VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Financial Statements and Management's Discussion and Analysis

June 30, 2016 and 2015

C O N T E N T S

O'Connor & Drew P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Vermont State Colleges
Montpelier, Vermont

Report on the Financial Statements
We have audited the accompanying financial statements of the Vermont State Colleges (a component unit of the State of Vermont) (the "Colleges"), which comprise the statements of net position as of June 30, 2016 and 2015, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Colleges' basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont State Colleges at June 30, 2016 and 2015 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-18 and the schedule of funding progress on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information
Our audits were conducted for the purpose of forming an opinion on the financial statements of Vermont State Colleges, taken as a whole. The schedule of expenditures of federal awards on pages 63-70 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2016, on our consideration of Vermont State Colleges' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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* in considering the Vermont State Colleges' internal control over financial reporting and compliance.

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 19, 2016

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Management's Discussion and Analysis (Unaudited)

June 30, 2016 and 2015

Introduction

The Management's Discussion and Analysis (MD&A) is required supplemental information due to the Governmental Accounting Standards Board (GASB) reporting model. It is designed to help the reader's understanding of the accompanying financial statements and notes. As this MD&A contains summarized information, tables and graphs, it should be read in conjunction with the accompanying financial statements and notes.

Vermont State College System

The Vermont State College System unites five distinctive public colleges in the common purpose of providing first-rate higher education at reasonable cost in order to improve the quality of life for the citizens of Vermont.

The colleges are:
Community College of Vermont (CCV)
Castleton University (CU)
Johnson State College (JSC)
Lyndon State College (LSC)
Vermont Technical College (VTC)

Significant Events Affecting These Financial Statements

Events that affect these statements during the past five years include:

- Enrollment trends over the past 5 years are down for all of the VSC institutions, counting by either FTE (full time equivalent) or by headcount. There was an uptick from FY15 to FY16 for Castleton University and Vermont Technical College, but the downward trend continued for the other three schools. The primary reason for this trend is the declining number of students graduating from high school in the state.
- Accrual of the costs of other post-employment benefits (OPEB) totaling over $60 million through FY2016, which is not being pre-funded, but paid when incurred during retirement periods. Groups have been closed for all staff hired in the future which will reduce this liability over time.
- Debt financing was secured for construction projects in FY2008 and FY2010, with construction projects placed in service through FY2013. In 2005, 2008 and 2009, VSC borrowed funds for construction projects. For each of these, we entered into debt swap arrangements with the lender to provide a fixed interest rate over the life of these loans. The market value of these debt swaps is reflected in the Statement of Net Assets. It is included in the Asset section as deferred outflows of resources, and in the liability section as Interest Rate Swap.

Using the Financial Statements

The following discussion and analysis provides an overview of the financial statements and activities of Vermont State Colleges (VSC) for the year ended June 30, 2016 and selected comparative information for the previous 4 years. Since this MD&A is designed to focus on current activities, resulting changes and currently known facts, please read in conjunction with the financial statements and notes that follow this section.

These financial statements have been prepared in accordance with GASB (Government Accounting Standards Board) principles. In June 1999, GASB released Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis*. Changes in Statement No. 34 compared to prior GASB pronouncements require a comprehensive consolidated look at the entity as a whole, as well as capitalization and depreciation of assets. In November 1999, GASB issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. This essentially applies Statement No. 34 to public colleges and universities. Previously, the financial statements focused on the individual fund groups rather than VSC as a whole.

A brief explanation of each financial statement required by the GASB reporting model follows:

Financial Statements

The Vermont State College System's financial statements include three primary components:

- Statement of Net Position (SNP)
- Statement of Revenues, Expenses and Changes in Net Position (SRECNP)
- Statement of Cash Flow (SCF)

Statement of Net Position

The Statement of Net Position presents the financial position of VSC at one point in time - June 30, and includes all assets, liabilities, and the net position of the System. Net position represents the residual interest in the System's assets after liabilities are deducted. The change in net position is an indicator of whether the overall financial condition has improved or deteriorated during the year. Table 1 on page 6 shows the condensed Statement of Net Position for the past five years.

Assets are items of economic value owed by an institution. They include capital assets like land, buildings and equipment: cash and investments, and amounts owed to us by students or others. Total assets are categorized as either current or noncurrent.

Statement of Net Position – Continued

Current assets are available to satisfy current liabilities, which are those amounts expected to be payable within the next year. The major components of current assets are cash and accounts receivable, which are primarily funds due to the VSC by students and granting agencies.

Total assets (including deferred outflows) of $268 million as of the end of the current fiscal year decreased by $4 million or 1% from prior year, the decrease was primarily in Capital Assets due to depreciation. There were also sales of investments during the year increasing our cash. Over the 5 years, assets have decreased by $25 million, $12 million in current assets plus investments, and an additional $7 million in capital assets. As enrollment has declined, we have used investments to fund activities, and have deferred maintenance of our capital assets.

Noncurrent assets consist primarily of endowment and other investments, in addition to capital assets. Investments were $43 million at June 30, 2016, a decrease of $7 million or 14% since June 30, 2015 – this decrease was primarily from sales of investments to ensure cash was available during July and August, an annual low point in our cash position. At the beginning of the 5-year period, current assets included a Certificate of Deposit which matured in FY2013. Some of these funds were invested and are now reflected in Long Term investments.

Liabilities are obligations owed by the institutions. They include funds owed to others like vendors, employees, taxing agencies, bondholders. Liabilities are also classified as current and long-term. Current liabilities are those that due during the next fiscal year.

Current liabilities of $25 million and $24 million as of June 30, 2016 and 2015 respectively include primarily accounts payable, and unearned revenue related to the next fiscal year. Current liabilities have not changed significantly from FY2012.

Noncurrent liabilities increased by $4 million to $198 million during FY2016. An increase in postemployment benefits (OPEB) liability of $5 million was offset by a decrease in long term debt of $6 million. During the 5-year period, the VSC has recorded an increase in this OPEB liability of $24 million, bringing the total OPEB liability to $60 million. Bonds payable are declining as bond holders are being paid.

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

Statement of Net Position – Continued

TABLE 1: Condensed Statement of Net Position as of June 30
($ in millions)

	2016	% change	2015	% change	2014	2013	2012
Current Assets	30	25%	24	14%	21	25	65
Noncurrent Assets							
Investments	43	-14%	50	-9%	55	51	20
Capital assets, net	174	-4%	181	-3%	187	194	181
Other	6	0%	6	-19%	6	7	10
Deferred outflows (Rate swaps)	15	36%	11	0%	11	11	17
Total Assets and Def'd outflows	268	-1%	272	-3%	280	288	293
Current liabilities	25	4%	24	4%	23	23	26
Non current liabilities							
Post employm't benefit oblig	60	9%	55	12%	49	43	36
Bonds and Notes payable	117	-5%	123	-3%	127	131	136
Other	21	31%	16	-6%	17	17	23
Total Liabilities	223	2%	218	1%	216	214	221
Net investment in cap'l assets	54	-5%	57	-5%	60	66	52
Restricted							
Nonexpendable	18	6%	17	6%	16	15	14
Expendable	9	0%	9	-10%	10	8	6
Unrestricted	-36	24%	-29	32%	-22	-15	0
Total Net Position	45	-17%	54	-16%	64	74	72
Total Liabilties and Net Position	268	-1%	272		280	288	293

Net Position

Net position is equal to the total assets minus the total liabilities, and represents the value of the institution at a point in time: for VSC financial statements on June 30.

Net investment in capital assets represents the historic cost of the System's capital assets reduced by total accumulated depreciation, plus the outstanding principal balances on debt used for the acquisition, construction, or improvement of those assets.

Net Position – Continued

Total net position decreased from $72 million to $45 million over the five years reported here, primarily from the recognition of post retirement costs totaling $24 million during the period. Without this OPEB cost, our net position for FY2016 would be just $3 million less than our FY2012 net position. Changes in our net position from FY2015 to FY2016 include a decrease in capital assets (-$7M) the increase in unfunded post-retirement benefit obligations (-$5M) and reduction in amount owed on debt (+$6M).

Net investment in capital assets decreased by $3 million from June 30, 2015 to June 30, 2016 due to depreciation, offset partially by reduction in outstanding debt related to capital assets. Net investment in capital assets increased during the prior years during a period of capital construction.

The restricted nonexpendable port of the Net Position represents the permanent endowment funds for the system. These are donations to the colleges that cannot be spent without permission of the donor. They are invested and the earnings are used, based on the instructions of the donor. Most of the earnings on our endowment funds are used for scholarships. The increase of $1 million in FY2016 and $4 million over 5 years is due to gifts received for endowments during the period.

The restricted expendable portion of Net Position includes unexpended, but restricted gifts and grants, and unexpended endowment appreciation, subject to externally imposed conditions on their use. There was no significant change from June 30, 2015 to June 30, 2016. Over the 5-year period, expendable net assets have increased by $3 million, as earnings have outpaced the 5% spending on endowments permitted by Board policy.

The unrestricted portion of the Net Position is affected primarily by OPEB obligations, which are unfunded. That liability increased by $5 million in FY2016 to $60 million as of June 30, 2016. Since FY2012, the unrestricted net position has declined by $36 million as post-employment benefit obligations are recorded.

During FY2016 the system's total Net Position declined from $54 million to $45 million. This is due primarily to our unrestricted net assets being reduced from the annual booking of the VSC OPEB liability. The details of the change in net position are shown in the Statement of Revenues, Expenses, and Changes in Net Position beginning on page 9.

Capital Assets and Debt Administration

The System's facilities are critical to accomplishing the mission of the System as they provide the physical framework and environment for educational, research, cultural programs and for residential life. Table 2 on page 8 provides detail from the past 5 years related to the Capital Assets held by the System.

Capital Assets and Debt Administration – Continued

Construction in Progress reflects amounts paid for buildings or other assets that were not completed at year end. When completed and placed in service, the total cost is moved to the appropriate capital asset category. Depreciation of that asset begins the month after it is placed in service.

During the 5-year period, there was significant construction done at all five colleges, funded by debt acquired in FY2008 and FY2010. Construction in Progress increased during the years of construction, representing construction not completed on June 30. During FY2014 as construction projects were completed Construction in Progress returned to a level prior to receipt of debt funding. Building and Improvements increased throughout the period, reflecting the completed projects. Infrastructure includes water & sewer systems, heating & electrical systems, telecommunication systems, and roads. The increase in infrastructure over the five-year period is due to projects on the campuses as well as enhanced communications systems for the entire System. Equipment shows a significant increase in FY2013 due to a donation of software valued at $12 million. Table 2 provides detail about Capital Assets, including related information (depreciation expense and outstanding principal on construction loans).

Table 2: Capital Assets as of June 30
($ in millions)

	2016	% Change	2015	% Change	2014	2013	2012
Land	10	0%	10	67%	6	6	6
Construction in progress	2	0%	2	-33%	3	8	7
Infrastructure	38	0%	38	0%	38	36	35
Buildings and improvements	254	1%	252	1%	250	241	233
Leasehold improvements	4	0%	4	0%	2	2	0
Equipment	33	3%	32	0%	32	31	17
Total Capital Assets	341		338		331	324	298
Accumulated Depreciation	-167	6%	-157	9%	-144	-129	-117
Capital Assets, Net	174		181		187	195	181
Related information							
Depreciation Expense	10	-29%	14	0%	14	13	8
Outstanding Principal, Related Loans	123	-3%	127	-3%	131	135	141

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position reports total operating revenues, operating expenses, non-operating revenues and expenses, and other changes in net position, showing the total change in net position for the fiscal year. Table 3 on page 9 shows the Condensed Statements of Revenues, Expenses, and Changes in Net Position for the past five fiscal years.

Operating and Non-operating Revenue

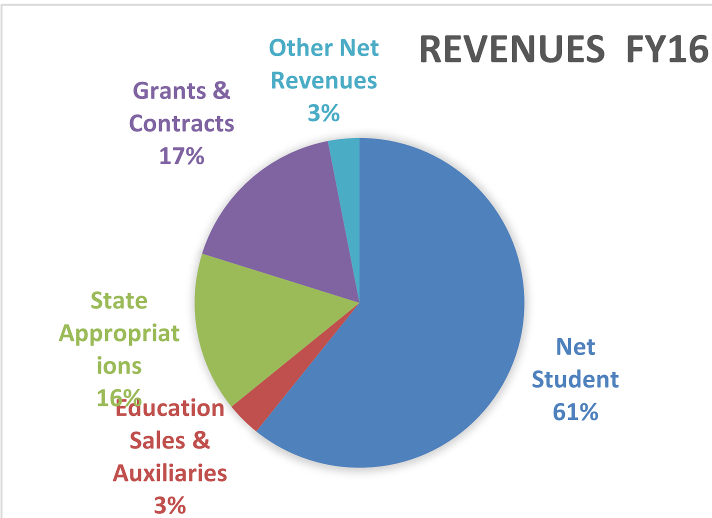
Accounting rules require that our audited financials include operating revenues, operating expenses and non-operating revenues and expenses. The following sections provide an analysis of the total operating and non-operating revenues and expenses. The VSC's primary source of revenue is from student fees. This accounts for 61% of operating and non-operating income. In addition, the System receives revenue from state appropriations, governmental and privately funded grants and contracts; gifts from individuals, foundations, and corporations; and investment income.

Table 3: Condensed Statements of Revenues, Expenses, and Changes in Net Position

($ in millions)

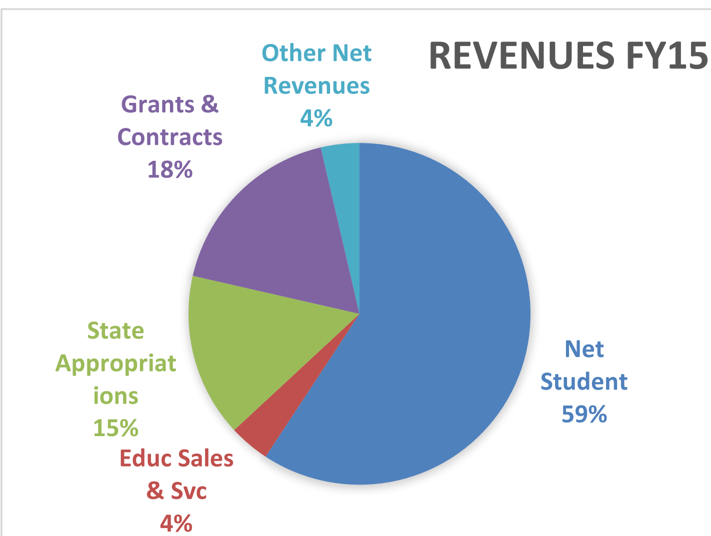
	2016	% Change	2015	% Change	2014	2013	2012
Net Student Fees	112	2%	110	-2%	112	112	110
Grants and contracts	15	0%	15	0%	15	15	15
Other Operating Revenues	8	0%	8	0%	8	8	7
Operating Revenues	135	2%	133	-1%	135	135	132
Operating Expenses	186	-2%	190	-3%	195	194	185
Operating Loss	-51	-11%	-57	-5%	-60	-59	-53
Nonoperating Revenues (Expenses)							
Non Capital Appropriations	26	-4%	27	0%	27	26	26
Federal Grants & Contracts	17	-6%	18	-10%	20	20	20
Gifts currently expendable	3	-25%	4	33%	3	3	2
Investment Income & Interest	1	0%	0	-100%	4	2	1
Interest Expense	-6	50%	-4	-33%	-6	-6	-6
Other nonoperating revenues	-1	0%	0	0%	0	0	1
Net Nonoperating Revenues	40	-11%	45	-6%	48	45	44
Total Change before other Revenues	-11	-8%	-12	0%	-12	-14	-9
Other Changes in Net Position							
Capital Appropriation	3	50%	2	0%	2	4	2
Capital gifts and grants	0	0%	0	-	0	13	0
Endowment gifts	0	0%	0	0%	1	0	1
Change in Net Position	-8	-20%	-10	11%	-9	3	-6

Operating and Non-operating Revenue - Continued



FY2016 Revenues
($ in thousands)

Net Student	$111,340
Educational Sales/Aux	6,207
State Appropriations	28,709
Grants & Contracts	31,329
Other Net Revenues	5,636
TOTAL	$183,221



FY2015 Revenues
($ in thousands)

Net Student	$109,860
Educational Sales/Aux	7,114
State Appropriations	28,710
Grants & Contracts	32,976
Other Net Revenues	6,746
TOTAL	$185,406

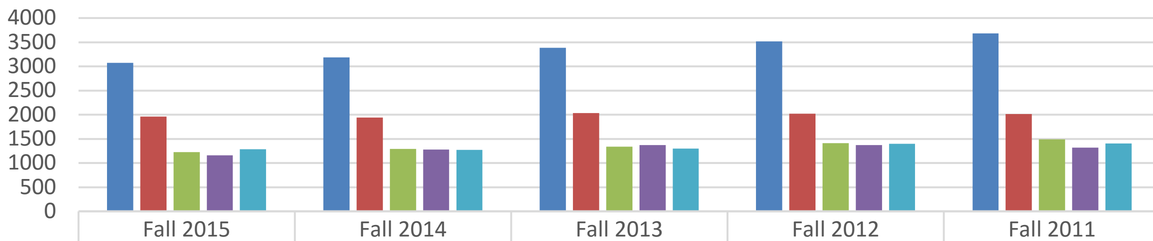
Tuition and Fee Revenue

Net Tuition and fees includes tuition and fees plus residence and dining fees less scholarship allowances. Table 3 shows the trend for Tuition and Fee Revenue from FY2012 through FY2016. For the System, student-based revenue has been flat during the five year period, despite increases in tuition. Enrollments in a time of decreasing high school graduates in the state have created a challenge for the schools in our system.

<u>Tuition and Fee Revenue – Continued</u>

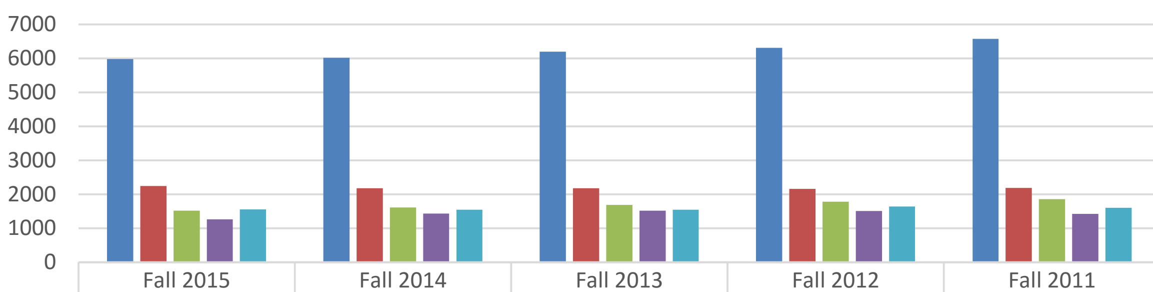
The following Charts show enrollments and student revenues for each college during this 5-year period. Enrollments are displayed by both FTE and by Headcount. FTE (Full Time Equivalent) provides better comparative information and Headcount shows the total number of individuals who have benefited from VSC education. These charts show the decline in enrollment for CCV, JSC and LSC from FY2015 to FY2016, which begins with the Fall 2015 term. Both Castleton University and Vermont Technical College had increases in FY2016 hopefully beginning a new trend.

Fall Enrollment by FTE by College



	Fall 2015	Fall 2014	Fall 2013	Fall 2012	Fall 2011
CCV	3077	3186	3387	3520	3685
CU	1960	1940	2036	2024	2014
JSC	1225	1296	1343	1415	1493
LSC	1162	1283	1376	1374	1320
VTC	1286	1274	1302	1401	1405

Fall Enrollment by Headcount by College



	Fall 2015	Fall 2014	Fall 2013	Fall 2012	Fall 2011
CCV	5983	6019	6194	6311	6578
CU	2246	2183	2175	2156	2192
JSC	1514	1613	1692	1783	1859
LSC	1266	1430	1519	1508	1422
VTC	1559	1542	1543	1645	1603

VERMONT STATE COLLEGES
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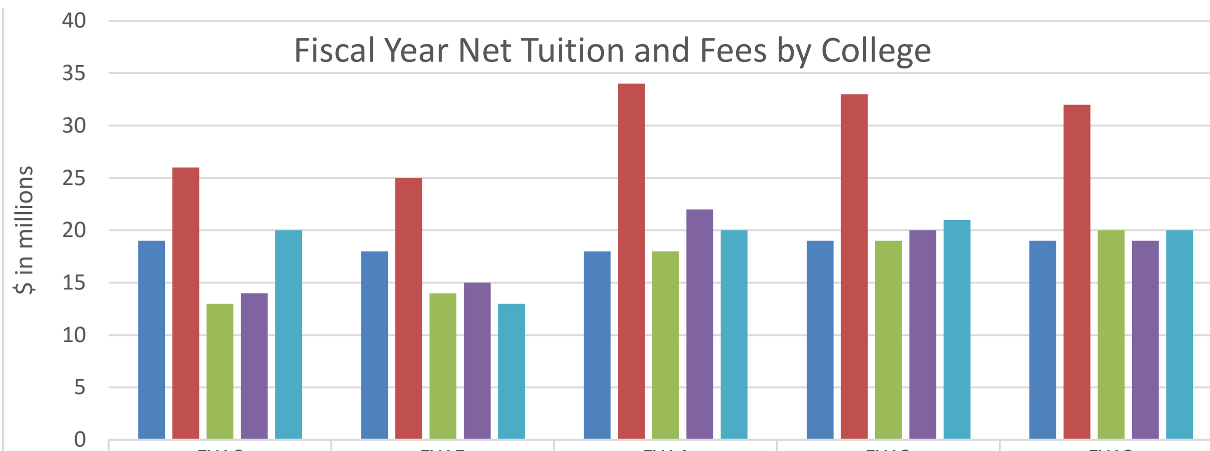
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

<u>Tuition and Fee Revenue – Continued</u>

The chart below displays Net Tuition and Fees for each college during the five-year period. It is notable that CCV has by far the largest number of students – both FTE and Headcount, but their net tuition is consistently outpaced by Castleton, and generally on par with the other 3 schools. CCV, as a Community College has the lowest tuition cost and charges for courses on a per credit basis, while the residential schools charge on a semester basis. However, CCV's net tuition has remained much more stable during the more recent years than the other colleges.



	FY16	FY15	FY14	FY13	FY12
CCV	19	18	18	19	19
CU	26	25	34	33	32
JSC	13	14	18	19	20
LSC	14	15	22	20	19
VTC	20	13	20	21	20

<u>Operating and Non-operating Expenses</u>

Table 4 on page 13 shows the total Operating and Non-Operating Expenses for the past 5 years, and the charts on pages 13-14 provide a quick view of the percent of expenses by type for FY2016 and FY2015.

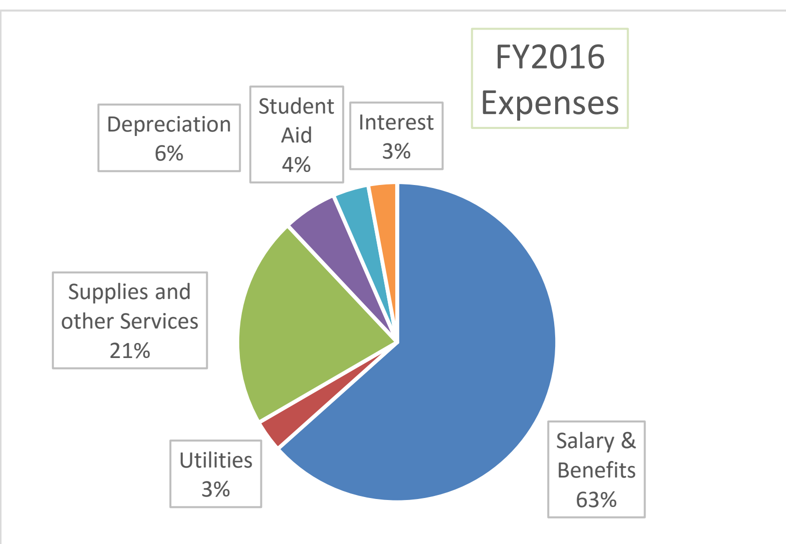
The largest percentage of VSC expenses are for salary and benefits (about 63%). Those expenses have continued to grow through FY2014, but staff reductions created a decline in FY2015 and again in FY2016. The only other expense that has increased significantly during this period is depreciation. However a software donation in FY2013 has now been fully depreciated, so this expense is returning to normal levels. Supplies and services is the second largest expense (21%).

Operating and Non-operating Expenses - Continued

Included in Salaries and Benefits are annual accruals related to post-employment benefits.

Table 4: Total Operating and Non-operating Expenses for Years Ended June 30
($ in millions)

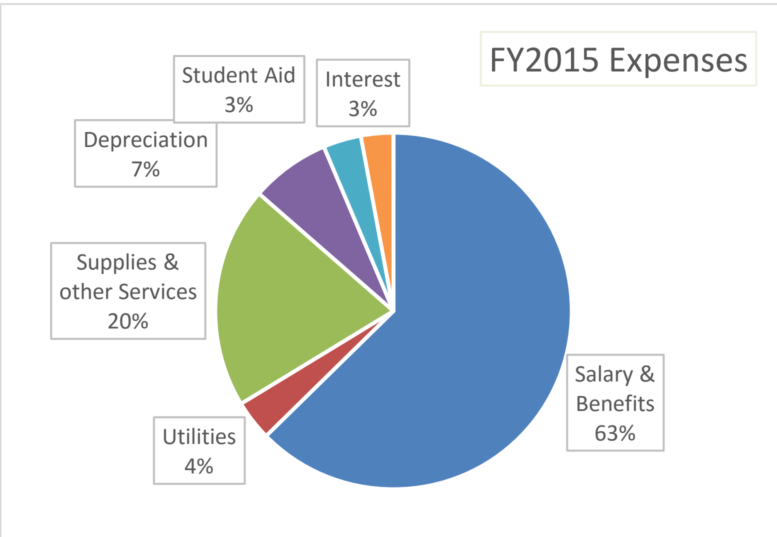
	2016	% change	2015	% change	2014	2013	2012
Operating							
Salaries & Benefits	121	-2%	123	-2%	125	123	120
Utilities	6	-14%	7	0%	7	7	7
Supplies and Svcs	41	5%	39	-7%	42	43	42
Depreciation	11	-21%	14	0%	14	13	8
Student Aid	7	0%	7	0%	7	8	8
Total Operating	186		190		195	194	185
Nonoperating							
Interest on Debt	5	-17%	6	0%	6	6	6
TOTAL Expenses	191	-3%	196	-2%	201	200	191



FY2016 Expenses
($ in thousands)

Salary/Benefits	$121,329
Utilities	6,176
Supplies/Services	40,861
Depreciation	10,489
Student Aid	6,920
Interest on Debt	5,569
TOTAL	$191,344

Operating and Non-operating Expenses – Continued



FY2015 Expenses
($ in thousands)

Salary/Benefits	$122,588
Utilities	7,143
Supplies/Services	39,342
Depreciation	14,088
Student Aid	6,741
Interest on Debt	5,758
TOTAL	$195,660

Student Financial Aid

Student financial aid awards are made from a variety of sources including federal, state, private, and system funds. Aid received from third parties is recognized as grants and contracts revenue, and aid funded with endowments is recognized as investment income on the Statements of Revenues, Expenses, and Changes in Net Position while the distribution of aid from all sources is shown as one of two components:

- Scholarship Allowances – financial aid retained by the System to cover students' tuition, fees, and on-campus housing and meals. These amounts are reported as a direct offset to operating revenues.
- Scholarships and Fellowships Expense – financial aid refunded to students to cover off-campus living costs, books, and other personal living expenses. These amounts are reported as operating expense.

Total student financial aid including both the amounts reported in net tuition revenue and scholarship expenses over the past five years is shown below.

Table 5: Student Finance Aid
($ in millions)

	FY16	FY15	FY14	FY13	FY12
Scholarship Allowances (included in revenue)	25	25	25	23	21
Scholarship Expenses (included in expenses)	7	7	7	8	8
Total Student Aid	32	32	32	31	29

Statement of Cash Flows

The Statement of Cash Flows shows inflows and outflows of cash excluding both revenue and expense that is accrued to comply with accounting rules. The Condensed Statement of Cash Flows for VSC is in Table 6 on page 16.

Cash flows from operating activities

Cash flows from operating activities on the Statement of Cash Flows will always be different from the operating gain or loss on the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP) because of the inclusion of noncash items, such as depreciation expenses on the SRECNP. Also, the SRECNP is prepared on the accrual basis of accounting, meaning that it shows both revenues earned and expenses incurred though cash has not yet exchanged hands. The primary cash receipts from operating activities consist of tuition and fees, grants and contracts, and auxiliary income from housing, food service and bookstore operations. Cash outlays include payment of wages and benefits; operating expenses such as utilities, supplies, insurance and repairs; and scholarships awarded to students. During the last five fiscal years operating cash flow has been fairly consistent.

Cash flows from noncapital financing activities

There are two primary sources of noncapital financing: state appropriations and non-operating federal grants that fund PELL student grants. Accounting standards require that we reflect these sources of revenue as non-operating, even though each of the colleges depends on them to continue the current level of operations. Both the state operating appropriations and PELL grant funds from the federal government have been fairly consistent over the last 5 fiscal years.

Cash flows from capital and related financial activities

Cash flows from capital and related financing activities include all capital plant funds and related long term debt activities (excluding depreciation and amortization of bond premiums, since these are non-cash transactions), as well as capital gifts, grants and appropriations.

Cash flows from investing activities

Purchase or sale of investments and income earned on investments are included in cash flows from investing activities. An item on the cash flow statement belongs in the investing activities section if it results from any gains (or losses) from investments in financial markets and operating subsidiaries. The activity from the last three fiscal years reflect the activity surrounding the VSC CD being liquidated in FY12 and reinvested into other instruments, as well as activity related to endowment investments.

Statement of Cash Flows - Continued

Table 6: Condensed Statements of Cash Flows
($ in millions)

Cash flows from:	2016	% change	2015	% change	2014	2013	2012
Operating	-38	9%	-35	-15%	-41	-43	-35
Non capital financing	45	-6%	48	-2%	49	49	49
Capital and related financing	-12	-8%	-13	30%	-10	-12	-17
Investing	7	17%	6	500%	1	-29	41
Net increase (decrease)	2	-67%	6	-700%	-1	-35	38
Cash, Beginning of Year	9	200%	3	-25%	4	39	1
Cash, End of Year	11	22%	9	200%	3	4	39
Operating cash flows if noncapital appropriations and PELL grants were included							
Operating	-38	9%	-35	-15%	-41	-43	-35
Non capital appropriations	26	-4%	27	4%	26	26	28
Non operating federal grants	17	-15%	20	-5%	21	20	22
Operating cash flows including appropriation and fed grants	5	-58%	12	100%	6	3	15

Consistent with accounting standards, cash flows from state operating appropriations and federal PELL grant revenue are included in noncapital financing activities, even though they provide funding for operating activities. The bottom section of Table 6 shows that with these revenue sources added to the operating cash flows, the result is positive cash flows in all years.

<u>Economic Factors That Will Affect the Future</u>

Demographic Trend

Vermont continues to experience a demographic decline in the overall number of graduating Vermont high school students, and this is expected to last several years into the future. All of the colleges have adopted programs and strategies to better recruit in this shrinking market. In addition, the State of Vermont has been initiating programs that permit high school students to attend college, and receive both high school and college credits for courses. The VSC has taken a lead in participating in these programs that will benefit the students by reducing their overall cost of college, as well as provide some additional revenue for the colleges.

Economic Factors That Will Affect the Future – Continued

Demographic Trend - Continued

In order to respond to these demographic changes, the VSC has also begun some structural changes that are expected to reduce costs, and at the same time enhance our ability to provide high quality services to our students. Beginning in the Fall of 2016, some administrative functions that do not impact student experience are being consolidated at the Chancellor's Office. Secondly, the system is beginning the process unifying Lyndon State College and Johnson State College into a single institution, effective at the beginning of the 2018-2019 academic year. Both campuses will be maintained, but administrative functions will be combined to reduce costs, and students from both campuses will be able to attend courses, and participate in student activities at either campus. The goal is to continue to provide high quality educational services to students, to increase both academic and campus life opportunities for students at both the campuses in Johnson and Lyndon, and create a financial model that is sustainable over time for the new unified college and for the system as a whole. Though there are some one-time costs to implement the unification of Lyndon and Johnson, the long term costs are expected to be reduced. The expectation is that both of these initiatives: consolidation of administrative functions for all colleges in the system, and unification of Lyndon and Johnson will reduce administrative costs, enable the schools to focus their time and energy on serving students, and strengthen the Vermont State College system as a whole.

Vermont State Appropriations

For FY2016, State Appropriations were $28,709,000, or 16% of total operating and non-operating revenues. VSC continues to rely on this important revenue source from the State of Vermont to help keep tuition as low as possible.

Post-Employment Benefits

A ruling of the Government Accounting Standards Board (GASB) that became effective in FY2008 requires that we recognize the future costs of retirement benefits on our books. For VSC, this includes employer costs of medical, prescription, dental and life insurance plans for all current employees who have already become eligible to receive retirement benefits, and those employees who may become eligible before they retire. The cost of these benefits must be recognized during the period of active employment rather than when they are paid during retirement. Because of VSC's unique early retirement wages benefit for the full-time faculty, VSC must also account for this liability under GASB ruling.

The annual cost to VSC includes the actuarially calculated costs for the year, less payments made during the year to our self-insurance plan for current retirees and early retirement benefits paid to retired full-time faculty.

Economic Factors That Will Affect the Future – Continued

Post-Employment Benefits - Continued

For financial reporting purposes, an actuarial valuation is required at least biennially for OPEB plans with total eligible employees (active, retirees and beneficiaries) of 200 or more.

VSC's current actuarial study estimated that the accumulated value of prior benefits liability for the current list of employees as of July 1, 2015, was approximately $145,672,000 for post-retirement health, dental and life insurance benefits and for early retirement benefits. The present value of all benefits (past and future obligations) is estimated to be $157,886,000. The VSC has come to agreement with all of the bargaining units representing eligible staff, to close the groups of staff eligible for this benefit. This is reducing the increase in the liability and will over time reduce the liability itself.

Other Factors

As a result of negative market conditions during both FY2015 and FY2016, VSC had net realized and unrealized losses on the endowments, and other investments.

Approximately 704 of the 1,010 full-time employees at VSC are covered by union contracts. VSC employs approximately 2,133 full and part-time employees.

VSC Employees as of November 1, 2015		
Bargaining Unit Employees		
Full Time	704	
Part Time	213	
TOTAL	917	
Non-Bargaining Unit Employees		
Full Time	306	
Part Time & Temp	910	
TOTAL	1216	
TOTAL Employees	2133	

VSC has contractual commitments for various construction projects currently under way. The funds have been set aside for these projects.

VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	2016	2015
Current Assets:		
Cash and equivalents (Note 2)	**$ 10,550,080**	$ 8,607,778
Accounts receivable, net (Note 3)	**11,277,010**	10,637,361
Inventories	**18,048**	489,165
Deposit with bond trustees (Note 2)	**5,326,532**	3,220,623
Other current assets	**3,037,717**	1,530,668
Total Current Assets	**30,209,387**	24,485,595
Non-Current Assets:		
Cash and equivalents (Note 2)	**626,272**	677,095
Long-term investments (Note 2)	**43,274,853**	49,777,168
Notes receivable, net (Note 3)	**5,529,077**	5,352,816
Other assets	**25,901**	19,273
Capital assets, net (Note 10)	**173,828,839**	180,883,632
Total Non-Current Assets	**223,284,942**	236,709,984
Total Assets	**253,494,329**	261,195,579
Deferred Outflows of Resources:		
Interest rate swap, accumulated decrease in fair value (Note 4)	**14,963,264**	11,024,967
Total Assets and Deferred Outflows of Resources	**$ 268,457,593**	$ 272,220,546

The accompanying notes are an integral part of these financial statements.

Liabilities and Net Position

	2016	2015
Current Liabilities:		
Accounts payable and accrued liabilities (Note 11)	**$ 12,910,396**	$ 12,867,683
Unearned revenue and deposits	**6,802,946**	6,477,785
Current portion of long-term debt (Note 4)	**5,422,083**	4,661,213
Total Current Liabilities	**25,135,425**	24,006,681
Non-Current Liabilities:		
Accounts payable and accrued liabilities (Note 11)	**48,106**	50,035
Unearned revenue and deposits	**25,555**	171,643
Refundable grants	**6,038,367**	6,041,112
Post-employment benefit obligations (Note 8)	**59,599,052**	54,733,504
Interest rate swap (Note 4)	**14,963,264**	11,024,967
Long-term debt, excluding current portion (Note 4)	**117,092,914**	122,514,996
Total Non-Current Liabilities	**197,767,258**	194,536,257
Total Liabilities	**222,902,683**	218,542,938
Net Position:		
Investment in capital assets, net	**54,415,707**	56,533,789
Restricted nonexpendable	**17,787,829**	17,180,471
Restricted expendable	**9,466,755**	9,331,469
Unrestricted	**(36,115,381)**	(29,368,121)
Total Net Position	**45,554,910**	53,677,608
Total Liabilities and Net Position	**$ 268,457,593**	$ 272,220,546

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30,

	2016	2015
Operating Revenues:		
Tuition and fees	**$ 116,026,307**	$ 115,146,051
Residence and dining	**20,075,440**	19,926,641
Less: scholarship allowances	**(24,761,694)**	(25,212,668)
Net Tuition, Fees, and Residence and Dining Revenue	**111,340,053**	109,860,024
Federal grants and contracts	**11,261,929**	11,267,895
State and local grants and contracts	**2,291,236**	1,872,176
Non-governmental grants and contracts	**1,136,090**	1,384,237
Interest income	**81,693**	87,334
Sales and services of educational activities	**6,083,859**	6,008,981
Other auxiliary enterprises	**123,571**	1,104,783
Other operating revenues	**1,823,430**	1,567,754
Total Operating Revenues	**134,141,861**	133,153,184
Operating Expenses (Notes 5, 9 and 11):		
Salaries and wages	**78,963,999**	79,922,958
Employee benefits (Notes 7 and 8)	**42,364,668**	42,665,064
Scholarships and fellowships	**6,920,136**	6,741,524
Supplies and other services	**40,860,715**	39,341,671
Utilities	**6,176,191**	7,142,919
Depreciation (Note 10)	**10,488,999**	14,087,773
Total Operating Expenses	**185,774,708**	189,901,909
Net Operating Loss	**(51,632,847)**	(56,748,725)
Non-Operating Revenues (Expenses):		
State appropriations (Note 6)	**25,702,913**	27,221,566
Federal grants and contracts	**16,639,503**	18,451,754
Gifts	**3,060,797**	4,255,144
Investment income, net of expenses (Note 2)	**624,012**	358,253
Interest expense on capital debt	**(5,569,104)**	(5,758,495)
Other non-operating revenues	**(655,014)**	(50,502)
Net Non-Operating Revenues	**39,803,107**	44,477,720
Decrease in Net Position Before Other Revenues	**(11,829,740)**	(12,271,005)
Other Revenues:		
State appropriations for capital expenditures (Note 6)	**3,006,258**	1,488,000
Capital grants and gifts	**237,866**	7,970
Additions to non-expendable assets	**462,918**	520,945
Decrease in Net Position	**(8,122,698)**	(10,254,090)
Net Position, Beginning of Year	**53,677,608**	63,931,698
Net Position, End of Year	**$ 45,554,910**	$ 53,677,608

The accompanying notes are an integral part of these financial statements.

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Statements of Cash Flows

For the Years Ended June 30,

	2016	2015
Cash Flows from Operating Activities:		
Tuition and fees	**$ 104,364,711**	$ 108,669,503
Grants and contracts	**14,741,582**	15,296,077
Sales and services of educational activities	**5,682,339**	7,006,158
Auxiliary enterprises	**123,571**	1,104,783
Interest received	**81,693**	87,334
Payments to suppliers	**(48,924,005)**	(51,226,868)
Payments to employees	**(115,674,117)**	(117,236,770)
Loans issued to students	**(1,019,987)**	(1,076,965)
Collection of loan payments	**822,982**	938,239
Other cash receipts	**1,774,645**	1,582,516
Net Cash Applied to Operating Activities	**(38,026,586)**	(34,855,993)
Cash Flows from Non-Capital Financing Activities:		
State appropriations	**25,702,913**	27,221,566
Non-operating federal grants	**16,639,503**	18,451,754
Gifts and grants	**3,074,717**	2,421,144
Net Cash Provided by Non-Capital Financing Activities	**45,417,133**	48,094,464
Cash Flows from Capital and Related Financing Activities:		
Capital and non-expendable grants and gifts	**700,784**	528,915
Capital appropriations	**3,006,258**	1,488,000
Purchase of capital assets	**(4,307,772)**	(6,438,297)
Change in deposits with bond trustee	**(2,105,909)**	1,205,531
Proceeds from sale of capital assets	**302,000**	229,925
Payments on capital debt	**(4,522,152)**	(3,620,700)
Interest expense on capital debt	**(5,708,164)**	(5,897,555)
Other receipts	**10,787**	(50,502)
Net Cash Applied to Capital and Related Financing Activities	**(12,624,168)**	(12,554,683)

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Statements of Cash Flows - Continued

For the Years Ended June 30,

	2016	2015
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	**$ 15,280,616**	$ 19,536,324
Purchase of investments	**(8,754,764)**	(15,136,742)
Interest and dividends received on investments	**599,248**	1,168,011
Net Cash Provided by Investing Activities	**7,125,100**	5,567,593
Net Increase in Cash and Equivalents	**1,891,479**	6,251,381
Cash and Equivalents, Beginning of Year	**9,284,873**	3,033,492
Cash and Equivalents, End of Year	**$ 11,176,352**	$ 9,284,873
Reconciliation of Operating Loss to Net Cash Applied to Operating Activities:		
Operating loss	**$ (51,632,847)**	$ (56,748,725)
Adjustments to reconcile operating loss to net cash applied to operating activities:		
Depreciation	**10,488,999**	14,087,773
Bad debts	**468,314**	79,029
Net (gain) loss on disposal of capital assets	**-**	56,614
Changes in assets and liabilities:		
Accounts receivable	**(1,201,256)**	746,593
Inventories	**471,117**	(36,602)
Other assets	**(1,512,540)**	892,002
Notes receivable	**(176,261)**	66,575
Accounts payable and accrued liabilities	**40,784**	655,570
Unearned revenues, deposits and refundable grants	**161,556**	(444,597)
Post-employment benefit obligations	**4,865,548**	5,789,775
Net Cash Applied to Operating Activities	**$ (38,026,586)**	$ (34,855,993)
Non-Cash Transactions:		
Equipment provided by capital grants and gifts	**$ 94,235**	$ 1,834,000
Unrealized losses	**$ (181,528)**	$ (1,072,259)
Net loss on disposal of capital assets	**$ (665,801)**	$ -

The accompanying notes are an integral part of these financial statements.

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Notes to the Financial Statements

June 30, 2016 and 2015

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

Organization
Vermont State Colleges include the following entities: System Office and Services, Community College of Vermont ("CCV"), Castleton University ("CU"), Johnson State College ("JSC"), Lyndon State College ("LSC"), Vermont Technical College ("VTC"), Vermont Manufacturing Extension Center ("VMEC"), Small Business Development Center ("SBDC"), and Vermont Tech Office of Continuing Education and Workforce Development ("TED").

VSC formerly included Vermont Interactive Television ("VIT") and Allied Health Nursing Program ("Allied Health"). VIT was an audio-video network bringing instruction and public service events to sites throughout Vermont (including Bennington, Brattleboro, Johnson, Lyndon, Middlebury, Montpelier, Newport, Randolph Center, Rutland, Springfield, St. Albans, White River and Williston). Budgetary management of VIT was maintained separately. VIT ceased operations during the year ended June 30, 2016. Allied Health Nursing Program merged operations with Vermont Technical College during the year ended June 30, 2016.

The accounting policies and procedures used by the Vermont State Colleges ("VSC" or the "Colleges") in accounting for and reporting their financial transactions are based on the accrual method of accounting. The significant accounting policies followed by the Colleges are described below.

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 accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB").

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

Basis of Presentation - Continued

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 accompanying statements of revenues, expenses and changes in net position demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with 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 reported as general revenues.

The Colleges have determined that they function as a business-type activity, as defined by GASB. The effect of inter-fund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis, basic financial statements and required supplementary information. The Colleges present the statements of net position, revenues, expenses and changes in net position, and cash flows on a combined college-wide basis.

The Colleges' policy is to define operating activities in the statement of revenues, expenses and changes in net position as those that generally result from exchange transactions such as charges for services provided to students and for the purchase of goods and services. Certain other transactions are reported as non-operating activities. These non-operating activities include the Colleges' operating appropriations from the State of Vermont ("the "State"), net investment income, gifts, certain grants and interest expense.

Net Position

GASB Statement No. 34 requires that resources be classified for accounting purposes into the following four net position categories:

Investment in capital assets, net: 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 - nonexpendable: Net position subject to externally imposed conditions that VSC must maintain in perpetuity.

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

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

Net Position - Continued

Unrestricted: All other categories of net position. Unrestricted net position may be designated by actions of the Colleges' Board of Trustees.

In accordance with VSC's policy pertaining to the expenditure of restricted dollars, unrestricted dollars are spent first, followed by restricted dollars, if appropriate.

Cash and Equivalents
The Colleges consider all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

Allowance for Doubtful Accounts
Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks, and current economic conditions.

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

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 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. Software with a unit cost of $500,000 or more is capitalized. Interest cost on debt related to capital assets is capitalized during the construction period and then depreciated over the life of the project. The Colleges' capital assets, with the exception of land and construction in progress are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 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.

Restricted expendable net position includes certain capital funds appropriated by the State of Vermont to the Vermont Department of Buildings and General Services for the benefit of VSC and unexpended as of fiscal year-end.

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

Investments
Investments are stated at fair value. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of the investment securities will occur and that such changes could materially affect the amounts reported in the statement of net position.

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

Amounts of vested and accumulated vacation 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.

Refundable Grants
Refundable grants consist primarily of the refundable portion of the Federal Perkins and Nursing Student loans.

Unearned Revenue and Deposits
Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are reported as unearned 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 students, and they are reflected as expenses.

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

Bond and Note Premiums
Bond and note underwriter's premiums are amortized on the straight line basis over the life of the respective bond. VSC incurred bond premiums related to the 2010 and 2013 bonds at the time of the issuance of the bonds. The bond premium for the 2010 bond of $377,743 is amortized on a straight-line basis over approximately 8.5 years. The bond premium for the 2013 bond of $1,898,889 is amortized over 20 years. Cumulative amortization of the bond premium totals $553,963 and $414,903 as of June 30, 2016 and 2015, respectively. The bond premium is included in bonds and notes payable.

Post-Employment Benefits
GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("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 position when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the balance sheet over time.

Income Taxes
The Internal Revenue Service has determined that the Colleges are a wholly-owned instrumentality of the State of Vermont, and as such are generally exempt from federal income tax. However, the Colleges are subject to federal income tax on unrelated business income.

Grants
The Colleges receive financial assistance from federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit by the granting agency.

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

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

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

Reclassifications
Certain amounts on the 2015 financial statements have been reclassified to conform to the 2016 presentation.

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

Cash and Equivalents

Cash and equivalents with maturities of 90 days or less from purchase date are recorded at cost, which approximates market value.

In operating a central treasury and investment pool, individual college cash receipts (except the federal loan funds) are deposited in separate collection deposit accounts in the name of VSC. Disbursements are made from other bank accounts that are funded by transfers from the central treasury.

In accordance with the Uniform Prudent Management of Institutional Funds Act, VSC deems all realized and unrealized gains on permanently restricted investments to be temporarily restricted if the income is restricted by the donor. Absent donor restrictions, the Board of Trustees has adopted a spending policy whereby 5% of the lesser of the current market value of investments or the average portfolio value over the last three years is allowed to be drawn down and allocated to operations.

Cash and equivalents included with non-current assets are restricted primarily for specific programs or to be used to pay for capital construction projects.

At June 30, 2016, the balance of current assets - cash and equivalents consists of approximately $15,000 in petty cash, and the remainder deposited in Federal Deposit Insurance Corporation (“FDIC”) insured banking institutions of approximately $10,535,000 per the accounting records of the Colleges, and approximately $12,967,000 per bank records. Of the bank balances, approximately $729,000 was covered by federal depository insurance and approximately $12,238,000 was uninsured and uncollateralized at June 30, 2016.

At June 30, 2016, the balances of non-current assets - cash and equivalents deposited in FDIC insured banking institutions were approximately $626,000 per the accounting records of the Colleges, and approximately $615,000 per bank records. Of the bank balances, approximately $595,000 was covered by federal depository insurance and approximately $20,000 was uninsured and uncollateralized at June 30, 2016.

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

Cash and Equivalents - Continued

At June 30, 2015, the balance of current assets - cash and equivalents consists of approximately $16,000 in petty cash, and the remainder deposited in FDIC insured banking institutions of approximately $8,592,000 per the accounting records of the Colleges, and approximately $9,178,000 per bank records. Of the bank balances, approximately $724,000 was covered by federal depository insurance and approximately $8,454,000 was uninsured and uncollateralized at June 30, 2015.

At June 30, 2015, the balances of non-current assets - cash and equivalents deposited in FDIC insured banking institutions were approximately $677,000 per the accounting records of the Colleges, and approximately $665,000 per bank records. Of the bank balances, approximately $638,000 was covered by federal depository insurance and approximately $27,000 was uninsured and uncollateralized at June 30, 2015.

Investments

Investments of the various funds at June 30, 2016 are as follows:

	Fair Value	Cost
U.S. Government bonds	$ 7,058,295	$ 7,107,615
Corporate bonds	10,563,149	10,638,802
Common stock	6,006,025	6,531,479
Hedge fund shares	949,893	1,000,000
Mutual funds	14,422,151	11,554,829
Money market	4,275,340	4,275,305
Held by bond trustee	5,326,532	5,326,532
Total Investments	$ 48,601,385	$ 46,434,562

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

Investments - Continued
Investments of the various funds at June 30, 2015 are as follows:

	Fair Value	Cost
U.S. Government bonds	$ 6,977,619	$ 7,245,948
Corporate bonds	13,173,540	13,465,356
Common stock	13,878,749	11,113,932
Mutual funds	7,828,418	7,750,276
Money market	7,918,842	7,918,781
Held by bond trustee	3,220,623	3,220,623
Total Investments	$ 52,997,791	$ 50,714,916

Investment maturities include deposits held by the bond trustee, which are invested in various government securities, corporate bonds, commercial grade paper, and money market accounts. The majority of these funds are related to the 2013 and 2010 bonds, and they are held in the bond fund, the reserve fund and the construction fund. Within the bond fund, there is a principal account, an interest account, and a sinking fund account.

2016
Investment Maturities (in years)

Investment Type	Market Value	Less than 1	1-5	6-10	More than 10
Money Market Investments	$ 4,275,340	$ 4,275,340	$ -	$ -	$ -
Corporate Bonds	10,563,149	2,446,435	4,817,669	3,299,045	-
U.S. Govt. Bonds	7,058,295	1,461,260	3,676,217	1,920,818	-
Total	21,896,784	$ 8,183,035	$ 8,493,886	$ 5,219,863	$ -
Other Investments					
Common Stock and Mutual Funds	21,378,069				
Held by Bond Trustee	5,326,532				
Total	$ 48,601,385				

Note 2 - Cash and Equivalents, and Investments - Continued

Investments - Continued

2015
Investment Maturities (in years)

Investment Type	Market Value	Less than 1	1-5	6-10	More than 10
Money Market Investments	$ 7,918,842	$ 7,918,842	$ -	$ -	$ -
Corporate Bonds	13,173,540	3,624,183	6,092,524	3,444,793	12,040
U.S. Govt. Bonds	6,977,619	1,450,468	3,664,469	1,862,682	-
Total	28,070,001	$ 12,993,493	$ 9,756,993	$ 5,307,475	$ 12,040
Other Investments					
Equity Securities and Mutual Funds	21,707,167				
Held by Bond Trustee	3,220,623				
Total	$ 52,997,791				

Investment income for the years ended June 30, is as follows:

	2016	2015
Interest and dividend income	**$ 1,119,769**	$ 1,068,567
Net realized and unrealized gain	**(298,380)**	(475,293)
Total investment income	**821,389**	593,274
Less: management fees	**(197,377)**	(235,021)
Investment income, net	**$ 624,012**	$ 358,253

Realized gain (loss) is included as a component of investment income. The calculation of realized gains (losses) is independent of the calculation of the net increase (decrease) in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

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

Investments - Continued
The risk categories for the bond fund holdings held by VSC at June 30, are as follows:

Investment rating*	2016	2015
AAA	$ 7,058,295	$ -
AA+	-	8,013,318
AA	1,092,226	806,692
AA-	835,472	1,637,702
A+	1,509,297	1,541,891
A	2,711,908	4,229,678
A-	1,317,289	971,113
BBB+	821,704	578,344
BBB	858,981	419,946
BBB-	291,850	808,992
BB+	330,436	245,464
BB	222,564	242,336
BB-	183,415	204,208
B+	194,748	157,907
B	84,037	116,542
B-	67,488	129,485
CCC+	41,734	40,611
CCC-	-	6,930
	$ 17,621,444	$ 20,151,159

*These ratings are determined by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. All ratings represent the opinions of the research provider and are disclaimed as not representations or guarantees of performance.

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

Investments - Continued
The applicable risk ratings as defined by Standard & Poor's are as follows:

AAA - An obligation rated 'AAA' has an extremely strong capacity to meet its financial commitments. It is the highest rating given to an obligor.

AA - An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A - An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB - An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB - An obligation rated 'BB' is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

B - An obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economical conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

CCC - An obligation rated 'CCC' is currently vulnerable to non-payment and is dependent upon favorable business, financial and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

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

Investments - Continued
Plus (+) or minus (-): The ratings from ‘AAA’ to ‘CCC’ may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Fair Value Hierarchy
The fair value hierarchy categorizes inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted market prices for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs. The highest priority is assigned to Level 1 inputs and the lowest to Level 3 inputs. If the fair value is measured using inputs from more than one level of the hierarchy, the measurement is considered to be based on the lowest priority input level that is significant to the entire measurement. Valuation techniques used should maximize the use of the observable inputs and minimize the use of unobservable inputs.

The asset’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets at fair value on a recurring basis.

U.S. Government Bonds: Valued at the current available closing price reported or based on values obtained on comparable securities of issuers with similar credit ratings.

Corporate Bonds: Valued at the current available closing price reported or based on values obtained on comparable securities of issuers with similar credit ratings.

Common Stock: Value based on quoted prices in active markets of similar instruments.

Hedge Fund Shares: Hedge fund shares held by the Colleges are closed-end hedge funds that are registered with the SEC. The fair values of the investments in this class have been estimated using the net asset value (“NAV”) per share of the investments. The hedge fund shares held by the Colleges have redemption periods under 90 days and are considered redeemable in the near term.

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

Fair Value Hierarchy - Continued

Mutual funds: Valued at daily closing price as reported by the fund. Mutual funds held by the Colleges are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Colleges are deemed to be actively traded.

Money market: Value based on quoted prices in active markets of similar instruments.

Held by bond trustee: Valued at the current available closing price reported or based on values obtained on comparable securities of issuers with similar credit ratings

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine if the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the fair value of the Plan's assets measured on a recurring basis:

Assets at Fair Value as of June 30, 2016

	Level 1	Level 2	Level 3	Total
U.S. Government bonds	$ 7,058,295	$ -	$ -	$ 7,058,295
Corporate bonds	10,563,149	-	-	10,563,149
Common stock	6,006,025	-	-	6,006,025
Hedge fund shares	-	949,893	-	949,893
Mutual funds	14,422,151	-	-	14,422,151
Money market	4,275,340	-	-	4,275,340
Held by bond trustee	5,326,532	-	-	5,326,532
Total Assets at Fair Value	$ 47,651,492	$ 949,893	$ -	$ 48,601,385

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

Fair Value Hierarchy – Continued

Assets at Fair Value as of June 30, 2015

	Level 1	Level 2	Level 3	Total
U.S. Government bonds	$ 6,977,619	$ -	$ -	$ 6,977,619
Corporate bonds	13,173,540	-	-	13,173,540
Common stock	13,878,749	-	-	13,878,749
Mutual funds	7,828,418	-	-	7,828,418
Money market	7,918,842	-	-	7,918,842
Held by bond trustee	3,220,623	-	-	3,220,623
Total Assets at Fair Value	$ 52,997,791	$ -	$ -	$ 52,997,791

Note 3 - **Accounts Receivable, Notes Receivable and Allowance for Bad Debts**

The composition of the Colleges' accounts receivable at June 30, is summarized as follows:

	2016	2015
Student accounts receivable	**$ 10,168,405**	$ 9,962,008
Grants receivable	**3,918,547**	4,042,020
Other receivable	**2,502,541**	1,760,345
Subtotal	**16,589,493**	15,764,373
Allowance for doubtful accounts	**(5,312,483)**	(5,127,012)
Total accounts receivable, net	**$ 11,277,010**	$ 10,637,361

The notes receivable balance in the statement of net position represents the Perkins notes receivable. It is shown net of an allowance for bad debts of approximately $592,000 and $591,000 at June 30, 2016 and 2015, respectively. This allowance is the aggregate that was reserved for by each college based upon historical bad loan reserve requirements, the net increase in the allowance of $1,000 and 11,000 in 2016 and 2015, respectively, has been reflected in operating expenses.

Note 4 - **Long-Term Liabilities**

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

	2016				
	Beginning balances	**Additions**	**Reductions**	**Ending balances**	**Current portion**
Long-term liabilities					
Bonds and notes payable	**$ 127,176,209**	**$ -**	**$ 4,661,212**	**$ 122,514,997**	**$ 5,422,083**
Fair market value of interest rate swap	**11,024,967**	**3,938,297**	**-**	**14,963,264**	**-**
Net OPEB obligation	**54,733,504**	**12,029,564**	**7,164,016**	**59,599,052**	**-**
Accounts payable and accrued liabilities	**12,917,718**	**1,840,520**	**1,799,736**	**12,958,502**	**12,910,396**
Unearned revenue and deposits	**6,649,428**	**882,620**	**703,547**	**6,828,501**	**6,802,946**
Refundable grants	**6,041,112**	**-**	**2,745**	**6,038,367**	**-**
Total long-term liabilities	**$ 218,542,938**	**$ 18,691,001**	**$ 14,331,256**	**$ 222,902,683**	**$ 25,135,425**

	2015				
	Beginning balances	**Additions**	**Reductions**	**Ending balances**	**Current portion**
Long-term liabilities					
Bonds and notes payable	$ 130,935,969	$ -	$ 3,759,760	$ 127,176,209	$ 4,661,213
Fair market value of interest rate swap	10,674,356	350,611	-	11,024,967	-
Net OPEB obligation	48,943,729	11,316,963	5,527,188	54,733,504	-
Accounts payable and accrued liabilities	12,262,148	12,781,671	12,126,101	12,917,718	12,867,683
Unearned revenue and deposits	7,091,001	1,873,231	2,314,804	6,649,428	6,477,785
Refundable grants	6,044,136	-	3,024	6,041,112	-
Total long-term liabilities	$ 215,951,339	$ 26,322,476	$ 23,730,877	$ 218,542,938	$ 24,006,681

Note 4 - **Long-Term Liabilities - Continued**

Bonds and Notes Payable
Outstanding debt is as follows:

	2016	2015
Revenue Bonds, Series 2010A: 3.0% - 4.0% serial bonds aggregating $5,710,000 maturing 2011 through 2018 and a $5,375,000 4.0% term bond due July 2017. Interest on the serial bonds is paid semi-annually on the unpaid balances. Unamortized bond premium of $132,348 and $176,464 has been added to this liability at June 30, 2016 and 2015, respectively. [1]	**$ 4,972,348**	$ 6,741,464
Revenue Bonds, Series 2010B: 4.751% - 5.101% serial bonds aggregating $3,800,000 maturing 2018 through 2020, and 6.101%, 6.861%, and 7.211% term bonds of $6,255,000, $5,580,000, and $14,630,000 due July 2025, July 2030, and July 2040, respectively. Interest on the term bond is payable semi-annually on the unpaid balances. [2]	**30,265,000**	30,265,000
CU - New Student Housing: Variable rate (69% of one-month LIBOR plus 1.31%) term loan of $5,200,000 for 20 years with monthly payments of principal and interest due through December 2025; collateralized by substantially all unrestricted revenue and assets not previously pledged as collateral on other debt.[3,5]	**3,113,764**	3,363,177

Note 4 - **Long-Term Liabilities - Continued**

	2016	2015
Bonds and Notes Payable - Continued		
VSC - Capital Construction Projects: Variable rate (69% of the one-month LIBOR plus 1.21%) term loan of $72,000,000 for 20 years with monthly payments of principal and interest due through May 2028; collateralized by substantially all unrestricted revenue, accounts receivable, contract rights, inventory and machinery and equipment not previously pledged as collateral on other debt.[4, 5]	**$ 63,179,580**	$ 64,804,979
VSC - Capital Construction Projects: Variable rate (69% of one-month LIBOR plus 3.12%) term loan of $2,750,000 for 20 years with monthly payments of principal and interest due through January 2029; loan has a negative pledge against assets. [6]	**2,038,984**	2,151,324
Revenue Bonds, Series 2013: 4.0% - 5.0% serial bonds aggregating $13,715,000 maturing 2015 through 2032 and 3.125% - 5.0% term bonds aggregating $4,450,000 maturing 2027 through 2030. Interest on serial bonds is paid semi-annually on the unpaid balances. Unamortized bond premium of $1,590,321 and $1,685,265 has been added to the liability at June 30, 2016 and 2015, respectively.	**18,945,321**	19,850,265
	$ 122,514,997	$ 127,176,209

Note 4 - **Long-Term Liabilities - Continued**

Bonds and Notes Payable - Continued

[1] In December 2010, VSC issued Revenue Bonds, Series 2010A, in the principal amount of $11,085,000. The 2010A Bonds were issued for the purpose of (1) refinancing a portion of the Series 1998 Bonds; (2) refinancing certain indebtedness of VSC including loans to improve the Blair Park, Williston, Randolph, and Vermont campuses of VSC; and (3) paying the costs of issuance of the 2010A Bonds.

[2] In December 2010, VSC issued Federally Taxable Build America Bonds, Series 2010B, in the principal amount of $30,265,000. The 2010B Bonds were issued for the purpose of (1) financing certain upgrades to the Community College of Vermont's Montpelier campus, including a 12,000 square foot building addition; (2) constructing a new residence hall and other related improvements at Castleton University; (3) renovating an academic building and a visual arts center at Johnson State College; (4) expanding parking facilities at Lyndon State College together with building improvements for Lyndon State College's journalism program; (5) financing library renovations, the installation of certain energy or heating systems, construction of additional on-campus housing at the Randolph campus of Vermont Technical College ("VTC"), and improvements at VTC's Blair Park, Williston, Vermont campus; and (6) paying the costs of issuance of the 2010B Bonds. VSC is expected to receive a 35% subsidy of the interest paid on the Series 2010B Build America Bonds from the Federal Government, which will be recorded as a reduction of bond interest expense. (Sequester for federal budget reduced subsidy of interest by 7.6%).

[3] To manage its borrowing costs, VSC entered into an interest swap in connection with its $5,200,000 variable-rate loan. The intention of the swap was to effectively change the variable interest rate on the loan to a synthetic fixed rate of 4.97%.

The loan and the related swap agreement mature on December 16, 2025, and the swap's notional amount of $5,200,000 matches the $5,200,000 variable rate loan. The swap was entered into at the same time the loan was issued in December 2005. Under the swap, VSC pays the counterparty a fixed payment of 4.97% and receives a variable payment computed as 69% of the one-month London Interbank Offered Rate ("LIBOR") plus 1.31%. Because of interest rate fluctuations since execution of the swap, the swap had a negative fair value of $459,283 as of June 30, 2016 and $419,350 as of June 30, 2015.

Note 4 - **Long-Term Liabilities - Continued**

Bonds and Notes Payable - Continued

[4] To manage its borrowing costs, VSC entered into an interest rate swap in connection with its $72,000,000 variable-rate loan. The intention of the swap was to effectively change VSC's variable interest rate on the loan to a synthetic fixed rate of 4.63%.

The loan and the related swap agreement mature in May 2028, and the swap's notional amount of $72,000,000 matches the $72,000,000 variable rate loan. The swap was entered into at the same time the loan was issued in May 2008. Under the swap, VSC pays the counterparty a fixed payment of 4.63% and receives a variable payment computed as 69% of the one-month USD-LIBOR-BBA (United States Dollar - London Interbank Offered Rate - British Bankers Association) plus 1.21%.

The loan has a thirty year amortization with a twenty year term. The first two years of the loan are interest only payments. This will allow VSC to more closely match the revenue streams produced by the capital projects. Because of interest rate fluctuations since execution of the swap, the swap had a negative fair value of $14,328,670 as of June 30, 2016 and $10,516,510 as of June 30, 2015.

[5] A former member of senior management also serves on the Board of the lender. Therefore, once the Board approved the capital construction projects, he recused himself completely from all financing proposal reviews, negotiations, financing or banking discussions or decisions relating to these transactions.

[6] To manage its borrowing costs, VSC entered into an interest rate swap in connection with its $2,750,000 variable-rate loan. The intention of the swap was to effectively change the variable interest rate on the loan to a synthetic fixed rate of 5.25%.

The loan and the related swap agreement mature on January 15, 2029, and the swap's notional amount of $2,750,000 matches the $2,750,000 variable rate loan. The swap was entered into at the same time the loan was issued in January 2009. Under the swap, VSC pays the counterparty a fixed payment of 2.25% and receives a variable payment computed as 69% of the one-month LIBOR plus 3.12%. Because of interest rate fluctuations since execution of the swap, the swap had a negative fair value of $175,311 and $89,107 as of June 30, 2016 and 2015, respectively.

Note 4 - **Long-Term Liabilities - Continued**

Debt Roll-Forward

Long-term debt activity for the years ended June 30, 2016 and 2015 was as follows:

	Balance June 30, 2015	Additions	Repayments	Balance June 30, 2016	Current Portion
New Housing - CU	$ 3,363,177	$ -	$ (249,413)	$ 3,113,764	$ 262,308
TD Banknorth - FY 2008 Capital Projects	64,804,979	-	(1,625,399)	63,179,580	1,702,442
CCV Montpelier	2,151,324	-	(112,340)	2,038,984	118,273
Series 2010-A	6,565,000	-	(1,725,000)	4,840,000	1,785,000
Series 2010-B	30,265,000	-	-	30,265,000	-
Series 2010 Bond Premium	176,464	-	(44,116)	132,348	44,116
Series 2010 Bonds	37,006,464	-	(1,769,116)	35,237,348	1,829,116
Series 2013	18,165,000	-	(810,000)	17,355,000	1,415,000
Series 2013 Bond Premium	1,685,265	-	(94,944)	1,590,321	94,944
Series 2013 Bonds	19,850,265	-	(904,944)	18,945,321	1,509,944
Total Bonds and Notes Payable	$ 127,176,209	$ -	$ (4,661,212)	$ 122,514,997	$ 5,422,083

Note 4 - **Long-Term Liabilities - Continued**

Debt Roll-Forward - Continued

	Balance June 30, 2014	Additions	Repayments	Balance June 30, 2015	Current Portion
New Housing - CU	$ 3,600,340	$ -	$ (237,163)	$ 3,363,177	$ 249,414
TD Banknorth - FY 2008 Capital Projects	66,356,816	-	(1,551,837)	64,804,979	1,625,399
CCV Montpelier	2,258,024	-	(106,700)	2,151,324	112,340
Series 2010-A	8,290,000	-	(1,725,000)	6,565,000	1,725,000
Series 2010-B	30,265,000	-	-	30,265,000	-
Series 2010 Bond Premium	220,580	-	(44,116)	176,464	44,116
Series 2010 Bonds	38,775,580	-	(1,769,116)	37,006,464	1,769,116
Series 2013	18,165,000	-	-	18,165,000	810,000
Series 2013 Bond Premium	1,780,209	-	(94,944)	1,685,265	94,944
Series 2013 Bonds	19,945,209	-	(94,944)	19,850,265	904,944
Total Bonds and Notes Payable	$ 130,935,969	$ -	$ (3,759,760)	$ 127,176,209	$ 4,661,213

Note 4 - **Long-Term Liabilities - Continued**

Debt Roll-Forward - Continued
Maturities of long-term debt for the next five fiscal years and thereafter are as follows:

Years Ending June 30,	Principal Amount	Interest Amount
2017	$ 5,422,083	$ 5,325,744
2018	5,647,584	5,078,704
2019	5,707,937	4,854,637
2020	4,384,276	4,678,926
2021	4,570,055	4,479,981
2022-2026	25,441,047	19,125,660
2027-2031	54,065,854	8,420,761
2032-2036	9,091,161	2,709,790
2037-2041	8,185,000	852,600
	$ 122,514,997	$ 55,526,803

The interest amounts above reflect the 4.63%, 4.97% and 5.25% fixed rates on the debt subject to the swap agreements previously described (and interest rebate on 2010 bond).

According to the terms of the agreements under which the revenue bonds were sold, the bonds are general obligations of VSC. The 2013, 2010 and 1998 Revenue Bonds are also collateralized by deposits held by the trustee in the Bond Fund. VSC is required to make payments to the trustee for deposit into the Bond Fund sufficient to pay the principal, interest and sinking fund requirements, when due.

Note 5 - **Functional Expense Classification**

The following table details VSC's operating expenses by functional expense classification:

	2016	2015
Instruction	**$ 58,156,936**	$ 61,057,688
Research	**65,542**	46,777
Public service	**11,047,939**	10,513,093
Academic support	**22,233,116**	22,956,107
Student services	**31,382,155**	36,201,870
Institutional support	**37,389,823**	28,842,277
Physical plant	**8,090,062**	9,454,800
Student financial support	**6,920,136**	6,741,524
Depreciation	**10,488,999**	14,087,773
Total	**$ 185,774,708**	$ 189,901,909

Note 6 - **Appropriations**

VSC's operating appropriation from the State of Vermont is made directly to the Colleges and is drawn down on the basis of a monthly allotment. Included in the annual state appropriation for operations is funding for Allied Health of approximately $1,158,000 in 2016 and 2015; VMEC of approximately $428,000 in 2016 and 2015; and VIT of approximately $220,000 in 2016 and $817,000 in 2015.

Capital appropriations for VSC made from the State Bond Funds were approximately $3,006,000 and $1,488,000 in fiscal years 2016 and 2015, respectively.

Note 7 - **Retirement Plans**

Eligible faculty and staff participate in a defined contribution retirement plan administered by Teachers Insurance Annuity Association and College Retirement Equities Fund ("TIAA-CREF"). For the years ended June 30, 2016 and 2015, the Colleges' total payroll expense was approximately $78,970,000 and $79,923,000, respectively, of which approximately $51,430,000 and $53,787,000 represented salaries and wages of employees covered under the defined contribution plan, respectively. The Colleges' requirements to contribute to the retirement plan are specified by four collective bargaining agreements and by personnel policies for non-represented employees. Employer contribution rates are established by employee category. There are no required employee contributions to the plan. Depending upon the position category, employees may be eligible for the plan from as early as date of hire to as long as two years from date of hire. All eligible employees are vested from the date of eligibility. During the years ended June 30, 2016 and 2015, contributions made by the Colleges under this plan totaled approximately $6,138,000 and $6,246,000, or approximately 11.93% and 11.61% of covered salaries, respectively.

Additionally, certain employees participate in one of two defined benefit plans (Vermont Employees Retirement System or Vermont State Teachers Retirement System). Employees who were participants in either of these plans prior to their employment by the Colleges are allowed to continue participation. Covered salaries for employees participating in the Vermont Employees Retirement System during the years ended June 30, 2015 were approximately $64,700 and employer contributions were approximately $6,900. During the year ended June 30, 2016, there were no covered salaries for employees participating in the Vermont Employees Retirement System and there were no employer contributions. There were no contributions to the Vermont State Teachers Retirement System during 2016 and 2015.

In addition, full-time faculty employees who have worked for the Colleges for 15 years may elect early retirement at age 55 and receive 50% of their annual salary as of their retirement date; full-time faculty employees who have worked for VSC for ten years may elect early retirement at age 55 and receive 40% of their annual salary as of their retirement date. In addition, VSC will pay 12% of the retiree's early retirement wages to the individual. This 12% payment represents VSC's contribution, which would have been made to the individual TIAA/CREF pension account. The payments due under this program are funded by VSC, as needed. During the years ended June 30, 2016 and 2015, contributions for these benefits were approximately $1,011,000 and $1,017,000, respectively.

Note 7 - **Retirement Plans - Continued**

The early retirement benefit is no longer being offered to new hires, but those employees who were eligible for early retirement before the benefit was discontinued have the option of electing for early retirement in October of every year. The benefit will be completely phased out when those employees currently eligible for early retirement either elect for early retirement or reach the age of 65.

Note 8 - **Post-Employment Benefits Other Than Pension**

Plan Description: VSC administers a self-insured single-employer defined benefit healthcare plan. The plan provides lifetime healthcare payments for eligible employees, spouses or civil union partners. The self-insured plan, administered by CIGNA, covers both active and retired members. Benefit provisions are established through negotiations between VSC and the unions representing VSC employees, and they are reviewed during the bargaining period prior to the termination date of each union contract. The retiree healthcare plan does not issue a publicly available financial report. During the years ended June 30, 2016 and 2015, 533 and 527 retirees were receiving post-retirement benefits, respectively.

Funding Policy: Contribution requirements are also negotiated between VSC and union representatives. VSC contributes 100% of the current-year utilization costs for eligible employees, spouses or civil union partners. For the fiscal years 2016 and 2015, VSC recognized employer contributions of $7,164,016 and $5,527,188, respectively, for both healthcare and early retirement. The plan is financed on a pay-as-you-go basis. In fiscal years 2016 and 2015, there were no member contributions.

Annual OPEB Cost and Net OPEB Obligation: VSC's OPEB cost (expense) is calculated based on the annual required contribution of the employer ("ARC"). VSC has elected to calculate the ARC and related information using the unit credit actuarial cost method permitted by GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover estimated utilization of healthcare and the special early retirement payments each year, and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years for healthcare and not to exceed ten years for early retirement using a closed period, level dollar amortization method.

Note 8 - **Post-Employment Benefits Other Than Pension - Continued**

The following table shows the components of VSC's annual OPEB costs for the years ended June 30, 2016 and 2015, and the changes in VSC's net OPEB obligation to the Retiree Health and Early Retirement Plans:

	2016	2015
Annual required contribution	**$ 13,570,498**	$ 12,610,000
Interest on net OPEB obligation	**2,052,506**	1,835,392
Adjustment to annual required contribution	**(3,593,440)**	(3,128,429)
Annual OPEB cost	**12,029,564**	11,316,963
Contribution made	**(7,164,016)**	(5,527,188)
Increase in net OPEB obligation	**4,865,548**	5,789,775
Net OPEB Obligation - Beginning of Year	**54,733,504**	48,943,729
Net OPEB Obligation - End of Year	**$ 59,599,052**	$ 54,733,504

VSC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of and for the years ended June 30, 2016, 2015 and 2014 are as follows:

Fiscal Years Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	$ 12,029,564	59.6%	$ 59,599,052
June 30, 2015	$ 11,316,963	48.8%	$ 54,733,504
June 30, 2014	$ 11,548,353	46.4%	$ 48,943,729

Note 8 - **Post-Employment Benefits Other Than Pension - Continued**

Funding Status and Funding Progress: As of the most recent actuarial valuation date, the actuarial accrued liability for benefits was $157,885,679, all of which was unfunded. The annual covered payroll (annual payroll of active employees covered by the plan) was $51,430,000, and the ratio of the unfunded actuarial liability to annual covered payroll was 307.0%. The latest actuarial valuation date was on July 1, 2015.

The projection of future benefit payments for an ongoing plan involves 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, retirement rates, marital status, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the specified pattern of sharing of benefit costs between employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

The following actuarial assumptions were made:

Discount Rate: The discount rate used in the calculation was 3.75%.

Projected Salary Increase Rate: The projected salary increase rate used was 4.5%.

Future Employment: Age related turnover rates were developed based on the experience from the years ended June 30, 2005 through 2009. These rates were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Note 8 - **Post-Employment Benefits Other Than Pension - Continued**

Mortality: Life expectancies were based on the RP2014 mortality table by gender and status (active versus current retired) published by the Retirement Plans Experience Committee of the Society of Actuaries.

Retirement Rate: Age related retirement rates tables were developed based on input and analysis of the current retiree population overall and the new retirees over the last five years. The age related tables assumed rates of retirement beginning at age 55.

Marital Status: Marital status of member at the calculation date was assumed to be 70% married based on current retiree population. Spousal participation was assumed to be 90% at the calculation date.

Healthcare Cost Trend Rate: Dental claims are expected to increase at 2.0 per annum. Medical trend rates are based on the Society of Actuaries ("SOA") Long-Run Medical Cost Trend Model.

The required schedule of funding progress immediately following the notes to the financial statements presents information related to the actuarial accrued liability for benefits. Pursuant to the requirements of GASB Statement No. 45, this schedule will present multi-year trend information in future years about whether the actuarial accrued liability for benefits is increasing or decreasing over time.

Note 9 - **Leases**

The Colleges have various operating leases for classrooms, office space, equipment and motor vehicles. The majority of these leases have terms equal to or less than ten years and in some cases contain escalation and maintenance clauses, as well as renewal options. Total rental expense for all operating leases was approximately $2,657,000 and $3,003,000 in 2016 and 2015, respectively.

Note 9 - **Leases - Continued**

Future minimum rental payments required under operating leases with noncancelable terms in excess of one year at June 30, 2015 are as follows:

Years Ending June 30,	Real Estate	Vehicles and Equipment	Total
2017	$ 2,487,603	$ 237,888	$ 2,725,491
2018	2,144,985	225,595	2,370,580
2019	1,885,067	203,665	2,088,732
2020	1,895,583	47,169	1,942,752
2021	1,690,032	31,968	1,722,000
2022 and thereafter	6,317,836	-	6,317,836
	$ 16,421,106	$ 746,285	$ 17,167,391

Note 10 - **Capital Assets**

Property and equipment activity for the years ended June 30, 2016 and 2015 is summarized below:

	Balance June 30, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
Land	$ 9,929,364	$ -	$ -	$ (924,700)	$ 9,004,664
Construction-in-process	1,621,470	3,352,940	(2,812,496)	-	2,161,915
Subtotal - Capital assets not depreciated	11,550,834	3,352,940	(2,812,496)	(924,700)	11,166,579
Infrastructure	38,254,321	60,273	97,515	-	38,412,108
Buildings and improvements	251,836,941	-	2,251,904	-	254,088,848
Leasehold improvements	4,124,343	-	-	(34,071)	4,090,271
Equipment	32,248,362	988,794	463,077	(777,638)	32,922,589
Subtotal - Capital assets depreciated	326,463,967	1,049,067	2,812,496	(811,709)	329,513,816
Less accumulated depreciation	(157,131,169)	(10,488,999)	-	768,609	(166,851,556)
Capital assets, net	$ 180,883,632	$ (6,086,992)	$ -	$ (967,800)	$ 173,828,839

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 10 - **Capital Assets - Continued**

	Balance June 30, 2014	Additions	Transfers	Retirements	Balance June 30, 2015
Land	$ 6,428,274	$ 3,501,090	$ -	$ -	$ 9,929,364
Construction-in-process	3,197,135	2,841,275	(4,416,940)	-	1,621,470
Subtotal - Capital assets not depreciated	9,625,409	6,342,365	(4,416,940)	-	11,550,834
Infrastructure	37,955,276	-	299,045	-	38,254,321
Buildings and improvements	249,467,273	870,815	1,863,132	(364,279)	251,836,941
Leasehold improvements	2,144,024	-	1,980,319	-	4,124,343
Equipment	31,478,282	1,059,117	274,444	(563,481)	32,248,362
Subtotal - Capital assets depreciated	321,044,855	1,929,932	4,416,940	(927,760)	326,463,967
Less accumulated depreciation	(143,670,416)	(14,087,773)	-	627,020	(157,131,169)
Capital assets, net	$ 186,999,848	$ (5,815,476)	$ -	$ (300,740)	$ 180,883,632

Note 11 - **Contingencies and Commitments**

Contingencies

VSC participates in various federally funded programs. These programs are subject to financial and compliance audits and resolution of identified questioned costs. The amount, if any, of expenditures that may be disallowed by the granting agency cannot be determined at this time.

VSC is involved in various claims and legal actions arising in the ordinary course of business. The ultimate disposition of these matters is indeterminable, but in the opinion of management, the amount of ultimate liability would not have a significant impact on VSC’s financial condition.

Note 11 - **Contingencies and Commitments - Continued**

Contingencies - Continued

VSC is also exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. VSC manages these risks through a combination of commercial insurance packages purchased in the name of VSC, and through self-insurance for medical and dental claims. VSC has entered into contracts with a third-party claims administrator, which essentially caps medical claim costs (stop-loss) at an agreed-upon level. Individual stop-loss is $175,000 of paid claims per covered member per year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Reserves for medical and dental claims are included in accrued liabilities in the amount of approximately $1,905,000 at June 30, 2016 and $1,595,000 at June 30, 2015 and are based on historical data. A medical and dental claim roll-forward is presented below:

	2016	2015
Medical and dental claims reserve, beginning of year	**$ 1,595,000**	$ 1,592,000
Incurred claims	**18,292,000**	18,640,000
Payments on claims	**(17,982,000)**	(18,637,000)
Medical and dental claims reserve, end of year	**$ 1,905,000**	$ 1,595,000

VSC self-insures its workers' compensation program and is operated by a third-party claims administrator. Contributions to the plan are based on estimated payroll and rates adjusted by an experience modification factor. VSC has purchased stop-loss insurance, which is effective for aggregate claims in excess of $876,550 per year. VSC has obtained a letter of credit in the amount of $450,000 to be used in the event of failure to pay premiums on the stop-loss policy. This is collateralized by a certificate of deposit. A workers' compensation roll-forward is presented below:

	2016	2015
Workers' compensation reserve, beginning of year	**$ 166,000**	$ 175,000
Workers' compensation accrued during the year	**343,000**	347,000
Claims paid/reserved/claims administration	**(266,000)**	(356,000)
Workers' compensation reserve, end of year	**$ 243,000**	$ 166,000

Note 11 - **Contingencies and Commitments - Continued**

Commitments
VSC has entered into various construction contracts. The following commitments are ongoing projects at June 30, 2016:

Project	Expended through June 30, 2016	Committed Future Costs	Total Committed Costs of Project
CU Haskell Heating	$ 65,586	$ 146,384	$ 211,970
CU Haskell Sprinkler	40,000	24,860	64,860
CCV St. Albans HVAC upgrade	-	99,800	99,800
LSC Stevens Roof	-	107,104	107,104
JSC Governors Electrical	122,350	2,520	124,870
JSC Roofing Projects	87,714	23,832	111,546
VTC Norwich Dairy Plant	340,207	6,511	346,718
	$ 655,857	$ 411,011	$ 1,066,868

At June 30, 2016, invoices related to construction projects of approximately $240,000 were included in accounts payable.

Employment Contracts
The Colleges have employment contracts with certain officers that expire on various dates through fiscal years 2017 and 2018. The agreements provide for aggregate annual base salaries of $1,074,392 in fiscal year 2017 and $135,000 in fiscal year 2018 and may be terminated with cause at any time.

Note 11 - **Contingencies and Commitments - Continued**

Service Concession Agreements

The Colleges have entered into a service concession agreement with Sodexco Operations, LLC ("Sodexco") to manage and operate its food services for VSC's students, faculty, staff, employees and guests through June 2022; the agreement is cancelable by either party at any time. Under the agreement Sodexco shall make annual contributions to VSC to be used at VSC's discretion for food service facility enhancements. The annual contributions shall commence on July 1st of each year and shall be in accordance with the following schedule:

Years Ending June 30,		
2017	$	225,000
2018		445,000
2019		445,000
2020		445,000
2021		707,500
2022		707,500
Total	$	2,975,000

REQUIRED SUPPLEMENTARY INFORMATION

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Schedule of Funding Progress (Unaudited)

June 30, 2016 and 2015

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2015	$ -	$ 157,886,000	$ 157,886,000	0%	$ 51,430,000	307.0%
July 1, 2013	$ -	$ 135,344,800	$ 135,344,800	0%	$ 54,018,000	250.6%
July 1, 2011	$ -	$ 117,611,000	$ 117,611,000	0%	$ 52,025,735	226.1%

VSC has to date performed five actuarial valuations, the latest on July 1, 2015, for purposes of satisfying the requirements of GASB Statement No. 45. The actuarial accrued liability for all benefits at this time was $157,886,000, all of which was unfunded. The annual covered payroll (annual payroll of active employees covered by the plan) was $51,429,838, and the ratio of the unfunded actuarial liability to annual covered payroll was 307.0%.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE *UNIFORM GUIDANCE*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE *UNIFORM GUIDANCE*

To the Board of Trustees of
Vermont State Colleges
Montpelier, Vermont

Report on Compliance for Each Major Federal Program
We have audited Vermont State Colleges' (the Colleges) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Vermont State Colleges' major federal programs for the year ended June 30, 2016. The Colleges' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of the Vermont State Colleges' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Vermont State Colleges' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Colleges' compliance.

Opinion on Each Major Federal Program

In our opinion, the Colleges complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2016-001, 2016-002, 2016-003, 2016-004, 2016-005, and 2016-006. Our opinion on each major federal program is not modified with respect to these matters.

The Colleges' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Colleges' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Vermont State Colleges is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Vermont State Colleges' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Vermont State Colleges' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Schedule of Expenditures of Federal Awards
We have audited the financial statements of the Vermont State Colleges, as of and for the year ended June 30, 2016. We issued our report thereon dated October 19, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 19, 2016

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

O'Connor & Drew P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Vermont State Colleges
Montpelier, Vermont

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Vermont State Colleges (a component unit of the State of Vermont) (the "Colleges"), which comprise the statements of net position as of June 30, 2016 and 2015, the related statements of revenues and expenses, changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Vermont State Colleges' basic financial statements and have issued our report thereon dated October 19, 2016.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Vermont State Colleges' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Colleges' internal control. Accordingly, we do not express an opinion on the effectiveness of the Colleges' internal control.

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

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

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

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

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 19, 2016

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	$ 1,282,401	$ -
Federal Work-Study Program	84.033	N/A	N/A	1,175,582	-
Federal Direct Student Loans	84.268	N/A	N/A	47,073,426	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	5,352,816	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	639,972	-
Federal Pell Grant Program	84.063	N/A	N/A	17,009,714	-
Total Student Financial Assistance Cluster				72,533,911	-
TRIO CLUSTER					
U.S. Department of Education:					
Direct Awards:					
TRIO_Student Support Services	84.042A	N/A	N/A	1,565,376	-
TRIO_Upward Bound	84.047A	N/A	N/A	1,007,980	-
Total TRIO Cluster				2,573,356	-
RESEARCH AND DEVELOPMENT CLUSTER					
National Aeronautics and Space Administration:					
Passthrough Awards:					
Science - National Space Grant College & Fellowship Program	43.001	University of Vermont	NNX10AK67H	9,248	-
Education - CubeSat Continued Development	43.008	University of Vermont	NNX16AK55A	4,171	-
Education - National Space Grant College & Fellowship Program	43.008	University of Vermont	NNX15AP86H	10,000	-
Subtotal - Passthrough Awards				23,419	
National Science Foundation:					
Direct Awards:					
Geosciences	47.050	N/A	N/A	49,296	-
Geosciences	47.050	N/A	N/A	16,371	-
Education and Human Resources	47.076	N/A	N/A	124,049	-
Subtotal - Direct Awards				189,716	-
Passthrough Awards:					
Geosciences	47.050	University of Vermont	geo-1034945	44,688	-
Experimental Program to Stimulate Competitive Research	47.073	University of Vermont	27788 SUB 51497	26,117	-
Education and Human Resources	47.076	University of Vermont	25399 SUB51105	165,659	-
Subtotal - Passthrough Awards				236,464	

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2016

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
RESEARCH AND DEVELOPMENT CLUSTER - CONTINUED					
National Institute of Health:					
Direct Awards:					
Experimental Program to Stimulate Competitive Research	47.081	N/A	N/A	$ 100,244	$ -
Total Research and Development Cluster				549,843	-
CHILD NUTRITION CLUSTER					
U.S. Department of Agriculture:					
Passthrough Awards:					
Summer Food Service Program for Children	10.559	Vermont Department of Education	N/A	19,927	-
CCDF CLUSTER					
U.S. Department of Health and Human Services:					
Passthrough Awards:					
Child Care and Development Block Grant	93.575	Vermont Dept. Children & Families	N/A	13,922	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Vermont Dept. Children & Families	N/A	294,975	-
Total CCDF Cluster				308,897	-
MEDICAID CLUSTER					
U.S. Department of Health and Human Services:					
Passthrough Awards:					
Medical Assistance Program	93.778	Office of Vermont Health Access (OVHA)	11-W-00194/1	225,326	-
NON-CLUSTER					
U.S. Department of Agriculture:					
Passthrough Awards:					
Higher Education - Institution Challenge Grants Program	10.217	Vermont Student Assistance Corp	P334S110006	12,354	-
Rural Business Enterprise Grants	10.769	Vermont USDA	N/A	13,952	-
				26,306	-
U.S. Department of Commerce:					
Direct Awards:					
Economic Adjustment Assistance	11.307	N/A	N/A	14,521	-
Manufacturing Extension Partnership	11.611	N/A	N/A	500,000	-
Subtotal - Direct Awards				514,521	-

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2016

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
NON-CLUSTER - CONTINUED					
U.S. Department of Defense:					
Passthrough Awards:					
Procurement Technical Assistance for Business Firms	12.002	Vermont Agency of Commerce & Community Development	N/A	$ 44,272	$ -
U.S. Department of Labor:					
Direct Awards:					
TAACCCT	17.282	N/A	N/A	2,103,798	-
Institute of Museum and Library Services:					
Passthrough Awards:					
Grants to States - Library Services & Tech Act	45.310	VT Department of Libraries	N/A	1,000	-
Small Business Administration:					
Direct Awards:					
Small Business Development Centers	59.037	N/A	N/A	635,022	-
Small Business Development Centers	59.037	N/A	N/A	69,108	-
Federal and State Technology Partnership Program	59.058	N/A	N/A	39,880	-
Federal and State Technology Partnership Program	59.058	N/A	N/A	22,934	-
State Trade Expansion	59.061	N/A	N/A	1,609	-
Subtotal - Direct Awards				768,553	-
Environmental Protection Agency:					
Passthrough Awards:					
Pollution Protection Grants Program	66.708	Vermont Agency of Natural Resources	N/A	48,592	-
U.S. Department of Education:					
Direct Awards:					
Congressionally-Directed Projects	84.116Z	N/A	N/A	35,358	-

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2016

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
NON-CLUSTER - CONTINUED					
U.S. Department of Education - Continued:					
Passthrough Awards:					
Career and Technical Education -- Basic Grants to States	84.048	Vermont Department of Education	V048A150045	$ 667,426	$ -
Career and Technical Education -- Basic Grants to States	84.048	Vermont Department of Education	4319R2171501	154,978	-
Career and Technical Education -- Basic Grants to States	84.048	Vermont Department of Education	V048A50045	48,300	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Vermont Student Assistance Corp	P334S110006-15	16,879	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334S	Vermont Student Assistance Corp	P334S110006-15	7,005	-
Mathematics and Science Partnerships	84.366	Vermont Department of Education	4655R1171601	324,112	21,946
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407A	University of Vermont	25280	75,594	-
Subtotal - Passthrough Awards				1,294,294	21,946
Northern Border Regional Commission:					
Passthrough Awards:					
Northern Border Regional Development	90.601	Northern Border Regional Commission	NBRC-14-G-VT00001	65,067	-
U.S. Department of Health and Human Services:					
Passthrough Awards:					
Research on Healthcare Cost, Quality and Outcomes	93.226	NCAA	N/A	29,487	-
Research on Healthcare Cost, Quality and Outcomes	93.226	NCAA	N/A	14,597	-
National Center for Research Resources	93.389	University of Vermont	29252SUB51797	234,202	-
National Center for Research Resources	93.389	University of Vermont	29252SUB51796	123,175	-
National Center for Research Resources	93.389	University of Vermont	2P20GM103449-14	93,902	-
Biomedical Research and Research Training	93.859	University of Vermont	8P20GM103449	7,453	-
Subtotal - Passthrough Awards				502,816	-
Corporation for National and Community Service:					
Passthrough Awards:					
Learn and Serve America - Higher Education	94.005	Maine Campus Compact/Bates College	N/A	3,101	-
Americorps	94.006	Vermont Agency of Human Services	13AFHVT0010006	184,654	-
Subtotal - Passthrough Awards				187,755	-
Total Non-Cluster				5,592,332	21,946
Total Federal Funds				$ 81,803,592	$ 21,946

VERMONT STATE COLLEGES
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Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2016

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Community College of Vermont	Castleton University	Johnson State University	Lyndon State College	Vermont Technical College	Workforce	System Offices & Services	Total	Total Amounts to Sub-recipients
STUDENT FINANCIAL ASSISTANCE CLUSTER												
U.S. Department of Education:												
Direct Awards:												
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	$ 205,640	$ 323,990	$ 358,874	$ 161,383	$ 232,514	$ -	$ -	$ 1,282,401	$ -
Federal Work-Study Program	84.033	N/A	N/A	123,125	294,747	423,174	185,662	148,874	-	-	1,175,582	-
Federal Direct Student Loans	84.268	N/A	N/A	5,789,756	13,755,423	10,115,326	9,074,199	8,338,722	-	-	47,073,426	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	-	2,103,255	1,484,022	1,206,684	558,855	-	-	5,352,816	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	-	-	155,881	301,140	182,951	-	-	639,972	-
Federal Pell Grant Program	84.063	N/A	N/A	6,985,057	2,889,095	2,765,999	2,398,068	1,971,495	-	-	17,009,714	-
Total Student Financial Assistance Cluster				13,103,578	19,366,510	15,303,276	13,327,136	11,433,411	-	-	72,533,911	-
TRIO CLUSTER												
U.S. Department of Education:												
Direct Awards:												
TRIO_Student Support Services	84.042A	N/A	N/A	321,457	292,341	391,590	308,135	251,853	-	-	1,565,376	-
TRIO_Upward Bound	84.047A	N/A	N/A	-	262,500	421,942	323,537	-	-	-	1,007,980	-
Total TRIO Cluster				321,457	554,841	813,533	631,672	251,853	-	-	2,573,356	-
RESEARCH AND DEVELOPMENT CLUSTER												
National Aeronautics and Space Administration:												
Passthrough Awards:												
Science - National Space Grant College & Fellowship Program	43.001	University of Vermont	NNX10AK67H	-	-	-	-	9,248	-	-	9,248	-
Education - CubeSat Continued Development	43.008	University of Vermont	NNX16AK55A	-	-	-	-	4,171	-	-	4,171	-
Education - National Space Grant College & Fellowship Program	43.008	University of Vermont	NNX15AP86H	-	-	-	-	10,000	-	-	10,000	-
Subtotal - Passthrough Awards				-	-	-	-	23,419	-	-	23,419	
National Science Foundation:												
Direct Awards:												
Geosciences	47.050	N/A	N/A	-	-	-	49,296	-	-	-	49,296	-
Geosciences	47.050	N/A	N/A	-	16,371	-	-	-	-	-	16,371	-
Education and Human Resources	47.076	N/A	N/A	-	-	124,049	-	-	-	-	124,049	-
Subtotal - Direct Awards				-	16,371	124,049	49,296	-	-	-	189,716	-
Passthrough Awards:												
Geosciences	47.050	University of Vermont	geo-1034945	-	-	-	44,688	-	-	-	44,688	-
Experimental Program to Stimulate Competitive Research	47.073	University of Vermont	27788 SUB 51497	-	26,117	-	-	-	-	-	26,117	-
Education and Human Resources	47.076	University of Vermont	25399 SUB51105	-	-	165,659	-	-	-	-	165,659	-
Subtotal - Passthrough Awards				-	26,117	165,659	44,688	-	-	-	236,464	-
National Institute of Health:												
Direct Awards:												
Experimental Program to Stimulate Competitive Research	47.081	N/A	N/A	-	-	100,244	-	-	-	-	100,244	-
Total Research and Development Cluster				-	42,488	389,952	93,984	23,419	-	-	549,843	-

VERMONT STATE COLLEGES
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Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2016

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Community College of Vermont	Castleton University	Johnson State University	Lyndon State College	Vermont Technical College	Workforce	System Offices & Services	Total	Total Amounts to Sub-recipients
CHILD NUTRITION CLUSTER												
U.S. Department of Agriculture:												
Passthrough Awards:												
Summer Food Service Program for Childre	10.559	Vermont Department of Educatior	N/A	$ -	$ -	$ -	$ 19,927	$ -	$ -	$ -	$ 19,927	$ -
CCDF CLUSTER												
U.S. Department of Health and Human Services:												
Passthrough Awards:												
Child Care and Development Block Gran	93.575	Vermont Dept. Children & Familie:	N/A	13,922	-	-	-	-	-	-	13,922	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Vermont Dept. Children & Families	N/A	294,975	-	-	-	-	-	-	294,975	-
Total CCDF Cluster				308,897	-	-	-	-	-	-	308,897	-
MEDICAID CLUSTER												
U.S. Department of Health and Human Services:												
Passthrough Awards:												
Medical Assistance Program	93.778	Office of Vermont Health Access (OVHA	11-W-00194/1	-	-	-	-	225,326	-	-	225,326	-
NON-CLUSTER												
U.S. Department of Agriculture:												
Passthrough Awards:												
Higher Education - Institution Challenge Grants Program	10.217	Vermont Student Assistance Corp	P334S110006	-	-	12,354	-	-	-	-	12,354	-
Rural Business Enterprise Grants	10.769	Vermont USDA	N/A	-	-	-	-	-	13,952	-	13,952	-
Subtotal - Passthrough Awards				-	-	12,354	-	-	13,952	-	26,306	-
U.S. Department of Commerce:												
Direct Awards:												
Economic Adjustment Assistance	11.307	N/A	N/A	-	-	-	-	-	14,521	-	14,521	-
Manufacturing Extension Partnership	11.611	N/A	N/A	-	-	-	-	-	500,000	-	500,000	-
Subtotal - Direct Awards				-	-	-	-	-	514,521	-	514,521	-
U.S. Department of Defense:												
Passthrough Awards:												
Procurement Technical Assistance for Business Firms	12.002	Vermont Agency of Commerce & Community Development	N/A	-	-	-	-	-	44,272	-	44,272	-
U.S. Department of Labor:												
Direct Awards:												
TAACCCT	17.282	N/A	N/A	816,124	-	-	-	1,287,674	-	-	2,103,798	-
Institute of Museum and Library Services:												
Passthrough Awards:												
Grants to States - Library Services & Tech Act	45.310	VT Department of Libraries	N/A	-	-	-	1,000	-	-	-	1,000	-
Small Business Administration:												
Direct Awards:												
Small Business Development Centers	59.037	N/A	N/A	-	-	-	-	-	635,022	-	635,022	-
Small Business Development Centers	59.037	N/A	N/A	-	-	-	-	-	69,108	-	69,108	-
Federal and State Technology Partnership Progran	59.058	N/A	N/A	-	-	-	-	-	39,880	-	39,880	-
Federal and State Technology Partnership Progran	59.058	N/A	N/A	-	-	-	-	-	22,934	-	22,934	-
State Trade Expansion	59.061	N/A	N/A	-	-	-	-	-	1,609	-	1,609	-
Subtotal - Direct Awards				-	-	-	-	-	768,553	-	768,553	-

VERMONT STATE COLLEGES
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Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2016

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Community College of Vermont	Castleton University	Johnson State University	Lyndon State College	Vermont Technical College	Workforce	System Offices & Services	Total	Total Amounts to Sub-recipients
NON-CLUSTER - CONTINUED												
Environmental Protection Agency:												
Passthrough Awards:												
Pollution Protection Grants Program	66.708	Vermont Agency of Natural Resource	N/A	$ -	$ -	$ -	$ -	$ -	$ 48,592	$ -	$ 48,592	$ -
U.S. Department of Education:												
Direct Awards:												
Congressionally-Directed Project	84.116Z	N/A	N/A	-	-	-	35,358	-	-	-	35,358	-
Passthrough Awards:												
Career and Technical Education -- Basic Grants to States	84.048	Vermont Department of Education	V048A150045	667,426	-	-	-	-	-	-	667,426	-
Career and Technical Education -- Basic Grants to States	84.048	Vermont Department of Education	4319R2171501	-	-	-	-	154,978	-	-	154,978	-
Career and Technical Education -- Basic Grants to States	84.048	Vermont Department of Education	V048A50045	48,300	-	-	-	-	-	-	48,300	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Vermont Student Assistance Corp	P334S110006-15	16,879	-	-	-	-	-	-	16,879	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334S	Vermont Student Assistance Corp	P334S110006-15	-	-	-	-	7,005	-	-	7,005	-
Mathematics and Science Partnerships	84.366	Vermont Department of Education	4655R1171601	-	-	-	324,112	-	-	-	324,112	21,946
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407A	University of Vermont	25280	-	-	75,594	-	-	-	-	75,594	-
Subtotal - Passthrough Awards				732,605	-	75,594	324,112	161,983	-	-	1,294,294	21,946
Northern Border Regional Commission:												
Passthrough Awards:												
Northern Border Regional Developmen	90.601	Northern Border Regional Commission	NBRC-14-G-VT00001	-	-	-	65,067	-	-	-	65,067	-
U.S. Department of Health and Human Services:												
Passthrough Awards:												
Research on Healthcare Cost, Quality and Outcomes	93.226	NCAA	N/A	-	-	29,487	-	-	-	-	29,487	-
Research on Healthcare Cost, Quality and Outcomes	93.226	NCAA	N/A	-	-	14,597	-	-	-	-	14,597	-
National Center for Research Resources	93.389	University of Vermont	29252SUB51797	-	-	234,202	-	-	-	-	234,202	-
National Center for Research Resources	93.389	University of Vermont	29252SUB51796	-	123,175	-	-	-	-	-	123,175	-
National Center for Research Resources	93.389	University of Vermont	2P20GM103449-14	-	-	-	93,902	-	-	-	93,902	-
Biomedical Research and Research Training	93.859	University of Vermont	8P20GM103449	-	-	-	7,453	-	-	-	7,453	-
Subtotal - Passthrough Awards				-	123,175	278,286	101,355	-	-	-	502,816	-
Corporation for National and Community Service:												
Passthrough Awards:												
Learn and Serve America - Higher Education	94.005	Maine Campus Compact/Bates College	N/A	-	3,101	-	-	-	-	-	3,101	-
Americorps	94.006	Vermont Agency of Human Services	13AFHVT0010006	-	-	-	184,654	-	-	-	184,654	-
Subtotal - Passthrough Awards				-	3,101	-	184,654	-	-	-	187,755	-
Total Non-Cluster				1,548,729	126,276	366,234	711,546	1,449,657	1,389,890	-	5,592,332	21,946
Total Federal Funds				$ 15,282,661	$ 20,090,115	$ 16,872,995	$ 14,784,265	$ 13,383,666	$ 1,389,890	$ -	$ 81,803,592	$ 21,946

See accompanying notes to the Schedule of Expenditures of Federal Awards

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Vermont State Colleges (the "Colleges") under programs of the Federal Government for the year ended June 30, 2016. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Colleges.

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

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 3 - **De Minimis Indirect Cost Rate**

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

Note 4 – **Federal Student Loan Program**

Perkins Loan Program

The Federal Perkins Loan Program ("Perkins") is administered directly by the Colleges and balances and transactions relating to the program are included in the College's basic financial statements. During the year ended June 30, 2016, $625,632 of loans were advanced under the Perkins program and $14,340 of administrative costs were incurred. As of June 30, 2016, loan balances receivable, net under Perkins was $5,529,077.

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

Note 4 – **Federal Student Loan Program - Continued**

Direct Student Loan Program

The Colleges disbursed $47,073,426 of loans under the Federal Direct Student Loans program, which include Stafford Subsidized and Unsubsidized Loans and Parent Plus Loans. It is not practical to determine the balances of the loans outstanding to students of the Colleges under the program as of June 30, 2016. The Colleges are only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the Colleges' financial statements.

VERMONT STATE COLLEGES
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Schedule of Current Year Findings and Questioned Costs

Year Ended June 30, 2016

Section I – Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	_____ yes __x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes __x__ no
Noncompliance material to the financial statements noted?	_____ yes __x__ no

Federal Awards

Type of auditor's report issued:	Unmodified
Internal control over major programs:	
• Material weaknesses identified?	_____ yes __x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	__x__ yes _____ no
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	__x__ yes _____ no

Identification of major programs:

VERMONT STATE COLLEGES
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Schedule of Current Year Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grant Program	**84.007**
Federal Work-Study Program	**84.033**
Federal Perkins Loan Program	**84.038**
Federal Pell Grant Program	**84.063**
Federal Direct Student Loans	**84.268**
TRIO Cluster	
Student Support Services	**84.042A**
Upward Bound	**84.047A**

Dollar threshold used to distinguish
Between type A and type B programs: $750,000

Auditee qualified as a low-risk auditee? __x__ yes ____ no

VERMONT STATE COLLEGES
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Schedule of Current Year Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Section II – Financial Statement Findings:

None

Section III – Federal Award Findings and Questioned Costs:

Finding number:	2016-001
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #'s:	Multiple
Award year:	2016

Criteria

According to 34 CFR Section 685.309(b)(2):

> A school shall, unless it expects to submit its next student status confirmation report to the Secretary within the next sixty days, notify the Secretary within thirty days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who:
>
> 1. Enrolled at that school but has ceased to be enrolled on at least a half-time basis
> 2. Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended
> 3. Has changed his or her permanent address

Condition

The Federal government requires the College to report student enrollment changes to the National Student Loan Data System (NSLDS) within sixty days. Out of a sample of forty students with enrollment status changes, one student's changes were not reported in a timely manner to the NSLDS. The College took 62 days to report the status change for this student.

Cause

The College reports student enrollment status changes to the NSLDS through the National Student Clearinghouse (NSC), a third-party contractor, and is responsible for ensuring that student enrollment status changes are reported to the NSLDS in a timely and accurate manner. It is the responsibility of the Registrar to submit the enrollment status changes to NSC and to ensure that controls are in place to timely submit updates once the Registrar's office receives a student withdrawal form.

The College reported this student's enrollment status change to the NSC in the required timeframe but the NSC did not notify the NSLDS of the enrollment change until after the 60 day period.

Effect

The College did not report one student's enrollment change within the required timeframe of sixty days.

Questioned Costs
N/A

Perspective
Of the statistically valid sample of forty students selected for testing, one student was determined to have a status change reported to the NSLDS more than sixty days after the College made the status change determination. This student represents 2.5% of the total sample. This is a repeat finding; see prior year finding 2015-001.

Recommendation
We recommend that management review its control procedures for reporting student financial aid data to the NSLDS to ensure proper controls are in place to ensure that all information is reported in a timely manner. Also, we recommend that VSC's IT department develop a query to identify students who have changed status outside of the large batches at the end of each semester.

Views of Responsible Officials
This finding was discovered at one college within the VSC system for award year 2016. The College agrees with the finding.

Finding number:	2016-002
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #'s:	Multiple
Award year:	2016

Criteria
According to 34 CFR Section 685.309(b)(2):

> A school shall, unless it expects to submit its next student status confirmation report to the Secretary within the next sixty days, notify the Secretary within thirty days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who:
>
> 1. Enrolled at that school but has ceased to be enrolled on at least a half-time basis
> 2. Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended
> 3. Has changed his or her permanent address

According to the NSLDS Enrollment Reporting Guide:

> The effective date for a withdrawn ('W') or completion/graduation status ('G') is the date that the school assigns to the withdrawal or completion/graduation.

Condition
The Federal government requires the College to accurately report student enrollment changes to the National Student Loan Data System (NSLDS). Out of a sample of forty students with enrollment status changes, four of the students who officially withdrew but were not properly reported to NSLDS, which resulted in the effective withdrawal dates for theses student being reported incorrectly to the NSLDS.

Cause
The College reports student enrollment status changes to the NSLDS through the National Student Clearinghouse (NSC), a third-party contractor, and is responsible for ensuring that student enrollment status changes are reported to the NSLDS in a timely and accurate manner.

Cause - Continued
To report enrollment status changes, the College uploads “Roster Files” to the NSC periodically that detail the enrollment status of every student at the College. For three students tested, there was an oversight by the College during the submission of the first “Roster File” of the Spring 2016 semester to NSC. The three students officially withdrew but were improperly excluded from the subsequent “Roster File” submitted after their withdrawal, which was also the first “Roster File” submission of the Spring 2016 semester. NSC noted that the three students were no longer listed as active students on the “Roster File” and reverted back to an effective withdrawal date for these students as of the last day of the previously active semester. The last day of the previously active semester was reported to the NSLDS as the effective withdrawal date but was not the correct effective withdrawal date for any of the three students.

The fourth student was not initially identified by the College’s Colleague computer system as a withdrawal due to complications from updates to the Colleague system during fiscal year 2016. Due to the Colleague system complications, the student was omitted on the first “Roster File” submitted to the NSC in the Fall 2015 semester. Similarly to the other three students, NSC noted the student was no longer listed as an active student on the “Roster File” and reverted back to an effective withdrawal date for the student as of the last day of the previously active semester. Again, the last day of the previously active semester was reported to the NSLDS as the effective withdrawal date but was not the correct effective withdrawal date. The Colleague system complications were resolved later in the Fall 2015 semester and the fourth student’s withdrawal was then properly uploaded to the NSC but NSC was unable to process a second effective withdrawal date for the same semester.

Effect
The four students were reported to NSLDS with an incorrect effective withdrawal date and the deferment period for these students was unnecessarily reduced.

Questioned Costs
N/A

Perspective
Of the statistically valid sample of forty students selected for testing, four students were determined to have incorrect effective dates with the NSLDS due to the College’s omission of the students from the reporting Roster File. These students represent 10.0% of the total sample. These appear to be isolated occurrences of noncompliance.

Recommendation
We recommend that management review its control procedures for reporting student financial aid data to the NSLDS to ensure proper controls are in place to ensure that all information is reported in an accurate manner.

Views of Responsible Officials
This finding was discovered at two colleges within the VSC system for award year 2016. Both colleges agree with the finding.

Finding number:	2016-003
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #'s:	Multiple
Award year:	2016

Criteria

According to 34 CFR Section 668.22(a):

> When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date in accordance with paragraph (e) of this section.

According to 34 CFR Section 668.22(c)(3):

> Notwithstanding paragraphs (c)(1) and (2) of this section, an institution that is not required to take attendance may use as the student's withdrawal date a student's last date of attendance at an academically-related activity provided that the institution documents that the activity is academically related and documents the student's attendance at the activity.

According to the NSLDS Enrollment Reporting Guide:

> The effective date for a withdrawn ('W') or completion/graduation status ('G') is the date that the school assigns to the withdrawal or completion/graduation.

Condition

The federal government requires the College to use an accurate withdrawal date for the Return of Title IV Aid calculation as well as accurately report student enrollment changes to the National Student Loan Data System (NSLDS).

For students who officially withdraw, the College is inconsistent when applying a withdrawal date to the student for NSLDS reporting and the Return of Title IV Aid calculation. The College uses the student's official withdrawal form date as an effective withdrawal date when reporting to NSLDS but uses the last date of attendance as the withdrawal date when performing the student's Return of Title IV Aid calculation.

Out of a sample of forty students with a Return of Title IV Aid calculation, the College has eleven students whose effective withdrawal dates reported to NSLDS do not match the withdrawal dates per the Return of Title IV Aid calculations.

Condition - Continued

The withdrawal date per the official withdrawal form and the last date of attendance are both considered valid withdrawal dates for a non-attendance taking school but once one of those dates is determined, the withdrawal dates should be consistently applied to NSLDS reporting and the Return of Title IV Aid calculation.

Cause

For official withdrawals, the College uses the student's official withdrawal form date as an effective withdrawal date when reporting to NSLDS but uses the last date of attendance when performing the student's Return of Title IV Aid calculation.

Effect

The withdrawal dates per the College are not consistent between the effective withdrawal date reported to NSLDS and the withdrawal date used for the Return of Title IV Aid calculation for eleven students in our sample.

Questioned Costs

N/A

Perspective

Of the statistically valid sample of forty students selected for testing, eleven students were determined to have inconsistent withdrawal dates. This appears to be a systematic issue at the College because the College is knowingly using two different dates for reporting to NSLDS and calculating the Return of Title IV Aid.

Recommendation

We recommend that the College use the same withdrawal date as an effective date for NSLDS and withdrawal date per the Return of Title IV Aid calculation.

Views of Responsible Officials

This finding was discovered at multiple colleges within the VSC system for award year 2016. All three Colleges agree with the finding.

Finding number:	2016-004
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #'s:	Multiple
Award year:	2016

Criteria

When a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the recipient's withdrawal date.

According to 34 C.F.R. Section 668.22(j)(2):

For an institution that is not required to take attendance, an institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the –

- (i) Payment period or period of enrollment, as appropriate;
- (ii) Academic year in which the student withdrew; or
- (iii) Educational program from which the student withdrew.

Condition

The College is non-attendance taking and for one withdrawn student tested, the College did not determine the student withdrew until 150 days after the end of the payment period, which ended the earliest of the aforementioned dates. The student withdrew in September 2015 but the College did not determine the student's withdrawal until May 2016. The College did not determine the withdrawal date within the 30 day period after the end of the payment period, which was the Fall 2015 semester.

Cause

The College runs an "All 'F' Report" at the end of each semester to identify the students that failed all classes taken. The College investigates each student on the report to determine whether each student failed all classes by merit or failed due to unofficially withdrawing from the College. During the Fall 2015 semester, the student in question was enrolled at Castleton University but took classes at the Community College of Vermont, while receiving Title IV funds. The student received all failing grades during the Fall 2015 semester at the Community College of Vermont but those grades were not reflected when Castleton University ran their "All 'F' Report" at the end of the semester because the classes were not taken at Castleton University. The College was unaware of the student's withdrawal until it was discovered during our testing.

Effect
The College did not determine the withdrawal date of one withdrawn student within the 30 day period after the end of the payment period.

Questioned Costs
N/A

Perspective
Of the statistically valid sample of forty students selected for testing, one student was determined to be withdrawn more than 30 days after the end of the payment period. This student represents 2.5% of the total sample. It appears this is an isolated occurrence of noncompliance.

Recommendation
We recommend the College develop a report to identify all failing students that incorporates classes taken by the student at both at the specific college at which the student is enrolled as well as the other colleges in the Vermont State College system.

Views of Responsible Officials
This finding was discovered at one college within the VSC system for award year 2016. The College agrees with the finding.

Finding number:	2016-005
Federal agency:	U.S. Department of Education
Programs:	Federal Pell Grant Program
CFDA #'s:	84.063
Award year:	2016

Criteria

According to 34 CFR Section 690.83(b):

1. An institution shall report to the Secretary any change in the amount of a grant for which a student qualifies, including any related Payment Data changes by submitting to the Secretary the student's Payment Data that disclosed the bases and result of the change in award for each student. The institution shall submit the student's Payment Data reporting any change to the Secretary by the reporting deadlines published by the Secretary in the Federal Register.

2. An institution shall submit, in accordance with deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct.

According to the DOE Federal Register (Volume 80, Number 47, 80 FR 1280):

> An institution must submit Pell Grant, Iraq and Afghanistan Service Grant, Direct Loan, and TEACH Grant disbursement records, as applicable, no later than 15 days after making the disbursement or becoming aware of the need to adjust a student's previously reported disbursement.

Condition

Federal regulations require institutions to report to the Federal Government's Common Origination and Disbursement System (COD) payments to students for Federal Pell Grants within 15 days of disbursement to students.

We sampled forty students and one student's Pell grant disbursement was reported late to the COD in the Fall 2015 semester. The College reported the student's disbursement to the COD 125 days after the disbursement date.

Cause

In a previous year, this condition existed due to a weakness in the College's Colleague electronic reporting process to the COD system, whereby it was difficult to discern after the data was transmitted which individual Pell records were accepted by the COD system. The issue was identified and the College redesigned and implemented a new system report edit function in its electronic reporting process that helped to quickly identify data reporting errors with the COD system and allowed the College to correct Pell student data within the required 15 day reporting window.

The Colleague system updates in fiscal year 2016 created unknown complications and the new system report edit function was altered. The College unknowingly no longer received a complete list of data reporting errors with the COD system. Later in the fiscal year, the College performed another Colleague system update and the system report edit function reverted back to generating full error reports. The system then generated a list of data reporting errors that had been previously missed due to the interruption from the initial Colleague system update. The students that made up those older data reporting errors were already past the 15 day threshold and had not been properly reported to COD.

Effect

Of the students tested, the College did not report one students' Pell grant disbursement to the COD within the required 15 days.

Questioned Costs

N/A

Perspective

Of the statistically valid sample of forty students selected for testing, one students' Pell grant disbursement was reported more than 15 days are the disbursement date to the student. This student represents 2.5% of the total sample.

Through discussion with the College's financial aid personnel, this finding affected Pell disbursement reporting of 11 additional students outside of our sample of forty students. These additional students were all discovered by the College and reported to the COD on the same day in the Spring 2016 semester, which was beyond the 15 day limit to report Pell disbursements for these students. In total, all students affected were due to an isolated incident directly related to the complications from the Colleague system update. The Colleague system now appears to be operating properly.

Recommendation

We recommend that management strengthen their oversight of COD reporting to ensure timely reporting of aid disbursement information.

Views of Responsible Officials
This finding was discovered at one college within the VSC system for award year 2016. The College agrees with the finding.

Finding number:	2016-006
Federal agency:	U.S. Department of Education
Programs:	TRIO Cluster (Student Support Services)
CFDA #'s:	84.042A
Award year:	2016

Criteria

According to 34 CFR Section 646.11:

> (a) An applicant must assure the Secretary in the application that—
> (1) Not less than two-thirds of the project participants will be—
> (i) Low-income individuals who are first generation college students; or
> (ii) Individuals with disabilities;
> (2) The remaining project participants will be low-income individuals, first generation college students, or individuals with disabilities; and
> (3) Not less than one-third of the individuals with disabilities served also will be low-income individuals.

According to OMB No. 1840-0525, grantees must submit an annual performance report to the Department of Education each year of the project period.

Condition

The College did not accurately report the eligibility status of two program participants on the Student Support Services Annual Performance Report (APR). The two program participants were both individuals with a disability, first-generation, and low-income but were coded as only first generation and low-income individuals.

Omitting the disability from the eligibility status of these participants affected the calculation on the APR that ensures not less than one-third of the individuals with disabilities were also low-income individuals. Upon recalculation using the correct eligibility codes, the College was in compliance with the regulation that not less than one-third of the individuals with disabilities were also low-income individuals.

Cause

The College was not documenting a participant's disability if the individual met another eligibility requirement (e.g. first generation and/or low income). These two participants both had another eligibility requirement and therefore, their disability was not documented in the APR. The incorrect eligibility statuses recorded for those two participants caused an incorrect calculation on the Annual Performance Report when determining whether not less than one-third of the individuals with disabilities were also low-income individuals.

Schedule of Current Year Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Effect
The eligibility status for the two participants was inaccurately reported on the APR. When determining whether not less than one-third of the individuals with disabilities were also low-income individuals on the APR, incorrect eligibility statuses were used and the calculation was incorrectly reported.

Questioned Costs
N/A

Perspective
Of the statistically valid sample of forty participants selected for testing, two participants' had incorrect eligibility statuses. This appears to be a systematic issue with the way the College records the eligibility status of disabled participants when the participant meets anther eligibility requirement.

Recommendation
We recommend that management improve their participant coding process to properly determine and document a participant's eligibility status, specifically regarding individuals with disabilities and other eligibility requirements.

Views of Responsible Officials
This finding was discovered at one college within the VSC system for award year 2016. The College agrees with the finding.

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Summary Schedule of Prior Year Findings

Year Ended June 30, 2016

Finding number:	2015-001
Federal agency:	U.S. Department of Education
Programs:	Federal Pell Grant Program
CFDA #'s:	84.063
Award year:	2014

Condition

The Federal government requires the College to report student enrollment changes to the National Student Loan Data System (NSLDS) within sixty days. Out of a sample of forty students with enrollment status changes, four of the students' changes were not reported in a timely manner to the NSLDS. For three of those students, the timeframe taken to report the status ranges from 159-168 days. The fourth student's graduation was never reported to the NSLDS.

Current Year Status:

Our current year testing revealed a finding in this area. See finding 2016-003 for more information and corrective action plan.

Finding number:	2015-002
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #'s:	Multiple
Award year:	2015

Condition

When a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the proper amount of Title IV funds to be refunded as of the recipient's withdrawal date. The institution should complete a "Treatment of Title IV Funds when a Student Withdraws from a Credit-Hour Program" worksheet in order to determine the proper amount of Title IV funds to be refunded. Once a recipient's withdrawal date is determined, an institution needs to calculate the percentage of the payment period or period of enrollment completed. The percentage of the payment period or period of enrollment completed represents the percentage of Title IV funds earned by the recipient.

We tested 40 recipient files for compliance with this requirement. The refund for one student who withdrew was not calculated using the proper withdrawal date. This resulted in a net excess of $86 being returned to the Federal Government.

Current Year Status:

The recommendation was adopted by management during the fiscal year ended June 30, 2016. No similar findings were noted during the audit.

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Management's Corrective Action Plan

Finding number:	2016-001
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #'s:	Multiple
Award year:	2016

Corrective Action Plan:

Vermont Technical College ("VTC")

There is a policy and procedure in place by the Registrar's Office that includes a transmission schedule that is coordinated with the Registrar Offices across Colleges incorporated in the VSC. Each college within the VSC has a designated day of the week for reporting as only one college at a time can be in the system for reporting and transmitting. From time to time there are technical problems with transmissions which can cause timing issues and delays in data reporting when trying to meet deadline compliance, as in the case with the student discussed in this finding. VTC will look at the transmission schedule and see whether we can report earlier to create more of a buffer zone for error edits and transmission issues.

Timeline for Implementation of Corrective Action Plan:

Vermont Technical College

This policy and timeline will be reviewed and any changes implemented by December 2016 under the direction of the Registrar.

Contact Person

Vermont Technical College

Catherine McCullough, Director of Financial Aid

Management's Corrective Action Plan - Continued

Finding number:	2016-002
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #'s:	Multiple
Award year:	2016

Corrective Action Plan:

Community College of Vermont ("CCV")

As reported to the audit team, the erroneous reporting of the withdrawal date was due to the CCV's inability to retrieve accurate information from our reporting tool after the SQL update to our data system. CCV's registrar team worked to resolve those issues by creating new reports with accurate data in midterm of the Fall 15 semester.

Lyndon State College ("LSC")

Lyndon State College has traditionally followed the NSC schedule for roster updates using the approved methodology of reporting enrolled students. Thus, the three students were correctly recorded with NSLDS as withdrawn, but the dates of withdrawal were incorrect because NSC used a default date of the close of the prior term. To avoid this problem from occurring in the future, LSC will "pre-report" spring enrollment to establish a baseline. The enrollment activity during the start of the semester will then be manually reported as adjustments to that baseline, up until the point of the regular spring enrollment reporting at which point current registration reporting procedures will resume and continue through the balance of the semester.

Timeline for Implementation of Corrective Action Plan:

Community College of Vermont ("CCV")

The corrective action plan has already been implemented. CCV's registrar team worked to resolve those issues by creating new reports with accurate data in midterm of the Fall 2015 semester.

Lyndon State College ("LSC")

This updated procedure will be further defined in Fall 2016 for implementation for the Spring 2017 semester.

Contact Person

Community College of Vermont ("CCV")

Pam Chisholm, Dean of Enrollment Services

Lyndon State College ("LSC")

Miranda Fox, Registrar

Finding number:	2016-003
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #'s:	Multiple
Award year:	2016

Corrective Action Plan:

Community College of Vermont ("CCV")

As reported to the audit team, CCV felt with the return of Title IV Funds, we were being good fiduciary stewards of federal funds by using the last date of attendance for the Return of Title IV Aid calculation. CCV will work to identify the best data point to use consistently for both purposes going forward and implement this process update.

Castleton University ("CU")

CU will use the same withdrawal date (i.e. the last date of attendance) as an effective date for NSLDS reporting and withdrawal date per the Return of Title IV Aid calculation.

Vermont Technical College ("VTC")

To alleviate future errors in reporting actual withdrawal dates, the registrar's office will implement a workflow that will institute checks and balances to review and self-audit work and data submitted to NSLDS.

Timeline for Implementation of Corrective Action Plan:

Community College of Vermont ("CCV")

Financial Aid and the Registrar will make this determination before the end of the Fall 16 semester and also will review any official withdrawals that have been previously processed for the Fall 16 semester.

Castleton University ("CU")

Effective immediately (10/13/16), the Chief Academic Officer will instruct the Registrar's Office to implement the Corrective Action Plan.

Vermont Technical College ("VTC")

This workflow will be instituted by the Registrar and any changes implemented by December 2016.

Contact Person

Community College of Vermont ("CCV")

Pam Chisholm, Dean of Enrollment Services

Castleton University ("CU")

Lori Arner, Registrar

Management's Corrective Action Plan - Continued

Contact Person – Continued
Vermont Technical College ("VTC")
Catherine McCullough, Director of Financial Aid

Management's Corrective Action Plan - Continued

Finding number:	2016-004
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #'s:	Multiple
Award year:	2016

Corrective Action Plan:
Castleton University ("CU")
CU will develop a report to identify all failing students that incorporates classes taken by the student at both CU as well as other colleges in the Vermont State College system.

Timeline for Implementation of Corrective Action Plan:
Castleton University ("CU")
The report will be run by the Registrar's Office at the end of the current (Fall 2016) semester (and all subsequent semesters).

Contact Person
Castleton University ("CU")
Lori Arner, Registrar

Management's Corrective Action Plan - Continued

Finding number:	2016-005
Federal agency:	U.S. Department of Education
Programs:	Federal Pell Grant Program
CFDA #'s:	84.063
Award year:	2016

Corrective Action Plan:

Community College of Vermont ("CCV")

As reported to the audit team, the College has worked to correct the reporting errors as a result of the SQL conversion to identify, in a timely manner, students records that are not being correctly to the COD system. CCV's corrective action plan was to correct the reporting errors.

Timeline for Implementation of Corrective Action Plan:

Community College of Vermont ("CCV")

The corrective action plan has already been implemented. It was implemented shortly after CCV became aware of the issue.

Contact Person

Community College of Vermont ("CCV")

Pam Chisholm, Dean of Enrollment Services

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Management's Corrective Action Plan - Continued

Finding number: 2016-006
Federal agency: U.S. Department of Education
Programs: TRIO Cluster (Student Support Services)
CFDA #'s: 84.042A
Award year: 2016

Corrective Action Plan:
Community College of Vermont ("CCV")
CCV's corrective action plan was to update the TRIO enrollment paperwork immediately after discovering the error with the addition of "Disability" as an eligibility category. Previously, disability status was documented on the TRIO application and verified manually in a separate ADA tracking database, but relied on a manual process to be included in the TRIO database. This manual process did not successfully prevent errors. To avoid such human error in the future, disability status is now documented on the enrollment paperwork and feeds directly into data entry into our database. Additionally, the TRIO Director runs monthly reports to evaluate the proportion of students with disabilities to students with disabilities who are low-income, as a failsafe to ensure accurate documentation and reporting.

Timeline for Implementation of Corrective Action Plan:
Community College of Vermont ("CCV")
The corrective action plan has already been implemented.

Contact Person
Community College of Vermont ("CCV")
Heather Weinstein, Dean of Students