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

FINANCIAL STATEMENTS

JUNE 30, 2009
COMMUNITY COLLEGE OF RHODE ISLAND  
(a Component Unit of the State of Rhode Island and Providence Plantations)

Financial Statements

June 30, 2009 and 2008

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INDEPENDENT AUDITORS' REPORT

The Board of Governors for Higher Education
State of Rhode Island and Providence Plantations

We have audited the accompanying statements of net assets of Community College of Rhode Island (a component unit of the State of Rhode Island and Providence Plantations) (the "College") as of June 30, 2009 and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the College as of June 30, 2008 were audited by other auditors whose report dated November 21, 2008 expressed an unqualified opinion on the financial statements. We also did not audit the financial statements of Community College of Rhode Island Foundation, Inc. (the "Foundation") as of June 30, 2009 and 2008 as discussed in Note 1. The financial statements of this component unit were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the entity not audited by us included in the discretely presented component unit of the College, is based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community College of Rhode Island as of June 30, 2009 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.
In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009, on our consideration of Community College of Rhode Island’s internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

O’Connell & Drew, P.C.

**Certified Public Accountants**

September 30, 2009
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, 2009 and the results of operations for the year then ended, with selected comparative information for the years ended June 30, 2008 and 2007. 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 16,809 full- and part-time for-credit students in the 2009 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 a satellite facility in Westerly.
COMMUNITY COLLEGE OF RHODE ISLAND  
(a Component Unit of the State of Rhode Island and Providence Plantations)  

Management’s Discussion and Analysis (Unaudited) - Continued  
June 30, 2009 and 2008  

Introduction - Continued  

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

Financial Highlights  

The Community College’s financial position remained strong as of June 30, 2009. Net assets increased by $1.5 million over the prior year.  

At June 30, 2009, the Community College’s assets of $70.7 million exceeded its liabilities of $20.3 million by $50.4 million, an increase over the prior year of $1.5 million. At June 30, 2008, the Community College’s assets of $69.0 million exceeded its liabilities of $20.1 million by $48.9 million, an increase over the prior year of $4.2 million. The resulting net assets are summarized into the following categories for the fiscal years ended June 30:  

<table>
<thead>
<tr>
<th>Net Assets (in millions $)</th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>$39.1</td>
<td>40.3</td>
<td>42.4</td>
</tr>
<tr>
<td>Restricted, expendable</td>
<td>2.6</td>
<td>2.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>8.7</td>
<td>5.9</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>$50.4</strong></td>
<td><strong>48.9</strong></td>
<td><strong>44.7</strong></td>
</tr>
</tbody>
</table>

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

Fiscal year 2009 operating revenues before net investment return increased by 12.4% or $6.9 million. Operating expenses increased by 5.2%, or $5.3 million. Fiscal year 2008 operating revenues before net investment return increased by 12.3% or $6 million. Operating expenses increased by 5.5%, or $5.3 million.
Financial Highlights - Continued

The following chart provides a graphical breakdown of total revenues by category for the fiscal year ending June 30, 2009:

Cash flow continued to be adequate for operations with an operating cash balance of $16.4 million at June 30, 2009, an increase of $4.5 million from June 30, 2008. Cash flow continued to be adequate for operations with an operating cash balance of $11.8 million at June 30, 2008, an increase of $4.2 million from June 30, 2007.

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 fund-raising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or
COMMUNITY COLLEGE OF RHODE ISLAND (a Component Unit of the State of Rhode Island and Providence Plantations)

Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2009 and 2008

Overview of the Financial Statements - Continued

held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used by or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements. Management’s Discussion and Analysis is required to focus on the College, not its component unit.

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 Assets presents information on all of the Community College’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 Assets shows how the Community College’s net assets 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 assets 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 15 to 17 of this report.

The Community College reports its operations as a business type activity using the economic measurement focus and full accrual basis of accounting. As a component unit of the State of Rhode Island and Providence Plantations, the results of the Community College’s operations, its net assets and cash flows are also summarized in the State’s Comprehensive Annual Financial Report.
COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2009 and 2008

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 18 to 48 of this report.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Community College’s financial position. In the case of the Community College, assets exceeded liabilities by $50.4 million at the close of fiscal year 2009, an increase of $1.5 million over fiscal 2008. Assets exceeded liabilities by $48.9 million at the close of fiscal year 2008, an increase of $4.2 million over fiscal 2007. Details are shown in the chart below in millions:

Condensed Statement of Net Assets

($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>$22.3</td>
<td>18.4</td>
<td>12.8</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>48.4</td>
<td>50.6</td>
<td>49.3</td>
</tr>
<tr>
<td>Total assets</td>
<td>70.7</td>
<td>69.0</td>
<td>62.1</td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>15.3</td>
<td>14.8</td>
<td>9.8</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>5.0</td>
<td>5.3</td>
<td>7.6</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>20.3</td>
<td>20.1</td>
<td>17.4</td>
</tr>
<tr>
<td>Net assets (deficit):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>39.1</td>
<td>40.3</td>
<td>42.4</td>
</tr>
<tr>
<td>Restricted, expendable:</td>
<td>2.6</td>
<td>2.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>8.7</td>
<td>5.9</td>
<td>0.6</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$50.4</td>
<td>48.9</td>
<td>44.7</td>
</tr>
</tbody>
</table>
COMMUNITY COLLEGE OF RHODE ISLAND  
(a Component Unit of the State of Rhode Island and Providence Plantations)  
Management’s Discussion and Analysis (Unaudited) - Continued  
June 30, 2009 and 2008

Financial Analysis - Continued

The largest portion of the Community College’s net assets, $39.1 million, reflects its investment in capital assets (such as land, buildings, machinery, and equipment), less any related outstanding debt, including capital leases, 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.

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 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.

Bonds and leases payable of $4.1 million and compensated absences and other post-employment benefits of $5.6 million are the Community College’s largest liabilities.
COMMUNITY COLLEGE OF RHODE ISLAND  
(a Component Unit of the State of Rhode Island and Providence Plantations)  

Management’s Discussion and Analysis (Unaudited) - Continued  

June 30, 2009 and 2008  

Financial Analysis - Continued  

Condensed Statement of Revenues, Expenses, and Changes in Net Assets  
Years ended June 30, 2009, 2008, and 2007  

($ in millions)  

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees, net</td>
<td>31.5</td>
<td>28.4</td>
<td>25.6</td>
</tr>
<tr>
<td>Scholarships, grants, and contracts</td>
<td>19.8</td>
<td>16.4</td>
<td>13.6</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>7.2</td>
<td>7.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Other</td>
<td>3.6</td>
<td>3.3</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>62.1</td>
<td>55.2</td>
<td>49.2</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>73.4</td>
<td>71.8</td>
<td>69.4</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>27.2</td>
<td>24.7</td>
<td>22.7</td>
</tr>
<tr>
<td>Scholarships, grants, and contracts</td>
<td>3.4</td>
<td>2.5</td>
<td>1.8</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3.1</td>
<td>2.9</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>107.1</td>
<td>101.9</td>
<td>96.6</td>
</tr>
<tr>
<td><strong>Net operating loss</strong></td>
<td>(45.0)</td>
<td>(46.7)</td>
<td>(47.4)</td>
</tr>
</tbody>
</table>

Nonoperating revenues (expenses):  
State and other appropriations | 44.8  | 47.8  | 47.1  |
Gifts from Foundation | 0.5   | 0.2   | 0.1   |
Net investment income | 0.1   | 0.4   | 0.5   |
Other nonoperating expenses, net | (0.1) | (0.2) | (0.2) |

**Net nonoperating expenses** | 45.3  | 48.2  | 47.5  |

Income before other revenues, expenses, gains, or losses | 0.3   | 1.5   | 0.1   |
Capital gifts and appropriations | 1.2   | 1.6   | 2.0   |
Miscellaneous income | —     | 1.1   | —     |

**Increase in net assets** | $1.5  | 4.2   | 2.1   |

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Financial Analysis - Continued

**Operating Revenues**
Total operating revenues for fiscal year 2009 were $62.1 million, an increase of $6.9 million from the prior fiscal year. Total operating revenues for fiscal year 2008 were $55.2 million, an increase of $6 million from the prior fiscal year. The most significant sources of operating revenue for CCRI are tuition and fees, grants and contracts, and auxiliary services. Significant changes in operating revenue resulted from:

- The Board of Governors raised student tuition by 13.5% and 6.7% in fiscal years 2009 and 2008, respectively. Average enrollment for fiscal year 2009 increased by 443.
- Federal, state, and private grant and contract activity increased $3.5 million in fiscal year 2009 and $2.8 million in fiscal year 2008.

**Operating Expenses**
Operating expenses in fiscal year 2009 totaled $107.1 million, an increase of $5.2 million from fiscal year 2008, and $101.9 million in fiscal year 2008, an increase of $5.3 million from fiscal year 2007. Of this total, $64.3 million or 60% was used for instruction, academic and student support in 2009 ($61.4 million or 60.3% in 2008). Depreciation expense totaled $3.1 million in fiscal year 2009 and $2.9 million in fiscal year 2008. Wage and benefit expenses rose primarily because of negotiated wage increases and recognition of other post-employment benefit liabilities. Higher utility costs also contributed to the increase in operating expenses.

**Nonoperating Revenues**
Total non-operating revenues for fiscal year 2009 are $45.3 million, including the state appropriation of $44.8 million. This is a decrease in total non-operating revenues of $2.9 million from the prior year. Total non-operating revenues for fiscal year 2008 were $48.2 million, including the state appropriation of $47.8 million. This is an increase in total non-operating revenues of $.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 gifts and capital appropriations of $1.2 million in fiscal year 2009 ($1.6 million in fiscal year 2008) represent general obligation funds spent by the state of Rhode Island to construct or acquire capital assets utilized by the Community College as well as other appropriations and capital gifts from the CCRI Foundation.
COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2009 and 2008

Capital Asset and Debt Administration

Capital Plan
The Rhode Island Board of Governors for Higher Education submits a running five fiscal year capital improvement plan to the General Assembly and State Executive each year. The plan includes proposed capital asset protection projects for the Community College. The FY 2010–2014 plan for the Community College totals $104.6 million and includes all projects underway and planned, whether funded or not. This plan forms the basis for discussions on funding the various projects from all available funding sources. During fiscal year 2009, the Community College expended $1.5 million on plant related projects ($6 million in fiscal year 2008). The Community College generally has funded its capital plans through a combination of funds received from Community College operations, State of Rhode Island Capital appropriations and general obligation bonds. The execution of the Community College’s capital improvement plan is contingent upon approval by and sufficient funding from the State.

Capital Assets
At June 30, 2009 and 2008, the Community College had $46.6 million and $48.1 million invested in capital assets, net of accumulated depreciation of $48.7 million and $45.7 million, respectively. These represent a decrease of $1.5 million and an increase of $1.0 million, respectively, from the prior year. Depreciation charges totaled $3.1 million during fiscal year 2009 and $2.9 million during fiscal year 2008. Legal title to all land and real estate assets is vested in the Rhode Island Board of Governors for Higher Education or the State of Rhode Island. A summary of the capital asset balances is displayed below:

Summary Schedule of Net Capital Assets

($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and improvements</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>39.1</td>
<td>40.9</td>
<td>43.0</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>3.5</td>
<td>3.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Furniture, fixtures, and equipment</td>
<td>2.5</td>
<td>2.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Total</td>
<td>46.6</td>
<td>48.1</td>
<td>47.1</td>
</tr>
</tbody>
</table>
COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2009 and 2008

Capital Asset and Debt Administration - Continued

Capital Assets - Continued
Major capital additions and construction in progress completed this year and the source of the resources that funded their acquisition included:

- Various capital projects, including equipment purchases, amounting to $1.5 million at CCRI were funded by State appropriations to the Rhode Island Capital Fund and Government Obligation bonds as compared with $.6 million in fiscal year 2008. An additional $3.4 million in construction in progress was funded in 2008 and is related to ongoing litigation related to construction of the CCRI Newport campus (see Note 8).

Debt
At June 30, 2009 and 2008, the Community College had $4.1 million and $4.4 million in debt outstanding.

Summary Schedule of Debt

($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital lease obligations</td>
<td>$1.7</td>
<td>1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Bonds payable</td>
<td>2.4</td>
<td>2.6</td>
<td>2.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4.1</strong></td>
<td><strong>4.4</strong></td>
<td><strong>4.7</strong></td>
</tr>
</tbody>
</table>

Debt repayments made during 2009 and 2008 were $.3 million.

The Community College has no independent bonding authority. All revenue bonds must be approved by and arranged through the Rhode Island Board of Governors for Higher Education. Revenue bond related indebtedness is reported on the Community College’s financial statements. General obligation bond related indebtedness is reflected on the financial statements of the State of Rhode Island. More detailed information about the Community College’s long-term liabilities is presented in Note 5 to the financial statements.

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

The seasonally adjusted unemployment rate for the State of Rhode Island, from which the Community College primarily draws students, increased from 7.5% in June of 2008 to 12.4% in June of 2009, according to the U. S. Bureau of Labor Statistics. This compares to an increase from 5.5% to 9.5% respectively, on a national level.

Historically, in times of economic slowdowns, public colleges/universities have experienced increases in their enrollments as unemployed and underemployed workers seek to update and upgrade their skills. The Community College cannot predict the extent to which enrollment may vary in the current environment.

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 57% of the total unrestricted budget in 2004 to 49% in 2009. To some extent these dollars have been made up through increased student tuition and fees and increases in enrollment. However, a significant deficit is predicted for the State in fiscal year 2010 that may impact positions, capital projects and operating budgets in the future. Despite the reduction in state resources, the current financial plans indicate that the College will be able to maintain its present level of services at all main campuses.

The Legislature has committed to the continuation of funding the RI Asset Protection program for the next five years at approximately $1.4 million per year.

The Community College remains competitive economically. Tuition and mandatory fees for residents in fiscal year 2009 were $3,190 and ranked sixth highest among the Community College’s ten institution regional peer group. Nonresident tuition and mandatory fees were $8,501 in fiscal year 2009 and ranked the Community College second highest in its regional peer group.

The Community College’s average enrollment in fiscal year 2009 increased by 1,048 (6.7%) over the five year average enrollment. Increases in in-state undergraduate student charges at the Community College have been held to an average increase of 8.5% since FY 2004. Future Community College enrollments may be affected by a number of factors, including any material increase in tuition, other mandatory charges and any material decrease in State appropriations as well as the condition of the state and national economies.
Fiscal Planning

The Community College will continue to control expenses in accordance with available resources and established priorities. A budget resource committee assists the college in assessing budgetary decisions and reviewing expenditures at all levels of the Community College.

Information Systems

The Community College has implemented Banner’s Student Administration, Human Resources, and Financial Systems. The Community College continues to reassess the progress of the implementation on a regular basis and refocus efforts on ensuring the most effective outcomes for students, faculty, and staff.

Request for Information

This financial report is designed to provide a general overview of the Community College’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Controller, Community College of Rhode Island, 400 East Avenue, Warwick, RI 02886.
COMMUNITY COLLEGE OF RHODE ISLAND  
(a Component Unit of the State of Rhode Island and Providence Plantations)  

Statements of Net Assets  
June 30, 2009 and 2008  

Assets  

<table>
<thead>
<tr>
<th></th>
<th>Primary Governance</th>
<th>Component Unit</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2009 College</td>
<td>2008 College</td>
</tr>
<tr>
<td>Cash and cash equivalents (Note 2)</td>
<td>$16,351,091</td>
<td>$11,810,542</td>
</tr>
<tr>
<td>State capital funds</td>
<td>2,170,820</td>
<td>2,389,604</td>
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<tr>
<td>Accounts receivable, net (Note 3)</td>
<td>3,025,719</td>
<td>3,260,317</td>
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<tr>
<td>Inventory and other assets</td>
<td>706,885</td>
<td>910,018</td>
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<td>Pledges receivable</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>22,254,515</strong></td>
<td><strong>18,370,481</strong></td>
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<tr>
<td>Restricted cash and cash equivalents (Note 2)</td>
<td>1,159,433</td>
<td>1,821,504</td>
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<tr>
<td>Deposit with bond trustees - restricted</td>
<td>762,619</td>
<td>750,092</td>
</tr>
<tr>
<td>Other receivable</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments (Note 2)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital assets, net of accumulated depreciation (Note 4)</td>
<td>46,551,239</td>
<td>48,091,034</td>
</tr>
<tr>
<td><strong>Total Non Current Assets</strong></td>
<td><strong>48,473,291</strong></td>
<td><strong>50,662,630</strong></td>
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<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$70,727,806</strong></td>
<td><strong>$69,033,111</strong></td>
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</tbody>
</table>

Liabilities and Net Assets

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$7,462,473</td>
<td>$7,719,054</td>
<td>$34,783</td>
<td>$24,597</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>4,383,152</td>
<td>3,828,693</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Due to state treasurer</td>
<td>-</td>
<td>98,348</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Student deposits and unearned revenues</td>
<td>2,350,766</td>
<td>2,248,536</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Funds held for others</td>
<td>775,913</td>
<td>566,208</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Current portion of capital lease obligation (Note 5)</td>
<td>82,781</td>
<td>82,780</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Current portion of bonds payable (Note 5)</td>
<td>200,358</td>
<td>200,358</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>15,255,443</strong></td>
<td><strong>14,743,977</strong></td>
<td><strong>34,783</strong></td>
<td><strong>24,597</strong></td>
</tr>
<tr>
<td>Compensated absences (Note 11)</td>
<td>73,691</td>
<td>836,392</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Bonds payable</td>
<td>2,235,688</td>
<td>2,435,966</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Capital lease obligations (Note 5)</td>
<td>1,610,407</td>
<td>1,693,189</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amortization payable</td>
<td>-</td>
<td>37,207</td>
<td>-</td>
<td>43,330</td>
</tr>
<tr>
<td>Due to State of Rhode Island - OPEB (Note 12)</td>
<td>215,532</td>
<td>197,585</td>
<td>-</td>
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<tr>
<td>Net OPEB obligation (Note 12)</td>
<td>892,334</td>
<td>143,503</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Noncurrent Liabilities</strong></td>
<td><strong>5,027,572</strong></td>
<td><strong>5,306,635</strong></td>
<td><strong>37,207</strong></td>
<td><strong>43,330</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>20,283,015</strong></td>
<td><strong>20,050,612</strong></td>
<td><strong>71,990</strong></td>
<td><strong>67,927</strong></td>
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<tr>
<td>Invested in capital assets, net of related debt</td>
<td>39,100,877</td>
<td>40,359,169</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Restricted-expendable (Note 6)</td>
<td>2,590,812</td>
<td>2,722,722</td>
<td>2,750,118</td>
<td>2,613,951</td>
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<tr>
<td>Unrestricted (Note 7)</td>
<td>8,745,092</td>
<td>5,900,608</td>
<td>261,472</td>
<td>258,167</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td><strong>$50,444,791</strong></td>
<td><strong>$48,982,499</strong></td>
<td><strong>$3,011,590</strong></td>
<td><strong>$2,912,118</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
COMMUNITY COLLEGE OF RHODE ISLAND  
(a Component Unit of the State of Rhode Island and Providence Plantations)  

Statements of Revenues, Expenses and Changes in Net Assets  
For the Years Ended June 30, 2009 and 2008

<table>
<thead>
<tr>
<th></th>
<th>2009 College</th>
<th></th>
<th>2008 College</th>
<th></th>
<th>2009 Foundation</th>
<th></th>
<th>2008 Foundation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>$ 42,866,491</td>
<td></td>
<td>$ 37,503,750</td>
<td></td>
<td>$ -</td>
<td></td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>Less scholarship allowances</td>
<td>(11,342,450)</td>
<td></td>
<td>(9,113,473)</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Net Student Fees</td>
<td>31,524,041</td>
<td></td>
<td>28,390,277</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal, state, local, and private grants and contracts</td>
<td>19,841,984</td>
<td></td>
<td>16,357,643</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>7,165,749</td>
<td></td>
<td>7,090,304</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and services of educational activity</td>
<td>3,573,602</td>
<td></td>
<td>3,394,205</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>152,099</td>
<td></td>
<td>121,808</td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>62,105,376</td>
<td></td>
<td>55,232,429</td>
<td></td>
<td>152,099</td>
<td></td>
<td>121,808</td>
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<tr>
<td><strong>Operating Expenses (Note 9):</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>46,940,416</td>
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<td>44,799,339</td>
<td></td>
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<tr>
<td>Academic support</td>
<td>7,558,847</td>
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<td>6,973,375</td>
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<td>Student services</td>
<td>9,761,444</td>
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<td>9,644,630</td>
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<td>Scholarships and fellowships</td>
<td>3,376,526</td>
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<td>2,454,980</td>
<td></td>
<td>3,100</td>
<td></td>
<td>25,628</td>
<td></td>
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<td>Public service</td>
<td>1,148,706</td>
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<td>1,069,839</td>
<td></td>
<td></td>
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<tr>
<td>Operation and maintenance of plant</td>
<td>10,930,250</td>
<td></td>
<td>9,542,306</td>
<td></td>
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<tr>
<td>Institutional support</td>
<td>17,667,580</td>
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<td>17,980,017</td>
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<td>17,500</td>
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<td>71,951</td>
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<tr>
<td>Depreciation</td>
<td>3,089,138</td>
<td></td>
<td>2,945,883</td>
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<tr>
<td>Auxiliary enterprises</td>
<td>6,707,806</td>
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<td>6,480,186</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>144,346</td>
<td></td>
<td>148,602</td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>107,189,713</td>
<td></td>
<td>101,890,555</td>
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<td>164,946</td>
<td></td>
<td>246,181</td>
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<tr>
<td><strong>Net Operating Loss</strong></td>
<td>(45,084,337)</td>
<td></td>
<td>(46,658,126)</td>
<td></td>
<td>(12,847)</td>
<td></td>
<td>(124,373)</td>
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<td><strong>Nonoperating Revenues (Expenses):</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>State appropriations (Note 10)</td>
<td>44,808,725</td>
<td></td>
<td>47,820,290</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifts</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>915,570</td>
<td></td>
<td>1,093,198</td>
<td></td>
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<tr>
<td>Gifts from Foundation</td>
<td>494,340</td>
<td></td>
<td>225,182</td>
<td></td>
<td>(589,902)</td>
<td></td>
<td>(225,182)</td>
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</tr>
<tr>
<td>Investment income (loss), net of expenses</td>
<td>149,156</td>
<td></td>
<td>349,064</td>
<td></td>
<td>(213,349)</td>
<td></td>
<td>67,056</td>
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</tr>
<tr>
<td>Interest expense</td>
<td>(127,252)</td>
<td></td>
<td>(188,390)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Net Nonoperating Revenues</strong></td>
<td>45,324,969</td>
<td></td>
<td>48,206,146</td>
<td></td>
<td>112,319</td>
<td></td>
<td>935,072</td>
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<tr>
<td><strong>Increase in Net Assets Before Other Revenues</strong></td>
<td>240,632</td>
<td></td>
<td>1,548,020</td>
<td></td>
<td>99,472</td>
<td></td>
<td>810,699</td>
<td></td>
</tr>
<tr>
<td><strong>Other Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital appropriations</td>
<td>1,221,660</td>
<td></td>
<td>1,592,022</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous income (Note 1)</td>
<td>-</td>
<td></td>
<td>1,093,767</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Other Revenues</strong></td>
<td>1,221,660</td>
<td></td>
<td>2,685,789</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td><strong>Increase (Decrease) in Net Assets</strong></td>
<td>1,462,292</td>
<td></td>
<td>4,233,809</td>
<td></td>
<td>99,472</td>
<td></td>
<td>810,699</td>
<td></td>
</tr>
<tr>
<td><strong>Net Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Assets, Beginning of Year</td>
<td>48,982,499</td>
<td></td>
<td>44,748,690</td>
<td></td>
<td>2,912,118</td>
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<td>2,101,419</td>
<td></td>
</tr>
<tr>
<td>Net Assets, End of Year</td>
<td>$50,444,791</td>
<td></td>
<td>$48,982,499</td>
<td></td>
<td>$3,011,590</td>
<td></td>
<td>$2,912,118</td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
COMMUNITY COLLEGE OF RHODE ISLAND  
(a Component Unit of the State of Rhode Island and Providence Plantations)

Statements of Cash Flows

For the Years Ended June 30, 2009 and 2008

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>College</td>
<td>College</td>
</tr>
<tr>
<td>Cash Flows from Operating Activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>$31,939,571</td>
<td>$28,190,637</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>19,694,039</td>
<td>16,489,334</td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>(16,216,270)</td>
<td>(17,388,329)</td>
</tr>
<tr>
<td>Payments to utilities</td>
<td>(3,607,726)</td>
<td>(3,051,479)</td>
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<tr>
<td>Payments to employees</td>
<td>(74,016,175)</td>
<td>(71,791,718)</td>
</tr>
<tr>
<td>Payments for scholarships, fellowships and sponsored programs</td>
<td>(9,883,667)</td>
<td>(7,863,825)</td>
</tr>
<tr>
<td>Auxiliary enterprise charges</td>
<td>7,179,344</td>
<td>7,048,573</td>
</tr>
<tr>
<td>Sales and service of educational activities</td>
<td>3,629,253</td>
<td>3,621,059</td>
</tr>
<tr>
<td>State capital funds</td>
<td>218,784</td>
<td>(823,884)</td>
</tr>
<tr>
<td>Net Cash Applied to Operating Activities</td>
<td>(41,032,847)</td>
<td>(45,569,642)</td>
</tr>
</tbody>
</table>

Cash Flows from Non Capital Financing Activities:

| State appropriations           | 44,808,725  | 47,820,290  |
| Other appropriations           | -           | 1,093,767   |
| Gifts from Foundation          | 494,340     | 225,182     |
| Funds held for others          | 209,705     | 94,156      |
| Net Cash Provided by Non Capital Financing Activities | 45,512,770 | 49,233,395 |

Cash Flows from Financing Activities:

| Capital appropriations/State contributed capital | 1,221,660   | 1,592,022   |
| Purchases of capital assets                  | (1,549,343) | (653,997)   |
| Principal paid on capital debt and leases     | (283,139)   | (278,568)   |
| Interest paid on capital debt and leases      | (127,252)   | (188,390)   |
| Deposit with trustee                          | (12,527)    | (28,303)    |
| Net Cash Provided by (Applied to) Financing Activities | (750,601) | 442,764     |

Cash Flows from Investing Activity:

| Interest on investments                   | 149,156     | 349,064     |

Net Increase in Cash and Cash Equivalents

| 3,878,478                                   | 4,455,581   |

Cash and Cash Equivalents, Beginning of Year

| 13,632,046                                  | 9,176,465   |

Cash and Cash Equivalents, End of Year

| $17,510,524                                 | $13,632,046 |

Reconciliation of Net Operating Loss to:

<table>
<thead>
<tr>
<th>Net Cash Applied to Operating Activities:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating loss</td>
</tr>
<tr>
<td>Adjustments to reconcile net operating loss to net cash applied to operating activities:</td>
</tr>
<tr>
<td>Depreciation</td>
</tr>
<tr>
<td>Bad debts</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
</tr>
<tr>
<td>Accounts receivable</td>
</tr>
<tr>
<td>Inventory and other assets</td>
</tr>
<tr>
<td>Funds on deposit with the state</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
</tr>
<tr>
<td>Student deposits and unearned revenues</td>
</tr>
<tr>
<td>Compensated absences/OPEB obligations</td>
</tr>
<tr>
<td>Net Cash Applied to Operating Activities</td>
</tr>
</tbody>
</table>

See accompanying notes to 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, 2009 and 2008

Note 1 - Summary of Significant Accounting Policies

Organization
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, 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 Governors for Higher Education (the “Board”), a body politic and corporate established under Chapter 59 of Title 16 of the General Laws of Rhode Island. The Board consists of public members appointed by the Governor, as well as the Chair of the Board of Regents for Elementary and Secondary Education.

The Rhode Island Office of Higher Education, which operates under the direction of the Commissioner of Higher Education, is the administrative and research arm of the Rhode Island Board of Governors for Higher Education. The Board 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 system consists of four entities: the University of Rhode Island, Rhode Island College, the Community College of Rhode Island and the Rhode Island Office of Higher Education. Articulation agreements exist between the schools for student transfer within the system.

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

The Community College’s policies for defining operating activities in the statements of revenues, expenses, and changes in net assets 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 non-operating activities. These non-operating activities include the Community College’s
Note 1 - Summary of Significant Accounting Policies - Continued

Basis of Presentation - Continued
operating and capital appropriations from the State of Rhode Island, net investment income, gifts, and interest expense.

The Community College has elected not to adopt pronouncements issued by the Financial Accounting Standards Board (FASB) and related standards after November 30, 1989.

In November 2006, GASB issued Statement 49, Accounting and Financial Reporting for Pollution Remediation Obligations (GASB 49), effective for periods beginning after December 15, 2007. GASB 49 requires the reporting of pollution remediation obligations that address the current or potential detrimental effects of existing pollution and provides guidance on the identification and recognition of such pollution obligations. The Community College adopted GASB 49 effective as of July 1, 2008. The statement’s implementation had no material effect on the financial statements.

The accompanying statement of revenues, expenses, and changes in net assets 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.

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

Notes to the Financial Statements - Continued

June 30, 2009 and 2008

Note 1 - Summary of Significant Accounting Policies - Continued

Basis of Presentation - Continued
During the years ended June 30, 2009 and 2008, the Foundation distributed $589,902 and $225,182 to the Community College for both restricted and unrestricted purposes. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 116, Accounting for Contributions Received and Contributions Made, and FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, 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. The College does not record gifts from the Foundation related to certain fundraising activities and support. Therefore, there is a difference between the amount recorded by the College and the Foundation within the Statement of Revenues, Expenses and Changes in Net Assets for 2009.

Complete financial statements for the Foundation can be obtained from: Mullin Scorpio Cerilli, 222 Richmond Street, Suite 401, Providence, RI 02903.

Net Assets
Resources are classified for accounting purposes into the following three net asset categories:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and of outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

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

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

The Community College has adopted a policy of using restricted expendable funds, when available, prior to unrestricted funds.
COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2009 and 2008

Note 1 - Summary of Significant Accounting Policies - Continued

Cash and Cash 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.

Inventories
Inventories are stated at the lower of cost (first-in, first-out retail inventory method) or market and consist of bookstore items.

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 Board’s capitalization policy, 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, building, leasehold and infrastructure improvements with a unit cost of $50,000 or more are capitalized. Interest cost on debt related to capital assets is capitalized during the construction period and then depreciated over the life of the project. 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 and Salary Reduction Plan
Community College employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for those accumulated vacation and sick days allowable in accordance with the applicable union contract in force or in the case of nonunion personnel, according to State or Community College policy.

Amounts of vested and accumulated vacation and sick leave are reported as accrued compensation and benefits. Amounts are determined based upon the personal service rates in effect as of the balance sheet date. No liability is recorded for non-vesting accumulating rights to receive vacation and sick pay benefits.
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, 2009 and 2008

Note 1 - Summary of Significant Accounting Policies - Continued

Compensated Absences and Salary Reduction Plan - Continued
Amounts related to Salary Reduction Plans adopted during fiscal years 1991, 1992 and 1993 can be distributed in the form of paid leave, payment at the time of employee separation from the College or to an employee's estate. Amounts related to a fiscal year 2009 plan can be in the form of paid leave or payment between July 1, 2010 and June 15, 2012. Any leave not discharged or elected for payment before June 15, 2012 will be lost.

Post Employment Benefits
In accordance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45), the College implemented this pronouncement for the fiscal year ending 2008. GASB 45 requires governments to account for other post employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post employment benefits, rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the balance sheet over time.

Health Insurance
The State offers one state paid health plan to each of its participating agencies, including the Community College. 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 co-pays range from 8-13% of health care premiums for non-classified staff. Classified employee co-pays range from 8-25% of healthcare premiums. Employee costs are automatically deducted through the payroll system on a bi-weekly basis. The Community College pays the balance of the healthcare costs. Amounts paid by the Community College to the State for 2009 and 2008 health premiums were approximately $8,044,000 and $7,566,000, respectively.

Assessed Fringe Benefit Administrative Fund
In July 2000, the State established the Assessed Fringe Benefit Administrative Fund. The fund will be used to make all payments relating to workers' compensation charges, unemployment compensation payments, and payments to employees for unused leave upon their termination from state service. The State funds this account by assessing a charge against the bi-weekly payrolls of all State agencies, including the Community College. The fringe benefit assessment rate for fiscal year 2009 was 6.3% and for fiscal year 2008 was 3.8%. The assessed fringe benefit cost was approximately $1,869,000 for fiscal year 2009 and $1,543,000 for fiscal year 2008.
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, 2009 and 2008

Note 1 - Summary of Significant Accounting Policies - Continued

Student Deposits and Unearned Revenue
Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are reported as deferred revenues.

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.

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

Risk Management
The Community College is exposed to various risks of loss related to general liability, property and casualty, worker’s compensation, unemployment, and employee health and life insurance claims.

The Community College is insured for general liability with policy limits of $1 million per claim and $3 million in the aggregate with a $25,000 deductible. Coverage under the General Liability Policy extends to employed healthcare providers, excluding physicians who have separate coverage. This policy does not apply to actions relating to federal/civil rights, eminent domain, and breach of contract. Such claims are insured under a separate policy for wrongful acts with limits of $4 million per claim and $4 million for the annual aggregate with a $150,000 deductible. Crime coverage for College employees is carried with a limit of $1 million and a deductible of $100,000. The Community College also maintains an excess liability insurance policy with a limit of $25 million.
Note 1 - Summary of Significant Accounting Policies - Continued

Risk Management - Continued
Buildings and contents are insured against fire, theft, and natural disaster to the extent that losses exceed $100,000 per incident and do not exceed $500 million. A separate inland marine policy insures specifically listed high value property items such as computer equipment, valuable papers, fine arts, contractor’s equipment, and miscellaneous property at various limits of insurance and deductibles.

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

New Governmental Accounting Pronouncements
In June 2007, GASB issued Statement 51, Accounting and Financial Reporting for Intangible Assets (GASB 51), effective for periods beginning after June 15, 2009. GASB 51 requires the capitalization of intangible assets and provides guidance on the recognition and amortization of these intangible assets. The Community College is reviewing the requirements of this promulgation and does not believe its implementation will have any material effect on the financial statements. GASB 53, Accounting and Financial Reporting for Derivative Instruments, also effective for periods beginning after June 15, 2009, addresses the recognition, measurement and disclosure of information regarding derivative instruments. The Community College does not hold any derivative instruments.

GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, is required for periods beginning after June 15, 2010 (fiscal year end June 2011). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The initial distinction that it makes is identifying amounts that are considered non-spendable. It also provides for additional classification as restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Management of the Community College is currently reviewing this Statement and has made no determination as to its impact on 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 - Continued

June 30, 2009 and 2008

Note 2 -  Cash and Cash Equivalents and Investments

Cash and Cash Equivalents
At June 30, 2009, the carrying amount of the Community College’s cash deposits was $15,615,439 and the bank balance was $16,870,392. In addition to bank deposits, the Community College has $1,883,860 on deposit with the State of Rhode Island and other trustees and maintained an on-hand cash balance of $11,225 at June 30, 2009. In 2008, the carrying amount of the Community College’s cash deposits was $13,620,421 and the bank balance was $13,098,311. In addition to bank deposits, the Community College maintained an on-hand cash balance of $11,625 at June 30, 2008.

Deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor government’s name are exposed to custodial credit risk.

Of the 2009 bank balance, $5,353,335 was covered by federal depository insurance and $11,468,870 was collateralized with securities held by the pledging financial institution in the Community College’s name. The remaining amount of $48,187 was uninsured and uncollateralized. These bank balances reflect FDIC insurance and guarantee programs in effect during 2009. Of the bank balance in 2008, $365,158 was covered by federal depository insurance and $8,310,072 was collateralized with securities held by the pledging financial institution in the College’s name. The remaining amount of $4,423,081 was uninsured and uncollateralized. There are no certificates of deposits in the carrying amounts or bank balances.

The Community College’s policy is in accordance with Chapter 35-10.1 of the R.I. General Laws regarding depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, which indicates that they shall at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than 60 days. Any of these institutions which do not meet minimum capital stands prescribed by federal regulated shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the cash deposits of the Community College were required to be collateralized at June 30, 2009 and 2008.
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, 2009 and 2008

Note 2 - Cash and Cash Equivalents and Investments - Continued

Cash and Cash Equivalents - Continued
The Community College does not have a policy for custodial credit risk associated with deposits.

At June 30, 2009 and 2008, the Community College had a restricted cash and cash equivalents balance of $1,159,433 and $1,821,504, respectively, in a bond revenue fund account required by the covenants of the Series A Revenue Bonds of 1977 (Note 5). All gross revenues of the facilities financed by the bond are required to be deposited in this fund so long as the bonds are outstanding.

Investments of the Foundation
Foundation investments are presented in the financial statements at fair value and are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>$ 1,069,024</td>
<td>$ 1,022,972</td>
</tr>
<tr>
<td>Fixed income</td>
<td>376,350</td>
<td>345,171</td>
</tr>
<tr>
<td>Total of investments</td>
<td>$ 1,445,374</td>
<td>$ 1,368,143</td>
</tr>
</tbody>
</table>

Note 3 - Accounts Receivable

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

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student accounts receivable</td>
<td>$ 3,667,501</td>
<td>$ 3,786,252</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>1,066,671</td>
<td>1,069,688</td>
</tr>
<tr>
<td>Other receivables</td>
<td>277,802</td>
<td>242,868</td>
</tr>
<tr>
<td></td>
<td>5,011,974</td>
<td>5,098,808</td>
</tr>
<tr>
<td>Less allowance for doubtful accounts</td>
<td>(1,986,255)</td>
<td>(1,838,491)</td>
</tr>
<tr>
<td></td>
<td>$ 3,025,719</td>
<td>$ 3,260,317</td>
</tr>
</tbody>
</table>
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, 2009 and 2008  

Note 4 - **Capital Assets**  

Capital assets consist of the following at June 30, 2009:

<table>
<thead>
<tr>
<th>Estimated lives (in years)</th>
<th>Estimated Balance</th>
<th>Additions</th>
<th>Retirements</th>
<th>Ending balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets not depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$1,490,837</td>
<td>$</td>
<td>$</td>
<td>$1,490,837</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>$3,428,166</td>
<td>$40,700</td>
<td></td>
<td>$3,468,866</td>
</tr>
<tr>
<td>Total not depreciated</td>
<td>$4,919,003</td>
<td>$40,700</td>
<td></td>
<td>$4,959,703</td>
</tr>
<tr>
<td>Capital assets depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings, including</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>improvements</td>
<td>$81,746,446</td>
<td>$553,537</td>
<td></td>
<td>$82,299,983</td>
</tr>
<tr>
<td>Furnishings and equipment (including cost of capital leases)</td>
<td>$7,685,561</td>
<td>$955,106</td>
<td></td>
<td>$8,040,667</td>
</tr>
<tr>
<td>5-15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total depreciated</td>
<td>$88,832,007</td>
<td>$1,508,643</td>
<td></td>
<td>$90,340,650</td>
</tr>
<tr>
<td>Total Capital Assets</td>
<td>$93,751,010</td>
<td>$1,549,343</td>
<td></td>
<td>$95,300,353</td>
</tr>
</tbody>
</table>

Less accumulated depreciation:

|                              |                   |           |             |                |
| Building, including improvements | $40,850,667      | $2,317,202|             | $43,167,869    |
| Furnishings and equipment    | $4,809,309        | $771,936  |             | $5,581,245     |
| Total accumulated depreciation| $45,659,976      | $3,089,138|             | $48,749,114    |

Capital assets, net

<table>
<thead>
<tr>
<th>Estimate</th>
<th>Additions</th>
<th>Retirements</th>
<th>Ending balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>$48,091,034</td>
<td>$(1,539,795)</td>
<td>$</td>
<td>$46,551,239</td>
</tr>
</tbody>
</table>
## Note 4 - Capital Assets - Continued

Capital assets consist of the following at June 30, 2008:

<table>
<thead>
<tr>
<th>Estimated lives (in years)</th>
<th>Beginning balance</th>
<th>Additions</th>
<th>Retirements</th>
<th>Ending balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets not depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>—</td>
<td>$1,490,837</td>
<td>—</td>
<td>$1,490,837</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>—</td>
<td>64,745</td>
<td>3,363,421</td>
<td>3,428,166</td>
</tr>
<tr>
<td>Total not depreciated</td>
<td>—</td>
<td>1,555,582</td>
<td>3,363,421</td>
<td>4,919,003</td>
</tr>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings, including improvements</td>
<td>10-50</td>
<td>81,746,446</td>
<td>—</td>
<td>81,746,446</td>
</tr>
<tr>
<td>Furnishings and equipment (including cost of capital leases)</td>
<td>5-15</td>
<td>6,473,777</td>
<td>611,784</td>
<td>7,085,561</td>
</tr>
<tr>
<td>Total depreciated</td>
<td></td>
<td>88,220,223</td>
<td>611,784</td>
<td>88,832,007</td>
</tr>
<tr>
<td>Total Capital Assets</td>
<td></td>
<td>89,775,805</td>
<td>3,975,205</td>
<td>93,751,010</td>
</tr>
</tbody>
</table>

Less accumulated depreciation:

| Building, including improvements | 38,543,051 | 2,305,616 | — | 40,850,667 |
| Furnishings and equipment       | 4,169,042  | 640,267   | — | 4,809,309  |
| Total accumulated depreciation  | 42,714,093 | 2,945,883 | — | 45,659,976 |

Capital assets, net

| $47,061,712 | $1,029,322 | — | $48,091,034 |
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, 2009 and 2008  

Note 5 - **Long-Term Liabilities**  

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

<table>
<thead>
<tr>
<th>2009</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning balances</td>
<td>Additions</td>
<td>Reductions</td>
<td>Ending balances</td>
<td>Current portion</td>
</tr>
<tr>
<td>Leases and bonds payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease obligations</td>
<td>$1,775,969</td>
<td>$</td>
<td>$82,781</td>
<td>$1,693,188</td>
<td>$82,781</td>
</tr>
<tr>
<td>Revenue bonds payable</td>
<td>2,636,324</td>
<td>$</td>
<td>200,358</td>
<td>2,435,966</td>
<td>200,358</td>
</tr>
<tr>
<td>Total leases and bonds payable</td>
<td>4,412,293</td>
<td>$</td>
<td>283,139</td>
<td>4,129,154</td>
<td>283,139</td>
</tr>
<tr>
<td>Other long-term liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net OPEB obligation</td>
<td>143,503</td>
<td>1,367,791</td>
<td>618,960</td>
<td>892,334</td>
<td></td>
</tr>
<tr>
<td>Compensated absences</td>
<td>4,665,085</td>
<td>4,540</td>
<td>212,782</td>
<td>4,456,843</td>
<td>4,383,152</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>$9,220,881</td>
<td>$1,372,331</td>
<td>$1,114,881</td>
<td>$9,478,331</td>
<td>$4,666,291</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2008</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning balances</td>
<td>Additions</td>
<td>Reductions</td>
<td>Ending balances</td>
<td>Current portion</td>
</tr>
<tr>
<td>Leases and bonds payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease obligations</td>
<td>$1,791,273</td>
<td>$</td>
<td>$15,304</td>
<td>$1,775,969</td>
<td>$82,780</td>
</tr>
<tr>
<td>Revenue bonds payable</td>
<td>2,899,588</td>
<td>$</td>
<td>263,264</td>
<td>2,636,324</td>
<td>200,358</td>
</tr>
<tr>
<td>Total leases and bonds payable</td>
<td>4,690,861</td>
<td>$</td>
<td>278,568</td>
<td>4,412,293</td>
<td>283,138</td>
</tr>
<tr>
<td>Other long-term liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net OPEB obligation</td>
<td>—</td>
<td>739,689</td>
<td>596,186</td>
<td>143,503</td>
<td>—</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>5,911,484</td>
<td>12,990</td>
<td>1,259,389</td>
<td>4,665,085</td>
<td>3,828,693</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>$10,602,345</td>
<td>$752,679</td>
<td>$2,134,143</td>
<td>$9,220,881</td>
<td>$4,111,831</td>
</tr>
</tbody>
</table>

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

Notes to the Financial Statements - Continued  

June 30, 2009 and 2008  

Note 5 -  

Long-Term Liabilities - Continued  

Revenue Bonds Payable  
The following is a summary of the Community College’s long term debt for the years ended June 30, 2009 and 2008:  

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rhode Island Health and Education Building Corporation (RHIEBC) Various Purpose Educational Facilities Issue, Series 2003C. Original amount of debt issued – $2,331,153, 2% to 5% due semi-annually through 2024</td>
<td>$2,154,966</td>
<td>$2,260,324</td>
</tr>
<tr>
<td>3% Series A Revenue Bonds of 1977 (refunding) payable to a financial institution, due in varying semi-annual installments from $22,500 to $37,500, plus interest, through April 1, 2010. Original amount of debt issued – $1,600,000.</td>
<td>75,000</td>
<td>150,000</td>
</tr>
<tr>
<td>3% Series A Revenue Bonds of 1977 (Student Center) payable to a financial institution, due in varying semiannual installments from $5,000 to $12,500, plus interest, through April 1, 2018. Original amount of debt issued – $631,000.</td>
<td>206,000</td>
<td>226,000</td>
</tr>
<tr>
<td></td>
<td><strong>$2,435,966</strong></td>
<td><strong>$2,636,324</strong></td>
</tr>
</tbody>
</table>

On July 17, 2003, Rhode Island Health and Education Building Corporation issued the Educational and General Revenue Issue, Series 2003 C Bonds. These bonds are secured by all educational and general revenues derived by the Community College, except auxiliary enterprise revenues.  

The 1977 Series bonds are issued under a trust indenture and are collateralized by a pledge of revenues from the facilities financed. Under the terms of the trust indenture, net revenues from the facilities financed have been reserved for payment of interest, retirement of bonds, and maintenance of facilities. During 2009 and 2008, the Community College received an interest subsidy of $49,226 from the United States Department of Housing and Urban Development. This subsidy has been netted against expenditures in the debt service fund.  

- 30 -
Note 5 - Long-Term Liabilities - Continued

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

<table>
<thead>
<tr>
<th>Year ending June 30:</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$200,358</td>
<td>$97,879</td>
<td>$298,237</td>
</tr>
<tr>
<td>2011</td>
<td>132,441</td>
<td>92,267</td>
<td>224,708</td>
</tr>
<tr>
<td>2012</td>
<td>135,982</td>
<td>88,028</td>
<td>224,010</td>
</tr>
<tr>
<td>2013</td>
<td>144,524</td>
<td>83,607</td>
<td>228,131</td>
</tr>
<tr>
<td>2014</td>
<td>148,065</td>
<td>78,577</td>
<td>226,642</td>
</tr>
<tr>
<td>2015 - 2019</td>
<td>791,893</td>
<td>304,557</td>
<td>1,096,450</td>
</tr>
<tr>
<td>2020 - 2024</td>
<td>882,703</td>
<td>114,233</td>
<td>996,936</td>
</tr>
</tbody>
</table>

$2,435,966 $859,148 $3,295,114

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

Lease Obligations
The Community College entered into a capital lease agreement on June 28, 1990 for the acquisition of land and building for the Providence campus with a total cost of $2,000,000.
Note 5 - **Long-Term Liabilities - Continued**

The following schedule summarizes future minimum payments under this lease at June 30, 2009:

<table>
<thead>
<tr>
<th>Year ending June 30:</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$ 82,781</td>
<td>$ 70,841</td>
<td>$ 153,622</td>
</tr>
<tr>
<td>2011</td>
<td>88,346</td>
<td>68,229</td>
<td>156,575</td>
</tr>
<tr>
<td>2012</td>
<td>91,130</td>
<td>65,370</td>
<td>156,500</td>
</tr>
<tr>
<td>2013</td>
<td>93,911</td>
<td>62,397</td>
<td>156,308</td>
</tr>
<tr>
<td>2014</td>
<td>96,694</td>
<td>59,034</td>
<td>155,728</td>
</tr>
<tr>
<td>2015 – 2019</td>
<td>546,773</td>
<td>234,343</td>
<td>781,116</td>
</tr>
<tr>
<td>2020 – 2024</td>
<td>693,553</td>
<td>89,755</td>
<td>783,308</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,693,188</strong></td>
<td><strong>649,969</strong></td>
<td><strong>2,343,157</strong></td>
</tr>
</tbody>
</table>

Note 6 - **Restricted Net Assets**

The Community College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are composed of the following as of June 30:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted – expendable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant programs</td>
<td>$ 190,546</td>
<td>$ 248,869</td>
</tr>
<tr>
<td>Capital projects</td>
<td>2,408,276</td>
<td>2,473,853</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 2,598,822</td>
<td>$ 2,722,722</td>
</tr>
</tbody>
</table>

Note 7 - **Unrestricted Net Assets**

Management anticipates that the balance in unrestricted net assets as of June 30, 2009 will be used to repay debt service, support auxiliary operations, and infrastructure replacements in the future.
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, 2009 and 2008  

Note 8 - Contingencies  

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

On November 2, 2007, an arbitrator awarded two contractors involved in the construction of the Newport campus a total of $3,321,208 in damages and penalties. The Community College appealed the arbitration award to the Rhode Island Superior Court. The Court rendered a decision on June 29, 2009, partially vacating the original arbitration award. A final court order is pending and the Community College believes that, after the court order is issued, the judgment will be appealed. In the interim, the Community College has maintained a liability and related additions to capital costs for $3,321,208. This balance is included in construction in process and accounts payable as of June 30, 2009 and 2008.  

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.  

Note 9 - Operating Expenses  

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

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation and benefits</td>
<td>$73,392,737</td>
<td>$71,812,234</td>
</tr>
<tr>
<td>Supplies and services</td>
<td>$27,331,312</td>
<td>$24,677,456</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$3,089,138</td>
<td>$2,945,883</td>
</tr>
<tr>
<td>Scholarships and fellowships</td>
<td>$3,376,526</td>
<td>$2,454,980</td>
</tr>
<tr>
<td></td>
<td><strong>$107,189,713</strong></td>
<td><strong>101,890,553</strong></td>
</tr>
</tbody>
</table>

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

Notes to the Financial Statements - Continued

June 30, 2009 and 2008

Note 10 - 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 reappropriations made by the Governor for fiscal year 2009. The Board 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 under its discretion, including the Community
College.

The original and supplemental budget requests to the Governor and General
Assembly are acted upon by a vote of the Board. 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 was modeled on a financial technique
originating in the State of Delaware. Each year the State reserves 2% of its general
revenues to fund a Budget Reserve and Cash Stabilization Fund. This process
continues annually until the fund reaches 3% of total resources. Once that point is
achieved, excess revenues are transferred to a Capital Plan Fund. This 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
off-budget allocations through this program since fiscal 1995.

Funds appropriated by the State legislature to the Community College in fiscal years
2009 and 2008 are to be expended specifically on asset protection projects.

State Contributed Capital
In November 2000, the Rhode Island voters approved the issuance of $36.9 million
General Obligation Bonds to fund improvements to the State’s higher education
system. The bonds provided funding of $10.9 million for the construction of a
building for the Newport campus of the Community College.
COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Financial Statements - Continued

June 30, 2009 and 2008

Note 10 - State Appropriations - Continued

The Community College’s State appropriation is composed of the following at June 30:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct appropriations</td>
<td>$44,808,725</td>
<td>$47,820,290</td>
</tr>
<tr>
<td>State capital plan funds</td>
<td>841,138</td>
<td>1,211,500</td>
</tr>
<tr>
<td>Office of Higher Education appropriation</td>
<td>380,522</td>
<td>380,522</td>
</tr>
<tr>
<td></td>
<td>$46,030,385</td>
<td>$49,412,312</td>
</tr>
</tbody>
</table>

Note 11 - Pension and Retirement Plans

Faculty and administrative personnel of the Community College are covered by individual annuity contracts under a defined contribution retirement plan, the Alternate Retirement Plan (ARP), which was established by the Rhode Island Board of Governors (Board) that is also responsible for amending it. Eligible employees who have reached the age of 30, and who have two years of service are required to participate in either the Teachers’ Insurance and Annuity Association, the Metropolitan Life Insurance Company, or Variable Annuity Life Insurance Company retirement plan. The Board 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. The Community College contributes 9% of the employee’s gross biweekly earnings. The total expenses by the Community College for such annuity contracts amounted to approximately $2,566,000 and $2,477,000 during fiscal year ended 2009 and 2008, respectively.

Civil service personnel employed by the Community College participate in the Employees’ Retirement System of the State of Rhode Island (the “System”), a multiple-employer, cost-sharing, defined benefit, public employee retirement system. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The level of benefits provided to state employees is established by Chapter 36-10 of the General Laws which is subject to amendment by the General Assembly.
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, 2009 and 2008  

Note 11 - **Pension and Retirement Plans - Continued**  

The payroll expense of Community College employees covered by the System was approximately $8,227,000 and $9,409,000 for the years ended June 30, 2009 and 2008, respectively. The Community College’s total payroll expense for the years ended June 30, 2009 and 2008 was approximately $40,863,000 and $41,352,000, respectively.  

All full-time employees of the Community College who had not attained at least 10 years of contributory service as of July 1, 2005 and are not covered by 403(b) annuity contracts are eligible to retire at or after age 65 with 10 years of credited service, at age 59 with 29 years of credited service, at age 55 and had completed 20 years of total service provided that the retirement allowance as determined according to the formula in the State statute is reduced actuarially for each month that the age of the member is less than 65 years. The retirement benefit is equal to various percentages of annual earnings, ranging from 1.6% to 2.25% for each of the first 38 years of service, not to exceed 75% of final salary after the three highest consecutive years of earned salary. The System also provides certain death and disability benefits. The above information can be found at RIGL 36-10-9 and 36-10-10.  

The employee contribution rate is set by general law and may be amended by the General Assembly. The employer contribution rate is calculated by the System’s actuary and approved by the System’s Retirement Board annually.  

Covered employees in the System were required to contribute 8.75% of salaries paid in 2009 and 2008 while the Community College was required to pay 21.64% and 20.77% of salaries paid for the years ending June 30, 2009 and 2008, respectively. The Community College’s contributions to the System for the years ended June 30, 2009, 2008, and 2007 were approximately $1,854,000, $2,300,000, and $2,038,000, respectively, representing 100% of the required contribution for each of the three years.  

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 by writing to the Employees’ Retirement System, 40 Fountain Street, Providence, RI 02903.
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, 2009 and 2008

Note 12 - Other Post Employment Benefits

Rhode Island Retiree Health Care Benefit Plan (RIRHCBP)

Plan Description

The Community College participates in a State administered defined benefit post employment health care plan known as the Rhode Island Retiree Health Care Benefits Plan (RIRHCBP). The RIRHCBP is an agent multiple employer plan.

The RIRHCBP is reported in an internal service fund of the State using the accrual basis of accounting. The fund reports all employer and retiree (plan member) contributions to the plan. Contributions are recognized when made. Benefits (health care claims) and refunds are recognized when due and payable in accordance with the terms of the plan. A liability for incurred but not reported claims is determined based on past claims payment trends and is included in the State’s financial statements. Working premium rates are determined by the State each fiscal year after consultation with an employee benefits consultant and are designed to fund current claims incurred during the fiscal year as well as the costs of administering the plan. For the year ended June 30, 2009, the Plan operated on a pay-as-you go basis and no provision has been made to fund future benefits to be provided to RIRHCBP members. The RIRHCBP does not issue a stand-alone financial report.

Funding Policy

RIGL Sections 36-10-2, 36-12.1, 36-12.2.2 and 36-12-4 govern the provisions of the RIRHCBP. The contribution requirements of plan members, the State and other participating employers are established and may be amended by the General Assembly.
Note 12 - **Other Post Employment Benefits - Continued**

**Funding Policy - Continued**

For those who retired on or before September 30, 2008, the State provides two types of subsidies for health care benefits. The Tier I subsidy applies to non-Medicare eligible plans and provides that the State will pay the portion of the cost of post-retirement health care for the retiree and any dependents above the active group rate. The retiree pays the active monthly rate and the State pays the difference between the active group rate and the early retiree rate. This subsidy is not based on years of service and ends at age 65. In addition to the Tier I benefits, the State pays a portion of the cost of post-retirement health care above the Tier I costs for certain retirees meeting eligibility requirements based upon the age and service of the retiree, which is referred to as the Tier II benefit.
Note 12 - **Other Post Employment Benefits - Continued**

**Funding Policy - Continued**

For those who retired on or before September 30, 2008, the fiscal 2009 contributions are as follows:

<table>
<thead>
<tr>
<th>Retiree Age</th>
<th>Years of Service</th>
<th>Amount of Cost Paid by Retiree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 60: (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>28-34</td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>35+</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Retiree Age from 60 to 65: (2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 – 15</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>16 – 22</td>
<td></td>
<td>30%</td>
</tr>
<tr>
<td>23 – 27</td>
<td></td>
<td>20%</td>
</tr>
<tr>
<td>28+</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Retiree Age Greater than 65: (3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 – 15</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>16 – 19</td>
<td></td>
<td>30%</td>
</tr>
<tr>
<td>20 – 27</td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>28+</td>
<td></td>
<td>0%</td>
</tr>
</tbody>
</table>

(1) The monthly premium rate for fiscal year 2009 is $789.76 for the individual plan. The retiree's cost is then calculated based on a maximum of $481.28 (the active plan rate).

(2) The monthly premium rates are the same as indicated above for the Retiree Age Below 60 category.

(3) The monthly premium rate for the Medicare Supplemental plan is $201.16 for the individual plan, and the monthly premium for the Medicare HMO plan was $107 for the first six months of fiscal year 2009 and $115 thereafter. Retirees can choose between the two plans. The retiree’s cost is then calculated based on their years-of-service subsidy above.
Note 12 - Other Post Employment Benefits - Continued

Funding Policy - Continued

For anyone who retired on or after October 1, 2008, age 59 through 64, with a minimum of 20 years of service, the State will pay 80% of the actual cost of health care coverage. The State contributed $631.81 per month for these retirees during fiscal 2009. For eligible retirees ages 65 or older, the State pays 80% of the cost of the Medicare supplement products as described in note (3) above.

Annual Other Post Employment Benefit (OPEB) Cost and Net OPEB Obligation:

The Community College recognized an expense equal to the annual required contribution of the employer (ARC), which is actuarially determined in accordance with GASBS Statement 45, interest on the net OPEB obligation at the beginning of the fiscal year and the ARC adjustment. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC for fiscal 2009 was determined based on an actuarial valuation performed as of June 30, 2005. Separate actuarial valuations were not performed at June 30, 2005 for each participating component unit. For fiscal year 2009, the ARC, as a percentage of covered payroll, for participating component units was the same for all active plan members, 6.01% of covered payroll. Beginning with the actuarial valuation performed as of June 30, 2007, separate ARCs and unfunded actuarial accrued liabilities were determined for each participating component unit. The Community College actually contributed 5.62% of annual covered payroll for fiscal 2009. The Community College’s annual OPEB cost and the net OPEB obligation for fiscal 2009, are as follows:
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, 2009 and 2008  

Note 12 - **Other Post Employment Benefits - Continued**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual required contribution (ARC)</td>
<td>$495,476</td>
</tr>
<tr>
<td>Plus: Interest on net OPEB obligation at beginning of year</td>
<td>7,057</td>
</tr>
<tr>
<td>Less: Adjustment to ARC</td>
<td>(6,392)</td>
</tr>
<tr>
<td><strong>Annual OPEB cost</strong></td>
<td>496,141</td>
</tr>
<tr>
<td>Contributions made</td>
<td>478,494</td>
</tr>
<tr>
<td>Increase in OPEB obligation</td>
<td>17,647</td>
</tr>
<tr>
<td>Net obligation at beginning of year</td>
<td>197,885</td>
</tr>
<tr>
<td><strong>Net obligation at end of year (due to State of Rhode Island)</strong></td>
<td>$215,532</td>
</tr>
</tbody>
</table>

The Community College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2008 (first year of GASBS 45 implementation) were as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Annual OPEB Cost</th>
<th>Percentage of Annual OPEB Cost Contributed</th>
<th>Net OPEB Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2008</td>
<td>$565,470</td>
<td>65%</td>
<td>$197,885</td>
</tr>
<tr>
<td>June 30, 2009</td>
<td>$496,141</td>
<td>96%</td>
<td>$215,532</td>
</tr>
</tbody>
</table>
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, 2009 and 2008

Note 12 - Other Post Employment Benefits - Continued

Funded Status and Funding Progress:

The funded status of the Community College’s share of the plan as of June 30, 2007 (the date of the most recent valuation), was as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Accrued Liability (AAL)</td>
<td>$10,530,903</td>
</tr>
<tr>
<td>Actuarial Value of Plan Assets</td>
<td>$ -</td>
</tr>
<tr>
<td>Unfunded Actuarial Accrued Liability (UAAL)</td>
<td>$10,530,903</td>
</tr>
<tr>
<td>Funded ratio (Actuarial Value of Plan Assets / AAL)</td>
<td>0%</td>
</tr>
<tr>
<td>Annual Covered Payroll (Active Plan Members)</td>
<td>$8,244,193</td>
</tr>
<tr>
<td>UAAL as a Percentage of Covered Payroll</td>
<td>128%</td>
</tr>
</tbody>
</table>

A separate actuarial valuation was performed to determine the actuarial accrued liability for the Community College, a participating employer.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.
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, 2009 and 2008

Note 12 - Other Post Employment Benefits - Continued

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Annual Required Contributions for fiscal year 2009 was determined based on the June 30, 2005 valuation. The most recent actuarial valuation was performed as of June 30, 2007. The Unfunded Actuarial Accrued Liability (UAAL) was amortized by a level (principal and interest combined) percent of payroll contribution for each component unit employer. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL is being amortized over the remainder of a closed 30-year (or shorter) period from June 30, 2006.

Plan changes effective for employees retiring after October 1, 2008 have been reflected in the actuarial valuation performed as of June 30, 2007 and June 30, 2005.

The individual entry-age actuarial cost method is used to determine the annual required contribution amounts and the annual net OPEB obligation. The actuarial assumptions include a 3.566% discount rate based upon the average rate of return during the 10 years ended June 30, 2008 for short term investments of the State’s General Fund; an annual healthcare cost trend rate of 12% progressively declining to 4.5% after 10 years for the 2005 valuation; and a salary growth rate ranging from 8.25% in the first year of service to 4.75% in year 15 and beyond for the 2005 valuation. In the June 30, 2007 valuation the health care cost trend assumption was changed to a rate of 10% progressively declining to 4.5% after 8 years and the salary growth assumption was changed to a rate of 9.00% in the first year of service to 4.5% in year 15 and beyond. Other changes in assumptions between the 2005 and 2007 valuations include changes in the assumed rates of termination, rates of retirement, percent married, and retiree health care election rates. These assumptions changes were based on the experience study for the Employees’ Retirement System of Rhode Island as well as anticipated experience changes in conjunction with the adopted plan changes.
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, 2009 and 2008

Note 12 - Other Post Employment Benefits - Continued

Actuarial Methods and Assumptions - Continued:

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trends. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are formulated about the future.

Rhode Island Board of Governors for Higher Education Health Care Insurance Retirement Program

Plan description:

The Community College contributes to the Rhode Island Board of Governors for Higher Education (Board) health care insurance retirement program (Plan), medical coverage only, for eligible employees who participate in the Board’s Alternate Retirement Plan (ARP) (Note 11) and per union contracts. The Board established an agent multiple-employer defined benefit healthcare plan effective July 1, 1998 for all of its subject entities including the College.

Contributions are recognized when made. Health care claims are recognized when due and payable in accordance with the terms of the plan. A liability for incurred but not reported claims is determined based on past claims payment trends and is included in the financial statements. Working premium rates are determined by the State each fiscal year after consultation with an employee benefits consultant and are designed to fund current claims incurred during the fiscal year as well as the costs of administering the plan. For the year ended June 30, 2008 the Plan operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to Plan members.

The Plan offers two types of retiree health care benefits. The plan offers a self-insured health care plan administered by United Healthcare for pre-65 and post-65 retirees or a fully insured Medicare HMO plan for post-65 retirees. Tier I, non-Medicare eligible plans, subsidy provides that the Board will pay the portion of the
Note 12 - Other Post Employment Benefits - Continued

Plan description - Continued:

cost of post-retirement health care for the retiree between the active group rate and the early retiree rate. This subsidy is not based on years of service and ends at age 65. In addition, the Board pays a portion of the cost of post retirement health care for the retiree based on age and years of service, referred to as Tier II. Tier II benefits are a lifetime benefit.

To be eligible for coverage, the retiree must have worked a minimum of 10 years for the Board/Community College and must be 60 years of age, unless they have 28 years or more of service. Depending on the years of service and the retiree’s age the Board will pay from 50% to 100% of medical insurance premium while the retiree contributes from 50% to 0%.

Effective July 1, 2008, pre-65 retiree health coverage is eliminated. For employees retiring after June 30, 2008, who are not yet 65 years of age, who have worked a minimum of 10 years for the Board/ Community College and are at least 60 years of age or who have 28 years or more of service, may purchase health insurance coverage at the actual retiree premium rate for themselves and their spouses. The College will continue to pay a portion of the post-65 Tier II benefits, 50% to 100% of medical insurance premium depending on the years of service and the retiree’s age while the retiree will contribute from 50% to 0%.

On May 1, 2008, Rhode Island State law established the “Rhode Island State Employees’ and Electing Teachers OPEB System”, as defined in G.L. 36-12.1-5, which will be managed by an OPEB Board for the purpose of providing and administering OPEB Benefits for retired employees of the State, which includes the Board Plan to be effective July 1, 2010. The OPEB Board shall establish one or more trust funds and/or sub trusts to hold the assets of the OPEB System, which will be known as “Rhode Island OPEB System Trust.”

The Board health care insurance retirement program does not issue a publicly available financial report.
Note 12 - Other Post Employment Benefits - Continued

Funding Policy:

The contribution requirements of plan members and the Community College are established and may be amended by the Board. The Board is not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to retirees. The Board reserves the authority to establish and amend contribution rates and benefit provisions of the plan.

Active employees who are covered by the Board’s Plan contribute the following:

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>Percentage of salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1998</td>
<td>0.25%</td>
</tr>
<tr>
<td>January 1, 2008</td>
<td>0.50</td>
</tr>
<tr>
<td>July 1, 2008</td>
<td>0.75</td>
</tr>
<tr>
<td>July 1, 2009</td>
<td>0.90</td>
</tr>
</tbody>
</table>

Employer contributions are made to cover expenditures beyond the amount of employee and retiree contributions.

Community College employees covered by this program contributed $208,914 and $76,653, during fiscal years 2009 and 2008, respectively. Employer contributions to the program were $618,960 and $594,186 during fiscal years 2009 and 2008, respectively.

Community College membership in the Board’s Plan consisted of the following at June 30, 2007, the date of the latest actuarial valuation:

- Retirees and beneficiaries receiving benefits: 126
- Active Board plan members: 522

Total: 648
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, 2009 and 2008

Note 12 - Other Post Employment Benefits - Continued

Annual OPEB Cost and Net OPEB Obligation

For fiscal year 2009, the Community College’s annual OPEB cost (expense) was $1,367,791, resulting in a net OPEB obligation of $748,831.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Required Contribution (ARC)</td>
<td>$1,247,550</td>
</tr>
<tr>
<td>Interest on OPEB Obligation</td>
<td>5,117</td>
</tr>
<tr>
<td>Amortization of OEPB</td>
<td>(4,635)</td>
</tr>
<tr>
<td>Interest on OPEB Obligation Adjustment</td>
<td>4,124</td>
</tr>
<tr>
<td>Adjustment to ARC</td>
<td>115,635</td>
</tr>
<tr>
<td>Annual OPEB Cost (Expense)</td>
<td>1,367,791</td>
</tr>
<tr>
<td>Contributions</td>
<td>(618,960)</td>
</tr>
<tr>
<td>Increase in Net Obligation</td>
<td>748,831</td>
</tr>
<tr>
<td>Net Obligation - Beginning of Year</td>
<td>143,503</td>
</tr>
<tr>
<td>Net Obligation - End of Year</td>
<td>$892,334</td>
</tr>
</tbody>
</table>

The funded status of the Community College’s share of the Plan as of June 30, 2007, the date of the most recent actuarial valuation, is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Actuarial Liability (AAL)</td>
<td>$17,490,694</td>
</tr>
<tr>
<td>Actuarial Value of Plan Assets</td>
<td>$17,490,694</td>
</tr>
<tr>
<td>Unfunded Actuarial Accrued Liability (UAAL)</td>
<td>$17,490,694</td>
</tr>
</tbody>
</table>

Funded Ratio (Actuarial Value of Plan Assets/AAL) 0%
Annual Covered Payroll (Active Plan Members) $20,757,903
UAAL as a Percentage of Covered Payroll 84%

The Community College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 is as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Annual OPEB Cost</th>
<th>Annual OPEB Cost Contributed</th>
<th>Net OPEB Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2008</td>
<td>$737,689</td>
<td>81%</td>
<td>$143,503</td>
</tr>
<tr>
<td>June 30, 2009</td>
<td>$1,367,791</td>
<td>45%</td>
<td>$892,334</td>
</tr>
</tbody>
</table>
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, 2009 and 2008

Note 12 - Other Post Employment Benefits - Continued

Annual OPEB Cost and Net OPEB Obligation - Continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.
COMMUNITY COLLEGE OF RHODE ISLAND
(a Component Unit of the State of Rhode Island and Providence Plantations)

Required Supplementary Information
June 30, 2009
(Unaudited)

Schedules of Funding Progress – OPEB

RIRHCB Plan

<table>
<thead>
<tr>
<th>Actuarial valuation date</th>
<th>Actuarial value of assets (a)</th>
<th>Actuarial accrued liability (b)</th>
<th>Unfunded (b-a)</th>
<th>Funded ratio (a/b)</th>
<th>Covered payroll (c)</th>
<th>Unfunded liability as percentage of covered payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2007</td>
<td>$</td>
<td>$10,530,903</td>
<td>$10,530,903</td>
<td>0%</td>
<td>$8,244,193</td>
<td>128%</td>
</tr>
</tbody>
</table>

Board of Governors Plan

<table>
<thead>
<tr>
<th>Actuarial valuation date</th>
<th>Actuarial value of assets (a)</th>
<th>Actuarial accrued liability (b)</th>
<th>Unfunded (b-a)</th>
<th>Funded ratio (a/b)</th>
<th>Covered payroll (c)</th>
<th>Unfunded liability as percentage of covered payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2007</td>
<td>$</td>
<td>$17,490,694</td>
<td>$17,490,694</td>
<td>0%</td>
<td>$20,757,903</td>
<td>84%</td>
</tr>
</tbody>
</table>

Prior to the valuation performed at June 30, 2007, separate actuarial valuations were not performed to determine the actuarial accrued liability for Community College of Rhode Island, a participating employer.

The above information is related to only the Community College of Rhode Island.
To the Board of Governors for Higher Education
State of Rhode Island and Providence Plantations

We have audited the financial statements of Community College of Rhode Island (the “College”) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 30, 2009, which included a reference to the report of the other auditor who audited the discretely presented component unit. 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.

Our consideration of internal control over financial reporting and our test of compliance with certain provisions of laws, regulations, contracts, and grants, and other matters did not include the discretely presented component unit audited by the other auditor referred to in the previous paragraph. The findings, if any, of the other auditor are not included herein.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Community College of Rhode Island’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College’s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College’s ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College’s financial statements that is more than inconsequential will not be prevented or detected by the College’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College’s internal control.
Compliance and Other Matters

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

We noted certain matters that we reported to management of the College in a separate letter dated September 30, 2009.

This report is intended solely for the information and use of the Board of Governors for Higher Education and management of Community College of Rhode Island, the Rhode Island Auditor General, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

O'Connor & Drew, P.C.

Certified Public Accountants

September 30, 2009