicable period.

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.

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

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 assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended August 31, 2015, the College implemented GASB Statements 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—an amendment of GASB Statement No. 68.* GASB Statements No. 68 and No. 71 improve accounting and financial reporting of governments for pensions by establishing standards for measuring and recognizing liabilities/(assets), deferred outflows of resources, deferred inflows of resources and expenses related to pensions. GASB Statement No. 69 improves accounting and financial reporting for reporting mergers, acquisitions, and transfers of operations by providing specific guidance for combinations and disposals in the governmental environment. GASB Statement No. 69 did not have a material impact on the College's financial position or results of 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. 72, *Fair Value Measurement and Application*; No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and No. 79, *Certain External Investment Pools and Pool Participants*, effective for the fiscal year ending August 31, 2016, No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 77, *Tax Abatement Disclosures*; and No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Plans* effective for the fiscal year ending August 31, 2017, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the fiscal year ending August 31, 2018. The College is, therefore, unable to disclose the impact that adopting GASB Statements No. 72, 73, 74, 75, 76, 77, 78 and 79 will have on its financial position and results of operations when such statements are adopted.

2. RESTATEMENT OF NET POSITION

For the fiscal year ended August 31, 2015, the College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The implementation of GASB Statements No. 68 and No. 71 resulted in the reporting of an asset, deferred outflows of resources, a liability and a deferred inflow of resources related to the College's participation in the New York State Teachers' and Employees' Retirement Systems.

The College's net position as of August 31, 2014 has been restated as follows:

	Business-type Activities
Net position—August 31, 2014, as previously stated	$ (14,148,022)
GASB Statements No. 68 and 71 implementation:	
Beginning system asset—Teachers' Retirement System	609,238
Beginning system liability—Employees' Retirement System	(3,966,204)
Beginning deferred outflow of resources for contributions subsequent to the measurement date:	
Teachers' Retirement System	382,534
Employees' Retirement System	1,718,256
Net position—August 31, 2014, as restated	$ (15,404,198)

3. 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 $2,497 and $2,422 for the years ended August 31, 2015 and 2014, respectively.

4. CASH AND CASH EQUIVALENTS

The College's available cash is deposited and invested in accordance with the State General Municipal Law (Article 2, Section 11), which governs the College's investment policies. 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. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash and cash equivalents of the College at August 31, 2015 and 2014 are shown below.

	2015	2014
Petty cash (uncollateralized)	$ 2,700	$ 2,700
Deposits	43,853,072	48,171,666
Total	$43,855,772	$ 48,174,366

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at August 31, 2015 and 2014 as follows:

	Bank Balance	Carrying Amount
Deposits at August 31, 2015:		
FDIC insured	$ 990,054	$ 990,054
Uninsured: collateral held by pledging bank's agent in the College's name	43,009,911	42,863,018
Total	$ 43,999,965	$ 43,853,072
Deposits at August 31, 2014:		
FDIC insured	$ 1,250,080	$ 1,250,080
Uninsured: collateral held by pledging bank's agent in the College's name	47,207,230	46,921,586
Total	$ 48,457,310	$ 48,171,666

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. At August 31, 2015 and 2014, the College's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the College's name.

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 statutes.

5. 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, 2015 and 2014 are as follows:

	2015		2014	
	Cost	Quoted Market Prices (Level 1)	Cost	Quoted Market Prices (Level 1)
Fixed income	$ 1,404,091	$ 1,391,452	$ 1,506,742	$ 1,548,735
Domestic stocks	1,631,111	1,976,643	1,548,581	2,035,175
International equities	412,527	499,398	384,809	520,765
Alternatives	55,221	62,926	56,047	65,603
Total	$ 3,502,950	$ 3,930,419	$ 3,496,179	$ 4,170,278
Net unrealized gain		$ 427,469		$ 674,099

6. RECEIVABLES

Receivables at August 31, 2015 and 2014 include student receivables, amounts due from the County and other receivables as follows:

	2015			2014		
	Receivable	Allowance	Net	Receivable	Allowance	Net
Student receivables	$ 9,890,563	$ (7,979,736)	$ 1,910,827	$ 9,045,005	$ (7,874,502)	$ 1,170,503
Due from Erie County	30,618	-	30,618	522,087	-	522,087
Other receivables:						
Due from other counties	49,402	-	49,402	43,046	-	43,046
Due from federal government	383,856	-	383,856	196,160	-	196,160
Due from New York State	1,036,275	-	1,036,275	1,012,952	-	1,012,952
Miscellaneous	181,295	-	181,295	170,001	-	170,001
Total receivables	$ 11,572,009	$ (7,979,736)	$ 3,592,273	$ 10,989,251	$ (7,874,502)	$ 3,114,749

Erie Community College Foundation, Inc.

Other receivables for the Foundation include unconditional promises to give and accounts receivable for special events at August 31, 2015 and 2014 as follows:

	2015	2014
Receivable in less than one year	$ 139,000	$ 123,385
Receivable in one to five years	123,375	230,000
Total unconditional promises to give	262,375	353,385
Less discounts to net present value	(1,130)	(2,331)
Net unconditional promises to give	261,245	351,054
Special events	9,350	800
Total other receivables	$ 270,595	$ 351,854

Auxiliary Services Corporation of Erie Community College, Inc.

Accounts receivable consisted of the following components at August 31, 2015 and 2014:

	2015	2014
Trade receivables	$ 144,588	$ 106,880

7. INVENTORIES

Auxiliary Services Corporation of Erie Community College, Inc.

Inventory consisted of the following components at August 31, 2015 and 2014:

	2015	2014
Food	$ 29,015	$ 36,615
Food service supplies	6,591	9,076
	$ 35,606	$ 45,691

8. CAPITAL ASSETS

Capital asset activity for the College for the years ended August 31, 2015 and 2014 was as follows:

	Balance 9/1/2014	Increases	Decreases	Balance 8/31/2015
Capital assets, not being depreciated:				
Construction in progress	$ 5,667,796	$ 6,311,101	$ 6,096,408	$ 5,882,489
Total capital assets, not being depreciated	5,667,796	6,311,101	6,096,408	5,882,489
Capital assets, being depreciated:				
Building improvements	19,375,082	6,096,408	-	25,471,490
Land improvements	63,754	-	-	63,754
Equipment	23,367,510	1,074,231	351,705	24,090,036
Library collections	2,355,016	221,504	264,314	2,312,206
Total capital assets, being depreciated	45,161,362	7,392,143	616,019	51,937,486
Less accumulated depreciation for:				
Building improvements	3,552,528	1,121,165	-	4,673,693
Land improvements	30,284	3,188	-	33,472
Equipment	14,503,226	2,638,255	348,548	16,792,933
Library collections	1,244,134	224,793	251,099	1,217,828
Total accumulated depreciation	19,330,172	3,987,401	599,647	22,717,926
Total capital assets, being depreciated, net	25,831,190	3,404,742	16,372	29,219,560
Total capital assets, net	$31,498,986	$ 9,715,843	$ 6,112,780	$35,102,049

	Balance 9/1/2013	Increases	Decreases	Balance 8/31/2014
Capital assets, not being depreciated:				
Construction in progress	$ 6,278,653	$ 3,742,616	$ 4,353,473	$ 5,667,796
Total capital assets, not being depreciated	6,278,653	3,742,616	4,353,473	5,667,796
Capital assets, being depreciated:				
Building improvements	15,021,609	4,353,473	-	19,375,082
Land improvements	63,754	-	-	63,754
Equipment	22,297,656	1,907,795	837,941	23,367,510
Library collections	2,389,952	214,179	249,115	2,355,016
Total capital assets, being depreciated	39,772,971	6,475,447	1,087,056	45,161,362
Less accumulated depreciation for:				
Building improvements	2,692,612	859,916	-	3,552,528
Land improvements	27,096	3,188	-	30,284
Equipment	12,819,408	2,520,977	837,159	14,503,226
Library collections	1,256,000	224,793	236,659	1,244,134
Total accumulated depreciation	16,795,116	3,608,874	1,073,818	19,330,172
Total capital assets, being depreciated, net	22,977,855	2,866,573	13,238	25,831,190
Total capital assets, net	$29,256,508	$ 6,609,189	$ 4,366,711	$31,498,986

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, 2015 and 2014 consist of the following:

	2015	2014
Equipment	$ 260,552	$ 260,552
Facility improvements	630,312	630,312
Vehicles	8,382	8,382
Total capital assets	899,246	899,246
Less accumulated depreciation	(567,836)	(532,154)
Total capital assets, net	$ 331,410	$ 367,092

9. ACCRUED LIABILITIES

Accrued liabilities reported by the College at August 31, 2015 and 2014 were as follows:

	2015	2014
Salary and benefits*	$ 1,499,659	$ 2,159,887
Health insurance—terminal liability	1,051,279	1,081,568
Grants	59,095	44,081
Total	$ 2,610,033	$ 3,285,536

* Portions included as noncurrent liabilities, see Note 14 for additional information.

10. PENSION OBLIGATIONS

The College participates in the New York State Teacher's Retirement System ("TRS"), the New York State and Local Employees' Retirement System ("ERS"), and the Teachers' Insurance and Annuity Association – College Retirement Equities Fund ("TIAA/CREF"). The TRS and ERS (the "Systems") are cost-sharing multiple-employer public employee retirement systems which compute contribution requirements based on the New York State Retirement and Local Security Law ("NYSRSSL"). 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.

Defined Benefit Plans

Plan Descriptions and Benefits Provided

Teachers' Retirement System ("TRS")—The College participates in the New York State Teachers' Retirement System. This is a cost-sharing multiple-employer retirement system. TRS provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and NYSRSSL. TRS is governed by a 10 member Board of Trustees. TRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding TRS may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on TRS' website at www.nystrs.org.

Employees' Retirement System ("ERS")—The College participates in the New York State and Local Employees' Retirement System. This is a cost-sharing multiple-employer retirement system. ERS provides retirement benefits as well as death and disability benefits. The net position of ERS is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. System benefits are established under the provisions of the NYSRSSL. Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The College also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny. us/retire/publications/ index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At August 31, 2015, the College reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension liability/(asset) was measured as of June 30, 2014 for TRS and March 31, 2015 for ERS. The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by actuarial valuations as of June 30, 2013 and April 1, 2014, respectively, with update procedures used to roll forward the total pension liability/(asset) to the measurement dates. The College's proportion of the net pension liability/(asset) was based on a projection of the College's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. For TRS, this information was provided by the TRS in a report to the College. For ERS, the College is under the County's plan. The County determined a percentage to the College for the allocation of the County's proportion of the net pension liability.

	TRS	ERS
Measurement date	June 30, 2014	March 31, 2015
Net pension (asset)/liability	$ (10,651,290)	$ 2,965,086
College's portion of the Plan's total net pension (asset)/liability	0.0925540%	0.0877700%

For the year ended August 31, 2015, the College recognized an actuarial increase of $419,515 for the TRS and pension expense of $2,632,105 for the ERS. At August 31, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experiences	$ -	$ 94,916	$ 155,756	$ -
Net difference between projected and actual earnings on pension plan investments	-	514,998	7,153,499	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	-	-	18,071	205,308
College contributions subsequent to the measurement date	2,085,913	1,489,913	-	-
Total	$ 2,085,913	$ 2,099,827	$ 7,327,326	$ 205,308

College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31,	TRS	ERS
2016	$ 1,808,587	$101,151
2017	1,808,587	101,151
2018	1,808,587	101,151
2019	1,808,587	101,153
2020	20,212	-
Thereafter	72,766	-

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

	TRS	ERS
Measurement date	June 30, 2014	March 31, 2015
Actuarial valuation date	June 30, 2013	April 1, 2014
Interest rate	8.00%	7.50%
Salary scale	4.01%-10.91%	4.90%
Decrement tables	July 1, 2005- June 30, 2010	April 1, 2005- March 31, 2010
Inflation rate	3.0%	2.7%

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

For TRS, the actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. For ERS, the actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

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

	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
Measurement date			June 30, 2014	March 31, 2015
Asset class:				
Domestic equities	37.0 %	38.0 %	7.3 %	7.3 %
International equities	18.0	13.0	8.5	8.6
Private equity	0.0	10.0	0.0	11.0
Real estate	10.0	8.0	5.0	8.3
Alternative investments	7.0	0.0	11.0	0.0
Absolute return strategies	20.0	3.0	1.4	6.8
Opportunistic portfolio	0.0	3.0	0.0	8.6
Real assets	0.0	3.0	0.0	8.7
Bonds and mortgages	8.0	18.0	3.4	4.0
Cash	0.0	2.0	0.0	2.3
Inflation-indexed bonds	0.0	2.0	0.0	4.0
Total	100.0 %	100.0 %		

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

Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to the Discount Rate Assumption—The chart below presents the College's proportionate share of the net pension liability/(asset) calculated using the discount rate of 8.0% for TRS and 7.5% for ERS, as well as what the College's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (7.0% for TRS and 6.5% for ERS) or one percentage-point higher (9.0% for TRS and 8.5% for ERS) than the current assumption.

TRS	1% Decrease (7.0%)	Current Assumptiom (8.0%)	1% Increase (9.0%)
Employer's proportionate share of the net pension (asset)	$ (229,763)	$ (10,651,290)	$ (19,531,879)

ERS	1% Decrease (6.5%)	Current Assumptiom (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability/(asset)	$ 19,763,582	$ 2,965,086	$ (11,217,010)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability/(asset) of the employers as of the respective valuation dates, were as follows:

	(Dollars in Thousands)		
	TRS	ERS	Total
Valuation date	June 30, 2014	March 31, 2015	
Employers' total pension liability/(asset)	$ 97,015,707	$ 164,591,504	$ 261,607,211
Plan fiduciary net position	108,155,083	161,213,259	269,368,342
Employers' net pension liability/(asset)	$ (11,139,376)	$ 3,378,245	$ (7,761,131)
System fiduciary net position as a percentage of total pension liability/(asset)	111.48%	97.95%	102.97%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended August 31, 2015 are paid to the System in September, October and November 2015 through a state aid intercept. Accrued retirement contributions as of August 31, 2015 represent employee and employer contributions for the fiscal year ended August 31, 2015 based on paid TRS wages multiplied by the employer's contribution rate, by tier, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of August 31, 2015 amounted to $2,834,278.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends of March 31st. Accrued retirement contributions as of August 31, 2015 represent the projected employer contribution for the period of April 1, 2015 through August 31, 2015 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of August 31, 2015 amounted to $1,910,053.

Defined Contribution Plan

Teachers' Insurance and Annuity Association – College Retirement Equities Fund

Plan Description—TIAA/CREF is a college Optional Retirement Program ("ORP") and offers benefits through annuity contracts. The TIAA/CREF issues a publicly available financial report that contains financial statements and required supplementary information for the System. The Report may be obtained by writing to the Teachers' Insurance and Annuity Association – College Retirement Equities Fund, 730 Third Avenue, New York, New York, 10017.

Funding Policy—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 July 27, 1992, the College contributes 8 percent of salary for the first seven years of employment and 10 percent of salary thereafter. For employees enrolled between July 27, 1976 and July 17, 1992, the College contributes 9 percent of the first $16,500 in salary and 12 percent thereafter. Those joining after April 1, 2013 contribute a percentage ranging from 3 percent to 6 percent, based on salary for their entire length of service. Employee contributions are deducted from their salaries and remitted on a current basis to TIAA/CREF.

Year Ended August 31,	Employer Contributions	Employee Contributions
2015	$ 2,233,566	$ 85,681
2014	2,303,893	91,364
2013	2,348,915	89,052

The College's contribution made to the TIAA/CREF was equal to 100 percent of the contributions required for each year.

Auxiliary Services Corporation of Erie Community College, Inc.

The Corporation participates in a Section 403(b) plan that covers substantially all of its full-time employees. Contributions made to the plan take the form of bonuses that the employee elects to contribute to a tax-sheltered annuity or custodial account which is maintained through an independent pension provider. This plan is available for the benefit of all full-time employees of the Corporation who have completed one year of service to the organization.

In accordance with the plan agreement, the organization makes contributions to the plan, which is determined based on a percentage of the participating employee's salary and the years of service with the organization. The organization's contributions were $23,738 and $24,133 for the years ended August 31, 2015 and 2014, respectively.

11. 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 $6,011,514 and $5,584,474, respectively, for the fiscal years ended August 31, 2015 and 2014.

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 contributed to the plan, and the changes in the College's net OPEB obligation.

	2015	2014
Annual required contribution ("ARC")	$ 11,808,246	$ 8,611,380
Interest on net OPEB obligation	2,612,137	2,524,788
Adjustment to ARC	(3,642,103)	(3,520,312)
Annual OPEB cost (expense)	10,778,280	7,615,856
Contributions made	(6,011,514)	(5,584,474)
Increase in net OPEB obligation	4,766,766	2,031,382
Net OPEB obligation—beginning	60,747,372	58,715,990
Net OPEB obligation—ending	$ 65,514,138	$ 60,747,372

Funding Status and Funding Progress—As of September 1, 2014, the most recent interim valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits was $112,085,546.

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
2015	$ 11,808,246	$ 6,011,514	50.9%
2014	8,611,380	5,584,474	64.8%
2013	11,564,433	4,531,248	39.2%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

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, 2014 interim valuation, the projected unit credit method was used. The actuarial assumptions included a valuation and measurement date as of September 1, 2014. 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, 2015, was twenty-one years.

12. RISK MANAGEMENT

The College is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The College purchases commercial insurance to cover such potential risks. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years.

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, 2015 and 2014, was approximately $883,200 and $518,400, respectively.

13. LEASE OBLIGATIONS

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. Interest has been subsidized and is being amortized over the term of the lease with the balance recorded within other assets. The College's future minimum lease payments under capital leases as of August 31, 2015, are as follows:

Year Ending August 31,	
2016	$ 1,558,491
2017	1,510,048
Total minimum lease payments	3,068,539
Less: amount representing interest	(114,894)
Present value of minimum lease payments	$ 2,953,645

The assets acquired through capital leases are as follows:

Assets:	
Network technology	$7,384,113
Less: accumulated depreciation	(4,430,468)
Total assets, net	$2,953,645

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 fiscal years ended August 31, 2015 and 2014 was approximately $474,605 and $481,796, respectively. The future minimum payments for leases are as follows:

Year ending August 31,	
2016	$ 478,343
2017	103,434
2018	10,475
2019	10,475
2020	5,237
Total	$ 607,964

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,	
2016	$ 6,072
2017	3,707
Total	$ 9,779

The total lease expense charged to operations was $6,072 for both of the years ended August 31, 2015 and 2014.

14. LONG-TERM LIABILITIES

The College's long-term obligation transactions for the years ended August 31, 2015 and 2014 are as follows:

	Year ended August 31, 2015				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued liabilities:					
Retirement incentive - wages	$ 6,668	$ -	$ 3,913	$ 2,755	$ -
Health insurance - terminal liability	1,081,568	-	30,289	1,051,279	-
Due to retirement systems:					
NYS Employees' Retirement System	2,000,516	4,033,352	4,123,815	1,910,053	1,910,053
NYS Teachers' Retirement System	2,711,250	2,427,981	2,304,953	2,834,278	2,503,096
SUNY Optional Retirement Program	88,952	2,230,188	2,233,274	85,866	85,866
Capital leases	4,430,468	-	1,476,823	2,953,645	1,476,823
Compensated absences:					
Vacation accrual	3,419,525	258,642	292,671	3,385,496	320,000
Comp-time accrual	581,052	12,723	34,484	559,291	60,000
Sick leave accrual	171,164	10,765	33,372	148,557	20,000
OPEB obligation	60,747,372	10,778,280	6,011,514	65,514,138	-
Net pension liability	3,966,204	-	1,001,118	2,965,086	-
Total	$ 79,204,739	$ 19,751,931	$ 17,546,226	$ 81,410,444	$ 6,375,838

	Year ended August 31, 2014				
	Beginning Balance	Additions and Restatement	Reductions	Ending Balance	Current Portion
Accrued liabilities:					
Retirement incentive - wages	$ 6,668	$ -	$ -	$ 6,668	$ 3,912
Health insurance - terminal liability	844,281	237,287	-	1,081,568	-
Due to retirement systems:					
NYS Employees' Retirement System	1,823,431	4,308,324	4,131,239	2,000,516	2,000,516
NYS Teachers' Retirement System	1,963,629	2,352,785	1,605,164	2,711,250	2,295,617
SUNY Optional Retirement Program	111,108	2,281,736	2,303,892	88,952	88,952
Capital leases	5,907,291	-	1,476,823	4,430,468	1,476,823
Compensated absences:					
Vacation accrual	3,277,939	334,237	192,651	3,419,525	200,000
Comp-time accrual	584,529	32,189	35,666	581,052	30,000
Sick leave accrual	205,611	7,536	41,983	171,164	20,000
OPEB obligation	58,715,990	7,615,856	5,584,474	60,747,372	-
Net pension liability (Restatement, see Note 2)	-	3,966,204	-	3,966,204	-
Total	$ 73,440,477	$ 21,136,154	$ 15,371,892	$ 79,204,739	$ 6,115,820

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 $4,830,197 and $4,800,718 as of August 31, 2015 and 2014, respectively. Of this, $4,499,015 and $4,385,085 are recorded in current liabilities as of August 31, 2015 and 2014, respectively, and $331,182 and $415,633 are recorded as noncurrent liabilities as of August 31, 2015 and 2014, respectively.

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 balances at August 31, 2015 and 2014 were $2,953,645 and $4,430,468, respectively. Refer to Note 13 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, 2015 and 2014, for total compensated absences, both current and long-term, is $4,093,344 and $4,171,741, respectively.

OPEB Obligation—As explained in Note 11, the College provides health insurance coverage for certain retirees. The College's annual other post-employment benefit ("OPEB") cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The long-term OPEB liability is estimated to be $65,514,138 and $60,747,372 as of August 31, 2015 and 2014, respectively.

Net Pension Liability—The College reported a liability of $2,965,086 and $3,966,204 for the years ended August 31, 2015 and 2014, respectively, for its proportionate share of the net pension liability for the Employee Retirement System. Refer to Note 10 for additional information related to the College's net pension liability.

15. 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 $30,618 and $522,087 at August 31, 2015 and 2014, respectively. The amounts due from the County at August 31, 2015 and 2014 relate to capital improvements and grant money for specific programs. Amounts due to the County at August 31, 2015 and 2014 are $2,234,741 and $1,677,391, 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 $17,554,317 and $17,429,317 for the years ended August 31, 2015 and 2014, respectively.

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, 2015 and 2014 of $224,074 and $276,022, respectively, is comprised of the items in the table below:

	2015	2014
Payroll, payroll taxes, and benefits	$ 204,066	$ 251,607
Facility and maintenance	11,852	11,852
Other operating expenses	8,156	12,563
Total	$ 224,074	$ 276,022

16. LABOR RELATIONS

Union Contracts—The College is a party to the County-wide contract with AFSCME which was in effect through December 31, 2015, and to the County-wide contract with CSEA which is in effect through December 31, 2017. The Faculty Federation union contract, the College's largest, is in effect through August 31, 2020, and the Administrators' Association of Erie Community College is in effect through August 31, 2020.

17. COMMITMENTS

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% remainderman 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 $192,703 and $219,572 as of August 31, 2015 and 2014, respectively. The present value of actuarial liability to the income beneficiary was $141,318 and $149,188 as of August 31, 2015 and 2014, respectively. The liability to the other 60% charitable remaindermen was $30,831 and $42,230 as of August 31, 2015 and 2014, respectively.

Auxiliary Services Corporation of Erie Community College, Inc.

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, 2015 and 2014.

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. Only July 1, 2014, the Corporation amended the contract to extend the terms of the agreement through June 30, 2019. 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 $593,379 and $585,275 in contract revenue for the years ended August 31, 2015 and 2014, respectively.

College Agreement—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, 2015 and 2014.

Subject to Article 3 within the Corporation's agreement with the Board of Trustees of the College, the Corporation is authorized to accumulate a cash reserve fund that is not to exceed $750,000. In the event that the cash reserve fund exceeds the stipulated maximum, the Corporation is required to submit a detailed plan to the College for the reduction of the cash reserve fund to compliance level. During the year ended August 31, 2014, the cash reserve fund totaled $805,688. In accordance with the agreement, during the year ended August 31, 2014, a $55,688 payment classified within program expenses on the statement of activities was made to the College to bring the reserve to the compliance level.

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.

Net assets held on behalf of others as of August 31, 2015 and 2014 were as follows:

	2015						
	Student Government	Publi-cations	Student Athletics	Athletic Special	Wellness Center	Restricted Funds	Totals
Cash	$ 205,586	$ 60,000	$ 219,979	$ 28,523	$ 34,667	$ 450,988	$ 999,743
Accounts receivable	-	-	15,524	-	28,135	3,928	47,587
Total assets	205,586	60,000	235,503	28,523	62,802	454,916	1,047,330
Accounts payable	18,466	-	80,876	20	52,240	37,142	188,744
Net assets held on behalf of others	$ 187,120	$ 60,000	$ 154,627	$ 28,503	$ 10,562	$ 417,774	$ 858,586

	2014						
	Student Government	Publi-cations	Student Athletics	Athletic Special	Wellness Center	Restricted Funds	Totals
Cash	$ 334,433	$ 83,638	$ 213,044	$ 30,326	$ 25,030	$ 333,502	$ 1,019,973
Accounts receivable	-	-	17,531	-	37,942	4,223	59,696
Total assets	334,433	83,638	230,575	30,326	62,972	337,725	1,079,669
Accounts payable	13,195	-	21,940	902	52,407	31,883	120,327
Net assets held on behalf of others	$ 321,238	$ 83,638	$ 208,635	$ 29,424	$ 10,565	$ 305,842	$ 959,342

18. CONTINGENCIES

Litigation—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.

Grants—In the normal course of operations, the College receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of any expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

19. FUNCTIONAL EXPENSES

A summary of the College's operating expenses for the years ended August 31, 2015 and 2014, classified by function, are as follows:

	2015						
	Salaries and Wages	Employee Benefits and Taxes	Scholarships	Utilities	Depreciation	Supplies, Services, and General	Total
Instruction	$ 33,319,739	$ 8,325,101	$ -	$ -	$ -	$ 6,080,951	$ 47,725,791
Academic support	4,179,893	1,495,400	-	-	-	784,506	6,459,799
Libraries	1,207,985	448,968	-	-	-	187,258	1,844,211
Student services	8,025,843	3,051,575	-	-	-	2,843,643	13,921,061
General administration	3,095,658	1,221,960	-	-	-	1,046,767	5,364,385
General institutional services	3,954,776	7,373,892	-	-	-	4,591,401	15,920,069
Maintenance and operation of plant	5,399,711	2,462,202	-	1,868,641	-	2,983,048	12,713,602
OPEB expense	-	4,766,766	-	-	-	-	4,766,766
Scholarships	-	-	16,187,531	-	-	18,766	16,206,297
Depreciation	-	-	-	-	3,987,401	-	3,987,401
Total	$ 59,183,605	$ 29,145,864	$ 16,187,531	$ 1,868,641	$ 3,987,401	$ 18,536,340	$ 128,909,382

	2014						
	Salaries and Wages	Employee Benefits and Taxes	Scholarships	Utilities	Depreciation	Supplies, Services, and General	Total
Instruction	$ 33,560,631	$ 12,254,198	$ -	$ -	$ -	$ 5,936,469	$ 51,751,298
Academic support	4,075,275	1,660,045	-	-	-	499,307	6,234,627
Libraries	1,289,778	535,245	-	-	-	209,681	2,034,704
Student services	7,947,128	3,413,165	-	-	-	3,079,830	14,440,123
General administration	3,210,244	1,370,551	-	-	-	415,825	4,996,620
General institutional services	3,830,606	7,153,920	-	-	-	4,355,660	15,340,186
Maintenance and operation of plant	5,093,473	2,403,842	-	2,194,380	-	3,852,239	13,543,934
OPEB expense	-	2,031,382	-	-	-	-	2,031,382
Scholarships	-	-	17,804,460	-	-	18,361	17,822,821
Depreciation	-	-	-	-	3,608,874	-	3,608,874
Total	$ 59,007,135	$ 30,822,348	$ 17,804,460	$ 2,194,380	$ 3,608,874	$ 18,367,372	$ 131,804,569

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 12, 2016, 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 Plan
For the Year Ended August 31, 2015

Actuarial Valuation Date	Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability ("AAL") (b)	Unfunded AAL ("UAAL") (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
As of September 1, 2014	August 31, 2015	$ -	$ 112,085,546	$ 112,085,546	$ -	$ 53,288,232	210.3%
As of January 1, 2014	August 31, 2014	-	82,177,132	82,177,132	-	53,288,232	154.2%
As of September 1, 2012	August 31, 2013	-	112,333,169	112,333,169	-	51,955,058	216.2%

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Schedule of the College's Proportionate Share of the Net Pension Liability (Asset)— Teachers' Retirement System
Last Two Fiscal Years

	Year Ended August 31,	
	2015	2014
Measurement date	June 30, 2014	June 30, 2013
College's proportion of the net pension liability (asset)	0.092554%	0.095618%
College's proportionate share of the net pension liability (asset)	$ (10,651,290)	$ (609,238)
College's covered-employee payroll	$ 14,243,416	$ 13,674,431
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(74.78%)	(4.46%)
Plan fiduciary net position as a percentage of the total pension liability	111.5%	100.7%

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Schedule of College's Contributions—
Teachers' Retirement System
Last Two Fiscal Years

	Year Ended August 31, 2015	Year Ended August 31, 2014
Contractually required contribution	$ 2,295,202	$ 1,605,164
Contributions in relation to the contractually required contribution	(2,295,202)	(1,605,164)
Contribution deficiency (excess)	$ -	$ -
College's covered-employee payroll	$ 14,243,416	$ 13,674,431
Contributions as a percentage of covered-employee payroll	16.1%	11.7%

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Schedule of the College's Proportionate Share of the Net Pension Liability (Asset)—Employees' Retirement System
Last Two Fiscal Years

	Year Ended August 31,	
	2015	2014
Measurement date	March 31, 2015	March 31, 2014
College's proportion of the net pension liability	0.087770%	0.087770%
College's proportionate share of the net pension liability	$ 2,965,086	$ 3,966,204
College's covered-employee payroll	$ 21,474,920	$ 21,197,115
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	13.81%	18.71%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	97.2%

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Schedule of College's Contributions—
Employees' Retirement System
Last Two Fiscal Years

	Year Ended August 31, 2015	Year Ended August 31, 2014
Contractually required contribution	$ 4,037,828	$ 4,131,239
Contributions in relation to the contractually required contribution	(4,037,828)	(4,131,239)
Contribution deficiency (excess)	$ -	$ -
College's covered-employee payroll	$ 21,474,920	$ 21,197,115
Contributions as a percentage of covered-employee payroll	18.8%	19.5%

OTHER INFORMATION

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, 2015

	Revenues	Expenses
Per annual report:		
Unrestricted current funds	$ 107,331,024	$ 111,956,888
Restricted current funds	44,766,453	44,766,453
OPEB funds	-	4,766,766
Pension funds	-	(5,595,486)
Plant funds	9,083,659	7,991,174
	161,181,136	163,885,795
Adjustments to reconcile to financial statements:		
Scholarship allowances	(21,760,496)	(21,760,496)
Expended for plant facilities	(9,083,659)	(9,083,659)
Receivable adjustment	203,662	-
Depreciation	-	(3,987,401)
	$ 130,540,643	$ 129,054,239
Per audited financial statements:		
Operating revenue / expenses	$ 41,916,123	$ 128,909,382
Nonoperating revenue / expenses	71,070,203	144,857
Other revenue / expenses	17,554,317	-
Totals per financial statements	$ 130,540,643	$ 129,054,239

	Annual Report	Unrestricted Current Fund	Reconciled Difference
2015 Total unrestricted expenses	$ 111,956,888	$ 111,956,888	$ -
2015 Total revenues - offset to expense plus costs not allowable for state-aid.	9,477,315	9,680,977	203,662
2015 Net operating costs	$ 102,479,573	$ 102,275,911	$ (203,662)

Net Position/Fund Balance Reconciliation:	Reported Amounts
Current unrestricted fund balance*	$ 14,904,968 [1]
GASB Statement No. 45 liability	(65,514,138)
GASB Statement No. 68 asset	4,339,310
Receivable adjustment	203,662
Unrestricted net position (per financial statements)	$ (46,066,198)

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

[1] Note: the College has allocated $4.0 million of current unrestricted fund balance for use within the 2015/16 adopted budget.

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Schedule of State Operating Aid
For the Year Ended August 31, 2015

Total operating costs	$ 111,956,888							
Total revenue - offset to expense	(9,680,977)							
Costs not allowable for state aid	-							
Net operating costs	$ 102,275,911		@		40%	=	$40,910,364	(a)
Rental costs - physical space	$ 185,375		@		40.8%*	=	$ 75,592	
Next Generation NY Job Linkage Program							261,477	

Funded FTE Students - Basic Aid	Net FTE Allowable					
2011-2012 Actual	13,302.2	x	0.20	=	2,660.4	
2012-2013 Actual	12,673.3	x	0.30	=	3,802.0	
2013-2014 Actual	12,150.6	x	0.50	=	6,075.3	
2014-15 Calculated FTE (20-30-50% Rule)					12,537.7	
2014-15 Calculated FTE (20-30-50% Rule or prior year actual)					12,537.7	(c)

Funded FTE students - Basic Aid	12,537.7	(c)	@	$ 2,497*	=	31,306,637	
Funded FTE, rental costs and Next Generation NY Job Linkage Program						$31,643,706	(b)
Basic Aid - lesser of (a) or (b)						$31,643,706	

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

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Schedule of State-Aidable FTE Tuition Reconciliation
For the Year Ended August 31, 2015

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

Full-time Student Headcount	**Headcount Credit Hours and FTE**	**Rate**	**Equated Tuition**
Fall 2014 full-time students per End of Term ("EOT")	8,420	$ 2,147.50	$ 18,081,950
Spring 2015 full-time students per EOT	7,304	2,147.50	15,685,340
Winter 2015 full-time students per EOT	2	2,147.50	4,295
Summer 2015 full-time students per EOT	182	2,147.50	390,845
Total full-time headcount	15,908		
Total credit hours of full-time students	226,452.5		
Part-time Student Credit Hours			
Fall 2014 part-time credits per EOT	25,342.0	$ 179	$ 4,536,218
Spring 2015 part-time credits per EOT	27,911.5	179	4,996,159
Winter 2015 part-time credits per EOT	1,603.0	179	286,937
Summer 2015 part-time credits per EOT	14,246.0	179	2,550,034
Fall 2014 non-credit remedial	12,367.0	179	2,213,693
Spring 2015 non-credit remedial	18,468.0	179	3,305,772
Summer 20154 non-credit remedial	14,357.1	179	2,569,921
Fall 2014 per Form 24	298.1	179	53,360
Spring 2015 per Form 24	521.7	179	93,384
Summer 2015 per Form 24	103.8	179	18,580
Total part-time credit hours	115,218.2		
Total credit hours	341,670.7		
Total state-aidable FTE	**11,389.0**		
Total calculated tuition based on headcount and credit hours			**$ 54,786,488**

(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, 2015

Reconciliation to Annual Report and Audited Financial Statements:		
Total calculated tuition based on headcount and credit hours		**$ 54,786,488**
Less:	Bad debt allowance charged to tuition	(2,760,042)
	Difference in tuition for discounted classes	(917,514)
	Calculated State-aidable non-credit remedial tuition	(8,089,386)
	Learning centers - credits generated - no tuition charged	(165,324)
	Other - clinical waivers	(3,670)
	Other - AJE to balance A/R	(3,819)
	Other - prior term adjustments	(22,343)
	Other - miscellaneous	(14,359)
Add:	Forfeited tuition due to withdrawals - FTEs not claimed	39,838
	Non-credit remedial tuition revenue collected	27,615
	Other - collections on bad debt accounts	206,953
	Tuition revenue reported on annual report (lines 206-208)	**$ 43,084,437**
Add:	Charges to non-resident students	185,473
	Out-of-state resident tuition	910,593
	Service fees	10,877,547
	Student revenue - non state-aidable courses	712,555
	Tuition and fee revenue per audited financial statements	**$ 55,770,605**

(concluded)

FEDERAL AWARDS INFORMATION

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title (1)	Federal CFDA Number (2)	Pass-through Entity's Identifying Number	Federal Expenditures (3)
U.S. DEPARTMENT OF LABOR:			
Passed through Mineral Area College:			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	391533200000	$ 213,907
Passed through the Workforce Development Consortium:			
Workforce Investment Cluster:			
Workforce Investment Act—Adult Programs	17.258	YD-0376-A1	350,993
Workforce Investment Act—Dislocated Workers	17.260	YD-0376-A1	227,249
Total Workforce Investment Cluster			578,242
TOTAL U.S. DEPARTMENT OF LABOR			792,149
U.S. DEPARTMENT OF EDUCATION:			
Direct programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	n/a	394,094
Federal Work Study Program	84.033	n/a	206,204
Federal Pell Grant Program	84.063	n/a	25,096,559
Total Student Financial Assistance Cluster			25,696,857
Child Care Access Means Parents in School	84.335	n/a	86,834
Passed through New York State:			
Career and Technical Education - Basic Grants to States	84.048	8000-08-6190	762,315
TOTAL U.S. DEPARTMENT OF EDUCATION			26,546,006
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through Health Research Incorporated:			
Pregnancy Assistance Fund Program	93.500	4740-01	93,100
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			93,100
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Passed through Erie County:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4204-DR-NY	203,662
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			203,662
TOTAL FEDERAL FINANCIAL ASSISTANCE (4)			$ 27,634,917

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

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, 2015

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Erie Community College (the "College") under programs of the federal government for the year ended August 31, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a select portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College. The following notes were identified on the Schedule:

(1) Includes all federal award programs of Erie Community College.

(2) Source: Catalog of Federal Domestic Assistance.

(3) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs, other than those included in Note 3 below.

(4) A reconciliation to the financial statements is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. LOANS MADE AND OUTSTANDING

The following is a summary of loans made during the fiscal year and loan balances outstanding at August 31, 2015. These loans are not included in the federal expenditures presented in the Schedule.

Loan Program Title	Loans made in the Year Ended August 31, 2015
Federal Subsidized Stafford Loans	$ 8,071,565
Federal Unsubsidized Stafford Loans	7,822,706
Federal Plus Loans	71,441
Total Direct Loans (CFDA #84.268)	$ 15,965,712

4. 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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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*

To 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 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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 12, 2016. Our report includes a reference to other auditors who audited the financial statements of the Erie Community College Foundation, Inc. (the "Foundation"), as described in our report on the College's financial statements. We have also audited the financial statements of the Auxiliary Services Corporation of Erie Community College, Inc. (the "Corporation"). The financial statements of the Foundation and Corporation 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

February 12, 2016

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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

To 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, 2015. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The College's 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, 2015.

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

February 12, 2016

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 the financial statements noted? ______ Yes ✓ No

Federal Awards:

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

Internal control over major programs:

4. Material weakness(es) identified? ______ Yes ✓ No

5. Significant deficiency(ies) identified not considered to be material weakness(es)? ______ Yes ✓ None reported

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
Workforce Investment Cluster:	
Workforce Investment Act—Adult Programs	17.258
Workforce Investment Act—Dislocated Workers	17.260
Student Financial Aid Cluster:	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work Study Program	84.033
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268

8. Dollar threshold used to distinguish between Type A and Type B programs? $ 829,048

9. Auditee qualified as low-risk auditee? ✓ Yes ______ No

Part II. FINANCIAL STATEMENT FINDINGS SECTION

No findings noted.

Part III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No findings noted.

Summary Schedule of Prior Audit Findings
Year Ended August 31, 2015

No findings were reported.