

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

FINANCIAL STATEMENTS

JUNE 30, 2018

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

Financial Statements

June 30, 2018

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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, 2018, 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, 2018 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, 2018, 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 2 to the financial statements, GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for fiscal year 2018 and required the College to restate beginning net position at July 1, 2017 to recognize its proportionate share of the net postemployment benefits other than pensions obligation determined for the State Employees' OPEB Cost-Sharing Plan and the Board of Education Cost-Sharing OPEB 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 4-18, the schedule of the College's proportionate share of the net pension liability on page 59, the schedule of the College's pension contributions on page 60, the notes to the pension required supplementary information on pages 61-62, the schedule of the College's proportionate share of the net OPEB liability on page 63, the schedule of the College's OPEB contributions of page 64, and the notes to the OPEB required supplementary information on page 65 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis, and it is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2018, 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 30, 2018

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

Management's Discussion and Analysis (Unaudited)

June 30, 2018

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, 2018 and the results of operations for the year then ended, with selected comparative information for the year ended June 30, 2017. 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 8,200 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, 2018

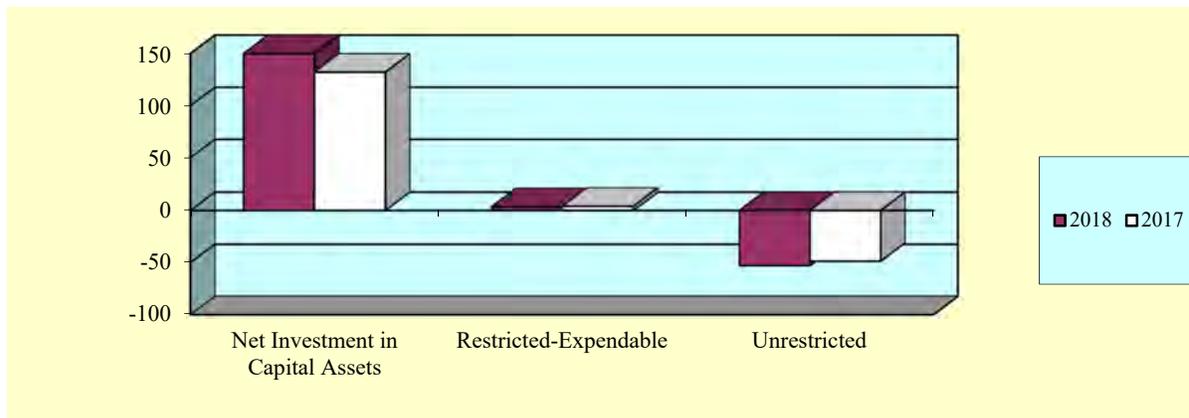
Introduction - Continued

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, 2018. At June 30, 2018, the College’s assets of \$220.0 million exceeded its liabilities of \$127.2 million by \$92.8 million, an increase over the prior year of \$12.4 million.

The resulting net position is summarized into the following categories (in \$ millions) for the fiscal years ended June 30, 2018 and 2017:



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 2018 operating revenues increased by 1%, or \$0.8 million, from \$94.1 million fiscal year 2017 to \$94.9 million in fiscal year 2018. In addition, operating expenses increased by 3.9%, or \$5.8 million from \$147.7 million in fiscal year 2017 to \$153.5 million in fiscal year 2018.

RHODE ISLAND COLLEGE

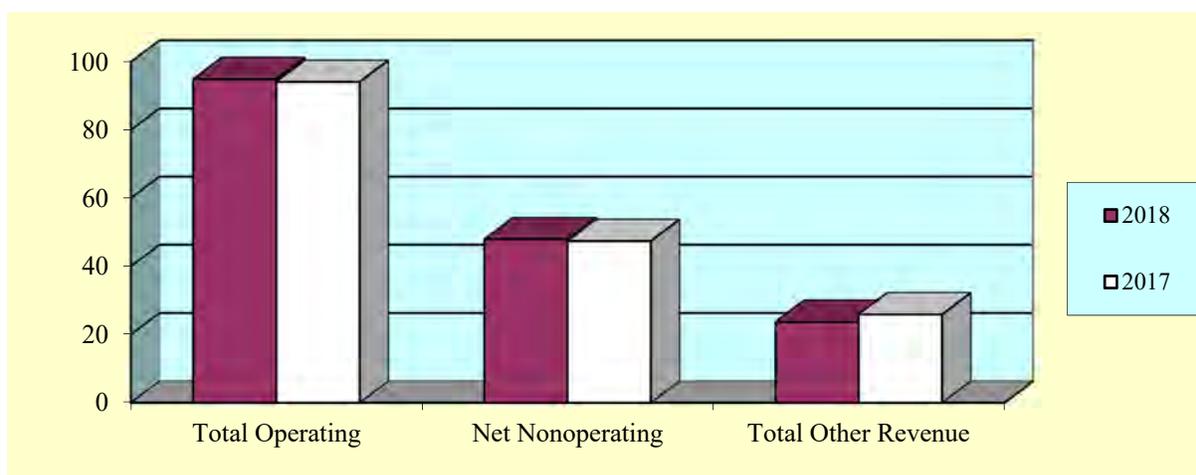
(A Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018

Financial Highlights - Continued

The following chart provides a graphical breakdown of total revenues (in \$ millions) by category for the fiscal years ending June 30, 2018 and 2017:



Cash flow continued to be adequate for operations with a cash balance of \$24.0 million at June 30, 2018.

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, 2018

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 21 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, 2018

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 22 to 64 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 2018, assets exceeded liabilities by \$92.8 million and for fiscal year 2017, assets exceeded liabilities by \$80.4 million, as shown in the chart below (dollars in millions):

Condensed Statement of Net Position

		(Restated)
	2018	2017
Assets:		
Current assets	\$ 32.8	\$ 44.5
Noncurrent assets	187.2	166.9
Total assets	\$ 220.0	\$ 211.4
Deferred outflows of resources	\$ 12.7	\$ 8.5
Liabilities:		
Current liabilities	\$ 21.6	\$ 22.2
Noncurrent liabilities	105.6	108.8
Total liabilities	\$ 127.2	\$ 131.0
Deferred inflows of resources	\$ 4.9	\$ 1.3
Net position:		
Net investment in capital assets	\$ 149.9	\$ 132.1
Restricted:		
Expendable	3.5	4.0
Unrestricted	(52.8)	(48.5)
Total net position	\$ 100.6	\$ 87.6

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

June 30, 2018

Financial Analysis – Continued

The largest portion of the College's net position, \$149.9 million and \$132.1 million in fiscal year 2018 and 2017, 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 58% in fiscal year 2018, down from 62% in fiscal year 2017, primarily driven by an increases in total assets year-over-year of \$8.6 million, or 4.1%. Net pension liability at June 30, 2018 of \$43.9 million and \$42.5 million at June 30, 2017 is the College's largest liability.

During fiscal year 2018, RIC implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which requires the accounting and reporting by state and local governments for postemployment benefits other than pensions (OPEB). The total amount of net other postemployment benefits other than pensions are reflected on the statement of net position in noncurrent liabilities. RIC's restated net position decreased by \$25.5 million for July 1, 2017, from (\$23.0 million) to (\$48.6 million).

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

June 30, 2018

Financial Analysis – Continued

Condensed Statement of Revenues and Expenses

Years Ended June 30, 2018 and 2017

(Dollars in millions)

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Tuition and fees	\$ 72.7	\$ 69.1
Auxiliary enterprises	19.4	19.9
Less: scholarship allowances	(27.2)	(23.8)
Grants, contracts, and other	<u>30.0</u>	<u>28.9</u>
Total operating revenues	<u>94.9</u>	<u>94.1</u>
Operating expenses:		
Salaries and benefits	104.2	106.2
Scholarships, grants, and contracts	4.8	5.6
Other expenses	34.3	27.0
Depreciation and amortization	<u>10.2</u>	<u>8.9</u>
Total operating expenses	<u>153.5</u>	<u>147.7</u>
Net operating loss	<u>(58.6)</u>	<u>(53.6)</u>
Nonoperating revenues (expenses):		
State appropriations	47.9	47.0
Other nonoperating revenues, net	<u>-</u>	<u>0.4</u>
Net nonoperating revenues	<u>47.9</u>	<u>47.4</u>
Increase (decrease) in net position before other revenues, expenses, gains, or losses	<u>(10.7)</u>	<u>(6.2)</u>
Capital appropriations	23.7	25.7
Capital gifts and grants	<u>-</u>	<u>0.2</u>
Total other revenues	<u>23.7</u>	<u>25.9</u>
Increase in net position	<u>\$ 13.0</u>	<u>\$ 19.7</u>

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018

Operating Revenues

Total operating revenues for fiscal year 2018 were \$94.9 million, an increase of \$0.8 million, or 0.9% 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 2018, the College increased tuition by 7% for all tuition rates (in-state, out of state and the metropolitan plan). Offsetting this increase was an increase in scholarship allowances, a 14% increase year-over-year, as well as a decrease in undergraduate enrollments. The net result was a .5% increase in net student fees.
- Auxiliary revenues declined \$.5 million from \$19.9 million in fiscal year 2017 to \$19.4 million in fiscal year 2018. This was primarily driven by the decrease in undergraduate enrollments resulting in less auxiliary fees collected in fiscal year 2018.
- Revenues associated with grants and contracts increased \$1.1 million from \$28.9 million in fiscal year 2017 to \$30.0 million in fiscal year 2018. The increase is attributed to an increase in sponsored award activity as well as an increase in federal student aid.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018

Operating Revenues – Continued

The following summary shows major grant and contract expenses, including indirect cost charges, for the fiscal years ending June 30, 2018, and 2017 (\$ in thousands):

Agency	Grant/Contract/Program	2018	2017
US Department of Education	TRIO Upward Bound	\$ 727	\$ 614
RI Department of Education	Vision Services	652	652
University of Rhode Island	INBRE	624	638
RI Department of Education	Education Advocates (Surrogate Parents)	613	416
US Department of Health and Human Services	University Center on Developmental Disabilities	603	498
RI Behavioral Healthcare, Developmental Disabilities and Hospitals	Sheltered Workshop Conversion Institute	528	331
RI Department of Human Services	Early Intervention	422	559
US Department of Education	Comprehensive Transition to Post-Secondary Education for Students with Intellectual Disability	388	394
RI Department of Education	RI State Personnel Development	270	565
US Department of Health and Human Services	Behavioral Health Workforce Education & Training for Professionals & Paraprofessionals	165	156
Social Security Administration	Rhode Island College's Work Incentives Planning and Assistance Project	149	179
Rhode Island Hospital	Leadership Education in Neurodevelopmental and Related Disorders Training Program	128	126
Rhode Island Office of the Postsecondary Commissioner	Improving Educator Quality: An Elementary Mathematics Partnership	117	0
US Department of Education	TRIO McNair Post-Baccalaureate Achievement	108	0
RI Behavioral Healthcare, Developmental Disabilities and Hospitals	MAT Program Evaluation	100	0
US Department of Education	Dual Sensory Impairment	40	82
University of Rhode Island	EPSCoR	17	33
RI Department of Education	Institute for Early Childhood Development at Rhode Island College	0	361
RI Office of Higher Education	Learning for Life	0	205
RI Office of Higher Education	Depth over Breadth equals Student Success	0	51
US Department of Health and Human Services	R15 - Neonatal Brain Injury: Mediating Factors for Improved Neurobehavioral Outcome	0	10

RHODE ISLAND COLLEGE

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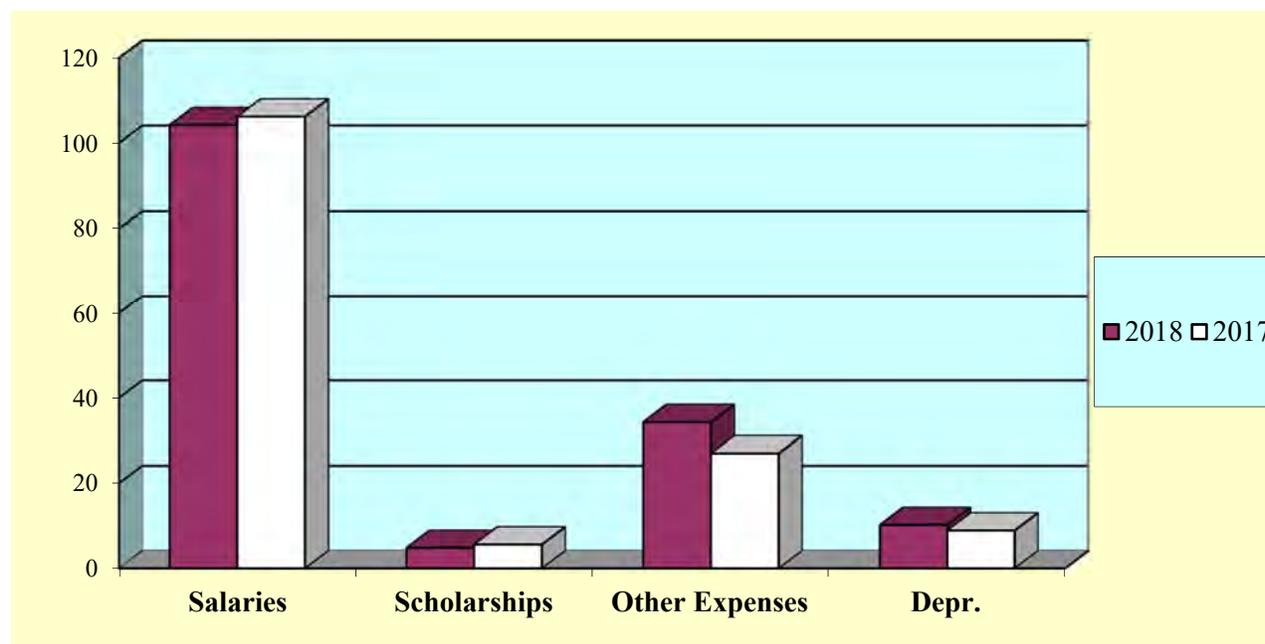
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018

Operating Expenses

Fiscal year 2018 operating expenses totaled \$153.5 million, an increase of \$5.8 million, or 3.9% from \$147.7 million in the prior year. Of this total, \$78.6 million, or 51.2% was used for instruction, academic support, student support and scholarships in fiscal year 2018 compared to \$78.6 million or 53.2% in fiscal year 2017. Depreciation and amortization expense totaled \$10.2 million and \$8.9 million in fiscal years 2018 and 2017, respectively.

The following chart provides a graphical breakdown of significant operating categories of expenses (in \$ millions) for fiscal years ending June 30, 2018 and 2017:



Non-operating Revenues and Expenses

Net non-operating revenues for fiscal years 2018 and 2017 were \$47.9 million and \$47.4 million, respectively, consisting of the state appropriations, gifts, and net investment earnings. These figures represent an increase of \$0.5 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, 2018

Other

Capital appropriations of \$23.7 million and \$25.7 million in fiscal years 2018 and 2017, 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 2018, the College expended \$7.9 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 has continued into fiscal year 2018.

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

June 30, 2018

Capital Asset and Debt Administration – Continued

Capital Assets

At June 30, 2018, the College had \$184.3 million invested in capital assets, net of accumulated depreciation compared to \$161.4 million at June 30, 2017. Included in the College's capital assets is \$27.5 million in construction in progress. Depreciation charges totaled \$10.2 million for the current fiscal year, increasing \$1.4 million from 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):

	2018	2017
Land and improvements	\$ 17.5	\$ 17.5
Construction in progress	27.5	11.7
Buildings and improvements	135.9	128.6
Furniture, fixtures, and equipment	3.4	3.6
Total	\$ 184.3	\$ 161.4

Major capital additions this year included:

Craig Lee	\$20.3 million added to construction in process in fiscal year 2018
Electrical and Energy improvements	\$5.4 million added to construction in process in fiscal year 2018
Adams Library	
Improvements	\$ 3.8 million placed into service in fiscal year 2018.
Welcome Center	\$ 2.8 million placed into service in fiscal year 2018

Debt

At June 30, 2018 and 2017, the College had \$16.6 million and \$17.6 million, respectively, in debt outstanding, a net change of \$1.0 million. The table below summarizes the types of debt instruments as of June 30, 2018 and 2017 (in millions):

	2018	2017
General Obligation (Note Payable)	\$ 0.9	\$ 1.0
Premium on Bond Payable	1.0	1.1
Revenue Bonds	14.7	15.5
Total	\$ 16.6	\$ 17.6

Debt repayments made during the year were \$1.0 million.

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

June 30, 2018

Debt - Continued

As of June 30, 2018, the College has a \$17.7 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 4.3% in June of 2018 and 4.4% in June of 2017, according to the RI Department of Labor and Training. This change compares to 4.0% and 4.3%, 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.

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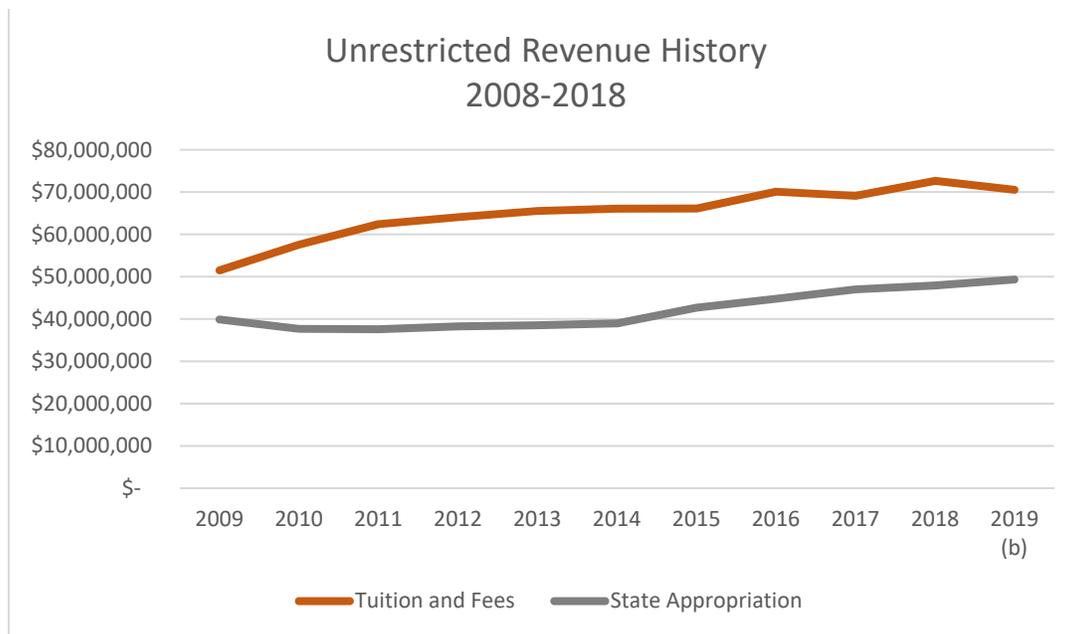
Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2018

Economic Factors that will Affect the Future – Continued

The chart below shows that since fiscal year 2009, the college has relied more on tuition and fees than state support for general education operations.

The College submitted a balanced budget to the Council on Postsecondary Education for fiscal year 2019. The 2019 budget includes State general revenue appropriation of \$49.3 million (excluding the general obligation debt service appropriation of \$4.9 million), which represents an increase of approximately \$1.4 million over fiscal year 2018.



For fiscal year 2018, the College and the Board of Education increased tuition and mandatory fees by 7.8% for in-state students. For 2019, 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 2019 by 2.0% 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 2018-2019 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, 2018

Economic Factors that will Affect the Future – Continued

Institution Name	2018-19 In-State Tuition and Fees
College of Staten Island CUNY	\$7,010
Indiana University- Southeast	\$7,344
Buffalo State College	\$8,210
Rhode Island College	\$8,929
University of Southern Maine	\$9,520
Worcester State University	\$10,161
Framingham State University	\$10,336
Fitchburg State University	\$10,355
Bridgewater State University	\$10,367
Edinboro University of Pennsylvania	\$10,543
Central Connecticut State University	\$10,616
Western Connecticut State University	\$10,859
Salem State University	\$10,884
Southern Connecticut State University	\$10,954
Eastern Illinois University	\$11,511
Kean University	\$12,348
William Paterson University of New Jersey	\$13,060

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, 2018

Assets and Deferred Outflows of Resources

	College	Foundation
Current Assets:		
Cash and equivalents (Note 3)	\$ 23,472,913	\$ 7,136,433
Accounts receivable, net (Note 4)	6,549,639	183,759
Due from primary government	2,713,789	-
Other current assets	84,268	19,681
Current portion of pledges receivable	-	435,534
Total Current Assets	32,820,609	7,775,407
Noncurrent Assets:		
Restricted cash and equivalents (Note 3)	560,814	-
Pledges receivable	-	268,921
Investments (Note 3)	-	27,655,198
Loans receivable, net (Note 5)	2,398,373	-
Restricted assets	-	1,054,671
Capital assets, net of accumulated depreciation (Note 6)	184,276,434	1,405
Total Noncurrent Assets	187,235,621	28,980,195
Total Assets	220,056,230	36,755,602
Deferred Outflows of Resources:		
Deferred outflows related to pension (Note 8)	7,998,550	-
Deferred outflows related to OPEB (Note 9)	4,700,851	-
Total Deferred Outflows of Resources	12,699,401	-

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

Statement of Net Position - Continued

June 30, 2018

Liabilities, Deferred Inflows of Resources and Net Position

	College	Foundation
Current Liabilities:		
Accounts payable and accrued liabilities	9,620,423	1,937
Net funds on deposit with Primary Government	1,113,058	-
Current portion of compensated absences (Note 7)	4,335,754	-
Student deposits and unearned revenues	2,407,617	-
Funds held for others	1,567,647	169,894
Current portion of grant payable	-	160,000
Current portion of note and bonds payable (Note 7)	1,040,400	445
Current portion of due to State of Rhode Island (Note 7)	1,506,316	-
Current portion of annuities payable	-	6,532
	21,591,215	338,808
Noncurrent Liabilities:		
Compensated absences (Note 7)	770,241	-
Grant payable	-	661,025
Note and bonds payable (Note 7)	15,576,736	-
Due to State of Rhode Island (Note 7)	16,212,544	-
Annuities payable	-	34,446
Grant refundable (Note 5)	2,465,021	-
Net pension liability (Note 8)	43,865,941	-
Net OPEB liability (Note 9)	26,762,551	-
	105,653,034	695,471
	127,244,249	1,034,279
Deferred Inflows of Resources:		
Deferred inflows related to pension (Note 8)	1,949,506	-
Deferred inflows related to OPEB (Note 9)	2,913,027	-
	4,862,533	-
Net Position:		
Net investment in capital assets	149,940,438	960
Restricted:		
Expendable (Note 11)	3,490,352	12,037,745
Nonexpendable	-	19,277,607
Unrestricted	(52,781,941)	4,405,011
	\$ 100,648,849	\$ 35,721,323

See accompanying notes to the financial statements.

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

Statement of Revenues and Expenses

For the Year ended June 30, 2018

	College	Foundation
Operating Revenues:		
Tuition and fees	\$ 72,656,239	\$ -
Less: scholarship allowances	<u>(27,151,340)</u>	<u>-</u>
Net Student Fees	45,504,899	-
Auxiliary enterprises	19,373,578	-
Federal, state, local and private grants and contracts	27,173,787	-
Sales and services of educational departments	<u>2,871,128</u>	<u>-</u>
Total Operating Revenues	<u>94,923,392</u>	<u>-</u>
Operating Expenses (Note 13):		
Instruction	51,425,363	-
Research	11,479,975	-
Academic support	12,189,203	-
Student services	10,227,952	-
Scholarships and fellowships	4,780,899	920,603
Public service	985,347	-
Operation and maintenance of plant	18,320,865	-
Institutional support	16,460,100	1,411,374
Depreciation and amortization	10,247,656	2,809
Auxiliary enterprises	<u>17,408,350</u>	<u>-</u>
Total Operating Expenses	<u>153,525,710</u>	<u>2,334,786</u>
Net Operating Loss	<u>(58,602,318)</u>	<u>(2,334,786)</u>
Nonoperating Revenues (Expenses):		
State appropriations (Note 12)	47,903,024	-
Gifts	-	3,784,402
Payments between the College and Foundation	649,207	(649,207)
Net investment income	271,496	3,192,706
Interest expense	(1,401,885)	-
Other	<u>525,868</u>	<u>62,558</u>
Net Nonoperating Revenues	<u>47,947,710</u>	<u>6,390,459</u>
Increase (Decrease) in Net Position Before Capital Contributions	(10,654,608)	4,055,673
Capital Contribution:		
Capital appropriations (Note 12)	<u>23,690,310</u>	<u>-</u>
Total Increase in Net Position	<u>\$ 13,035,702</u>	<u>\$ 4,055,673</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 Changes in Net Position

For the Year ended June 30, 2018

	College			
	<u>Net investment in capital assets</u>	<u>Restricted</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
Balance at June 30, 2017, as previously reported	\$ 132,143,067	\$ 4,042,618	\$ (23,044,769)	\$ 113,140,916
Prior period adjustment - implementation of newly effective accounting standard (Note 2)	-	-	(25,527,769)	(25,527,769)
Balance at June 30, 2017, as restated	132,143,067	4,042,618	(48,572,538)	87,613,147
Changes in net position	<u>17,797,371</u>	<u>(552,266)</u>	<u>(4,209,403)</u>	<u>13,035,702</u>
Balance at June 30, 2018	<u>\$ 149,940,438</u>	<u>\$ 3,490,352</u>	<u>\$ (52,781,941)</u>	<u>\$ 100,648,849</u>

	Foundation				
	<u>Net investment in capital assets</u>	<u>Restricted Expendable</u>	<u>Restricted Nonexpendable</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
Balance at June 30, 2017	\$ 948	\$ 9,176,891	\$ 18,174,792	\$ 4,313,019	\$ 31,665,650
Changes in net position	<u>12</u>	<u>2,860,854</u>	<u>1,102,815</u>	<u>91,992</u>	<u>4,055,673</u>
Balance at June 30, 2018	<u>\$ 960</u>	<u>\$ 12,037,745</u>	<u>\$ 19,277,607</u>	<u>\$ 4,405,011</u>	<u>\$ 35,721,323</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, 2018

	<u>College</u>
Cash Flows from Operating Activities:	
Tuition, residence, dining and other student fees	\$ 46,516,130
Grants and contracts	26,984,115
Payments to suppliers	(34,457,012)
Payments to employees	(103,692,811)
Payments for scholarships, fellowships and sponsored programs	(4,780,899)
Loans to students	(184,356)
Collection of loans from students	726,074
Other auxiliary enterprise receipts	22,897,819
Other income receipts	<u>525,868</u>
Net Cash Applied to Operating Activities	<u>(45,465,072)</u>
Cash Flows from Noncapital and Related Financing Activities:	
State appropriations	47,903,024
Funds held for others	207,128
Payments from Foundation	<u>649,207</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>48,759,359</u>
Cash Flows from Capital and Related Financing Activities:	
Capital appropriations	23,690,310
Purchases of capital assets	(33,084,791)
Principal paid to State of Rhode Island and on note and bonds payable	(2,304,789)
Interest paid to State of Rhode Island and on note and bonds payable	<u>(1,522,332)</u>
Net Cash Applied to Capital and Related Financing Activities	<u>(13,221,602)</u>
Cash Flows from Investing Activities:	
Interest income	<u>271,496</u>
Net Decrease in Cash and Equivalents	<u>(9,655,819)</u>
Cash and Equivalents, Beginning of Year	<u>33,689,546</u>
Cash and Equivalents, End of Year	<u>\$ 24,033,727</u>
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:	
Net operating loss	\$ (58,602,318)
Adjustments to reconcile net operating loss to net cash applied to operating activities:	
Bad debt expense	459,323
Depreciation	10,247,656
Other income	525,868
Net post-employment benefits activity	(553,045)
Net pension activity	476,970
Changes in assets and liabilities:	
Accounts receivable	(1,500,151)
Due from primary government	5,064,227
Other current assets	(10,771)
Loans receivable	541,718
Accounts payable and accrued liabilities	(588,232)
Net funds on deposit with Primary Government	1,113,058
Compensated absences	(90,648)
Student deposits and unearned revenues	(1,650,173)
Grant refundable	<u>(898,554)</u>
Net Cash Applied to Operating Activities	<u>\$ (45,465,072)</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, 2018

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 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 Post-secondary Commissioner, which operates under the direction of the Commissioner of Post-secondary 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 post-secondary 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, 2018

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 Post-secondary 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 United States 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, 2018

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 Rhode Island College Foundation's Board of Directors 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, 2018

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

Rhode Island College Foundation - Continued

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, 2018

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.

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.

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 compensated absences. Amounts are determined based upon the compensation rates in effect as of the statement of net position date.

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

Notes to the Financial Statements - Continued

June 30, 2018

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

Compensated Absences and Salary Reduction Plan - Continued

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Employees' OPEB Cost-Sharing Plan ("SEP") and the Board of Education Cost-Sharing OPEB Plan ("BOEP") (collectively the "Plans"), and the additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 2018 health premiums were approximately \$11,324,000. Employee contributions for 2018 were approximately \$2,508,000.

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

Notes to the Financial Statements - Continued

June 30, 2018

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

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 2018 for non-faculty was 4.20% and 3.48% for faculty. The assessed fringe benefit cost for the College for fiscal year 2018 was approximately \$2,426,000.

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.

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.

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

Notes to the Financial Statements - Continued

June 30, 2018

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

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 and net OPEB 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, 2018

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 2018, 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 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. Activity meeting the established criteria would then be presented in a 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 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, 2018

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

New Governmental Accounting Pronouncements - Continued

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 has not completed its review of the requirements of this standard and its applicability.

GASB Statement 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Placements* is effective for years beginning after June 15, 2018. Implementation of this standard will require additional disclosures in the notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. 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, 2018

Note 2 - **Implementation of Newly Effective Accounting Standard**

As a result of implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the College has restated net position in the statement of net position by \$25,527,769. The prior period restatement of net position reflected the recognition of net other postemployment benefits other than pensions liability as of June 30, 2018, as required by the application of GASB 75.

<u>As of June 30, 2017:</u>	<u>As Originally Reported</u>	<u>As Restated</u>
Statement of Net Position:		
Net OPEB liability	\$ -	\$ (27,601,372)
Deferred outflows related to OPEB	-	2,073,603
Unrestricted net position	(23,044,769)	(48,572,538)

Note 3 - **Cash, Equivalents and Investments**

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.

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.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 3 - **Cash, Equivalents and Investments – Continued**

At June 30, 2018, the carrying amount of the College's cash deposits, net of deposits and disbursements in transit, was approximately \$15,984,000. Bank balances covered by the Federal Depository Insurance Corporation ("FDIC") at June 30, 2018 approximated \$5,309,000. In addition, approximately \$10,675,000 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.

At June 30, 2018, the College had investments (cash equivalents) consisting of approximately \$10,033,000 in the Ocean State Investment Pool Trust ("OSIP"), an investment pool established by the State General Treasurer. The College's investment accounted for 2.3% of the total investment in OSIP at June 30, 2018. Agencies, authorities, commissions, boards, municipalities, political subdivisions and other public units of the State may invest in OSIP. OSIP has met the criteria outlined in GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants* to permit election to report its investments at amortized cost which approximates fair value. The OSIP is not rated and the weighted average maturity of investments held by the pool, by policy, is not to exceed 60 days. OSIP transacts with its participants at a stable net asset value ("NAV") per share. Investments reported at the NAV are not subject to the leveling categorization. There are no participant withdrawal limitations. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue, 2nd Floor, Warwick, RI 02886.

Restricted Cash and Equivalents

At June 30, 2018, the College had restricted cash and equivalents of approximately \$561,000 representing 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.

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Notes to the Financial Statements - Continued

June 30, 2018

Note 3 - **Cash, Equivalents and Investments – Continued**

Investments of the Foundation - Continued

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.

Foundation investments presented in the financial statements are summarized as follows at June 30, 2018:

Equities	\$ 21,493,366
Fixed income	<u>6,161,832</u>
	<u>\$ 27,655,198</u>

Promulgations of the Financial Accounting Standards Board have established a framework for measuring fair value of the investments, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Please refer to the financial statements of the respective component unit for more information.

Note 4 - **Accounts Receivable**

Accounts receivable, which are anticipated to be collected within one year, include the following at June 30, 2018:

Student accounts receivable	\$ 4,280,047
Grants receivable	1,530,732
Other receivables	<u>2,094,311</u>
	7,905,090
Less: allowance for doubtful accounts	<u>(1,355,451)</u>
	<u>\$ 6,549,639</u>

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Notes to the Financial Statements - Continued

June 30, 2018

Note 5 - **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. Department of Education upon the termination of the College's participation in the program. The grant refundable is approximately \$2,465,000 at June 30, 2018.

Loans receivable include the following at June 30, 2018:

Perkins loans receivable	\$ 3,726,136
Less: allowance for doubtful accounts	<u>(1,327,763)</u>
	<u>\$ 2,398,373</u>

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 were eligible to receive a spring semester Perkins loan disbursement. No further extensions were granted for the program as of the date of these financial statements.

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 6 - Capital Assets

Capital assets consist of the following at June 30, 2018:

	Estimated lives (in years)	Beginning balance	Additions	Retirements	Reclassifications	Ending balance
Capital assets not depreciated:						
Construction in progress	-	\$ 11,736,331	\$ 22,943,970	\$ -	\$ (7,142,256)	\$ 27,538,045
Land	-	<u>2,480,968</u>	-	-	-	<u>2,480,968</u>
Total not depreciated		<u>14,217,299</u>	<u>22,943,970</u>	-	<u>(7,142,256)</u>	<u>30,019,013</u>
Capital assets depreciated:						
Land improvements	15 – 25	24,695,074	853,025	-	229,129	25,777,228
Buildings, including improvements	10 – 30	233,141,364	8,533,397	-	6,913,127	248,587,888
Furnishings and equipment	5 – 15	<u>28,494,717</u>	<u>754,399</u>	-	-	<u>29,249,116</u>
Total depreciated		<u>286,331,155</u>	<u>10,140,821</u>	-	<u>7,142,256</u>	<u>303,614,232</u>
Total capital assets		<u>300,548,454</u>	<u>33,084,791</u>	-	-	<u>333,633,245</u>
Less: accumulated depreciation:						
Land improvements		9,640,910	1,218,189	-	-	10,859,099
Buildings and improvements		104,505,891	8,138,229	-	-	112,644,120
Furnishings and equipment		<u>24,962,354</u>	<u>891,238</u>	-	-	<u>25,853,592</u>
Total accumulated depreciation		<u>139,109,155</u>	<u>10,247,656</u>	-	-	<u>149,356,811</u>
Capital assets, net		<u>\$ 161,439,299</u>	<u>\$ 22,837,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,276,434</u>

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 7 - Long-Term Liabilities

Long-term liabilities consist of the following at June 30, 2018:

	(Restated) Beginning balance	Additions	Reductions	Ending balance	Current portion
Note and bonds payable:					
Note payable	\$ 1,007,043	\$ -	\$ 121,537	\$ 885,506	\$ 128,312
Premium on bonds payable	1,114,659	-	120,447	994,212	120,444
Revenue bonds payable	<u>15,497,688</u>	<u>-</u>	<u>760,270</u>	<u>14,737,418</u>	<u>791,644</u>
Total note and bonds payable	17,619,390	-	1,002,254	16,617,136	1,040,400
Other long-term liabilities:					
Due to State of Rhode Island	19,141,842	-	1,422,982	17,718,860	1,506,316
Compensated absences	5,196,643	-	90,648	5,105,995	4,335,754
Grant refundable	3,363,575	-	898,554	2,465,021	-
Net pension liability	42,473,879	1,392,062	-	43,865,941	-
Net OPEB liability	<u>27,601,372</u>	<u>-</u>	<u>838,821</u>	<u>26,762,551</u>	<u>-</u>
Total long-term liabilities	<u>\$ 115,396,701</u>	<u>\$ 1,392,062</u>	<u>\$ 4,253,259</u>	<u>\$ 112,535,504</u>	<u>\$ 6,882,470</u>

Note and Bonds Payable

The following is a summary of the College's note and bonds payable at June 30, 2018:

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 \$160,000 to \$700,000,
 plus interest, through September 15, 2040.

\$ 9,285,000

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 \$400,000 to approximately
 \$509,000, plus interest, through September 15, 2023.

2,708,905

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 7 - **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 \$140,000 to
\$205,000, plus interest, through September 15, 2030. \$ 2,155,000

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 \$94,000 to approximately \$105,000,
plus interest, through September 15, 2023. 588,513

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. 885,506

\$ 15,622,924

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
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Notes to the Financial Statements - Continued

June 30, 2018

Note 7 - **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>
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	1,082,763	526,807	1,609,570
2024-2028	3,187,294	2,124,166	5,311,460
2029-2033	2,720,000	1,488,525	4,208,525
2034-2038	2,735,000	853,875	3,588,875
2039-2041	<u>1,995,000</u>	<u>153,125</u>	<u>2,148,125</u>
	<u>\$ 15,622,924</u>	<u>\$ 7,685,276</u>	<u>\$ 23,308,200</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, 2018 was approximately \$837,000.

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 7 - **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, 2018:

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.	\$ 7,125,000
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.	<u>10,593,860</u>
	<u>\$ 17,718,860</u>

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>
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	1,876,316	464,191	2,340,507
2024-2028	7,630,614	1,022,960	8,653,574
2029-2030	<u>1,650,000</u>	<u>53,926</u>	<u>1,703,926</u>
	<u>\$ 17,718,860</u>	<u>\$ 4,130,215</u>	<u>\$ 21,849,075</u>

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 7 - **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, 2018 was approximately \$801,000.

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 8 - **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
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Notes to the Financial Statements - Continued

June 30, 2018

Note 8 - **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 2018, 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 24.87% of annual covered payroll for the fiscal year ended June 30, 2018. The College contributed \$3,286,460, \$3,417,207 and \$3,184,670 for the fiscal years ended June 30, 2018, 2017 and 2016, 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, 2018, the College reported a liability of \$43,865,941 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, 2017, 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, 2016 rolled forward to June 30, 2017. The College's proportion of the net pension liability was based on its share of contributions to the ERS for fiscal year 2017 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2017, the College proportion was 1.95%.

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 8 - **Pension - Continued**

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

For the year ended June 30, 2018 the College recognized pension expense of \$3,763,430.

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Changes in plan actuarial assumptions	\$ 3,697,462
Contributions made after the measurement date	3,286,460
Net difference between projected and actual earnings on pension plan investments	985,722
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>28,906</u>
Total	<u>\$ 7,998,550</u>

Deferred Inflows of Resources

Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 935,444
Net difference between expected and actual experience	894,821
Changes in plan actuarial assumptions	<u>119,241</u>
Total	<u>\$ 1,949,506</u>

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 8 - **Pension - Continued**

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

Contributions of \$3,286,460 are reported as deferred outflows of resources related to pensions resulting from the College's contributions in fiscal year 2018 subsequent to the measurement date, and will be recognized as a reduction of the net pension liability at the June 30, 2018 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>	
2019	\$ 423,455
2020	1,140,761
2021	802,885
2022	280,289
2023	<u>115,194</u>
	<u>\$ 2,762,584</u>

Actuarial Assumptions

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

Inflation	2.50%
Salary increases	3.25% to 6.25%
Investment rate of return	7.00%

Mortality rates were based on the RP-2014 combined healthy for males with blue collar adjustments, projected with scale Ultimate MP16 mortality tables and RP-2014 combined healthy for females, projected with scale Ultimate MP16 mortality tables.

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 8 - **Pension - Continued**

Actuarial Assumptions - Continued

The actuarial assumptions used in the June 30, 2016 valuation rolled forward to June 30, 2017 and the calculation of the total pension liability at June 30, 2017 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

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, 2017 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity		
U.S. Equity	20.60%	6.85%
International Developed Equity	15.90%	6.71%
International Emerging Markets	3.50%	8.91%
Private Growth		
Private Equity	11.30%	9.62%
Non-Core RE	2.20%	5.17%
OPP Private Credit	1.50%	9.62%
Income		
High Yield Infrastructure	1.00%	4.26%
REITS	1.00%	5.17%
Liquid Credit	2.80%	4.26%
Private Credit	3.20%	4.26%
Crisis Protection Class		
Treasury Duration	4.00%	0.83%
Systematic Trend	4.00%	3.81%
Inflation Protection		
Core Real Estate	3.60%	5.17%
Private Infrastructure	2.40%	5.57%
TIPs	1.00%	1.72%
Natural Resources	1.00%	3.98%
Volatility Protection		
IG Fixed Income	11.50%	2.12%
Absolute Return	6.50%	3.81%
Cash	3.00%	0.83%

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Notes to the Financial Statements - Continued

June 30, 2018

Note 8 - **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 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability (asset) calculated using the discount rate of 7.0 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 (6.0%)	Current Discount Rate (7.0%)	1.00% Increase (8.0%)
\$ 54,624,183	\$ 43,865,941	\$ 35,852,678

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
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Notes to the Financial Statements - Continued

June 30, 2018

Note 9 - **Other Post-Employment Benefits (OPEB)**

Plan Description

Certain employees of the College participate in one of two OPEB plans: the State Employees' OPEB Cost-Sharing Plan ("SEP") and the Board of Education Cost-Sharing OPEB Plan ("BOEP") (collectively the "Plans"). The Plans are cost-sharing multiple-employer defined benefit OPEB plans included within the Rhode Island State Employees' and Electing Teachers OPEB System (the "OPEB System").

Under a cost sharing plan, OPEB 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 OPEB benefits through the plan, regardless of the status of the employers' payment of its OPEB obligation to the plan. The Plans provide health care benefits to plan members.

The OPEB System is administered by the OPEB Board and was authorized, created, and established under Chapter 36-12.1 of the RI General Laws. The OPEB Board was established under Chapter 36-12.1 as an independent board to hold and administer, in trust, the funds of the OPEB System. The four members of the OPEB Board are: the State Controller, the State Budget Officer, the State Personnel Administrator and the General Treasurer, or their designees.

The OPEB System issues a separate publicly available financial report that includes financial statements and required supplementary information for each plan. The reports may be obtained at <http://www.oag.ri.gov/reports.html>.

Membership and Benefit Provisions

The Plans within the OPEB System generally provide healthcare coverage to pre-Medicare eligible retirees and health reimbursement account contributions or Medicare supplement coverage for members who are Medicare eligible. Members may purchase coverage for spouses and dependents. Dental and vision coverage may be purchased by these groups with no state subsidy.

Members of the OPEB System must meet the eligibility and services requirements set forth in the RI General Laws or other governing documents. RIGL Sections 16-17.1-1 and 2, 36-10-2, 36-12.1, 36-12-2.2 and 36-12-4 govern the provisions of the OPEB System, and they may be amended in the future by action of the General Assembly.

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 9 - **Other Post-Employment Benefits (OPEB) - Continued**

Contributions

State Employees' OPEB Cost-Sharing Plan

The funding policy, as set forth in the General Laws and which may be amended at any time, provides for actuarially determined periodic contributions to the plans. The College is required to contribute at an actuarially determined rate; the rate was 5.98% of annual covered payroll for the fiscal year ended June 30, 2018. The College contributed \$800,336, \$833,781 and \$804,173 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year.

Active employees do not make contributions to the plan. Retired member contributions consist of the required retiree share of coverage based on the time of retirement and years of service.

Board of Education OPEB Cost-Sharing Plan

The funding policy, as set forth in the General Laws and which may be amended at any time, provides for actuarially determined periodic contributions to the plans. The College is required to contribute at an actuarially determined rate; the rate was 4.36% of annual covered payroll for the fiscal year ended June 30, 2018. The College contributed \$1,723,124, \$1,239,822 and \$1,174,994 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year.

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.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 9 - **Other Post-Employment Benefits (OPEB) - Continued**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the College reported a liability of \$10,135,363 and \$16,627,188 for its proportionate share of the net OPEB liability related to its participation in the SEP and BOEP, respectively. The net OPEB liability was measured as of June 30, 2017, the measurement date, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 for the Plans. The College's proportion of the net OPEB liability was based on its share of contributions to the Plans for fiscal year 2017 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2017, the College's proportion was 1.95% and 31.70% for SEP and BOEP, respectively.

For the year ended June 30, 2018, the College recognized OPEB expense of \$755,335 and \$1,215,083 related to its participation in SEP and BOEP, respectively. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SEP</u>	<u>BOEP</u>	<u>Total</u>
<u>Deferred Outflows of Resources Related to OPEB</u>			
Changes in assumptions	\$ 608,109	\$ 1,569,282	\$ 2,177,391
Contributions made subsequent to measurement date	<u>800,336</u>	<u>1,723,124</u>	<u>2,523,460</u>
Total	<u>\$ 1,408,445</u>	<u>\$ 3,292,406</u>	<u>\$ 4,700,851</u>
<u>Deferred Inflows of Resources Related to OPEB</u>			
Difference between expected and actual experience	\$ 528,435	\$ 1,942,919	\$ 2,471,354
Net difference between projected and actual earnings on OPEB plan investments	<u>124,217</u>	<u>317,456</u>	<u>441,673</u>
Total	<u>\$ 652,652</u>	<u>\$ 2,260,375</u>	<u>\$ 2,913,027</u>

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 9 - **Other Post-Employment Benefits (OPEB) - Continued**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

Contributions of \$2,523,460 are reported as deferred outflows of resources related to OPEB resulting from the College's contributions in fiscal year 2018 subsequent to the measurement date, and will be recognized as a reduction of the net OPEB liability determined at the June 30, 2018 measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as an increase (decrease) in OPEB expense as follows:

Years ending <u>June 30,</u>	<u>SEP</u>	<u>BOEP</u>	<u>Total</u>
2019	\$ (18,540)	\$ (140,951)	\$ (159,491)
2020	(18,540)	(140,951)	(159,491)
2021	(18,540)	(140,951)	(159,491)
2022	(18,540)	(140,952)	(159,492)
2023	12,514	(61,587)	(49,073)
Thereafter	<u>17,103</u>	<u>(65,701)</u>	<u>(48,598)</u>
	<u>\$ (44,543)</u>	<u>\$ (691,093)</u>	<u>\$ (735,636)</u>

Actuarial Assumptions

The total OPEB liability was determined using the following significant actuarial assumptions for the Plans:

Inflation	2.75%
Salary increases	3.00% to 6.00%
Investment rate of return	5.00%
Health care cost trend rate	9.00% in fiscal year 2018 decreasing annually to 3.5% in fiscal year 2031 and later

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 9 - **Other Post-Employment Benefits (OPEB) - Continued**

Actuarial Assumptions – Continued

The long-term expected rate of return best-estimate on the Plans' 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 OPEB plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 8 nationally recognized investment consulting firms. The June 30, 2017 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following tables for the Plans:

Asset Class	Long-term target asset allocation	Long-term expected real rate of return
Domestic Equity	65.0%	5.58%
Fixed Income	<u>35.0%</u>	0.52%
	100.0%	

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 OPEB liability was 5% for the Plans. The projection of cash flows used to determine the discount rate assumed that contributions from plan members, if any, 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 Plans' 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 the Plans' investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 9 - **Other Post-Employment Benefits (OPEB) - Continued**

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability calculated using the discount rate of 5 percent as well as what the net OPEB liability 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 (4.0% Discount Rate)		Current Discount Rate (5.0% Discount Rate)		1.00% Increase (6.0% Discount Rate)
SEP	\$	11,826,625	\$	10,135,363	\$	8,727,142
BOEP	\$	20,380,853	\$	16,627,188	\$	13,545,524

Sensitivity of the net OPEB liability to changes in the health care cost trend rate

The following table presents the net OPEB liability calculated using the healthcare cost trend rate of 9.0 percent and gradually decreasing to an ultimate rate of 3.5%, as well as what the College's net OPEB liability would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

		1.00% Lower		Baseline		1.00% Higher
SEP	\$	8,529,617	\$	10,135,363	\$	12,130,910
BOEP	\$	13,139,127	\$	16,627,188	\$	21,037,495

OPEB Plan Fiduciary Net Position

The OPEB System issues a separate publicly available financial report that includes financial statements and required supplementary information for each plan. The reports may be obtained at <http://www.oag.ri.gov/reports.html>. The reports contain detailed information about the Plans' fiduciary net position.

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 10 - **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 9, 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:

<u>Years of Service</u> <u>As of 7/1/2015</u>	<u>Employer</u> <u>Contribution Rate</u>
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 \$111,000 and \$109,000 for the fiscal years ended June 30, 2018 and 2017, respectively, 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, 2018

Note 10 - **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 at <https://www.ersri.gov>.

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, 2018

Note 10 - **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 \$3,824,000 during fiscal 2018. The employee contribution amounted to approximately \$2,124,000 during the fiscal year ended June 30, 2018.

Note 11 - **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, 2018, approximately \$3,490,000 was restricted to comply with loan covenants and for grant programs.

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 2018, 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 2018, the College expended approximately \$7,879,000 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, 2018

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 Craig Lee Hall and Gaige Hall, as well as an addition to Fogarty Hall. During fiscal year 2018 the College recorded \$15.1 million for this project.

The College's State appropriations are composed of the following for the year ended June 30, 2018:

Direct appropriations	\$ 47,903,024
State capital plan funds	7,878,748
State contributed capital	<u>15,811,562</u>
	<u>\$ 71,593,334</u>

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.

Note 13 - **Operating Expenses**

The College's operating expenses, on a natural classification basis, are composed of the following for the year ended June 30, 2018:

Compensation and benefits	\$ 104,180,722
Supplies and services	34,316,433
Depreciation and amortization	10,247,656
Scholarships and fellowships	<u>4,780,899</u>
	<u>\$ 153,525,710</u>

RHODE ISLAND COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 14 - **Pass-Through Loans**

The College distributed approximately \$37,746,000 during fiscal 2018 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.

Note 15 - **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.

Note 16 - **Related Parties**

Rhode Island College Student Community Government, Inc. (SCG) is a legally separate tax-exempt entity associated with the College. SCG was established in 1972 and contains the Student Parliament, which acts as a central forum for students to bring forth and address issues and concerns affecting students at the College. The College transferred approximately \$769,000 to SCG during fiscal year 2018, representing student activity fees collected. At June 30, 2018, approximately \$41,000 was due to SCG and no amounts were due from SCG. Revenues of SCG for fiscal 2018 were approximately \$816,000 and expenses were approximately \$797,000. The net position of SCG at June 30, 2018 totaled approximately \$614,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

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

Employees' Retirement System

Year ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
College's proportion of the net pension liability	1.95%	2.00%	2.00%	2.00%
College's proportionate share of the net pension liability	\$ 43,865,941	\$ 42,473,879	\$ 39,783,475	\$ 35,620,863
College's covered-employee payroll	\$ 13,485,426	\$ 13,471,531	\$ 13,383,403	\$ 13,067,081
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	325.28%	315.29%	297.26%	272.60%
Plan fiduciary net position as a percentage of the total pension liability	51.83%	51.88%	55.03%	58.58%

Notes:

The amounts presented for each fiscal year were determined as of June 30 measurement date prior to the fiscal year-end.

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 supplemental information.

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

Schedule of the College's Pension Contributions (Unaudited)

Employees' Retirement System

Year ended	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Statutorily required contribution	\$ 3,286,460	\$ 3,417,207	\$ 3,184,670	\$ 3,122,348
Contributions in relation to the statutorily required contribution	<u>(3,286,460)</u>	<u>(3,417,207)</u>	<u>(3,184,670)</u>	<u>(3,122,348)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 13,214,556	\$ 13,485,426	\$ 13,471,531	\$ 13,383,403
Contribution as a percentage of covered-employee payroll	24.87%	25.34%	23.64%	23.33%

Notes:

Employers participating in the State's Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actually 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 supplemental information.

RHODE ISLAND COLLEGE

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

Notes to the Pension Required Supplementary Information (Unaudited)

Pension Schedules

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

Measurement Date - June 30, 2017

There were no changes in benefits reflected in the calculation of the net pension liability as of the June 30, 2017 measurement date compared to the June 30, 2016 measurement date. The following is a listing of actuarial methods or assumptions for the following measurement dates:

<u>Measurement Date</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Investment rate of return	7.00%	7.50%
Projected salary increases	3.25% - 6.25%	3.50% - 6.50%
Inflation rate	2.50%	2.75%

	Male employees - RP-2014 Combined Healthy for Males with Blue Collar adjustments, projected with Scale Ultimate MP16	Male employees - 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000
Mortality rates - males		

	Male employees - RP-2014 Combined Healthy for Females, projected with Scale Ultimate MP16	Female employees - 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000
Mortality rates - females		

RHODE ISLAND COLLEGE
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**Notes to the Pension Required Supplementary Information (Unaudited) -
Continued**

Pension Schedules

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

Measurement Date - June 30, 2016

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 measurement date. Benefits were also unchanged between these measurement dates.

Measurement Date - June 30, 2015

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 resulted 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 will increase 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, 63 with 32 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 included 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.

RHODE ISLAND COLLEGE
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Schedule of the College's Proportionate Share of the Net OPEB Liability (Unaudited)

State Employees' OPEB Cost-Sharing Plan

Year ended		June 30, 2018
Measurement date		June 30, 2017
Valuation date		June 30, 2017
College's proportion of the net OPEB liability		1.95%
College's proportionate share of the net OPEB liability	\$	10,135,363
College's covered-employee payroll	\$	13,966,181
College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		72.57%
Plan fiduciary net position as a percentage of the total OPEB liability		22.38%

Board of Education OPEB Cost-Sharing Plan

Year ended		June 30, 2018
Measurement date		June 30, 2017
Valuation date		June 30, 2017
College's proportion of the net OPEB liability		31.70%
College's proportionate share of the net OPEB liability	\$	16,627,188
College's covered-employee payroll	\$	39,865,659
College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		41.71%
Plan fiduciary net position as a percentage of the total OPEB liability		32.05%

Notes:

The amounts presented for each fiscal year were determined as of June 30 measurement date prior to the fiscal year-end.

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

RHODE ISLAND COLLEGE
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Schedule of the College's OPEB Contributions (Unaudited)

For the Years Ended June 30,

State Employees' OPEB Cost-Sharing Plan

	2018
Statutorily determined contribution	\$ 800,336
Contributions in relation to the statutorily determined contribution	(800,336)
Contribution deficiency (excess)	\$ -
College's covered-employee payroll	\$ 13,383,545
Contributions as a percentage of covered-employee payroll	5.98%

Board of Education OPEB Cost-Sharing Plan

	2018
Statutorily determined contribution	\$ 1,723,124
Contributions in relation to the statutorily determined contribution	(1,723,124)
Contribution deficiency (excess)	\$ -
College's covered-employee payroll	\$ 39,521,193
Contributions as a percentage of covered-employee payroll	4.36%

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 year beginning after June 15, 2017 and is intended to provide data for the most recent ten years

See accompanying notes to the required supplementary information.

RHODE ISLAND COLLEGE
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Notes to the OPEB Required Supplemental Information (Unaudited)

OPEB Schedules

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

The actuarial methods and assumptions used to calculate the net OPEB liability of the participating employers are described in Note 9 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

Measurement Date - June 30, 2017

Certain actuarial assumptions for the State Employees' OPEB Cost-Sharing Plan ("SEP") and the Board of Education Cost-Sharing OPEB Plan ("BOEP") (collectively referred to as the "Plans") were updated to match the assumptions used for State Employees in the pension valuation for the Employees' Retirement System of Rhode Island ("ERSRI") and the results of an actuarial experience investigation performed for ERSRI at June 30, 2016. Changes were made to the following assumptions:

- Merit and longevity portion of the salary increase assumption
- Rates of separation from active membership
- Rates of retirement
- Rates of disability
- The rate of wage inflation
- The mortality assumption
- The trend assumption
- Aging factors and health and inflation trends

The excise tax load on pre-65 liabilities was changed from 13.8% to 11.0%. The Patient Protection and Affordable Care Act includes an excise tax on high cost health plans beginning in 2022. The excise tax is 40% of costs above a threshold. The actual actuarial assumptions used in the most recent valuations assume that the Plans will be subject to the excise tax in 2022.

Note 2 - **Actuarially Determined Contributions**

The annual required contributions for fiscal year 2017 were determined based on the June 30, 2013 valuation of the Plans.

SUPPLEMENTARY INFORMATION

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

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	\$ 401,103	\$ -
Federal Work-Study Program	84.033	N/A	N/A	771,599	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	4,396,281	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	184,356	-
Federal Pell Grant Program	84.063	N/A	N/A	14,559,939	-
Federal Direct Student Loans	84.268	N/A	N/A	<u>32,375,963</u>	<u>-</u>
Total Student Financial Assistance Cluster				<u>52,689,241</u>	<u>-</u>
RESEARCH AND DEVELOPMENT CLUSTER					
National Science Foundation:					
Pass-through Awards:					
Office of International Science and Engineering	47.079	Brown University	N/A	5,829	-
Office of Integrative Activities	47.083	University of Rhode Island	N/A	<u>16,890</u>	<u>-</u>
Total Research and Development Cluster				<u>22,719</u>	<u>-</u>
TRIO CLUSTER					
U.S. Department of Education:					
Direct Awards:					
TRIO - Upward Bound	84.047	N/A	N/A	726,904	-
TRIO - McNair Post-Baccalaureate Achievement	84.217	N/A	N/A	<u>107,736</u>	<u>-</u>
Total TRIO Cluster				<u>834,640</u>	<u>-</u>
NON-CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	N/A	N/A	40,174	-
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407	N/A	N/A	<u>388,203</u>	<u>-</u>
Subtotal - Direct Awards				<u>428,377</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2018

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
NON-CLUSTER - CONTINUED					
U.S. Department of Education - Continued:					
Pass-through Awards:					
Research in Special Education	84.324	University of Kansas Center for Research	N/A	22,234	-
Special Education - Personnel Development to Improve Services and Improve Services and Results for Children with Disabilities	84.326	University of Connecticut Health Center	N/A	48,949	-
Teacher Quality Partnership Grants	84.336	North Providence School Department	N/A	831	-
Supporting Effective Instruction State Grant	84.367	Rhode Island Office of Higher Education	N/A	117,004	-
College Access Challenge Grant Program	84.378	Rhode Island Office of Higher Education	N/A	23,077	-
Subtotal - Pass-through Awards				<u>212,095</u>	<u>-</u>
U.S. Department of Health and Human Services:					
Direct Awards:					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	N/A	N/A	164,792	-
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632	N/A	N/A	603,297	-
Child Health and Human Development Extramural Research	93.865	N/A	N/A	20,254	-
Subtotal - Direct Awards				<u>788,343</u>	<u>-</u>
Pass-through Awards:					
Lifespan Respite Care Program	93.072	Rhode Island Department of Human Services	N/A	25,587	-
Maternal and Child Health Federal Consolidated Programs	93.110	Rhode Island Hospital	N/A	127,555	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	Brown University	N/A	33,918	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	Rhode Island Department of Behavioral Healthcare, Developmental Disabilities and Hospitals	N/A	100,158	-
Refugee and Entrant Assistance - State Administered Programs	93.566	Rhode Island Department of Human Services	N/A	4,420	-
Biomedical Research and Research Training	93.859	University of Rhode Island	N/A	624,371	-
HIV Care Formula Grants	93.917	Rhode Island Executive Office of Health and Human Services	N/A	26,237	-
PPHF Geriatric Education Centers	93.969	University of Rhode Island	N/A	27,804	-
Subtotal - Pass-through Awards				<u>970,050</u>	<u>-</u>
Social Security Administration:					
Direct Awards:					
Social Security - Work Incentives Planning and Assistance Program	96.008	N/A	N/A	149,224	-
Total Non-Cluster				<u>2,548,089</u>	<u>-</u>
Total Federal Funds				<u>\$ 56,094,689</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

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

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Rhode Island College (the "College") under programs of the Federal Government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

Note 2 - **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

Note 3 - **Determination of Major Programs**

The determination of major Federal financial assistance programs was based on the overall level of expenditures for all Federal programs for the State of Rhode Island, of which Rhode Island College is a component unit. As such, the determination of major programs is made at the State level, where it was determined that none of Rhode Island College's federal programs were major programs during the State fiscal year ended June 30, 2018.

Note 4 - **Indirect Cost Rate**

The College has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

Notes to the Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2018

Note 5 - **Federal Student Loan Programs**

Perkins Loan Program

The Federal Perkins Loan Program (“Perkins”) is administered by the College and balances and transactions relating to this program are included in the College’s basic financial statements. During the year ended June 30, 2018, \$184,356 of loans were advanced under the Perkins program and no administrative costs were incurred. As of June 30, 2018, loan balances receivable under Perkins was \$3,726,136.

There was no federal capital contribution or match by the College during the current year.

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 could 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.

Federal Direct Student Loans

The College disbursed \$32,375,963 of loans under the Federal Direct Student Loans program, which include Stafford Subsidized and Unsubsidized Loans and Parent Plus Loans. The College is only responsible for the performance of certain administrative duties and, accordingly, there are no significant continuing compliance requirements and these loans are not included in the College’s financial statements.

**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, 2018, 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 30, 2018. 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 30, 2018