

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

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**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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

**Financial Statements**

**June 30, 2017**

**C O N T E N T S**

<b>Independent Auditors' Report</b>	1-2
<b>Management's Discussion and Analysis (Unaudited)</b>	3-17
<b>Financial Statements:</b>	
Statement of Net Position	18
Statements of Revenues, Expenses and Changes in Net Position	19
Statement of Cash Flows	20
Notes to the Financial Statements	21-52
<b>Required Supplementary Information:</b>	
Schedule of Proportionate Share of the Net Pension Liability (Unaudited)	53
Schedule of Contributions (Unaudited)	54
Notes to the Required Supplementary Information (Unaudited)	55
<b>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 <i>Government Auditing Standards</i></b>	56-57



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Rhode Island College (a component unit of the State of Rhode Island and Providence Plantations) (the "College") which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **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 Rhode Island College Foundation (the "Foundation") as of June 30, 2017 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 upon 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 of America. 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 auditors consider 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 Rhode Island College as of June 30, 2017, 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.

## **Emphasis of Matter**

As discussed in Note 1, GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for fiscal year 2018 and will require the College to restate beginning net position at July 1, 2017 to recognize its proportionate share of the net postemployment benefits other than pension obligations determined for the Rhode Island Retiree Health Care Benefit Plan and the Rhode Island Board of Education Health Care Insurance Retirement Plan. Our opinion is not modified with respect to that matter.

## **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 54, the schedule of contributions on page 55, and the notes to the required supplementary information on page 56 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 September 29, 2017, on our consideration of Rhode Island College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rhode Island College's internal control over financial reporting and compliance.

*O'Connor and Drew, P.C.*

**Certified Public Accountants  
Braintree, Massachusetts**

September 29, 2017

**RHODE ISLAND COLLEGE**  
**(A Component Unit of the State of Rhode Island and Providence Plantations)**

**Management's Discussion and Analysis (Unaudited)**

**June 30, 2017**

**Introduction**

The following management discussion and analysis (MD&A) provides management's view of the financial position of Rhode Island College (the College) as of June 30, 2017 and the results of operations for the year then ended, with selected comparative information for the year ended June 30, 2016. 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 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, and it should be read in conjunction with the College's financial statements and notes thereto that follow this section.

The College, founded in 1854, is the oldest of the three public institutions of higher education that is governed by the Board of Education (the "BOE"). The Rhode Island Office of Postsecondary Commissioner, which operates under the direction of the Commissioner of Postsecondary Education, is the administrative and research arm of the BOE. The College's primary mission is to make its academic programs available to any qualified students who can benefit from its educational services. The College fulfills its educational mission by offering undergraduate programs in liberal arts and sciences, and in a variety of professional and pre-professional fields. The College also offers a range of selected graduate programs in arts and sciences, education, and in areas of social, public and community service. The College offers its academic programs to undergraduates of traditional age as well as to older students who often study and or work part-time while earning undergraduate or advanced degrees. The majority of students are from Rhode Island. The College also contributes directly to the cultural life of the State through ongoing theatre and concert performances, art exhibits, lectures, and films, which are all open to the public.

The College was established in 1854 as the Rhode Island Normal School, focusing on teacher education. Due to diminished state support, the College was closed for a period between 1865 and 1869, when it reopened as the Rhode Island State Normal School. In 1920, the Normal School became the Rhode Island College of Education, offering a four-year program leading to the degree of Bachelor of Education. The graduate program originated in the early 1920s. During the 1958-59 academic year, the College was relocated from the downtown location to its current 180-acre campus on the border of Providence and North Providence. In 1959, the mission of the College was expanded to that of a comprehensive college. In 1960, the name of the institution was changed to Rhode Island College to reflect its expanded mission. The College now serves approximately 8,500 students in a variety of courses and programs both on and off campus.

# RHODE ISLAND COLLEGE

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

## Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2017

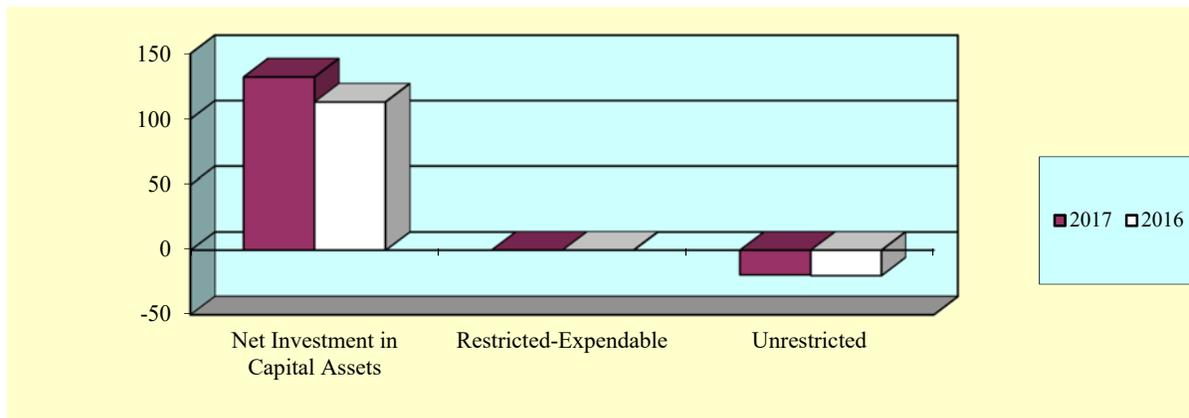
### Introduction - Continued

The College is part of the Rhode Island system of public higher education that includes the Community College of Rhode Island and the University of Rhode Island, with which articulation agreements for matriculation exist for student transfers within the system. The Rhode Island Council on Postsecondary Education became the governing body for the college in 2013.

### Financial Highlights

The College’s financial position remained strong as of June 30, 2017. At June 30, 2017, the College’s assets of \$211.4 million exceeded its liabilities of \$103.4 million by \$108.0 million, an increase over the prior year of \$17.0 million.

The resulting net position is summarized into the following categories (in \$ millions) for the fiscal years ended June 30, 2017 and 2016:



Restricted expendable net position may be expended only for the purposes authorized by the creditor, grantor, or enabling legislation. Unrestricted net position represents all other funds that do not meet the definition of Net Investment in Capital Assets or Restricted funds.

For fiscal year 2017 operating revenues decreased by 3.7%, or \$3.6 million, from \$97.7 million in fiscal year 2016 to \$94.1 million in fiscal year 2017. In addition, operating expenses increased by 2.5%, or \$3.6 million from \$144.1 million in fiscal year 2016 to \$147.7 million in fiscal year 2017.

# RHODE ISLAND COLLEGE

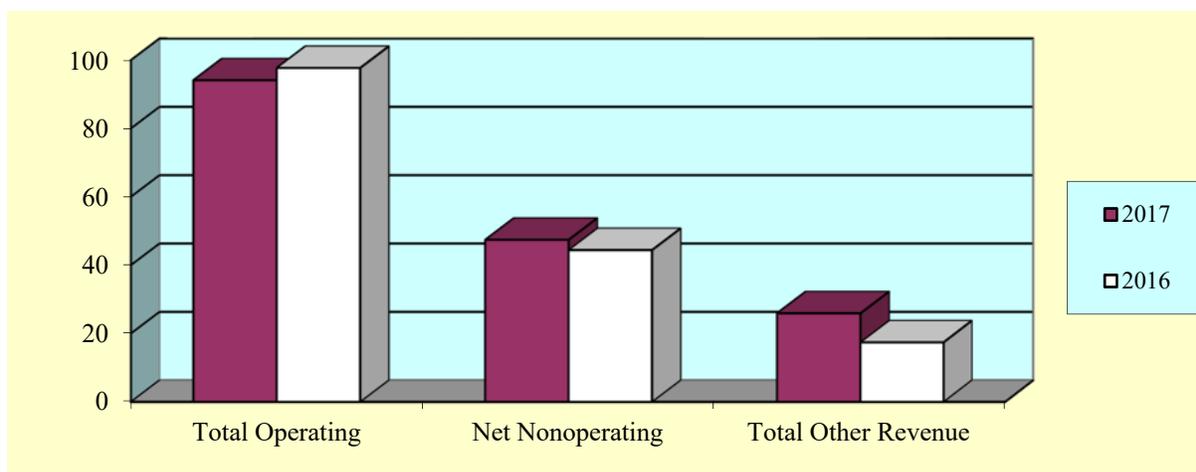
(A Component Unit of the State of Rhode Island and Providence Plantations)

## Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2017

### Financial Highlights - Continued

The following chart provides a graphical breakdown of total revenues (in \$ millions) by category for the fiscal years ending June 30, 2017 and 2016:



Cash flow continued to be adequate for operations with a cash balance of \$33.7 million at June 30, 2017.

### Overview of the Financial Statements

The financial statements focus on the 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.

Rhode Island College Foundation (the “Foundation”) is a legally separate tax-exempt component unit of Rhode Island College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the 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 College by the donors. Because these resources held by the Foundation can only be used by or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements.

Management’s Discussion and Analysis is required to focus on the College, not its component unit.

**RHODE ISLAND COLLEGE**  
**(A Component Unit of the State of Rhode Island and Providence Plantations)**

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2017**

**The Financial Statements**

The financial statements are designed to provide readers with a broad overview of the 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 College's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the College is improving or deteriorating. Other factors are also relevant to assessing the 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 *Statements of Revenues and Expenses and Changes in Net Position* show how the 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).

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

**RHODE ISLAND COLLEGE**  
**(A Component Unit of the State of Rhode Island and Providence Plantations)**

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2017**

**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 College has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements and supplementary information can be found on pages 21 to 53 of this report.

**Financial Analysis**

As noted earlier, the difference between total assets and total liabilities may serve over time as a useful indicator of the College's financial position. For fiscal year 2017, assets exceeded liabilities by \$108.0 million and for fiscal year 2016 assets exceeded liabilities by \$91.0 million, as shown in the chart below:

**Condensed Statement of Net Position**  
(Dollars in millions)

	2017	2016
Assets:		
Current assets	\$ 44.5	\$ 46.4
Noncurrent assets	166.9	148.3
Total assets	\$ 211.4	\$ 194.7
Deferred outflows of resources	\$ 6.5	\$ 3.2
Liabilities:		
Current liabilities	\$ 22.2	\$ 22.5
Noncurrent liabilities	81.2	81.2
Total liabilities	\$ 103.4	\$ 103.7
Deferred inflows of resources	\$ 1.3	\$ 0.8
Net position:		
Net investment in capital assets	\$ 132.1	\$ 113.0
Restricted:		
Expendable	4.0	0.1
Unrestricted	(23.0)	(19.7)
Total net position	\$ 113.1	\$ 93.4

**RHODE ISLAND COLLEGE**  
**(A Component Unit of the State of Rhode Island and Providence Plantations)**

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2017**

**Financial Analysis - Continued**

The largest portion of the College's net position, \$132.1 million and \$113.6 million in fiscal year 2017 and 2016, respectively, reflects its investment in capital assets (such as land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The College uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending.

Although the 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 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.

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 liabilities-to-assets ratio was 49% in fiscal year 2017, down from 53% in fiscal year 2016, primarily driven by an increase in total assets year-over-year of \$16.8 million, or 8.6%. Net pension liability at June 30, 2017 of \$42.5 million and \$39.8 million at June 30, 2016 is the College's largest liability.

**RHODE ISLAND COLLEGE**  
**(A Component Unit of the State of Rhode Island and Providence Plantations)**

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2017**

**Financial Analysis - Continued**

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

Years Ended June 30, 2017 and 2016

(Dollars in millions)

	2017	2016
Operating revenues:		
Tuition and fees	\$ 69.1	\$ 70.1
Auxiliary enterprises	19.9	21.2
Less: scholarship allowances	(23.8)	(23.0)
Grants, contracts, and other	28.9	29.4
Total operating revenues	94.1	97.7
Operating expenses:		
Salaries and benefits	106.2	103.3
Scholarships, grants, and contracts	5.6	6.6
Other expenses	27.0	25.5
Depreciation and amortization	8.9	8.6
Total operating expenses	147.7	144.0
Net operating loss	(53.6)	(46.3)
Nonoperating revenues (expenses):		
State appropriations	47.0	44.8
Other nonoperating revenues, net	0.4	(0.4)
Net nonoperating revenues	47.4	44.4
Increase (decrease) in net position before other revenues, expenses, gains, or losses	(6.2)	(1.9)
Capital appropriations	25.7	17.2
Capital gifts and grants	0.2	0.2
Total other revenues	25.9	17.4
Increase in net position	\$ 19.7	\$ 15.5

**RHODE ISLAND COLLEGE**  
**(A Component Unit of the State of Rhode Island and Providence Plantations)**

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2017**

**Operating Revenues**

Total operating revenues for fiscal year 2017 were \$94.1 million, a decrease of \$3.6 million, or 3.7%, over the prior year. The most significant sources of operating revenue for the College are tuition and fees, grants and contracts, and auxiliary services. Significant changes in operating revenue resulted from:

- For fiscal year 2017, the College did not seek a tuition increase. In addition, enrollments declined slightly from 2016 levels, resulting in a decrease in tuition and fee revenues year over year.
- Auxiliary revenues declined \$1.3 million from \$21.2 million in fiscal year 2016 to \$19.9 million in fiscal year 2017. This was primarily driven by the privatization of the College's bookstore in fiscal year 2017. This decrease in revenue (and a corresponding decrease in supplies and services) was offset by commissions revenue received by the new bookstore contract.
- Revenues associated with grants and contracts decreased \$0.5 million from \$29.4 million in fiscal year 2016 to \$28.9 million in fiscal year 2017. The decrease is primarily attributed to lower indirect cost recovery received by the College related to its mix of federal and non-federal sponsored awards.

**RHODE ISLAND COLLEGE**  
**(A Component Unit of the State of Rhode Island and Providence Plantations)**

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2017**

**Operating Revenues - Continued**

The following summary shows major grant and contract expenses, including indirect cost charges, for the fiscal years ending June 30, 2017, and 2016 (\$ in thousands):

Agency	Grant/Contract/Program	2017	2016
RI Department of Education	Vision Services	\$ 2,202	\$ 1,813
University of Rhode Island	INBRE	638	724
US Department of Education	Upward Bound	614	611
RI Department of Education	RI State Personnel Development	565	614
RI Department of Human Services	Early Intervention	559	486
US Department of Health and Human Services	University Center on Developmental Disabilities	498	532
RI Department of Education	Education Advocates (Surrogate Parents)	416	620
US Department of Education	Comprehensive Transition to Post Secondary Education for Students with Intellectual Disability	394	103
RI Department of Education	Institute for Early Childhood Development at Rhode Island College	361	580
RI Behavioral Healthcare, Developmental Disabilities and Hospitals	Sheltered Workshop Conversion Institute	331	241
RI Office of Higher Education	Learning for Life	205	350
Social Security Administration	Rhode Island College's Work Incentives Planning and Assistance Project	179	63
US Department of Health and Human Services	Behavioral Health Workforce Education & Training for Professionals & Paraprofessionals	156	175
Rhode Island Hospital	Leadership Education in Neurodevelopmental and Related Disorders Training Program	126	-
US Department of Education	Dual Sensory Impairment	82	100
RI Office of Higher Education	Depth over Breadth equals Student Success	51	138
University of Rhode Island	EPSCoR	33	87
US Department of Health and Human Services	R15 - Neonatal Brain Injury: Mediating Factors for Improved Neurobehavioral Outcome	10	108
RI Department of Children, Youth and Families	RI Child Welfare Institute	-	726
RI Department of Education	RI Technical Assistance Project	-	661
RI Department of Children, Youth and Families	Medicaid Implementation Grant	-	69

**RHODE ISLAND COLLEGE**  
**(A Component Unit of the State of Rhode Island and Providence Plantations)**

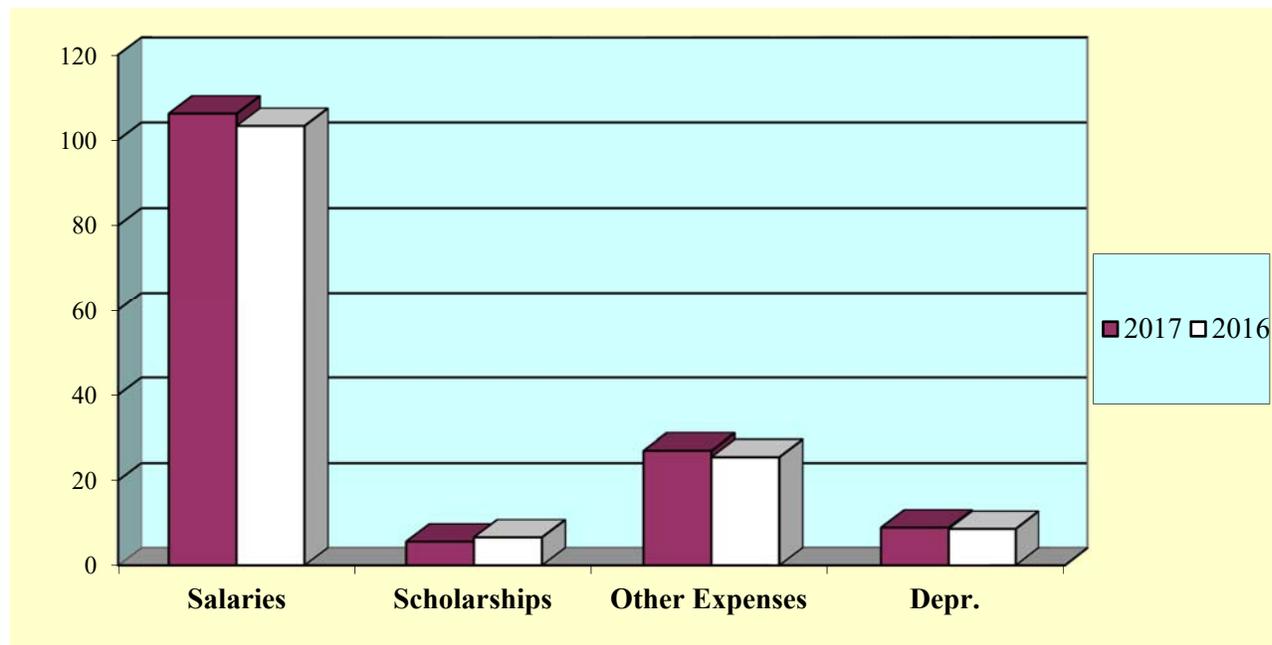
**Management’s Discussion and Analysis (Unaudited) - Continued**

**June 30, 2017**

**Operating Expenses**

Fiscal year 2017 operating expenses totaled \$147.7 million, an increase of \$3.6 million, or 2.5% from \$144.1 million in the prior year. Of this total, \$77.1 million, or 52.2% was used for instruction, academic support, student support and scholarships in fiscal year 2017 compared to \$73.4 million or 51.0% in fiscal year 2016. Depreciation and amortization expense totaled \$8.9 million and \$8.6 million in fiscal years 2017 and 2016, respectively.

The following chart provides a graphical breakdown of significant operating categories of expenses (in \$ millions) for fiscal years ending June 30, 2017 and 2016:



**Non-Operating Revenues and Expenses**

Net non-operating revenues for fiscal years 2017 and 2016 were \$47.4 million and \$44.4 million, respectively, consisting of the state appropriations, gifts, and net investment earnings. These figures represent an increase of \$3.0 million over the prior year.

**RHODE ISLAND COLLEGE**  
**(A Component Unit of the State of Rhode Island and Providence Plantations)**

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2017**

**Other**

Capital appropriations of \$25.7 million and \$17.2 million in fiscal years 2017 and 2016, respectively, represent funds to renovate the Academic Buildings as well as Rhode Island Capital Plan Funds utilized by the College to construct or acquire capital assets.

Due to the nature of public higher education, institutions incur a loss from operations. State appropriations to the College, reported as non-operating revenue, are the primary resource for offsetting the loss from operations.

**Capital Asset and Debt Administration**

**Capital Plan**

The College submits a five-year capital improvement plan request on an annual basis to the RI Council on Postsecondary Education. The request is reviewed and/or modified through the following governing bodies for approval as part of the State's budget development process: RI Council on Postsecondary Education, RI Board of Education, Governor, and then RI General Assembly. The plan includes proposed capital projects for asset protection, building rehabilitation, and new construction. During fiscal year 2017, the College expended \$7.3 million on Infrastructure and Asset Protection related projects, which were funded by Rhode Island Capital Fund appropriations (RICAP). The College generally has funded its capital projects through a combination of funds received from RICAP appropriations, State of RI general obligation bonds, and RI Health and Educational Building Corporation (RIHEBC) bonds. The execution of the College's capital improvement plan is contingent upon approval and sufficient funding from the State.

In November 2012 the Rhode Island voters approved the issuance of \$50 million General Obligation Bonds to renovate and modernize academic buildings at Rhode Island College including the renovation, upgrade and expansion of health and nursing facilities on the campus of Rhode Island College. The construction began in fiscal year 2015 and continued into fiscal year 2017.

**RHODE ISLAND COLLEGE**  
**(A Component Unit of the State of Rhode Island and Providence Plantations)**

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2017**

**Capital Asset and Debt Administration - Continued**

*Capital Assets*

At June 30, 2017, the College had \$161.4 million invested in capital assets, net of accumulated depreciation compared to \$144.3 million at June 30, 2016. Included in the College's capital assets is \$11.7 million in construction in progress. Depreciation charges totaled \$8.9 million for the current fiscal year, slightly higher than the prior year. 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 (in millions):

	2017	2016
Land and improvements	\$ 17.5	\$ 13.0
Construction in progress	11.7	22.4
Buildings and improvements	128.6	105.1
Furniture, fixtures, and equipment	3.6	3.8
Total	\$ 161.4	\$ 144.3

Major capital additions this year included:

Gaige Hall	\$20.3 million placed in service, \$5.4 million of which was incurred in fiscal year 2016
Fogarty Life Science	\$10.8 million placed in service, \$6.5 million of which was incurred in fiscal year 2016
Electrical upgrades	\$5.4 million

**Debt**

At June 30, 2017 and 2016, the College had \$17.6 million and \$18.5 million, respectively, in debt outstanding, a net change of \$0.9 million. The table below summarizes the types of debt instruments as of June 30, 2017 and 2016 (in millions):

	2017	2016
General Obligation (Note Payable)	\$ 1.0	\$ 1.1
Premium on Bond Payable	1.1	1.0
Revenue Bonds	15.5	16.4
Total	\$ 17.6	\$ 18.5

Debt repayments made during the year were \$0.9 million.

**RHODE ISLAND COLLEGE**  
**(A Component Unit of the State of Rhode Island and Providence Plantations)**

**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2017**

**Debt - Continued**

As of June 30, 2017, the College has a \$19.1 million liability payable to the State. This obligation includes funds advanced for the construction of a new residence hall (Penfield Hall) and additional debt issued of \$7.5 million for an energy investment project. These amounts will be paid back to the State at varying interest rates ranging from 2% to 5%.

On September 28, 2016, the Rhode Island Health and Educational Building Corporation issued the Council on Postsecondary Education Auxiliary Enterprise Revenue Bonds, Series 2016 C with a par amount of \$2,290,000. The proceeds of the Series 2016 C bonds were used to refund the Board of Governors Higher Education Facility Revenue Bonds, Rhode Island College, Series 2005 E bonds. The College entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense. The refunding decreased the College's total debt service by approximately \$397,000. There was an economic gain (difference between the present value of the old and new debt service payments) of approximately \$340,000. There was no deferred gain or loss related to this transaction.

The College has no independent bonding authority. All bonds must be approved by and arranged through the Rhode Island Council on Postsecondary Education. All general obligation and revenue bond related indebtedness is reflected on the financial accounts of the entity issuing the bonds. The Board's revenue bonds and Rhode Island general obligation bonds are rated by Moody's and by Standard and Poor. More detailed information about the College's long-term liabilities is presented in Note 7 of the financial statements.

**Economic Factors that will Affect the Future**

The seasonally adjusted unemployment rate for the State of Rhode Island, from which the College primarily draws students, was 4.2% in June of 2017 and 5.4% in June of 2016, according to the RI Department of Labor and Training. This change compares to 4.5% and 5.1%, respectively, on a national level.

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. This was evident during the national economic recession of 2008, in which the college saw increased enrollment. However, the State was under budget pressures as a result of the recession, which negatively impacted general revenue support for public higher education. The chart on the following page shows that since fiscal year 2008, the college has relied more on tuition and fees than state support for general education operations.

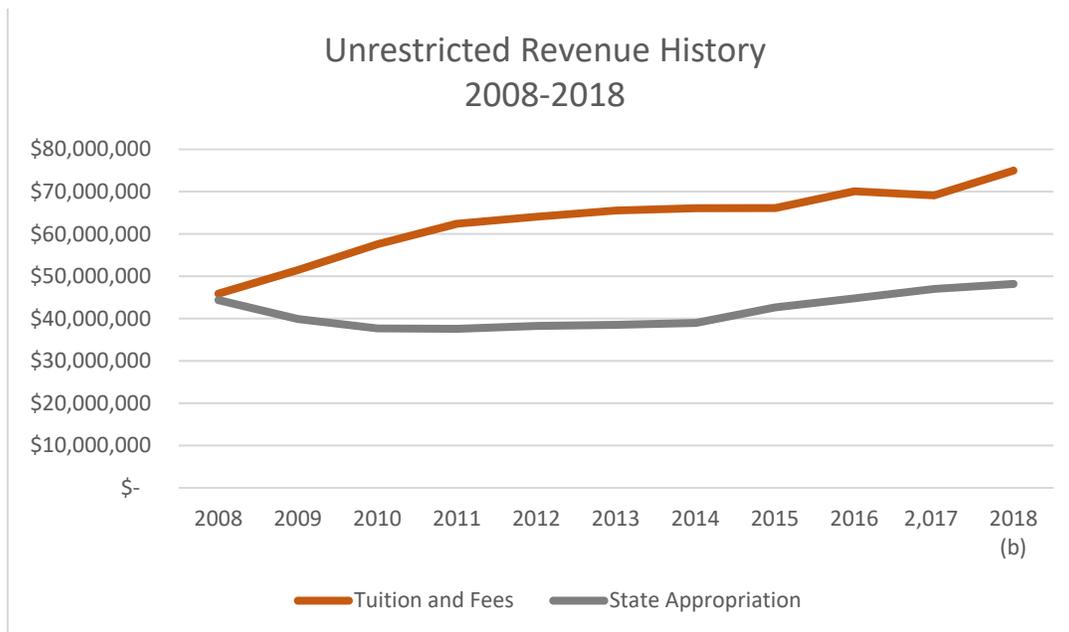
**RHODE ISLAND COLLEGE**  
**(A Component Unit of the State of Rhode Island and Providence Plantations)**

**Management’s Discussion and Analysis (Unaudited) - Continued**

**June 30, 2017**

**Economic Factors that will Affect the Future - Continued**

The College submitted a balanced budget to the Council on Postsecondary Education for fiscal year 2018. The 2018 enacted budget includes State general revenue appropriation of \$48.2 million (excluding the general obligation debt service appropriation of \$4.9million), which represents an increase of approximately \$1.2 million over fiscal year 2017.



For fiscal year 2017, the College and the Board of Education held tuition constant for both in-state and out-of-state students. However, to continue to support its strategic priorities in this financially challenging environment, the College and the Board of Education increased tuition and mandatory fees in fiscal year 2018 by 7.0% for in-state students.

In large part due to an increase in state funding, the College’s current financial and capital plans indicate that the infusion of additional financial resources from the foregoing BOE and management actions will enable it to maintain its present level of services. The College has also attempted to maintain affordability by limiting the size of tuition and fee increases. The College continues to rank well below other New England Comprehensive Public Institutions for tuition and fees for the 2016-2017 school year.

**RHODE ISLAND COLLEGE**  
**(A Component Unit of the State of Rhode Island and Providence Plantations)**

**Management’s Discussion and Analysis (Unaudited) - Continued**

**June 30, 2017**

**Economic Factors that will Affect the Future - Continued**

<b>Institution Name</b>	<b>2017-18 In-State Tuition and Fees</b>
College of Staten Island CUNY	\$6,808
Indiana University- South Bend	\$7,206
Buffalo State College	\$7,976
<b>Rhode Island College</b>	<b>\$8,776</b>
University of Southern Maine	\$9,220
Worcester State University	\$9,532
Framingham State University	\$9,920
Fitchburg State University	\$10,155
Central Connecticut State University	\$10,225
Salem State University	\$10,278
Edinboro University of Pennsylvania	\$10,282
Western Connecticut State University	\$10,458
Southern Connecticut State University	\$10,537
Eastern Illinois University	\$11,385
Kean University	\$12,107
William Paterson University of New Jersey	\$12,804

**Request for Information**

This financial report is designed to provide a general overview of the 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, Rhode Island College, 600 Mount Pleasant Avenue, Providence, Rhode Island 02908.

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

**Statement of Net Position**

**June 30, 2017**

**Assets and Deferred Outflows of Resources**

	<b>College</b>	<b>Foundation</b>
<b>Current Assets:</b>		
Cash and equivalents (Note 2)	\$ 31,127,855	\$ 2,106,450
Accounts receivable, net (Note 3)	5,508,811	10,970
Due from primary government	7,778,016	-
Inventories and other current assets	73,497	8,494
Current portion of pledges receivable	-	158,581
<b>Total Current Assets</b>	<b>44,488,179</b>	<b>2,284,495</b>
<b>Noncurrent Assets:</b>		
Restricted cash and equivalents (Note 2)	2,561,691	-
Pledges receivable	-	370,217
Investments (Note 2)	-	29,062,766
Loans receivable, net (Note 4)	2,940,091	-
Restricted assets	-	1,212,253
Capital assets, net of accumulated depreciation (Note 5)	161,439,299	4,214
<b>Total Noncurrent Assets</b>	<b>166,941,081</b>	<b>30,649,450</b>
<b>Total Assets</b>	<b>211,429,260</b>	<b>32,933,945</b>
<b>Deferred Outflows of Resources:</b>		
Contributions made after the measurement date (Note 7)	3,417,207	-
Net difference between projected and actual investment earnings (Note 7)	3,031,842	-
Net changes in proportion and differences between employer contributions and proportionate share of contributions (Note 7)	20,560	-
<b>Total Deferred Outflows of Resources</b>	<b>6,469,609</b>	<b>-</b>

**Liabilities, Deferred Inflows of Resources and Net Position**

	<b>College</b>	<b>Foundation</b>
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 10,208,658	\$ 113,649
Current portion of compensated absences (Note 6)	4,170,097	-
Student deposits and unearned revenues	4,057,790	-
Funds held for others	1,360,519	167,083
Current portion of Alumni Association grant payable	-	150,000
Current portion of note and bonds payable (Note 6)	988,841	3,266
Current portion of due to State of Rhode Island (Note 6)	1,422,982	-
Current portion of annuities payable	-	6,532
	<b>22,208,887</b>	<b>440,530</b>
<b>Total Current Liabilities</b>		
<b>Noncurrent Liabilities:</b>		
Compensated absences (Note 6)	1,026,546	-
Alumni Association grant payable	-	793,233
Note and bonds payable (Note 6)	16,630,549	-
Due to State of Rhode Island (Note 6)	17,718,860	-
Annuities payable	-	34,532
Grant refundable (Note 4)	3,363,575	-
Net pension liability (Note 7)	42,473,879	-
	<b>81,213,409</b>	<b>827,765</b>
<b>Total Noncurrent Liabilities</b>	<b>81,213,409</b>	<b>827,765</b>
<b>Total Liabilities</b>	<b>103,422,296</b>	<b>1,268,295</b>
<b>Deferred Inflows of Resources:</b>		
Differences between expected and actual experience (Note 7)	1,124,770	-
Changes of assumptions (Note 7)	210,887	-
	<b>1,335,657</b>	<b>-</b>
<b>Total Deferred Inflows of Resources</b>	<b>1,335,657</b>	<b>-</b>
<b>Net Position:</b>		
Net investment in capital assets	132,143,067	948
Restricted:		
Expendable (Note 9)	4,042,618	9,176,891
Nonexpendable	-	18,174,792
Unrestricted	(23,044,769)	4,313,019
	<b>\$ 113,140,916</b>	<b>\$ 31,665,650</b>
<b>Total Net Position</b>	<b>\$ 113,140,916</b>	<b>\$ 31,665,650</b>

*See accompanying notes to the financial statements.*

**RHODE ISLAND COLLEGE**  
**(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, 2017**

	College	Foundation
<b>Operating Revenues:</b>		
Tuition and fees	\$ 69,106,631	\$ -
Less: scholarship allowances	<u>(23,813,863)</u>	<u>-</u>
Net Student Fees	45,292,768	-
Auxiliary enterprises	19,908,124	-
Federal, state, local, and private grants and contracts	25,507,984	-
Sales and services of educational departments	<u>3,414,244</u>	<u>-</u>
<b>Total Operating Revenues</b>	<u>94,123,120</u>	<u>-</u>
<b>Operating Expenses (Note 11):</b>		
Instruction	51,111,014	-
Research	10,766,845	-
Academic support	12,152,898	-
Student services	9,799,021	-
Scholarships and fellowships	5,549,508	661,505
Public service	1,423,526	-
Operation and maintenance of plant	18,186,907	-
Institutional support	13,890,295	1,375,547
Depreciation and amortization	8,949,999	2,809
Auxiliary enterprises	<u>15,866,190</u>	<u>-</u>
<b>Total Operating Expenses</b>	<u>147,696,203</u>	<u>2,039,861</u>
<b>Net Operating Loss</b>	<u>(53,573,083)</u>	<u>(2,039,861)</u>
<b>Nonoperating Revenues (Expenses):</b>		
State appropriations (Note 12)	46,996,330	-
Gifts	-	3,313,023
Payments between the College and Foundation	818,092	(818,092)
Net investment income	103,317	3,743,159
Interest expense	(1,539,677)	-
Other	<u>990,059</u>	<u>23,106</u>
<b>Net Nonoperating Revenues</b>	<u>47,368,121</u>	<u>6,261,196</u>
<b>Increase (Decrease) in Net Position Before Capital Contributions</b>	(6,204,962)	4,221,335
<b>Capital Contributions:</b>		
Capital appropriations (Note 12)	25,697,539	-
Capital gifts from Foundation	<u>181,620</u>	<u>(181,620)</u>
<b>Total Capital Contributions</b>	<u>25,879,159</u>	<u>(181,620)</u>
<b>Total Increase in Net Position</b>	<u>19,674,197</u>	<u>4,039,715</u>
Net Position, Beginning of Year	<u>93,466,719</u>	<u>27,625,935</u>
<b>Net Position, End of Year</b>	<u>\$ 113,140,916</u>	<u>\$ 31,665,650</u>

*See accompanying notes to the financial statements.*

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

**Statement of Cash Flows**

**For the Year Ended June 30, 2017**

	<u>College</u>
<b>Cash Flows from Operating Activities:</b>	
Tuition, residence, dining and other student fees	\$ 44,585,542
Grants and contracts	27,454,860
Payments to suppliers	(27,161,546)
Payments to employees	(107,573,684)
Payments for scholarships, fellowships and sponsored programs	(5,550,758)
Loans to students	(260,002)
Collection of loans from students	603,311
Other auxiliary enterprise receipts	25,598,144
Other income receipts	<u>990,059</u>
Net Cash Applied to Operating Activities	<u>(41,314,074)</u>
<b>Cash Flows from Noncapital and Related Financing Activities:</b>	
State appropriations	46,996,330
Funds held for others	108,648
Payments from Foundation	<u>818,092</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>47,923,070</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Capital appropriations	25,697,539
Capital gifts and grants from Foundation	181,620
Purchases of capital assets	(26,116,110)
Proceeds on sale on bonds	2,491,149
Principal paid to State of Rhode Island and on note and bonds payable	(4,317,000)
Interest paid to State of Rhode Island and on note and bonds payable	<u>(1,660,119)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(3,722,921)</u>
<b>Cash Flows from Investing Activity:</b>	
Interest income	<u>103,317</u>
<b>Net Increase in Cash and Equivalents</b>	<u>2,989,392</u>
Cash and Equivalents, Beginning of Year	<u>30,700,154</u>
<b>Cash and Equivalents, End of Year</b>	<u>\$ 33,689,546</u>
<b>Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:</b>	
Net operating loss	\$ (53,573,083)
Adjustments to reconcile net operating loss to net cash applied to operating activities:	
Recovery of bad debts	(701,266)
Depreciation	8,949,999
Other income	990,059
Net pension activity	6,646
Changes in assets and liabilities:	
Accounts receivable	726,536
Due from primary government	2,842,774
Inventories and other current assets	188,433
Loans receivable	343,309
Accounts payable and accrued liabilities	(1,675,386)
Compensated absences	32,502
Student deposits and unearned revenues	647,382
Grant refundable	<u>(91,979)</u>
<b>Net Cash Used by Operating Activities</b>	<u>\$ (41,314,074)</u>

See accompanying notes to the financial statements.

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

**Notes to the Financial Statements**

**June 30, 2017**

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

*Organization*

Rhode Island College (the “College”), founded in 1854, is a comprehensive public institution of higher education in the State of Rhode Island (the “State”) that offers undergraduate and graduate programs in the liberal arts and sciences and in a variety of professional fields. The College is supported by the State of Rhode Island (the “State”) as its only comprehensive college and is part of the State’s system of public higher education. The College, a component unit of the State of Rhode Island and Providence Plantations, is governed by the Rhode Island Board of Education (the “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. The 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 transfers within the system.

The Rhode Island General Assembly established the BOE effective January 1, 2013, to oversee 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: the Council for Elementary and Secondary Education and the Council for Post-Secondary Education (the “Councils”). Each of the two Councils will be responsible for a 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.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

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

*Organization - Continued*

The mission of the BOE is to provide long-range planning, 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 BOE.

*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 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.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

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

*Basis of Presentation - Continued*

The 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 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.

*Rhode Island College Foundation*

Rhode Island College Foundation (the "Foundation") is a legally separate tax-exempt component unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the 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 College by the donors. Because these resources held by the Foundation can only be used by, or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

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

*Rhode Island College Foundation - continued*

During the year ended June 30, 2017, the Foundation distributed approximately \$182,000 to the 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 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 the Controller, Rhode Island College, 600 Mount Pleasant Avenue, Providence, Rhode Island 02908.

*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 the specific actions of the College or by the passage of time.

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

The College has adopted a policy of generally utilizing restricted - expendable funds, when available, prior to unrestricted funds.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

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

*Cash and Equivalents*

The 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 and retail inventory method) or market and consist primarily of dining center and bookstore items. Inventory amounted to approximately \$73,000 at June 30, 2017.

*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 the 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 College has not incurred such interest costs. 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 3 to 30 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.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

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

*Compensated Absences and Salary Reduction Plan*

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

Amounts of vested and accumulated vacation and sick leave are reported as compensation absences. Amounts are determined based upon the compensation rates in effect as of the statement of net position 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 College or to an employee's estate.

*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.

*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 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. As discussed later, GASB 75 replaces GASB 45 and will require a restatement of balances at July 1, 2017.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

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 healthcare costs. Employee contributions range from 10% to 15% of healthcare premiums for non-classified staff, and from 15% to 25% for classified employees. These costs are automatically deducted through the payroll system on a bi-weekly basis. The College pays the balance of the healthcare costs. Expenses incurred by the College to the State for 2017 health premiums were approximately \$11,334,000. Employee contributions for 2017 were approximately \$2,443,000.

*Assessed Fringe Benefit Administrative Fund*

In July 2000, the State established the Assessed Fringe Benefit Administrative Fund. This fund is used to make all payments relating to workers' compensation charges, unemployment compensation payments, and payments to employees for unused vacation and sick leave upon their termination from State service. The State funds this account by assessing a charge based on bi-weekly payrolls of all State agencies. The weighted average fringe benefit assessment rate for 2017 for non-faculty was 4.49% and 3.69% for faculty. The assessed fringe benefit cost for the College for fiscal year 2017 was approximately \$2,316,000.

*Student Deposits and Unearned Revenue*

Student 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, dining, residence, and other 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 College holds funds for students and other organizations affiliated with the College. These funds are pooled with the College's funds and net returns are allocated to the College organizations' asset balances.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

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

*Tax Status*

The 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.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These 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, as well as the reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, and determining the net pension liability.

*Risk Management*

The College is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment, and employee health insurance claims. The College is insured for general liability with limits of \$1 million per occurrence and \$3 million in the aggregate with a \$25,000 deductible as well as \$25 million of umbrella coverage. 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 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.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

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

*Risk Management - Continued*

As an agency of the State of Rhode Island and Providence Plantations, the College participates in a group property program. In fiscal year 2017, buildings and contents were insured against fire, theft, and natural disaster with a limit of \$200 million and a \$100,000 deductible per occurrence. Included in the policy is boiler and machinery coverage with the same policy limit and deductible. 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.

*New Governmental Accounting Pronouncements*

GASB Statement 75 – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* is effective for periods beginning after June 15, 2017. This Statement replaces Statement 45, *Accounting and Financial Reporting by Employers for Post-employment 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 post-employment 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. As discussed in Note 13, management is anticipating a restatement of balances during the upcoming fiscal year to include the effect of this Statement.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

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

*New Governmental Accounting Pronouncements - Continued*

GASB Statement 83 – *Certain Asset Retirement Obligations* (“AROs”) is effective for periods beginning after June 15, 2018. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs and requires that recognition occur when the liability is both incurred and reasonably estimable. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 84 – *Fiduciary Activities* is effective for periods beginning after December 15, 2018. The objective of this Statement is to establish criteria for identifying fiduciary activities. Activities meeting the established criteria would then be presented in the statement of fiduciary net position and a statement of changes in fiduciary net position. Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds and custodial funds would be reported, as applicable, according to this Statement. Information of component units of a primary government would be combined and shown in the aggregate with the fiduciary funds of the primary government. Under this Statement, a liability could be recognized to the beneficiaries in a fiduciary fund if the government has been compelled to disburse fiduciary resources. Management has not yet evaluated the effects of the implementation of this Statement.

GASB Statement 85 – *Omnibus 2017* is effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits). Management has not completed its review of the requirements of this standard and its applicability.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

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

*New Governmental Accounting Pronouncements - Continued*

GASB Statement 86 – *Certain Debt Extinguishment Issues* is effective for reporting periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and disclosures in the financial statements for debt that is defeased in substance. Management has not completed its review of the requirements of this standard.

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2019. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Standard. Management is in the process of evaluating this standard and has not yet determined its impact on the financial statements.

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

*Cash and Equivalents*

The College's policy is in accordance with RIGL Chapter 35-10.1 regarding depository institutions holding deposits of the State, its agencies, or governmental subdivisions of the State, which indicates that the College 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 College does not have a policy for custodial credit risk associated with deposits.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

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

*Cash and Equivalents - 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 the Federal Depository Insurance Corporation ("FDIC") at June 30, 2017 approximated \$7,250,000. In addition, approximately \$26,897,000 was collateralized with securities held by the pledging financial institution in the College's name. These balances reflect FDIC insurance and guarantee programs in effect at their respective periods.

*Restricted Cash and Equivalents*

At June 30, 2017, the College had restricted cash and equivalents of approximately \$2,562,000 that represents amounts required to be set aside in accordance with the terms of certain grants and loans.

*Investments of the Foundation*

The Foundation investments in marketable and debt securities with readily determinable fair values are valued at their fair values in the statement of net position. The Foundation records purchased securities at quoted market value on the date of receipt. Other contributed assets are recorded at appraised value at the time of donation. Unrealized gains and losses are reflected in the statement of revenues and expenses.

The Foundation pools the investments of its various funds. The income from such investments and the realized and unrealized gains and losses on the investments are allocated to the participating funds based on book value of the fund groups.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

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

*Investments of the Foundation - Continued*

Foundation investments presented in the financial statements are summarized as follows at June 30, 2017:

Equities	\$ 22,642,928
Fixed income	<u>6,419,838</u>
	<u>\$ 29,062,766</u>

Note 3 - **Accounts Receivable**

Accounts receivable, which are anticipated to be collected within one year, include the following at June 30, 2017:

Student accounts receivable	\$ 3,437,707
Grant receivable	1,524,495
Other receivables	<u>1,442,737</u>
	6,404,939
Less: allowance for doubtful accounts	<u>(896,128)</u>
	<u>\$ 5,508,811</u>

Note 4 - **Loans Receivable and Grant Refundable**

The College participates in the Federal Perkins Loan program. The program is funded through a combination of federal and institutional resources. The portion of the program that has been funded with federal funds is ultimately refundable back to the U.S. Government upon the termination of the College's participation in the program. The grant refundable is approximately \$3,364,000 at June 30, 2017.

Loans receivable include the following at June 30, 2017:

Perkins loans receivable	\$ 4,310,047
Less: allowance for doubtful accounts	<u>(1,369,956)</u>
	<u>\$ 2,940,091</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

**Note 4 - Loans Receivable and Grant Refundable - Continued**

The Federal Perkins Loan Program Extension Act of 2015 (the “Extension Act”), enacted on December 18, 2015, extended the Perkins Loan Program through September 30, 2017. The Extension Act states that new Perkins Loans cannot be disbursed to students after September 30, 2017. Students that received a fall semester Perkins loan disbursement before October 1, 2017 can receive a spring semester Perkins loan disbursement. The College is currently evaluating alternative methods of financial aid for students affected by the Extension Act for the 2018-19 academic year.

**Note 5 - Capital Assets**

Capital assets consist of the following at June 30, 2017:

	Estimated lives (in years)	Beginning balance	Additions	Retirements	Reclassifications	Ending balance
Capital assets not depreciated:						
Construction in progress	-	\$ 22,371,806	\$ 8,563,466	\$ -	\$ (19,198,941)	\$ 11,736,331
Land	-	<u>2,480,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,480,968</u>
Total not depreciated		<u>24,852,774</u>	<u>8,563,466</u>	<u>-</u>	<u>(19,198,941)</u>	<u>14,217,299</u>
Capital assets depreciated:						
Land improvements	15 – 25	19,107,859	5,587,215	-	-	24,695,074
Buildings, including improvements	10 – 30	202,407,484	11,534,939	-	19,198,941	233,141,364
Furnishings and equipment	5 – 15	<u>28,064,227</u>	<u>430,490</u>	<u>-</u>	<u>-</u>	<u>28,494,717</u>
Total depreciated		<u>249,579,570</u>	<u>17,552,644</u>	<u>-</u>	<u>19,198,941</u>	<u>286,331,155</u>
Total capital assets		<u>274,432,344</u>	<u>26,116,110</u>	<u>-</u>	<u>-</u>	<u>300,548,454</u>
Less: accumulated depreciation:						
Land improvements		8,541,018	1,099,892	-	-	9,640,910
Buildings and improvements		97,332,842	7,173,049	-	-	104,505,891
Furnishings and equipment		<u>24,285,296</u>	<u>677,058</u>	<u>-</u>	<u>-</u>	<u>24,962,354</u>
Total accumulated depreciation		<u>130,159,156</u>	<u>8,949,999</u>	<u>-</u>	<u>-</u>	<u>139,109,155</u>
Capital assets, net		<u>\$ 144,273,188</u>	<u>\$ 17,166,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,439,299</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 6 - **Long-Term Liabilities**

Long-term liabilities consist of the following at June 30, 2017:

	Beginning balance	Additions	Reductions	Ending balance	Current portion
Note and bonds payable:					
Note payable	\$ 1,122,160	\$ -	\$ 115,117	\$ 1,007,043	\$ 121,536
Premium on bonds payable	1,033,951	201,149	120,441	1,114,659	107,034
Revenue bonds payable	<u>16,376,588</u>	<u>2,290,000</u>	<u>3,168,900</u>	<u>15,497,688</u>	<u>760,271</u>
Total note and bonds payable	18,532,699	2,491,149	3,404,458	17,619,390	988,841
Other long-term liabilities:					
Due to State of Rhode Island	20,174,825	-	1,032,983	19,141,842	1,422,982
Compensated absences	5,164,141	32,502		5,196,643	4,170,097
Grant refundable	3,455,554	-	91,979	3,363,575	-
Net pension liability	<u>39,783,475</u>	<u>2,690,404</u>	<u>-</u>	<u>42,473,879</u>	<u>-</u>
Total long-term liabilities	<u>\$ 87,110,694</u>	<u>\$ 5,214,055</u>	<u>\$ 4,529,420</u>	<u>\$ 87,795,329</u>	<u>\$ 6,581,920</u>

**Note and Bonds Payable**

The following is a summary of the College's note and bonds payable at June 30, 2017:

Rhode Island Health and Educational Building

Corporation Higher Education Facility Revenue

Bonds, Series 2010 A. The bonds original amount issued was \$10,280,000, carrying interest rates ranging from 2.0% to 5.0%. The bonds are due in varying annual installments from \$155,000 to \$700,000, plus interest, through September 15, 2040.

**\$ 9,440,000**

Rhode Island Health and Educational Building

Corporation Higher Education Facility Revenue

Bonds, Series 2013 D. The bonds original amount issued was approximately \$4,502,000, carrying interest rates ranging from 2.0% - 5.0%. The bonds are due in varying annual installments from approximately \$381,000 to approximately \$509,000, plus interest, through September 15, 2023.

**3,090,283**

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 6 - **Long-Term Liabilities - Continued**

*Note and Bonds Payable - Continued*

Rhode Island Health and Educational Building  
 Corporation Higher Education Facility Revenue  
 Bonds, Series 2016 C. The bonds original amount  
 issued was \$2,290,000, carrying interest rates  
 ranging from 3.0% to 5.0%. The bonds are due  
 in varying annual installments from \$135,000 to  
 \$205,000, plus interest, through September 15, 2030. **\$ 2,290,000**

Rhode Island Health and Educational Building  
 Corporation Higher Education Facility Revenue  
 Bonds, Series 2013 B. The bonds original amount issued  
 was approximately \$1,015,000, carrying interest rates ranging from  
 2.0% to 3.0%. The bonds are due in varying annual installments  
 ranging from approximately \$89,000 to approximately \$105,000,  
 plus interest, through September 15, 2023. **677,405**

United States Department of Education Note Payable  
 utilized to renovate and restore the Sylvan R. Forman  
 Center. The original amount issued was \$2,561,000,  
 is payable in level semi-annual installments of approximately  
 \$88,000, inclusive of interest at 5.5%, through  
 February 1, 2024. **1,007,043**

**\$ 16,504,731**

The Series 2010 A bonds are collateralized by fees generated by the related facilities. The Series 2013 D and 2016 C bonds are collateralized by the revenues of the auxiliary enterprises operated under the authority of the BOE. The 2013 B bonds are collateralized by all educational and general revenues derived by the College, except auxiliary enterprise revenues. The U.S. Department of Education note payable is collateralized by the building that was renovated by the note proceeds.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 6 - **Long-Term Liabilities - Continued**

*Note and Bonds Payable - Continued*

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

Years ending <u>June 30,:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 881,807	\$ 728,144	\$ 1,609,951
2019	919,956	693,450	1,613,406
2020	949,744	656,784	1,606,528
2021	993,208	615,824	1,609,032
2022	1,039,959	572,720	1,612,679
2023-2027	3,720,057	2,272,598	5,992,655
2028-2032	2,800,000	1,618,650	4,418,650
2033-2037	2,605,000	987,375	3,592,375
2038-2041	<u>2,595,000</u>	<u>267,875</u>	<u>2,862,875</u>
	<u>\$ 16,504,731</u>	<u>\$ 8,413,420</u>	<u>\$ 24,918,151</u>

Amortization of the bond premium is included with interest expense. Interest expense related to note and bonds payable for the year ended June 30, 2017 was approximately \$799,000.

On September 28, 2016, the Rhode Island Health and Educational Building Corporation issued the Council on Postsecondary Education Auxiliary Enterprise Revenue Bonds, Series 2016 C with a par amount of \$2,290,000. The proceeds of the Series 2016 C bonds were used to refund the Board of Governors Higher Education Facility Revenue Bonds, Rhode Island College, Series 2005 E bonds. The College entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense. The refunding decreased the College's total debt service by approximately \$397,000. There was an economic gain (difference between the present value of the old and new debt service payments) of approximately \$340,000. There was no deferred gain or loss related to this transaction.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 6 - **Long-Term Liabilities - Continued**

*Due to State of Rhode Island*

The following is a summary of the College's Due to State of Rhode Island at June 30, 2017:

Certificates of participation ("COPs") Energy Conservation bonds due to the State of Rhode Island. The original amount of debt issued was \$7,465,000, carrying interest rates ranging from 2.0% to 5.0%. The bonds are due in varying annual installments from \$340,000 to \$850,000, plus interest, through June 30, 2030. \$ 7,465,000

General obligation bonds due to the State of Rhode Island. The original amount of debt issued was \$20,000,000, carrying interest rates ranging from 3.0% to 5.0%. The bonds are due in varying annual installments from approximately \$1,083,000 to approximately \$1,500,000, plus interest, through June 30, 2026. 11,676,842  
\$ 19,141,842

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

Years ending <u>June 30,:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,422,982	\$ 810,868	\$ 2,233,850
2019	1,506,316	750,568	2,256,884
2020	1,594,649	682,748	2,277,397
2021	1,686,316	613,561	2,299,877
2022	1,774,649	542,261	2,316,910
2023-2027	8,756,930	1,423,275	10,180,205
2028-2030	<u>2,400,000</u>	<u>117,802</u>	<u>2,517,802</u>
	<u>\$ 19,141,842</u>	<u>\$ 4,941,083</u>	<u>\$ 24,082,925</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 6 - **Long-Term Liabilities - Continued**

*Due to State of Rhode Island - Continued*

Interest expense related to bonds due to State of Rhode Island for the year ended June 30, 2017 was approximately \$737,000.

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

Note 7 - **Pension**

*Plan Description*

Certain employees of the 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.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 7 - **Pension - Continued**

*Benefit Provisions - Continued*

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.

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 four-year intervals.

The ERS also provides nonservice-connected disability benefits after 5 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 2017, College employees, with less than 20 years of service as of July 1, 2015, were required to contribute 3.75% of their annual covered salary. Employees with more than 20 years of service as of July 1, 2015 were required to contribute 11% of their annual covered salary. The College is required to contribute at an actuarially determined rate; the rate was 25.34% of annual covered payroll for the fiscal year ended June 30, 2017. The College contributed \$3,417,207, \$3,184,670 and \$3,122,348 for the fiscal years ended June 30, 2017, 2016, and 2015, 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, 2017, the College reported a liability of \$42,473,879 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, 2016, 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, 2015 rolled forward to June 30, 2016. The College's proportion of the net pension liability was based on its share of contributions to the ERS for fiscal year 2016 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2016, the College proportion was 2.00%.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 7 - **Pension - Continued**

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

For the year ended June 30, 2017 the College recognized pension expense of \$3,423,855.

At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Deferred Outflows of Resources**

Contributions made after the measurement date	\$ 3,417,207
Net difference between projected and actual earnings on pension plan investments	3,031,842
Net changes in proportion and differences between employer contributions and proportionate share of contributions	<u>20,560</u>
<b>Total</b>	<b><u>\$ 6,469,609</u></b>

**Deferred Inflows of Resources**

Difference between expected and actual experience	\$ 1,124,770
Change in pension plan actuarial assumptions	<u>210,887</u>
<b>Total</b>	<b><u>\$ 1,335,657</u></b>

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 7 - **Pension - Continued**

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

Contributions of \$3,417,207 are reported as deferred outflows of resources related to pensions resulting from the College's contributions in fiscal year 2017 subsequent to the measurement date, and will be recognized as a reduction of the net pension liability at the June 30, 2017 measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending <u>June 30,</u>	
2018	\$ 147,029
2019	147,029
2020	884,937
2021	<u>537,750</u>
	<u>\$ 1,716,745</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.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 7 - **Pension - Continued**

*Actuarial Assumptions - Continued*

The actuarial assumptions used in the June 30, 2015 valuation rolled forward to June 30, 2016 and the calculation of the total pension liability at June 30, 2016 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 35 sources. The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity:	38.0%	
U.S Equity		6.98%
International Developed		7.26%
International Emerging Markets		9.57%
Equity Hedge Funds	8.0%	4.10%
Private Equity	7.0%	10.15%
Core Fixed Income	15.0%	2.37%
Absolute Return Hedge Funds	7.0%	4.10%
Infrastructure	3.0%	5.58%
Real Estate	8.0%	5.33%
Other Real Return Assets:	11.0%	
Master Limited Partnerships		4.97%
Credit		4.97%
Inflation Linked Bonds		1.76%
Cash, Overlay and Money Market	<u>3.0%</u>	0.82%
	<u>100.0%</u>	

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 7 - **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.

In May 2017, the Employees' Retirement System of Rhode Island Board voted to lower the investment rate of return assumption from 7.50% to 7.00% which will be reflected in the determination of the net pension liability for the various plans administered by ERS beginning with the June 30, 2017 measurement date valuations.

*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 (7.50%)	1.00% Increase (8.50%)
\$ 52,010,962	\$ 42,473,879	\$ 34,666,271

*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.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 8 - **Other Retirement Plans**

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

Plan Description

Certain employees participating in the defined-benefit plan (those with less than 20 years of service as of July 1, 2015), as described in Note 7, 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 was established under IRS section 401(a) and is administered by TIAA-CREF. The Retirement Board is the plan administrator and plan trustee. The employees may choose among various investment options available to plan participants. The State Investment Commission is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

Contributions

Certain employees (those with less than 20 years of service as of July 1, 2015) contribute 5% of their annual covered salary and employers contribute at the following percentages of annual covered salary for these employees based on their years of service as of July 1, 2015:

<b><u>Years of Service</u></b> <b><u>As of 7/1/2015</u></b>	<b><u>Employer</u></b> <b><u>Contribution Rate</u></b>
15 - 20 Years	1.50%
10 - 15 Years	1.25%
0 - 10 Years	1.00%

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 of the State of Rhode Island, which are subject to amendment by the General Assembly.

The College contributed and recognized as pension expense approximately \$109,000, \$108,000 and \$134,000 for the fiscal years ended June 30, 2017, 2016 and 2015, equal to 100% of the required contributions for these years.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 8 - **Other Retirement Plans - Continued**

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

Plan Vesting and Contribution Forfeiture Provisions

The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is non-forfeitable. The total amount contributed by the employer, including associated investment gains and losses, vests with the member and is non-forfeitable upon completion of three years of contributory service. Non-vested employer contributions are forfeited upon termination of employment. Such forfeitures can be used by employers to offset future remittances to the plan.

Retirement Benefits

Benefits may be paid to a member after severance from employment, death, plan termination, or upon a deemed severance from employment for participants performing qualified military service. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which the member attains age 70½ or terminates employment, if later.

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 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 the Variable Annuity Life Insurance Company retirement plan. The BOE establishes and amends contribution rates. Eligible employees must contribute at least 5% of their gross bi-weekly earnings. These contributions may be made on a pre-tax basis.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 8 - **Other Retirement Plans - Continued**

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

**Funding Policy**

The College contributes 9% of the employee's gross bi-weekly earnings. Total expenditures by the College for such 403(b) annuity contracts amounted to approximately \$3,687,000 during fiscal 2017. The employee contribution amounted to approximately \$2,048,000 during the fiscal year ended June 30, 2017.

Note 9 - **Restricted Net Position**

The 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, 2017, approximately \$4,043,000 was restricted to comply with loan covenants and for grant programs.

Note 10 - **Contingencies**

Various lawsuits are pending or threatened against the 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 College's financial position.

The 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 College. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of the College.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 11 - **Operating Expenses**

The College's operating expenses, on a natural classification basis, are composed of the following for the year ended June 30, 2017:

Compensation and benefits	\$ 106,205,164
Supplies and services	26,991,532
Depreciation and amortization	8,949,999
Scholarships and fellowships	<u>5,549,508</u>
	<u>\$ 147,696,203</u>

Note 12 - **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 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.

*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 2017, 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.

During fiscal year 2017, the College expended approximately \$7,282,000 in State Capital Plan funds.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 12 - **State Appropriations - Continued**

*State Contributed Capital*

In November 2010, Rhode Island voters approved the issuance of \$78 million General Obligation Bonds to fund improvements and the construction of a new chemistry building at the University of Rhode Island, and for \$17 million for the renovation and construction of an addition to the Art Center at Rhode Island College.

In November 2012, Rhode Island voters approved the issuance of \$50 million General Obligation Bonds to fund the renovation of the Clarke Science facility and Gaige Hall, as well as an addition to Fogarty Hall. During fiscal year 2017 the College recorded \$17.7 million for this project.

The College's State appropriations are composed of the following for the year ended June 30, 2017:

Direct appropriations	<b>\$ 46,996,330</b>
State capital plan funds	<b>7,281,817</b>
State contributed capital	<b><u>18,415,722</u></b>
	<b><u>\$ 72,693,869</u></b>

In accordance with each fiscal year's General Assembly Budget Article 1, notwithstanding the provision of Section 35-3-15 of the general laws, all unexpended or unencumbered balances as of year-end are re-appropriated to the next fiscal year.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 13 - **Other Post-Employment Benefits (OPEB)**

*Rhode Island Retiree Health Care Benefit Plan (RIRHCBP)*

Plan Description

The 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 (the "OPEB System"). The State of Rhode Island's OPEB Board (the "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 College.

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 Chapters 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 year 2017, employers were required to contribute 5.97% 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 College fully funded its required contribution to the plan for the years ended June 30, 2017, 2016, and 2015 which were approximately \$808,000, \$804,000 and \$904,000, respectively, which represents 100% of the ARC.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 13 - **Other Post-Employment Benefits (OPEB) - Continued**

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

Plan Description

The College contributes (for certain employees) to the Rhode Island Board of Education (“BOE”) health care insurance retirement program (the “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” (the “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 (the “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 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 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 2017 and 2016 was 3.11% and for 2015 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.

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

**Notes to the Financial Statements - Continued**

**June 30, 2017**

Note 13 - **Other Post-Employment Benefits (OPEB) - Continued**

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

Funding Policy - Continued

For fiscal years 2017, 2016 and 2015, the College's contributions to the plan were approximately \$1,226,000, \$1,175,000 and \$826,000, respectively, and active employees contributed 0.9% of covered payroll or approximately \$350,000, \$329,000 and \$322,000, respectively.

New Accounting Guidance Effective for Fiscal 2018

As discussed in Note 1, GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* is effective for fiscal 2018 and is applicable for employees participating in cost-sharing multiple employer plans such as the Rhode Island Retiree Health Care Benefit Plan and the Rhode Island Board of Education Health Care Insurance Retirement Plan. The College will be required to restate beginning net position as of July 1, 2017 to recognize the employer's proportionate share of the plan's net OPEB obligation. OPEB expense reported in the College's financial statements will reflect the change in the net OPEB liability for the fiscal year.

Note 14 - **Pass-Through Loans**

The College distributed approximately \$37,971,000 during fiscal 2017 for student loans through the U.S. Department of Education federal direct lending program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

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

**Schedule of Proportionate Share of the Net Pension Liability (Unaudited)**

**Employees' Retirement System**

Year ended	June 30, 2017	June 30, 2016	June 30, 2015
Valuation date	June 30, 2015	June 30, 2014	June 30, 2013
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014
College's proportion of the net pension liability	2.00%	2.00%	2.00%
College's proportionate share of the net pension liability	\$ 42,473,879	\$ 39,783,475	\$ 35,620,863
College's covered-employee payroll as of the measurement date	\$ 13,471,369	\$ 13,383,403	\$ 13,067,081
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	315.29%	297.26%	272.60%
Plan fiduciary net position as a percentage of the total pension liability	51.88%	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.*

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

**Schedule of Contributions (Unaudited)**

**For the Years Ended June 30,**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,417,207	\$ 3,184,670	\$ 3,122,348
Contributions in relation to the contractually required contribution	<u>(3,417,207)</u>	<u>(3,184,670)</u>	<u>(3,122,348)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 13,485,426	\$ 13,471,531	\$ 13,383,403
Contribution as a percentage of covered-employee payroll	25.34%	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.*

# RHODE ISLAND COLLEGE

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

## Notes to the Required Supplementary Information (Unaudited)

### Pension Schedules

Note 1 - **Factors Affecting Trends for Amounts Related to the Net Pension Liability**

There were no changes in actuarial methods or assumptions or benefits reflected in the calculation of the net pension liability as of the June 30, 2016 measurement date compared to the June 30, 2015 measurements date. Benefits were also unchanged between these measurement dates.

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability as of the June 30, 2015 measurement date compared to the June 30, 2014 measurement date.

Benefit changes, which results from the settlement of the pension litigation and the subsequent enactment of those settlement provisions by the General Assembly, are reflected in the calculation of the net pension liability at the June 30, 2015 measurement date. Significant benefit changes are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and participate solely in the defined benefit plan effective July 1, 2015 – service credit accruals from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, or 62 with 33 years of service. Members may retire earlier if their RI Retirement Security Act date is earlier or are eligible under a transition rule.
- The COLA formula was adjusted to 50% of the COLA is calculated by taking the previous 5-year average investment return, less the discount rate (5 year return – 7.5%, with a max of 4%) and 50% calculated using the previous year's CPI-U (max of 3%) for a total max COLA of 3.5%. The COLA is calculated on the first \$25,855, effective, 01/01/2016, and indexed as of that date as well.
- Other changes include providing interim cost of living increases at four rather than five year intervals, providing a one-time cost of living adjustment of 2% (applied to first \$25,000), two \$500 stipends, and minor adjustments

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Change in assumptions	\$ 23,762,000	\$ 23,762,000	\$ 23,762,000
Accumulated amortization	<u>(13,225,000)</u>	<u>(8,817,000)</u>	<u>(4,408,000)</u>
Change in assumptions, net	<u>\$ 10,537,000</u>	<u>\$ 14,945,000</u>	<u>\$ 19,354,000</u>

**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 Rhode Island College (the "College"), which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Rhode Island College's basic financial statements and have issued our report thereon dated September 29, 2017. Our report includes a reference to other auditors who audited the financial statements of Rhode Island College Foundation, as described in our report on Rhode Island College'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 Rhode Island College's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 Rhode Island College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

September 29, 2017