

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) is intended to be an easily readable analysis of the financial activities of Broome Community College (BCC, or College). It is required by Governmental Accounting Standard Board (GASB) statements 34 and 35, and directly precedes the financial statements. The MD&A focuses on current activities, known facts, and their impact and includes discussion of both positive and negative results. The MD&A should include information and discussion concerning:

- ✓ the overall financial position of the institution.
- ✓ the results of operations so that the reader can assess whether the financial position has improved or deteriorated.
- ✓ reasons for significant changes from prior years.
- ✓ important economic factors that significantly affected operating results.
- ✓ comparisons of current year results and prior year results.

It is to be used in conjunction with the College's financial statements and footnotes. Responsibility for the completeness and fairness of this information rests with the College's management.

Using this report

This report consists of three basic financial statements: the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows. These statements provide information on BCC as a whole, and present a long-term view of the College's finances.

One of the most important questions asked about a college's finances is "Is the college better or worse off financially as a result of this year's activities?" The financial statements help answer that question. When revenues exceed expenses, the result is an increase in net assets and an improvement in the college's financial position. And when revenues are less than expenses, the opposite occurs.

Net assets – the difference between assets and liabilities – is one way to measure the College's financial health. Other factors to consider when assessing the College's financial health include enrollment trends, freshman class size, student retention, and the condition of the campus buildings.

These statements present all assets and liabilities on the accrual basis of accounting – all of the current year revenues and expenses are taken into account regardless of when cash is received or paid.

Another way to look at the financial position of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash disbursements of the College. The statement helps users assess the College's ability to generate future positive cash flows, its ability to pay its obligations as they come due, and its need for external financing.

What's new

This year the revenue and expense discussion takes a macro, campus-wide perspective rather than a micro, fund-based view as in the past. The schedule of revenues, expenses, and other changes by fund is no longer required by SUNY, so it has not been included in the financial statements this year. Therefore, the MD&A discussion focuses on the statement of revenues, expenses, and changes in net assets rather than the eliminated schedule that gave information on restricted, unrestricted, plant, and loan funds.

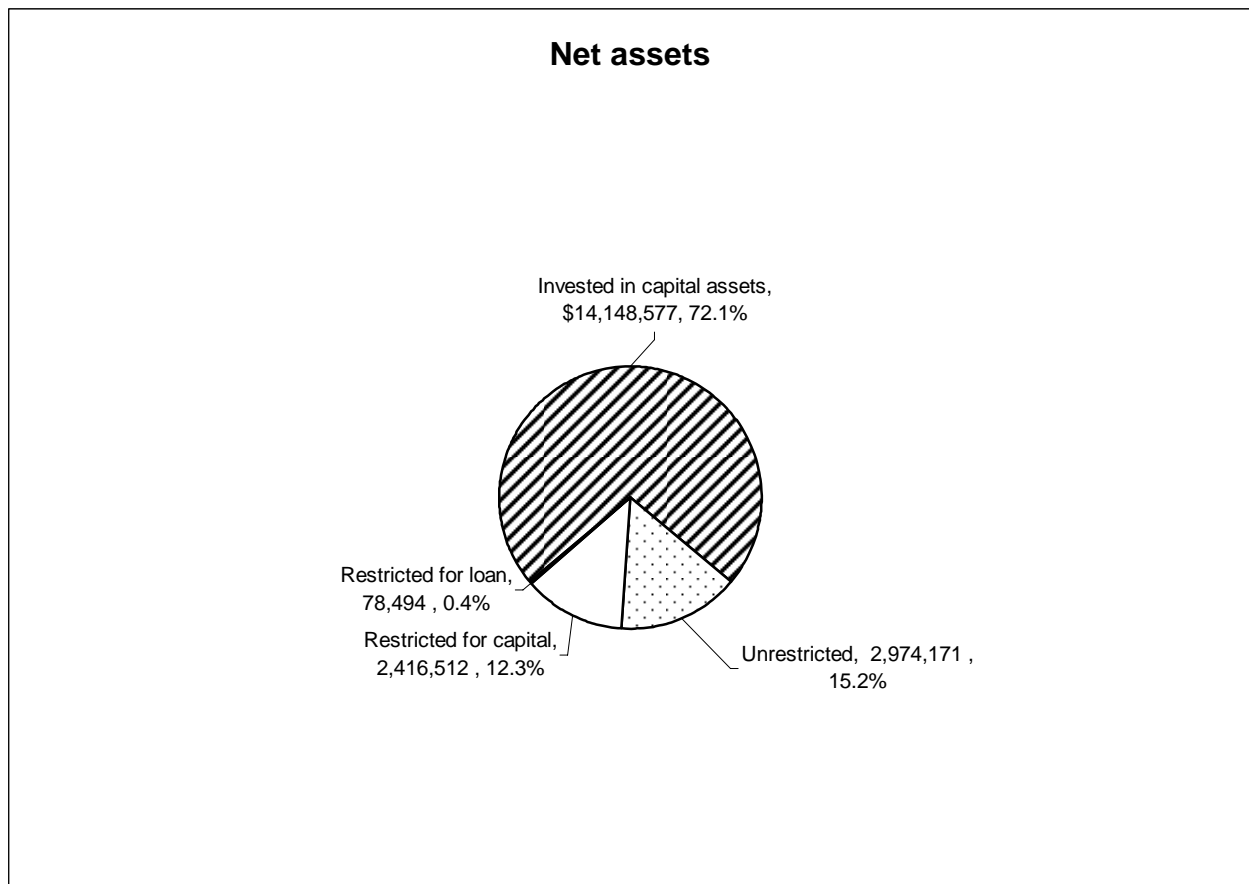
Another change this year is the addition of a schedule reconciling tuition revenues to student enrollment, in compliance with a new SUNY reporting requirement.

Net assets

	2006	2005	2004	2005 to 2006	
				\$ change	% change
Invested in capital assets	\$14,148,577	\$16,265,777	\$17,885,677	(\$2,117,200)	-13%
Unrestricted	2,974,171	2,730,221	4,474,515	243,950	9%
Restricted for capital	2,416,512	1,604,542	1,489,465	811,970	51%
Restricted for loan	78,494	401,098	572,833	(322,604)	-80%
Total	\$19,617,754	\$21,001,638	\$24,422,490	(\$1,383,884)	-7%

College *net assets* decreased this year by \$1,383,884 (7%) to \$19,617,754. \$14,148,577 (72.1%) of the net assets is capital, and is presented net of accumulated depreciation and long-term debt. Investment in capital assets decreased by \$2,117,200 (13%) this year due to depreciation. \$2,974,171 (15.2%) of net assets are unrestricted, and they increased by \$243,950 (9%) this year as the result of operating revenues being one percent greater than operating expenses.

\$2,416,512 (12.3%) of net assets is restricted for capital, and is comprised of capital project cash held by the County and the New York State Dormitory Authority as well as interest receivable by the Dormitory Authority. Net assets restricted for capital increased by \$811,970 (51%) this year as the result of County borrowing for four small capital projects currently underway.



\$78,494 (less than 1%) of campus net assets is restricted for Perkins financial aid loans receivable from students, and it decreased by \$322,604 (80%) this year. This financial aid program was discontinued by the College in 2004-05 because it was not cost effective to keep running it – College expenditures to administer the program outweighed the benefits derived by the students. The amount restricted for loans will decline and eventually be eliminated as the outstanding loans are collected or written off.

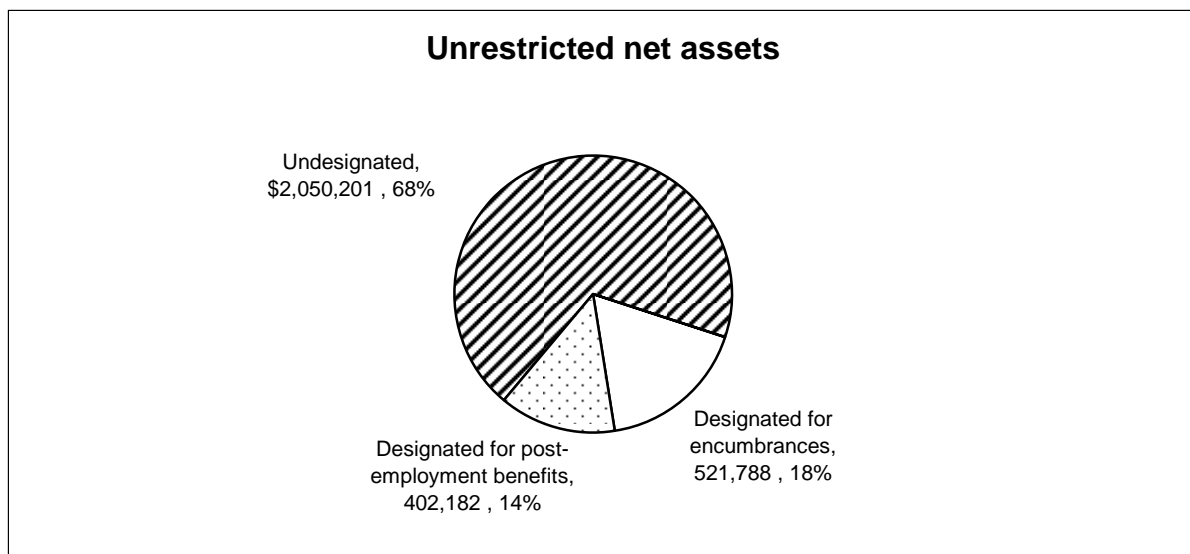
An in-depth discussion of unrestricted net assets and capital assets follows.

Unrestricted net assets

	2006	2005	2004	2005 to 2006	
				\$ change	% change
Undesignated	\$ 2,050,201	\$ 1,651,389	\$ 3,410,008	398,812	24%
Designated for encumbrances	521,788	676,650	662,325	(154,862)	-23%
Designated for post-employment benefits	402,182	402,182	402,182	-	0%
Total	\$ 2,974,171	\$ 2,730,221	\$ 4,474,515	\$ 243,950	9%

\$2,050,201 (68%) of unrestricted net assets is undesignated, and resulted from revenues being greater than expenses in some years. Unrestricted, undesignated net assets increased by \$398,812 (24%) this year - \$243,950 from operating revenues being 1% greater than operating expenses, and \$154,862 due to a decline in year-end encumbrances.

Undesignated net assets are equivalent to 5.4% of the 2006-07 net operating budget (the total budget less miscellaneous revenues). New York State community college regulation 602.1(d) requires that the college undesignated net assets be reviewed periodically and maintained at a level consistent with sound fiscal management procedures. SUNY and the Government Finance Officer's Association recommend undesignated net assets be retained at a level equivalent to 5% to 15% of the College's net operating budget.



\$521,788 (18%) of unrestricted net assets is designated for outstanding fiscal year-end encumbrances that will be carried forward into the next fiscal year budget. The balance declined by \$154,862 (23%) as the result of an earlier fiscal year-end purchasing cut-off.

\$402,182 (14%) of unrestricted net assets is currently designated by the College Board of Trustees for post-employment retiree health benefits. This designation will be eliminated in 2006-07 when GASB 45 is implemented requiring actuarial valuation and full recognition in the financial statements of the liability associated with retiree health benefits. Under GASB 45, the full liability must be reported (reducing net assets accordingly), tracked, and amortized, but it is not required to be funded.

Assets

As of August 31

	2006	2005	2004	2005 to 2006	
				\$ change	% change
Current assets	\$ 12,790,982	\$ 12,253,992	\$ 14,407,908	\$ 536,990	4%
Non-current assets (except for capital)	2,320,688	1,828,519	1,917,086	492,169	27%
Non-current assets (capital)	30,969,733	32,374,071	33,902,151	(1,404,338)	-4%
Total assets	\$ 46,081,403	\$ 46,456,582	\$ 50,227,145	\$ (375,179)	less than 1%

Current assets increased by \$536,990 (4%) to \$12,790,982 this year. Cash, grant and contract receivables, and other non-student receivables grew by \$740,431 as the result of operating revenues being greater than expenses, grant and contract receivables increasing due to invoice and payment timing differences, and the addition of a prepaid expense. The asset increases were partially offset by a \$203,441 decrease in net accounts receivable – student tuition - due to a change in the allowance for doubtful accounts policy to use more current collection information.

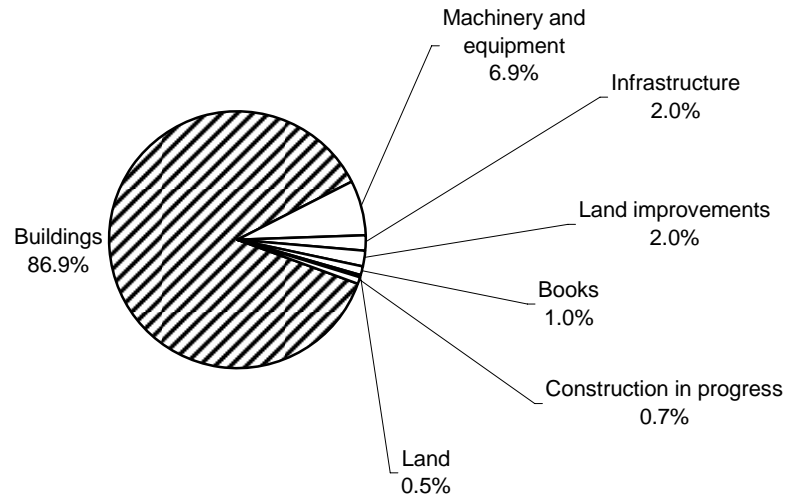
Non-current assets (except for capital) increased by \$492,169 (27%) as the result of capital project financing decisions made by Broome County Government and the New York State Dormitory Authority. An in-depth discussion of the change in non-current assets (capital) follows.

Capital assets

BCC's capital assets are financed three ways – as capital projects, or by grant and operating budget funds. Building construction and major renovations are usually financed as capital projects with equal (matching) dollars being provided by New York State and Broome County government via dual, coordinated approval and funding processes. Recent capital projects have also included other local funding in addition to Broome County Government dollars. Capital assets of a smaller scope are funded by grant or the operating budget.

One-half of BCC capital assets are depreciated. 86.9% of BCC capital assets are invested in buildings, 6.9% in machinery and equipment, and the remainder in infrastructure, land and land improvements, books, and construction-in-progress.

net value of capital assets



Capital assets and accumulated depreciation

As of August 31

	2006		2005		2004		2005 to 2006	
							\$ change	% change
Buildings	\$	50,743,807	\$	50,707,374	\$	50,641,426	\$ 36,433	less than 1%
Machinery and equipment		8,285,068		8,634,727		8,792,681	(349,659)	-4%
Infrastructure		1,536,798		1,536,798		1,536,798	-	0%
Land improvements		1,061,622		1,024,000		987,406	37,622	4%
Library books		548,862		500,692		490,472	48,170	10%
Land		144,935		144,935		144,935	-	0%
Construction in progress		217,275		40,389		26,349	176,886	438%
Total capital assets	\$	62,538,367	\$	62,588,915	\$	62,620,067	\$ (50,548)	less than 1%
Less accumulated depreciation		(31,568,634)		(30,214,844)		(28,717,916)	(1,353,790)	4%
Total capital assets net of accumulated depreciation	\$	30,969,733	\$	32,374,071	\$	33,902,151	\$ (1,404,338)	-4%

At the end of this year, BCC had \$30,969,733 invested in capital assets net of accumulated depreciation, 4% less than last year as the result of depreciation and the net change between acquisitions and disposals. The college acquired \$872,268 in capital assets this year, the majority of which were financed with operating and grant funds, and retired \$50,548 more than that it acquired. The retired assets were 88% depreciated with a net book value of \$107,471, and were disposed of at a loss of \$57,966. Accumulated depreciation increased by \$1,353,790 (4%). These changes together resulted in a \$1,404,338 (4%) decrease in the net value of capital assets. Additional information on BCC's capital assets is presented in the footnotes to the financial statements.

Current liabilities

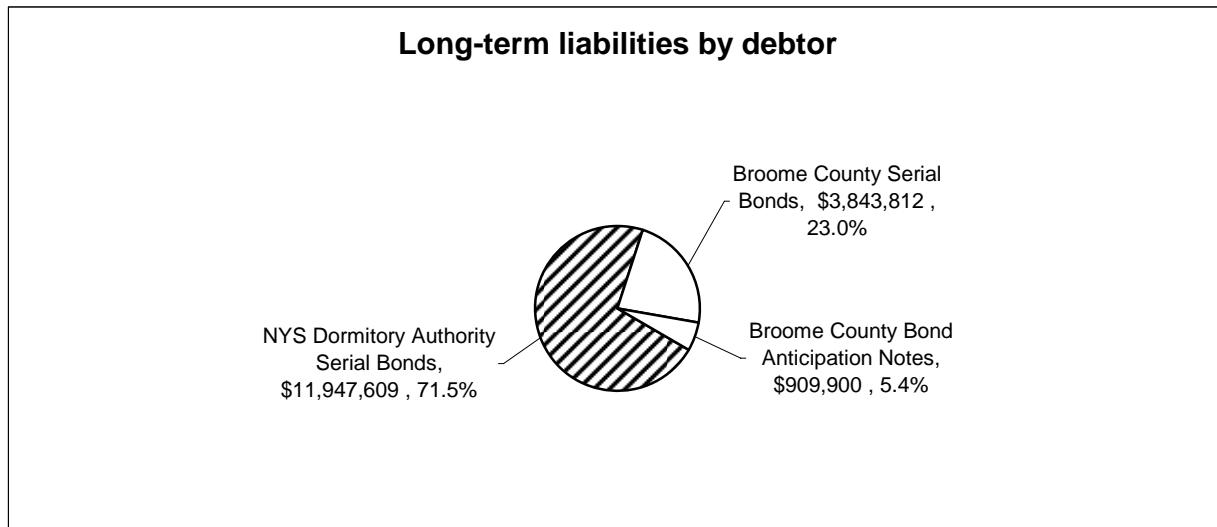
sorted from highest to lowest liability

	2006	2005	2004	2005 to 2006	
				\$ change	% change
Deferred revenue	\$ 6,215,380	\$ 6,191,166	\$ 6,559,223	\$ 24,214	less than 1%
Accrued liabilities	2,751,183	2,490,047	2,456,202	261,136	10%
Long-term debt - current portion	800,850	316,873	989,342	483,977	153%
Accounts payable	459,524	338,070	508,834	121,454	36%
Deposits held in custody for others	117,392	113,102	123,330	4,290	4%
Accrued interest payable	94,830	83,720	97,945	11,110	13%
Other	55,504	52,583	41,480	2,921	6%
Other - state aid due to NYS	43,510	77,962	1,167	(34,452)	-44%
Financing income payable	25,005	-	-	25,005	100%
Total liabilities	\$ 10,563,178	\$ 9,663,523	\$ 10,777,523	\$ 899,655	9%

Current liabilities increased by \$899,655 (9%) this year. Accrued liabilities increased as the result of one more day than last year falling into the new fiscal year for the payroll that crosses fiscal years, and an increase in base payroll and fringe benefit costs. Accounts payable increased due to the timing of payments. The current portion of long-term debt, accrued interest payable, and financing income payable increased as the result of capital project financing decisions made by Broome County Government and the New York State Dormitory Authority.

Non-current liabilities - long-term debt

Most BCC capital projects are funded by long-term debt of the New York State Dormitory Authority and Broome County Government. All long-term debt on BCC's financial statements is the result of financing decisions by these governmental entities rather than the College - New York State Community Colleges are prohibited from securing debt. Several years ago Broome County Government paid off a significant amount of College long-term debt with 1998 multi-state tobacco settlement funds, so the amount of outstanding College debt that Broome County Government carries is significantly less than New York State despite having shared equally in the cost of most college capital projects.



Long-term liabilities by debtor

	2006		2005		2004		Change 2005 to 2006	
	\$		\$		\$		\$	%
NYS Dormitory Authority Serial Bonds	\$ 11,947,609		\$ 12,048,465		\$ 11,944,890		\$ (100,856)	-1%
Broome County Serial Bonds	3,843,812		4,059,829		3,346,878		(216,017)	-5%
Broome County Bond Anticipation Notes	909,900		-		724,706		909,900	100%
Total long term liabilities	\$ 16,701,321		\$ 16,108,294		\$ 16,016,474		\$ 593,027	4%

At fiscal year-end, BCC had \$16,701,321 in long-term debt outstanding, an amount equal to 54% of the net book value of capital assets. This year, Broome County Government issued \$909,900 in Bond Anticipation Notes to fund four small capital projects – boiler replacements, technology initiatives, the campus master facilities plan, and Wales building renovations. On the College’s behalf, New York State paid down \$100,856 in serial bond principal, and Broome County paid down \$216,017. No new serial bonds were issued, and net long-term liabilities increased by \$593,027 (4%).

Statement of revenues, expenses, and changes in net assets

The statement of revenues, expenses, and changes in net assets reflects all College funds - unrestricted, restricted, loan, and plant funds. In accordance with GASB reporting requirements, several significant sources of revenue - state operating aid, county operating aid, and chargeback revenues from other NYS counties - are accounted for as non-operating revenues, resulting in large reported operating losses.

Summary statement of revenues, expenses, and changes in net assets

For the years ended August 31

	2006		2005		2004		2005 to 2006	
	\$		\$		\$		\$ change	% change
Operating revenues	\$ 22,848,256		\$ 23,045,914		\$ 23,135,415		\$ (197,658)	-1%
Operating expenses	(46,438,684)		(46,822,171)		(43,921,467)		383,487	-1%
Operating loss	\$ (23,590,428)		\$ (23,776,257)		\$ (20,786,052)		185,829	-1%
Net non-operating revenues	22,181,487		20,319,134		21,114,822		1,862,353	9%
Other revenues	25,057		36,271		51,213		(11,214)	-31%
Change in net assets	\$ (1,383,884)		\$ (3,420,852)		\$ 379,983		\$ 2,036,968	-60%

As discussed earlier, the value of College net assets declined this year due to depreciation, accounting for the reduction in net assets. A detailed discussion of each component of this report follows.

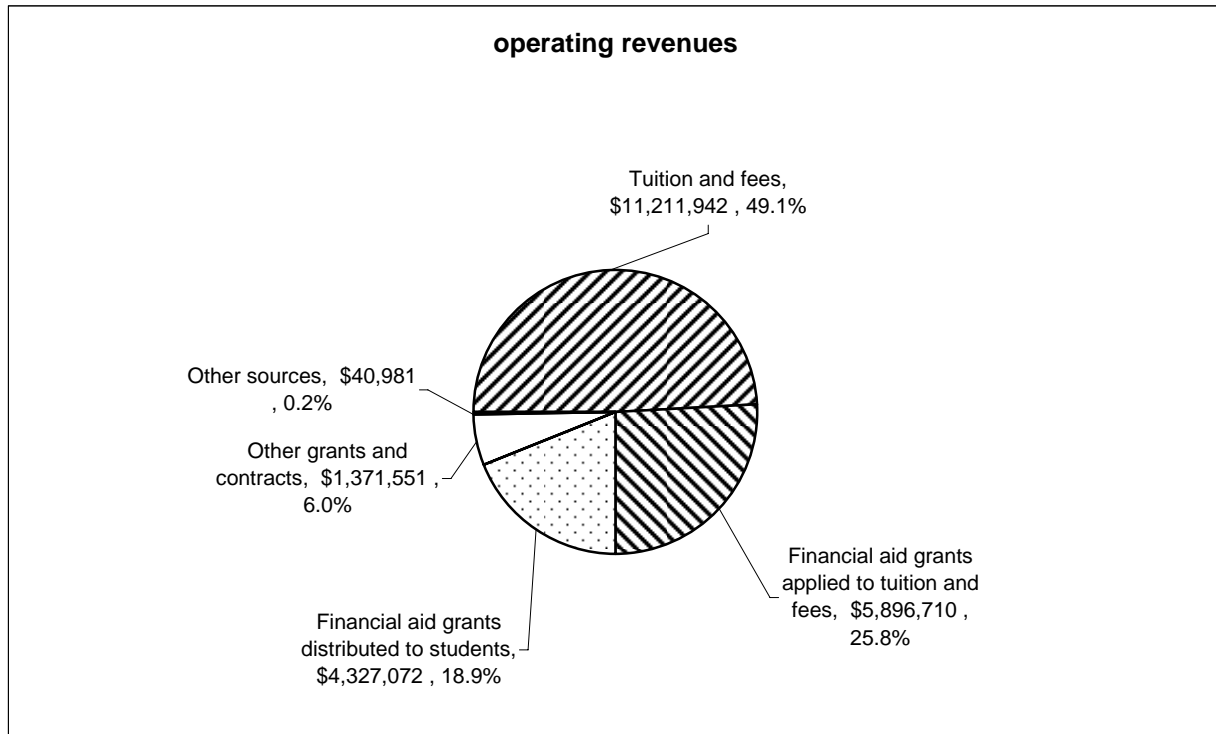
Operating revenues

For the years ended August 31

	2006	2005	2004	2005 to 2006	
				\$ change	% change
Tuition and fees	\$ 11,211,942	\$ 10,581,664	\$ 10,395,597	\$ 630,278	6%
Financial aid grants applied to tuition and fees	5,896,710	6,242,896	5,932,682	(346,186)	-6%
Financial aid grants distributed to students	4,327,072	4,518,301	4,642,709	(191,229)	-4%
Other grants and contracts	1,371,551	1,355,000	1,870,115	16,551	1%
Other sources	40,981	348,053	294,312	(307,072)	-88%
Total operating revenues	\$ 22,848,256	\$ 23,045,914	\$ 23,135,415	\$ (197,658)	-1%

Tuition and fee revenues, which comprise 49.1% of operating revenues, increased this year by \$630,278 (6%) due to a 4.6% increase in the tuition rate and a reclassification of parking and matriculation revenues from other sources to meet SUNY reporting requirements. However, student enrollment declined by 4% this year, offsetting some of the increase. Operating expenses were reduced in response to the enrollment decline, and the campus finished the year with operating budget revenues being 1% greater than expenses.

Financial aid grants, which comprise 44.7% of operating revenues, declined this year by \$537,415 (5%) as a result of eligibility changes included in the Federal Higher Education Reform Act. These changes resulted in fewer middle income students – a growing BCC student population - being eligible for financial aid, and additional lower income students – not a growing BCC student population - becoming eligible. As a result, 262 fewer BCC students were eligible for PELL financial aid grants this year, a 10% decline (from 2,708 to 2,446). The unmet financial aid need was not filled with unsubsidized loans – they declined this year by more than \$400,000 (17%), most likely due to climbing interest rates.

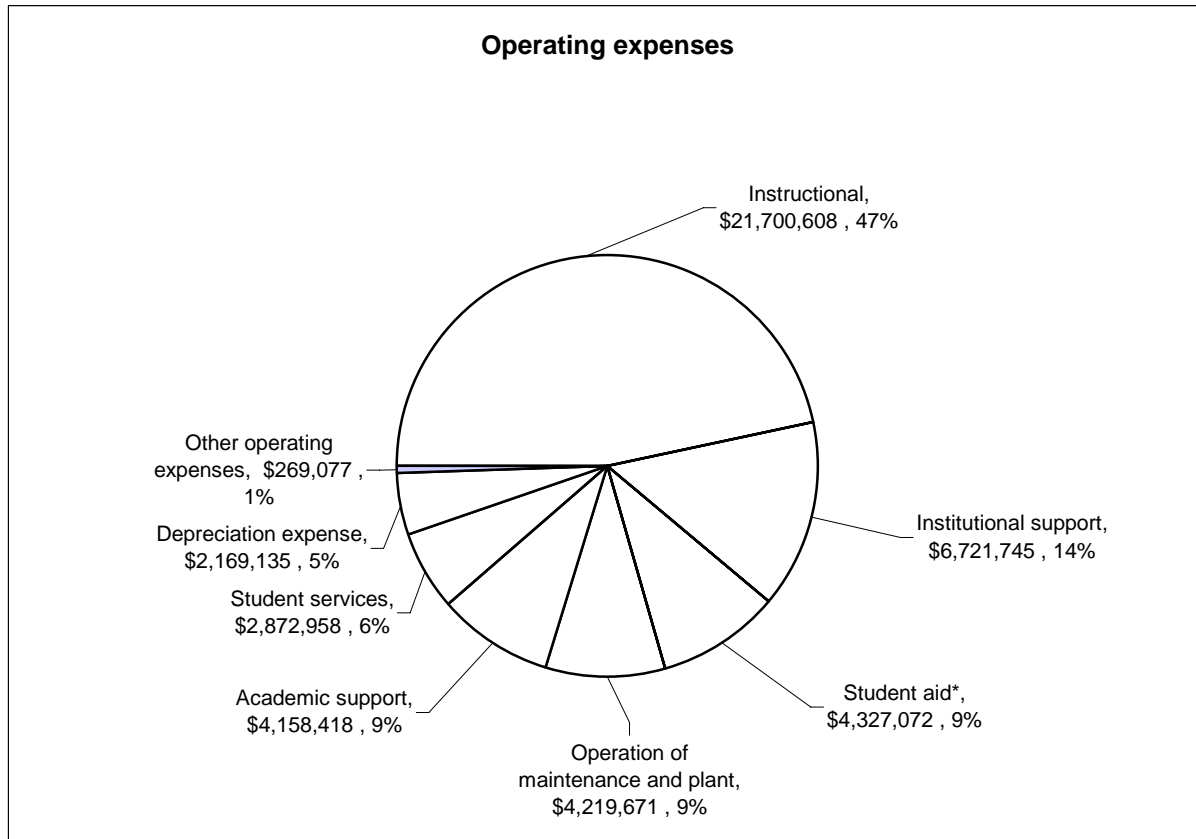


Operating expenses

*Sorted from high to low
For the years ended August 31*

	2006	2005	2004	2005 to 2006	
				\$ change	% change
Instructional	\$ 21,700,608	\$ 22,640,290	\$ 20,193,507	\$ (939,682)	-4%
Institutional support	6,721,745	6,609,900	6,653,047	111,845	2%
Student aid*	4,327,072	4,518,301	4,642,709	(191,229)	-4%
Operation of maintenance and plant	4,219,671	4,072,634	3,824,505	147,037	4%
Academic support	4,158,418	4,032,066	3,891,739	126,352	3%
Student services	2,872,958	2,570,898	2,473,700	302,060	12%
Depreciation expense	2,169,135	2,210,368	2,233,718	(41,233)	-2%
Other operating expenses	269,077	167,714	8,542	101,363	60%
Total operating revenues	\$ 46,438,684	\$ 46,822,171	\$ 43,921,467	\$ (383,487)	-1%

Operating expenses were \$383,487 (1%) less than last year as the result of two factors: first, last year's operating expenses were higher than usual due to a \$1.5 million two-year retroactive Faculty salary increase payment made after the bargaining unit contract that expired August 31, 2002 was settled. The cost of this agreement was reflected in the instructional area last year. And second, operating budget spending was scaled back in response to a 4% enrollment decline to balance spending with available revenues.



* Student aid disbursed to students rather than applied to tuition and fees

Non-operating revenues and (expenses)

*Sorted from high to low
For the years ended August 31*

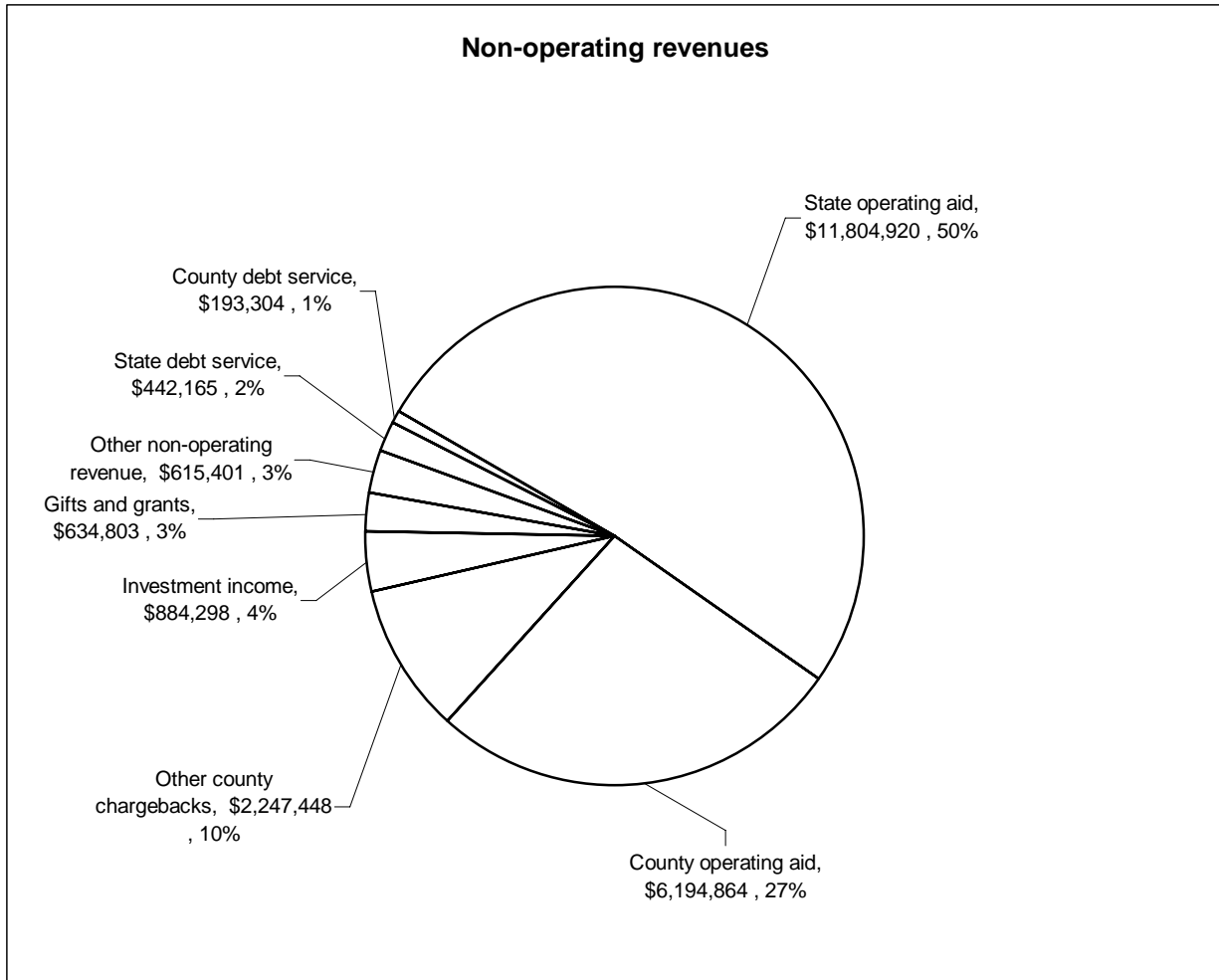
	2006	2005	2004	2005 to 2006	
				\$ change	% change
State operating aid	\$ 11,804,920	\$ 11,279,410	\$ 11,733,920	\$ 525,510	5%
County operating aid	6,194,864	5,985,376	5,685,376	209,488	3%
Other county chargebacks	2,247,448	1,647,045	1,850,075	600,403	36%
Investment income	884,298	342,554	493,708	541,744	158%
Gifts and grants	634,803	435,195	243,342	199,608	46%
Other non-operating revenue	615,401	656,795	649,546	(41,394)	-6%
State debt service	442,165	349,149	473,031	93,016	27%
County debt service	193,304	463,552	771,582	(270,248)	-58%
Loss on disposal of fixed assets	(57,966)	(60,570)	(64,890)	2,604	-4%
Interest expense on capital related debt	(777,750)	(779,372)	(720,868)	1,622	0%
Net non-operating revenues	\$ 22,181,487	\$ 20,319,134	\$ 21,114,822	\$ 1,862,353	9%

Net non-operating revenues increased by \$1,862,353 (9%) this year. As discussed earlier, several significant funding sources are accounted for as non-operating revenues. The largest of these revenues is state operating aid, which comprises over 50% of non-operating revenues. It increased by \$525,510 (5%) this year as the result of a 5% increase in basic state aid per student full-time equivalent.

Another large non-operating revenue Broome County Government operating aid, which increased by \$209,488 (3%) this year. Each year the College proposes County operating aid, the County Executive makes a funding recommendation to the Broome County Legislature, which approves a funding level for the College.

Other county chargeback revenues, which comprise 10% of non-operating revenues, increased by \$600,403 (36%) this year as the result of a large favorable adjustment to the chargeback formula related to the timing of retroactive Faculty contract salary payments.

State and County debt service payments and interest expenses on capital related debt are the result of capital project financing decisions made by the New York State Dormitory Authority and Broome County Government.



Cash flow

BCC's cash and cash equivalents increased by \$483,231 (4%) this year as the result of operating revenues exceeding expenses and outstanding accounts payable increasing.

Changes in cash and cash equivalent balances

Cash held by BCC

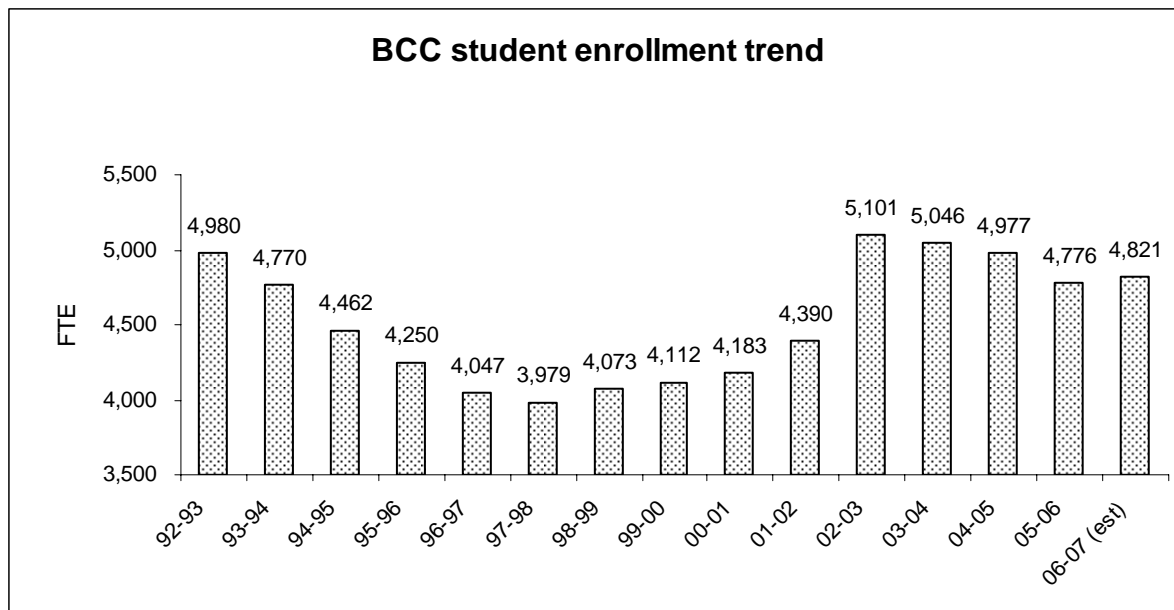
	2006	2005	2004	2005 to 2006	
				\$ change	% change
Unrestricted (current)	\$ 11,372,716	\$ 10,819,211	\$ 12,729,949	\$ 553,505	5%
Restricted (current)	259,354	329,628	452,348	(70,274)	-21%
Total cash and cash equivalents	\$ 11,632,070	\$ 11,148,839	\$ 13,182,297	\$ 483,231	4%

Enrollment and funding challenges that will affect the future of the College

While the College is currently in a sound financial position, enrollment challenges, increasing health and utility costs, and the uncertainty of future state and local sponsor funding levels present a challenge. To meet the challenge, the College is enhancing revenue streams and seeking alternative ones and identifying ways to achieve greater efficiencies and effectiveness with available resources. BCC continues to assess the post-secondary educational needs of its market area and will develop programs, services and facilities to meet those needs and increase its enrollment.

Student enrollment challenges

Three-quarters of BCC operating revenues are linked to student enrollment - changes in enrollment have a significant impact on college revenues. Historically student enrollment has fluctuated significantly due to local and national economic conditions.



1 student full-time equivalent (FTE) = 30 student credit hours

BCC student enrollment increased by 16% in 2002-03 to a record high of 5,101 full-time equivalents (FTE) largely due to a weakened local economy, then declined 6.4% over three years to 4,776 FTE in 2005-06 as the local economy improved.

The College has adopted a strategic direction that focuses on recruiting new students and improving student retention. As a result, fall 2006 enrollment increased by 1.1% compared with the prior fall, and spring 2007 enrollment increased by 2.1% compared with the prior spring.

New York State funding

\$12.5 million (29%) of the college operating budget is funded by state aid in 2006-07, compared with nearly 40% in 1991. In the past decade - until the past two years - state aid has not kept pace with the higher education price index. In two of the past five years, basic state aid per student full-time equivalent (FTE), the primary source of state aid, declined or stayed the same.

Basic state aid per student FTE*

Year	\$	\$ change	% change
01-02	\$2,250		
02-03	2,300	50	2.2%
03-04	2,300	-	0.0%
04-05	2,235	(65)	-2.8%
05-06	2,350	115	5.1%
06-07	2,525	175	7.4%
5 year change		<u>275</u>	12.2%

* 1 student full-time equivalent = 30 student credit hours

The SUNY Chancellor has proposed a \$192 (7.6%) increase in basic state aid per student FTE for 2007-08. In addition, he has proposed doubling state aid for students enrolled in high cost / need programs. If approved, these increases will bring an additional \$900,000 per year in state aid to the College. The magnitude of BCC's budget challenge depends in great part on the direction state aid takes.

Broome County Government funding

Broome County government has shown operating support for the College in the past three years, as evidenced below. The College will continue to take every step it can to insure it remains in a solid financial position and viewed as a valued investment and resource to the community.

Year	\$	\$ change	% change	% budget funded by Broome County
01-02	\$5,685,376			17.3%
02-03	5,685,376	-	0.0%	16.3%
03-04	5,685,376	-	0.0%	15.1%
04-05	5,985,376	300,000	5.3%	15.4%
05-06	6,194,864	209,488	3.5%	15.4%
06-07	6,380,710	185,846	3.0%	14.9%

Capital funding

47% of the value of campus buildings and 60% of the value of infrastructure has been depreciated. Many campus buildings are "original" - 50 years old, fully depreciated, and in need of complete renovation and technology upgrades. Capital projects have been in the Campus Master Facilities Plan for at least 10 years to renovate all aging campus buildings, but the College has not been successful gaining local funding support from Broome County Government for their rehabilitation. State capital funds have been available for capital projects, but they require a 50% local match.

BCC is currently updating its Campus Master Facilities Plan, and recently Broome County approved capital funding for a portion of the cost of a new Communications Technology Building. Matching state capital funding has been requested for the building in the 2007-08 SUNY budget.

The College is working with Broome County, SUNY, and New York State to secure the funding needed to complete its updated campus master plan.

2006 net capital assets

	Capital asset (at original cost)	(at	Accumulated depreciation	Net value of assets	capital	% asset depreciated
Buildings	\$ 50,743,807	\$	23,824,160	\$	26,919,647	47%
Machinery and equipment	8,285,068		6,133,527		2,151,541	74%
Infrastructure	1,536,798		925,759		611,039	60%
Land improvements	1,061,622		439,113		622,509	41%
Books	548,862		246,075		302,787	45%
Land	144,935		-		144,935	0%
Construction in progress	217,275		-		217,275	0%
Total	\$ 62,538,367	\$	31,568,634	\$	30,969,733	50%

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Broome Community College
 Vice President for Administrative and Financial Affairs
 PO Box 1017
 Binghamton, NY 13902