

# Vermont State Colleges Board of Trustees Meeting



December 6, 2018

*Vermont Technical College  
Randolph Center, Vermont*



**MEMORANDUM**

**TO:** Board of Trustees, Vermont State Colleges Systems

**FROM:** Churchill Hindes, Chair  
Jeb Spaulding, Chancellor

A handwritten signature in black ink that reads "Jeb Spaulding". The signature is written in a cursive style with a long, sweeping underline.

**DATE:** November 30, 2018

**SUBJECT:** Materials for Board Meeting December 6, 2018

Attached are the agenda and supporting materials for the upcoming Board meeting Thursday, December 6, 2018 at Vermont Technical College. The Finance and Facilities Committee meeting will start at 10:30 a.m. Lunch and the presentation of VTC's Strategic Plan will start at 12:00pm. The Board of Trustees business meeting will begin at 1:00 p.m.

We look forward to seeing everyone on Thursday. Please feel free to get in touch with any questions.

cc: Council of Presidents



To reach our campus, take **I-89 to Exit 4**. On the exit ramps, watch for signs to VTC, which will send you up the hill, away from the McDonald's/Mobil Gas Station. Travel less than a mile to the intersection that brings you to campus, at which, YOU have the right of way. Straight ahead lays the campus: go left if you are going to the Langevin House. (Further directions for various locations below)

### ADMINISTRATION CENTER

Drive straight through the intersection that brings you to campus; the Admin Center is the 3<sup>rd</sup> Building on your right, #1 on the campus map. (You will see flags and the circular drive in front of the building.) Parking Lot C will serve you best.

### ALLEN HOUSE

Allen House is the brick building on the left as you drive onto campus, #23 on the campus map; kindly park across the street from the house, in Lot D or E.

### ENTERPRISE CENTER (VTEC)

#### 1540 Route 66, Randolph Center

Take I-89 to Exit 4: off either ramp, turn downhill, toward the McDonald's/Mobil Gas Station. VTEC is down the road, ½ mile, on the left, across from Route 66 Auto. The building is on your left, as are the parking lots. You will find directions to the room as you enter the building.

### JUDD HALL

At the intersection that brings you to campus, take a right. To drop off at Judd Gym, take the second driveway on your left and Judd is at the center of this u-shaped road, #4 on the campus map. For Judd parking, return to the intersection that marks the start of our campus, go right, and park anywhere visitor parking is permitted.

### KEENAN RESIDENCE HALL

At the intersection that brings you to campus, take a right. Take the third left, between the church and the schoolhouse, to your first left. The Keenan parking lot is directly to your left, where you will find Keenan on your right, #11 on the campus map.

### LANGEVIN HOUSE

#### 593 Furnace Street, Randolph Center

After taking a left at the intersection, take your first right (Furnace Road). Follow this to its end and the dirt road to your right which will take you to the Langevin Farmhouse, #24 on the campus map. Enter the conference room at the far end of the building. For meeting rooms, enter at the porch and look for the room numbers above the individual rooms.

### MOREY RESIDENCE/DINING HALL

At the intersection that brings you to campus, take a right. Take the third left, between the church and the schoolhouse, to your first left. This road winds back to a big parking lot and as you enter it, look to your left and see Morey, #10 on the campus map.

### NUTTING RESIDENCE HALL

Drive straight through the intersection that brings you to campus and follow the road to the last lot on the right, Lot A, finding Nutting at the far end of the lot, #15 on the campus map.

### OLD DORM RESIDENCE HALL

Drive straight through the intersection that brings you to campus. Old Dorm is the first building on your right, #2 on the campus map, and you may park in any of the lots, also on the right.

### RED SCHOOL HOUSE

#### 46 South Randolph Road, Randolph Center

Take a right at the intersection that brings you to campus. Go straight to the first intersection on your left, and the Red School House is there, immediately to your right, #22 on the campus map. The large conference room is upstairs. Elevator is beyond the entrance on the south side of the building.

### SHAPE GYM/CAMPUS CENTER

At the intersection that brings you to campus, take a right. Take the third left, between the church and the schoolhouse, to your first left. This road winds back to a big parking lot where you will find SHAPE and the Campus Center at the far end of the lot, on the right; #14 on the campus map.

## **BOARD OF TRUSTEES**

**J. Churchill Hindes, Chair**  
(2/28/21)

**Janette Bombardier**  
(2/28/21)

**M. Jerome “Jerry” Diamond**  
(2/28/19)

**Rep. Eileen “Lynn” Dickinson, Vice Chair**  
(2/28/20)

**Dylan Giambatista**  
(3/1/22)

**Rep. Bill Lippert, Jr.**  
(2/18/20)

**Karen Luneau, Secretary**  
(2/28/21)

**Chris Macfarlane**  
(2/28/19)

**Rep. Jim Masland**  
(2/28/22)

**Linda Milne, Treasurer**  
(2/28/21)

**Michael Pieciak**  
(2/28/21)

**Aly Richards**  
(2/28/19)

**David Silverman**  
(2/23/22)

**Governor Phil Scott**  
(*ex officio*)

**Jesse Streeter**  
(5/30/19)

### **Board Committees**

#### **Audit**

Linda Milne, Chair  
Lynn Dickinson, Vice-Chair  
Karen Luneau  
Chris Macfarlane

#### **Education, Personnel & Student Life**

Aly Richards, Chair  
Jim Masland, Vice-Chair  
Jesse Streeter  
Janette Bombardier  
Lynn Dickinson  
Karen Luneau

#### **Executive**

Church Hindes, Chair  
Lynn Dickinson  
Karen Luneau  
Linda Milne

#### **Finance & Facilities**

Church Hindes, Chair  
Chris Macfarlane, Vice-Chair  
Jerry Diamond  
Bill Lippert  
Linda Milne  
Mike Pieciak  
David Silverman

#### **Long Range Planning**

Jerry Diamond, Chair  
Karen Luneau, Vice Chair  
Lynn Dickinson  
Dylan Giambatista  
Mike Pieciak  
Aly Richards

### **Board Meeting Dates**

Dec 6, 2018  
March 23, 2019  
June 20, 2019  
September 18-19 2019

Vermont Technical College  
Northern Vermont University-Johnson  
Castleton University  
Lake Morey Resort

### **VSC Chancellor’s Office** **Jeb Spaulding, Chancellor**

Chief Financial Officer  
General Counsel  
Associate General Counsel  
Chief Academic Officer  
Chief Information Officer  
Director of External and Governmental Affairs  
System Controller/Senior Director of Financial Operations  
Administrative Director  
Director of Facilities  
Director of Human Resources  
Director of Institutional Research  
Director of Payroll and Benefits

**Stephen Wisloski**  
**Sophie Zdatny**  
**Todd Daloz**  
**Yasmine Ziesler**  
**Kevin Conroy**  
**Tricia Coates**  
**Sheilah Evans**  
**Jen Porrier**  
**Richard Ethier**  
**Nancy Shaw**  
**Patroklos Karantinos**  
**Tracy Sweet**

Vermont State Colleges Board of Trustees Regular Meeting  
Langevin House, Vermont Technical College  
593 Furnace St. Randolph Ctr, VT

Thursday, December 6, 2018

AGENDA

December 6, 2018

10:30am-12:00pm

Finance & Facilities Committee Meeting

12:00pm-1:00pm

Lunch

Buffet lunch served for Trustees – Strategic plan presentation by Vermont Technical College during Lunch

1:00pm-5:00pm

Board of Trustees Business Meeting

**Vermont State Colleges Board of Trustees Regular Meeting  
Langevin House, Vermont Technical College**

**Thursday, December 6, 2018**

**AGENDA**

**December 6, 2018**

**1:00 PM -** Board of Trustees Business Meeting

High School Class of 2012 Case Study: Aspirations, Continuation, and Attainment – Vermont Student Assistance Corporation

**2:00 PM – ITEMS FOR DISCUSSION AND/OR ACTION**

1. Approval of the Minutes of the September 26-27, 2018 Retreat and Board Meeting
2. Report of the Audit Committee:  
Review and approval of the FY 2018 Draft Audited Financial Statements
3. Report of the Finance & Facilities Committee:  
Review and approve FY 2018 Carry Over requests  
Approval of sale of property, Northern Vermont University
4. Report of the Education, Personnel, and Student Life Committee  
No action items
5. Report of the Long Range Planning Committee  
Approval of the revised mission statement and Strategic Plan for Castleton University  
Approval of the Strategic Plan for Vermont Technical College
6. Hall of Fame Update  
Final approval of inductee roster
7. Legislative Report  
Review and approve General and Capital requests
8. VSCS IT update – Major projects, Cyber Security, and Communications
9. Comments from the Public
10. Other business
11. Probable Executive session to discuss subjects related to labor negotiations, possible real estate transactions and appointment of a public official.

## MEETING MATERIAL

- Item 1: Approval of Minutes from Board Retreat
- a. September 26, 2018 Meeting Minutes
  - b. September 27, 2018 Meeting Minutes
- Item 2: Report of the Audit Committee
- a. FY2018 Audited Financial Statements – Motion to Approve
  - b. FY2018 Audited Financial Statements
- Item 3: Report of the Finance & Facilities Committee
- a. FY2018 Carry Over requests
  - b. FY2020 Capital Projects requests
- Item 4: Report of the Long Range Planning Committee
- a. Castleton University Strategic Plan
  - b. Vermont State College Strategic Plan
- Item 5: Hall of Fame Update
- Hall of Fame Honorees Biographies

## Item 1:"

### Approval of Minutes

- a. September 26, 2018 Meeting Minutes
- b. September 27, 2018 Meeting Minutes



**Minutes of the VSCS Board of Trustees Retreat Meeting held Wednesday, September 26, 2018 at the Lake Morey Resort, Fairlee, Vermont – UNAPPROVED**

*Note: These are unapproved minutes, subject to amendment and/or approval at the subsequent meeting.*

The Vermont State Colleges Board of Trustees met on Wednesday, September 26, 2018 at the Lake Morey Resort, Fairlee, Vermont

Board members present: Churchill Hindes (Chair), Janette Bombardier (1pm), Jerry Diamond, Lynn Dickinson, Dylan Giambatista, Linda Milne, Chris Macfarlane, Jim Masland, Karen Luneau, Bill Lippert, Aly Richards (11:30am), David Silverman, Jesse Streeter

Absent: Mike Pieciak

Presidents: Elaine Collins, Joyce Judy, Pat Moulton, Karen Scolforo

Chancellor's Office Staff:     Jeb Spaulding, Chancellor  
  Tricia Coates, Director of External and Governmental Affairs  
  Kevin Conroy, Chief Information Officer  
  Todd Daloz, Associate General Counsel  
  Sheilah Evans, Senior Director of Financial Operations, System  
  Controller  
  Jen Porrier, Administrative Director  
  Steve Wisloski, Chief Financial Officer  
  Sophie Zdatny, General Counsel  
  Yasmine Ziesler, Chief Academic Officer

From the Colleges:             Mike Fox, Dean of Enrollment, Northern Vermont University  
  Nolan Atkins, Provost, Northern Vermont University  
  Nate Ball, VSCUP Vice President, Vermont Technical College

Chair Hindes called the meeting to order at 11:15 a.m.

Trustee refresher training on Policy 311, Policy 311-A, and Policy 207

Associate General Counsel Todd Daloz presented an overview of VSCS Policy 207 (Trustee and Executive Conflict of Interest) and fiduciary responsibilities. Trustees were reminded they are to fill out the annual conflict of interest form.

General Counsel Sophie Zdatny gave an overview of Title IX, and VSCS Policy 311 (Non-Discrimination and Prevention of Harassment and Related Unprofessional Conduct) and Policy 311-A (Sexual Misconduct, Domestic Violence, Dating Violence, Sexual Assault, and Stalking).

The Board recessed for lunch at 12:10 p.m.

The Board reconvened at 1:01pm

### Panel Presentation and Discussion

Chancellor Spaulding introduced Megan Cluver – Senior Higher Education Strategist from Deloitte, John Anderson – Retired President of Millersville University (PASSHE system) and Former President of Alfred State College (SUNY system), and Don Laackman – President of Champlain College. They led a panel discussion on higher education today and tomorrow, responsibilities, challenges and opportunities in traditional and non-traditional markets.

### Presidents' State of the College/University

Vermont Technical College President Moulton presented Vermont Tech's draft of their five year strategic plan. She outlined key points of upward momentum including the positive budget result for FY2018 and the 7% increase in enrollments. Vermont Tech's strategic objectives focus on enrollment, financial reserves, key stakeholder satisfaction, accessibility, technology, recognition and programs. The 2018-2020 initiatives include enrollment preservation, student experience and resource enhancements.

Northern Vermont University President Elaine Collins discussed the ways her team allocated the one-time unification appropriation money from the Legislature (academics, accreditation, IT, marketing, etc.). She further identified some additional needs to be addressed (e.g., transportation). NVU has been working on rebranding with videos, logos and advertisements, including brand launch parties and new campus and road signs. The two NVU campuses have merged and collaborated on some curricula, which has increased student access to faculty. Recruiting efforts are expanding across strategic portions of the country.

Community College of Vermont President Joyce Judy started by acknowledging CCV employees and indicating CCV's most important resource is its employees. CCV has started the implementation phase of their strategic plan with a special focus on Pillar 1: Creating Pathways and Programs for Academic Success. As part of this work, CCV is redesigning and expanding the Career Services program. Their redesign is modeled after their highly successful virtual Hartness Library and its embedded librarian program. The second initiative to increase student success and retention is using a "nudge" technology. CCV has developed a very strategic text messaging plan for use with students. The text messages are sent to students at key times throughout the semester. A third initiative is the development of "microgrants" for students. These small grants, supported with philanthropic funds, help students stay enrolled during the semester even when faced with a financial crisis. CCV is making preparations to celebrate their 50<sup>th</sup> anniversary in 2020 and will begin the launch of the celebration in late 2019, with a full rollout in 2020.

Castleton University President Karen Scolforo describes some recent challenges with an inherited deficit and low enrollment. CU is developing a culture of fundraising and in-kind giving, together with a culture of innovation and a culture of growth. CU is proud of their average incoming student GPA being 3.06 and of a philosophy of academics first and athletics

second. CU has modified their mission and strategic plan, both of which sit with the faculty for approval, and updated “Castleton on the Move”. CU is mainly focusing on new program development and labor market research. CU has identified needs for Occupational and Physical Therapy Assistants, a menu style MBA and Early Childhood Education. President Scolforo suggested she would be developing these programs and anticipated bringing them forward for Board approval in the future. CU is also focusing on fundraising efforts designed around their motto of “Together we will change the world” with an eye on campus beautification, infrastructure improvement, and scholarship development opportunities. Due to CU’s nine new initiatives, they’ve seen a 22% increase, year over year, in enrollment, a 40% increase for out of state enrollment, more than doubled early college enrollment and they now draw students from 36 countries and 26 states.

At 5:30 p.m. Chair Hindes recessed the Board meeting until 8:14 a.m. on September 27, 2018.

UNAPPROVED

**Minutes of the VSCS Board of Trustees Retreat Meeting held Thursday, September 27, 2018 at the Lake Morey Resort, Fairlee, Vermont – UNAPPROVED**

*Note: These are unapproved minutes, subject to amendment and/or approval at the subsequent meeting.*

The Vermont State Colleges Board of Trustees met on Thursday, September 27, 2018, at the Lake Morey Resort, Fairlee, Vermont

Board members present: Churchill Hinds (Chair), Janet Bombardier, Jerry Diamond, Lynn Dickinson, Dylan Giambatista, Karen Luneau, Chris Macfarlane, Jim Masland, Linda Milne, Aly Richards, David Silverman and Jesse Streeter

Absent: Mike Pieciak, Bill Lippert

Presidents: Elaine Collins, Joyce Judy, Pat Moulton, Karen Scolforo

Chancellor's Office Staff:     Jeb Spaulding, Chancellor  
  Kevin Conroy, Chief Information Officer  
  Tricia Coates, Director of External & Governmental Affairs  
  Todd Daloz, Associate General Counsel  
  Sheilah Evans, System Controller & Senior Director of Financial  
  Operations  
  Jen Porrier, Administrative Director  
  Steve Wisloski, Chief Financial Officer  
  Sophie Zdatny, General Counsel  
  Yasmine Ziesler, Chief Academic Officer

From the Colleges:     Michael Fox, Dean of Enrollment & Marketing, Northern Vermont  
  University  
  Laura Jakubowski, Director of Finance, Castleton University  
  Maurice Ouimet, Dean of Enrollment, Castleton University  
  Sharon Scott, Dean of Administration, Northern Vermont University

Chair Hinds called the meeting to order at 8:15 a.m.

Chancellor's 2018-2019 Goals and Status, with discussion

Chancellor Spaulding led a discussion on the VSCS goals and status for 2018-2019. He stated that the highest priority of stabilizing the finances of the VSCS and its member institutions remains the same. The goal is to stay on budget and finish FY 2019 with balanced budgets, heading into FY2020 with some positive margins. The Chancellor discussed the Board approved six strategic priorities and the goal of maintaining focus on those, as well as increasing the understanding across the campuses about the realities of changing demographics. The Board

discussed that the System should consider coming up with themes for possible Op/Eds for publication. A discussion ensued on strategies to obtain funds for campus physical-plant maintenance.

### Executive Session

At 9:47 a.m. Trustee Diamond moved the VSC Board of Trustees enter executive session, pursuant to 1 V.S.A. § 313(a)(3) to discuss the evaluation of a public employee. Along with the members of the Board present at the meeting, the Board invited the Chancellor to attend. The Board returned from executive session at 10:15 a.m. and took no action in open session.

The Board of Trustees business meeting started at 10:26 a.m.

#### 1. Approval of June 21, 2018 Meeting Minutes

**Trustee Silverman moved and Trustee Diamond seconded the approval of the minutes. The minutes were approved unanimously with one abstention.**

#### 2. Report of the Executive Committee

##### a. Hall of Fame Discussion and Decision

**Trustee Milne moved and Trustee Luneau seconded the motion to accept the nominees for the 2019 VSCS Hall of Fame. The motion passed unanimously.**

The presidents will now approach the nominees to let them know of this honor.

Trustee Luneau gave a brief review of past HOF successful events and solicited commitments from those present for donations for the March 14, 2019 event. The Board discussed a more streamlined registration process for sponsors and donors; this will be rolled out in the future.

##### b. Ad Hoc Committee on Senior Leader Compensation

As a follow up to a conversation at the June 21, 2018 Board Meeting at NVU-Lyndon, Chair Hindes informed Trustees that an Ad Hoc Committee on Senior Leader Compensation will be formed. They will have an open charge to review compensation for senior leadership at VSCS and give recommendations. It was proposed this recommendation be brought to the Board of Trustees at the March 23, 2019 meeting.

#### 3. Report of the Finance & Facilities Committee

##### a. Consent Agenda

- i. Approval of Karii Cloud Memorial Scholarship Endowment (NVU-Johnson)
- ii. Approval of the Dick & Nancy Collins Endowment for the Vail Museum (NVU-Lyndon).

**Trustee Silverman moved and Trustee Giambatista seconded the approval of the consent agenda. The consent agenda was approved unanimously.**

b. Proposed Amendment to Policy 403, Annual Operating Budget  
 Chief Financial Officer Wisloski explained the proposed reallocation of the State appropriation is phased in over four years, and is weighted 25% to the current allocation (which provides 40% of the appropriation to NVU; 20% to the other three VSC institutions), 50% to net student revenues, and 25% to degrees and credentials conferred, with the latter two components being trailing three-year averages. The three components were chosen to account for the relative weight of the Institutions within the System using both financial and academic measures, and for NVU's need to maintain two campuses.

**Trustee Diamond moved and Trustee Masland seconded the motion to approve the amendment to Policy 403. The resolution was approved unanimously.**

4. Report of the EPSL Committee

Trustee Richards updated the Board on "Start to Finish" and highlighted the academic retreat in May, 2018 that aligns with "Start to Finish," initiative that will come together with the final component of the incoming students. Advisors have a new and streamlined message including "15 to Finish". Data is being tracked across colleges on students who are taking 15 credits. There is a group going to a Complete College of America conference to learn new tactics for furthering this work.

5. Report of the Audit Committee

Trustee Milne explained that the auditors finished their field work in last week of August and the audit reports will be available for action by the next Audit meeting on October 24, 2018.

6. Report of the Long Range Planning Committee

- a. Approval of the NVU Strategic plan

**Trustee Diamond moved and Trustee Macfarlane seconded the motion to approve the Northern Vermont University Strategic Plan. The resolution was approved unanimously.**

7. Legislative Report and Planning

Director of Governmental and External Affairs, Tricia Coates, informed trustees that the Chancellor's office is working with the Governor's office to develop possible budget requests. The VSCS will have an official request to the Governor in December with a focus on the "cradle to career" effect. For the capital appropriation, VSCS is considering asking for \$1 million of additional funding to cover deferred maintenance, bringing our total funds to \$3 million

8. Hall of Fame Discussion and Decision

This was discussed during item 2 on the agenda.

9. Comments from the Public

There were no comments from the public.

10. Next Meeting is Thursday December 6, 2018 at Vermont Technical College

**Chair Hinds adjourned the meeting at 11: 28 a.m.**

UNAPPROVED

## Item 2:

### Report of the Audit Committee

- a. FY18 Audited Financial Statements  
Motion to Approve
- b. FY2018 Audited Financial  
Statements



VERMONT STATE COLLEGES

BOARD OF TRUSTEES

RESOLUTION

Acceptance of the FY2018 Audited Financial Statements and Uniform Guidance Single Audit Report

WHEREAS, The Vermont State Colleges has contracted with O'Connor & Drew to perform its FY2018 financial statements audit, and the auditors have delivered the draft financial statements, Uniform Guidance Single Audit report and Advisory Comments thereon; and

WHEREAS, The Board's Audit Committee has reviewed these materials and recommended that the Board accept them; therefore, be it

RESOLVED, That the Board of Trustees of the Vermont State Colleges hereby accepts the FY2018 Financial Statement Audit Report by O'Connor & Drew.

# **VERMONT STATE COLLEGES**

**(a Component Unit of the State of Vermont)**

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## **FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018**

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

**Financial Statements and  
Management's Discussion and Analysis**

**June 30, 2018**

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

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## **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 statement of net position as of June 30, 2018, the related statement of revenues and expenses, changes in net position and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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, 2018 and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for fiscal year 2018 and required the Colleges to restate beginning net position at July 1, 2017 to recognize the actuarial accrued liability as of the actuarial report's valuation date. Our opinion is not modified with respect to that matter.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-20 and the schedule of funding progress on page 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**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 accompanying schedule of expenditures of federal awards on pages 62 through 67 is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and is not a required part of the basic financial statements. The schedule of expenditures of federal awards have 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 24, 2018, 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* and should be read in conjunction with this report in considering the results of our audits.

O'Connor and Drew, P.C.

**Certified Public Accountants**  
**Braintree, Massachusetts**

October 24, 2018

## **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 is comprised of five public colleges united in the common purpose of providing affordable, high quality, student-centered, and accessible education, fully integrating professional, liberal, and career study, consistent with student aspirations and regional and state needs.

The Vermont State College System includes:

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 generally down for all VSC institutions, counting by either FTE (full time equivalent) or by headcount. The primary reason for this trend is the declining number of students graduating from high school in the state, as well as increased competition due to aggressive discounting by out-of-state institutions. Vermont is not alone, as nationally, enrollment continues to decline and is down 0.4% since 2015 and 4.7% since 2011.

## **Vermont State College System - Continued**

### ***Significant Events Affecting These Financial Statements - Continued***

- The change in accounting for the accrual of the costs of other post-employment benefits (OPEB) implemented in FY2018 had a significant impact - bringing the accrual balance from \$65 million at 6/30/17 (before restatement) to a total of \$188 million at the end of FY2018. This accrual 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.
- In FY2017, the System refinanced its privately-placed, variable rate bank loans issued in FY2006, FY2008 and FY2009, terminated the related interest rate swaps, and amortized a balloon maturity associated with the FY2008 loan. The System structured the repayments to provide debt service relief from FY2018 through FY2021, followed by level debt service from FY2022 through FY2038. The FY2017 debt was issued through the Vermont Municipal Bond Bank, is publicly-traded and fixed rate, and is backed by the System's appropriation from the State of Vermont. The System's debt also includes publicly-traded fixed rate general obligation bonds issued in FY2011 and FY2013.
- In FY2018, Johnson and Lyndon State Colleges unified administration in preparation for the July 1, 2018 origination of Northern Vermont University – one accredited institution with two distinct campuses at Johnson and Lyndon.

### **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, 2018 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.

## **Using the Financial Statements - Continued**

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 four primary components:

- Statement of Net Position (SNP)
- Statement of Revenues and Expenses (SRE)
- Statement of Changes in Net Position (SCNP)
- 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 7 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.



## **Using the Financial Statements - Continued**

### ***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/inflows) of \$278 million as of the end of the current fiscal year increased by \$11 million or 4% from prior year, the increase was primarily in the OPEB Deferred Outflows and Cash. The increase in cash is due to the receipt of FY19 state capital monies in June 2018, as well as funds secured from our investments for current endowment spending. These increases were offset by a decrease in Capital Assets net of depreciation. Over the 5 years, total assets have decreased by \$2 million: an increase of \$5 million in current assets plus investments combined with the \$17 million increase in deferred outflows, net of the \$24 million reduction in capital assets.

Noncurrent assets consist primarily of endowment and other investments, in addition to capital assets. Investments were \$46 million at June 30, 2018, which was essentially no change over prior year due to endowment spending net market gains.

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 \$28 million as of June 30, 2018 include primarily accounts payable, and unearned revenue related to the next fiscal year. Current liabilities have been relatively consistent, with the exception of the \$3 million deferred revenue from the FY19 state capital project monies received in June 2018.

Noncurrent liabilities increased by \$13 million to \$316 million during FY2018. An increase in postemployment benefits (OPEB) liability of \$17 million, net of the long-term debt reduction represents the primary changes. The change in accounting standard to GASB 75 had a significant impact on the OPEB liability in FY2018 bringing the total OPEB liability to \$188 million at June 30, 2018. Amounts for FY2017 were restated for this purpose.

**Using the Financial Statements - Continued*****Statement of Net Position – Continued*****TABLE 1: Condensed Statement of Net Position as of June 30**

(\$ in millions)

	2018	% change	Restated 2017	% change	2016	% change	2015	2014
Current Assets	35	21%	29	-3%	30	25%	24	21
Noncurrent Assets								
Investments	46	0%	46	7%	43	-14%	50	55
Capital assets, net	163	-4%	169	-3%	174	-4%	181	187
Other	6	0%	6	0%	6	-19%	6	6
Deferred outflows/inflows	28	65%	17	-27%	15	36%	11	11
Total Assets and Def'd outflows/inflows	<u>278</u>	-3%	<u>267</u>	-3%	<u>268</u>	-1%	<u>272</u>	<u>280</u>
Current liabilities	28	22%	23	-4%	25	4%	24	23
Non current liabilities								
Post employ'm't benefit oblig	188	9%	172	8%	60	9%	55	49
Bonds and Notes payable	121	-3%	125	7%	117	-5%	123	127
Other	7	17%	6	-71%	21	31%	16	17
Total Liabilities	<u>344</u>	57%	<u>326</u>	-1%	<u>223</u>	2%	<u>218</u>	<u>216</u>
Net investment in cap'l assets	49	-11%	55	0%	54	-5%	57	60
Restricted								
Nonexpendable	18	0%	19	6%	18	6%	17	16
Expendable	12	1%	11	22%	9	0%	9	10
Unrestricted	<u>-145</u>	0%	<u>-144</u>	22%	<u>-36</u>	24%	<u>-29</u>	<u>-22</u>
Total Net Position	<u>-66</u>	-12%	<u>-59</u>	-11%	<u>45</u>	-17%	<u>54</u>	<u>64</u>
Total Liabilities and Net Position	<u>278</u>	4%	<u>267</u>	-3%	<u>268</u>	-1%	<u>272</u>	<u>280</u>

**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 Position - Continued**

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.

Total net position decreased from \$64 million to \$-66 million over the five years reported here, primarily from the recognition of post retirement costs from FY2013 to FY2016 and compounded by the change to GASB 75 in FY2018 (FY2017 was restated for FY2018 financial statement presentation). Changes in our net position from FY2017 to FY2018 include an increase to cash (\$7M), decrease in capital assets (-\$6M), the increase in unfunded post-retirement benefit obligations (-\$17M), a decrease in amount owed on debt (\$4M), as well as the creation of the OPEB Deferred Outflow (\$12M).

Net investment in capital assets decreased by \$6 million from June 30, 2017 to June 30, 2018 due to depreciation, offset partially by reduction in outstanding debt related to capital assets. Net investment in capital assets have steadily decreased over the five-year period reported here.

The restricted nonexpendable portion 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. These are invested; and the earnings are used based on the instructions of the donor. Most of the earnings on our endowment funds are for scholarships. The increase of \$2 million over 5 years is due to gifts received for endowments during this period.

The restricted expendable portion of Net Position includes unexpended restricted gifts and grants, and unexpended endowment appreciation, subject to externally imposed conditions on their use. There was a \$1 million increase from June 30, 2017 to June 30, 2018. Over the 5-year period, expendable net assets have increased by \$2 million, as earnings have outpaced the 5% spending on endowments permitted by Board policy.

The unrestricted portion of the Net Position is largely affected by general operations, but the most significant impact to date has been the OPEB obligations, which are unfunded. Each year, that liability has increased and has over time eroded the unrestricted net position. Additionally, that liability increased significantly in FY2018 due to implementation of GASB 75 and was restated for FY2017 to be comparative with the new standard. This resulted in the significant change to unrestricted net position in both FY2017 and FY2018 as compared to the previous three years reported herein.

During FY2018, the system's total Net Position declined from \$-59 million to \$-66 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 10.

## **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 education, research, cultural programs and residential life. Table 2 on page 9 provides detail from the past 5 years related to the Capital Assets held by the System.

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.

Construction in Progress has tapered off as the significant construction phase ended in FY14. 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. 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)							
	2018	% Change	2017	% Change	2016	% Change	2015	2014
Land	9	0%	9	0%	10	0%	10	6
Construction in progress	1	0%	1	0%	2	0%	2	3
Infrastructure	40	0%	39	0%	38	0%	38	38
Buildings and improvements	259	0%	257	1%	254	1%	252	250
Leasehold improvements	4	0%	4	0%	4	0%	4	2
Equipment	36	1%	34	0%	33	0%	32	32
<b>Total Capital Assets</b>	<b>349</b>		<b>344</b>		<b>341</b>		<b>338</b>	<b>331</b>
Accumulated Depreciation	-186	1%	-176	1%	-167	1%	-157	-144
<b>Capital Assets, Net</b>	<b>163</b>		<b>168</b>		<b>174</b>		<b>181</b>	<b>187</b>
<b>Related information</b>								
Depreciation Expense	10	0%	10	-29%	10	0%	14	14
Outstanding Principal, Related Loans	125	-3%	129	5%	123	-3%	127	131

### *Statement of Revenues and Expenses*

The Statement of Revenues and Expenses 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 10 shows the Condensed Statement of Revenues and Expenses for the past five fiscal years.

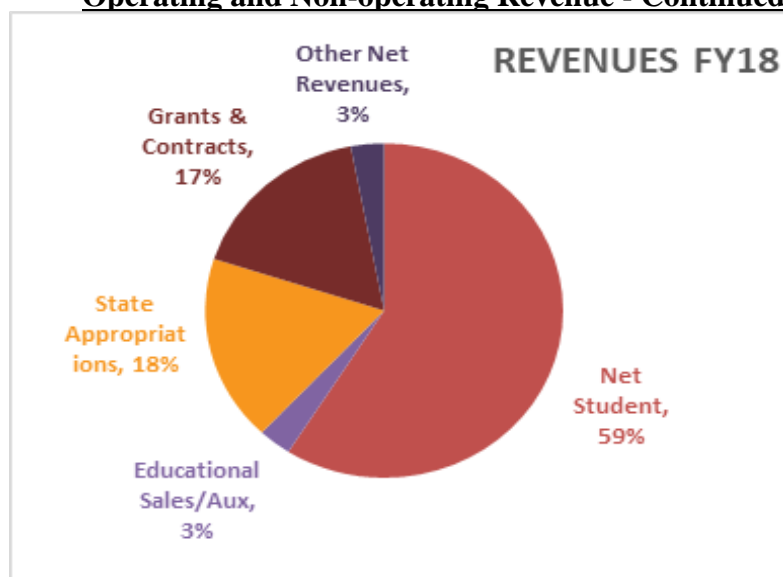
### **Operating and Non-operating Revenue**

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 tuition and 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 Statement of Revenues and Expenses**

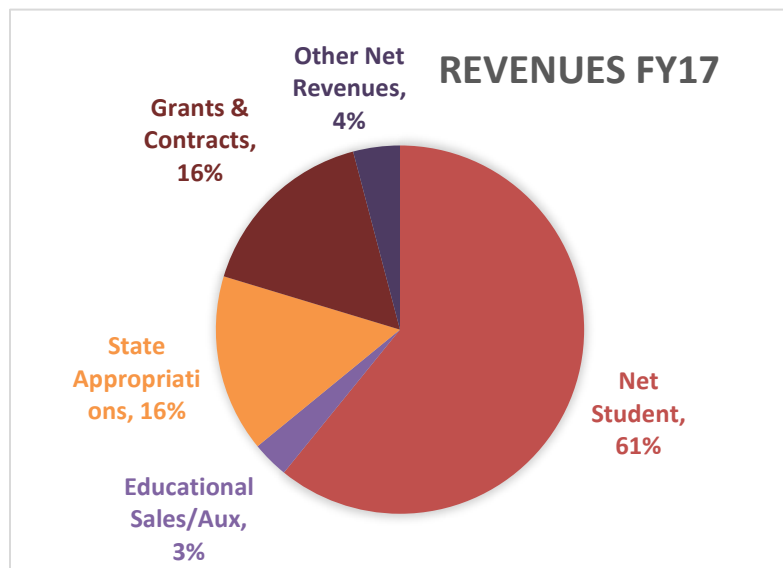
	(\$ in millions)							
	<u>2018</u>	<u>% Change</u>	<u>2017</u>	<u>% Change</u>	<u>2016</u>	<u>% Change</u>	<u>2015</u>	<u>2014</u>
Net Student Fees	108	0%	112	0%	112	2%	110	112
Grants and contracts	15	0%	14	-1%	15	0%	15	15
Other Operating Revenues	7	0%	7	0%	8	0%	8	8
Operating Revenues	130	0%	133	-1%	135	2%	133	135
Operating Expenses	186	-0%	184	-1%	186	-2%	190	195
Operating Loss	-56	0%	-51	0%	-51	-11%	-57	-60
Nonoperating Revenues (Expenses)								
Non Capital Appropriations	30	1%	27	0%	26	-4%	27	27
Federal Grants & Contracts	16	0%	16	0%	17	-6%	18	20
Gifts currently expendable	3	33%	2	-33%	3	-25%	4	3
Investment Income & Interest	2	-33%	3	200%	1	0%	0	4
Interest Expense	-5	0%	-5	-17%	-6	50%	-4	-6
Other nonoperating revenues	0	0%	0	0%	-1	0%	0	0
Net Nonoperating Revenues	46	7%	43	8%	40	-11%	45	48
Total Change before other Revenues	-10	-25%	-8	-27%	-11	-8%	-12	-12
Other Changes in Net Position								
Capital Appropriation	3	33%	2	-33%	3	50%	2	2
Capital gifts and grants	0	0%	0	0%	0	0%	0	0
Endowment gifts	0	100%	1	0%	0	0%	1	0
Change in Net Position	-7	-40%	-5	-38%	-8	-20%	-10	-9

**Operating and Non-operating Revenue - Continued**



**FY18 Revenues  
(\$ in thousands)**

Net Student	\$ 108,248	59%
Educational Sales/Aux	5,304	3%
State Appropriations	32,819	18%
Grants & Contracts	30,936	17%
Other Net Revenues	6,436	3%
<b>Total</b>	<b>\$ 183,743</b>	<b>100%</b>



**FY17 Revenues  
(\$ in thousands)**

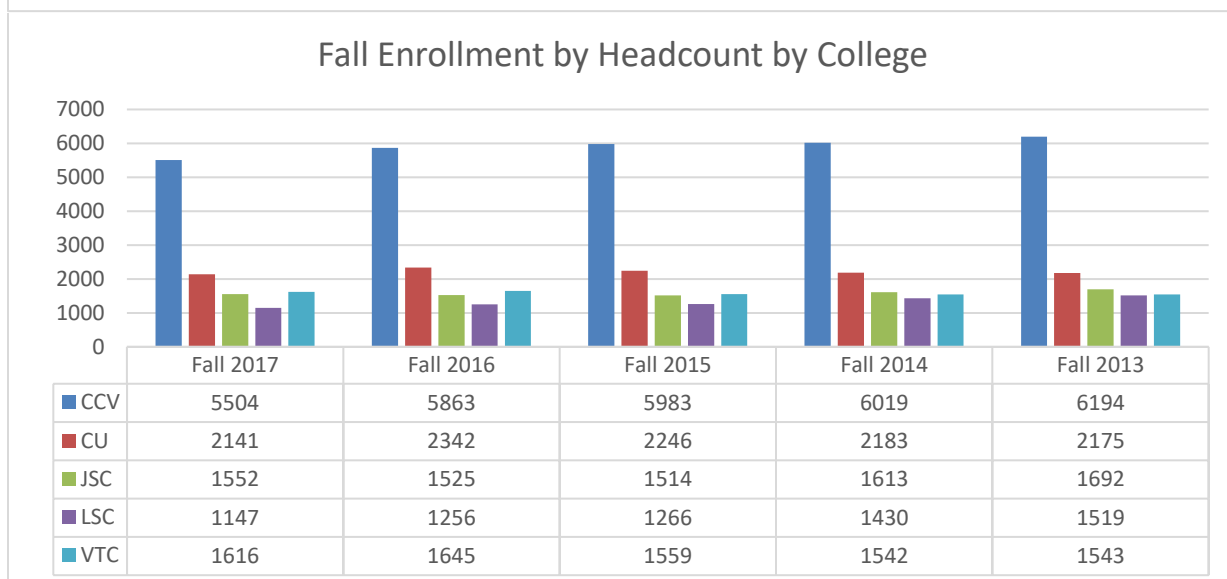
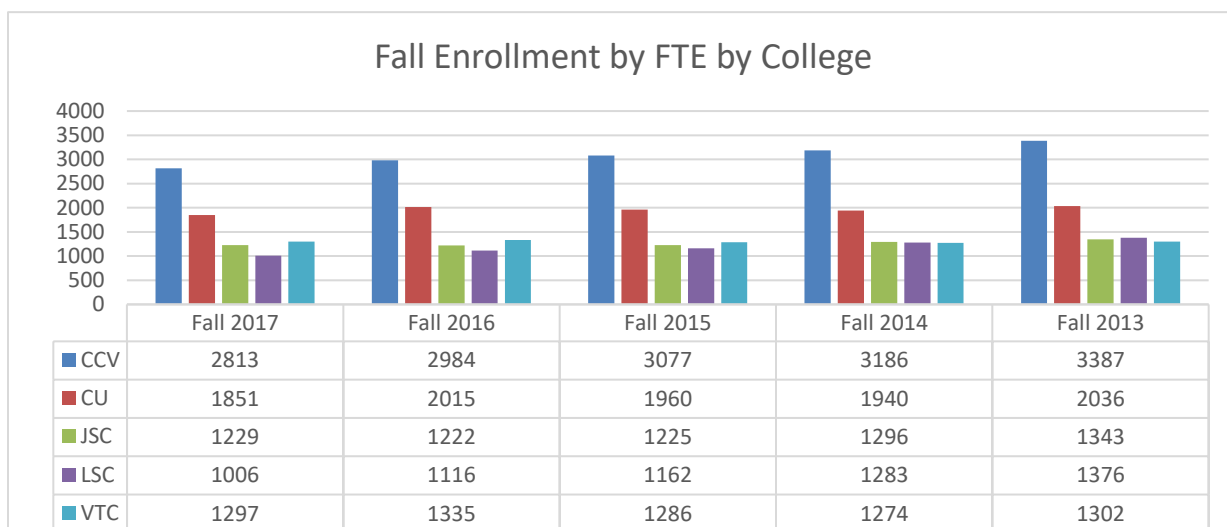
Net Student	\$ 112,533	61%
Educational Sales/Aux	5,969	3%
State Appropriations	28,831	16%
Grants & Contracts	30,006	16%
Other Net Revenues	7,580	4%
<b>Total</b>	<b>\$ 184,919</b>	<b>100%</b>

**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 FY2014 through FY2018. For the System, student-based revenue has been relatively 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 colleges in our system.

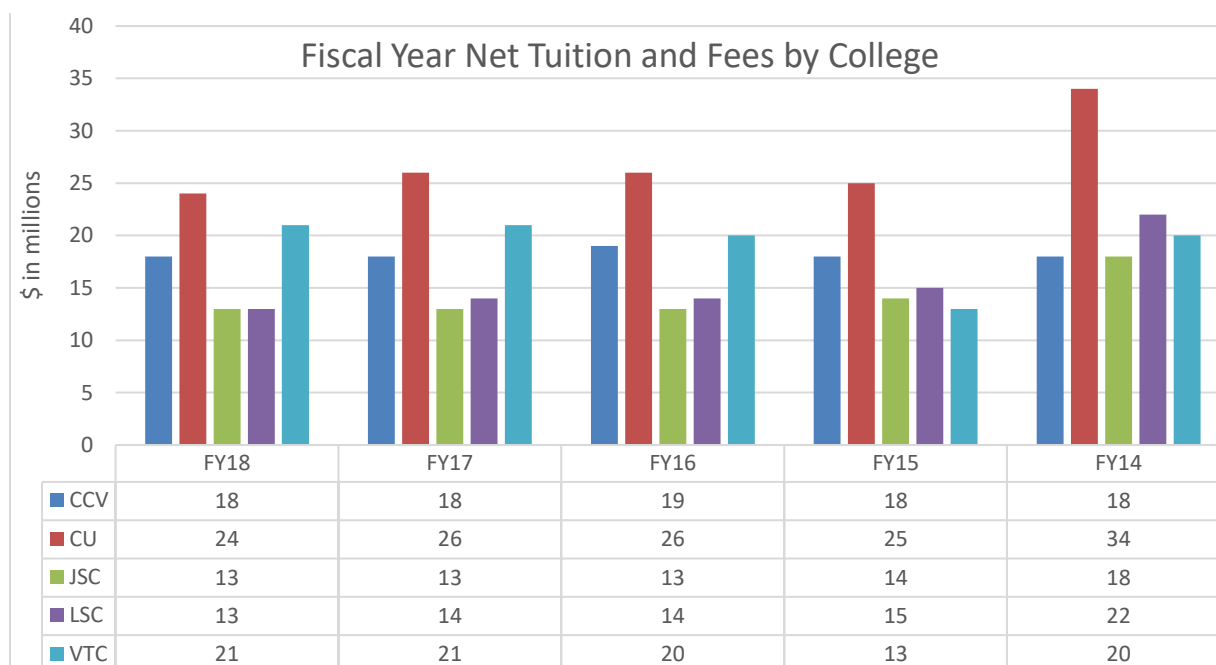
### **Tuition and Fee Revenue - Continued**

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 a general steady decline in enrollment for CCV, JSC and LSC from Fall 2013 to Fall 2017, with the exception of the Fall 2017 term for JSC. Both Castleton University and Vermont Technical College had increases for two years beginning in Fall 2015, but dipped back in Fall 2017.



**Tuition and Fee Revenue – Continued**

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 more on par with Vermont Technical College, who has far fewer students. CCV, as a community college has the lowest tuition cost and charges for courses on a per credit basis, while the residential schools charge a higher tuition rate and on a semester basis. However, CCV’s net tuition has remained much more stable during the more recent years than the other colleges which have experienced a sharp decline after FY2014, but have been relatively stable (within \$1-2 million) in subsequent years reported herein. The exception being VTC, who rebounded in FY2016 from the significant FY2015 decline, returning to the FY2014 level and maintaining that level to date.





### **Operating and Non-operating Expenses**

Table 4 on page 14 shows the total Operating and Non-Operating Expenses for the past 5 years, and the charts on page 15 provide a quick view of the percent of expenses by type for FY2018 and FY2017.

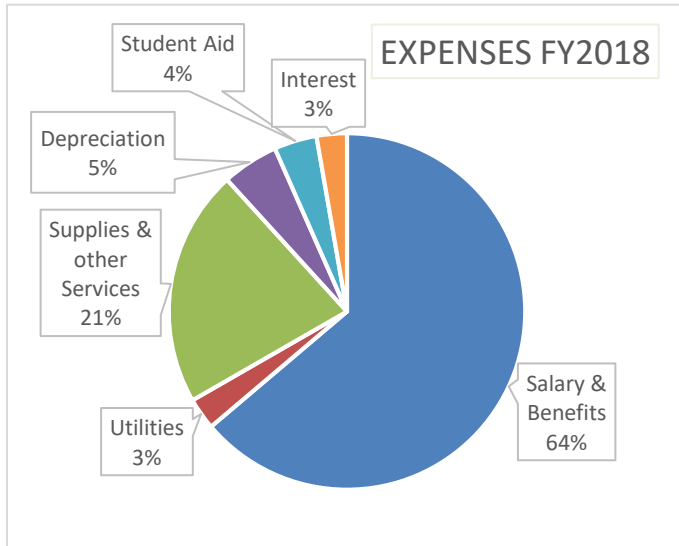
The largest percentage of VSC expenses are for salary and benefits (about 64%). Those expenses have generally declined since FY2014 due to staff reductions compounded with a reduction in TIAA employer contribution for all employees except the Full-Time Faculty beginning in FY2018.

Positive trends in health care over the past couple of years have resulted in far less expense; however, annual accruals related to post-employment benefits are also included in this salary and benefit expense category.

Expenses have generally declined over the five years reported. Changes in utility expenses have been a direct result of solar energy efforts across all the colleges. Supplies and services is the second largest expense (21%). Keeping this expense relatively constant has been the result of the colleges' continued efforts to contain costs in response to the enrollment declines.

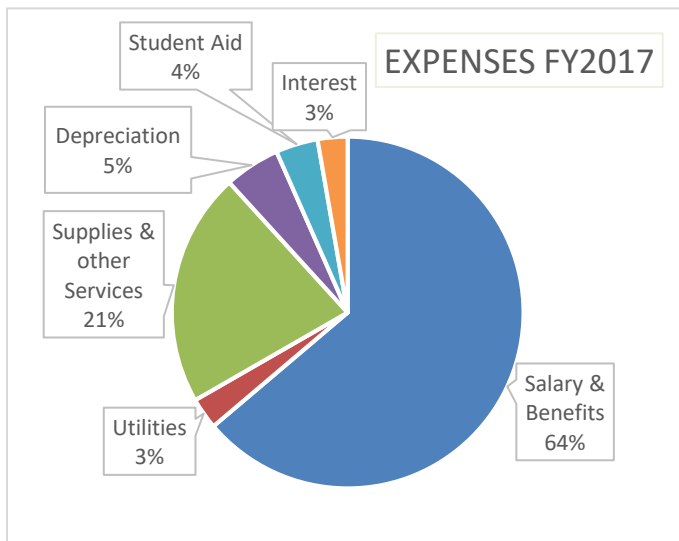
(\$ in millions)							
	<b>2018</b>	<b>% change</b>	<b>2017</b>	<b>% change</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b><u>Operating</u></b>							
Salaries & Benefits	122	1%	121	0%	121	123	125
Utilities	6	20%	5	-17%	6	7	7
Supplies and Svcs	40	-2%	41	0%	41	39	42
Depreciation	10	0%	10	-9%	11	14	14
Student Aid	7	0%	7	0%	7	7	7
<b>Total Operating</b>	<b>185</b>		<b>184</b>		<b>186</b>	<b>190</b>	<b>195</b>
<b><u>Nonoperating</u></b>							
Interest on Debt	6	20%	5	0%	5	6	6
<b>TOTAL Expenses</b>	<b>191</b>	<b>1%</b>	<b>189</b>	<b>-1%</b>	<b>191</b>	<b>196</b>	<b>201</b>

**Operating and Non-operating Expenses - Continued**



**FY18 Expenses  
(\$ in thousands)**

Salary/Benefits	\$ 121,875	64%
Utilities	5,799	3%
Supplies/Services	40,323	21%
Depreciation	9,843	5%
Student Aid	7,346	4%
Interest on Debt	5,506	3%
<b>Total</b>	<b>\$ 190,692</b>	<b>100%</b>



**FY17 Expenses  
(\$ in thousands)**

Salary/Benefits	\$ 121,029	64%
Utilities	5,475	3%
Supplies/Services	40,871	21%
Depreciation	9,722	5%
Student Aid	7,354	4%
Interest on Debt	5,212	3%
<b>Total</b>	<b>\$ 189,663</b>	<b>100%</b>

### **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 Statement of Revenues and Expenses 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.

(\$ in millions)					
	FY18	FY17	FY16	FY15	FY14
Scholarship Allowances (included in revenue)	27	25	25	25	25
Scholarship Expenses (included in expenses)	7	7	7	7	7
<b>Total Student Aid</b>	<b>34</b>	<b>32</b>	<b>32</b>	<b>32</b>	<b>32</b>

### ***Statement of Changes in Net Position***

The Statement of Changes in Net Position (SCNP) reports total change in net position for the fiscal year classified by the four net position categories: investment in capital assets, restricted expendable, restricted nonexpendable, and unrestricted. The FY2017 unrestricted net position balance was restated with a prior period adjustment of approximately -\$100 million due to the implementation of GASB 75.

### ***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 18.

#### **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 and Expenses (SRE) because of the inclusion of noncash items, such as depreciation expenses on the SRE. Also, the SRE 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 and food service 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. The increase in FY2018 is largely attributable to the \$3 million increase in state operating appropriations.

#### **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. This has remained relatively consistent over the 5-year period presented herein.

#### **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 earlier fiscal years reflects the activity surrounding the VSC CD being liquidated in FY12 and reinvested into other instruments, as well as activity related to endowment investments. In FY2018, there was a reduction in the level of investments due to endowment spending.

### **Cash flows from investing activities - Continued**

(\$ in millions)							
<u>Cash flows from:</u>	<u>2018</u>	<u>% change</u>	<u>2017</u>	<u>% change</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating	-34	-3%	-35	-8%	-38	-35	-41
Non capital financing	49	9%	45	0%	45	48	49
Capital and related financing	-10	0%	-10	-17%	-12	-13	-10
Investing	2	0%	0	-100%	7	6	1
Net increase (decrease)	7	0%	0	-100%	2	6	-1
Cash, Beginning of Year	11	0%	11	22%	9	3	4
Cash, End of Year	18	64%	11	0%	11	9	3
<b>Operating cash flows if noncapital appropriations and PELL grants were included</b>							
Operating	-34	-3%	-35	-8%	-38	-35	-41
Non capital appropriations	30	11%	27	4%	26	27	26
Non operating federal grants	16	0%	16	-6%	17	20	21
Operating cash flows including appropriation and fed grants	12	50%	8	60%	5	12	6

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.

### **Economic Factors That Will Affect the Future**

#### *Demographic Trend*

Consistent with national trends, Vermont continues to experience a demographic decline in the overall number of graduating high school students. This is expected to last for the foreseeable future and likely result in permanently lower enrollments going forward. Additionally, free college initiatives in neighboring states is a newer trend that is increasing the competitive landscape and forcing aggressive discounting strategies to ensure VSC enrollments, especially at Castleton as it borders New York State. 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**

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 and continuing to date, a series of administrative functions that are non student facing and do not directly impact student experience are being created as shared services at the Office of the Chancellor. Secondly, the system is unifying Lyndon State College and Johnson State College into a single institution, Northern Vermont University, 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. The expectation is that both of these initiatives: shared services of administrative functions for all colleges in the system, and the unification of Lyndon and Johnson will reduce administrative costs, enable the colleges to align resources with the academic mission of serving students, and strengthen the Vermont State College system as a whole.

### *Vermont State Appropriations*

For FY2018, State Appropriations for both operating and capital projects were \$32,819,000, or 18% 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. Subsequently, GASB 75 replaced the original standard from FY2008 and was adopted by the VSC in FY2018. 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 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, 2017, was approximately \$191,297,000 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 \$188,498,000. 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.

### *Miscellaneous*

As a result of positive market conditions during both FY2018 and FY2017, VSC had net realized and unrealized gains on the endowments, and other investments.

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

Approximately 694 of the 983 full-time employees at VSC are covered by union contracts. VSC employs approximately 2,130 full and part-time employees.

### **VSC Employees as of November 1, 2017**

Bargaining Unit Employees	
Full Time	694
Part Time	319
TOTAL	<u>1,013</u>
Non- Bargaining Unit Employees	
Full Time	289
Part Time & Temp	828
TOTAL	<u>1,117</u>
TOTAL Employees	<u><u>2,130</u></u>

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

**Statement of Net Position**

**June 30, 2018**

**Assets and Deferred Outflows of Resources**

**Current Assets:**

Cash and equivalents (Note 3)	\$ 17,969,575
Accounts receivable, net (Note 4)	11,384,075
Deposit with bond trustees (Note 3)	4,942,501
Other current assets	<u>1,193,508</u>

**Total Current Assets** 35,489,659

**Non-Current Assets:**

Cash and equivalents (Note 3)	434,981
Long-term investments (Note 3)	46,184,316
Notes receivable, net (Note 4)	4,923,967
Other assets	169,308
Capital assets, net (Note 12)	<u>162,946,720</u>

**Total Non-Current Assets** 214,659,292

**Total Assets** 250,148,951

**Deferred Outflows of Resources:**

Deferred loss on debt refunding (Note 6)	9,824,025
OPEB related, net (Note 10)	<u>17,904,148</u>

**Total Deferred Outflows of Resources** 27,728,173

**Total Assets and Deferred Outflows of Resources** \$ 277,877,124

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



## Liabilities and Net Position

### Current Liabilities:

Accounts payable and accrued liabilities (Note 13)	\$ 14,395,060
Unearned revenue and deposits	9,943,657
Current portion of long-term debt (Note 5)	<u>3,937,732</u>

<b>Total Current Liabilities</b>	<b><u>28,276,449</u></b>
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### Non-Current Liabilities:

Other liabilities (Note 13)	247,529
Refundable grants	6,037,232
Postemployment benefit obligations (Note 10)	188,498,148
Long-term debt, excluding current portion (Note 5)	<u>121,086,246</u>

<b>Total Non-Current Liabilities</b>	<b><u>315,869,155</u></b>
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<b>Total Liabilities</b>	<b><u>344,145,604</u></b>
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### Net Position:

Investment in capital assets, net	49,065,357
Restricted nonexpendable	18,208,512
Restricted expendable	11,517,067
Unrestricted	<u>(145,059,416)</u>

<b>Total Net Position</b>	<b><u>(66,268,480)</u></b>
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<b>Total Liabilities and Net Position</b>	<b><u>\$ 277,877,124</u></b>
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**VERMONT STATE COLLEGES**  
**(a Component Unit of the State of Vermont)**

**Statement of Revenues and Expenses**

**For the Year Ended June 30, 2018**

<b>Operating Revenues:</b>	
Tuition and fees	\$ 116,522,454
Residence and dining	19,069,865
Less: scholarship allowances	<u>(27,344,447)</u>
Net Tuition, Fees, and Residence and Dining Revenue	108,247,872
Federal grants and contracts	10,951,225
State and local grants and contracts	2,778,362
Non-governmental grants and contracts	824,657
Interest income	86,381
Sales and services of educational activities	5,303,557
Other operating revenues	<u>1,398,317</u>
<b>Total Operating Revenues</b>	<b><u>129,590,371</u></b>
<b>Operating Expenses (Notes 3, 11 and 13):</b>	
Salaries and wages	79,583,780
Employee benefits (Notes 9 and 10)	42,291,707
Scholarships and fellowships	7,346,293
Supplies and other services	40,322,825
Utilities	5,798,694
Depreciation (Note 12)	<u>9,842,721</u>
<b>Total Operating Expenses</b>	<b><u>185,186,020</u></b>
<b>Net Operating Loss</b>	<b><u>(55,595,649)</u></b>
<b>Non-Operating Revenues (Expenses):</b>	
State appropriations (Note 8)	30,319,008
Federal grants and contracts	16,382,196
Gifts	2,434,193
Investment income, net of expenses (Note 3)	2,128,687
Interest expense on capital debt	(5,505,852)
Other non-operating revenues	<u>41,265</u>
<b>Net Non-Operating Revenues</b>	<b><u>45,799,497</u></b>
<b>Decrease in Net Position Before Other Revenues</b>	<b>(9,796,152)</b>
<b>Other Revenues:</b>	
State appropriations for capital expenditures (Note 8)	2,500,000
Capital grants and gifts	375
Additions to non-expendable assets	<u>347,981</u>
<b>Decrease in Net Position</b>	<b><u>\$ (6,947,796)</u></b>

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

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

**Statement of Changes in Net Position**

**For the Year Ended June 30, 2018**

	<u>Investment in Capital Assets</u>	<u>Restricted Expendable</u>	<u>Restricted Nonexpendable</u>	<u>Unrestricted</u>	<u>Total</u>
<b>Balance June 30, 2017 as previously reported</b>	\$ 54,661,140	\$ 10,894,871	\$ 18,924,987	\$ (43,671,317)	\$ 40,809,681
Prior Period Adjustment - Implementation of newly effective accounting standard (Note 2)	-	-	-	(100,130,365)	(100,130,365)
<b>Balance, June 30, 2017, as restated</b>	54,661,140	10,894,871	18,924,987	(143,801,682)	(59,320,684)
Changes in net position	(5,595,783)	622,196	(716,475)	(1,257,734)	(6,947,796)
<b>Balance, June 30, 2018</b>	<u>\$ 49,065,357</u>	<u>\$ 11,517,067</u>	<u>\$ 18,208,512</u>	<u>\$ (145,059,416)</u>	<u>\$ (66,268,480)</u>

*See accompanying notes to the financial statements*

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

**Statement of Cash Flows**

**For the Year Ended June 30, 2018**

<b>Cash Flows from Operating Activities:</b>	
Tuition and fees	\$ 100,821,174
Grants and contracts	14,144,991
Sales and services of educational activities	6,683,153
Interest received	86,381
Payments to suppliers	(38,708,919)
Payments to employees	(121,748,345)
Loans issued to students	(837,432)
Collection of loan payments	805,831
Other cash receipts	<u>4,398,317</u>
Net Cash Applied to Operating Activities	<u>(34,354,849)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
State appropriations	30,319,008
Non-operating federal grants	16,382,196
Gifts and grants	<u>2,449,089</u>
Net Cash Provided by Non-Capital Financing Activities	<u>49,150,293</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Capital and non-expendable grants and gifts	348,356
Capital appropriations	2,500,000
Purchase of capital assets	(4,139,141)
Change in deposits with bond trustee	130,724
Proceeds from sale of capital assets	16,445
Payments on capital debt	(3,325,000)
Interest expense on capital debt	(5,505,852)
Other receipts	<u>41,265</u>
Net Cash Applied to Capital and Related Financing Activities	<u>(9,933,203)</u>
<b>Cash Flows from Investing Activities:</b>	
Proceeds from sales and maturities of investments	\$ 11,749,522
Purchase of investments	(10,134,299)
Interest and dividends received on investments	<u>549,353</u>
Net Cash Provided by Investing Activities	<u>2,164,576</u>
<b>Net Increase in Cash and Equivalents</b>	<b>7,026,817</b>
Cash and Equivalents, Beginning of Year	<u>11,377,739</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 18,404,556</u></b>

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

**Statement of Cash Flows - Continued**

**For the Year Ended June 30, 2018**

**Reconciliation of Operating Loss to Net Cash Applied to**

**Operating Activities:**

Operating loss	\$ (55,595,649)
Adjustments to reconcile operating loss to net cash applied to operating activities:	
Depreciation	9,842,721
Bad debts	593,909
Net OPEB activity	5,427,098
Changes in assets and liabilities:	
Accounts receivable	(895,825)
Other assets	1,131,316
Notes receivable	537,413
Accounts payable and accrued liabilities	526,641
Unearned revenues, deposits and refundable grants	3,902,045
Other liabilities	<u>175,482</u>
Net Cash Applied to Operating Activities	<u>\$ (34,354,849)</u>

**Non-Cash Transactions:**

Equipment provided by capital grants and gifts	<u>\$ 20,000</u>
Equipment acquisitions financed through capital leases	<u>\$ 251,086</u>
Unrealized gains (losses)	<u>\$ 31,248</u>
Net loss on disposal of capital assets	<u>\$ 2,400</u>

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

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”).

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”).

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 and expenses 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 interfund 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 statement of net position, revenues and expenses, and changes in net position and cash flows on a combined College-wide basis.

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

*Basis of Presentation - continued*

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.

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

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.

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

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.

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.



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

**Refundable Grants**

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

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

**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.

**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, 2013 and 2017 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. The bond premium for the 2017 bond of \$10,557,129 is amortized over 20.5 years. Cumulative amortization of the bond premium totals \$1,404,783 as of June 30, 2018. The bond premium is included in bonds and notes payable.

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

*Postemployment Benefits Other Than Pensions ("OPEB")*

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* ("GASB 75"), require 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 net OPEB liability is to be measured as the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employee's past periods of service. The statement requires that the actuarial present value of projected benefit payments be attributed to the periods of employee services using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay.

*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.

*Use of Estimates in Financial Statement Preparation*

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

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

*New Governmental Accounting Pronouncements*

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

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

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

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

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

*New Governmental Accounting Pronouncements - Continued*

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management has not completed its review of the requirements of this standard and its applicability.

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

As a result of implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, net position was restated to reflect the Net OPEB liability as of June 30, 2017, as displayed below:

<u>As of June 30, 2017</u>	As Previously Reported	As Restated
Statement of Net Position		
Net OPEB Liability	\$ 64,914,056	\$ 171,508,646
Deferred outflows related to OPEB	\$ -	\$ 6,464,225
Unrestricted net position	\$ (43,671,317)	\$ (143,801,682)

Note 3 - **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.

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

*Cash and Equivalents - continued*

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, 2018, the balance of current assets - cash and equivalents consists of approximately \$14,000 in petty cash, and the remainder deposited in Federal Deposit Insurance Corporation ("FDIC") insured banking institutions of approximately \$17,955,000 per the accounting records of the Colleges, and approximately \$18,631,000 per bank records. Of the bank balances, approximately \$732,000 was covered by federal depository insurance and approximately \$17,900,000 was uninsured and uncollateralized at June 30, 2018.

At June 30, 2018, the balances of non-current assets - cash and equivalents deposited in FDIC insured banking institutions were approximately \$435,000 per the accounting records of the Colleges, and approximately \$413,000 per bank records. Of the bank balances, approximately \$329,000 was covered by federal depository insurance and approximately \$84,000 was uninsured and uncollateralized at June 30, 2018.

*Investments*

Investments of the various funds at June 30, 2018 are as follows:

	<b><u>Fair Value</u></b>	<b><u>Cost</u></b>
U.S. Government bonds	\$ 8,515,105	\$ 8,851,742
Corporate bonds	9,761,429	10,175,628
Common stock	6,925,203	6,933,343
Hedge fund shares	1,096,984	1,000,000
Mutual funds	18,378,083	14,428,807
Money market	1,507,512	1,506,665
Held by bond trustee	<u>4,942,501</u>	<u>4,942,501</u>
Total Investments	\$ <u>51,126,817</u>	\$ <u>47,838,685</u>

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

*Investments - continued*

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. Investment maturities at June 30, 2018 are as follows:

<b><u>Investment Maturities (in years)</u></b>					
<b><u>Investment Type</u></b>	<b><u>Market Value</u></b>	<b><u>Less than 1</u></b>	<b><u>1-5</u></b>	<b><u>6-10</u></b>	<b><u>More than 10</u></b>
Money Market Investments	\$ 1,507,512	\$ 1,507,512	\$ -	\$ -	\$ -
Corporate Bonds	9,761,429	1,982,627	5,382,623	2,396,179	-
U.S. Govt. Bonds	<u>8,515,105</u>	<u>2,302,520</u>	<u>3,506,208</u>	<u>2,706,377</u>	<u>-</u>
Total	19,784,046	\$ <u>5,792,659</u>	\$ <u>8,888,831</u>	\$ <u>5,102,556</u>	\$ <u>-</u>
 <u>Other Investments</u>					
Common Stock and Mutual Funds Held by Bond Trustee	26,400,270				
	<u>4,942,501</u>				
Total	\$ <u>51,126,817</u>				

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

*Investments - continued*

Investment income for the year ended June 30, 2018:

Interest and dividend income	\$ 1,206,026
Net realized and unrealized gain (loss)	<u>1,109,314</u>
Total investment income	2,315,340
Less: management fees	<u>(186,653)</u>
Investment income, net	\$ <u>2,128,687</u>

The risk categories for the bond fund holdings held by VSC at June 30, 2018 are as follows:

Investment rating\*

AAA	\$ 8,554,868
AA+	19,961
AA	2,208,674
AA-	224,407
A+	901,075
A	3,013,271
A-	1,542,103
BBB+	1,028,935
BBB	581,413
BBB-	201,827
BB+	-
BB	-
BB-	-
B+	-
B	-
B-	-
CCC+	<u>-</u>
	\$ <u>18,276,534</u>

\*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 3 - **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 3 - **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 3 - **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 table 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, 2018*

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Government bonds	\$ 8,515,105	\$ -	\$ -	\$ 8,515,105
Corporate bonds	-	9,761,429	-	9,761,429
Common stock	6,925,203	-	-	6,925,203
Hedge fund shares	-	1,096,984	-	1,096,984
Mutual funds	18,378,083	-	-	18,378,083
Money market	1,507,512	-	-	1,507,512
Held by bond trustee	4,942,501	-	-	4,942,501
Total Assets at Fair Value	\$ 40,268,404	\$ 10,858,413	\$ -	\$ 51,126,817

Note 4 - **Accounts Receivable, Notes Receivable and Allowance for Bad Debts**

The composition of the Colleges' accounts receivable at June 30, 2018 is summarized as follows:

Student accounts receivable	\$ 11,713,723
Grants receivable	4,686,487
Other receivable	<u>1,273,910</u>
Subtotal	17,674,120
Allowance for doubtful accounts	<u>(6,290,045)</u>
 Total accounts receivable, net	 \$ <u>11,384,075</u>

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 \$1,203,000 at June 30, 2018. 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 \$584,000 in 2018 has been reflected in operating expenses.

Note 5 - **Long-Term Liabilities**

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

	<u>Beginning balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balances</u>	<u>Current portion</u>
Long-term liabilities					
Bonds and notes payable	\$ 129,006,709	\$ -	\$ 3,982,731	\$ 125,023,978	\$ 3,937,732
Net OPEB obligation	171,508,646	16,989,502	-	188,498,148	-
Other liabilities	66,107	252,677	71,255	247,529	-
Refundable grants	<u>6,037,793</u>	<u>-</u>	<u>561</u>	<u>6,037,232</u>	<u>-</u>
 Total long-term liabilities	 <u>\$ 306,619,255</u>	 <u>\$ 17,242,179</u>	 <u>\$ 4,054,547</u>	 <u>\$ 319,806,887</u>	 <u>\$ 3,937,732</u>

Note 5 - **Long-Term Liabilities - Continued**

*Bonds and Notes Payable*

Outstanding debt at June 30, 2018 is as follows:

Revenue Bonds, Series 2010A:

3.0% - 4.0% serial bonds aggregating \$5,710,000 maturing 2011 through 2018. Interest on the serial bonds is paid semi-annually on the unpaid balances. Unamortized bond premium of \$44,116 has been added to this liability at June 30, 2018.<sup>1</sup>

**\$ 1,234,116**

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 serial and term bonds is payable semi-annually on the unpaid balances.<sup>2</sup>

**30,265,000**

Revenue Bonds, Series 2017:

4.0% - 5.0% serial bonds aggregating \$67,660,000 maturing 2021 through 2037 and Interest on serial bonds is paid semi-annually on the unpaid balances. Unamortized bond premium of \$9,984,429 has been added to the liability at June 30, 2018.<sup>3</sup>

**77,644,429**

Note 5 - **Long-Term Liabilities - Continued**

*Bonds and Notes Payable - continued*

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 the serial and term bonds is paid semi-annually on the unpaid balances. Unamortized bond premium of \$1,400,433 has been added to the liability at June 30, 2018.

**15,880,433**

**\$ 125,023,978**

<sup>1</sup> 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.

<sup>2</sup> 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%).

Note 5 - **Long-Term Liabilities – Continued**

**Bonds and Notes Payable - continued**

<sup>3</sup>On May 24, 2017, VSC issued the Vermont State Colleges System Bonds 2017 Series A, in the principal amount of \$67,660,000. The 2017 Bond was issued for the purpose of (1) refinancing certain indebtedness of VSC; (2) paying the costs of issuance of the 2017 Series A Bond; and (3) paying the breakage fee for the interest rate swap agreements. The College entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense. The refunding increased the College's total debt service by \$15,163,384 and resulted in an economic gain (difference between the present value of the old and new debt service payments) of \$1,051,774.

**Debt Roll-Forward**

Long-term debt activity for the year ended June 30, 2018 was as follows:

	<b><u>Balance</u></b> <b><u>June 30, 2017</u></b>	<b><u>Additions</u></b>	<b><u>Repayments</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2018</u></b>	<b><u>Current</u></b> <b><u>Portion</u></b>
Series 2010-A	\$ 3,055,000	-	\$ (1,865,000)	\$ 1,190,000	\$ 1,190,000
Series 2010-B	30,265,000	-	-	30,265,000	1,485,000
Series 2010 Bond Premium	<u>88,232</u>	<u>-</u>	<u>(44,116)</u>	<u>44,116</u>	<u>44,116</u>
Series 2010 Bonds	<u>33,408,232</u>	<u>-</u>	<u>(1,909,116)</u>	<u>31,499,116</u>	<u>2,719,116</u>
Series 2013	15,940,000	-	(1,460,000)	14,480,000	605,000
Series 2013 Bond Premium	<u>1,495,377</u>	<u>-</u>	<u>(94,944)</u>	<u>1,400,433</u>	<u>94,944</u>
Series 2013 Bonds	<u>17,435,377</u>	<u>-</u>	<u>(1,554,944)</u>	<u>15,880,433</u>	<u>699,944</u>
Series 2017	67,660,000	-	-	67,660,000	-
Series 2017 Bond Premium	<u>10,503,100</u>	<u>-</u>	<u>(518,671)</u>	<u>9,984,429</u>	<u>518,672</u>
Series 2017 Bonds	<u>78,163,100</u>	<u>-</u>	<u>(518,671)</u>	<u>77,644,429</u>	<u>518,672</u>
Total Bonds and Notes Payable	<b>\$ <u>129,006,709</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>(3,982,731)</u></b>	<b>\$ <u>125,023,978</u></b>	<b>\$ <u>3,937,732</u></b>

Note 5 - **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 <u>June 30,</u>	Principal <u>Amount</u>	Interest <u>Amount</u>
2019	\$ 3,280,000	\$ 4,180,716
2020	1,890,000	4,135,674
2021	1,960,000	4,108,972
2022	4,640,000	4,025,732
2023	4,860,000	3,861,557
2024-2028	25,925,000	16,238,100
2029-2033	33,085,000	5,899,078
2034-2038	32,815,000	961,666
2039-2041	<u>5,140,000</u>	<u>370,645</u>
	\$ <u>113,595,000</u>	\$ <u>43,782,140</u>

Amortization of the bond premiums and deferred loss on debt refunding are included in interest expense.

According to the terms of the agreements under which the revenue bonds were sold, the bonds are general obligations of VSC. The 2013 and 2010 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 and interest fund requirements, when due.

Note 6 - **Deferred Outflows of Resources - Debt Refunding**

During 2017, VSC paid a breakage fee of \$10,931,885 to discontinue all of its interest rate swap agreements. The breakage fee is recorded on the statement of net position as a "deferred loss on debt refunding" and is amortized over the life of the old debt it was associated with and is included with interest expense. The amortization of the breakage fee that was included in interest expense was \$1,003,345 for year ended June 30, 2018.

Note 7 - **Functional Expense Classification**

The following table details VSC's operating expenses by functional expense classification as of June 30, 2018:

Instruction	\$ 56,708,525
Research	43,806
Public service	10,079,874
Academic support	20,464,012
Student services	39,368,958
Institutional support	36,771,677
Physical plant	6,069,746
Student financial support	5,836,702
Depreciation	<u>9,842,720</u>
 Total	 <u>\$ 185,186,020</u>

Note 8 - **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 for the year ended June 30, 2018, is funding for Allied Health, now part of Vermont Technical College, of approximately \$1,158,000 and for VMEC of approximately \$428,000.

Capital appropriations for VSC made from the State Bond Funds were \$2,500,000 for the year ended June 30, 2018.



**Note 9 - 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 year ended June 30, 2018, the Colleges’ total payroll expense was approximately \$79,584,000 of which approximately \$53,887,000 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 year ended June 30, 2018, contributions made by the Colleges under this plan totaled approximately \$5,357,000, or approximately 9.94% of covered salaries.

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. During the year ended June 30, 2018, 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 2018.

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 year ended June 30, 2018, contributions for these benefits were approximately \$850,000.

Note 9 - **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 10 - **Postemployment 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. At June 30, 2018, the following employees were covered by the benefits terms:

Retirees and Beneficiaries	<b>554</b>
Active plan members	<b><u>994</u></b>
Total plan members	<b><u>1,588</u></b>

**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 fiscal year 2018, VSC recognized employer contributions of \$6,318,175, for both healthcare and early retirement. The plan is financed on a pay-as-you-go basis. In fiscal year 2018, there were no member contributions.

**Annual OPEB Cost and Net OPEB Obligation:** VSC's OPEB cost (expense) includes most changes in the net OPEB liability. The effect of changes such as service costs and interest on the total OPEB liability must be reported in the current reporting period as an OPEB expense. The effects of changes such as the change in actuarial assumptions and differences between expected and actual experiences are required to be included in OPEB expense over the current and future periods. Such changes must be amortized in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan beginning in the current period.

Note 10 - **Postemployment Benefits Other Than Pension - Continued**

The following table shows the components of VSC's annual OPEB costs for the year ended June 30, 2018 and the changes in VSC's net OPEB obligation to the Retiree Health and Early Retirement Plans:

Interest on total OPEB obligation	<b>\$ 6,185,677</b>
Service cost	<b>4,359,477</b>
Amortization of current year for difference between expected and actual experience	<b>1,254,299</b>
Amortization of current year for changes in plan actuarial assumptions	<b><u>68,301</u></b>
Annual OPEB cost	<b>11,867,754</b>
Difference between expected and actual experience to be recognized in future years	<b>10,987,660</b>
Difference between changes in plan actuarial assumptions to be recognized in future years	<b>598,313</b>
Prior year contribution made	<b><u>(6,464,225)</u></b>
Increase in net OPEB obligation	<b>16,989,502</b>
Net OPEB obligation - Beginning of Year (as restated)	<b><u>171,508,646</u></b>
Net OPEB obligation - End of Year	<b><u>\$ 188,498,148</u></b>

Note 10 - **Postemployment Benefits Other Than Pension - Continued**

**Deferred Outflows of Resources related to OPEB:**

For the year ended June 30, 2018, VSC reported deferred outflows of resources related to OPEB from the following sources:

<u>Deferred Outflows of Resources</u>	
Differences between projected and actual experience	<b>\$10,987,660</b>
Changes in plan actual assumptions	<b>598,313</b>
Contributions subsequent to the measurement date	<b><u>6,318,175</u></b>
Total	<b><u>\$17,904,148</u></b>

VSC's contributions of \$6,318,175 made during fiscal year ending 2018, subsequent to the measurement date will be recognized as a reduction of the net pension liability in the succeeding year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ending <u>June 30,</u>	
2019	\$ 1,322,600
2020	1,322,600
2021	1,322,600
2022	1,322,600
2023	1,322,600
2024-2027	<u>4,972,973</u>
	<b><u>\$ 11,585,973</u></b>

Note 10 - **Postemployment Benefits Other Than Pension - Continued**

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, 2018, 2017, 2016 and 2015 are as follows:

<u>Fiscal Years Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2018	\$ 11,867,754	6.3%	\$ 188,498,148
June 30, 2017	\$ 11,779,230	54.9%	\$ 64,914,057
June 30, 2016	\$ 12,029,564	59.6%	\$ 59,599,052
June 30, 2015	\$ 11,316,963	48.8%	\$ 54,733,504

**Funding Status and Funding Progress:** As of the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$188,498,148, all of which was unfunded. The annual covered payroll (annual payroll of active employees covered by the plan) was \$51,380,910, and the ratio of the unfunded actuarial liability to annual covered payroll was 366.9%. The latest actuarial valuation date was on July 1, 2017.

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.

Note 10 - **Postemployment Benefits Other Than Pension - Continued**

The following actuarial assumptions were made:

Discount Rate: The discount rate used in the calculation was 3.58%.

Projected Salary Increase Rate: The projected salary increase rate used was 3.5%.

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.

Mortality: Life expectancies were based on the RP-2006 Table (base rates underlying RP-2014) projected to 2017 and thereafter, with MP-2017 projection scale which is 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. 75, 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 10 - **Postemployment Benefits Other Than Pension - Continued**

**Sensitivity of the Colleges' proportionate share of the net OPEB liability to changes in the discount rate:** The following presents the Colleges' proportionate share of the net OPEB liability, as well as what the Colleges' proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	Current	
1.00% Decrease (2.58%)	Discount Rate (3.58%)	1.00% Increase (4.58%)
\$ 211,679,150	\$ 188,498,148	\$ 168,925,037

**Sensitivity of the Colleges' proportionate share of the net OPEB liability to changes in the healthcare cost trend rates:** The following presents the Colleges' proportionate share of the net OPEB liability, as well as what the Colleges' proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1.00% Decrease	Current Healthcare Cost trend Rate	1.00% Increase
Net OPEB liability	\$ 168,232,241	\$ 188,498,148	\$ 212,785,134

Note 11 - **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 \$3,067,000 in 2018.

Note 11 - **Leases - Continued**

Future minimum rental payments required under operating leases with noncancelable terms in excess of one year at June 30, 2018 are as follows:

Years Ending <u>June 30,</u>	<u>Real Estate</u>	<u>Vehicles and Equipment</u>	<u>Total</u>
2019	\$ 2,465,031	\$ 334,322	\$ 2,799,353
2020	2,266,994	273,630	2,540,624
2021	2,222,156	262,081	2,484,237
2022	1,761,802	232,910	1,994,712
2023	1,427,458	190,446	1,617,904
2024 and thereafter	<u>3,728,417</u>	<u>-</u>	<u>3,728,417</u>
	\$ 13,871,858	\$ 1,293,389	\$ 15,165,248

Note 12 - **Capital Assets**

Property and equipment activity for the year ended June 30, 2018 is summarized below:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>
Land	\$ 9,004,664	\$ -	\$ -	\$ -	\$ 9,004,664
Construction-in-process	<u>591,775</u>	<u>2,931,519</u>	<u>(2,614,801)</u>	<u>-</u>	<u>908,493</u>
Subtotal - Capital assets not depreciated	<u>9,596,439</u>	<u>2,931,519</u>	<u>(2,614,801)</u>	<u>-</u>	<u>9,913,157</u>
Infrastructure	39,314,228	-	550,204	-	39,864,432
Buildings and improvements	257,449,757	85,794	1,811,623	-	259,347,174
Leasehold improvements	4,090,271	-	-	-	4,090,271
Equipment	<u>34,070,153</u>	<u>1,392,914</u>	<u>252,974</u>	<u>(304,104)</u>	<u>35,411,937</u>
Subtotal - Capital assets depreciated	<u>334,924,409</u>	<u>1,478,708</u>	<u>2,614,801</u>	<u>(304,104)</u>	<u>338,713,814</u>
Less accumulated depreciation	<u>(176,106,780)</u>	<u>(9,842,721)</u>	<u>-</u>	<u>269,250</u>	<u>(185,680,251)</u>
Capital assets, net	\$ <u>168,414,068</u>	\$ <u>(5,432,494)</u>	\$ <u>-</u>	\$ <u>(34,854)</u>	\$ <u>162,946,720</u>



Note 13 - **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.

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 \$1,987,000 at June 30, 2018 and are based on historical data. A medical and dental claim roll-forward is presented below:

Medical and dental claims reserve, beginning of year	<b>\$ 1,908,000</b>
Incurred claims	<b>18,393,000</b>
Payments on claims	<b><u>(18,314,000)</u></b>
Medical and dental claims reserve, end of year	<b>\$ <u>1,987,000</u></b>

Note 13 - **Contingencies and Commitments**

*Contingencies - Continued*

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 individual claims over \$200,000 and for aggregate claims in excess of \$1,085,000 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. Reserve for workers' compensation is included in accrued liabilities in the amount of approximately \$432,000 at June 30, 2018. A workers' compensation roll-forward is presented below:

Workers' compensation reserve, beginning of year	<b>\$ 265,000</b>
Workers' compensation accrued during the year	<b>881,000</b>
Claims paid/reserved/claims administration	<b><u>(714,000)</u></b>
Workers' compensation reserve, end of year	<b>\$ <u>432,000</u></b>

*Commitments*

VSC has entered into various construction contracts. The following commitments are ongoing projects at June 30, 2018:

<u>Project</u>	<u>Expended through June 30, 2018</u>	<u>Committed Future Costs</u>	<u>Total Committed Costs of Project</u>
VTC Keenan Window Replacement	\$ 180,000	\$ 218,000	\$ 398,000
LSC Wheelock Parking Lot	82,000	152,000	234,000
VTC Site Lighting Improvements	67,000	33,000	100,000
LSC Wheelock Bathrooms	98,000	10,000	108,000
JSC Dewey Windows	201,000	49,000	250,000
JSC Senators Sprinkler	<u>66,000</u>	<u>75,000</u>	<u>141,000</u>
	<b>\$ <u>694,000</u></b>	<b>\$ <u>537,000</u></b>	<b>\$ <u>1,231,000</u></b>

At June 30, 2018, invoices related to construction projects of approximately \$305,000 were included in accounts payable.

Note 13 - **Contingencies and Commitments - Continued**

*Employment Contracts*

The Colleges have employment contracts with certain officers that expire on various dates through fiscal year 2019. The agreements provide for aggregate annual base salaries of \$650,000 and \$501,687 in fiscal years 2019 and 2020, respectively, and may be terminated with cause at any time.

*Service Concession Agreements*

The Colleges have entered into a service concession agreement with Sodexo Operations, LLC (“Sodexo”) 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 Sodexo 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 1<sup>st</sup> of each year and shall be in accordance with the following schedule:

Years Ending <u>June 30,</u>	
2019	\$ 225,000
2020	225,000
2021	487,500
2022	<u>487,500</u>
Total	\$ <u>1,425,000</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

**Schedule of Funding Progress (Unaudited)**

**June 30, 2018**

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, 2017	\$ -	\$ 188,498,148	\$ 188,498,148	0%	\$ 51,380,910	366.9%
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 six actuarial valuations, the latest on July 1, 2017, for purposes of satisfying the requirements of GASB Statement No. 75. The actuarial accrued liability for all benefits at this time was \$188,498,148, all of which was unfunded. The annual covered payroll (annual payroll of active employees covered by the plan) was \$51,380,910, and the ratio of the unfunded actuarial liability to annual covered payroll was 366.9%.

## **SUPPLEMENTAL INFORMATION**

**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' (a component unit of the State of Vermont) (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, 2018. 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, 2018.

**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 2018-001, 2018-002 and 2018-003. 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, 2018. We issued our report thereon dated October 24, 2018, 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 Duen, P.C.*

**Certified Public Accountants  
Braintree, Massachusetts**

October 24, 2018

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

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

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 statement of net position as of June 30, 2018, the related statement of revenues and expenses, changes in net position and cash flows for the year 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 24, 2018.

### **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 Duen, P.C.

**Certified Public Accountants**  
**Braintree, Massachusetts**

October 24, 2018

## **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, 2018**

	<b>CFDA Number</b>	<b>Pass-Through Entity</b>	<b>Pass-Through Entity Award Number</b>	<b>Total</b>	<b>Total Amounts to Sub-recipients</b>
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>					
<b>U.S. Department of Education:</b>					
<b>Direct Awards:</b>					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	\$ 1,120,904	\$ -
Federal Work-Study Program	84.033	N/A	N/A	1,317,496	-
Federal Direct Student Loans	84.268	N/A	N/A	39,319,495	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	4,688,176	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	840,800	-
Federal Pell Grant Program	84.063	N/A	N/A	16,382,196	-
				<u>63,669,067</u>	<u>-</u>
Total Student Financial Assistance Cluster					
<b>TRIO CLUSTER</b>					
<b>U.S. Department of Education:</b>					
<b>Direct Awards:</b>					
TRIO Student Support Services	84.042A	N/A	N/A	1,440,045	-
TRIO Upward Bound	84.047A	N/A	N/A	1,022,583	-
TRIO Upward Bound NY	84.047M	N/A	N/A	134,902	-
TRIO McNair	84.217A	N/A	N/A	152,585	-
				<u>2,750,115</u>	<u>-</u>
Total TRIO Cluster					
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>					
<b>National Aeronautics and Space Administration:</b>					
<b>Passthrough Awards:</b>					
Science - National Space Grant College & Fellowship Program	43.001	University of Vermont	29907 SUB51933	11,262	-
Education - CubeSat Continued Development	43.008	University of Vermont	30018	22,142	-
Education - National Aeronautics and Space Administration	43.008	University of Vermont	30373SUB52051	14,953	-
Education - Graduate Fellowship Competition	43.008	University of Vermont	29907 SUBBRANDON	5,015	-
Subtotal - Passthrough Awards				<u>53,372</u>	<u>-</u>
<b>National Science Foundation:</b>					
<b>Direct Awards:</b>					
Geosciences	47.050	N/A	N/A	18,778	-
Education and Human Resources	47.076	N/A	N/A	95,232	-
Subtotal - Direct Awards				<u>114,010</u>	<u>-</u>
<b>Passthrough Awards:</b>					
Experimental Program to Stimulate Competitive Research	47.073	University of Vermont	30373 SUB52050 Castleton	44,837	-
Education and Human Resources	47.076	University of Vermont	1566770	13,955	-
Subtotal - Passthrough Awards				<u>58,792</u>	<u>-</u>

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

**Schedule of Expenditures of Federal Awards - Continued**

**Year Ended June 30, 2018**

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
<b>RESEARCH AND DEVELOPMENT CLUSTER - CONTINUED</b>					
<b>U.S. Department of Health and Human Services:</b>					
<b>Passthrough Awards:</b>					
National Center for Research Resources	93.389	University of Vermont	P20GM103449	\$ 368,793	\$ -
Total Research and Development Cluster				<u>594,967</u>	<u>-</u>
<b>CCDF CLUSTER</b>					
<b>U.S. Department of Health and Human Services:</b>					
<b>Passthrough Awards:</b>					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Vermont Dept. Children & Families	03440-34001-18-ECPDS	<u>442,260</u>	<u>-</u>
<b>MEDICAID CLUSTER</b>					
<b>U.S. Department of Health and Human Services:</b>					
<b>Passthrough Awards:</b>					
Medical Assistance Program	93.778	Office of Vermont Health Access (OVHA)	11-W-00194/1	<u>219,962</u>	<u>-</u>
<b>NON-CLUSTER</b>					
<b>U.S. Department of Agriculture:</b>					
<b>Passthrough Awards:</b>					
Higher Education - Institution Challenge Grants Program	10.217	Vermont Student Assistance Corp	P334S110006-15	7,373	-
Summer Food Service Program for Children	10.559	Vermont Agency of Education	N/A	2,166	-
Rural Business Enterprise Grants	10.769	Vermont Department of Agriculture	N/A	<u>4,546</u>	-
Subtotal - Passthrough Awards				14,085	-
<b>U.S. Department of Commerce:</b>					
<b>Direct Awards:</b>					
Manufacturing Extension Partnership	11.611	N/A	N/A	506,250	-
<b>U.S. Department of Defense:</b>					
<b>Passthrough Awards:</b>					
Procurement Technical Assistance for Business Firms	12.002	Vermont Agency of Commerce & Community Development	07120-18SBDC-01	20,734	-
<b>U.S. Department of Labor:</b>					
<b>Direct Awards:</b>					
H-1B Job Training Grants	17.268	N/A	N/A	951,069	-
TAACCCT 1 + 4	17.282	N/A	N/A	<u>471,567</u>	<u>-</u>
Subtotal - Direct Awards				1,422,636	-



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

**Schedule of Expenditures of Federal Awards - Continued**

**Year Ended June 30, 2018**

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
<b>NON-CLUSTER - CONTINUED</b>					
<b>Institute of Museum and Library Services:</b>					
<b>Passthrough Awards:</b>					
Grants to States - Job Hunt Helpers	45.310	VT Department of Libraries	11300.JHHLSTA17.A1	\$ 7,602	\$ -
<b>Small Business Administration:</b>					
<b>Direct Awards:</b>					
Small Business Development Centers	59.037	N/A	N/A	675,973	-
<b>Passthrough Awards:</b>					
State Trade Expansion	59.061	VT Agency of Commerce & Community Development	07120-VGTP-STEPV-SBDC-01	21,030	-
<b>U.S. Department of Education:</b>					
<b>Passthrough Awards:</b>					
Career and Technical Education - Basic Grants to States	84.048	Vermont Agency of Education	4319R0571801	790,505	-
Career and Technical Education - Basic Grants to States	84.048	Vermont Agency of Education	4322R0571801	60,300	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Vermont Student Assistance Corp	P334S110006-15	271,304	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334S	Vermont Student Assistance Corp	P334S110006-15	65,484	-
Mathematics and Science Partnerships	84.366	Vermont Agency of Education	4655R1171501	300,000	36,957
Subtotal - Passthrough Awards				<u>1,487,593</u>	<u>36,957</u>
<b>Northern Border Regional Commission:</b>					
<b>Passthrough Awards:</b>					
Northern Border Regional Development	90.601	Northern Border Regional Commission	NBRC16GVT	28,853	-
<b>U.S. Department of Transportation</b>					
<b>Direct Awards:</b>					
Highway Research and Development Program	20.200	Federal Highway Administration	N/A	36,899	-
<b>Corporation for National and Community Service:</b>					
<b>Passthrough Awards:</b>					
AmeriCorps	94.006	Vermont Agency of Human Services	03400-16AFH-LEAP-FY18	254,903	-
Total Non-Cluster				<u>4,476,558</u>	<u>36,957</u>
<b>Total Federal Funds</b>				<u>\$ 72,152,929</u>	<u>\$ 36,957</u>

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

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2018**

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	
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>												
<b>U.S. Department of Education:</b>												
<b>Direct Awards:</b>												
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	\$ 164,755	\$ 323,990	\$ 217,680	\$ 180,212	\$ 234,267	\$ -	\$ -	\$ 1,120,904	\$ -
Federal Work-Study Program	84.033	N/A	N/A	115,367	352,418	515,606	190,345	143,760	-	-	1,317,496	-
Federal Direct Student Loans	84.268	N/A	N/A	4,655,453	11,513,743	8,456,027	6,524,775	8,169,497	-	-	39,319,495	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	-	1,883,765	944,187	1,207,531	652,694	-	-	4,688,176	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	-	207,442	194,600	270,071	168,687	-	-	840,800	-
Federal Pell Grant Program	84.063	N/A	N/A	6,119,369	3,047,705	2,939,626	2,095,543	2,179,953	-	-	16,382,196	-
Total Student Financial Assistance Cluster				11,054,944	17,329,063	13,267,725	10,468,477	11,548,858	-	-	63,669,067	-
<b>TRIO CLUSTER</b>												
<b>U.S. Department of Education:</b>												
<b>Direct Awards:</b>												
TRIO Student Support Services	84.042A	N/A	N/A	405,674	294,676	431,183	-	308,512	-	-	1,440,045	-
TRIO Upward Bound	84.047A	N/A	N/A	-	218,595	465,485	338,503	-	-	-	1,022,583	-
TRIO Upward Bound NY	84.047M	N/A	N/A	-	134,902	-	-	-	-	-	134,902	-
TRIO McNair	84.217A	N/A	N/A	-	152,585	-	-	-	-	-	152,585	-
Total TRIO Cluster				405,674	800,758	896,669	338,503	308,512	-	-	2,750,115	-
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>												
<b>National Aeronautics and Space Administration:</b>												
<b>Passthrough Awards:</b>												
Science - National Space Grant College & Fellowship Program	43.001	University of Vermont	29907 SUB51933	-	-	-	-	11,262	-	-	11,262	-
Education - CubeSat Continued Development	43.008	University of Vermont	30018	-	-	-	-	22,142	-	-	22,142	-
Education - National Aeronautics and Space Administration	43.008	University of Vermont	30373SUB52051	-	-	-	14,953	-	-	-	14,953	-
Education - Graduate Fellowship Competition	43.008	University of Vermont	29907 SUBBRANDON	-	-	-	-	5,015	-	-	5,015	-
Subtotal - Passthrough Awards				-	-	-	14,953	38,420	-	-	53,372	-
<b>National Science Foundation:</b>												
<b>Direct Awards:</b>												
Geosciences	47.050	N/A	N/A	-	18,714	-	64	-	-	-	18,778	-
Education and Human Resources	47.076	N/A	N/A	-	-	95,232	-	-	-	-	95,232	-
Subtotal - Direct Awards				-	18,714	95,232	64	-	-	-	114,010	-
<b>Passthrough Awards:</b>												
Experimental Program to Stimulate Competitive Research	47.073	University of Vermont	30373 SUB52050	-	44,837	-	-	-	-	-	44,837	-
Education and Human Resources	47.076	University of Vermont	1566770	-	-	13,955	-	-	-	-	13,955	-
Subtotal - Passthrough Awards				-	44,837	13,955	-	-	-	-	58,792	-
<b>U.S. Department of Health and Human Services:</b>												
<b>Passthrough Awards:</b>												
National Center for Research Resources	93.389	University of Vermont	P20GM103449	-	224,048	144,745	-	-	-	-	368,793	-
Total Research and Development Cluster				-	287,599	253,932	15,017	38,420	-	-	594,967	-
<b>CCDF CLUSTER</b>												
<b>U.S. Department of Health and Human Services:</b>												
<b>Passthrough Awards:</b>												
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Vermont Dept. Children & Families	03440-34001-18-ECPDS	442,260	-	-	-	-	-	-	442,260	-

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

**Schedule of Expenditures of Federal Awards - Continued**

**Year Ended June 30, 2018**

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		
<b>MEDICAID CLUSTER</b>													
<b>U.S. Department of Health and Human Services:</b>													
<b>Passthrough Awards:</b>													
	Medical Assistance Program	93.778	Office of Vermont Health Access (OVHA)	11-W-00194/1	\$ -	\$ -	\$ -	\$ -	\$ 219,962	\$ -	\$ -	\$ 219,962	\$ -
<b>NON-CLUSTER</b>													
<b>U.S. Department of Agriculture:</b>													
<b>Passthrough Awards:</b>													
	Higher Education - Institution Challenge Grants Program	10.217	Vermont Student Assistance Corp	P334S110006-15	-	3,139	4,234	-	-	-	-	7,373	-
	Summer Food Service Program for Children	10.559	Vermont Agency of Education	N/A	-	-	-	2,166	-	-	-	2,166	-
	Rural Business Enterprise Grants	10.769	Vermont Department of Agriculture	N/A	-	4,546	-	-	-	-	-	4,546	-
	Subtotal - Passthrough Awards				-	7,685	4,234	2,166	-	-	-	14,085	-
<b>U.S. Department of Commerce:</b>													
<b>Direct Awards:</b>													
	Manufacturing Extension Partnership	11.611	N/A	N/A	-	-	-	-	506,250	-	-	506,250	-
<b>U.S. Department of Defense:</b>													
<b>Passthrough Awards:</b>													
	Procurement Technical Assistance for Business Firms	12.002	Vermont Agency of Commerce & Community Development	07120-18SBDC-01	-	-	-	-	20,734	-	-	20,734	-
<b>U.S. Department of Labor:</b>													
<b>Direct Awards:</b>													
	H-1B Job Training Grants	17.268	N/A	N/A	-	-	-	-	951,069	-	-	951,069	-
	TAAACCT 1 + 4	17.282	N/A	N/A	471,567	-	-	-	-	-	-	471,567	-
	Subtotal - Direct Awards				471,567	-	-	-	951,069	-	-	1,422,636	-
<b>Institute of Museum and Library Services:</b>													
<b>Passthrough Awards:</b>													
	Grants to States - Job Hunt Helpers	45.310	VT Department of Libraries	11300.JHLLSTA17.A1	7,602	-	-	-	-	-	-	7,602	-
<b>Small Business Administration:</b>													
<b>Direct Awards:</b>													
	Small Business Development Centers	59.037	N/A	N/A	-	-	-	-	675,973	-	-	675,973	-
<b>Passthrough Awards:</b>													
	State Trade Expansion	59.061	VT Agency of Commerce & Community Development	07120-VGTP-STEPV-SBDC-01	-	-	-	-	21,030	-	-	21,030	-
<b>U.S. Department of Education:</b>													
<b>Passthrough Awards:</b>													
	Career and Technical Education - Basic Grants to States	84.048	Vermont Agency of Education	4319R0571801	623,698	-	-	-	166,807	-	-	790,505	-
	Career and Technical Education - Basic Grants to States	84.048	Vermont Agency of Education	4322R0571801	60,300	-	-	-	-	-	-	60,300	-
	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Vermont Student Assistance Corp	P334S110006-15	1,729	-	-	15,656	-	253,920	-	271,304	-
	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334S	Vermont Student Assistance Corp	P334S110006-15	-	-	-	3,074	-	62,410	-	65,484	-
	Mathematics and Science Partnerships	84.366	Vermont Agency of Education	4655R1171501	-	-	-	300,000	-	-	-	300,000	-
	Subtotal - Passthrough Awards				685,727	-	-	315,656	169,881	316,330	-	1,487,593	-
<b>Northern Border Regional Commission:</b>													
<b>Passthrough Awards:</b>													
	Northern Border Regional Development	90.601	Northern Border Regional Commission	NBRC16GVT	21,536	-	-	7,318	-	-	-	28,853	-

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

**Schedule of Expenditures of Federal Awards - Continued**

**Year Ended June 30, 2018**

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
<b>NON-CLUSTER - CONTINUED</b>											
<b>U.S. Department of Transportation</b>											
<b>Direct Awards:</b>											
20.200	Federal Highway Administration	N/A	-	-	-	-	-	36,899	-	36,899	-
<b>Corporation for National and Community Service:</b>											
<b>Passthrough Awards:</b>											
94.006	Vermont Agency of Human Services	03400-16AFH-LEAP-FY18	-	-	-	254,903	-	-	-	254,903	-
Total Non-Cluster			1,186,432	7,685	4,234	580,042	169,881	2,211,955	316,330	4,476,558	-
<b>Total Federal Funds</b>			<b>\$ 13,089,309</b>	<b>\$ 18,425,104</b>	<b>\$ 14,422,559</b>	<b>\$ 11,402,039</b>	<b>\$ 12,285,633</b>	<b>\$ 2,211,955</b>	<b>\$ 316,330</b>	<b>\$ 72,152,929</b>	<b>\$ -</b>

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, 2018. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net 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, 2018, \$778,408 of loans were advanced under the Perkins program and \$62,392 of administrative costs were incurred. As of June 30, 2018, loan balances receivable, net under Perkins was \$4,923,967.

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 \$39,319,495 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, 2018. The Colleges are only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the Colleges' financial statements.

**Section I – Summary of Auditors’ Results:**

***Financial Statements***

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  no

Noncompliance material to the financial statements noted?  yes  no

***Federal Awards***

Type of auditor’s report issued: Unmodified

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  no

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?  yes  no

***Identification of Major Programs:***

<b>Name of Federal Program or Cluster</b>	<b>CFDA Number</b>
Student Financial Assistance Cluster:	
Federal Supplemental Educational Opportunity Grant Program	<b>84.007</b>
Federal Work-Study Program	<b>84.033</b>
Federal Perkins Loan Program	<b>84.038</b>
Federal Pell Grant Program	<b>84.063</b>
Federal Direct Student Loans	<b>84.268</b>
H-1B Job Training Grant	<b>17.268</b>
Small Business Development Centers	<b>59.037</b>
Career and Technical Education - Basic Grants to States	<b>84.048</b>

Dollar threshold used to distinguish  
Between type A and type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

  x   yes         no



**Section II – Financial Statement Findings:**

None

**Section III – Federal Award Findings and Questioned Costs:**

**Finding number:** 2018-001  
**Federal agency:** U.S. Department of Education  
 Federal Supplemental Educational Opportunity Grant Program,  
 Federal Work-Study Program, Federal Perkins Loan Program,  
 Federal Pell Grant Program, Federal Direct Student Loans Program  
**CFDA #'s:** 84.007, 84.033, 84.038, 84.063, 84.268  
**Award year:** 2018

***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 Colleges to report student enrollment changes to the National Student Loan Data System (“NSLDS”) within sixty days. During our testing of forty students with enrollment status changes who graduated or withdrew from the institution, we noted the following:

- Two student's status changes (graduated) were never reported to NSLDS.
- One student's status change (withdrawal) was not reported to NSLDS within the 60-day required time frame. Reported 69 days from date of determination, 9 days later than the 60 day limit.

***Cause***

Our audit disclosed that, although the Colleges uses a third party, the National Student Clearinghouse (the "NSC"), to facilitate the reporting of changes in enrollment data to the NSLDS; there were three instances (two graduates and the withdrawal) in which the Colleges failed to correct enrollment files within an adequate time frame to ensure timely and accurate reporting.

***Effect***

The College did not properly report student status changes to NSLDS within the required time frame. Improper enrollment reporting results in the students' loan deferment period to be incorrectly calculated.

***Questioned Costs***

N/A

***Perspective***

Our sample was not, and was not intended to be statistically valid. Of 40 students selected for testing, three or 7.5% of our sample was determined to have a status change either not reported to NSLDS or not reported timely to the NSLDS within the sixty day requirement.

***Identification as a Repeat Finding, if applicable***

See Finding 2017-001 included in the summary schedule of prior year findings

***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.

***Views of Responsible Officials***

The College concurs with the auditors' finding.

**Finding number:** 2018-002  
**Federal agency:** U.S. Department of Education  
**Programs:** Federal Work-Study Program  
**CFDA #'s:** 84.033  
**Award year:** 2018

### ***Criteria***

According to 34 CFR Section 675.18(g):

For the 2000-2001 award year and subsequent award years, an institution must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities. In meeting this community service requirement, an institution must include at least one:

- (1) Reading tutoring project that employs one or more FWS students as reading tutors for children who are preschool age or are in elementary school; or
- (2) Family literacy project that employs one or more FWS students in family literacy activities.

According to 34 C.F.R Section 675.2(b):

The Secretary defines other terms used in this part as follows:

*Community services:* Services which are identified by an institution of higher education, through formal or informal consultation with local nonprofit, governmental, and community-based organizations, as designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs.

### ***Condition***

The Federal Government requires the Colleges to use at least seven percent of its Federal Work Study (FWS) allocations for an award year to pay for student's employed in community service activities. During our review of Vermont Technical College's Fiscal Operations Report and Application to Participate (FISAP), one of the colleges did not use at least seven percent of its Federal Work Study allocation for compensating students in community service activities.

### ***Cause***

The College did not have procedures in place to ensure that they use at least seven percent of its Federal Work Study allocation for compensating students in community service activities.

***Effect***

A school that fails to meet the FWS community service requirements will be required to return FWS federal funds in an amount that represents the difference between the amount a school should have spent for community service and the amount it actually spent. Furthermore, a school could be denied future participation in the FWS program.

***Questioned Costs***

\$746 (\$162,816 Total WorkStudy Funds x 7% = \$11,397, \$11,397 - \$10,651 community service workstudy funds spent = \$746).

***Identification as a Repeat Finding, if applicable***

N/A

***Recommendation***

We recommend that management implement procedures to ensure compliance with FWS community service requirements.

***Views of Responsible Officials***

The College concurs with the auditors' finding.

**Finding number:** 2018-003  
**Federal agency:** U.S. Department of Education  
**Programs:** Federal Direct Student Loans Program  
**CFDA #'s:** 84.268  
**Award year:** 2018

### ***Criteria***

According to 34 C.F.R. Section 668.22(j)(1):

An institution must return the amount of Title IV funds from which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew.

### ***Condition***

Federal regulations state that any unearned Title IV grant or loan assistance received by a student must be refunded to the Title IV programs upon a student's withdrawal from the institution. The academic institution is responsible for the calculation of the earned and unearned portion of Title IV assistance using a standard Return of Title IV Funds form ("R2T4"). In our testing sample of 40 students who were determined to have withdrawn from the Colleges, we noted one student for whom funds were not returned within the required 45 days.

### ***Cause***

The Colleges has policies and procedures in place to perform this calculation for all students who withdraw. However, in this instance there was oversight when processing the student's withdrawal as the R2T4 form was never completed.

### ***Effect***

The Colleges did not complete the R2T4 Form or return the unearned portion of aid within the established time frame.

### ***Questioned Costs***

\$1,040

### ***Perspective***

Our sample was not, and was not intended to be statistically valid. Of forty students selected for testing, one student or 2.5% of our sample was determined to not have the RT24 form completed and the resulting federal aid returned with the established time frame.

***Identification as a Repeat Finding, if applicable***

Not applicable

***Recommendation***

The Colleges should review and update their policies related to student withdrawals to ensure R2T4 forms are completed and the appropriate federal aid is returned within the established time limits.

***Views of Responsible Officials***

The College concurs with the auditors' finding.

## Management's Summary Schedule of Prior Audit Findings

### Year Ended June 30, 2018

**Finding number:** 2017-001  
**Federal agency:** U.S. Department of Education  
**Programs:** Federal Supplemental Educational Opportunity Grant Program,  
 Federal Work-Study Program, Federal Perkins Loan Program,  
 Federal Pell Grant Program, Federal Direct Student Loans Program  
**CFDA #'s:** 84.007, 84.033, 84.038, 84.063, 84.268  
**Award year:** 2017

#### *Condition*

The Colleges policy is to report student enrollment to a contracted third party, the National Student Clearinghouse ("NSC"). The Colleges utilized the NSC to facilitate its responsibility to notify the National Student Loan Data System ("NSLDS") of changes in the enrollment status of students. However, the Colleges are ultimately responsible to ensure that NSLDS is properly and timely notified of all student enrollment status changes. The Colleges report an initial enrollment status and subsequent changes in enrollment status to the NSC based on a pre-determined schedule throughout each semester.

#### *Award Year 2017:*

Out of a sample of forty students with enrollment status changes, two students with a status change were not reported in a timely manner to the NSLDS. One student was never reported to the NSLDS and the other student took ninety-one days to report.

#### *Award Year 2016:*

Out of a sample of forty students with enrollment status changes, one student's status change was not reported in a timely manner to the NSLDS and took sixty-two days to report.

#### *Current Year Status:*

Out of a sample of 40 students with enrollment status changes, one student was not reported timely and correctly to the NSLDS and two students status changes were never reported to the NSLDS. The College is looking to strengthen its controls in this area. See finding 2018-001 for more information and corrective action plan.





## Management's Summary Schedule of Prior Audit Findings

### Year Ended June 30, 2018

**Finding number:** 2017-002  
**Federal agency:** U.S. Department of Education  
**Programs:** Federal Perkins Loan Program  
**CFDA #'s:** 84.038  
**Award year:** 2017

#### *Condition*

The Federal government requires the Colleges to define exceptional financial need and adhere to that definition when prioritizing which students are awarded a Perkins loan.

The Colleges normally awards Perkins loans to students with exceptional financial need but due to an oversight during the awarding process, one student who did not display exceptional financial need was awarded a Perkins loan.

#### *Current Year Status:*

The corrective action plan was fully implemented. The auditors' current year testing revealed no findings in this area.

## Management's Summary Schedule of Prior Audit Findings

Year Ended June 30, 2018

**Finding number:** 2017-003  
**Federal agency:** U.S. Department of Education  
**Programs:** Federal Supplemental Educational Opportunity Grant Program, Federal Work-Study Program, Federal Perkins Loan Program, Federal Pell Grant Program, Federal Direct Student Loans Program  
**CFDA #'s:** 84.007, 84.033, 84.038, 84.063, 84.268  
**Award year:** 2017

### *Condition*

The Federal Government requires the Colleges 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 Colleges are inconsistent when applying a withdrawal date to the student for NSLDS reporting and the Return of Title IV Aid calculation. The Colleges use the students' 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 students' Return of Title IV Aid calculation.

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

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.

### *Current Year Status:*

The corrective action plan was fully implemented. The auditors' current year testing revealed no findings in this area.

## Management's Corrective Action Plan

**Finding number:** 2018-001  
**Federal agency:** U.S. Department of Education  
**Programs:** Federal Supplemental Educational Opportunity Grant Program, Federal Work-Study Program, Federal Perkins Loan Program, Federal Pell Grant Program, Federal Direct Student Loans Program  
**CFDA #'s:** 84.007, 84.033, 84.038, 84.063, 84.268  
**Award year:** 2018

### *Corrective Action Plan:*

In some cases, it appears the clearinghouse did not submit timely to NSLDS. In the future, the colleges will do a cross check to verify submittals due to the data mishaps and lapses in batch processing by the clearinghouse.

In the case of graduated students, a process will be implemented to identify students with unique circumstances, such as course substitutions, that are required for graduation to better track and report results.

### *Timeline for Implementation of Corrective Action Plan:*

Fall 2018

### *Contact Person*

Sheilah Evans, System Controller



## Management's Corrective Action Plan - Continued

**Finding number:** 2018-002  
**Federal agency:** U.S. Department of Education  
**Programs:** Federal Work-Study Program  
**CFDA #'s:** 84.033  
**Award year:** 2018

### *Corrective Action Plan:*

A fraction of money that was awarded to students in community service went unearned. The college has increased its emphasis on community service employment options on campus which is intended to make meeting the 7% obligation more easily attained and allow for closer monitoring.

### *Timeline for Implementation of Corrective Action Plan:*

Fall 2018

### *Contact Person*

Sheilah Evans, System Controller



## Management's Corrective Action Plan - Continued

**Finding number:** 2018-003  
**Federal agency:** U.S. Department of Education  
**Programs:** Federal Direct Student Loans Program  
**CFDA #'s:** 84.268  
**Award year:** 2018

### *Corrective Action Plan:*

Financial Aid will work with IT to create a report that identifies student drops/withdraws only, generating a smaller number of students to be reviewed for R2T4 as opposed to working on a larger list from an Informer report that is run regularly.

### *Timeline for Implementation of Corrective Action Plan:*

Fall 2018

### *Contact Person*

Sheilah Evans, System Controller

**Item 3:**

**Report of the Finance & Facilities Committee**

- a. FY18 Carry Over Requests**
- b. FY2020 Capital Projects Requests**



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TO:           Jeb Spaulding, Chancellor, Vermont State Colleges  
 FROM:       Joyce Judy, President, Community College of Vermont  
 DATE:        October 15, 2018  
 SUBJECT:    FY 2018 Carry Forward

Due to two one-time events in FY 2018 (the return of the medical reserve of \$722,000 and savings from the debt restructuring) CCV ended the fiscal year with \$1,103,000 available unrestricted net assets. I therefore request approval to carry the following funds forward into Fiscal Year 2018 to be used for the following purpose:

- In FY2022, CCV’s debt payment under the newly restructured debt payment schedule will increase by \$750,000 over FY2021. This new amount will require a multi-year step up and CCV would like to carryforward \$910,000 towards this debt restructure amount. Our plan is to phase in the change of the additional debt payment over a three year period using a blend of one time funds and the operational budget. If we are able to add to this carryforward amount over the next three years, CCV could change this slope or extend it out further. However, given our current balance, we propose the following:

	Carryforward <u>Funds</u>	Operational <u>Funds</u>
FY2022	\$453,000	\$302,000
FY2023	\$302,000	\$453,000
FY2024	\$151,000	\$604,000

- CCV would like to carryforward \$100,000 towards additional marketing of our programs
- CCV would like to carryforward \$93,000 towards classroom technology upgrades

Thank you for your consideration.



[NorthernVermont.edu](http://NorthernVermont.edu)

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**TO:** Jeb Spaulding  
**FROM:** Elaine C. Collins, Ph.D.  
**DATE:** October 18, 2018  
**SUBJECT:** Northern Vermont University FY2018 Carry-over Request

Northern Vermont University (NVU) ended Fiscal Year 2018 with \$985,000 of available unrestricted net assets. The university, therefore, requests approval to carry these funds forward into Fiscal Year 2019. These funds will be used to offset NVU's Fiscal Year 2019 deficit.

Thank you for your consideration of this request.



**VERMONT STATE COLLEGES  
FY 2020 CAPITAL APPROPRIATION REQUEST  
SUMMARY OF ALL PROJECTS**

10/10/2018

	<b><u>Projects Proposed</u></b>	<b>VSC Request</b>
VSC	Emergency Maintenance (Recurrent Need)	200,000
VSC	Roof Repair and Replacement (Recurrent Need)	300,000
CCV	Academic Facility Improvements	250,000
CU	Granger House Restoration Phase I	90,000
CU	Stafford A/C Phase II	225,000
CU	Fine Arts High Roof Replacement	275,000
CU	Academic Building Security Enhancements	100,000
CU	Woodruff Elevator Upgrade	75,000
CU	Superior Boiler Retubing	47,500
NVU-J	Bentley Parking Lot / Drive Reconstruction	285,000
NVU-J	WLLC Window Replacement	125,000
NVU-J	VAC Siding Replacement	35,000
NVU-J	Campus Safety Compliance	25,000
NVU-J	Campus Security & Surveillance System	35,000
NVU-J	MEP Technoligy Upgrades	125,000
NVU-J	McClelland Fascia Repair	25,000
NVU-J	Campus Concrete Repairs	125,000
NVU-J	Building Envelope Repairs	32,500
NVU-L	Vail Restroom Renovations	240,000
NVU-L	Campus Security & Surveillance System	125,000
NVU-L	Walkway Repair & Improvements around Veterans Park	155,000
NVU-L	Campus Concrete Repairs	115,000
NVU-L	Wheelock Condensate Replacement	25,000
NVU-L	Vail Window Replacement (Phase I)	152,500
VTC	Morrill Hall Window Replacement	256,000
VTC	Green Hall A/C Compressor Replacement	36,000
VTC	Dental Therapy Program Startup	100,000
VTC	Radiography program Startup	60,000
VTC	Hartness Roof Replacement	86,000
VTC	Judd / SHAPE Gym Lighting Upgrades	48,000
VTC	Admin Building Storefront Replacement	89,000
VTC	Conant Window Replacement (Phase I)	137,500
<b>Total Projects</b>		<b>4,000,000</b>

**VERMONT STATE COLLEGES  
FY 2020 CAPITAL APPROPRIATION REQUEST  
- STATE FUNDED PROJECTS -**

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**Community College of Vermont**

**Academic Facility Site Improvements: \$250,000** CCV owns or leases twelve academic facilities. Therefore, the burden for interior maintenance and improvement falls within CCV's responsibilities, either through lease agreements or ownership. Significant increases for contract work necessitate an increase in requested funds. Examples of candidate projects for FY 20 site improvement funds are:

- Adaptation of facilities for new and revised programmatic offerings.
- Adaptation and expansion of facilities, and equipment for changes in enrollment.
- Addressing workplace safety and accessibility issues.
- Continued fit-out of site-based science and art rooms, computer labs, libraries, and other non-standard classroom facilities.
- Replacement/upgrade of building support systems (HVAC, EMS, etc.)

**Castleton University**

**Granger House Restoration Project Phase I: \$90,000** The University owns a circa 1800 Historic House that requires a significant amount of repairs. A Historic Preservation Architect recently inspected the house, a report was generated listing repairs required to preserve the structure. It was suggested that the following repairs be done to the exterior, replace rotted siding and trim, painting, roof and chimney repairs, miscellaneous masonry repairs, and area drainage improvements. Upon completion of these exterior repairs, Castleton will be performing routine maintenance to preserve this historic building.

**Stafford A/C Project Phase II: \$225,000** When the Stafford Academic Center was remodeled in 1998, air conditioning was removed from the project, with exception of the computer labs and Herrick Auditorium. Stafford houses the Nursing program and the Center for Schools and is extensively used during the summer months. It is proposed that cooling coils be added to the HVAC roof top unit to provide the necessary cooling for the classrooms and offices. As part of the FY 19 funding cycle this project was partially funded, we are requesting the balance of the funding from this project in this year's Capital request.

**Fine Arts Roof Replacement Project \$175,000** In 2015 and 2018 the north and south sections of the rubber membrane roof on the lower level was replaced. Funding was not available during either funding cycle to replace the high roofs. As part of the FY20 funding cycle, we are requesting funds to replace the two 1981 vintage high roofs including the replacement of the theatre smoke hatches. These roofs are starting to fail thus incidences of roof leaks are more prevalent.

**Academic Building Security Enhancements Project: \$100,000** The growing concern around the country with violence on campuses suggests we need to increase security in our Academic Buildings. In order to accomplish our goal of providing a safe learning environment for students and staff, we are seeking to dramatically expand our existing security systems across the campus. These security improvements will require us to make changes to doors, door hardware, as well as expansion both the electrical and telecommunications infrastructure that support the security systems.

**Woodruff Elevator Upgrades Project: \$175,000** The Woodruff elevator is a 1980's vintage elevator and does not comply with current Life Safety and ADA codes. Bay State Elevator Company is recommending we upgrade this elevator to reduce liability exposure and to increase dependability. It is common for this elevator to be "out of service" which creates issues for students and staff in this heavily used building.

**Superior Boiler Retubing Project: \$47,500** A boiler useful life study was completed earlier this past summer and the report noted that the boilers in the Superior Boiler plant are in relatively good condition given their age of 50 years old. It was however recommended that the boiler tubes be replaced, the existing tubes appear to be original and are showing some signs of pitting and scale buildup. With the replacement of these tubes, the report states that the boilers could be expected to operate for another 10+ years.

#### **Northern Vermont University-Johnson**

**Bentley Parking Lot / Drive Reconstruction Project: \$285,000** The main drive and the Bentley parking lot have deteriorated to the point where cracks, pot holes, and heaved portions can no longer be effectively "spot" repaired. We are proposing to repair and replace curbing, reclaim the existing asphalt, repair the base and repave with 3½ inches of asphalt. We also plan to collaborate with the Lamoille County Conservation District and use a portion of a grant dedicated to improving storm water runoff to accomplish a portion of this scope.

**WLLC Window Replacement Project Phase II: \$125,000** We are requesting additional funds for this previously approved project. The window seals and caulking are failing in many locations around the building. This results in aesthetic impacts but it also affects the overall efficiency of the building. By replacing these windows, we can improve our building envelope and install a more efficient glazing system. These windows are designed to reduce solar gain in the summer and will work to retain more heat in the colder seasons.

**Visual Arts Building Siding Replacement Project: \$35,000** The Visual Arts building has marine plywood on its exterior in a number of locations. This plywood siding has turned out to be very maintenance intensive and expensive to maintain. Approximately every 18 months it has to be scraped and sealed with a new polyurethane finish. The primary concern is the aesthetic appeal, this condition distracts from a pleasant campus setting and should be addressed. It is proposed that the sections of siding be replaced with a product that is more durable and able to withstand the elements.

**Campus Safety Compliance Project: \$25,000** These funds are sought in order to progress the campus towards the constantly changing compliance standards. These funds are intended to address items like arc flash labeling, fall protection, equipment grounding, ADA signage and other like requirements

**Campus Security & Surveillance System project: \$35,000** As part of recent Capital requests Johnson has requested funding for integration of its multiple security systems. The effort to create a centralized security system is ongoing. We would like to continue by integrating the card access and the CCTV systems system using as much of the existing hardware as possible. A centralized system will allow Public Safety to retrieve data and monitor the campus more efficiently.

**MEP Technology Upgrades Project: \$125,000** Many of our mechanical and electrical systems are original building equipment. There is tremendous potential for improved working conditions, more stable climates, reduced energy consumption, reduced wear and tear as well as increased reliability by taking steps to upgrade these components. These funds would be used for projects such as continuing the transition to LED lighting, shifting larger motors to variable frequency drives, establishing heat recovery systems, linking building infrastructure schedules to building usage schedules, utilizing more occupancy sensors start up systems, and finding ways to utilize more efficient means for in our heating systems.

**McClelland Fascia Repair project: \$25,000** The McClelland Fascia is in need of repairs due to its exposure to the elements. The roof does not protect this Fascia; it is attached directly to the building exterior and is totally exposed to the elements. This project would fund the repair or replacement of the fascia as needed.

**Campus Concrete Repair Project: \$125,000** The extreme weather conditions on our campus subject our exposed concrete surfaces to extensive wear and tear. There are a series of repairs needed on various walks, stairs and loading docks around the campus. Three different elements contribute to the deterioration of these surfaces. They all see significant expansion and contraction as they fluctuate from temperatures that may be as low as the -30's and as high as the 90's. Many of these surfaces require significant salt treatment during the winter months to make for safe passage but these salts are detrimental to the overall integrity of the concrete. There are also other areas where settlement has played a role in degrading campus elements.

**Building Envelope Repair Project: \$32,500** Various buildings around the Johnson campus are in need of building envelope repairs. Some of those conditions are as follows: a recent blower door test at Dewey Hall indicated that the build is excessively leaky; Dibden theatre takes on water every spring when snowmelt occurs and throughout the summer during heavy rain events and the WLLC windowsill show signs of water infiltration damage. These type of building envelope issues cause premature deterioration of our facilities and project funding would allow us to start addressing these issues.

### **Northern Vermont University-Lyndon**

**Vail Hall Restroom Upgrade Project: \$240,000** The Vail building is at the heart of the campus and has some of our more outdated restroom facilities. In the recent past, we have upgraded the

two restrooms closest to admissions as well as an ADA restroom on the first floor. This project would allow us to significantly improve the appearance and functionality of the remaining restrooms. Infrastructure issues would be addressed, walls, floors, and ceiling surfaces will be upgraded and plumbing fixtures will be replaced, giving the restrooms a much-needed upgrade.

**Campus Security & Surveillance System project: \$125,000** Safety and security are of greater importance each day in this ever-changing world. We are seeking to dramatically expand these systems and across the campus. These advancements require changes to doors, door hardware, ADA push buttons as well as expansion in the both the electrical and telecommunications infrastructure.

**Walkway Repairs and Improvements to Veterans Park: \$155,000** The Veterans Park and areas surrounding the park are in need of maintenance and updating. By updating this area, we will be able to enhance many campus objectives. Proposed changes to the area would create more of a quad type setting which would enhance the social dynamic of the space, better manage pedestrian flow, decrease our impervious surfaces, increase the visual connectivity of the area and solve and reoccurring maintenance issue related to the small pond. It should also be mentioned that some of the walks in this area are already in need of attention and reworking this area will address those deferred maintenance needs.

**Campus Concrete Repair Project: \$115,000** The extreme weather conditions on our campus subject our exposed concrete surfaces to extensive wear and tear. There are a series of repairs needed on various walks, stairs and loading docks around the campus. Three different elements contribute to the deterioration of these surfaces. They all see significant expansion and contraction as they fluctuate from temperatures that may be as low as the -30's and as high as the 90's. Many of these surfaces require significant salt treatment during the winter months to make for safe passage but these salts are detrimental to the overall integrity of the concrete. There are also other areas where settlement has played a role in degrading campus elements.

**Wheelock Condensate Tank Replacement Project: \$25,000** The condensate/feed tank is a critical component of a boiler system. This tank captures the condensate that returns from the heating systems and acts as the measuring vessel that controls the system make-up water. The condition of the Wheelock tank was analyzed and was found to be deteriorating. The original tank thickness was .25" and measurements indicate that the thickness at the bottom of the tank is now .085", this reduction of thickness has been caused by corrosion. This tank is a critical component of the boiler system therefore; we must have a reliable vessel to ensure the continuous operation of this system.

**Vail Window Replacement Project Phase I: \$152,500** The window seals and caulking is starting to fail in many location around the Vail Building. This results in aesthetic impacts but it also affects the overall efficiency of the building. By replacing these windows, we can improve our building envelope and install a more efficient glazing system. The replacement windows will reduce solar gain in the summer and will work to retain more heat in the colder seasons.

## Vermont Technical College

**Morrill Hall Window Replacement Project: \$256,000** Morrill/Morrill Annex: We would like to replace the existing original (1964) single pane hopper windows in this building, as well as several original wood doors. There are 26 windows in Morrill, 18 windows in Morrill Annex, as well as two storefronts and 6 exterior doors that we would like to replace. All windows will be replaced with a double pane Low E models and the doors would be replaced with energy efficient units.

**Green Hall A/C Compressor Replacement Project: \$36,000** Existing R22 refrigerant compressor for the Green Hall east wing AC has failed. This R22 refrigerant is no longer available, so we would like to replace the compressor, cooling coil and any other incompatible equipment with R407C refrigerant. This will upgrade will extend the usable life of the HVAC system.

**Radiography Program Renovations Project: \$60,000** The VTC Williston Campus will be starting a Radiography program for the fall of 2019. In anticipation of the start of this new program, an existing classroom in Building 100 will require some renovation and modification to create the additional lab space for this program.

**Dental Therapy Renovation A&E Project: \$100,000** The VTC Williston Campus will be starting a Dental Therapy program in the fall of 2020. In order to accommodate this new program, renovations are required to the existing Dental Hygiene Lab to allow for additional lab/classroom space. It is proposed that we contract with architecture and engineering firms to develop a conceptual design, establish a construction cost and create construction documents.

**Hartness Roof Replacement Project: \$86,000** The current EDPM Membrane roof on this building is 20+ years old and is reaching the end of its expected life. This roof has been repaired numerous times. The lack of funding prevented us from replacing this roof when the building underwent a complete interior renovation in 2012. It is proposed that the roof be replaced with a new .060 EDPM fully adhered roofing system.

**Judd / SHAPE Gymnasium Lighting Upgrade Project: \$48,000** The Gymnasium lighting in both the Judd Hall and SHAPE Gymnasiums are currently fluorescent. We would like to upgrade the existing fluorescent fixtures to an equivalent, but more efficient LED option. There are 44 fixtures in SHAPE and 33 fixtures in Judd Hall. Replacing the existing fixtures with an LED equivalent will result in an operational savings of 3,128 watts at Judd Hall and 5,500 watts at SHAPE Gymnasium, for a total of 8,628 watts. Efficiency VT has offered rebates for this project and they will be applied during the purchasing phase.

**Admin Building Store Front Replacement Project: \$89,000** These large two-story door/window units are beginning to deteriorate as the aluminum and the steel are reacting to 32 years of salt, chemical, and moisture exposure. It has been recommended that we replace the entire storefront unit in order to maintain the structural integrity of the structure.

**Conant Window Replacement Project Phase I: \$137,500** We would like to replace the existing original (1964) single pane hopper windows in this building. There are 36 total windows in this

building, and we would like to replace these windows with energy efficient Double Pane/Low E model units. The storefront windows the entry door systems have been replaced and are in good condition; hence, they are not included in this project.

### **Vermont State Colleges System**

#### **Emergency Maintenance: \$200,000**

As in previous years, this is annual funding to provide the college system with a contingency that will be used to fund unplanned needs that inevitably arise across VSC's more than 100 buildings (approximately 1,700,000 sq ft) and over 1,400 acres of property, which combined have a replacement value approaching \$250,000,000.

**Roof Repair and Replacement: \$300,000** To address the most serious roofing concerns as assessed from annual review of all structures throughout the college system.

10/10/2018

**FY 20 Project Funding Matrix**

Scenario	2,000,000	3,000,000	4,000,000	
<b>Castleton</b>	Granger House Restoration Phase I	90,000	Granger House Restoration Phase I	90,000
	Stafford A/C Phase II	225,000	Stafford A/C Phase II	225,000
	Fine Arts High Roof Replacement (Phase I)	78,750	Fine Arts High Roof Replacement	275,000
			Academic Building Security Enhancements (Phase I)	35,000
			Academic Building Security Enhancements	100,000
		Woodruff Elevator Upgrade	75,000	
		Superior Boiler Retubing	47,500	
<b>NVU-Johnson</b>	Bentley Parking Lot / Drive Reconstruction	285,000	Bentley Parking Lot / Drive Reconstruction	285,000
	WLLC Window Replacement (Phase I)	108,750	WLLC Window Replacement	125,000
			VAC Siding Replacement	35,000
			Campus Safety Compliance	25,000
			Campus Security & Surveillance System	35,000
			MEP Technoligy Upgrades	120,000
			McClelland Fascia Repair	25,000
			Campus Concrete Repairs	125,000
		Building Envelope Repairs	32,500	
<b>NVU-Lyndon</b>	Vail Restroom Renovations	240,000	Vail Restroom Renovations	240,000
	Campus Security & Surveillance System	125,000	Campus Security & Surveillance System	125,000
	Walk Repair & Improvements to Vet. Park (Phase I)	28,750	Walk Repair & Improvements to Vet. Park	155,000
			Campus Concrete Repairs (Phase I)	105,000
			Campus Concrete Repairs	115,000
		Wheelock Condensate Replacement	25,000	
		Vail Window Replacement (Phase I)	152,500	
<b>Vermont Tech</b>	Morrill Hall Window Replacement	256,000	Morrill Hall Window Replacement	256,000
	Green Hall A/C Compressor Replacement	36,000	Green Hall A/C Compressor Replacement	36,000
	Dental Therapy Program Startup	101,750	Dental Therapy Program Startup	100,000
			Radiography program Startup	60,000
			Hartness Roof Replacement	86,000
			Judd / SHAPE Gym Lighting Upgrades	48,000
			Admin Building Storefront Replacement (Phase I)	39,000
			Admin Building Storefront Replacement	89,000
		Conant Window Replacement (Phase I)	137,500	
<b>CCV</b>	Academic Facility Improvements	150,000	Academic Facility Improvements	200,000
			Academic Facility Improvements	250,000
<b>Emergency Maintenance</b>		125,000		
<b>Roof Repair /Replacement</b>		150,000		200,000
<b>Scenario Total</b>	<u>2,000,000</u>	<u>3,000,000</u>	<u>4,000,000</u>	<u>300,000</u>
Note: Campus based split =	393,750	625,000	812,500	



**VERMONT STATE COLLEGES  
FY 2020 SELF FUNDED CAPITAL PROJECTS**

10/10/2018

**REVENUE SOURCES**

Dorm/Dining Capital Fees	500,000
General Purpose Capital Fees	500,000
	<hr/>
<b>TOTAL SOURCES</b>	<b>1,000,000</b>

**PROJECTS PROPOSED**

CU	Residence Hall Renovations Project	200,000
CU	Adams / Haskell Window Replacement Project (Phase II)	50,000
JSC	Governors Paint and Lighting Upgrades	175,000
JSC	Senators Paint and Lighting Upgrades	75,000
	Arnold Generator Replacement	45,000
LSC	Wheelock Restroom Renovation project	165,000
LSC	Wheelock Electrical System Upgrade Phase I	40,000
VTC	Morey Lockset Upgrade	125,000
VTC	Nutting Lockset Upgrade	125,000
		<hr/>
	<b>TOTAL PROJECTS</b>	<b>1,000,000</b>

**VERMONT STATE COLLEGES  
FY 2020 CAPITAL APPROPRIATION REQUESTS  
- DORM / DINING PROJECTS -**

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**Castleton University**

**Residence Hall Renovations Project Phase I: \$200,000** The purpose of this renovation project is to address numerous deferred maintenance issues in Residence halls. This project will correct ventilation issues, upgrade restroom finishes, replace flooring in select areas, and renovate stairwells.

**Adams / Haskell Window Replacement Project Phase II: \$50,000** The existing thermopane windows in Adams and Haskell Halls are 20+ years old. These window units do not have thermally broken frames thus allowing the cold to transfer to the inside surface causing cold drafts. The window hardware is also worn out and in some cases nonfunctional. Replacing these inefficient window units is a prudent and necessary step in greatly improving the energy efficiency of each buildings' envelop.

**Northern Vermont University-Johnson**

**Governors / Senators Paint & Lighting Upgrades Project Phase I: \$250,000** This project is intended to brighten up and update the common spaces in Governors and Senators Hall. The project scope will be to paint walls, doorframes, doors and ceilings as well as install new LED lighting in the coffered ceilings. Additional improvements include new room numbering, signage and flooring replacement as needed.

**Northern Vermont University -Lyndon**

**Arnold Emergency Generator Replacement Project: \$45,000** This generator provides emergency power for heating and emergency lighting systems at the Stonehenge Complex. This piece of aging infrastructure has been reviewed by our generator inspection service and they are advising total replacement due to the extensive repairs that are needed in order to extend its life and offer the dependability required for such a critical system. We also plan to relocate the unit when replacement occurs. It is currently placed very close to a travel path and it is showing signs salt damage.

**Wheelock Restroom Renovation project Final Phase: \$165,000** The restrooms in the Wheelock Residence Hall are 50 years old. These restrooms are aesthetically unpleasing and the plumbing and ventilation systems have become maintenance problems. This is the final phase of a four-year project that has resulted in the complete renovation of all restrooms within this

dormitory facility. All existing fixtures and finishes are removed and replaced with new lighting, counters, sinks, mirrors, flooring, wall tile, toilet partitions along with a fresh coat of paint.

**Wheelock Electrical Upgrade Phase I Project: \$40,000** There has been a concentrated effort over the last several years to upgrade many elements of the Wheelock building and this is another request to continue that effort. As indicated above we are just finishing bathroom renovations and a new fire alarm system was installed last year. This request is to upgrade the main electrical infrastructure. The switchgear and main panels are original to the building and it is becoming excessively challenging to find parts and materials to address failures and changes of use.

### **Vermont Technical College**

**Nutting/Morey Door Hardware & Lock Replacement Project: \$250,000** As a continuation of our efforts to create a safer environment for students VTC would like to upgrade all the student room locksets in Nutting and Morey Halls from a conventional keyed lockset to an electronic lockset. A new card access system was installed in 2018 with the anticipation of incorporating all student rooms to the system. This project will allow us the ability to have a "keyless" lock system for students in both of these Res halls. This will create a more safe and secure way to maintain access control to these buildings and individual rooms. Students will only carry an access control card (also used for Student ID card/Dining/Library) for entry into their respective Res Hall and room.

Item 4:

Report of the Long Range Planning Committee

- a. Castleton University Strategic Plan
- b. Vermont Technical College Strategic Plan

# CASTLETON ON THE MOVE

REVISED TO REFLECT 2018-2023 PILLARS, PRIORITIES, AND STRATEGIES



Castleton<sup>125</sup> University

## Introduction

In 2013, after a yearlong process that included seven committees comprised of 60 volunteers, Castleton University implemented its current strategic plan, *Castleton on the Move*, a blueprint for the University's next decade.

Now, at the plan's midpoint, a committee of University and Vermont State Colleges System leadership, community stakeholders, students, and alumni, which was convened by Castleton President Dr. Karen M. Scolforo, has provided an update to assist in moving the plan to its completion and prepare the University for the future.

The updated plan provides a more concise roadmap for the next five years, consolidating the original seven "destinations" into four pillars, supported by several priorities.

As a proud member of the Vermont State Colleges System, Castleton seeks to strategically align its pillars and priorities with the VSCS Mission and Priorities for the benefit of Vermont.

## Vermont State Colleges System Mission

For the benefit of Vermont, the Vermont State Colleges System provides affordable, high quality, student-centered, and accessible education, fully integrating professional, liberal, and career study, consistent with student aspirations and regional and state needs.

## Proposed Castleton Mission Statement

*To understand the Castleton Way, which guides the university in all its endeavors, is to engage in respectful relationships in an inclusive, student-centered environment; to appreciate our learned and compassionate faculty and dedicated and caring staff; to strive to learn, use, and teach sustainable environmental practices; and to participate in strong community partnerships.*

*Castleton's transformational education emphasizes undergraduate liberal arts and professional studies while also offering graduate programs. The University prepares its diverse students for relevant and meaningful careers in a global economy, advanced academic pursuits, and responsible citizenship.*

**CURRENT MISSION AVAILABLE AT:**  
[WWW.CASTLETON.EDU/MISSION](http://WWW.CASTLETON.EDU/MISSION)

# Vermont State Colleges System

## Strategic Priorities

### 1. INCREASE THE CONTINUATION RATE OF HIGH SCHOOL STUDENTS ON TO POSTSECONDARY EDUCATION.

- Provide effective leadership and advocacy, with partners, on the urgent need to increase postsecondary affordability and attainment while sustaining program quality.
- Expand strategies (e.g. Introduction to College Studies, dual enrollment, “try a major” events) targeted at current populations of high school students who are not continuing with postsecondary education.
- Expand existing and create additional flexible academic pathways into and through our degree programs, including providing meaningful certificates and associate degrees.

### 2. IMPROVE THE RETENTION AND GRADUATION RATES AT OUR COLLEGES.

- Implement degree maps to create clear curriculum paths to graduation.
- Improve access and use of data and advising technologies.
- Develop multiple delivery models for degree completion, including online, connected classrooms, and flexible schedule options.
- Continue to increase comprehensive and strategic approaches to student support services.

### 3. BECOME A MORE ATTRACTIVE DESTINATION FOR VERMONT HIGH SCHOOL GRADUATES.

- Create a positive brand at the VSCS level that supports the unique characteristics of each college and is rooted in the sustained quality of the academic experience.
- Continue to improve technological and physical infrastructure.
- Enhance relationships with school counselors statewide.
- Establish VSCS celebration and support of academic excellence (e.g. VSCS Hall of Fame).



**4. SERVE WELL MORE WORKING AGE VERMONTERS.**

- Improve and expand flexible and online delivery of programs across the VSCS to increase number of degree programs available to students statewide.
- Work with employers on needs assessment and flexibility of delivery.
- Improve the entire technology infrastructure of the system to ensure that it is user friendly and competitive.

**5. OPERATE AS A MORE INTEGRATED SYSTEM TO EXPAND STUDENT OPPORTUNITIES AND ACHIEVE OPERATIONAL EFFICIENCIES.**

- In addition to maximizing productive collaboration and integration across the entire system, develop strategic alliances between Johnson and Lyndon State Colleges, as well as Vermont Technical College and Community College of Vermont, intended to complement and/or supplement their individual strengths and weaknesses.
- Improve the entire technology infrastructure of the system to ensure that it is user friendly and competitive.
- Review the financial model of the system to ensure institutional stability and explore financial incentives that support collaboration and system interconnectedness.
- Reduce transferability and course-sharing barriers to expand the diversity of student academic and co-curricular learning opportunities.

**6. INCREASE STATE FINANCIAL SUPPORT AND OTHER SUPPLEMENTAL REVENUES.**

- More effectively advocate for state support.
- Increase grant-writing capacity in the system.
- Collaborate on shared fundraising resources.

# FOUR PILLARS

GUIDEPOSTS FOR THE FUTURE



**TRANSFORMATIONAL  
STUDENT EXPERIENCE**  
(VSCS Strategic Priorities 1, 2, 3, 4)



**GROWTH & RELEVANCE**  
(VSCS Strategic Priorities 1, 2, 3, 4)



**FINANCIAL  
SUSTAINABILITY**  
(VSCS Strategic Priorities 2, 3, 4, 5)



**ADVANCEMENT**  
(VSCS Strategic Priorities 3, 5, 6)



# TRANSFORMATIONAL STUDENT EXPERIENCE

(VSCS STRATEGIC PRIORITIES 1, 2, 3, 4)



# Priorities & Strategies

## 1. INNOVATIVE APPROACH

- Initiate new delivery models including:
  - Cooperative education
  - Competency-based education
  - Distance education
  - Online education
- Increase and improve co-curricular offerings including internships, research, community engagement, clubs and organizations, and recreational opportunities.
- Provide outstanding teaching and learning technical support and a robust, secure, and reliable technical infrastructure.

## 2. RIGOROUS ACADEMIC EXPERIENCE

- Adopt “explore career options in this field” as a learning objective in all programs.
- Offer courses that prepare students to pursue a career in their field, prepare for graduate entrance and/or professional tests, self-promotion in the job market, and financial literacy

## 3. NEW PROGRAM DEVELOPMENT

- Implement faculty task forces to research and develop new programs and review current programs for cost effectiveness, relevance, and sustainability.
- Align all current and future programs with market demand and employment statistics so as to expand successful programs, phase out costly/irrelevant offerings, and successfully fund new program launches.

## 4. BALANCED APPROACH TO FACULTY EXPECTATIONS, DEVELOPMENT & RPT

- Launch an online faculty training center that orients new faculty to our community and provides ongoing assistance with pedagogy, advising, and professional development.
- Provide faculty with a realistic understanding and balance in the “three-legged stool” of teaching, scholarship, and service.

# GROWTH AND RELEVANCE

(VSCS STRATEGIC PRIORITIES 1, 2, 3, 4)



# Priorities & Strategies

## 1. REALISTIC PROJECTIONS

- Provide sound enrollment projections supported by historical and future trends data.
- Expand enrollment through comprehensive enrollment strategies including:
  - Expansion of geographic recruitment areas
  - Encouragement/empowerment of alumni, faculty, staff, and students
  - Increase first-year enrollments through an increased presence in high schools, technical centers, and within communication to parents & counselors
  - Increase transfer enrollments by expanding articulation agreements, pathways, and on-site delivery

## 2. MARKET RESEARCH & TRENDS DRIVE DECISIONS

- Utilize common data set, CIRP, and other primary research.
- Utilize census, labor statistics, and other secondary research.

## 3. EXPANDED INTERNATIONAL RECRUITMENT

- Focus on international schools with an English curriculum.
- Engage in Blue Chip recruitment trips twice each year.
- Increase scholarship opportunities and utilize athletics recruitment.

## 4. DIVERSITY & INCLUSION INITIATIVES

- Increase graduate, online, non-traditional, minority, and dual enrollment through a number of new initiatives including awareness campaigns, academy development, scholarships and grants, and increased course/credential offerings.

## 5. IMPROVED RETENTION, PERSISTENCE, AND GRADUATION RATES

- Provide student support services including:
  - Appointment of a director of retention
  - Outreach to current students via Castleton Support Team
  - Dispense “completion scholarships” to needy upper-class students
  - Expand other scholarship and grant programs
- Implement the “Think Thirty/15-to-finish” campaign.
- Pay close attention to activities and co-curricular options when developing degree maps.

# FINANCIAL SUSTAINABILITY

(VSCS STRATEGIC PRIORITIES 2, 3, 4, 5)





# Priorities & Strategies

## 1. BALANCED BUDGETS

- Utilize new enrollment strategies and other recruitment and retention initiatives to increase revenue.
- Examine ROI on budget spend to maximize impact.

## 2. RESTRUCTURE & RIGHT-SIZING

- Complete two-year implementation of restructure to align revenue and expenses, from incentivized retirements, complete position elimination and departmental consolidations.
- Establish marketing budget to promote growth initiatives.

## 3. ESTABLISH MARGINS

- Generate new programs, strengthen current programs, and increase opportunities for interdisciplinary course offerings.
- Closely monitor spend to budget, adjust as needed.

## 4. REPLENISH RESERVES

- Prioritize surplus allocation to replenishing.
- Closely track all accounts to ensure posts are appropriate and accurate.

# ADVANCEMENT

(VSCS STRATEGIC PRIORITIES 3, 5, 6)



# Priorities & Strategies

## 1. STRATEGIC FUNDRAISING PLAN

- Develop strong donor relations through multiple opportunities for targeted touches.
- Offer naming opportunities including:
  - Academic programs
  - Schools
  - Athletic, Academic, and Residence Life facilities
- Focus fundraising on scholarship generating, including multi-year “Together We Will Change the World” campaign
- Focus on alumni relations, growing signature events, and improving donor retention.
- Implement internal giving campaigns and challenges that increase student, faculty, and staff support.

## 2. BRAND & VALUE STATEMENT = “OUR STORY”

- Develop and implement comprehensive integrated marketing communications campaign, including strong internal communications.
- Establish student-centered influencer marketing practicum to support academic departments.

## 3. GRANTS PURSUIT & ACQUISITION

- Hire Director of Grants.
- Focus on program development and growth initiatives.

## 4. COMMUNITY ENGAGEMENT, PARTNERSHIPS, AND TOWN/GOWN RELATIONS

- Gain membership on local boards, attendance at chamber mixers, Rotary functions, and other community-oriented events.
- Active participation on Bridge Committee.

## 5. PROMOTION

- Showcase academic excellence through faculty and student achievements.
- Increase quality and frequency of internal and external newsletters, alumni magazines, and quarterly/annual reports.



Placeholder: See  
Auxiliary Attachement  
for VTC Strategic Plan

Item 5:  
Hall of Fame Honorees

## **2019 VSCS Hall of Fame Nominees**

### College/University Hall of Fame Nominees

#### **Castleton University – Olivia Duane Adams ‘84**

Olivia “Libby” Duane, BS in Business Administration, Castleton University, 1984 with a concentration in Marketing.

In 1997, Libby is the co-founder and Chief Customer Officer Alteryz, Inc., a global leader in the data analytics industry. As a student, she co-edited the 1984 Spartacus yearbook and was a Student Association Senator. A member of the Student Orientation Staff for three years. Her peers in student government honored Libby with their Distinguished Service Award and Organization Award in 1984. She and her husband, Kirk Adams, are currently working with the University to help create additional pathways for student mentorship.

#### **Community College of Vermont – Gary Taylor ‘89**

Gary Taylor, A.S. in Criminal Justice, 1989, B.A. in Liberal Studies from Johnson State College, 2002. Graduate of the FBI National Academy in Virginia.

Gary has served as chief of police for the City of St. Albans since 2005. Today, he is head of both the police and fire departments and serves as the city’s public safety director. Gary has been dedicated to promoting the safety and well-being of Vermont communities for more than 40 years. In addition to his leadership in St. Albans, he serves as a member of the Vermont Police and Firefighters Associations, the International Association of Chiefs of Police, and the New England Chiefs of Police Association.

#### **Northern Vermont University – Trevor Whipple ‘93**

Trevor Whipple, A.S. Criminal Justice, Castleton State College, 1983, B.S., General Studies, Johnson State College, 1993. M.A. Public Administration, 2003, University of Vermont. Graduate of the FBI National Academy in Virginia, 1994.

After a 37-year career in law enforcement in Vermont, including serving as Chief of Police in both Barre and South Burlington, Trevor recently began a new role as Law Enforcement Consultant for the Vermont League of Cities and Towns. There, he is encouraging best practices among member police departments. Trevor is focused on mitigating risk to officers in the field, and helping departments updating policies to reduce costs to towns. He is a great exemplar of service to both his alma matter as well as the State of Vermont

#### **Vermont Technical College – Dr. Amanda Perkins ‘02**

Dr. Amanda Perkins, BS in Biotechnology, Vermont Technical College, 2002, LPN, APN, BSN, MSN, DNP.

Amanda is a perfect representation of what the Vermont Tech nursing program's career ladder design is all about. Though her undergraduate degree was in biotechnology, she pursued an interest in nursing, earning her practical nursing certificate, a bachelor of science in nursing, a masters and her doctorate in nursing. She serves on the nursing faculty at the Randolph campus. Her education and teaching career is an exemplar for students pursuing careers in health care.

Trustees Award for Extraordinary Contribution:

**Martha O'Connor**

Martha O'Connor, B.A., University of Vermont, 1959.

Martha is nominated in recognition of her lifelong commitment to education, the State of Vermont, and the VSCS, from Brattleboro School Board Member to Chair of the State Education Board, Trustee for UVM and Trustee and Chair of the VSCS. She has served on numerous local and state boards. Martha's passion for public education and the betterment of Vermont is reflected in a life of advocacy and service.