COUNTY OF ERIE

DAVID J. SHENK
COMPTROLLER

CE

May 4, 2012

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

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

Dear Honorable Members and County Executive Poloncarz:

Enclosed are copies of the audited financial statements and management letter for Erie Community College ("ECC") for the fiscal year ended August 31, 2011.

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

Very truly yours,

David J. Shenk
Erie County Comptroller

DJS/wo
Enclosure
CC: Robert W. Keating, Director, Budget and management
Jack F. Quinn Jr., President, ECC (without Enclosure)
Erie County Audit Committee Members

9E-10

Drescher & Malecki LLP
3083 William Street, Suite 5
Cheektowaga, New York 14227
Telephone: 716.565.2299
Fax: 716-565-2201

Certified Public Accountants

March 30, 2012

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

Dear Trustees and Committee Members:

In planning and performing our audit of the financial statements of Erie Community College (the "College") an educational institution of the County of Erie, New York, for the years ended August 31, 2011 and 2010 on which we have issued our report dated March 30, 2012 (which report refers to other auditors for the Erie Community College Foundation, Inc.), in accordance with auditing standards generally accepted in the United States of America, we considered the College's internal control over financial reporting ("internal control") as a basis for our designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting.

A *significant deficiency* is a deficiency, or a combination of deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency presented in Exhibit I as item 2011-1 to be a significant deficiency in internal control over financial reporting.

We outlined a certain deficiency and developed the recommendation included in Exhibit II on another accounting, administrative, and operating matter.

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

The College's response to the significant deficiency identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

We will be pleased to discuss these recommendations with you.

Yours truly,

Drescher & Malecki LLP

Exhibit I

We consider the deficiency presented below to be a significant deficiency in internal control.

Finding 2011-1—Bank Reconciliation Timeliness

Condition: It was noted that the payroll bank reconciliations were not performed in a timely manner. As such, the months of July and August were unavailable for our scheduled fieldwork testing.

Criteria: Bank reconciliations for all accounts should be performed, reviewed and documented in a timely manner after month-end.

Cause: It was represented that the individual performing bank reconciliations has many other job tasks, resulting in delayed reconciliations.

Effect: There is a potential misstatement of cash balances, which would not be known and corrected in a timely manner.

Auditor Recommendation: We recommend that the College perform bank reconciliations in a timely manner to maintain accurate cash balances. All reconciliations should be performed within a month of receiving the applicable bank statement. In addition, the payroll account bank reconciliation should be assigned to another qualified employee; as it would enable for a more timely performance. Finally, all bank reconciliations should show evidence of review by another competent independent reviewer.

Management's Corrective Action Plan: The College's bank reconciliations involve certain other staff as well as a number of processes, some electronic in nature, that are both complex and time consuming. Yet, management has reassigned certain bank reconciliations to another qualified individual, decreasing the amount of work required to be performed by the individual currently performing all bank reconciliations, such that all bank reconciliations will be performed in a timely manner.

Untagged Capital Assets

We noted that $246,848 of capital asset acquisitions remained untagged at year end. Additionally, we noted that there are assets on the untagged capital asset listing with acquisition dates originating back to year end August 31, 2001. At August 31, 2011, the College maintains $9,666,963 of untagged capital assets. Although assets are tracked in the untagged assets listing with cost, useful life and applicable depreciation, they are not included within the College's Datatel computerized operating system record of capital assets; thereby, increasing the potential for misappropriation and/or misstatement of capital assets.

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

Appendix A

NEW REPORTING REQUIREMENTS

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

GASB Statement No. 57—The College is required to implement GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* for the fiscal year August 31, 2012. This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates.

GASB Statement No. 60—The College is required to implement GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* for the fiscal year August 31, 2013. This statement improves financial reporting by addressing issues related to service concession arrangements.

GASB Statement No. 61—The College is required to implement GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* for the fiscal year August 31, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

GASB Statement No. 62—The College is required to implement GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* for the fiscal year August 31, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

GASB Statement No. 63—The College is required to implement GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the fiscal year August 31, 2013. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

GASB Statement No. 64—The College is required to implement GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53* for the fiscal year August 31, 2012. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

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, 2011 and 2010,
Supplemental Schedules and Federal Financial Assistance Schedules
for the Year Ended August 31, 2011 and Independent Auditors' Reports

ERIE COMMUNITY COLLEGE,
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
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Years Ended August 31, 2011 and 2010

FINANCIAL SECTION

Drescher & Malecki LLP
3083 William Street, Suite 5
Cheektowaga, New York 14227
Telephone: 716.565.2299
Fax: 716-565-2201

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Erie Community College:

We have audited the accompanying financial statements of Erie Community College (the "College"), an educational institution of the County of Erie, New York, as of and for the years ended August 31, 2011 and 2010 as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Erie Community College Foundation, Inc., which is shown as a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Erie Community College Foundation, Inc. and the Auxiliary Services Corporation of Erie Community College, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the financial position of the College as of August 31, 2011 and 2010, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012, on our consideration of the College's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide and assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's financial statements. The accompanying Schedule of Reconciliation of Revenues and Expenses as Reflected in the Annual Report to the Audited Financial Statements, Schedule of State Operating Aid and the Schedule of State-Aidable FTE Tuition Reconciliation are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards for the year ended August 31, 2011, is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Drescher & Malecki LLP

March 30, 2012

ERIE COMMUNITY COLLEGE,
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Management's Discussion and Analysis
Years Ended August 31, 2011 and 2010

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, 2011 and 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the College's financial statements which follow this narrative. For financial reporting purposes, the College's reporting entity consists of all operations of the College as well as the financial activity of the Erie Community College Foundation, Inc. and the Auxiliary Services Corporation of Erie Community College, Inc., component units under Governmental Accounting Standards Board ("GASB") No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14.*

Financial Highlights

- Total assets of the College at August 31, 2011 increased $6.6 million or 11.5% over those of August 31, 2010. Cash increased $5.3 million while the various receivables of the College decreased $1.7 million. Net capital assets increased $3.1 million for net acquisitions of equipment and infrastructure improvements of $4.4 million, less the charge for accumulated depreciation of $1.3 million.

- Overall revenues/transfers in (including the county contribution) of the College grew negligibly by $0.5 million, or 0.4%, during the year ended August 31, 2011 compared to the year ended August 31, 2010. Net tuition and fees revenue increased $1.3 million in 2011 over 2010, resulting from minor increases in student enrollment; while federal and state appropriations/financial aid decreased $0.1 million and the Erie County contribution remained unchanged from the prior year. Grants and other revenues decreased $0.6 million.

- The College's net assets decreased approximately $4.3 million for the year ended August 31, 2011, compared to a decrease of $4.0 million for the year ended August 31, 2010. These decreases are attributable to the other post-employment benefits ("OPEB") charges of $6.4 million in 2011 and $11.2 million in 2010. The OPEB charges offset increases in net assets generated through College operations of $2.2 million and $7.2 million for the years ended August 31, 2011 and 2010, respectively.

Overview of the Financial Statements

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

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

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

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

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

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

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

Statement of Net Assets (Deficits)

Net assets may serve over time as a useful indicator of an entity's financial position. In the case of the College, liabilities exceeded assets *(net deficit)* by almost $11.0 million at August 31, 2011 and $6.7 million at August 31, 2010. The College's net assets have decreased significantly ($4.3 million and $4.0 million) in each of the past two years as a result of recognizing liabilities relating to post-employment benefits.

Net assets are displayed in two major categories in the following table:

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

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

Table 1—Condensed Statement of Net Assets (Deficits)

	August 31,					
	2011		2010		2009	
Assets:						
Current assets	$ 46,469,333	72.7%	$ 42,916,993	74.8%	$ 38,412,545	75.3%
Non-current assets	17,474,162	27.3%	14,420,602	25.2%	12,628,490	24.7%
Total assets	63,943,495	100.0%	57,337,595	100.0%	51,041,035	100.0%
Liabilities:						
Current liabilities	23,478,055	31.3%	19,120,883	29.9%	20,330,435	37.8%
Non-current liabilities	51,449,173	68.7%	44,923,159	70.1%	33,454,615	62.2%
Total liabilities	74,927,228	100.0%	64,044,042	100.0%	53,785,050	100.0%
Net assets (deficits):						
Investment in capital assets	17,474,162	159.1%	14,420,602	215.0%	12,628,490	460.2%
Unrestricted	(28,457,895)	-259.1%	(21,127,049)	-315.0%	(15,372,505)	-560.2%
Total net assets (deficits)	$(10,983,733)	100.0%	$ (6,706,447)	100.0%	$ (2,744,015)	100.0%

At August 31, 2011 and 2010, total College assets were $63,943,495 and $57,337,595, respectively. Cash and cash equivalents of $40,279,263 and $34,978,235 as of August 31, 2011 and 2010, respectively, comprised the largest class of assets held by the College. The increase in cash and cash equivalents in both 2011and 2010 is due to the collection of other receivables and the increase in net assets created from College operations (without considering the effect of OPEB non-cash charges). These increases are attributable to increases in student tuition and fees revenue combined with controls exercised in spending. The College continued a hiring freeze originally implemented during 2009, given the difficult economic realities facing both Erie County and New York State, two of its primary sources of revenue (sponsor contribution and basic state aid).

The College's net investment in capital assets (e.g., land improvements, building improvements, machinery and equipment, less accumulated depreciation) encompasses its second largest asset class at August 31, 2011 of $17,474,162, up $3.1 million from the $14,420,602 reported at August 31, 2010. The change is attributable to net additions of $4.4 million, less depreciation charges amounting to nearly $1.7 million.

Current liabilities at August 31, 2011 of almost $23.5 million reflect an increase of $4.4 million over the August 31, 2010 total of $19.1 million. Unearned revenue increased $2.6 million, given the timing of various student/student aid payments made to the College while other liabilities grew $1.2 million for funds set aside for an expected building project. Due to retirement systems increased $0.8 million over the prior year due to significant increases in retirement plan rates. These three categories comprise most of the increase from August 31, 2011. Noncurrent liabilities at August 31, 2011 and 2010 have grown significantly to $51,449,173 and $44,923,159, respectively; such increases are primarily due to the recording of other postemployment benefits, which amounted to $6,448,653 and $11,199,239 during the years ended August 31, 2011 and 2010. OPEB has become the College's largest liability and will continue to grow similarly from year to year until all such benefits are recorded (the liability will accrue for over 24 more years). The College believes it has sufficient resources to meet the College's ongoing obligation to students and creditors, even though unrestricted net assets are presently in a deficit position, given the recording of OPEB costs.

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, 2011, the current ratio of 1.98 indicates that the College has sufficient available resources to meet current obligations, despite having decreased somewhat from the ratio of 2.24 at August 31, 2010. Table 2 presents the current ratio for the College at August 31, 2011, 2010 and 2009.

Table 2 – Ratio of current assets to current liabilities

	Year Ended August 31,		
	2011	2010	2009
Current assets	$ 46,469,333	$ 42,916,993	$ 38,412,545
Current liabilities	23,478,055	19,120,883	20,330,435
Ratio of current assets to current liabilities	1.98	2.24	1.89

Table 3 shows the changes in net assets (deficit) for the years ended August 31, 2011, 2010 and 2009.

Table 3—Condensed Statement of Revenues, Expenses and Changes in Net Assets (Deficits)

	Year Ended August 31,		
	2011	2010	2009
Operating revenues	$ 39,199,676	$ 38,555,675	$ 37,653,227
Operating expenses	133,400,722	132,538,690	123,964,861
Operating loss	(94,201,046)	(93,983,015)	(86,311,634)
Nonoperating revenues—net of nonoperating expenses of $14,515, $16,594 and $22,924 for 2011, 2010 and 2009, respectively.	72,494,443	72,591,266	63,529,530
Loss before transfers	(21,706,603)	(21,391,749)	(22,782,104)
Transfers in - County contributions	17,429,317	17,429,317	17,220,778
Change in net assets	(4,277,286)	(3,962,432)	(5,561,326)
Net assets (deficits) at beginning of year	(6,706,447)	(2,744,015)	2,817,311
Net assets (deficits) at end of year	$ (10,983,733)	$ (6,706,447)	$ (2,744,015)

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

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

A summary of the sources of revenues for the years ended August 31, 2011, 2010 and 2009 is presented below in Table 4.

Table 4 – Summary of Sources of Revenues

	Year Ended August 31,		
	2011	2010	2009
Program revenues (by major source):			
Student tuition and fees	$ 52,372,473	$ 50,170,873	$ 46,154,635
Less scholarships	(20,868,408)	(19,940,224)	(16,783,056)
Net student tuition and fees	31,504,065	30,230,649	29,371,579
Grants and contracts	6,583,866	7,412,462	6,790,274
Other income	1,111,745	912,564	1,491,374
Total program revenues	39,199,676	38,555,675	37,653,227
General revenues (by major source):			
State appropriations	30,472,177	33,084,106	32,953,165
Local appropriations	691,260	986,835	1,095,362
Grants and contracts	41,206,780	38,391,338	29,206,385
Investment income	138,741	145,581	297,542
Total general revenues	72,508,958	72,607,860	63,552,454
Transfers in—County contributions	17,429,317	17,429,317	17,220,778
Total revenues	$ 129,137,951	$ 128,592,852	$ 118,426,459

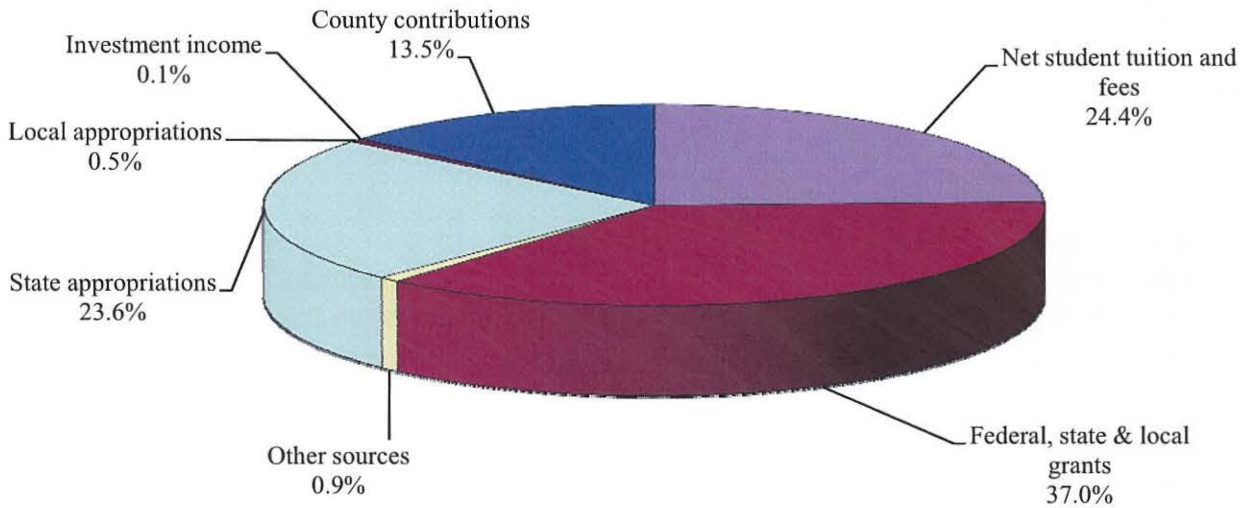
Operating revenues increased $0.6 million primarily as a result of additional tuition and fees generated through increased student enrollment. Scholarship allowances, up $0.9 million, offset most of the $1.2 million increase in tuition and fees. Federal, state and local grants were down $0.8 million from 2010 levels of $7.4 million.

Non-operating revenues were down $0.1 million in 2011 from 2010, to a total of $72.5 million. Federal and state financial aid increases of $2.8 million offset much of the decrease in state and local appropriations of $2.9 million.

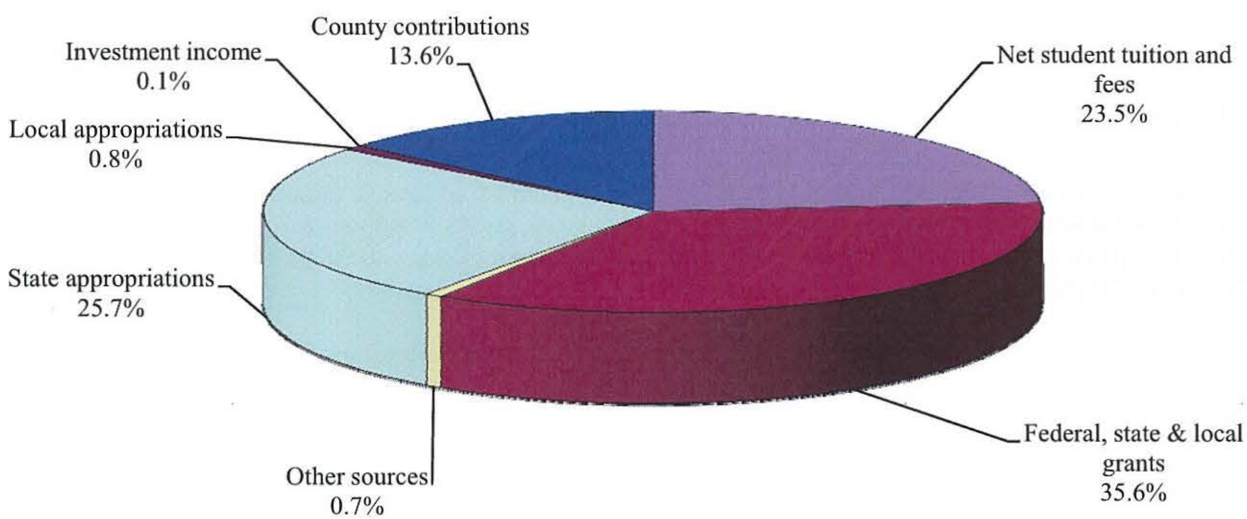
The following Figure 1 presents a year-to-year comparison of revenues received by source.

Figure 1— Components of Revenues

REVENUES BY SOURCE — YEAR ENDED AUGUST 31, 2011



REVENUES BY SOURCE — YEAR ENDED AUGUST 31, 2010



A summary of expenses of the College, by functional classification for the years ended August 31, 2011, 2010 and 2009 is presented in Table 5 on the following page.

Table 5—Summary of Expenses (Functional Classifications)

	Year Ended August 31, 2011	2010	2009
Operating expenses:			
Instruction	$ 52,775,818	$ 51,424,709	$ 50,101,412
Academic support	6,212,727	6,983,167	6,831,693
Libraries	1,985,872	1,980,652	2,018,281
Student services	12,900,826	12,289,986	11,514,948
General administration	5,308,864	4,795,977	4,293,102
General institutional services	13,634,826	11,563,349	11,035,095
Maintenance and operation of plant	12,435,484	12,665,307	11,581,837
OPEB	6,448,653	11,199,239	12,675,845
Scholarships	20,020,966	18,069,413	12,446,821
Depreciation	1,676,686	1,566,891	1,465,827
Total operating expenses	133,400,722	132,538,690	123,964,861
Non-operating expenses:			
Loss on disposal of capital assets	14,515	16,594	22,924
Total expenses	$ 133,415,237	$ 132,555,284	$ 123,987,785

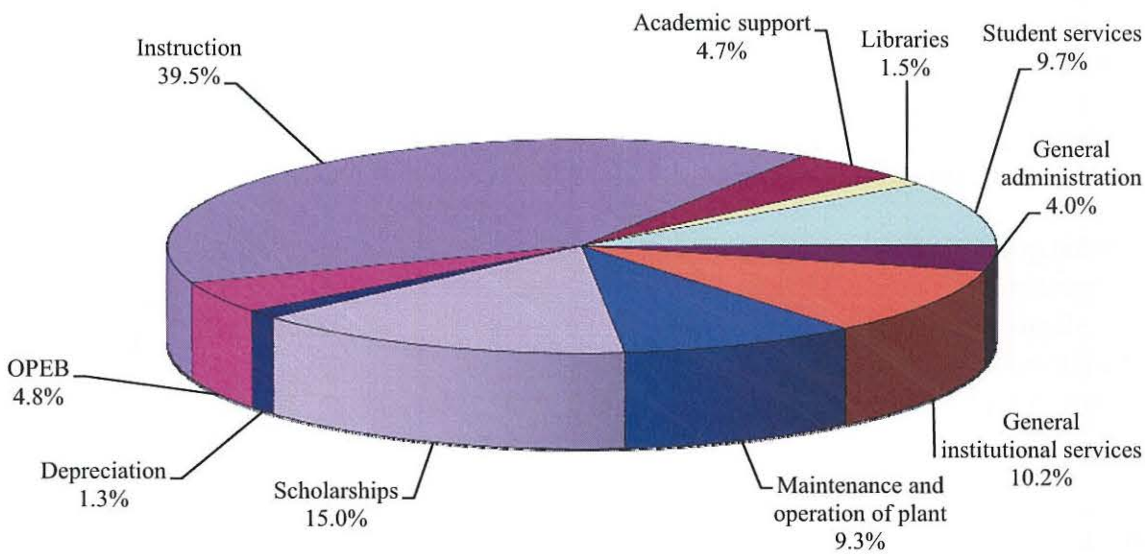
Total expenses of $133.4 million in 2011 were 0.6% higher than those corresponding costs of $132.6 million in 2010, reflecting the College's continued emphasis on cost control. Despite this, increases in benefits for health care and retirement were experienced across all functional areas where human capital costs were involved.

Instructional costs increased $1.4 million overall. The College incurred salary increases due to collective bargaining agreements and additional expense to accommodate increased course scheduling, given the increase in student enrollment. Academic support costs decreased $0.8 million from those of 2010 as grant expenditures decreased $1.0 million while the College's computer technology department incurred additional personnel salary and benefit payouts. Student services costs increased $0.6 million overall. Contractual expenses incurred for disabled students and student transportation expenses were up $0.1 million each. As well, a College initiative to strengthen admissions processes resulted in additional personnel costs of $0.2 million. General institutional services costs increased $2.1 million during 2011. A federal financial aid audit disallowance of $0.2 million was incurred and technology costs of the College increased $0.8 million for salary and benefits, supplies, license fees, and software. OPEB costs of $6.4 million at August 31, 2011 decreased $4.8 million from those of the year ended August 31, 2010. Favorable experience in health care costs for retirees versus the amount anticipated while the College's contributions made for these expenses was greater than anticipated in actuarial assumptions account for some of this decrease. As well, a one-time adjustment decreasing the number of retirees charged to the College was made. Scholarships awarded to students in 2011 exceeded those of 2010 by $2.9 million, or 7.6%. Those awards accounted for as scholarship allowances deducted from tuition and fees revenue were up $0.9 million, and those included in scholarship functional expenses above were up $2.0 million. These increases were entirely attributed to the federal Pell program, where the maximum student award increased $200 from 2010 to 2011, and the number of ECC students receiving the award was up by approximately 1,080 (14.7%). Pell grants to ECC students increased from $26.5 million in 2010 to $29.8 million in 2011, while SEOG and TAP were down $0.1 million and $0.5 million, respectively.

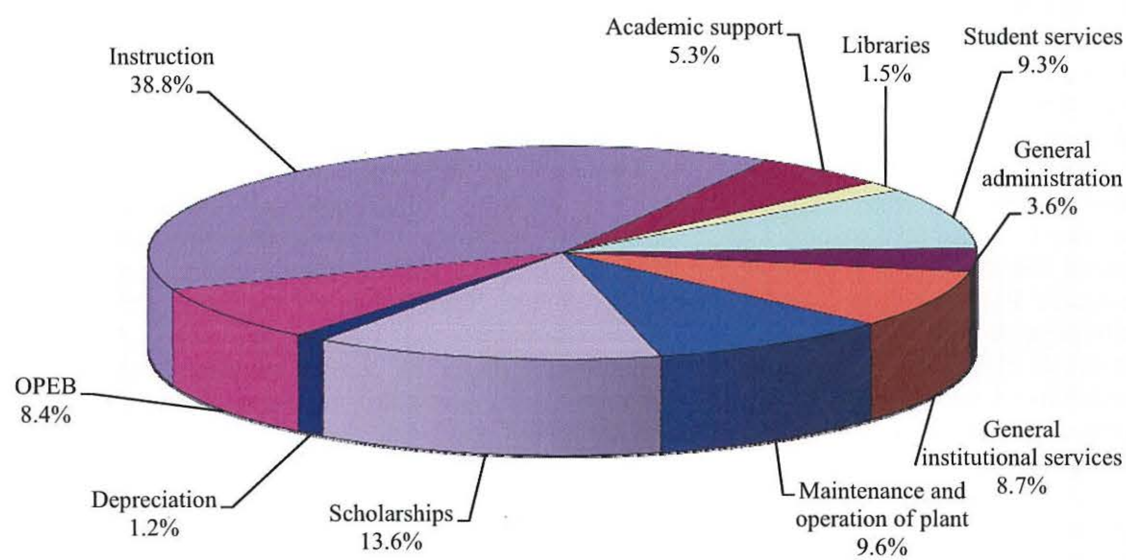
Figure 2 provides a year-to-year comparison of functional expenses.

Figure 2—Components of Expenses (Functional Classifications)

EXPENSES — YEAR ENDED AUGUST 31, 2011



EXPENSES — YEAR ENDED AUGUST 31, 2010



The following Table 6 provides an analysis of expenses by type. As indicated, in 2011 the College spent \$0.68 of every dollar on personnel costs providing services to students, and another \$0.15 thereof on direct student aid in the form of scholarships.

Table 6—Summary of Expenses

	Year Ended August 31,					
	2011	% of total	2010	% of total	2009	% of total
Operating expenses:						
Salaries and wages	$ 61,014,443	45.7%	$ 60,470,870	45.3%	$ 59,185,193	44.7%
Employee benefits	30,232,746	22.7%	33,756,359	25.3%	33,343,129	25.2%
Scholarships	20,001,572	15.0%	18,069,413	13.5%	12,446,218	9.4%
Utilities	2,296,711	1.7%	2,373,975	1.8%	2,382,395	1.8%
Depreciation	1,676,686	1.3%	1,566,891	1.2%	1,465,827	1.1%
Supplies, services, and general	18,178,564	13.6%	16,301,182	12.2%	15,142,099	11.4%
Nonoperating expenses:						
Loss on disposal of capital assets	14,515	0.0%	16,594	0.0%	22,924	0.0%
Total expenses	$ 133,415,237		$ 132,555,284		$ 123,987,785	

Statement of Cash Flows

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

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

1. *Cash flows from operating activities*—This section shows the net cash and cash equivalents used by the operating activities of the College.

2. *Cash flows from noncapital financing activities*—This section reflects the net cash and cash equivalents received for non-operating, non-investing, and non-capital financing purposes.

3. *Cash flows from capital and related financing activities*—This section reflects cash and cash equivalents used for/provided by the acquisition and construction/sale of capital assets and related items.

4. *Cash flows from investing activities*—This section shows the purchases, proceeds, and interest received from investing activities.

5. *Reconciliation of operating loss to net cash and cash equivalents used by operating activities*—This section provides a schedule that reconciles the accrual-based operating loss to the net cash flow used in operating activities.

Table 7 shows the changes in cash flows for the years ending August 31, 2011, 2010 and 2009.

Table 7—Condensed Statement of Cash Flows

	Year Ended August 31,		
	2011	2010	2009
Cash provided (used) by:			
Operating activities	$ (84,836,533)	$ (79,441,992)	$ (73,700,504)
Non-capital financing activity of the state and local sponsor	94,743,581	86,462,877	80,793,780
Capital and related financing activities	(4,744,761)	(3,375,597)	(2,975,877)
Investing activities	138,741	145,581	297,542
Increase in cash and cash equivalents	5,301,028	3,790,869	4,414,941
Cash and cash equivalents - beginning of year	34,978,235	31,187,366	26,772,425
Cash and cash equivalents - end of year	$ 40,279,263	$ 34,978,235	$ 31,187,366

The College generated cash of $5.3 million in 2011, $3.8 million in 2010 and $4.4 million in 2009. The increase in cash during these years resulted from the College's ability to generate net assets from operations from increased student enrollment which provided additional state aid. In 2010 and 2009 cash was also generated from an increase in federal and state grants.

Capital Asset Activity

The College's net capital asset additions for the fiscal years ended August 31, 2011 and 2010 amounted to approximately $4.4 and $5.2 million, respectively. These additions included significant building improvements and additions, enhancements and renovations to classrooms and laboratories, electrical service upgrades and technological improvements/equipment purchases. The College continued its significant investment in equipment, utilizing bonding supplied by its local sponsor, the County of Erie, New York.

Economic Outlook

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

From a funding perspective, resources provided by New York State are debated at length annually. Over the past couple of years, the State has experienced difficulty in balancing budgets, resulting in consistent decreases in the basic state aid rate paid to its higher educational institutions. For 2009-2010, New York State provided a blended basic state aid rate averaging $2,545, down somewhat from the rates of the prior two years of $2,675. During 2010-2011, the basic aid rate was reduced further to $2,260 per student FTE, and the 2011-2012 rate cut again to $2,122. The governor has proposed a 2012-2013 budget holding the rate, ending the basic rate cuts experienced recently, however, it is presently undeterminable whether the state legislature will approve the budget as presented. State appropriations were down $2.6 million for the year ended August 31, 2011 and up $0.1 million for the prior year despite enrollment increases. At present tuition levels, approximately 725 more full-time students would be required to offset this significant $2.6 million decrease in support, representing about a 5.0% increase in student enrollment. Local economic realities and the downward trend in student demographics suggest this to be a serious challenge; and, in fact, student enrollment has decreased for the 2011-2012 year. Providing adequate levels of student service will be challenging given the current hiring freeze; students serviced per full time employee has increased approximately 40% over the last ten years.

The College's local sponsor, Erie County, has been unable to increase its College support for either 2011 or 2010 from that of the previous couple of years, given its own difficult economic realities as well as the fallout from state budget cuts. Additional support of the College by the County is not planned for the near future, either, as the County projects no increase in College funding in its four year budget projection made in 2011. 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 2011 and 2010, state appropriations contributed approximately 23.6% and 25.7% of all revenues, respectively, while the local sponsor contributed 13.5% and 13.6% respectively, combined totals equaling 37.1% and 39.3% of all College resources. For the year ended August 31, 2009, the state appropriation equaled 27.8% of all revenue while the county contributed 14.5%, a combined total of 42.3%. Federal, state and local grants have offset these decreases and now compose 37.0% of all revenue at August 31, 2011 versus 30.4% in year ended August 31, 2009.

As a result of the difficult state and local economic outlooks, budget constraint will continue to be closely practiced but balanced with the College's strategic plan for growth and development going forward. The College continues to offer an exceptional educational value in the Western New York region and has positioned itself as the leader of workforce development locally. The College continues its diligent work at enhancing revenues by offering more certificate and degree programs to entice student enrollment, by partnering with the local community and aggressively seeking grant funding opportunities. ECC now offers approximately 100 degree and certificate programs. Grants, including student aid, were $48.6 and $46.5 million, respectively, for the 2010-2011 and 2009-2010 years. ECC continues to maintain strict staffing levels while examining opportunities to reduce or maintain costs in accordance with its budget.

The Faculty Federation (FFECC) union contract, the College's largest, expired August 31, 2009. Contract negotiations with the union have been underway for some time; however, it is presently undeterminable what outcomes will result. The four year contract with the Administrators Association (AAECC) union which commenced September, 2007, just recently concluded. Negotiations have commenced; however, it is presently undeterminable what outcomes will result there either. The College is also party to the county-wide contract with the American Federation of State, County and Municipal Employees (AFSCME) union which was renegotiated and accepted by union membership in October, 2009. Pertinent terms of the agreement include a contract length of five years through December, 2015, a 3.0% yearly salary increase from 2010-2015 respectively, a retroactive payment of up to $1,000 per employee for the years 2006-2009, and modification of health care premium payments by the union membership and the elimination of retiree health care benefits, amongst others. The impact of these new terms is minor, given College membership in the union is presently small. The College's contract with the Civil Service Employees Association, Inc. (CSEA), a county-wide agreement, expired December 31, 2006. While a tentative agreement was reached, it was subsequently rejected by union membership. Impasse was declared and the matter sent to a Fact Finder whose subsequent recommendations were rejected by the union. Negotiations have since commenced again, however, it is presently undeterminable as to the effect a new union agreement might have on College fiscal operations.

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

Changes Impacting Future Operations

The College has managed to cope with cutbacks in funding by the State and the lack of increased local sponsor funding while sustaining increases to net assets (without considering the effects of OPEB charges) through enrollment growth, increased tuition rates, and more grant funding over the past few years. Cost control and vigilant budgeting have assisted in this effort as well. It is working diligently now relative to recruitment techniques and other measures to negate the decrease in enrollment experienced for the 2011-2012 year. Tuition rates increased from $3,300 to $3,600 yearly for 2011-2012, given there was no increase in funding from its local sponsor and reduced state aid, yet higher mandated/ uncontrollable costs. The College maintained tuition rates for 2010-2011 after increasing tuition rates $113 (3.5%) for the 2009-2010 year. As the state governor is relatively new to his position and Erie County elected a new County Executive effective January 1, 2012, the College is hopeful this new leadership will mean broader support for education. Collectively bargained increases and higher retirement and health insurance costs again drive budget planning; raising tuition rates will merit consideration for the 2012-2013 year, despite the College's reluctance to do so. Another year of extremely tight budgeting with the College's focus on cost controls, program review and revenue enhancement is necessary.

It is believed enrollment would be favorably affected and the overall College experience enhanced if housing for College students were available at all three ECC campuses. Management is committed to developing student housing, although present state and local economic conditions suggest such housing is likely to have to be undertaken by private developers. One such developer, whose 300 bed housing project is located close to ECC's City campus, opened for the fall 2010 year and has experienced occupancy consisting of approximately 50% ECC students. Meetings among developers and ECC management have occurred consistently discussing the potential for housing projects at both the North and South campuses of ECC. While the Town of Amherst has approved housing across from the North campus, the developer continues to seek abatements to make the project feasible. Another developer has approached the Town of Orchard Park to create housing adjacent to the South campus. That company is in the process of acquiring real estate and gaining Town approvals of their project.

Erie Community College is presently pursuing a new 100,000 square foot, academic building at its North campus. It is anticipated this Center of Excellence will provide needed space to house the College's enrollment in state of the art classrooms and laboratories and provide needed office space for existing faculty as well as those of new programs recently developed. The College, county and state have agreed to provide funding for this project on a 25/25/50% basis, hopefully to commence no later than the 2012-2013 academic year.

Accreditation

A Middle States Commission on Higher Education ("MSCHE") team visited the College in late March 2011 to review the College's internal self-study, which had been performed over the prior eighteen months. The Commission issued its resulting report asserting the College had insufficient evidence that it met Standard 7, Institutional Assessment and that its accreditation was in jeopardy as a result. The Commission requested a monitoring report due from the College on March 1, 2012, to determine whether the institution has achieved and can sustain ongoing compliance with Standard 7. After the visit, the College worked diligently in revising and implementing its assessment plan, including hiring an outside consultant to assist with the effort. The College completed its monitoring report and timely filed this document with the Middle States Commission. A MSCHE team re-visited the College on March 26, 2012 and based on a review of the monitoring report and support documentation, and interviews with ECC's leadership team and governance and planning committees and work teams, the team found documented evidence of the development and implementation of an organized and sustainable assessment process fulfilling Standard 7 requirements. The institution has put in place structures, systems and processes that will assist in the evaluation of its overall effectiveness in achieving its mission and goals, and in its compliance with accreditation standards.

Requests for Information

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

FINANCIAL STATEMENTS

ERIE COMMUNITY COLLEGE

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

Statements of Net Assets (Deficits) – Erie Community College
August 31, 2011 and 2010

	August 31, 2011	August 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 40,279,263	$ 34,978,235
Student receivables, net of allowance of $4,997,433 and $3,876,020 in 2011 and 2010, respectively	1,729,486	923,573
Due from Erie County	2,008,539	558,066
Other receivables	2,452,045	6,457,119
Total current assets	46,469,333	42,916,993
NONCURRENT ASSETS:		
Capital assets	39,984,148	35,591,192
Accumulated depreciation	(22,509,986)	(21,170,590)
Total noncurrent assets	17,474,162	14,420,602
TOTAL	$ 63,943,495	$ 57,337,595
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 1,279,174	$ 1,421,915
Accrued liabilities	2,445,092	2,209,373
Compensated absences	160,000	130,000
Due to retirement systems	2,832,469	2,013,289
Due to Erie County	2,116,455	2,556,088
Other liabilities	3,890,287	2,674,602
Unearned revenue	10,754,578	8,115,616
Total current liabilities	23,478,055	19,120,883
NONCURRENT LIABILITIES:		
Accrued liabilities	721,483	829,169
Compensated absences	3,619,411	3,491,157
Due to retirement systems	250,807	194,014
OPEB obligation	46,857,472	40,408,819
Total noncurrent liabilities	51,449,173	44,923,159
Total liabilities	74,927,228	64,044,042
NET ASSETS (DEFICITS):		
Investment in capital assets	17,474,162	14,420,602
Unrestricted	(28,457,895)	(21,127,049)
Total net assets (deficits)	(10,983,733)	(6,706,447)
TOTAL	$ 63,943,495	$ 57,337,595

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

ERIE COMMUNITY COLLEGE

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

Statements of Net Assets – Component Units
August 31, 2011 and 2010

	August 31, 2011		August 31, 2010	
	College Foundation	Auxiliary Services Corporation	College Foundation	Auxiliary Services Corporation
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 413,636	$ 1,681,383	$ 494,299	$ 1,689,026
Investments	2,082,933	-	1,664,088	-
Accounts receivable, net	-	261,748	-	191,765
Unconditional promises to give, net	-	-	6,000	-
Inventories	-	41,708	-	44,378
Prepaid expenses	1,500	26,023	-	2,972
Total current assets	2,498,069	2,010,862	2,164,387	1,928,141
Capital assets, net of accumulated depreciation	-	476,863	-	510,799
Assets held by ECC Foundation	-	25,000	-	25,000
Net assets held on behalf of others	-	928,219	-	1,176,130
Total assets	$ 2,498,069	$ 3,440,944	$ 2,164,387	$ 3,640,070
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued liabilities	$ 4,931	$ 162,270	$ 3,596	$ 134,372
Unearned revenue	-	70,000	-	94,380
Obligations related to charitable remainder annuity trust:				
Annuity and life income payable	177,602	-	184,345	-
Due to remaindermen	16,316	-	15,447	-
Net assets held on behalf of others	-	928,219	-	1,176,130
Total liabilities	198,849	1,160,489	203,388	1,404,882
Net Assets:				
Unrestricted/Undesignated	309,627	2,095,455	188,415	2,050,188
Board designated, childcare services	-	160,000	-	160,000
Temporarily restricted	1,304,550	25,000	1,097,100	25,000
Permanently restricted	685,043	-	675,484	-
Total net assets	2,299,220	2,280,455	1,960,999	2,235,188
Total liabilities and net assets	$ 2,498,069	$ 3,440,944	$ 2,164,387	$ 3,640,070

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

ERIE COMMUNITY COLLEGE

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

Statements of Revenues, Expenses, and Changes in Net Assets (Deficits) – Erie Community College
For the Years Ended August 31, 2011 and 2010

	Year Ended August 31, 2011	2010
OPERATING REVENUES:		
Student tuition and fees	$ 52,372,473	$ 50,170,873
Less: scholarship allowances	(20,868,408)	(19,940,224)
Net student tuition and fees	31,504,065	30,230,649
Federal grants and contracts	2,778,593	2,963,310
State grants	859,965	1,286,342
Local grants	2,945,308	3,162,810
Other sources	1,111,745	912,564
Total operating revenues	39,199,676	38,555,675
OPERATING EXPENSES:		
Salaries and wages	61,014,443	60,470,870
Employee benefits and taxes	30,232,746	33,756,359
Scholarships	20,001,572	18,069,413
Utilities	2,296,711	2,373,975
Depreciation	1,676,686	1,566,891
Supplies, services, and general	18,178,564	16,301,182
Total operating expenses	133,400,722	132,538,690
OPERATING LOSS	(94,201,046)	(93,983,015)
NONOPERATING REVENUES (EXPENSES):		
State appropriations, unrestricted	30,472,177	33,084,106
Local appropriations, unrestricted	691,260	986,835
Federal and state student financial aid	41,206,780	38,391,338
Investment income	138,741	145,581
Loss on disposal of capital assets	(14,515)	(16,594)
Total nonoperating revenues	72,494,443	72,591,266
LOSS BEFORE TRANSFERS	(21,706,603)	(21,391,749)
TRANSFERS IN—County contributions	17,429,317	17,429,317
Change in net assets	(4,277,286)	(3,962,432)
Net assets (deficits)—beginning	(6,706,447)	(2,744,015)
Net assets (deficits)—ending	$ (10,983,733)	$ (6,706,447)

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

ERIE COMMUNITY COLLEGE

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

Statements of Revenues, Expenses, and Changes in Net Assets – Component Units
For the Years Ended August 31, 2011 and 2010

	Year Ended August 31, 2011		2010	
	College Foundation	Auxiliary Services Corporation	College Foundation	Auxiliary Services Corporation
OPERATING REVENUES:				
Contributions	$ 669,936	$ -	$ 769,984	$ -
Program service revenue	85,456	-	79,713	-
Special events	96,879	-	74,748	-
Support from Erie Community College	236,598	-	290,691	-
Interest and dividends	67,036	-	14,237	-
Net realized and unrealized gains	99,254	-	42,328	-
Change in value of split interest agreements	579	-	(5,488)	-
Sales	-	1,306,856	-	1,222,534
Total operating revenues	1,255,738	1,306,856	1,266,213	1,222,534
OTHER REVENUE:				
Administrative portion of student activity fees	-	308,712	-	303,458
Vending commissions	-	121,123	-	112,758
Bookstore management contract revenue	-	759,231	-	821,534
Childcare revenue	-	436,225	-	521,070
Other	-	67,167	-	68,363
Total other revenue	-	1,692,458	-	1,827,183
Total operating and other revenues	1,255,738	2,999,314	1,266,213	3,049,717
OPERATING EXPENSES:				
Programs:				
Scholarships	215,241	-	218,232	-
College facilities improvements	14,666	-	-	-
Educational services	42,911	-	3,574	-
Supplies and other	253,798	-	243,356	-
Special events	59,567	-	53,520	-
Operating	-	1,378,055	-	1,360,590
Cost of sales	-	783,287	-	721,670
General and administrative	-	423,069	-	424,811
College activity	-	369,636	-	161,132
Fund raising	41,960	-	34,545	-
Administrative	289,374	-	341,246	-
Total operating expenses	917,517	2,954,047	894,473	2,668,203
Change in net assets	338,221	45,267	371,740	381,514
Net assets—beginning	1,960,999	2,235,188	1,589,259	1,853,674
Net assets—ending	$ 2,299,220	$ 2,280,455	$ 1,960,999	$ 2,235,188

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

ERIE COMMUNITY COLLEGE

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

Statements of Cash Flows – Erie Community College
For the Years Ended August 31, 2011 and 2010

	Year Ended August 31, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 29,215,464	$ 31,420,555
Federal grants and contracts	3,033,097	2,789,951
State grants and contracts	3,723,591	(1,156,552)
Local grants	1,494,835	4,502,093
Other sources	1,952,344	2,102,614
Personal service payments	(60,728,156)	(59,986,604)
Payments for fringe benefits	(22,908,120)	(22,360,078)
Payments to suppliers	(20,618,016)	(18,684,558)
Payments for scholarships	(20,001,572)	(18,069,413)
Net cash used by operating activities	(84,836,533)	(79,441,992)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	30,472,177	33,084,106
County contributions	17,429,317	17,429,317
Federal and state student financial aid grants	45,177,547	34,926,932
Chargeback revenues	1,664,540	1,022,522
Net cash provided by noncapital financing activities	94,743,581	86,462,877
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(4,744,761)	(3,375,597)
Net cash used by capital and related financial activities	(4,744,761)	(3,375,597)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest, dividends, and realized gains on investments	138,741	145,581
Net cash provided by investing activities	138,741	145,581
Net increase in cash and cash equivalents	5,301,028	3,790,869
Cash and cash equivalents—beginning	34,978,235	31,187,366
Cash and cash equivalents—ending	$ 40,279,263	$ 34,978,235

(continued)

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

Statements of Cash Flows – Erie Community College
For the Years Ended August 31, 2011 and 2010

	Year Ended August 31, 2011	2010
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$ (94,201,046)	$ (93,983,015)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,676,686	1,566,891
(Increase) decrease in student receivables, net	(805,913)	255,726
Decrease (increase) in other receivables, net	1,512,824	(1,236,241)
(Decrease) in accounts payable	(142,741)	(9,401)
Increase in accrued liabilities	286,287	484,266
Increase in retirement liabilities	875,973	197,042
Increase in other liabilities	995,432	1,149,321
(Decrease) increase in unearned revenues	(1,482,688)	934,180
Increase in net OPEB obligation	6,448,653	11,199,239
Total adjustments	9,364,513	14,541,023
Net cash used by operating activities	$ (84,836,533)	$ (79,441,992)

(concluded)

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

ERIE COMMUNITY COLLEGE

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

Statements of Cash Flows – Component Units
For the Years Ended August 31, 2011 and 2010

	Year Ended August 31, 2011		2010	
	College Foundation	Auxiliary Services Corporation	College Foundation	Auxiliary Services Corporation
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	$ 338,221	$ 45,267	$ 371,740	$ 381,514
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation	-	38,930	-	41,129
Realized and unrealized gain on investments	(99,254)	-	(42,328)	-
Changes in assets and liabilities:				
Decrease in unconditional promises to give, net	6,000	-	31,000	-
(Increase) in accounts receivable	-	(69,983)	-	(88,194)
Decrease (increase) in inventory	-	2,670	-	(2,779)
(Increase) in prepaid expenses	(1,500)	(23,051)	-	(1,658)
(Increase) in assets held by Foundation	-	-	-	(2,163)
Increase (decrease) in accounts payable and accrued liabilities, net	1,335	27,898	1,706	(2,206)
(Decrease) increase in unearned revenue	-	(24,380)	-	94,000
(Decrease) in obligations related to charitable remainder annuity trust	(5,874)	-	(9,198)	-
Contributions restricted for long-term purposes:				
Cash contributions	(9,559)	-	(22,798)	-
Amortization of discount on unconditional promises to give	-	-	(26)	-
Net cash provided (used) by operating activities	229,369	(2,649)	330,096	419,643
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of investments	(1,036,258)	-	(769,731)	-
Purchase of property and equipment, net of reclassifications	-	(4,994)	-	-
Proceeds from sale of investments	716,667	-	672,439	-
Disposal of capital assets	-	-	21,505	-
Net cash provided (used) by investing activities	(319,591)	(4,994)	(75,787)	-
CASH FLOW FROM FINANCING ACTIVITIES				
Collections of contributions restricted for long-term purposes—endowment funds	9,559	-	22,798	-
Net cash provided by financing activities	9,559	-	22,798	-
Net increase (decrease) in cash and cash equivalents	(80,663)	(7,643)	277,107	419,643
Cash and cash equivalents—beginning	494,299	1,689,026	217,192	1,269,383
Cash and cash equivalents—ending	$ 413,636	$ 1,681,383	$ 494,299	$ 1,689,026

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

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1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

State Education Law prescribes a tri-party funding formula in which the State is to provide 40%, students 33.3% and the County sponsor, 26.7% of the College's resources. The State and County's level of support have historically been at levels lower than that prescribed by State Education Law, while student revenues have exceeded 33.3%. The regulations permit this sponsor funding situation to continue so long as "maintenance of effort" is sustained in that the level of sponsor support does not decline from one year to the next. If sponsor support were to decline, the College would be required to adjust its tuition rates down significantly to meet the 33.3% funding requirement. The College received substantially the same level of support from the County for the three years ended August 31, 2009-2011 respectively, thus "maintenance of effort" was sustained. The College's 2011-12 and 2010-11 budgets were adopted by the County Executive and Legislature providing a continued "maintenance of effort".

Standards of Reporting—The financial statements of the College have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as prescribed by the Governmental Accounting Standards Board ("GASB"), including GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities (an Amendment of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments)*, as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of September 1, 2001. The financial statement presentation required by GASB Statement No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective previously required. GASB Statement No. 35 reports equity as "net assets" rather than "fund balance". Net assets are classified based on the availability of assets for satisfaction of College obligations.

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

The College's net assets (deficits) are classified as follows:

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

Unrestricted—Unrestricted net assets (deficits) represent resources derived from student tuition and fees, state and local appropriations, county contribution and the sale of education services and activities. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing Board to meet current expenses.

Reporting Entity—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.

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

Auxiliary Services Corporation of Erie Community College, Inc. - The purpose of the Auxiliary Services Corporation of Erie Community College, Inc. (the "Corporation"), a New York non-profit corporation, is to promote and cultivate educational and social relations through the operation of bookstores, on-campus dining services, vending facilities, childcare, and student centers for the convenience of the students, faculty, and staff of the College. The Corporation is funded through sales of merchandise and food, federal and state grants, and other fees.

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

Erie Community College Foundation, Inc. - The Erie Community College Foundation, Inc. (the "Foundation") is a New York State nonprofit corporation established to support the College. Its purpose is to raise, receive, and administer all private gifts and program services for the College, its programs, and its students. Separate financial statements can be obtained from Erie Community College Foundation, Inc., Executive Director, 121 Ellicott Street, Buffalo, NY 14203.

Cash and Cash Equivalents—For purposes of the statements of net assets, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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, 2011 and 2010, library collections are depreciated using half year convention; whereas, all other assets are depreciated using the straight-line method over the estimated useful lives of the assets. The following lives have been used for substantially all capital assets:

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

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

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

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

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

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

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

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

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

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

Adoption of New Accounting Pronouncements—During the year ended August 31, 2011, the College implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and Statement No. 59, *Financial Instruments Omnibus,* effective for the year ending August 31, 2011. The implementation of GASB Statement Nos. 54 and 59 did not have a material impact on the College.

Future Impacts of Accounting Pronouncements—The College has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53,* effective for the year ending August 31, 2012; and GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No.* 34, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* effective for the year ending August 31, 2013. The College is, therefore, unable to disclose the impact that adopting GASB Statements Nos. 57, 60, 61, 62, 63 and 64 will have on its financial position and results of operations.

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

Unrestricted/Undesignated—These represent resources of the Foundation and the Corporation which have no legal, contractual or board designated obligation and are available for general use.

Board Designated, Childcare Services—These represent undesignated net assets that the Board of the Corporation has designated. At August 31, 2011 and 2010, the Corporation's Board of Trustees designated a portion of unrestricted net assets to be utilized for childcare services.

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

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

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.

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

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

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

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

2. OPERATING REVENUES

Operating revenues received from the State University of New York are regulated by a financing formula contained in the State University of New York regulations. Under the formula, the amount of basic state aid is limited to the lower of 40% of the College's net allowable expenditures or an established rate per full-time equivalent student ("FTE"). The FTE rate was $2,260 and $2,545 for the years ended August 31, 2011 and 2010, respectively.

3. CASH AND CASH EQUIVALENTS

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

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

The details of cash and cash equivalents at August 31, 2011 and 2010, are as follows:

	2011	2010
Petty cash (uncollateralized)	$ 2,850	$ 2,850
Deposits	40,276,413	34,975,385
Total	$40,279,263	$ 34,978,235

Deposits—All deposits are carried at fair value.

	Bank Balance	Carrying Amount
Deposits at August 31, 2011:		
Insured—FDIC	$ 1,601,829	$ 1,601,829
Uninsured—but collateralized by securities held by third-party financial institutions in the College's name	39,318,238	38,674,584
Total	$40,920,067	$ 40,276,413
Deposits at August 31, 2010:		
Insured—FDIC	$ 1,001,211	$ 1,001,211
Uninsured—but collateralized by securities held by third-party financial institutions in the College's name	34,825,328	33,974,174
Total	$35,826,539	$ 34,975,385

Custodial credit risk—deposits. In the case of deposits, this is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of August 31, 2011, none of the College's deposits were exposed to custodial credit risk because all deposits were fully insured or collateralized with securities held by the pledging financial institutions in the College's name.

4. INVESTMENTS

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

Fair market values and net unrealized gains and losses pertaining to the investment portfolio as of August 31, 2011 and 2010 are as follows:

	2011		2010	
	Cost	Quoted Market Prices (Level 1)	Cost	Quoted Market Prices (Level 1)
Fixed income-exempt	$ -	$ -	$ 144,590	$ 144,590
Fixed income	830,133	816,959	394,825	394,825
Domestic stocks	710,919	679,501	552,985	452,910
International equities	588,154	586,473	757,695	671,763
	$ 2,129,206	$ 2,082,933	$ 1,850,095	$ 1,664,088
Net unrealized loss		$ (46,273)		$ (186,007)

5. OTHER RECEIVABLES

Other receivables as of August 31, 2011 and 2010 consist of the following:

	2011	2010
Due from other counties	$ 160,073	$ 1,126,086
Due from federal government	27,312	350,313
Due from New York State	1,817,553	4,681,178
Miscellaneous receivables	447,107	299,542
Total other receivables	$ 2,452,045	$ 6,457,119

Erie Community College Foundation, Inc.—The Foundation's unconditional promises to give as of August 31, 2011 and 2010 consist of the following:

	2011	2010
Receivable in less than one year	$ -	$ 6,000
Unconditional promises to give—net	$ -	$ 6,000

Auxiliary Services Corporation of Erie Community College, Inc.—The Corporation's receivables as of August 31, 2011 and 2010 are as follows:

	2011	2010
Trade receivables	$ 264,416	$ 190,578
Government agencies	151	4,005
Total receivables	264,567	194,583
Less allowance for doubtful accounts	(2,819)	(2,818)
Total	$ 261,748	$ 191,765

6. INVENTORIES

Auxiliary Services Corporation of Erie Community College, Inc.—The Corporation's inventories as of August 31, 2011 and 2010 are as follows:

	2011	2010
Food	$ 33,208	$ 34,261
Food service supplies	8,500	10,117
Total	$ 41,708	$ 44,378

7. CAPITAL ASSETS

A summary of capital asset transactions for the College for the years ended August 31, 2011 and 2010 is as follows:

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

	2010			
	Beginning Balance	Additions	Reductions	Ending Balance
Building improvements	$ 7,373,325	$ 1,792,767	$ -	$ 9,166,092
Land improvements	63,754	-	-	63,754
Construction in progress	930,728	2,112,553	(1,792,767)	1,250,514
Equipment	21,727,085	1,042,392	(207,903)	22,561,574
Library collections	2,588,485	220,652	(259,879)	2,549,258
Total capital assets	32,683,377	5,168,364	(2,260,549)	35,591,192
Less accumulated depreciation for:				
Building improvements	(522,030)	(411,818)	-	(933,848)
Land improvements	(14,346)	(3,188)	-	(17,534)
Equipment	(18,223,268)	(907,992)	204,303	(18,926,957)
Library collections	(1,295,243)	(243,893)	246,885	(1,292,251)
Total accumulated depreciation	(20,054,887)	(1,566,891)	451,188	(21,170,590)
Capital assets— net	$ 12,628,490	$ 3,601,473	$ (1,809,361)	$ 14,420,602
Summary of capital assets:				
Total cost of capital assets	$ 32,683,377	$ 5,168,364	$ (2,260,549)	$ 35,591,192
Less accumulated depreciation	(20,054,887)	(1,566,891)	451,188	(21,170,590)
Capital assets—net	$ 12,628,490	$ 3,601,473	$ (1,809,361)	$ 14,420,602

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

Auxiliary Services Corporation of Erie Community College, Inc.—The Corporation's capital assets as of August 31, 2011 and 2010 consist of the following:

	2011	2010
Equipment	$ 286,093	$ 286,093
Facility improvements	630,312	625,311
Vehicles	8,382	8,382
Total capital assets	924,787	919,786
Less accumulated depreciation	(447,924)	(408,987)
Total	$ 476,863	$ 510,799

8. RETIREMENT PLANS

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

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

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

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

The College's total retirement-related payroll was $53,737,093 and $53,426,113 for the years ended August 31, 2011 and 2010, respectively. The payroll for 2011 and 2010 for the College's employees covered by TIAA/CREF was $19,260,200 and $19,186,416, ERS was $20,410,076 and $20,489,944, and TRS was $14,066,817 and $13,749,753 for each fiscal year, respectively. Employer and employee contributions under each of the plans were as follows:

	Fiscal Year Ended August 31,		
	2011	2010	2009
Employer contributions:			
TIAA/CREF	$ 2,503,370	$ 2,462,766	$ 2,199,465
ERS	2,369,359	1,576,143	1,679,292
TRS	843,146	1,020,091	1,118,358
Employee contributions:			
TIAA/CREF	$ 103,054	$ 202,113	$ 320,717
ERS	200,077	200,380	207,928
TRS	163,212	143,855	124,600

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

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

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

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

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

Federal Awards Schedule and Reports

9. POSTEMPLOYMENT HEALTH INSURANCE

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

Funding Policy—Authorization for the College to pay a portion, or all, of retiree health insurance premiums was enacted by resolution of the County Legislature or through union contracts, which are ratified by the County Legislature. Retirees responsible for a portion of their health insurance premiums pay based on one of two scenarios. Employees who retired prior to January 1, 2003, pay approximately 50% of health insurance costs while the College pays the remainder. Individuals who retired on or after January 1, 2003 pay between 0% and 25% of premiums based on the amount of sick leave the retiree has banked as of their retirement date. The remainder of the retirees make no contribution and the College pays 100% of premiums. The College recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the County or by the health insurance provider. The College contributed $4,450,382 and $4,300,645, respectively for the fiscal years ended August 31, 2011 and 2010.

The College's annual other postemployment benefit ("OPEB") cost is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation. The adjustment reflects the difference between the actual Net OPEB Obligation recognized by the College as of August 31, 2010 and the Net OPEB Obligation determined by Harbridge Consulting Group, L.L.C. as of August 31, 2010.

	2011	**2010**
Annual required contribution	$ 14,100,091	$ 15,995,130
Interest on net OPEB obligation	1,627,528	1,256,012
Adjustment to annual required contribution	(2,269,263)	(1,751,258)
Annual OPEB cost (expense)	13,458,356	15,499,884
Contributions made	(4,450,382)	(4,300,645)
Increase in net OPEB obligation	9,007,974	11,199,239
Adjustment	(2,559,321)	-
Net OPEB obligation - beginning of year	40,408,819	29,209,580
Net OPEB obligation - end of year	$ 46,857,472	$ 40,408,819

Funded Status and Funding Progress—As of December 31, 2011, the most recent interim valuation date, the unfunded actuarial accrued liability for benefits was $130,506,438.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Actuarial Valuation Date	Acturial Value of Assets	Acturial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Budgeted Covered Payroll	Ratio of UAAL to Budget Covered Payroll
As of January 1, 2006	$ -	$113,422,637	$113,422,637	-	$ 50,278,164	2.26
As of September 1, 2008	-	152,700,335	$152,700,335	-	Not Available	-
As of January 1, 2010	-	173,689,046	$173,689,046	-	Not Available	-
As of December 31, 2011	-	130,506,438	$130,506,438	-	Not Available	-

The College's schedule of contributions is shown below:

Year Ended August 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2011	$ 14,100,091	$ 4,450,382	31.6%
2010	15,995,130	4,300,645	26.9%
2009	14,064,127	3,397,928	24.2%
2008	10,971,680	2,696,728	24.6%
2007	12,414,368	2,712,897	21.9%

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

In the December 31, 2011 interim valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date as of August 31, 2011 and measurement date of December 31, 2011. 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, 2011, was twenty-five years.

10. RELATED-PARTY TRANSACTIONS

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

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

Amounts due from the County to the College are $2,008,539 and $558,066 at August 31, 2011 and 2010, respectively. The amounts due from the County at August 31, 2011 relate to sponsor contributions as well as grant money for specific programs. Amounts due to the County at August 31, 2011 and 2010 are $2,116,455 and $2,556,088, respectively. These amounts due to the County are for bills paid by the County on behalf of the College. The County contributions to the College were $17,429,317 for each of the years ended August 31, 2011 and 2010.

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

The Foundation receives the rent-free use of their facility and other direct support from the College. The total value of the support for the years ended August 31, 2011 and 2010, of $236,598 and $290,691, respectively is comprised of the following:

	2011	2010
Payroll, payroll taxes, and benefits	$ 213,471	$ 246,221
Facility and maintenance	11,852	33,195
Other operating expenses	11,275	11,275
Total	$ 236,598	$ 290,691

11. COMMITMENTS AND CONTINGENCIES

Leases—The College has entered into various contract and lease agreements, including those for classroom space and office equipment. These agreements are generally subject to executory clauses which negate the contract if funds are not appropriated by the College. Minimum future payments for leases with initial or remaining terms of one year or more, as of August 31, 2011, are summarized as follows:

2012	$ 707,815
2013	267,311
2014	10,548
2015	2,637
Total	$ 988,311

Total contract and lease expense for the years ended August 31, 2011 and 2010, was approximately $918,079 and $982,083, respectively.

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, 2011 and 2010, was approximately $470,000 and $493,000, respectively.

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

Union Contracts— The College is a party to the County-wide contract with AFSCME which was renegotiated during the year ended August 31, 2010. The College will absorb in operations yearly salary increases of 3% going forward for the next five years. This increase is expected to be minimal given the College's small number of members in this union. The County-wide contract with CSEA which expired December 31, 2006, and the Faculty Federation union contract, the College's largest, which expired August 31, 2009 have yet to be renegotiated. The College has not recorded any liability for potential retroactive settlements as they believe the effects, if any, will not be material to the financial statements.

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

Assets Held by Foundation—The Corporation has included monies transferred to the Erie Community College Foundation, Inc. as an asset on its Statement of Financial Position for the years ended August 31, 2011 and 2010, to administer a tuition reimbursement program for its child care employees. Employees must meet certain criteria, including length of service and pursuit of a degree in a related field. The Corporation has final discretion in administering the reimbursement program and has the right to revoke or redirect the use of the funds to another beneficiary.

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

Net assets held on behalf of others as of August 31, 2011 and 2010 were as follows:

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

2010	Student Government	Public-ations	Student Athletics	Wellness Center	Restricted Funds	Totals
Cash	$ 193,321	$ 61,860	$ 191,535	$ 831	$ 772,937	$ 1,220,484
Accounts receivable	-	-	13,164	55,865	24,836	93,865
Total assets	193,321	61,860	204,699	56,696	797,773	1,314,349
Accounts payable	10,253	1,401	35,167	52,681	38,717	138,219
Net assets held on behalf of others	$ 183,068	$ 60,459	$ 169,532	$ 4,015	$ 759,056	$ 1,176,130

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, 2011 and 2010.

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

Years ending August 31,	
2012	$ 11,280
2013	4,700
Total	$ 15,980

The total lease expense charged to operations was $11,590 and $11,492 for the years ended August 31, 2011 and 2010 respectively.

Bookstore Operations— On July 1, 2009, the Corporation entered into a five-year agreement with Follett Bookstores, whereby, Follett agreed to manage the operation of the Corporation's bookstore. Under the terms of the contract, the Corporation receives compensation equal to a percentage of gross revenue with a guaranteed minimum due of $2,625,000 over the life of the contract. The Corporation recognized $759,231 and $821,534 in contract revenue for the years ended August 31, 2011 and 2010, respectively.

Commitment—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, 2011 and 2010. However, these costs did not meet the Corporation's threshold for capitalization and, therefore were reported as expenses for the years ended August 31, 2011 and 2010.

12. CHANGES IN LIABILITIES

The long-term obligation transactions for the College for the years ended August 31, 2011 and 2010 are as follows:

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

	2010				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Retirement incentive—wages	$ 56,389	$ -	$ 17,197	$ 39,192	$ 15,000
Health Insurance - Terminal Liability	723,795	81,181	-	804,976	-
NYS Employees' Retirement System	733,174	1,921,136	1,576,143	1,078,167	1,078,167
NYS Teachers' Retirement System	1,151,026	905,883	1,020,091	1,036,818	842,804
SUNY Optional Retirement Program	126,060	2,429,023	2,462,766	92,317	92,317
Vacation accrual	2,776,764	260,224	158,040	2,878,948	100,000
Comp-time accrual	547,295	33,532	4,618	576,209	20,000
Sick leave accrual	154,000	21,000	9,000	166,000	10,000
OPEB Liability	29,209,580	15,499,884	4,300,645	40,408,819	-
Total	$ 35,478,083	$ 21,151,863	$ 9,548,500	$ 47,081,446	$ 2,158,288

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

Due to Retirement Systems—The College's total liability relating to retirement is $3,083,276 and $2,207,303 as of August 31, 2011 and 2010, respectively. Of this, $2,832,469 and $2,013,289 are recorded in current liabilities as of August 31, 2011 and 2010, and $250,807 and $194,014 are recorded as noncurrent liabilities. The $250,807 is payable in the year ending August 31, 2013.

Compensated Absences—As explained in Note 1, the College records the value of compensated absences in accordance with GASB Statement No. 16. The liability at August 31, 2011 and 2010, for total compensated absences, both current and long-term, is $3,779,410 and $3,621,157, respectively.

13. STUDENT APARTMENTS

Erie Community College Foundation, Inc.—The Foundation was involved in the preliminary phase of constructing student apartments. In prior years the Foundation identified a developer for the project and incurred costs associated with the initial phase of construction. As of August 31, 2009, the remaining balance in construction in progress on the Foundation's Statement of Financial Position was $21,505. During the year ended August 31, 2010, it was decided that the project would not move forward in any capacity and the remaining costs of $21,505 were written off by the Foundation.

14. CHARITABLE REMAINDER ANNUITY TRUST

Erie Community College Foundation, Inc.—During the year ended August 31, 2006, the Foundation entered into a trust agreement to become trustee of a charitable remainder annuity trust. The Foundation is also a 40% remaindermen of the trust principal. The trust was funded with real estate which was subsequently sold and invested in the Foundation's investment portfolio. The trust assets are reflected in investments in the Foundation's Statement of Financial Position and total $204,795 and $210,091 as of August 31, 2011 and 2010. The present value of actuarial liability to the income beneficiary was $177,602 and $184,345 as of August 31, 2011 and 2010. The liability to the other 60% charitable remaindermen was $16,316 and $15,447 as of August 31, 2011 and 2010, respectively.

15. FUNCTIONAL EXPENSES

A summary of the College's operating expenses for the years ended August 31, 2011 and 2010, classified by function, are as follows:

	2011						
	Salaries & Wages	Employee Benefits	Scholarships	Utilities	Depreciation	Supplies, Services & General	Total
Instruction	$ 35,658,222	$ 10,469,910	$ -	$ -	$ -	$ 6,647,686	$ 52,775,818
Academic support	4,078,348	1,354,363	-	-	-	780,016	6,212,727
Libraries	1,340,450	446,609	-	-	-	198,813	1,985,872
Student services	8,222,540	2,627,700	-	-	-	2,050,586	12,900,826
General administration	3,119,857	1,120,120	-	-	-	1,068,887	5,308,864
General institutional services	3,709,501	5,583,289	-	-	-	4,342,036	13,634,826
Maintenance and operation of plant	4,885,525	2,182,102	-	2,296,711	-	3,071,146	12,435,484
OPEB expense	-	6,448,653	-	-	-	-	6,448,653
Scholarships	-	-	20,001,572	-	-	19,394	20,020,966
Depreciation	-	-	-	-	1,676,686	-	1,676,686
Total	$ 61,014,443	$ 30,232,746	$ 20,001,572	$ 2,296,711	$ 1,676,686	$ 18,178,564	$ 133,400,722

	2010						
	Salaries & Wages	Employee Benefits	Scholarships	Utilities	Depreciation	Supplies, Services & General	Total
Instruction	$ 35,550,000	$ 10,090,340	$ -	$ -	$ -	$ 5,784,369	$ 51,424,709
Academic support	4,348,765	1,412,336	-	-	-	1,222,066	6,983,167
Libraries	1,371,302	436,952	-	-	-	172,398	1,980,652
Student services	7,821,499	2,300,730	-	-	-	2,167,757	12,289,986
General administration	3,091,994	959,459	-	-	-	744,524	4,795,977
General institutional services	3,524,947	4,865,486	-	-	-	3,172,916	11,563,349
Maintenance and operation of plant	4,762,363	2,491,817	-	2,373,975	-	3,037,152	12,665,307
OPEB expense	-	11,199,239	-	-	-	-	11,199,239
Scholarships	-	-	18,069,413	-	-	-	18,069,413
Depreciation	-	-	-	-	1,566,891	-	1,566,891
Total	$ 60,470,870	$ 33,756,359	$ 18,069,413	$ 2,373,975	$ 1,566,891	$ 16,301,182	$ 132,538,690

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 30, 2012, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

SUPPLEMENTAL SCHEDULES

ERIE COMMUNITY COLLEGE

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

Reconciliation of Revenues and Expenses as Reflected in the Annual Report to the Audited Financial Statements

For the Year Ended August 31, 2011

	Revenues	Expenses
Per annual report:		
Unrestricted current funds	$ 101,405,025	$ 102,287,218
Restricted current funds	48,601,334	48,601,334
OPEB funds	-	6,448,653
Plant funds	4,744,761	3,367,887
Totals (all funds)	$ 154,751,120	$ 160,705,092
Adjustments to reconcile to financial statements:		
Scholarship allowances	(20,868,408)	(20,868,408)
Expended for plant facilities	(4,744,761)	(4,744,761)
Depreciation	-	(1,676,686)
Adjusted totals	$ 129,137,951	$ 133,415,237
Per audited financial statements:		
Operating revenue / expenses	$ 39,199,676	$ 133,400,722
Nonoperating revenue / expenses	72,508,958	14,515
Other revenue / expenses	17,429,317	-
Totals per financial statements	$ 129,137,951	$ 133,415,237

	Annual Report	Unrestricted Current Fund
2011 Total unrestricted expenses	$ 102,287,218	$ 102,287,218
2011 Total revenues - offset to expense plus costs not allowable for state-aid.	6,738,350	6,738,350
2011 Net operating costs	$ 95,548,868	95,548,868

Net Asset/Fund Balance Reconciliation:	Reported Amounts
Current Unrestricted Fund Balance*	$ 18,399,577
GASB 45 Liability	(46,857,472)
Unrestricted Net Assets (per financial statements)	$ (28,457,895)

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

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Schedule of State Operating Aid
For the Year Ended August 31, 2011

Total Operating Costs	$ 102,287,218						
Total Revenue - Offset to Expense	(6,738,350)						
Costs Not Allowable for State Aid	-						
Net Operating Costs	$ 95,548,868		@	40%	=	$ 38,219,547	(a)
Rental Costs - Physical Space * 50% of cost, less $20,429	$ 397,839		@	50%*	=	$ 178,491	
High Needs Funding						$ 196,993	

Funded FTE Students - Basic Aid	Net FTE Allowable					
2007-2008 Actual	12,170.2	x	0.20	=	2,434.0	
2008-2009 Actual	12,694.6	x	0.30	=	3,808.4	
2009-2010 Actual	13,397.5	x	0.50	=	6,698.8	
2010-11 Calculated FTE (20-30-50% Rule)					12,941.2	
2010-11 Funded FTE (Greater of 20-30-50% Rule or Prior Year Actual)					13,397.5	(c)

Funded FTE Students - Basic Aid	13,397.5	(c)	@	$ 2,260	=	30,278,350	
Less: 2010-11 FTE FMAP reduction						$ (181,657)	
Funded FTE, Rental Costs and High Needs Funding						$ 30,472,177	(b)
Basic Aid - Lesser of (a) or (b)						$ 30,472,177	

* 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, 2011

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

Full-time Student Headcount	Headcount Credit Hours and FTE	Rate	Equated Tuition
Fall 2010 full-time students per End of Term SDF	10,308	$ 1,650	$ 17,008,200
Spring 2011 full-time students per SDF	9,382	1,650	15,480,300
Winter 2011 full-time students per SDF	3	1,650	4,950
Summer 2011 full-time students per SDF	213	1,650	351,450
Total full-time headcount	19,906		
Total credit hours of full-time students	281,197.1		
Part-time Student Credit Hours			
Fall 2010 part-time credits per End of Term SDF	29,331.1	$ 138	4,047,693
Spring 2011 part-time credits per SDF	30,168.6	138	4,163,267
Winter 2011 part-time credits per SDF	2,074.2	138	286,240
Summer 2011 part-time credits per SDF	19,459.0	138	2,685,342
Fall 2010 non-credit remedial	14,156.6	138	1,953,611
Spring 2011 non-credit remedial	20,710.7	138	2,858,077
Summer 2011 non-credit remedial	11,094.1	138	1,530,986
Fall 2010 per Form 24	559.9	138	77,266
Spring 2011 per Form 24	663.8	138	91,604
Summer 2011 per Form 24	73.1	138	10,088
Total part-time credit hours	128,291.1		
Total credit hours	409,488.2		
Total state-aidable FTE	**13,649.6**		
Total calculated tuition based on headcount and credit hours			**$ 50,549,074**

(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, 2011

(concluded)

Reconciliation to Annual Report and Audited Financial Statements:		
Total calculated tuition based on headcount and credit hours		**$ 50,549,074**
Less:	Bad debt allowance charged to tuition	(2,165,692)
	Difference in tuition for discounted classes	(525,320)
	Calculated State-aidable non-credit remedial tuition	(6,342,673)
	Learning centers - credits generated - no tuition charged	(178,958)
	Other - clinical waivers	(2,446)
	Other - cross-registered students	(29,617)
	Other - prior term adjustments	(36,058)
Add:	Forfeited tuition due to withdrawals - FTEs not claimed	158,862
	Non-credit remedial tuition revenue collected	21,336
	Other - collections on bad debt accounts	140,703
	Other - AJE to balance A/R	20,541
	Other - miscellaneous	1,477
	Tuition revenue reported on annual report (lines 206-208)	**$ 41,611,229**
Add:	Charges to non-resident students	147,103
	Out-of-state resident tuition	889,757
	Service fees	8,926,806
	Student revenue - non state-aidable courses	797,578
	Tuition & fee revenue per audited financial statements	**$ 52,372,473**

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Agency Number	Federal Expenditures
U.S. Department of Defense			
Direct Program:			
Basic and Applied Scientific Research	12.300	n/a	$ 11,854
Total U.S. Department of Defense			11,854
U.S. Department of Labor			
Passed through the Workforce Development Consortium:			
Workforce Investment Act—Adult Programs	17.258	YD-0376-A1	344,523
Workforce Investment Act—Dislocated Workers	17.260	YD-0376-A1	239,415
Direct Programs:			
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	n/a	239,746
Total U.S. Department of Labor			823,684
National Science Foundation			
Direct Program:			
Education and Human Resources	47.076	n/a	101,889
Total National Science Foundation			101,889
U.S. Department of Education			
Direct Programs:			
Federal Supplemental Educational Opportunity Grants	84.007	n/a	407,300
Federal Work Study Program	84.033	n/a	317,406
Federal Pell Grant Program	84.063	n/a	29,820,465
Higher Education Institutional Aid	84.031A	n/a	31,977
Child Care Access Means Parents In School	84.335A	n/a	52,250
Academic Competitiveness Grants	84.375	n/a	229,114
State Fiscal Stabilization Government Services - Recovery	84.397	n/a	6,046,830
Passed through New York State:			
Career and Technical Education - Basic Grants to States	84.048	8000-08-6190	1,269,408
Tech-Prep Education	84.243	8080-09-0013	487,230
Total U.S. Department of Education			38,661,980
Total Expenditures of Federal Awards			$ 39,599,407

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 Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2011

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Erie Community College (the "College") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. LOANS MADE AND OUTSTANDING

3. The following is a summary of loans made during the fiscal year and loan balances outstanding at August 31, 2011. These loans are not included in the federal expenditures presented in the schedule.

Loan Program Title	Loans made in the Year Ended August 31, 2011
Federal Subsidized Stafford Loans	$ 11,990,360
Federal Unsubsidized Stafford Loans	9,829,302
Federal Plus Loans	270,042
Total Direct Loans (CFDA #84.268)	$ 22,089,704

4. INDIRECT COSTS

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

* * * * * *

Drescher & Malecki LLP
3083 William Street, Suite 5
Cheektowaga, New York 14227
Telephone: 716.565.2299
Fax: 716-565-2201

Certified Public Accountants

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

The Board of Trustees
Erie Community College:

We have audited the financial statements of Erie Community College (the "College"), an educational institution of the County of Erie, New York, as of and for the years ended August 31, 2011 and 2010, and have issued our report thereon dated March 30, 2012. Our report includes a reference to 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Erie Community College Foundation, Inc. and the Auxiliary Services Corporation of Erie Community College, Inc. were not audited in accordance with *Government Auditing Standards*. Other auditors audited the financial statements of the Erie Community College Foundation, Inc., as described in our report on the College's financial statements.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, as described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting.

A *significant deficiency* is a deficiency, or a combination of deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.*

We noted certain matters that we reported to management of the College in a separate letter dated March 30, 2012.

The College's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the College's Board of Trustees, the Audit Committee of the County of Erie, State University of New York, Office of the State Comptroller of the State of New York, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Drescher & Malecki LLP

March 30, 2012

Drescher & Malecki LLP
3083 William Street, Suite 5
Cheektowaga, New York 14227
Telephone: 716.565.2299
Fax: 716-565-2201

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Trustees
Erie Community College:

Compliance

We have audited Erie Community College's (the "College's"), an educational institution of the County of Erie, New York, compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011. The College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit. Our audit, described below, did not include the operations of Erie Community College Foundation, Inc. or the Auxiliary Services Corporation of Erie Community College, Inc. because the Erie Community College Foundation, Inc. engaged other auditors and was not audited in accordance with Government Auditing Standards; and, the Auxiliary Services Corporation of Erie Community College, Inc. was not audited in accordance with Government Auditing Standards.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The financial statements of the Erie Community College Foundation, Inc. and the Auxiliary Services Corporation of Erie Community College, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on to each of its major federal programs for the year ended August 31, 2011. The results of our auditing procedures disclosed no instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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* 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the College's Board of Trustees, the Audit Committee of the County of Erie, State University of New York, Office of the State Comptroller of the State of New York, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Drescher & Malecki LLP

March 30, 2012

ERIE COMMUNITY COLLEGE
(AN EDUCATIONAL INSTITUTION OF THE COUNTY OF ERIE, NEW YORK)
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2011

Part I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified*

* Auditors' report refers to other auditors.

Internal control over financial reporting:

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

Federal Awards:

Internal control over major programs:

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

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

6. Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	____ Yes	✓ No

7. The College's major programs were:

Name of Federal Program	CFDA Number
Student Financial Aid Cluster:	
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Work Study	84.033
Federal Pell Grant Program	84.063
Direct Loan Program	84.268
Academic Competitiveness Grant	84.375
Government Services Fund – Recovery	84.397

8. Dollar threshold used to distinguish between Type A and Type B programs? $ 1,187,982

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

(continued)

Part II. FINANCIAL STATEMENT FINDINGS SECTION

Finding 2011-1—Bank Reconciliation Timeliness

Condition: It was noted that the payroll bank reconciliations were not performed in a timely manner. As such, the months of July and August were unavailable for our scheduled fieldwork testing.

Criteria: Bank reconciliations for all accounts should be performed in a timely manner after month-end.

Cause: It was represented that the individual performing bank reconciliations has many other job tasks, resulting in delayed reconciliations.

Effect: There is a potential misstatement of cash balances.

Auditor Recommendation: We recommend that the College perform bank reconciliations in a timely manner to maintain accurate cash balances. All reconciliations should be performed within a month of receiving the applicable bank statement. In addition, the payroll account bank reconciliation should be assigned to another qualified employee; as it would enable for a more timely performance. Finally, all bank reconciliations should show evidence of review by another competent independent reviewer.

Management's Corrective Action Plan: The College's bank reconciliations involve certain other staff as well as a number of processes, some electronic in nature, that are both complex and time consuming. Yet, management has reassigned certain bank reconciliations to another qualified individual, decreasing the amount of work required to be performed by the individual currently performing all bank reconciliations, such that all bank reconciliations will be performed in a timely manner.

Part III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No findings were noted as reportable.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED AUGUST 31, 2010:

No findings were noted as reportable.

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