

**COMMUNITY COLLEGE OF
RHODE ISLAND**

**(a Component Unit of the State of Rhode Island and
Providence Plantations)**

FINANCIAL STATEMENTS

JUNE 30, 2016

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Financial Statements

June 30, 2016

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INDEPENDENT AUDITORS' REPORT ON SCHEDULES

The Board of Education
State of Rhode Island and Providence Plantations
Providence, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of the Community College of Rhode Island (a component unit of the State of Rhode Island and Providence Plantations) (the "Community College") which comprise the statement of net position as of June 30, 2016, and the related statements of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Community College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Community College of Rhode Island Foundation, Inc. (the "Foundation") as of June 30, 2016 as discussed in Note 1. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the net position of the Community College of Rhode Island as of June 30, 2016, and the changes in net position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-17, the schedule of proportionate share of the net pension liability on page 48, the schedule of contributions on page 49, and the notes to the required supplementary information on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2016 on our consideration of the Community College of Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Community College of Rhode Island's internal control over financial reporting and compliance.

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 6, 2016

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited)

June 30, 2016

Introduction

The following management discussion and analysis (MD&A) provides management's view of the financial position of the Community College of Rhode Island (the "Community College") as of June 30, 2016 and the results of operations for the year then ended, with selected comparative information for the year ended June 30, 2015. The purpose of the MD&A is to assist readers in understanding the accompanying financial statements by providing an objective and understandable analysis of the Community College's financial activities based on currently known facts, decisions, and conditions. This analysis has been prepared by management, which is responsible for the completeness and fairness of the information contained therein. The MD&A consists of highly summarized information, and should be read in conjunction with the Community College's financial statements and notes thereto, which follow this section.

The Community College is New England's largest public, two-year college with an average enrollment of 15,611 full and part-time for-credit students in the 2016 academic year. The mission of the Community College is to provide all Rhode Island residents with open access to postsecondary education. It is also open to out-of-state students.

The Community College offers a variety of academic programs that award associate's degrees or prepare students for transfer to four-year colleges or universities. In addition, technical career programs are offered primarily to equip students with the skills needed to obtain employment in Rhode Island businesses, industries, and service agencies. It also develops educational and training programs for local businesses and industries to further the state's economic development objectives.

The Community College offers extensive community programming as well. It opens its facilities for public use, sponsors programs on issues of public concern, and offers workshops and seminars for businesses, for government agencies and for individuals seeking to improve their skills or enhance their lives.

Community College courses are offered in a variety of locations across the state. The Knight Campus in Warwick, the Flanagan Campus in Lincoln, the Liston Campus in Providence, and the Newport Campus are the main campuses of the Community College. Classes are also offered at satellite facilities in Providence and Westerly.

COMMUNITY COLLEGE OF RHODE ISLAND

(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016

Introduction - Continued

The Rhode Island Junior College system was established by an act of the Rhode Island General Assembly in 1960. In 1980, the Rhode Island Board of Regents for Education approved a change in the name of the Community College from Rhode Island Junior College to the Community College of Rhode Island to reflect the true mission of the institution. The Board of Governors for Higher Education (the "Board of Governors") became the governing body for the Community College in 1981.

In June 2012, the Rhode Island General Assembly approved a reorganization of the entire Rhode Island system of public education. The Rhode Island General Assembly established the Rhode Island Board of Education (the "BOE") effective January 1, 2013, to oversee the elementary, secondary, and postsecondary education for the state. In June 2014, the Rhode Island General Assembly approved the reorganization of the entire Rhode Island system of public education.

The legislation enlarged the BOE to seventeen (17) members in order for the Board to populate two Councils: Council for Elementary and Secondary Education and the Council for Post-Secondary Education (the "Councils"). Each of the two Councils will be responsible for the significant portion of the governance and regulation per RIGL 16-60-1 and 16-60-4 for Elementary/Secondary and per RIGL 16-59-1 and 16-59-4 for Post-Secondary.

The mission of the BOE is to provide long-range planning and coordination and evaluation of policies and programs for the public education systems of the state and specifically:

- To develop and adopt educational, financial and operational goals for the education systems of the state that represent achievable benchmarks for a 10-year and 20-year time to be implemented by the two Councils and the commissioners.
- To ensure that the education systems of the state are aligned with the projected opportunities in workforce development and economic development and that the education systems are preparing students to participate in the future workforce of Rhode Island.
- To coordinate programs and courses of study and promote collaboration between and among pre-kindergarten through higher education institutions and agencies.
- To present strategic budget and finance recommendations to the council on elementary and secondary education and council on postsecondary education that are aligned with the long-range goals adopted by the board.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016

Financial Highlights

The Community College's financial position remained strong as of June 30, 2016. Net position increased by \$2.1 million over the prior year.

At June 30, 2016, the Community College's assets of \$108.1 million and deferred outflows of \$3.8 million exceeded its liabilities of \$47.6 million and deferred inflows of \$2.2 million by \$62.1 million, an increase over the prior year of \$2.1 million. At June 30, 2015, the Community College's assets of \$104.4 million and deferred outflows of \$2.3 million exceeded its liabilities of \$44.4 million and deferred inflows of \$2.3 million by \$60.0 million, an increase over the prior year of \$3.8 million. The resulting net position is summarized into the following categories for the fiscal years ended June 30:

Net Position
(in millions \$)

		<u>2016</u>		<u>2015</u>
Net investment in capital assets	\$	76.6	\$	73.5
Restricted - expendable		0.0		1.9
Unrestricted		(14.5)		(15.4)
		<hr/>		<hr/>
Total net position	\$	<u>62.1</u>	\$	<u>60.0</u>

The restricted expendable may be expended only for the purposes authorized by the donor or grantor.

Fiscal year 2016 operating revenues before net investment return decreased by 3% or \$2.3 million. Operating expenses increased by 0.4% or \$0.4 million.

COMMUNITY COLLEGE OF RHODE ISLAND
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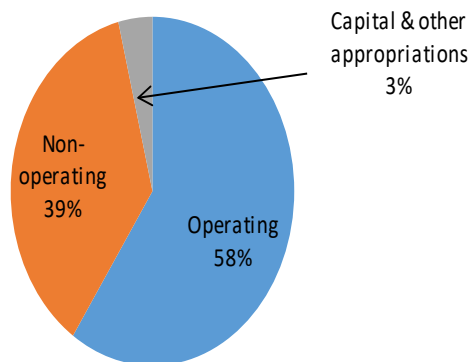
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016

Financial Highlights - Continued

The following chart provides a graphical breakdown of total revenues by category for the fiscal year ending June 30, 2016:

CCRI Revenues
Fiscal Year Ended June 30, 2016



Cash flow continued to be adequate for operations with an operating cash balance of \$20.2 million at June 30, 2016, an increase of \$1.9 million from June 30, 2015. Prior year cash flow was also adequate for operations with an operating cash balance of \$18.3 million at June 30, 2015.

Overview of the Financial Statements

The financial statements focus on the Community College as a whole, rather than upon individual funds or activities and have two primary components: 1) the financial statements and 2) the notes to the financial statements.

The Community College of Rhode Island Foundation (the "Foundation") is a legally separate tax exempt component unit of the Community College of Rhode Island. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the Community College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the Community College.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016

Overview of the Financial Statements - Continued

Although the Community College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the Community College by the donors. Because these resources held by the Foundation can only be used by or are for the benefit of the Community College, the Foundation is considered a component unit of the Community College and is discretely presented in the Community College's financial statements. Management's Discussion and Analysis is required to focus on the Community College, not its component unit.

The Financial Statements

The financial statements are designed to provide readers with a broad overview of the Community College's finances and are comprised of three basic statements. These statements present financial information in a form similar to that used by private institutions of higher education and corporations.

The *Statement of Net Position* presents information on all of the Community College's assets, deferred outflows, liabilities and deferred inflows, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Community College is improving or deteriorating. Other factors are also relevant to assessing the Community College's overall financial health. These include the trend, quality, and retention and size of student enrollments; diversification of revenue streams; management of costs; and condition of facilities.

The *Statement of Revenues, Expenses and Changes in Net Position* shows how the Community College's net position changed during the most recent fiscal year. This statement reports total operating revenues and expenses, non-operating revenues and expenses, and capital additions and deletions. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g. the payment for accrued compensated absences, or the receipt of amounts due from students and others for services rendered).

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016

The Financial Statements - Continued

The *Statement of Cash Flows* is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g. tuition and fees) and disbursements (e.g. cash paid to employees for services).

The financial statements can be found on pages 18 to 20 of this report.

The Community College reports its operations as a business type activity using the economic resource measurement focus and full accrual basis of accounting. As a component unit of the State of Rhode Island and Providence Plantations, the results of the Community College's operations, its net position and cash flows are also summarized in the State's Comprehensive Annual Financial Report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. They also provide information regarding both the accounting policies and procedures the Community College has adopted, as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 21 to 47 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Community College's financial position. In the case of the Community College, assets and deferred outflows exceeded liabilities and deferred inflows by \$62.1 million at the close of fiscal year 2016, an increase of \$2.1 million over fiscal 2015. Assets and deferred outflows exceeded liabilities and deferred inflows by \$60.0 million at the close of fiscal year 2015. Details are shown in the chart below in millions:

COMMUNITY COLLEGE OF RHODE ISLAND
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016

Financial Analysis - Continued

Condensed Statement of Net Position
(\$ in millions)

	2016	2015
Assets:		
Current assets	\$ 25.5	\$ 24.2
Noncurrent assets	82.6	80.2
Total assets	108.1	104.4
Deferred outflows of Resources:		
Deferred outflows	3.8	2.3
Total Deferred outflows	3.8	2.3
Liabilities:		
Current liabilities	13.4	11.8
Noncurrent liabilities	34.2	32.6
Total liabilities	47.6	44.4
Deferred Inflows of Resources:		
Deferred Inflows	2.2	2.3
Total Deferred Inflows	2.2	2.3
Net Position:		
Net investment in capital assets	76.6	73.5
Restricted, expendable	0.0	1.9
Unrestricted	(14.5)	(15.4)
Total net position	\$ 62.1	\$ 60.0

The largest portion of the Community College's net position, \$76.6 million, reflects its investment in capital assets (such as land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The Community College uses these capital assets to provide services to students, faculty and administration. Consequently, these assets are not available for future spending.

COMMUNITY COLLEGE OF RHODE ISLAND
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016

Financial Analysis - Continued

Although the Community College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also, in addition to the debt noted above, which is reflected in the Community College's financial statements, the State of Rhode Island regularly provides financing for certain capital projects through the issuance of general obligation bonds and appropriations from the Rhode Island Capital Fund. Borrowings by the State from these funds are not reflected in these financial statements. Additional financing for certain capital projects is provided by the issuance of revenue bonds by the Rhode Island Health and Educational Building Corporation, a quasi-public state agency. The Community College does not have a separate bond rating. All revenue bonds must be approved by and arranged through the Rhode Island Board of Education. Revenue bond related indebtedness is reported on the Community College's financial statements. BOE bonds issued for the Community College are rated between Aa3 and A1 by Moody's. Net pension liability of \$29.1 million, bonds of \$5.9 million and compensated absences of \$4.4 million are the Community College's largest liabilities.

COMMUNITY COLLEGE OF RHODE ISLAND
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016

Financial Analysis - Continued

Condensed Statement of Revenues and Expenses

Years Ended June 30, 2016 and 2015

(\$ in millions)

	2016	2015
Operating revenues:		
Tuition and fees, net	\$ 24.7	\$ 26.6
Scholarships, grants, and contracts	35.6	34.5
Auxiliary enterprises	7.7	8.7
Other	3.8	4.3
Total operating revenues	71.8	74.1
Operating expenses:		
Salaries and benefits	90.4	87.6
Supplies and services	20.0	21.4
Scholarships, grants, and contracts	3.5	5.5
Depreciation and amortization	7.0	6.0
Total operating expenses	120.9	120.5
Net operating loss	(49.1)	(46.4)
Nonoperating revenues (expenses):		
State and other appropriations	47.7	45.5
Net investment income	0.1	0.1
Other nonoperating expenses, net	(0.2)	(0.2)
Net nonoperating revenues	47.6	45.4
Decrease in net position before capital contributions	(1.5)	(1.0)
Capital gifts and appropriations	3.6	4.8
Increase in net position	\$ 2.1	\$ 3.8

COMMUNITY COLLEGE OF RHODE ISLAND
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016

Financial Analysis - Continued

Operating Revenues

Total operating revenues for fiscal year 2016 were \$71.8 million, a decrease of \$2.3 million from the prior fiscal year. Total operating revenues for fiscal year 2015 were \$74.1 million. The most significant sources of operating revenue for the Community College are tuition and fees, grants and contracts, and auxiliary services. Significant changes in operating revenue resulted from:

- The BOE froze tuition for the Fall and Spring semesters of FY 2016. Average enrollment for fiscal year 2016 decreased by 1,106.
- Federal, state, and private grant and contract activity increased \$1.1 million in fiscal year 2016 and decreased by \$1.4 million in fiscal year 2015. The increase in 2016 is due to an increase in grant activity.

Operating Expenses

Operating expenses in fiscal year 2016 totaled \$120.9 million, an increase of \$0.4 million from fiscal year 2015. Of this total, \$72.0 million or 60% was used for instruction, academic and student support in 2016 (\$70.1 million or 58% in 2015). Depreciation expense totaled \$7 million in fiscal year 2016 and \$6 million in fiscal year 2015.

Non-Operating Revenues

Total non-operating revenues for fiscal year 2016 were \$47.6 million, including the state appropriation of \$47.7 million. Total non-operating revenues for fiscal year 2015 were \$45.4 million, including the state appropriation of \$45.5 million. This was an increase in total non-operating revenues of \$2.2 million from the prior year. Due to the nature of public higher education, institutions incur a loss from operations. State appropriations to the Community College, reported as non-operating revenue, are the primary resource for offsetting the loss from operations.

Other

Capital gifts and capital appropriations of \$3.6 million in fiscal year 2016 (\$4.8 million in fiscal year 2015) represent general obligation funds spent by the state of Rhode Island to construct or acquire capital assets utilized by the Community College as well as other appropriations and capital gifts from the Foundation.

COMMUNITY COLLEGE OF RHODE ISLAND
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016

Capital Asset and Debt Administration

Capital Plan

The Rhode Island Board of Education submits a running five fiscal year capital improvement plan known as the C.I.P., to the General Assembly and State Executive Branch each year in conjunction with the State's capital planning process. This plan includes proposed capital asset protection projects for the Community College. The recently submitted FY 2018-2022 capital request for the Community College totaling \$55.7 million includes long-term projects in progress that are funded and capital project requests which are being submitted for planning, support and funding. This plan forms the basis for discussions on funding the various projects from all available funding sources. During fiscal year 2016, the Community College expended a net \$9.5 million on plant related projects (\$10.5 million in fiscal year 2015). The Community College generally has funded its capital plans through a combination of funds received from Community College operations, State of Rhode Island Capital appropriations (RICAP), general obligation bonds, bonds issued through Certificates of Participation (COPS), or funding through the Rhode Island Health and Education Building Corporation (RIHEBC). The execution of the Community College's capital improvement plan is contingent upon approval by and sufficient funding from the State. The 2016-2017 state budget passed by the Rhode Island General Assembly supports consideration for funding a total of \$35.7 million in capital projects for the fiscal year period of FY17 through FY21.

Capital Assets

At June 30, 2016 and 2015, the Community College had \$82.6 million and \$80.2 million invested in capital assets, net of accumulated depreciation of \$80.9 million and \$73.9 million, respectively. These represent an increase of \$2.4 million and \$6.3 million, respectively, from the prior year. Depreciation charges totaled \$7 million during fiscal year 2016 and \$6 million during fiscal year 2015. Legal title to all land and real estate assets is vested in the Rhode Island Board of Education. A summary of the capital asset balances is displayed below:

COMMUNITY COLLEGE OF RHODE ISLAND
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016

Capital Asset and Debt Administration - Continued

Capital Assets - Continued

Summary Schedule of Net Capital Assets

June 30, 2016 & 2015

(\$ in millions)

		<u>2016</u>		<u>2015</u>
Land and improvements	\$	1.6	\$	1.5
Buildings and improvements		67.6		64.0
Construction in progress		5.8		8.7
Furniture, fixtures, and equipment		7.6		6.0
Total	\$	<u>82.6</u>	\$	<u>80.2</u>

Debt

At June 30, 2016 and 2015, the Community College had \$5.9 million and \$6.9 million in debt outstanding.

		<u>2016</u>		<u>2015</u>
Due to State of Rhode Island	\$	3.6	\$	4.3
Bonds payable		2.3		2.6
Total	\$	<u>5.9</u>	\$	<u>6.9</u>

Debt repayments made in 2016 were \$1.0 million and 2015 were \$1.0 million.

COMMUNITY COLLEGE OF RHODE ISLAND
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016

Debt - Continued

The Community College has no independent bonding authority. All revenue bonds must be approved by and arranged through the BOE. Revenue bond related indebtedness is reported on the Community College's financial statements. BOE bonds issued for the Community College are rated between Aa3 and A1 by Moody's. General obligation bond related indebtedness is reflected on the financial statements of the State of Rhode Island. More detailed information about the Community College's long-term liabilities is presented in Note 5 to the financial statements.

Cash received from operations consists primarily of student tuition and fees and sponsored program grants and contracts. Significant sources of cash provided by noncapital financing activities, as defined by GASB, include State appropriations used to fund operating activities.

Economic Factors That Will Affect the Future

The seasonally adjusted unemployment rate for the State of Rhode Island, from which the Community College primarily draws students, decreased from 5.9% in June of 2015 to 5.5% in June of 2016, according to the U. S. Bureau of Labor Statistics. This compares to a 5.3% seasonally adjusted unemployment rate nationally in June of 2015 decreasing to 4.9% in June of 2016. Historically, in times of economic slowdowns, public colleges/universities have experienced increases in their enrollments as unemployed and underemployed workers seek to update and upgrade their skills. The Community College cannot predict the extent to which enrollment may vary in the current environment.

Since last fiscal year, one more union (the faculty association) has settled and one union (the part-time faculty association) has a tentative agreement. The faculty association contract provides for a 3% increase retroactive to July 1, 2015 as well as July 1, 2016 and July 1, 2017. The part-time faculty association tentative agreement calls for the following increases: September 1, 2015 \$74.16, September 1, 2016 \$76.38 and September 1, 2017 \$78.67.

COMMUNITY COLLEGE OF RHODE ISLAND
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016

Economic Factors That Will Affect the Future - Continued

As with many state governments, Rhode Island struggles with allocating limited resources across diverse state funded agencies and mandates. State appropriation support to the College has declined from 53% of the total unrestricted budget in 2008 to 46% in 2016. To some extent, these dollars have been made up through student tuition and fees thus increasing our financial dependence on enrollment. The BOE and state government have held tuition flat for several years impacting this important unrestricted revenue source for the college. In FY16, the system of higher education was allocated by the General Assembly an increase in General Revenue support of \$7.6 million, of which the Community College received an increase of \$2.4 million, an additional 5 staff FTE positions, and strategic funding of over \$4 million for capital projects. The BOE also approved tuition and fee increases for the system of higher education which generated additional unrestricted revenues in FY16. The Community College's in-state full time tuition and fees increased 8.1% this year. This was the first such increase since FY 2011. The FY17 Enacted Budget did not include a tuition or fee increase and increases state support by \$1.2 million over FY16. The 2016-2017 state budget passed by the Rhode Island General Assembly also supports consideration for funding a total of \$35.7 million in capital projects for the fiscal year period of FY17 through FY21.

The BOE has been sub-organized into two councils – one for Elementary and Secondary Education and one for Post-Secondary Education permitting each council to focus more specifically on pertinent agendas and policies but still reporting to the full Board for coordination of RI's public education agenda. The Post-Secondary Council has created two subcommittees of its membership one focusing on Personnel matters, and the other a Facility and Finance group to give necessary focus on financial and physical infrastructure of the three institutions of higher education.

The Community College remains competitive economically for in-state students (96.1% of the total students) but is becoming less competitive for out-of-state students. Tuition and mandatory fees for residents in fiscal year 2016 were \$4,266 and ranked fifth highest among the Community College's ten institution regional peer group. Nonresident tuition and mandatory fees were \$11,496 and ranked the Community College ninth highest in its regional peer group.

The Community College's average enrollment in fiscal year 2016 decreased by 1,106 (6.4%) over the five-year average enrollment. Increases in in-state undergraduate student charges at the Community College have averaged 3.2% since academic year 2011. Future Community College enrollments may be affected by a number of factors, including any material increase in tuition, other mandatory charges and any material decrease in State appropriations as well as the condition of the state and national economies.

COMMUNITY COLLEGE OF RHODE ISLAND
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016

Fiscal Planning

The Community College will continue to control expenses in accordance with available resources and established priorities. The Business and Finance team actively inform the administration of the Community College's current fiscal picture, offer options and considerations for revenue and expenditure changes, and plan in a fiscally prudent and long-term manor.

Information Systems

The Community College has implemented and maintains the Banner Student Administration, Human Resources, and Financial Systems. The Community College continues to reassess the progress of the implementation on a regular basis and refocus efforts on ensuring the most effective outcomes for students, faculty, and staff. Additional specific information technology applications and outsourced information technology services from various vendors are also utilized by the Community College.

Request for Information

This financial report is designed to provide a general overview of the Community College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Controller, Community College of Rhode Island, 400 East Avenue, Warwick, RI 02886.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Statement of Net Position

June, 30 2016

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>College</u>	<u>Foundation</u>
Assets and Deferred Outflow of Resources		
Current Assets:		
Cash and equivalents (Note 2)	\$ 20,009,318	\$ 703,825
Cash held by State Treasurer	206,412	-
Accounts receivable, net (Note 3)	4,183,003	26,992
Inventory and other assets	1,074,525	-
Pledges receivable	-	5,904
Total Current Assets	25,473,258	736,721
Noncurrent Assets:		
Pledges receivable	-	9,702
Investments	-	3,170,043
Capital assets, net of accumulated depreciation (Note 4)	82,638,831	-
Total Noncurrent Assets	82,638,831	3,179,745
Total Assets	108,112,089	3,916,466
Deferred Outflow of Resources:		
Contributions made subsequent to measurement date (Note 6)	2,306,819	-
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities:		
Accounts payable and accrued liabilities	4,305,700	162,467
Student deposits and unearned revenues	2,432,834	-
Funds held for others	1,309,042	-
Compensated absences (Note 5)	4,364,401	-
Current portion of due to State of Rhode Island (Note 5)	680,000	-
Current portion of bonds payable (Note 5)	266,316	-
Total Current Liabilities	13,358,293	162,467
Noncurrent Liabilities:		
Compensated absences (Note 5)	84,320	-
Due to State of Rhode Island (Note 5)	2,955,000	-
Bonds payable (Note 5)	2,082,395	-
Net pension liability (Note 6)	29,073,002	-
Annuity payable	-	9,539
Total Noncurrent Liabilities	34,194,717	9,539
Total Liabilities	47,553,010	172,006
Deferred Inflows of Resources:		
Difference between expected and actual experience (Note 6)	336,345	-
Changes of assumptions (Note 6)	218,739	-
Changes in proportion and differences between employer contributions and proportionate share of contributions (Note 6)	125,625	-
Net difference between projected and actual earnings on plan investments (Note 6)	23,929	-
Total Deferred Inflows of Resources	704,638	-
Net Position:		
Net investment in capital assets	76,655,120	-
Restricted - expendable (Note 8)	29,547	1,186,800
Permanently restricted	-	2,203,759
Unrestricted	(14,523,407)	353,901
Total Net Position	\$ 62,161,260	\$ 3,744,460

See accompanying notes to the financial statements.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Statements of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2016

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>College</u>	<u>Foundation</u>
Operating Revenues:		
Tuition and fees	\$ 52,100,123	\$ -
Less scholarship allowances	<u>(27,414,542)</u>	<u>-</u>
Net Student Fees	<u>24,685,581</u>	<u>-</u>
Federal, state, local, and private grants and contracts	35,594,586	-
Auxiliary enterprises	7,713,974	-
Sales and services of educational activity	3,819,990	-
Other	<u>-</u>	<u>193,938</u>
Total Operating Revenues	<u>71,814,131</u>	<u>193,938</u>
Operating Expenses (Note 10):		
Instruction	51,983,847	-
Academic support	7,821,303	-
Student services	12,200,530	-
Scholarships and fellowships	3,499,778	135,618
Public service	1,170,005	-
Operation and maintenance of plant	10,091,463	-
Institutional support	19,517,346	99,482
Depreciation	6,989,094	-
Auxiliary enterprises	7,661,188	-
Other	<u>-</u>	<u>101,741</u>
Total Operating Expenses	<u>120,934,554</u>	<u>336,841</u>
Net Operating Loss	<u>(49,120,423)</u>	<u>(142,903)</u>
Nonoperating Revenues (Expenses):		
State appropriations (Note 11)	47,721,998	-
Gifts	-	478,602
Investment income (loss), net of expenses	106,629	(55,320)
Interest expense	<u>(210,874)</u>	<u>-</u>
Net Nonoperating Revenues	<u>47,617,753</u>	<u>423,282</u>
Increase in Net Position Before Capital Contributions (Expenses)	<u>(1,502,670)</u>	<u>280,379</u>
Capital Contributions (Expenses):		
Capital appropriations (Note 11)	3,359,116	-
Capital gifts from Foundation	<u>324,283</u>	<u>(324,283)</u>
Total Capital Contributions (Expenses)	<u>3,683,399</u>	<u>(324,283)</u>
Total Increase (Decrease) in Net Position	<u>2,180,729</u>	<u>(43,904)</u>
Net Position, Beginning of Year	<u>59,980,531</u>	<u>3,788,364</u>
Net Position, End of Year	<u>\$ 62,161,260</u>	<u>\$ 3,744,460</u>

See accompanying notes to the financial statements.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Statement of Cash Flows

For the Year Ended June 30, 2016

Cash Flows from Operating Activities:	
Tuition and fees	\$ 24,944,239
Federal, state, local, and private grants and contracts	35,285,256
Payments to suppliers	(18,777,308)
Payments to employees	(88,791,151)
Payments for scholarships, fellowships and sponsored programs	(3,499,778)
Auxiliary enterprises	7,771,379
Sales and service of educational activities	<u>4,311,429</u>
Net Cash Applied to Operating Activities	<u>(38,755,934)</u>
Cash Flows from Non Capital Financing Activities:	
State appropriations	47,721,998
Funds held for others	<u>(242,527)</u>
Net Cash Provided by Non Capital Financing Activities	<u>47,479,471</u>
Cash Flows from Capital and Related Financing Activities:	
Capital appropriations	3,359,116
Purchases of capital assets	(9,451,541)
Principal paid on capital debt	(900,055)
Interest paid on capital debt	(210,874)
Gifts from Foundation	<u>324,283</u>
Net Cash Applied to Capital and Related Financing Activities	<u>(6,879,071)</u>
Cash Flows from Investing Activity:	
Interest on investments	<u>106,629</u>
Net Increase in Cash and Equivalents	1,951,095
Cash and Equivalents, Beginning of Year	<u>18,264,635</u>
Cash and Equivalents, End of Year	\$ 20,215,730
Reconciliation of Net Operating Loss to	
Net Cash Applied to Operating Activities:	
Net operating loss	\$ (49,120,423)
Adjustments to reconcile net operating loss to net cash applied to operating activities:	
Depreciation	6,989,094
Amortization of bond premium	(11,775)
Recovery of bad debts	(144,643)
Net pension activity	1,232,112
Changes in assets and liabilities:	
Accounts receivable	640,148
Inventory and other assets	192,525
Accounts payable and accrued liabilities	1,592,780
Student deposits and unearned revenues	14,442
Compensated absences	<u>(140,194)</u>
Net Cash Applied to Operating Activities	\$ (38,755,934)

See accompanying notes to the financial statements.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements

June 30, 2016

Note 1 - **Summary of Significant Accounting Policies**

Organization

The Community College of Rhode Island (the "Community College") is New England's largest public, two year college offering an array of academic degree and transfer programs, occupational programs, and educational and training programs for local businesses and industries. The Community College is supported by the State of Rhode Island (the "State"), and is part of the State's system of public higher education. The Community College, a component unit of the State of Rhode Island and Providence Plantations, is governed by the Rhode Island Board of Education ("BOE") (successor of the Board of Higher Education effective January 1, 2013) a body politic and corporate established under Chapter 97 of Title 16 of the General Laws of Rhode Island. The BOE consists of public members appointed by the Governor.

The Rhode Island Office of the Postsecondary Commissioner, which operates under the direction of the Commissioner of Postsecondary Education, is the administrative and research arm of the BOE. The BOE is not a department of state government but an independent public corporation vested with the responsibility of providing oversight for the system of public education in Rhode Island. This public higher education system consists of three entities: the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island. Articulation agreements exist between the schools for student transfer within this system.

The Rhode Island General Assembly established the BOE effective January 1, 2013, to oversee the elementary, secondary and postsecondary education for the state. In June 2014, the Rhode Island General Assembly approved the reorganization of the entire Rhode Island system of public education.

The legislation enlarged the BOE to seventeen (17) members in order for the BOE to populate two Councils: Council for Elementary and Secondary Education and the Council for Post-Secondary Education (the "Councils"). Each of the two Councils will be responsible for the significant portion of the governance and regulation per RIGL 16-60-1 and 16-60-4 for Elementary/Secondary and per RIGL 16-59-1 and 16-59-4 for Post-Secondary.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 1 - **Summary of Significant Accounting Policies - Continued**

Organization - Continued

The mission of the BOE is to provide long-range planning and coordination and evaluation of policies and programs for the public education systems of the State and specifically:

- To develop and adopt educational, financial and operational goals for the education systems of the State that represent achievable benchmarks for a 10-year and 20-year time frame to be implemented by the two Councils and the commissioners.
- To ensure that the education systems of the state are aligned with the projected opportunities in workforce development and economic development and that the education systems are preparing students to participate in the future workforce of Rhode Island.
- To coordinate programs and courses of study and promote collaboration between and among pre-kindergarten through higher education institutions and agencies.
- To present strategic budget and finance recommendations to the council on elementary and secondary education and the council on postsecondary education that are aligned with the long-range goals adopted by the board.

Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The Community College has determined that it functions as a Business Type Activity, as defined by GASB. The effect of interfund activity has been eliminated from these financial statements.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 1 - **Summary of Significant Accounting Policies - Continued**

Basis of Presentation - Continued

The Community College's policies for defining operating activities in the statement of revenues and expenses are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities. These nonoperating activities include the Community College's operating and capital appropriations from the State of Rhode Island, net investment income, gifts, and interest expense.

The accompanying statement of revenues and expenses demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenue.

Community College of Rhode Island Foundation

The Community College of Rhode Island Foundation (the "Foundation") is a legally separate tax-exempt component unit of the Community College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the Community College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the Community College. Although the Community College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the Community College by the donors. Because these resources held by the Foundation can only be used by or are for the benefit of the Community College, the Foundation is considered a component unit of the Community College and is discretely presented in the Community College's financial statements.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 1 - **Summary of Significant Accounting Policies - Continued**

Community College of Rhode Island Foundation - Continued

During the year ended June 30, 2016, the Foundation distributed \$324,283 to the Community College for capital purposes. The Foundation is a private nonprofit organization that reports in accordance with standards of the Financial Accounting Standards Board (FASB), including ASC 958-205, *Presentation of Financial Statements for Not-for-Profit Entities*, and ASC 958-605, *Revenue Recognition for Not-for-Profit Entities*. Accordingly, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the Community College's financial reporting entity for these differences.

A complete copy of the financial statements for the Foundation can be obtained from the Office of Institutional Advancement, Community College of Rhode Island, 400 East Avenue, Warwick, RI 02886.

Net Position

Resources are classified for accounting purposes into the following four net position categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation, accounts payable, accrued liabilities and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.

Restricted - expendable: Net position whose use is subject to externally imposed conditions that can be fulfilled by specific actions of the Community College or by the passage of time.

Unrestricted: All other categories of net position. Unrestricted net position may be designated by the Community College.

The Community College has adopted a policy of using restricted expendable funds, when available, prior to unrestricted funds.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 1 - **Summary of Significant Accounting Policies - Continued**

Cash and Equivalents

The Community College considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

Accounts receivable are periodically evaluated for collectability based on past history with students. Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks in the receivables portfolio, the estimated value of underlying collateral, and current economic conditions.

Inventories

Inventories are stated at the lower of cost (first-in, first-out retail inventory method) or market and consist of bookstore items. Inventory amounted to \$895,140 at June 30, 2016.

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost as of date of acquisition or, in the case of gifts, at fair value as of date of donation. In accordance with the BOE's capitalization policy, all land is capitalized, regardless of value. Vehicles, equipment, computer software for internal use, and works of art and historical treasures with a unit cost of at least \$5,000 are capitalized. Land Improvements, building, leasehold and infrastructure improvements with a unit cost of \$50,000 or more are capitalized. Interest costs on debt related to capital assets is capitalized during the construction period and then depreciated over the life of the project. However, the Community College has not incurred such interest costs. Community College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 50 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 1 - **Summary of Significant Accounting Policies - Continued**

Compensated Absences and Salary Reduction Plan

Community College employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for those accumulated vacation and sick days allowable in accordance with the applicable union contract in force or in the case of non-union personnel, according to State or Community College policy.

Amounts of vested and accumulated vacation and sick leave are reported as accrued compensation and benefits. Amounts are determined based upon the compensation rates in effect as of the balance sheet date.

Amounts related to Salary Reduction Plans adopted during fiscal years 1991, 1992 and 1993 can be distributed in the form of paid leave, payment at the time of separation from the Community College or to an employee's estate.

Post Employment Benefits

GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, requires governments to account for other postemployment benefits ("OPEB") on the accrual basis, rather than pay as you go (cash basis). Furthermore, the determination of the OPEB liability is dependent upon the type of plan in which the employer participates. Effective July 1, 2011, the State of Rhode Island established an independent entity titled the OPEB Board, to manage OPEB benefits for all state government employers including the Community College. A separate legal OPEB entity classified as a cost sharing multiple employer plan, as established by the State, assesses the annual required contribution ("ARC") of each participating entity based on the plan's parameters to each participating employer. To the extent the employer does not pay the entire ARC or contractual obligation, they will have an OPEB related liability.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System ("ERS") and the additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 1 - **Summary of Significant Accounting Policies - Continued**

Health Insurance

The State offers one state paid health plan to each of its participating agencies. The premiums for these plans are divided among the agencies based upon their number of eligible employees. All employees share in health care costs. Employee contributions range from 15-25% of health care premiums for non-classified staff. Classified employee co-pays range from 15-25% of healthcare premiums. The costs are automatically deducted through the payroll system on a bi-weekly basis. The Community College pays the balance of the healthcare costs. Expenses incurred by the Community College to the State for 2016 health premiums were approximately \$9,274,000.

Assessed Fringe Benefit Administrative Fund

In July 2000, the State established the Assessed Fringe Benefit Administrative Fund. The fund is used to make all payments relating to workers' compensation charges, unemployment compensation payments, and payments to employees for unused leave upon their termination from State service. The State funds this account by assessing a charge based on the bi-weekly payrolls of all State agencies. The fringe benefit assessment rate for 2016 for non-faculty was 4.6% and 3.78% for faculty. The assessed fringe benefit cost was approximately \$1,816,000 for fiscal year 2016.

Student Deposits and Unearned Revenue

Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are reported as unearned revenue in the current year and as earned revenue in the following year.

Student Fees

Student tuition and fees are presented net of scholarships and fellowships applied to students' accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are reflected as expenses.

Funds Held for Others

The Community College holds funds for student and other organizations affiliated with the Community College. These funds are pooled with the Community College's funds and net returns are allocated to the Community College organizations' asset balances.

Tax Status

The Community College is a component unit of the State of Rhode Island and Providence Plantations and is, therefore, generally exempt from income taxes under Section 115 of the Internal Revenue Code.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 1 - **Summary of Significant Accounting Policies - Continued**

Use of Estimates

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

Risk Management

The Community College is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment, and employee health insurance claims. Insurance is maintained for general liability with limits of \$1 million per occurrence and \$3 million in the aggregate with a \$25,000 deductible as well as a \$25 million umbrella. Coverage under the Medical Professional Liability Policy extends to employed health care providers, excluding physicians who have separate coverage. This policy does not apply to actions relating to federal/civil rights, eminent domain, and breach of contract. Such claims are insured under a separate policy, Educators Legal Liability, for wrongful acts with limits of \$4 million per claim and \$4 million for the annual aggregate with a \$150,000 deductible. Crime coverage for college employees is carried with a limit of \$25 million with a deductible ranging from \$75,000 to \$150,000.

As an agency of the State of Rhode Island and Providence Plantations, the Community College participates in a group property program. In fiscal year 2016, buildings and contents were insured against fire, theft, and natural disaster with a limit of \$200 million and a \$100,000 deductible per occurrence. The Community College also maintains a boiler and machinery policy with coverage of \$50 million per occurrence and a deductible of \$25,000. A separate inland marine policy insures specifically listed high value property items such as computer equipment, valuable papers, fine arts, contractor's equipment, and miscellaneous property at various limits of insurance and deductibles.

All vehicles are owned by the State, which insures them for liability through an outside carrier. The policy is a loss retrospective program where premiums can be adjusted for claims incurred. Workers' compensation, unemployment, and employee health and life insurance claims are self-insured and managed by the State. The amounts of settlement have not exceeded insurance coverage in each of the past three years.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 1 - **Summary of Significant Accounting Policies - Continued**

New Governmental Accounting Pronouncements

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – GASB Statement 75, is effective for periods beginning after June 15, 2017. This Statement replaces Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans* and Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of Statement 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (“OPEB”). It also requires additional information by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 75 also identifies the assumptions and methods that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service for defined benefit OPEB. Management has not yet evaluated the effects of the implementation of this Statement.

Note 2 - **Cash, Equivalents and Investments**

The Community College’s policy is in accordance with Chapter 35-10.1 of the R.I. General Laws regarding depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, which indicates that they shall at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than 60 days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulations shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity.

The Community College does not have a policy for custodial credit risk associated with deposits.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 2 - **Cash, Equivalents and Investments - Continued**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a) Uncollateralized,
- b) Collateralized with securities held by pledging financial institution, or
- c) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor government's name.

Bank balances covered by federal depository insurance (FDIC) at June 30, 2016 approximated \$13,471,000. In addition, approximately \$7,479,000 at June 30, 2016 was collateralized with securities held by the pledging financial institution in the Community College's name. These balances reflect FDIC insurance and guarantee programs in effect at their respective periods.

Cash Held by State Treasurer

Cash held by State Treasurer represents accrued expenses to be funded from state appropriated funds at June 30, 2016. The Community College has recorded a comparable dollar amount of cash held by State Treasurer for the benefit of the Community College, which was subsequently utilized to pay for such liabilities.

Investments of the Foundation

Foundation investments are presented in the financial statements at fair value and are summarized as follows at June 30, 2016:

Equities	\$ 2,004,382
Fixed income	<u>1,165,661</u>
Total Investments	<u>\$ 3,170,043</u>

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 3 - **Accounts Receivable**

Accounts receivable, which are anticipated to be collected within one year, include the following at June 30, 2016:

Student accounts receivable	\$ 2,232,021
Grants receivable	894,909
Other receivables	<u>2,182,311</u>
	5,309,241
Less: allowance for doubtful accounts	<u>(1,126,238)</u>
	<u>\$ 4,183,003</u>

Note 4 - **Capital Assets**

Capital assets consist of the following at June 30, 2016:

	<u>Estimated lives (in years)</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassification</u>	<u>Ending Balance</u>
Capital assets not depreciated:					
Land	—	\$ 1,490,837	\$ -	\$ -	\$ 1,490,837
Construction in progress	—	<u>8,686,631</u>	<u>3,450,484</u>	<u>(6,378,996)</u>	<u>5,758,119</u>
Total not depreciated		<u>10,177,468</u>	<u>3,450,484</u>	<u>(6,378,996)</u>	<u>7,248,956</u>
Capital assets depreciated:					
Land improvements	15	-	49,619	22,438	\$ 72,057
Buildings, including improvements	10-50	125,095,367	2,056,681	6,340,589	133,492,637
Furnishings and equipment	5-15	<u>18,808,551</u>	<u>3,894,757</u>	<u>15,969</u>	<u>22,719,277</u>
Total depreciated		<u>143,903,918</u>	<u>6,001,057</u>	<u>6,378,996</u>	<u>156,283,971</u>
Total capital assets		<u>154,081,386</u>	<u>9,451,541</u>	<u>-</u>	<u>163,532,927</u>
Less: accumulated depreciation:					
Land improvements		-	2,402	-	2,402
Building, including improvements		61,113,541	4,725,751	-	65,839,292
Furnishings and equipment		<u>12,791,461</u>	<u>2,260,941</u>	<u>-</u>	<u>15,052,402</u>
Total accumulated depreciation		<u>73,905,002</u>	<u>6,989,094</u>	<u>-</u>	<u>80,894,096</u>
Capital Assets, Net		<u>\$ 80,176,384</u>	<u>\$ 2,462,447</u>	<u>\$ -</u>	<u>\$ 82,638,831</u>

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 5 - Long-Term Liabilities

Long-term liabilities consist of the following at June 30, 2016:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Current Portion</u>
Bonds payable:					
Revenue bonds payable	\$ 2,499,561	\$ -	\$ 245,055	\$ 2,254,506	\$ 254,541
Premium on bonds payable	<u>105,980</u>	<u>-</u>	<u>11,775</u>	<u>94,205</u>	<u>11,775</u>
Total bonds payable	<u>2,605,541</u>	<u>-</u>	<u>256,830</u>	<u>2,348,711</u>	<u>266,316</u>
Other long-term liabilities:					
Due to State of Rhode Island	4,290,000	-	655,000	3,635,000	680,000
Compensated absences	4,588,915	-	140,194	4,448,721	4,364,401
Net pension liability	<u>26,224,040</u>	<u>2,848,962</u>	<u>-</u>	<u>29,073,002</u>	<u>-</u>
Total long-term liabilities	<u>\$ 37,708,496</u>	<u>\$ 2,848,962</u>	<u>\$ 1,052,024</u>	<u>\$ 39,505,434</u>	<u>\$ 5,310,717</u>

Revenue Bonds Payable

The following is a summary of the Community College's long-term debt for the year ended June 30, 2016:

Revenue bonds payable:

Rhode Island Health and Education Building
 Corporation Educational and General Revenue
 Refunding Issue, Series 2013B. Original Amount
 of debt issued - \$2,995,995, 2% to 3% due
 semiannually through 2024.

\$ 2,254,506

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 5 - **Long-Term Liabilities - Continued**

Revenue Bonds Payable - Continued

Principal and interest on revenue bonds payable for the next five years and in subsequent five year periods are as follows:

Years Ending June 30,	Principal	Interest	Total
2017	\$ 254,541	\$ 61,730	\$ 316,271
2018	262,446	53,975	316,421
2019	270,351	45,983	316,334
2020	278,256	38,798	317,054
2021	282,999	31,422	314,421
2022-2024	<u>905,913</u>	<u>41,335</u>	<u>947,248</u>
Totals	<u>\$ 2,254,506</u>	<u>\$ 273,243</u>	<u>\$ 2,527,749</u>

Due to State of Rhode Island

The following is a summary of the Community College's Due to State of Rhode Island for the year ended June 30, 2016:

Due to State of Rhode Island:

Certificates of participation (COP) energy

Conservation bonds due to the State of

Rhode Island. Original amount of debt issued

\$6,560,000, 2% to 4% due annually through 2021.

\$ 3,635,000

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 5 - **Long-Term Liabilities - Continued**

Due to State of Rhode Island - Continued

Principal and interest on Due to State of Rhode Island for the next five years through maturity are as follows:

Years Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 680,000	\$ 127,225	\$ 807,225
2018	705,000	100,025	805,025
2019	725,000	78,875	803,875
2020	750,000	55,313	805,313
2021	<u>775,000</u>	<u>29,062</u>	<u>804,062</u>
Totals	<u>\$ 3,635,000</u>	<u>\$ 390,500</u>	<u>\$ 4,025,500</u>

The COP energy conservation bonds were issued by the State of Rhode Island and are to be repaid based on guaranteed energy and other utility savings generated by improvements funded by the bond proceeds.

The State of Rhode Island has issued bonds for the development of certain Community College facilities. These bonds are not obligations of the Community College and, therefore, are not recorded as liabilities in the accompanying financial statements.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 6 - **Pension**

Plan Description

Certain employees of the Community College participate in a cost-sharing multiple-employer defined benefit plan, the Employees' Retirement System Plan (the "ERS"), administered by the Employees' Retirement System of the State of Rhode Island (the "System"). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The ERS provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

Benefit Provisions

The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The ERS provides for survivor's benefits for service-connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 6 - **Pension – Continued**

Benefit Provisions – Continued

Cost of living adjustments are provided but are currently suspended until the collective plans covering state employees and teachers reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at five-year intervals.

The ERS also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

Contributions

The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. For fiscal 2016, Community College employees were required to contribute 3.75% of their annual covered salary. The Community College is required to contribute at an actuarially determined rate; the rate was 23.64% of annual covered payroll for the fiscal year ended June 30, 2016. The Community College contributed \$2,306,819, \$2,281,752 and \$2,220,527 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, equal to 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016 the Community College reported a liability of \$29,073,002 for its proportionate share of the net pension liability related to its participation in ERS. The net pension liability was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The Community College's proportion of the net pension liability was based on its share of contributions to the ERS for fiscal year 2015 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2015, the Community College proportion was 1.46%.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 6 - **Pension – Continued**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources - Continued

For the year ended June 30, 2016 the Community College of Rhode Island recognized pension expense of \$3,538,931. At June 30, 2016 the Community College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflow of Resources

Contributions made subsequent to measurement date	<u>\$ 2,306,819</u>
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Deferred Inflows of Resources

Difference between expected and actual experience	\$ 336,345
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Changes of assumptions	218,739
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Net difference between projected and actual earnings on pension plan investments	23,929
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Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>125,625</u>
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	<u>\$ 704,638</u>
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COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 6 - **Pension – Continued**

Contributions of \$2,306,819 are reported as deferred outflows of resources related to pensions resulting from the Community College’s contributions in fiscal year 2016 subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase (reduction) in annual pension expense as follows:

Years Ended <u>June 30,</u>	
2017	\$ (311,090)
2018	(311,090)
2019	(311,090)
2020	<u>228,632</u>
	<u>\$ (704,638)</u>

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 6.50%
Investment rate of return	7.50%

Mortality rates were based on 115% (males) and 95% (females) of the RP-2000 combined healthy mortality tables with white collar adjustments projected with scale AA from 2000.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 6 - **Pension – Continued**

Actuarial Assumptions - Continued

The actuarial assumptions used in the June 30, 2014 valuations rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
Global Equity:	38%	
U.S. Equity		6.93%
International Developed		7.32%
International Emerging Markets		9.52%
Equity Hedge Funds	8%	3.98%
Private Equity	7%	9.99%
Core Fixed Income	15%	2.18%
Absolute Return Hedge Funds	7%	3.98%
Infrastructure	3%	5.70%
Real Estate	8%	4.85%
Other Real Return Assets:	11%	
Master Limited Partnerships		4.51%
Credit		4.51%
Inflation Linked Bonds		1.24%
Cash, Overlay and Money Market	3%	0.78%
	100%	

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 6 - **Pension – Continued**

Actuarial Assumptions - Continued

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) calculated using the discount rate of 7.5 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease (6.50%)	Current Discount Rate (7.5%)	1.00% Increase (8.50%)
\$ 36,044,182	\$ 29,073,002	\$ 23,366,097

Pension Plan Fiduciary Net Position

As noted earlier, ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>. The report contains detailed information about the pension plan's fiduciary net position.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 7 - **Other Retirement Plans**

State of Rhode Island Employees' Retirement System ("ERS") Defined Contribution

Plan Description

Employees participating in the defined benefit plan, as described in Note 6, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary. Employers contribute amounts ranging from 1-1.5% of annual covered salary depending upon the individual employee's years of service. Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly. Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

The Community College contributed \$83,903 and \$98,609 for the fiscal years ended June 30, 2016 and 2015, respectively, equal to 100% of the required contributions for these years.

The ERS issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained by writing to the Employees' Retirement System of Rhode Island, 50 Service Avenue, Warwick, RI 02886.

Rhode Island Board of Governors for Higher Education Alternate Retirement Plan

Plan Description

Certain employees of the Community College, (principally faculty and administrative personnel) are covered by individual annuity contracts under a defined contribution retirement plan, Alternate Retirement Plan, established by the Rhode Island Board of Education which is also responsible for amending it. Eligible employees who have reached the age of 30, and who have two (2) years of service are required to participate in either the Teachers' Insurance and Annuity Association (TIAA), the Metropolitan Life Insurance Company or Variable Annuity Life Insurance Company retirement plan. The BOE establishes and amends contribution rates. Eligible employees must contribute at least 5% of their gross biweekly earnings. These contributions may be made on a pre-tax basis.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 7 - **Other Retirement Plans – Continued**

Rhode Island Board of Governors for Higher Education Alternate Retirement Plan – Continued

Funding Policy

The Community College contributes 9% of the employee's gross biweekly earnings. Total expenditures by the Community College for such 403(b) annuity contracts amounted to approximately \$2,975,000 during 2016. The employee contribution amounted to approximately \$1,653,000.

Note 8 - **Restricted Net Position**

The Community College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. At June 30, 2016, these funds are restricted for grant programs.

Note 9 - **Contingencies**

Various lawsuits are pending or threatened against the Community College, which arose from the ordinary course of operations. In the opinion of management, no litigation is now pending or threatened, which would materially affect the Community College's financial position.

The Community College receives significant financial assistance from federal and state agencies in the form of grants. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the Community College. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of the Community College.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 10 - **Operating Expenses**

The Community College's operating expenses, on a natural classification basis, are composed of the following at June 30, 2016:

Compensation and benefits	\$ 90,447,414
Supplies and services	19,998,268
Depreciation	6,989,094
Scholarships and fellowships	<u>3,499,778</u>
	<u>\$ 120,934,554</u>

Note 11 - **State Appropriations**

Direct Appropriations

Pursuant to Rhode Island General Law 16-59-9, the legislative enacted budget reflects the budget passed by the General Assembly and signed by the Governor, as well as any re-appropriations. The BOE reviews and approves the unrestricted and restricted budgets and makes recommendations to the Governor and General Assembly for revisions to the current year's budget and the ensuing year's budget for the entities it oversees. As part of the Community College's annual budget process for unrestricted and restricted funds, the General Assembly allocates specific amounts in the budget which are allocated for the following categories: (1) salaries and wages; (2) operating expenditures; and (3) outlays for personnel costs, utilities, repairs, capital, and student aid, as well as the overall budget allocation.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 11 - **State Appropriations - Continued**

State Capital Plan Funds

The Rhode Island Capital Plan Fund ("RICAP") was modeled on a financial technique originating in the State of Delaware. In fiscal year 2016, the State reserved 3% of its general revenues to fund a Budget Reserve Fund and Cash Stabilization Fund. Once the fund reaches a maximum threshold (5% of total fiscal year financial resources), the balance is transferred to the RICAP Fund. The RICAP Fund is used for capital expenditures and for debt reduction. The technique is a "pay-as-you-go" process that avoids increasing the State's debt burden. Higher education has received allocations through this program since fiscal 1995.

The Community College's State appropriations are composed of the following for the year ended June 30, 2016:

Direct appropriations	\$ 47,721,998
State contributed capital and RICAP funds	3,159,116
Office of Higher Education	<u>200,000</u>
	<u>\$ 51,081,114</u>

In accordance with Rhode Island State law, unexpended capital plan appropriations lapse after June 30th of the fiscal year in which appropriated. Such funds may be applied for again in the subsequent fiscal year. The Office of Higher Education appropriation related to the Community College's computer software (Banner) project for the fiscal year ended June 30, 2016.

Note 12 - **Other Post-Employment Benefits (OPEB)**

Rhode Island Retiree Health Care Benefit Plan (RIRHCBP)

Plan Description

The Community College contributes (for certain employees) to the State Employees' defined benefit post-employment health care plan, a cost sharing multiple employer plan administered through the Rhode Island State Employees' and Electing Teachers OPEB System (OPEB System). The State of Rhode Island OPEB Board (Board) was authorized, created and established under Chapter 36-12.1 of RI General Laws. The Board was established to independently hold and administer, in trust, the funds of the OPEB system. The plan provides medical benefits to certain retired employees of participating employers including the Community College.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 12 - **Other Post-Employment Benefits (OPEB) - Continued**

Rhode Island Retiree Health Care Benefit Plan (RIRHCBP) - Continued

Plan Description - Continued

Pursuant to legislation enacted by the General Assembly, a trust has been established to accumulate assets and pay benefits and other costs associated with the system.

The OPEB System issues a stand-alone financial report. A copy can be obtained from the State Controller's Office, 1 Capitol Hill, Providence, RI 02908.

Funding Policy

RIGL Sections 36-12.1, 36-12-2.2, and 36-12-4 govern the provisions of the OPEB System. The contribution requirements of plan members, the State, and other participating employers are established and may be amended by the General Assembly. Active employees make no contribution to the OPEB plan. Employees who retired after October 1, 2008 must contribute 20% of the annual estimated benefit cost (working rate) or annual premium for Medicare supplemental coverage. Employees retiring before October 1, 2008 have varying co-pay percentages ranging from 0% to 50% based on age and years of service at retirement. Further information about the contributions of plan members can be found in the financial report of the OPEB System.

For fiscal 2016, employers were required to contribute 6.75% of covered payroll. The employer required contribution rate is determined on an actuarially determined basis consistent with a funding approach outlined in the General Laws and as adopted by the OPEB System Board. The Community College fully funded its required contribution to the plan for the years ended June 30, 2016, 2015 and 2014 which were approximately \$586,000, \$663,000 and \$689,000 respectively.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 12 - **Other Post-Employment Benefits (OPEB) - Continued**

Rhode Island Board of Education Health Care Insurance Retirement Plan

Plan Description

The Community College contributes (for certain employees) to the Rhode Island Board of Education (BOE) health care insurance retirement program (Plan), medical coverage only, for eligible employees who participate in the BOE's Alternate Retirement Plan (ARP) and per union contracts. The BOE established a defined benefit healthcare plan effective July 1, 1998 for employees of the University of Rhode Island (URI), Rhode Island College (RIC) and Community College of Rhode Island (CCRI). The BOE's ARP is considered a cost-sharing multiple employer plan. Rhode Island State law established the "Rhode Island State Employees' and Electing Teachers OPEB System" (OPEB system), as defined in G.L. 36-12.1-5, which is managed by an OPEB Board for the purpose of providing and administering OPEB Benefits for retired employees of the State, includes the Board Plan. The State of Rhode Island OPEB Board (Board) was authorized, created and established under Chapter 36-12.1 of the RI General Laws.

The Board was established to independently hold and administer, in trust, the funds of the OPEB system. The plan provides medical benefits to certain retired employees of participating employers including the Community College.

Pursuant to legislation enacted by the General Assembly, a trust was established in fiscal year 2011 to accumulate assets and pay benefits and other costs associated with the system. The OPEB system issues a stand-alone financial report. A copy can be obtained from the State Controller's Office, 1 Capitol Hill, Providence, RI 02908.

Funding Policy

RIGL Sections 36-12.1, 36-12-2.2, and 36-12-4 govern the provisions of the OPEB System. The contribution requirements of plan members and the Community College are established and may be amended by the Board. Effective in fiscal year 2011, all participating employers are required by law to fund the actuarially required contribution (ARC) which for fiscal year 2016 was 3.11% and for 2015 and 2014 was 2.30% of payroll covered by the Board Plan. Active employees contribute 0.9% of payroll to the OPEB plan. Retired employees have varying co-pay percentages ranging from 0% to 50% based on age and years of service at retirement. Further information about the contributions of plan members can be found in the financial report of the OPEB System.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2016

Note 12 - **Other Post-Employment Benefits (OPEB) - Continued**

*Rhode Island Board of Education Health Care Insurance Retirement Plan -
Continued*

Funding Policy - Continued

For fiscal year 2016, the Community College contribution to the plan was approximately \$958,000. For fiscal years 2015 and 2014 the Community College contribution to the plan was approximately \$692,000 and \$721,000 respectively.

REQUIRED SUPPLEMENTARY INFORMATION

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Schedule of the Community College's Proportionate Share of the Net Pension Liability (Unaudited)

Employees' Retirement System

Valuation date	June 30, 2014	June 30, 2013
Measurement date	June 30, 2015	June 30, 2014
Community College's proportion of the net pension liability	1.46%	1.47%
Community College's proportionate share of the net pension liability	\$ 29,073,002	\$ 26,224,040
Community College's covered-employee payroll as of the measurement date	\$ 9,780,334	\$ 9,619,971
Community College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	297.26%	272.60%
Plan fiduciary net position as a percentage of the total pension liability	55.03%	58.58%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Schedule of the Community College's Contributions (Unaudited)

For the Years Ended June 30,

	2016	2015
Contractually required contribution	\$ 2,306,819	\$ 2,281,752
Contributions in relation to the contractually required contribution	<u>(2,306,819)</u>	<u>(2,281,752)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>
Community College's covered-employee payroll	\$ 9,758,118	\$ 9,780,334
Contribution as a percentage of covered-employee payroll	23.64%	23.33%

Notes:

Employers participating in the State Employees' Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Required Supplementary Information (Unaudited)

For the Year Ended June 30, 2016

Note 1 - **Change in Assumptions**

The change in assumptions which is primarily related to reductions in wage inflation, salary increases for individual members, and the overall payroll growth assumptions resulted from an experience study performed for the six-year period ended June 30, 2013 and is amortized over the average of the expected remaining service life of all employees, which is 4.9977 years. The Community College's proportionate share of the collective amounts below is equal to the collective amount multiplied by the employer proportionate share percentage as shown in the Schedule of the employer proportionate share of the net pension liability.

	<u>2016</u>	<u>2015</u>
Change in assumptions	\$ 23,762,000	\$ 23,762,000
Accumulated amortization	<u>(8,817,000)</u>	<u>(4,408,000)</u>
Change in assumptions, net	\$ 14,945,000	\$ 19,354,000

**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***



**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 Education of
State of Rhode Island and Providence Plantations
Providence, Rhode Island

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Community College of Rhode Island (the "Community College"), which comprise the statement of net position as of June 30, 2016, and the related statements of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Community College of Rhode Island's basic financial statements and have issued our report thereon dated October 6, 2016. Our report includes a reference to other auditors who audited the financial statements of Community College of Rhode Island Foundation, Inc., as described in our report on Community College of Rhode Island's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 6, 2016