

**COMMUNITY COLLEGE OF
RHODE ISLAND**
(a Component Unit of the State of Rhode Island)

FINANCIAL STATEMENTS

JUNE 30, 2021

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

Financial Statements

June 30, 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented major component unit of Community College of Rhode Island (a component unit of the State of Rhode Island) (the "Community College"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Community College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Community College of Rhode Island Foundation, Inc. (the "Foundation") as of June 30, 2021 as discussed in Note 1 to the financial statements. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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.

Opinions

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 respective financial position of the business-type activities and the aggregate discretely presented major component unit of the Community College of Rhode Island as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-17, the schedule of proportionate share of the net pension liability on page 54, the schedule of pension contributions on page 55, the notes to the pension required supplementary information on pages 56-57, the schedule of proportionate share of the net OPEB liability on page 58, the schedule of OPEB contributions on page 59, and the notes to the OPEB required supplementary information on page 60-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021, on our consideration of the Community 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 the Community College's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

September 30, 2021

COMMUNITY COLLEGE OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited)

June 30, 2021

Introduction

The following management discussion and analysis (“MD&A”) provides management’s view of the financial position of the Community College of Rhode Island (the “Community College”) as of June 30, 2021 and the results of operations for the year then ended, with selected comparative information for the year ended June 30, 2020. The purpose of the MD&A is to assist readers in understanding the accompanying financial statements by providing an objective and understandable analysis of the Community College’s financial activities based on currently known facts, decisions, and conditions. This analysis has been prepared by management, which is responsible for the completeness and fairness of the information contained therein. The MD&A consists of highly summarized information, and should be read in conjunction with the Community College’s financial statements and notes thereto, which follow this section.

The Community College is New England’s largest public, two-year college with an average enrollment of 12,568 full and part-time for-credit students in the 20-21 academic year. The mission of the Community College is to provide all Rhode Island residents with open access to postsecondary education. It is also open to out-of-state students.

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

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

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

COMMUNITY COLLEGE OF RHODE ISLAND

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

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

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

The legislation enlarged the BOE to seventeen (17) members in order for the Board to populate two Councils: Council on Elementary and Secondary Education and the Council on Postsecondary Education (the "Councils"). Each of the two Councils is responsible for the significant portion of the governance and regulation per R.I.G.L. § 16-60-1 and § 16-60-4 for Elementary/Secondary and per R.I.G.L. § 16-59-1 and § 16-59-4 for Postsecondary.

Effective February 1, 2020, the University of Rhode Island is no longer governed by the Rhode Island Council on Postsecondary Education and is instead governed by a Board of Trustees consisting of 17 members appointed by the Governor with the advice and consent of the Senate. The board is dedicated solely to the University and shall exercise similar powers and authority as was exercised by the Council on Postsecondary Education including oversight of employment, and the University's property, purchases and procurement. The University President shall report to the Board of Trustees.

The Rhode Island Council on Postsecondary Education is continuing to oversee Rhode Island College and the Community College of Rhode Island.

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

- To develop and adopt educational, financial and operational goals for the education systems of the state that represent achievable benchmarks for a 10-year and 20-year time to be implemented by the two Councils and the commissioners.
- To ensure that the education systems of the state are aligned with the projected opportunities in workforce development and economic development and that the education systems are preparing students to participate in the future workforce of Rhode Island.

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

June 30, 2021

- To coordinate programs and courses of study and promote collaboration between and among pre-kindergarten through higher education institutions and agencies.
- To present strategic budget and finance recommendations to the council on elementary and secondary education and council on postsecondary education that are aligned with the long-range goals adopted by the board.

Financial Highlights

The Community College’s financial position remained strong as of June 30, 2021. Net position increased by \$12.7 million over the prior year.

At June 30, 2021, the Community College’s assets of \$114.2 million and deferred outflows of \$8.0 million exceeded its liabilities of \$61.3 million and deferred inflows of \$6.9 million by \$54.0 million, an increase over the prior year of \$13.7 million. At June 30, 2020, the Community College’s assets of \$106.6 million and deferred outflows of \$8.0 million exceeded its liabilities of \$68.3 million and deferred inflows of \$6.0 million by \$40.3 million. The resulting net position is summarized into the following categories for the fiscal years ended June 30:

| | Net Position | |
|----------------------------------|-------------------------|----------------|
| | (in millions \$) | |
| | <u>2021</u> | <u>2020</u> |
| Net investment in capital assets | \$ 80.4 | \$ 82.5 |
| Restricted - expendable | 0.0 | 0.0 |
| Unrestricted | <u>(26.4)</u> | <u>(42.2)</u> |
| Total net position | <u>\$ 54.0</u> | <u>\$ 40.3</u> |

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

Fiscal year 2021 operating revenues before net investment return decreased by 3% or \$2 million. Operating expenses decreased by 3% or \$4 million.

COMMUNITY COLLEGE OF RHODE ISLAND

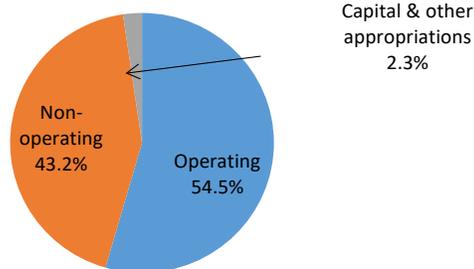
(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

The following chart provides a graphical breakdown of total revenues by category for the fiscal year ending June 30, 2021:

CCRI Revenues Fiscal Year Ended June 30, 2021



Cash flow continued to be adequate for operations with an operating cash balance of \$20.1 million at June 30, 2021, a increase of \$7.1 million from June 30, 2020. Prior year cash flow was also adequate for operations with an operating cash balance of \$13.0 million at June 30, 2020.

Overview of the Financial Statements

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

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

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

COMMUNITY COLLEGE OF RHODE ISLAND

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

The Financial Statements

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

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

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

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

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. They also provide information regarding both the accounting policies and procedures the Community College has adopted, as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 22 to 53 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Community College's financial position. In the case of the Community College, assets and deferred outflows exceeded liabilities and deferred inflows by \$54.0 million at the close of fiscal year 2021, an increase of \$13.7 million over fiscal 2020. Assets and deferred outflows exceeded liabilities and deferred inflows by \$40.3 million at the close of fiscal year 2021. Details are shown in the chart below in millions:

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

June 30, 2021

Financial Analysis - Continued

| | 2021 | 2020 |
|----------------------------------|---------|---------|
| Assets: | | |
| Current assets | \$ 32.8 | \$ 22.1 |
| Noncurrent assets | 81.4 | 84.5 |
| Total assets | 114.2 | 106.6 |
| Deferred outflows of Resources: | | |
| Deferred outflows | 8.0 | 8.0 |
| Total Deferred outflows | 8.0 | 8.0 |
| Liabilities: | | |
| Current liabilities | 14.3 | 19.9 |
| Noncurrent liabilities | 47.0 | 48.4 |
| Total liabilities | 61.3 | 68.3 |
| Deferred Inflows of Resources: | | |
| Deferred Inflows | 6.9 | 6.0 |
| Total Deferred Inflows | 6.9 | 6.0 |
| Net Position: | | |
| Net investment in capital assets | 80.4 | 82.5 |
| Restricted, expendable | 0.0 | 0.0 |
| Unrestricted | (26.4) | (42.2) |
| Total net position | \$ 54.0 | \$ 40.3 |

The largest portion of the Community College's net position, \$80.4 million, reflects its investment in capital assets (such as land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The Community College uses these capital assets to provide services to students, faculty and administration. Consequently, these assets are not available for future spending.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

Although the Community College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also, in addition to the debt noted above, which is reflected in the Community College's financial statements, the State of Rhode Island regularly provides financing for certain capital projects through the issuance of general obligation bonds and appropriations from the Rhode Island Capital Fund. Borrowings by the State from these funds are not reflected in these financial statements. Additional financing for certain capital projects is provided by the issuance of revenue bonds by the Rhode Island Health and Educational Building Corporation, a quasi-public state agency. The Community College does not have a separate bond rating. All revenue bonds must be approved by and arranged through the Rhode Island Board of Education. Revenue bond related indebtedness is reported on the Community College's financial statements. BOE bonds issued for the Community College are rated between Aa3 and A1 by Moody's. Net pension liability of \$31.7 million, net OPEB liability of \$13.8 million, compensated absences of \$4.5 million and bonds of \$0.9 million are the Community College's largest liabilities.

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

June 30, 2021

Condensed Statement of Revenues and Expenses

Years Ended June 30, 2021 and 2020

(\$ in millions)

| | 2021 | 2020 |
|---|---------|----------|
| Operating revenues: | | |
| Tuition and fees, net | \$ 24.0 | \$ 21.5 |
| Scholarships, grants, and contracts | 40.5 | 44.2 |
| Auxiliary enterprises | 2.9 | 6.0 |
| Sales and services of educational activity | 6.6 | 4.3 |
| Other | - | - |
| Total operating revenues | 74.0 | 76.0 |
| Operating expenses: | | |
| Salaries and benefits | 89.1 | 98.4 |
| Supplies and services | 21.0 | 20.8 |
| Scholarships, grants, and contracts | 13.4 | 8.9 |
| Depreciation and amortization | 7.8 | 8.0 |
| Total operating expenses | 131.3 | 136.1 |
| Net operating loss | (57.3) | (60.1) |
| Nonoperating revenues (expenses): | | |
| State and other appropriations | 52.3 | 46.6 |
| Federal grants | 15.4 | 4.3 |
| Net investment income | 0.1 | 0.1 |
| Other nonoperating expenses, net | 0.0 | 0.0 |
| Net nonoperating revenues | 67.8 | 51.0 |
| Increase (Decrease) in net position before capital contributions | 10.5 | (9.1) |
| Capital appropriations | 3.3 | 6.6 |
| Increase (Decrease) in net position | \$ 13.8 | \$ (2.5) |

COMMUNITY COLLEGE OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

Operating Revenues

Total operating revenues for fiscal year 2021 were \$74.0 million, an decrease of \$2.0 million from the prior fiscal year. Total operating revenues for fiscal year 2020 were \$76.0 million. The most significant sources of operating revenue for the Community College are tuition and fees, grants and contracts, and auxiliary services. Significant changes in operating revenue resulted from:

- Net Tuition and fees increased \$2.5 million in fiscal year 2021 in contrast to the \$5.6 million decrease in 2020. The net increase in 2021 is due to a reduction in scholarship allowance of \$3.9 million.
- Sales and service of educational activity increased \$2.3 million in fiscal year 2021 and increased by \$.3 million in 2020. The increase in 2021 is due to greater activity in Workforce programs.

Operating Expenses

Operating expenses in fiscal year 2021 totaled \$131.3 million, a decrease of \$4.8 million from fiscal year 2020. Of this total, \$74.2 million or 56% was used for instruction, academic and student support in 2021 (\$77.4 million or 57% in 2020). Depreciation expense totaled \$7.8 million in fiscal year 2021 and \$8.0 million in fiscal year 2020.

Non-Operating Revenues

Total non-operating revenues for fiscal year 2021 were \$67.7 million, including the state appropriation of \$52.3 million. Total non-operating revenues for fiscal year 2020 were \$51.0 million, including the state appropriation of \$46.6 million. This was an increase in total non-operating revenues of \$16.7 million from the prior year. Due to the nature of public higher education, institutions incur a loss from operations. State appropriations to the Community College, reported as non-operating revenue, are the primary resource for offsetting the loss from operations.

Other

Capital appropriations and gifts of \$3.4 million in fiscal year 2021 (\$6.6 million in fiscal year 2020) represent general obligation funds spent by the state of Rhode Island to construct or acquire capital assets utilized by the Community College, and capital gifts from the Foundation.

COMMUNITY COLLEGE OF RHODE ISLAND

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

Capital Asset and Debt Administration

Capital Plan

The Rhode Island Board of Education submits a running five fiscal year Capital Improvement Plan (C.I.P.) to the General Assembly and State Executive Branch each year in conjunction with the State's capital planning process. This plan includes proposed capital projects for the Community College. The FY 2021-2025 capital plan recommended by the Governor included \$89.6 million for continuing and new capital projects including funding to address the deferred capital maintenance needs of the college's four campus locations as well as the renovation of space.

The capital budget enacted for the Community College by the General Assembly for FY22 included multi-year funding for several capital initiatives:

- \$3.0M continued funding for the Warwick Renewal
- \$1.5M funding toward a \$15M project to address Technical and Electrical cabling infrastructure
- \$2.0M initial funding for renewal project at the Lincoln campus
- Annual funding of the RI Asset Protection program of \$3.0M
- \$6.0M in General Obligation bond funding approved by the voters in March 2021. The full amount approved by the voters was \$12.0M for CCRI.

Capital Assets

At June 30, 2021 and 2020, the Community College had \$81.4 million and \$84.5 million invested in capital assets, net of accumulated depreciation of \$120.3 million and \$112.5 million, respectively. These represent a decrease of \$3.1 million and an increase of \$7.8 million, respectively, from the prior year. Depreciation charges totaled \$7.8 million during fiscal year 2021 and \$8.0 million during fiscal year 2020. Legal title to all land and real estate assets is vested in the Rhode Island Board of Education.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

A summary of the capital asset balances is displayed below:

| | | 2021 | | 2020 |
|------------------------------------|----|-------------|----|-------------|
| Land and improvements | \$ | 2.3 | \$ | 2.3 |
| Buildings and improvements | | 74.1 | | 74.4 |
| Construction in progress | | 3.5 | | 5.3 |
| Furniture, fixtures, and equipment | | 1.5 | | 2.5 |
| Total | \$ | 81.4 | \$ | 84.5 |

Debt

At June 30, 2021 and 2020, the Community College had \$.9 million and \$2.0 million in debt outstanding.

| | | 2021 | | 2020 |
|------------------------------|----|-------------|----|------------|
| Due to State of Rhode Island | \$ | 0.9 | \$ | 1.2 |
| Bonds payable | | 0.0 | | 0.8 |
| Total | \$ | 0.9 | \$ | 2.0 |

Debt repayments made in 2021 were \$1.1 million and 2020 were \$1.0 million.

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

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

COMMUNITY COLLEGE OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

Economic Factors That Will Affect the Future

The College has been responding to the challenges of the COVID-19 pandemic and is focused on enrollment and safety. To help mitigate the effects of the crisis on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") became law. As part of the law, the CARES Act created the Higher Education Emergency Relief Fund ("HEERF"). The Community College was awarded \$73.4 million of which \$14.8 Million has been spent as of June 30, 2021. The College intends on spending the remaining \$58 million on emergency scholarships to students, student support, technology and distance learning capabilities, and efforts to contain the spread of the virus.

The seasonally adjusted unemployment rate for the State of Rhode Island, from which the Community College primarily draws students, decreased from 10.9% in June of 2020 to 5.9% in June of 2021, according to the U. S. Bureau of Labor Statistics. This compares to a 11.1% seasonally adjusted unemployment rate nationally in June of 2020 decreasing to 5.9% in June of 2021.

The COVID-19 public health crisis has caused a historic spike in the unemployment rate. Historically, in times of an economic downturn, public colleges/universities have experienced increases in their enrollments, however, the COVID-19 crisis has caused the opposite effect. As of September 1, 2021, the college is projecting fall enrollment to be down 10 - 14% from last year's enrollment.

The Rhode Island Promise Scholarship is a last-dollar scholarship program introduced by the State of Rhode Island in the Fall of 2017. It has helped to mitigate declining enrollment and increase the population of full-time students at CCRI over the past four years. Enrollment has been adversely impacted by the COVID-19 pandemic over the past year, but RI Promise enrollment still stands at double the pre-Promise enrollment for the same student population. The first two cohorts of the RI Promise program had experienced positive outcomes, with a two-year graduation rate of 18% compared to two-year graduation rates of 4-6% for prior cohorts and a three-year graduation rate of 30%. Based on this dramatic increase in student success, the Rhode Island General Assembly recently made the Rhode Island Promise a permanently legislated program.

COMMUNITY COLLEGE OF RHODE ISLAND

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

The Community College operates in a unionized environment. In fiscal year 2021, the Council on Postsecondary Education's contracts with the Faculty Association (CCRIFA), the Part-Time Faculty Association (CCRIPTFA), and the Professional Staff Association (CCRIPSA) and the Executive Support Professional Association (CCRIESPA) were in effect. The Community College distributed wage increases of 2.5% (effective 6/20/2020) to CCRIFA and CCRIPSA. CCRIESPA and CCRIPTFA did not receive an increase for this fiscal year.

As with many state governments, Rhode Island struggles with allocating limited resources across diverse state funded agencies and mandates. State appropriation support to the College has declined from 53% of the total unrestricted budget in 2008 to 47% in 2021. In June of 2020, the RI General Assembly passed supplemental appropriations for FY 20 that reduced the College's general revenue appropriation by \$5.4 million with only two weeks remaining in the fiscal year. State appropriations of \$53.5 million for FY 22 restored funding more consistent with pre-pandemic levels.

However, the College is still facing challenges related to the pandemic. Enrollment for Fall 2021 is showing a significant decline from Fall 2020. This enrollment decline impacts the college's finances as tuition and fee revenues make up the largest portion of the college revenue stream. It is expected that it will take a number of years for enrollment to rebound to pre-pandemic levels. It is anticipated that federal stimulus funds will be used to make up for lost revenues and support the current service level of college operations.

The BOE is organized into two councils – one for Elementary and Secondary Education and one for Post-Secondary Education permitting each council to focus more specifically on pertinent agendas and policies but still reporting to the full Board for coordination of RI's public education agenda. Legislation passed by the RI General Assembly restructured the Board of Education and established a separate Board of Trustees governing the University of Rhode Island in February of 2020. The Community College of Rhode Island and Rhode Island College continue to be overseen by the Board of Education.

Fiscal Planning

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

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021

Information Systems

The Community College of Rhode Island utilizes the Ellucian Resource Management (“ERP”) system. The key Banner modules deployed include: Student Information System (“SIS”), Human Capital Management (“HCM”), and Finance and Financial Aid. Banner is deployed in over 1,400 higher education institutions in 40 countries. The college has migrated from version 8 to version 9 of Banner to maintain currency and access added features and functionality. The college’s applications portfolio includes additional systems that integrate with the Banner ERP and support the college’s teaching and learning mission.

Request for Information

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

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

Statement of Net Position

June 30, 2021

| | College | Foundation |
|--|----------------------|---------------------|
| Assets and Deferred Outflow of Resources | | |
| Current Assets: | | |
| Cash and equivalents (Note 2) | \$ 20,131,302 | \$ 1,873,778 |
| Cash - restricted | - | 500,194 |
| Funds on deposit with primary government | 1,913,181 | - |
| Accounts receivable, net (Note 3) | 8,091,321 | - |
| Due from primary government | 564,843 | - |
| Inventories and other current assets | 2,099,496 | 10,000 |
| Pledges receivable | - | 71,350 |
| Total Current Assets | 32,800,143 | 2,455,322 |
| Noncurrent Assets: | | |
| Investments | - | 6,073,422 |
| Pledges receivable | - | 70,000 |
| Capital assets, net of accumulated depreciation (Note 4) | 81,417,679 | - |
| Total Noncurrent Assets | 81,417,679 | 6,143,422 |
| Total Assets | 114,217,822 | 8,598,744 |
| Deferred Outflow of Resources: | | |
| Deferred outflows of resources related to Pension (Note 7) | 4,487,619 | - |
| Deferred outflows of resources related to OPEB (Note 8) | 3,561,021 | - |
| Total Deferred Outflows of Resources | 8,048,640 | - |
| Liabilities, Deferred Inflows of Resources and Net Position | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | 7,345,894 | 146,091 |
| Student deposits and unearned revenues | 2,977,501 | - |
| Compensated absences (Note 5) | 3,713,484 | - |
| Current portion of bonds payable (Note 5) | 304,260 | - |
| Total Current Liabilities | 14,341,139 | 146,091 |
| Noncurrent Liabilities: | | |
| Compensated absences (Note 5) | 803,797 | - |
| Bonds payable | 636,979 | - |
| Net pension liability | 31,745,813 | - |
| Net OPEB liability | 13,834,367 | - |
| Total Noncurrent Liabilities | 47,020,956 | - |
| Total Liabilities | 61,362,095 | 146,091 |
| Deferred Inflows of Resources: | | |
| Deferred inflows of resources related to Pension (Note 7) | 1,171,821 | - |
| Deferred inflows of resources related to OPEB (Note 8) | 5,696,847 | - |
| Total Deferred Inflows of Resources | 6,868,668 | - |
| Net Position: | | |
| Net investment in capital assets | 80,476,440 | - |
| Restricted - expendable (Note 6) | 6,578 | 4,414,064 |
| Restricted - nonexpendable | - | 3,092,928 |
| Unrestricted (Note 7) | (26,447,319) | 945,661 |
| Total Net Position | \$ 54,035,699 | \$ 8,452,653 |

See accompanying notes to the financial statements.

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

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2021

| | College | Foundation |
|---|----------------------|---------------------|
| Operating Revenues: | | |
| Tuition and fees | \$ 55,248,581 | \$ - |
| Less: scholarship allowances | <u>(31,232,116)</u> | <u>-</u> |
| Net Student Fees | <u>24,016,465</u> | <u>-</u> |
| Federal, state, local, and private grants and contracts | 40,546,376 | - |
| Auxiliary enterprises | 2,882,673 | - |
| Sales and services of educational departments | 6,633,126 | - |
| Other | <u>-</u> | <u>307,236</u> |
| Total Operating Revenues | <u>74,078,640</u> | <u>307,236</u> |
| Operating Expenses (Note 10): | | |
| Instruction | 54,070,891 | - |
| Academic support | 7,358,119 | - |
| Student services | 11,669,440 | - |
| Scholarships and fellowships | 13,443,609 | 693,107 |
| Public service | 43,292 | - |
| Operation and maintenance of plant | 8,827,272 | - |
| Institutional support | 25,157,237 | 620,914 |
| Depreciation | 7,778,654 | - |
| Auxiliary enterprises | 3,042,251 | - |
| Other | <u>-</u> | <u>96,898</u> |
| Total Operating Expenses | <u>131,390,765</u> | <u>1,410,919</u> |
| Net Operating Loss | <u>(57,312,125)</u> | <u>(1,103,683)</u> |
| Nonoperating Revenues (Expenses): | | |
| State appropriations (Note 10) | 52,258,866 | - |
| Federal grants | 15,448,867 | - |
| Gifts | - | 2,431,285 |
| Gifts from Foundation | 3,200 | (3,200) |
| Investment income, net of expenses | 58,051 | 1,265,323 |
| Interest expense | <u>(48,647)</u> | <u>-</u> |
| Net Nonoperating Revenues | <u>67,720,337</u> | <u>3,693,408</u> |
| Increase in Net Position Before Capital Appropriations | <u>10,408,212</u> | <u>2,589,725</u> |
| Capital Contributions (Expenses): | | |
| Capital appropriations (Note 10) | 3,304,423 | - |
| Capital gifts from Foundation | <u>53,245</u> | <u>(53,245)</u> |
| Total Capital Contributions (Expenses) | <u>3,357,668</u> | <u>(53,245)</u> |
| Total Increase in Net Position | 13,765,880 | 2,536,480 |
| Net Position, Beginning of Year | <u>40,269,819</u> | <u>5,916,173</u> |
| Net Position, End of Year | <u>\$ 54,035,699</u> | <u>\$ 8,452,653</u> |

See accompanying notes to the financial statements.

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

Statement of Cash Flows

For the Year Ended June 30, 2021

| | College |
|--|---------------------------------|
| Cash Flows from Operating Activities: | |
| Tuition and fees | \$ 23,480,880 |
| Federal, state, local, and private grants and contracts | 37,704,682 |
| Payments to suppliers | (22,566,415) |
| Payments to employees | (88,397,417) |
| Payments for scholarships, fellowships and sponsored programs | (13,443,609) |
| Auxiliary enterprises | 2,882,673 |
| Sales and service of educational activities | <u>6,292,418</u> |
| Net Cash Applied to Operating Activities | <u>(54,046,788)</u> |
| Cash Flows from Noncapital and Related Financing Activities: | |
| State appropriations | 48,107,001 |
| Federal grants | 15,448,867 |
| Payments from Foundation | <u>3,200</u> |
| Net Cash Provided by Noncapital and Related Financing Activities | <u>63,559,068</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Capital appropriations | 3,304,423 |
| Purchases of capital assets | (4,729,581) |
| Principal paid on capital debt | (1,057,999) |
| Interest paid on capital debt | (48,647) |
| Capital gifts from Foundation | <u>53,245</u> |
| Net Cash Applied to Capital and Related Financing Activities | <u>(2,478,559)</u> |
| Cash Flows from Investing Activity: | |
| Interest on investments | <u>58,051</u> |
| Net Increase in Cash and Equivalents | 7,091,772 |
| Cash and Equivalents, Beginning of Year | <u>13,039,530</u> |
| Cash and Equivalents, End of Year | <u>\$ 20,131,302</u> |

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

Statement of Cash Flows - Continued

For the Year Ended June 30, 2021

| | College |
|--|------------------------|
| Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities: | |
| Net operating loss | \$ (57,312,125) |
| Adjustments to reconcile net operating loss to net cash applied to operating activities: | |
| Depreciation | 7,778,654 |
| Amortization of bond premium | (11,776) |
| Bad debts (net of recovery) | (273,474) |
| Net pension activity | 323,061 |
| Net OPEB activity | (1,098,658) |
| Changes in assets and liabilities: | |
| Net funds on deposit with primary government | (475,856) |
| Accounts receivable | (3,553,679) |
| Due from primary government | 1,604,083 |
| Inventories and other current assets | (920,879) |
| Accounts payable and accrued liabilities | (590,890) |
| Student deposits and unearned revenues | 109,167 |
| Compensated absences | 375,584 |
| Net Cash Applied to Operating Activities | \$ (54,046,788) |

See accompanying notes to the financial statements.

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

Notes to the Financial Statements

June 30, 2021

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

Organization

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

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2021

Effective February 1, 2020, the University of Rhode Island is no longer governed by the Rhode Island Council on Postsecondary Education but is instead governed by a Board of Trustees consisting of 17 members appointed by the governor with the advice and consent of the senate. The board is dedicated solely to the University and shall exercise similar powers and authority as was exercised by the council on postsecondary education including oversight of employment, and the University's property, purchases and procurement. The University president shall report to the Board of Trustees.

The Rhode Island Council on Postsecondary Education has continued to oversee Rhode Island College and the Community College of Rhode Island.

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

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

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

Notes to the Financial Statements - Continued

June 30, 2021

COVID-19

On March 11, 2020, the World Health Organization declared the global outbreak of the novel corona virus (“COVID-19”) as a pandemic. During the year ended June 30, 2021, COVID-19 had a significant effect on the Community College’s operations in response to government requirements and observing safety measures. As a result, the College offered remote instruction for 91% of classes for the 2020-2021 academic year.

In response to the pandemic, the Federal government provided to the College Higher Education Emergency Relief Funds (“HEERF”) and funds for the Strengthening Institution Program (“SIP”) under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSAA”), and American Rescue Plan Act (“ARPA”). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid. The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award and the SIP can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Unless an extension is approved by the Department of Education, the student aid award must be spent by May 13, 2022 and the institutional award must be spent by February 15, 2022, while the SIP funding must be spent by March 4, 2022.

The Community College has been awarded the following HEERF and SIP funds as of June 30, 2021:

| | Student Aid Award | Institutional Award | Strengthening Institution Program | Total |
|--------------|----------------------|------------------------|---|----------------------|
| CARES | \$ 5,000,285 | \$ 5,000,284 | \$ 492,332 | \$ 10,492,901 |
| CRRSSA | 5,000,285 | 16,957,780 | 912,094 | 22,870,159 |
| ARPA | 19,365,861 | 19,059,098 | 1,660,402 | 40,085,361 |
| Total | \$ 29,366,431 | \$ 41,017,162 | \$ 3,064,828 | \$ 73,448,421 |

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

Notes to the Financial Statements - Continued

June 30, 2021

The Community College has recognized the following funds as non-operating Federal grants for the year ended June 30, 2021, and the cumulative total grants recognized.

| For the Year Ended June 30, 2021 | | | | | Total HEERF Recognized | | | | |
|----------------------------------|----------------------|------------------------|---|----------------------|------------------------|----------------------|------------------------|---|----------------------|
| | Student Aid Award | Institutional Award | Strengthening Institution Program | Total | | Student Aid Award | Institutional Award | Strengthening Institution Program | Total |
| CARES | \$ 1,359,125 | \$ 4,335,437 | \$ 488 | \$ 5,695,050 | CARES | \$ 5,000,285 | \$ 5,000,284 | \$ 488 | \$ 10,001,057 |
| CRRSSA | 4,372,006 | 381,811 | - | \$ 4,753,817 | CRRSSA | 4,372,006 | 381,811 | - | \$ 4,753,817 |
| ARPA | - | - | - | \$ - | ARPA | - | - | - | \$ - |
| Total | \$ 5,731,131 | \$ 4,717,248 | \$ 488 | \$ 10,448,867 | Total | \$ 9,372,291 | \$ 5,382,095 | \$ 488 | \$ 14,754,874 |

The Community College also received \$5,000,000 in Coronavirus Relief Funds as a pass-through from the State of Rhode Island. \$472,154 was used for technological improvements. \$189,638 was spent to facilitate distance learning. \$283,676 enabled COVID-19 testing and screening. \$3,390,344 was utilized for payroll and fringe benefits for public health and public safety. Lastly, \$664,188 was utilized for payroll and fringe benefits for substantially different work brought about by the COVID-19 crisis.

Basis of Presentation

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

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

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

Notes to the Financial Statements - Continued

June 30, 2021

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

Community College of Rhode Island Foundation

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

The Foundation is a private nonprofit organization that reports in accordance with standards of the Financial Accounting Standards Board (“FASB”), including ASC 958-205, *Presentation of Financial Statements for Not-for-Profit Entities*, and ASC 958-605, *Revenue Recognition for Not-for-Profit Entities*. Accordingly, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the Community College’s financial reporting entity for these differences.

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

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

Notes to the Financial Statements - Continued

June 30, 2021

Net Position

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

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

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

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

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

Cash and Equivalents

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

Allowance for Doubtful Accounts

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

Inventories

Inventories are stated at the lower of cost (first-in, first-out retail inventory method) or market and consist of bookstore items. Inventory amounted to \$461,248 at June 30, 2021.

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost as of date of acquisition or, in the case of gifts, at fair value as of date of donation. In accordance with the BOE's capitalization policy, all land is capitalized, regardless of value. Vehicles, equipment, computer software for internal use, and works of art and historical treasures with a unit cost of at least \$5,000 are capitalized. Land Improvements, building, leasehold and infrastructure improvements with a unit cost of \$50,000 or more are capitalized.

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

Notes to the Financial Statements - Continued

June 30, 2021

Interest costs on debt related to capital assets is capitalized during the construction period and then depreciated over the life of the project. However, the Community College has not incurred such interest costs. Community College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 50 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Compensated Absences

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

Amounts of vested and accumulated vacation and sick leave are reported as compensated absences. Amounts are determined based upon the compensation rates in effect as of the statement of net position date.

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 Employee Benefits Other than Pension ("OPEB")

For purposes of measuring the net postemployment benefits other than pension obligations ("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

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

Notes to the Financial Statements - Continued

June 30, 2021

Health Insurance

The State offers various state paid health plans to each of its participating agencies. The premiums for these plans are divided among the agencies based upon their number of eligible employees. All employees share in health care costs. Employee contributions range from 15 to 25% of health care premiums for non-classified and classified staff. Part-time employee contributions range from 20 to 35% of healthcare premiums. The costs are automatically deducted through the payroll system on a biweekly basis. The Community College pays the balance of the healthcare costs. Expenses incurred by the Community College to the State for 2021 health premiums were approximately \$8,779,145. Employee contributions for 2021 were approximately \$1,657,000.

Assessed Fringe Benefit Administrative Fund

In July 2000, the State established the Assessed Fringe Benefit Administrative Fund. The fund is used to make all payments relating to workers' compensation charges, unemployment compensation payments, and payments to employees for unused vacation and sick leave upon their termination from State service. The State funds this account by assessing a charge based on the biweekly payrolls of all State agencies. The weighted average fringe benefit assessment rate for 2021 for non-faculty was 3.95% and 3.30% for faculty. The assessed fringe benefit cost was approximately \$1,953,000 for fiscal year 2021.

Student Deposits and Unearned Revenue

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

Student Fees

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

Tax Status

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

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

Notes to the Financial Statements - Continued

June 30, 2021

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 the net OPEB liability.

Risk Management

The Community College is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment, and employee health insurance claims. Insurance is maintained for general liability with limits of \$1 million per occurrence and \$3 million in the aggregate with a \$25,000 deductible as well as a \$25 million umbrella. Coverage under the Medical Professional Liability Policy extends to employed health care providers, excluding physicians who have separate coverage. This policy does not apply to actions relating to federal/civil rights, eminent domain, and breach of contract. Such claims are insured under a separate policy, Educators Legal Liability, for wrongful acts with limits of \$10 million per claim and \$10 million for the annual aggregate with a \$150,000 deductible. Crime coverage for Community College employees is carried with a limit of \$15 million with a \$150,000 deductible.

As an agency of the State of Rhode Island and Providence Plantations, the Community College participates in a group property program. In fiscal year 2021, buildings and contents were insured against fire, theft, and natural disaster with a limit of \$200 million and a \$200,000 deductible per occurrence.

Included in this 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.

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

Notes to the Financial Statements - Continued

June 30, 2021

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 settlement amounts have not exceeded insurance coverage during the past three years.

New Governmental Accounting Pronouncements

GASB Statement 87, *Leases* is effective for periods beginning after December 15, 2021. 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.

GASB Statement 89, *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2020. 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.

GASB Statement 91, *Conduit Debt Obligations* is effective for reporting periods beginning after December 31, 2021. The objective of this Statement is to improve the consistency of reporting conduit debt. This Statement requires government entities that issues conduit debt, but is not the obligor, not to recognize the liability unless it is more likely than not that the government issuer will service the debt.

GASB Statement 92, *Omnibus 2020* is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to improve comparability in financial reporting for leases, pensions, OPEB and asset retirement obligations.

GASB Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* is effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for arrangement in which the governmental entity (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset.

COMMUNITY COLLEGE OF RHODE ISLAND
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Notes to the Financial Statements - Continued

June 30, 2021

GASB Statement 96, *Subscription-Based Information Technology Arrangements (SBITA)* is effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for transactions in which a governmental entity contracts with another party for the right to use their software. A right to use asset and a corresponding liability would be recognized for SBITAs.

GASB Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans* is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to provide financial reporting consistency in which the potential component unit does not have a governing board and the primary government performs the duties that a governing board would perform. In the absence of a governing board of the potential component unit, the situation should be treated as the same as the primary government appointing a majority of the potential component unit's governing board.

Management has not completed its review of the requirements of these standards and its applicability.

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

The Community College's policy is in accordance with Chapter 35-10.1 of Rhode Island General Laws dealing with the Public Finance, which states that any depository institution holding public deposits shall insure or pledge eligible collateral equal to one hundred percent (100%) with any time deposit with maturities greater than sixty (60) days. If any depository institution does not meet its minimum capital standards as prescribed by its federal regulator, they shall insure or pledge eligible collateral equal to one hundred percent (100%) of all public deposits.

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

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Notes to the Financial Statements - Continued

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

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

Bank balances covered by federal depository insurance (FDIC) at June 30, 2021 approximated \$12,782,000. In addition, approximately \$8,298,000 at June 30, 2021 was collateralized with securities held by the pledging financial institution in the Community College's name. These balances reflect FDIC insurance and guarantee programs in effect at their respective periods.

Investments of the Foundation

Foundation investments are presented in the financial statements at fair value and are summarized as follows at June 30, 2021:

| | | |
|----------------------------------|----|-------------------------|
| Equities | \$ | 4,145,609 |
| Fixed income | | 1,679,960 |
| RI Foundation Pooled Investments | | <u>247,853</u> |
| Total Investments | \$ | <u><u>6,073,422</u></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 Foundation for more information.

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Notes to the Financial Statements - Continued

June 30, 2021

Note 3 - Accounts Receivable

Accounts receivable, which are anticipated to be collected within one year, include the following at June 30, 2021:

| | | |
|---------------------------------------|----|-------------------------|
| Student accounts receivable | \$ | 4,100,062 |
| Grants receivable | | 3,565,052 |
| Other receivables | | <u>1,649,641</u> |
| | | 9,314,755 |
| Less: allowance for doubtful accounts | | <u>(1,223,434)</u> |
| | \$ | <u><u>8,091,321</u></u> |

Note 4 - Capital Assets

Capital assets consist of the following at June 30, 2021:

| | Estimated lives (in years) | Beginning Balance | Additions | Reclassification | Ending Balance |
|--------------------------------------|-------------------------------|----------------------|-----------------------|--------------------|----------------------|
| Capital assets not depreciated: | | | | | |
| Construction in progress | — | \$ 5,294,303 | \$ 2,572,377 | \$ (4,340,918) | \$ 3,525,762 |
| Land | — | <u>1,490,837</u> | — | — | <u>1,490,837</u> |
| Total not depreciated | | <u>6,785,140</u> | <u>2,572,377</u> | <u>(4,340,918)</u> | <u>5,016,599</u> |
| Capital assets depreciated: | | | | | |
| Land improvements | 15 | 1,000,902 | — | — | \$ 1,000,902 |
| Buildings, including improvements | 10-50 | 162,740,821 | 2,003,087 | 4,340,918 | 169,084,826 |
| Furnishings and equipment | 5-15 | <u>26,440,473</u> | <u>154,117</u> | — | <u>26,594,590</u> |
| Total depreciated | | <u>190,182,196</u> | <u>2,157,204</u> | <u>4,340,918</u> | <u>196,680,318</u> |
| Total capital assets | | <u>196,967,336</u> | <u>4,729,581</u> | — | <u>201,696,917</u> |
| Less: accumulated depreciation: | | | | | |
| Land improvements | | 150,109 | 66,727 | — | 216,836 |
| Building, including improvements | | 88,375,805 | 6,561,204 | — | 94,937,009 |
| Furnishings and equipment | | <u>23,974,670</u> | <u>1,150,723</u> | — | <u>25,125,393</u> |
| Total accumulated depreciation | | <u>112,500,584</u> | <u>7,778,654</u> | — | <u>120,279,238</u> |
| Capital Assets, Net | | <u>\$ 84,466,752</u> | <u>\$ (3,049,073)</u> | <u>\$ —</u> | <u>\$ 81,417,679</u> |

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Note 5 - **Long-Term Liabilities**

Long-term liabilities consist of the following at June 30, 2021:

| | Beginning balance | Additions | Reductions | Ending Balance | Current portion |
|------------------------------|----------------------|-------------------|---------------------|----------------------|---------------------|
| Bonds payable: | | | | | |
| Revenue bonds payable | \$ 1,188,912 | \$ - | \$ 282,999 | \$ 905,913 | \$ 292,485 |
| Premium on bonds payable | <u>47,102</u> | <u>-</u> | <u>11,776</u> | <u>35,326</u> | <u>11,775</u> |
| Total bonds payable | <u>1,236,014</u> | <u>-</u> | <u>294,775</u> | <u>941,239</u> | <u>304,260</u> |
| Other long-term liabilities: | | | | | |
| Due to State of Rhode Island | 775,000 | - | 775,000 | — | — |
| Compensated absences | 4,141,697 | 375,584 | — | 4,517,281 | 3,713,484 |
| Net pension liability | 31,791,077 | - | 45,264 | 31,745,813 | - |
| Net OPEB liability | <u>15,395,046</u> | <u>-</u> | <u>1,560,679</u> | <u>13,834,367</u> | <u>-</u> |
| Total long-term liabilities | <u>\$ 53,338,834</u> | <u>\$ 375,584</u> | <u>\$ 2,675,718</u> | <u>\$ 51,038,700</u> | <u>\$ 4,017,744</u> |

Bonds Payable

The following is a summary of the Community College's revenue bond payable at June 30, 2021:

Rhode Island Health and Education Building Corporation
Higher Education Facility Revenue Bonds, Series 2013 B. The
bonds original amount issued was \$2,995,995, carrying interest
rates ranging from 2.0% to 3.0%. The bonds are due in
varying annual installments ranging from approximately
\$240,312 to approximately \$311,457, plus interest, through
September 15, 2023

\$ 905,913

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Notes to the Financial Statements - Continued

June 30, 2021

Principal and interest on bonds payable through maturity are as follows:

| Years Ending June 30,: | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|-------------------|------------------|-------------------|
| 2022 | 292,485 | 22,790 | 315,275 |
| 2023 | 301,971 | 13,873 | 315,844 |
| 2024 | <u>311,457</u> | <u>4,672</u> | <u>316,129</u> |
| Totals | <u>\$ 905,913</u> | <u>\$ 41,335</u> | <u>\$ 947,248</u> |

Interest expense on all debt for the year ended June 30, 2021 was \$48,647. The amortization of bond premium is included with interest expense

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

Note 6 - **Pension**

Plan Description

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

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

Benefit Provisions

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

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

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June 30, 2021

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 2021, Community 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 Community College is required to contribute at an actuarially determined rate; the rate was 27.54% of annual covered payroll for the fiscal year ended June 30, 2021. The Community College contributed \$2,785,811, \$2,785,105, and \$2,649,766 for the fiscal years ended June 30, 2021, 2020, and 2019, 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, 2021 the Community College reported a liability of \$31,745,813 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, 2020, 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, 2019 rolled forward to the June 30, 2020 measurement date. The Community College's proportion of the net pension liability was based on its share of contributions to the ERS for fiscal year 2020 relative to the total contributions of all participating employers for that fiscal year. At the June 30, 2020 measurement date, the Community College proportion was 1.40%.

For the year ended June 30, 2021 the Community College recognized pension expense of \$3,109,152.

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Notes to the Financial Statements - Continued

June 30, 2021

At June 30, 2021 the Community College reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Deferred Outflow of Resources Related to Pension

| | |
|---|---------------------|
| Contributions made after the measurement date | \$ 2,785,811 |
| Differences between expected and actual experience | 272,898 |
| Changes in plan actuarial assumptions | 749,081 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 45,110 |
| Net difference between projected and actual earnings on pension plan investments | <u>634,719</u> |
| | <u>\$ 4,487,619</u> |

Deferred Inflows of Resources Related to Pension

| | |
|---|---------------------|
| Differences between expected and actual experience | \$ 21,918 |
| Changes in plan actuarial assumptions | 624,544 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | <u>525,359</u> |
| | <u>\$ 1,171,821</u> |

Contributions of \$2,785,811 are reported as deferred outflows of resources related to pensions resulting from the Community College's contributions in fiscal year 2021 subsequent to the measurement date and will be recognized as a reduction of the net pension liability determined in the subsequent period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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June 30, 2021

| Years Ended <u>June 30,</u> | |
|--------------------------------|-------------------|
| 2022 | \$ 288,591 |
| 2023 | 72,302 |
| 2024 | 134,831 |
| 2025 | 63,095 |
| 2026 | <u>(28,832)</u> |
| | <u>\$ 529,987</u> |

Actuarial Methods and Assumptions

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

| | |
|---------------------------|--|
| Actuarial cost method | Entry age actuarial cost methodology is used |
| Amortization method | Level percent of payroll - closed |
| Inflation | 2.50% |
| Salary increases | 3.25% to 6.25% |
| Investment rate of return | 7.00% |

Mortality – Variants of the PUB (10) Tables for Healthy and Disabled Retirees, projected with Scale Ultimate MP 16. The actuarial assumptions used in the June 30, 2019 valuation rolled forward to June 30, 2020 and the calculation of the total pension liability at June 30, 2020 were consistent with the results of an actuarial experience investigation study performed as of June 30, 2019. 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 39 sources. 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.

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June 30, 2021

The June 30, 2021 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-Term Expected Arithmetic Real Rate of Return</u> |
|--------------------------------|--------------------------------|--|
| GROWTH | | |
| Global Equity | | |
| U.S. Equity | 23.00% | 6.31% |
| International Developed Equity | 12.10% | 6.71% |
| International Emerging Markets | 4.90% | 8.69% |
| <i>Sub-total</i> | 40.00% | |
| Private Growth | | |
| Private Equity | 11.25% | 9.71% |
| Non-Core RE | 2.25% | 5.66% |
| Opportunistic Private Credit | 1.50% | 9.71% |
| <i>Sub-total</i> | 15.00% | |
| INCOME | | |
| High Yield Infrastructure | 1.00% | 3.88% |
| REITS | 1.00% | 5.66% |
| Equity Options | 2.00% | 6.04% |
| EMD (50/50 Blend) | 2.00% | 2.28% |
| Liquid Credit | 2.80% | 3.88% |
| Private Credit | 3.20% | 3.88% |
| <i>Sub-total</i> | 12.00% | |
| STABILITY | | |
| Crisis Protection Class | | |
| Treasury Duration | 5.00% | 0.10% |
| Systematic Trend | 5.00% | 3.84% |
| <i>Sub-total</i> | 10.00% | |

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Inflation Protection

| | | |
|------------------------|-------|-------|
| Core Real Estate | 3.60% | 5.66% |
| Private Infrastructure | 2.40% | 6.06% |
| TIPs | 2.00% | 0.74% |
| <i>Sub-total</i> | 8.00% | |

Volatility Protection

| | | |
|--------------------|---------|-------|
| IG Corp Credit | 3.25% | 1.54% |
| Securitized Credit | 3.25% | 1.54% |
| Absolute Return | 6.50% | 3.84% |
| Cash | 2.00% | 0.10% |
| <i>Sub-total</i> | 15.00% | |
| | 100.00% | |

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.

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Notes to the Financial Statements - Continued

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

The following presents the net pension liability calculated using the discount rate of 7.0 percent as well as what the net pension 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 (6.00%) | Current Discount Rate (7.00%) | 1.00% Increase (8.00%) |
|---------------------------|-------------------------------------|---------------------------|
| \$ 37,865,280 | \$ 31,745,813 | \$ 24,360,863 |

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.

Note 7 - **Other Post-Employment Benefits (OPEB)**

Plan Description

Certain employees of the Community 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.

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The OPEB System issues a separate publicly available financial report that includes financial statements and required supplementary information for the plans. 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.

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 Community College is required to contribute at an actuarially determined rate; the rate was 5.49% of annual covered payroll for the fiscal year ended June 30, 2021. The Community College contributed \$563,149, \$704,757, and \$619,438 for the fiscal years ended June 30, 2021, 2020, and 2019 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.

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Board of Education Cost-Sharing OPEB 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 Community College is required to contribute at an actuarially determined rate; the rate was 2.93% of annual covered payroll for the fiscal year ended June 30, 2021. The Community College contributed \$972,569, 1,347,740, and \$1,391,505 for the fiscal years ended June 30, 2021, 2020, and 2019, 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.

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

At June 30, 2021, the Community College reported a liability of \$5,045,861 and \$8,788,506 for its proportionate share of the net OPEB liabilities related to its participation in the SEP and BOEP, respectively. The net OPEB liabilities were measured as of June 30, 2020, 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, 2019 rolled forward to the June 30, 2020 measurement date. The Community College's proportion of the net OPEB liabilities was based on its share of contributions to the Plans for fiscal year 2020 relative to the total contributions of all participating employers for that fiscal year. At the June 30, 2020 measurement date, the Community College's proportion was 1.40% and 24.59% for SEP and BOEP, respectively.

For the year ended June 30, 2021, the Community College recognized OPEB expense of \$217,854 and \$219,201 related to its participation in SEP and BOEP, respectively.

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At June 30, 2021, the Community 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 Outflow of Resources Related to OPEB</u> | | | |
| Contributions made subsequent to measurement date | \$ 563,149 | \$ 972,569 | \$ 1,535,718 |
| Changes in assumptions | 230,410 | 615,362 | 845,772 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 76,913 | 81,157 | 158,070 |
| Differences between expected and actual experience | - | 1,021,461 | 1,021,461 |
| | <u>\$ 870,472</u> | <u>\$ 2,690,549</u> | <u>\$ 3,561,021</u> |
| <u>Deferred Inflows of Resources Related to OPEB</u> | | | |
| Difference between expected and actual experience | \$1,026,219 | \$2,139,738 | \$3,165,957 |
| Changes in assumptions | 305,185 | 601,574 | 906,759 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 198,010 | 566,937 | 764,947 |
| Net difference between projected and actual earnings on OPEB plan investments | 215,439 | 643,745 | 859,184 |
| | <u>\$ 1,744,853</u> | <u>\$ 3,951,994</u> | <u>\$ 5,696,847</u> |

Contributions of \$1,535,718 are reported as deferred outflows of resources related to OPEB resulting from the Community College's contributions in fiscal year 2021 subsequent to the measurement date, and will be recognized as a reduction of the net OPEB liability in the subsequent period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Years Ended | <u>SEP</u> | <u>BOEP</u> | <u>Total</u> |
|------------------|-----------------------|-----------------------|-----------------------|
| <u>June 30,:</u> | | | |
| 2021 | \$ (292,308) | \$ (598,910) | \$ (891,218) |
| 2022 | (270,056) | (537,346) | (807,402) |
| 2023 | (253,830) | (491,452) | (745,282) |
| 2024 | (234,249) | (369,867) | (604,116) |
| 2025 | (190,925) | (220,202) | (411,127) |
| Thereafter | <u>(196,162)</u> | <u>(16,237)</u> | <u>(212,399)</u> |
| | <u>\$ (1,437,530)</u> | <u>\$ (2,234,014)</u> | <u>\$ (3,671,544)</u> |

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Actuarial Methods and Assumptions

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

| | |
|-----------------------------|--|
| Actuarial cost method | Entry age normal – the individual entry age actuarial cost methodology is used |
| Amortization method | Level percent of payroll - closed |
| Inflation | 2.5% |
| Salary increases | 3.00% to 6.00% |
| Investment rate of return | 5.00% |
| Health care cost trend rate | 8.25% in fiscal year 2020 decreasing annually to 3.50% in fiscal year 2033 and later |

Mortality rates for male plan members were based on the RP-2014 Combined Healthy for Males with Blue Collar adjustments, projected with the MP-2016 ultimate rates. Mortality rates for female plan members were based on the RP-2014 Combined Healthy for Females, projected with the MP-2016 ultimate rates.

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 34 nationally recognized investment consulting firms. The June 30, 2020 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table for the Plans:

| Asset Class | Target Asset Allocation | Long-Term Expected Arithmetic Real Rate of Return |
|--------------------|--------------------------------|--|
| Domestic Equity | 65% | 6.31% |
| Fixed Income | 35% | 1.57% |

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Notes to the Financial Statements - Continued

June 30, 2021

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 percent. 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 OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liabilities calculated using the discount rate of 5 percent as well as what the net OPEB liabilities 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.

| | | 1.0% Decrease (4.0% Discount Rate) | | Current Discount Rate (5.0%) | | 1.0% Increase (6.0% Discount Rate) |
|-------------|----|---|----|---|----|---|
| SEP | \$ | 6,231,149 | \$ | 5,045,861 | \$ | 4,064,193 |
| BOEP | \$ | 11,961,456 | \$ | 8,788,506 | \$ | 6,195,661 |

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

Notes to the Financial Statements - Continued

June 30, 2021

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table presents the net OPEB liabilities calculated using the healthcare cost trend rate of 8.25 percent and gradually decreasing to an ultimate rate of 3.5 percent, as well what the Community College’s net OPEB liabilities 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.

| | | <u>1.0% Lower</u> | | <u>Baseline</u> | | <u>1.0% Higher</u> |
|-------------|----|-------------------|----|-----------------|----|--------------------|
| SEP | \$ | 3,838,614 | \$ | 5,045,861 | \$ | 6,560,999 |
| BOEP | \$ | 5,717,125 | \$ | 8,788,506 | \$ | 12,704,221 |

OPEB Plan Fiduciary Net Position

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

Note 8 - **Other Retirement Plans**

State of Rhode Island Employees’ Retirement System (“ERS”) Defined Contribution:

Plan Description

Certain employees participating in the defined benefit plan (those with less than 20 years of service as of July 1, 2012), as described in Note 6, also participate in a defined contribution plan of the Employees’ Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan 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, 2012) 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, 2012:

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

Notes to the Financial Statements - Continued

June 30, 2021

| <u>Years of Service</u> <u>As of July 1, 2012</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 Community College contributed and recognized as pension expense \$101,021 and \$97,445 for the fiscal years ended June 30, 2021 and 2020, respectively, equal to 100% of the required contributions for the fiscal years.

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 (3) 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 1st of the calendar year following the year in which the member attains age 70½ or terminates employment, if later.

The System 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 <http://www.ersri.org>.

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

Notes to the Financial Statements - Continued

June 30, 2021

Rhode Island Board of Governors for Higher Education Alternate Retirement Plan

Plan Description

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

Funding Policy

The Community College contributes 9% of the employee's gross biweekly earnings. Total expenditures by the Community College for such 403(b) annuity contracts amounted to approximately \$3,290,000 during fiscal 2021. The employee contribution amounted to approximately \$1,828,000.

Note 9 - **Restricted Net Position**

The Community College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. At June 30, 2021, these funds are restricted for grant programs.

Note 10 - **Operating Expenses**

The Community College's operating expenses, on a natural classification basis, are composed of the following at June 30, 2021:

| | |
|------------------------------|------------------------------|
| Compensation and benefits | \$89,125,630 |
| Supplies and services | 21,042,872 |
| Depreciation | 7,778,654 |
| Scholarships and fellowships | <u>13,443,609</u> |
| | <u>\$ 131,390,765</u> |

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

Notes to the Financial Statements - Continued

June 30, 2021

Note 11 - **State Appropriations**

Direct Appropriations

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

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 2021, the State reserved 3% of its general revenues to fund a Budget Reserve Fund and Cash Stabilization Fund. Once the fund reaches a maximum threshold (5% of total fiscal year financial resources), the balance is transferred to the RICAP Fund. The RICAP Fund is used for capital expenditures and for debt reduction. The technique is a "pay-as-you-go" process that avoids increasing the State's debt burden. Higher education has received allocations through this program since fiscal 1995.

The Community College's State appropriations are composed of the following for the year ended June 30, 2021:

| | |
|---|-----------------------------|
| Direct appropriations | \$ 52,258,866 |
| State contributed capital and RICAP funds | <u>3,304,423</u> |
| | <u>\$ 55,563,289</u> |

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

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

Notes to the Financial Statements - Continued

June 30, 2021

Note 12 - **Pass-Through Loans**

The Community College distributed approximately \$8,356,000 during fiscal 2021, 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 13 - **Contingencies**

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

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

The vast majority of higher educational institutions transitioned to distance learning during the 2020 spring semester due to the COVID-19 crisis. Many higher educational institutions have been served with a class action lawsuit due to this decision. The plaintiffs' claim that they have suffered academic harm after the 2020 spring semester transitioned to distance learning. Since the lawsuits are in the early stages, there has been no settlements or court decisions on this matter. The Community College has not been served with a lawsuit related to COVID-19. Management believes that any potential future adverse outcome is possible, but unlikely, and, would not be material to the Community College.

The COVID-19 crisis has created volatility in the financial markets and disruption in the overall economy. The full adverse impact and duration of COVID-19 on the Community College's finances and operations cannot be determined.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Employees' Retirement System

| Year ended | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Measurement date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Community College's proportion of the net pension liability | 1.40% | 1.40% | 1.40% | 1.44% | 1.45% | 1.46% | 1.47% |
| Community College's proportionate share of the net pension liability | \$ 31,745,813 | \$ 31,791,077 | \$ 31,484,850 | \$ 32,467,123 | \$ 30,765,991 | \$ 29,073,002 | \$ 26,224,040 |
| Community College's covered payroll (at measurement date) | \$ 10,554,847 | \$ 10,082,823 | \$ 9,754,869 | \$ 9,981,160 | \$ 9,758,118 | \$ 9,780,334 | \$ 9,619,971 |
| Community College's proportionate share of the net pension liability as a percentage of its covered payroll | 300.77% | 315.30% | 322.76% | 325.28% | 315.29% | 297.26% | 272.60% |
| Plan fiduciary net position as a percentage of the total pension liability | 52.60% | 52.80% | 52.53% | 51.83% | 51.88% | 55.03% | 58.58% |

Notes:

- 1.) The amounts presented for each fiscal year were determined as of June 30 measurement date prior to the fiscal year-end.
- 2.) This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

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

Schedule of Pension Contributions (Unaudited)

Employees' Retirement System

For the Years Ended June 30,

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Statutorily required contribution | \$ 2,785,811 | \$ 2,785,105 | \$ 2,649,766 | \$ 2,426,036 | \$ 2,529,226 | \$ 2,306,819 | \$ 2,281,752 |
| Contributions in relation to the statutorily required contribution | <u>(2,785,811)</u> | <u>(2,785,105)</u> | <u>(2,649,766)</u> | <u>(2,426,036)</u> | <u>(2,529,226)</u> | <u>(2,306,819)</u> | <u>(2,281,752)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Community College's covered payroll | \$ 10,115,508 | \$ 10,554,847 | \$ 10,082,823 | \$ 9,754,869 | \$ 9,981,160 | \$ 9,758,118 | \$ 9,780,334 |
| Contributions as a percentage of covered payroll | 27.54% | 26.39% | 26.28% | 24.87% | 25.34% | 23.64% | 23.33% |

Notes:

1.) 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.

2.) This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

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

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, 2020

As part of the 2020 Actuarial Experience Study for the six-year period ending June 30, 2019 as approved by the System Board on May 22, 2020, certain assumptions were modified and reflected in the determination of net pension liability (asset) at the June 30, 2020 measurement date. The following summarizes the more significant changes in assumptions:

- Updated the underlying mortality tables from the RP-2014 set of tables to the public sector-based PUB (10) tables.
- Increased slightly the probabilities of turnover.
- Decreased slightly the probabilities of retirement.
- Modified slightly the probabilities of disability, including adding material incidence of disability for members in the age ranges that historically have been eligible to retire but under prospective provisions are not..

Measurement Date - June 30, 2019

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability as of the June 30, 2019 measurement date compared to the June 30, 2018 measurement date. Benefits were also unchanged between these measurement dates.

Measurement Date - June 30, 2018

There were no changes in benefits reflected in the calculation of the net pension liability as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date. Benefits were also unchanged between these measurement dates.

Measurement Date - June 30, 2017

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, 2017 measurement date compared to the June 30, 2016 measurement date. Benefits were also unchanged between these measurement dates.

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.

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

Notes to the Pension Required Supplementary Information (Unaudited) - Continued

Pension Schedules - Continued

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.

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

Schedule of Proportionate Share of the Net OPEB Liability (Unaudited)

State Employees' OPEB Cost-Sharing Plan

| Year ended Measurement date | June 30, 2021 June 30, 2020 | June 30, 2020 June 30, 2019 | June 30, 2019 June 30, 2018 | June 30, 2018 June 30, 2017 |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Community College's proportion of the net OPEB liability | 1.40% | 1.41% | 1.39% | 1.44% |
| Community College's proportionate share of the net OPEB liability | \$ 5,045,861 | \$ 6,164,690 | \$ 7,090,193 | \$ 7,462,946 |
| Community College's covered payroll (at measurement date) | \$ 10,597,850 | \$ 10,358,495 | \$ 9,838,763 | \$ 10,283,685 |
| Community College's proportionate share of the net OPEB liability as a percentage of its covered payroll | 47.61% | 59.51% | 72.06% | 72.57% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 42.51% | 33.60% | 26.25% | 22.38% |

Board of Education OPEB Cost-Sharing Plan

| Year ended Measurement date | June 30, 2021 June 30, 2020 | June 30, 2020 June 30, 2019 | June 30, 2019 June 30, 2018 | June 30, 2018 June 30, 2017 |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Community College's proportion of the net OPEB liability | 24.59% | 24.85% | 24.64% | 26.09% |
| Community College's proportionate share of the net OPEB liability | \$ 8,788,506 | \$ 9,230,356 | \$ 12,455,817 | \$ 13,685,597 |
| Community College's covered payroll | \$ 33,032,843 | \$ 31,915,252 | \$ 31,024,106 | \$ 32,812,830 |
| Community College's proportionate share of the net OPEB liability as a percentage of its covered payroll | 26.61% | 28.92% | 40.15% | 41.71% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 57.32% | 51.60% | 38.59% | 32.05% |

Notes:

- 1.) The amounts presented for each fiscal year were determined as of June 30 measurement date prior to the fiscal year-end.
- 2.) This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

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

Schedule of OPEB Contributions (Unaudited)

For the Years Ended June 30,

State Employees' OPEB Cost-Sharing Plan

| | 2021 | 2020 | 2019 | 2018 |
|--|------------------|------------------|------------------|------------------|
| Statutorily determined contribution | \$ 563,149 | \$ 704,757 | \$ 619,438 | \$ 588,358 |
| Contributions in relation to the statutorily determined contribution | <u>(563,149)</u> | <u>(704,757)</u> | <u>(619,438)</u> | <u>(588,358)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Community College's covered payroll | \$ 10,257,723 | \$ 10,597,850 | \$ 10,358,495 | \$ 9,838,763 |
| Contributions as a percentage of covered payroll | 5.49% | 6.65% | 5.98% | 5.98% |

Board of Education OPEB Cost-Sharing Plan

| | 2021 | 2020 | 2019 | 2018 |
|--|------------------|--------------------|--------------------|--------------------|
| Statutorily determined contribution | \$ 972,569 | \$ 1,347,740 | \$ 1,391,505 | \$ 1,352,651 |
| Contributions in relation to the statutorily determined contribution | <u>(972,569)</u> | <u>(1,347,740)</u> | <u>(1,391,505)</u> | <u>(1,352,651)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Community College's covered payroll | \$ 33,193,481 | \$ 33,032,843 | \$ 31,915,252 | \$ 31,024,106 |
| Contributions as a percentage of covered payroll | 2.93% | 4.08% | 4.36% | 4.36% |

Notes:

1.) 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.

2.) This schedule is intended to show information for 10 years - additional years will be displayed as they become available.

See accompanying notes to the required supplementary information.

COMMUNITY COLLEGE OF RHODE ISLAND

(a Component Unit of the State of Rhode Island)

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 7 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, 2020

The “Cadillac tax”, which was a tax provision from the federal Affordable Care Act (“ACA”), was repealed in December 2019. As a result, liability amounts previously included for the “Cadillac tax” within the development of the total OPEB liability has been removed as of the June 30, 2020 measurement date.

Measurement Date - June 30, 2019

The June 30, 2018 actuarial valuation rolled forward to the June 30, 2019 measurement date reflected a change in Excise Tax loan on pre-65 liabilities from 11.0% to 9.5%.

Measurement Date - June 30, 2018

There were no changes in actuarial methods and assumptions reflected in the calculation of the net OPEB liability as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

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

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

Notes to the OPEB Required Supplemental Information (Unaudited)

OPEB Schedules

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 2021 were determined based on the June 30, 2018 valuation of the Plans.

**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
Providence, Rhode Island

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities of Community College of Rhode Island (the "Community College"), and its discretely presented major component units, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Community College's basic financial statements and have issued our report thereon dated September 30, 2021. Our report includes a reference to other auditors who audited the financial statements of the Community College of Rhode Island Foundation, Inc., as described in our report on the Community 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 the Community College's internal control over financial reporting (internal control) as a basis for designing 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 Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of the Community College's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Community College'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



**Certified Public Accountants
Braintree, Massachusetts**

September 30, 2021