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

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020 and 2019

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

Financial Statements and Management's Discussion and Analysis

June 30, 2020 and 2019

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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 (the "Colleges"), (a component unit of the State of Vermont (the "State") which comprise the statements of net position as of June 30, 2020 and 2019, the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Colleges' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

25 Braintree Hill Office Park ● Suite 102 ● Braintree, MA 02184 ● P:617.471.1120 ● F:617.472.7560
27 Church Street ● Winchester, MA 01890 ● P:781.729.4949 ● F:781.729.5247
www.ocd.com

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, 2020 and 2019 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-22, the schedule of changes in total OPEB liability on page 64, and their respective notes on page 65-66, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2020, 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 solely 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 effectiveness of the Colleges' 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 + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 29, 2020

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

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Introduction

The management of the Vermont State Colleges System (VSCS) has prepared the following unaudited Management's Discussion and Analysis (MD&A), required supplemental information according to the Governmental Accounting Standards Board (GASB). The intent is to contribute to the reader's understanding of the accompanying financial statements and notes. As this MD&A contains highly 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 four public colleges including Community College of Vermont (CCV), Castleton University (CU), Northern Vermont University (NVU), and Vermont Technical College (VTC). The member institutions are united in the common purpose of providing affordable, high quality, student-centered, and accessible education, fully integrating professional, liberal arts, and career study, consistent with student aspirations and regional and state needs.

Significant Events Affecting These Financial Statements

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

- The pandemic that began in January 2020 touched the Vermont State Colleges System for the first time in March 2020. Mid-March the VSCS shuttered all face-to-face programs, closed their residence halls to all but those with housing insecurity issues, and conducted all classes remotely. Relief in the form of CARES, HEERF, and Coronavirus Relief

- Funding (CRF) helped the VSCS to conclude fiscal year 2020 in a positive position; however, the ongoing pandemic, coupled with the demographics of the Northeast as well as Vermont is a concern.

- Enrollment trends continue to be a concern for institutions of Higher Education. Nationally, enrollments have declined by 9.0% since 2011. Although a national issue, these challenges to the industry are hitting New England and Vermont especially hard. There are declining numbers of traditional college students and increased competition among colleges for those students. Student preferences and attitudes toward higher education are changing. Vermont also ranks at the bottom of the nation in state support.

- The other post-employment benefits accrual has a liability of $194 million. This accrual is not being pre-funded but paid when incurred during retirement periods. Groups have been closed for newly hired employees, which will reduce this liability over time.

- In FY2020, the System refinanced its 2010B bonds with the issuance of its 2020A bond series. The 2020A bonds are fixed rate, publicly traded, and were issued through the Vermont Municipal Bond Bank under the VSCS Program Resolution, as special obligations of the Bond Bank, secured by a pledge of the 2020 VSCS Bond and the amounts required to be paid by the VSCS to the Bond Bank pursuant to a loan agreement for principal and interest on the 2020 bonds. Additionally, the bonds are secured by appropriations to the VSCS, which may be directed by the State Treasurer to pay principal and interest on the bonds in the event of a default of such payments on the part of the VSCS. In addition to the 2020 bonds, the VSCS debt includes fixed rate, publicly traded special obligation bonds issued in 2013 and 2017.

Using the Financial Statements

The following discussion and analysis provide an overview of the financial statements and activities of the Vermont State Colleges System (VSCS) for the year ended June 30, 2020 and selected comparative information for the previous 4 years. Since this MD&A is designed to focus on current activities, resulting changes and currently known facts, please read in conjunction with the financial statements and notes that follow this section.

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

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

Financial Statements

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

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flow

STATEMENT OF NET POSITION

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

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

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 VSCS by students and granting agencies.

Total assets (including deferred outflows) of $276 million as of the end of the current fiscal year increased by $7 million or 3% from prior year, the increase was primarily in the cash due to the receipt of $12.515M in Coronavirus Relief Funding received prior to the end of the FY2020, and in deferred outflows due to predictable amortization. Over the 5 years, total assets have increased by $8 million: an increase of $23 in current assets and investments, combined with the $8 million increase in deferred outflows and other noncurrent assets, net of the $23 million reduction in capital assets.

Noncurrent assets consist primarily of endowment and other investments, in addition to capital assets. Investments were $48 million at June 30, 2020, consistent with prior year. Capital Assets continue to decline at relatively the same rate indicating that investments in capital have primarily been at the same level each year and continue to be less than depreciation on an annual basis.

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

Current liabilities of $27 million 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 FY2019 state capital project monies received in June 2018 and the advanced funding of CRF in FY2020.

Noncurrent liabilities increased by $2 million to $321 million during FY2020. This increase relates to an actuarial increase in other post-employment benefits.

TABLE 1: Condensed Statement of Net Position as of June 30

($ in millions)

	2020	% change	2019	% change	2018	% change	2017	% change	2016
Current Assets	48	45%	33	-6%	35	21%	29	-3.3%	30
Noncurrent Assets									
Investments	48	0%	48	4%	46	0%	46	7.0%	43
Capital assets, net	151	-4%	157	-4%	163	-4%	169	-2.9%	174
Other	4	-33%	6	0%	6	0%	6	0.0%	6
Deferred outflows/inflows	25	0%	25	-11%	28	65%	17	13.3%	15
Total Assets and Def'd outflows/inflows	276	3%	269	-3%	278	4%	267	-0.4%	268
Current liabilities	27	13%	24	-14%	28	22%	23	-8.0%	25
Non current liabilities									
Post employm't benefit oblig	194	3%	189	1%	188	9%	172	186.7%	60
Bonds and Notes payable	118	-1%	119	-2%	121	-3%	125	6.8%	117
Other	4	-33%	6	-14%	7	17%	6	-71.4%	21
Deferred outflows/inflows	5	100%	5	100%	0		0	0.0%	0
Total Liabilities	348	1%	343	0%	344	6%	326	46.2%	223
Net investment in cap'l assets	46	0%	46	-6%	49	-11%	55	1.9%	54
Restricted									
Nonexpendable	19	0%	19	6%	18	-5%	19	5.6%	18
Expendable	13	0%	13	8%	12	9%	11	22.2%	9
Unrestricted	-150	-1%	-152	5%	-145	1%	-144	300.0%	-36
Total Net Position	-72	-3%	-74	12%	-66	12%	-59	-231.1%	45
Total Liabilties and Net Position	276	3%	269	-3%	278	4%	267	-0.4%	268

Table 1: Condensed Statement of Net Position as of June 30

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 the VSCS, financial statements on June 30.

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

Total net position over the five years reported here decreased from 45 million to -72 million, primarily from the recognition of post retirement costs and compounded by the change to GASB75 in FY2018 (FY2017 was restated for FY2018 financial statement presentation). The total net position for the Vermont State Colleges increased from -$74 million in FY2019 to FY2020 -$72 million due to the impact of Cares Act funds on FY2020.

Net investment in capital assets was consistent from June 30, 2019 to June 30, 2020 due to depreciation and additions, offset 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 VSCS Board Policy and the instructions of the donor. Most of the earnings on our endowment funds are designated for student scholarships. The increase of $1 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. The balance was consistent from June 30, 2019 to June 30, 2020. Over the 5-year period, expendable net assets have increased by $4 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. Since implementation, that liability has time eroded the unrestricted net position.

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 below provides detail from the past 5 years related to the Capital Assets held by the System.

Table 2: Capital Assets as of June 30

($ in millions)

	2020	% Change	2019	% Change	2018	% Change	2017	% Change	2016
Land	9	0%	9	0%	9	0%	9	-10%	10
Construction in progress	3	50%	2	100%	1	0%	1	-50%	2
Infrastructure	46	12%	41	3%	40	3%	39	3%	38
Buildings and improvements	262	0%	261	1%	259	1%	257	1%	254
Leasehold improvements	4	0%	4	0%	4	0%	4	0%	4
Equipment	32	-11%	36	0%	36	6%	34	3%	33
Total Capital Assets	356	1%	353	1%	349	1%	344	1%	341
Accumulated Depreciation	-205	5%	-196	5%	-186	6%	-175	5%	-167
Capital Assets, Net	151	-4%	157	-4%	163	-4%	169	-3%	174
Related information									
Depreciation Expense	10	0%	10	0%	10	0%	10	0%	10
Outstanding Principal, Related Loans	120	-1%	121	-3%	125	-3%	129	5%	123

Table 2: Capital Assets as of June 30

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 remained steady since the significant construction phase ended in FY14. Building and Improvements increased throughout the period, reflecting 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 below also includes related information (depreciation expense and outstanding principal on construction loans).

Statement of Revenues, Expenses, and Changes in Net Position

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

Operating and Non-operating Revenue

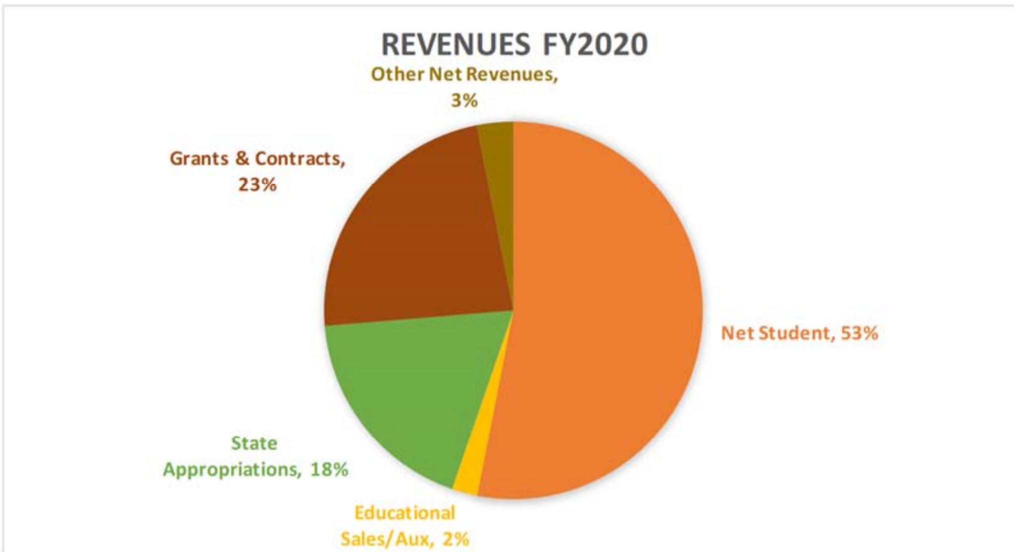
Accounting rules require that our audited financials include operating revenues, operating expenses and non-operating revenues and expenses. The following sections provide an analysis of the total operating and non-operating revenues and expenses. The VSCS's primary source of revenue is from student tuition and fees. This accounts for 56% of operating and non-operating income. In addition, the System receives revenue from state appropriations, governmental and privately funded grants and contracts; gifts from individuals, foundations, and corporations; and investment income.

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

($ in millions)

	2020	% Change	2019	% Change	2018	% Change	2017	% Change	2016
Net Student Revenues	100	-7%	107	-1%	108	-4%	112	0%	112
Grants and contracts	16	0%	16	7%	15	7%	14	-7%	15
Other Operating Revenues	6	-14%	7	0%	7	0%	7	-13%	8
Operating Revenues	122	-6%	130	0%	130	-2%	133	-1%	135
Operating Expenses	183	-2%	186	0%	186	1%	184	-1%	186
Operating Loss	-61	9%	-56	0%	-56	10%	-51	0%	-51
Nonoperating Revenues (Expenses)									
Non Capital Appropriations	33	10%	30	0%	30	11%	27	4%	26
Federal Grants & Contracts	28	75%	16	0%	16	0%	16	-6%	17
Gifts currently expendable	2	0%	2	-33%	3	50%	2	-33%	3
Investment Income & Interest	1	-50%	2	0%	2	-33%	3	200%	1
Interest Expense	-5	0%	-5	0%	-5	0%	-5	-17%	-6
Other nonoperating revenues	0	0%	0	0%	0	0%	0	-100%	-1
Net Nonoperating Revenues	59	31%	45	-2%	46	7%	43	8%	40
Total Change before other Revenues	-2	-82%	-11	10%	-10	25%	-8	-27%	-11
Other Changes in Net Position									
Capital Appropriation	2	-33%	3	0%	3	50%	2	-33%	3
Capital gifts and grants	0	0%	0	0%	0	0%	0	0%	0
Endowment gifts	1	0%	0	0%	0	-100%	1	100.0%	0
Change in Net Position	1	-114%	-7	0%	-7	40%	-5	-38%	-8

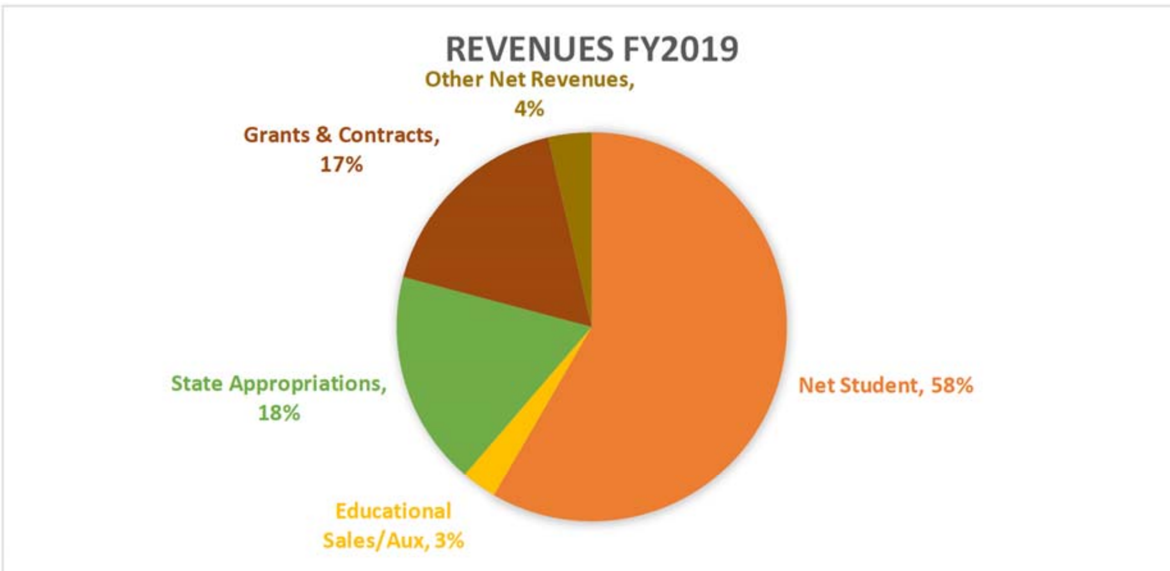
Table 3: Condensed Statements of Revenues, Expenses, and Changes in Net Position



FY2020 Revenues
($ in thousands)

Net Student	$ 100,276	53%
Educational Sales/Aux	4,123	2%
State Appropriations	34,828	18%
Grants & Contracts	43,821	23%
Other Net Revenues	5,882	3%
TOTAL	$ 188,930	100%

Chart 1: Revenues FY2020



FY2019 Revenues
($ in thousands)

Net Student	$ 107,247	58%
Educational Sales/Aux	5,360	3%
State Appropriations	32,790	18%
Grants & Contracts	31,723	17%
Other Net Revenues	6,628	4%
TOTAL	$ 183,748	100%

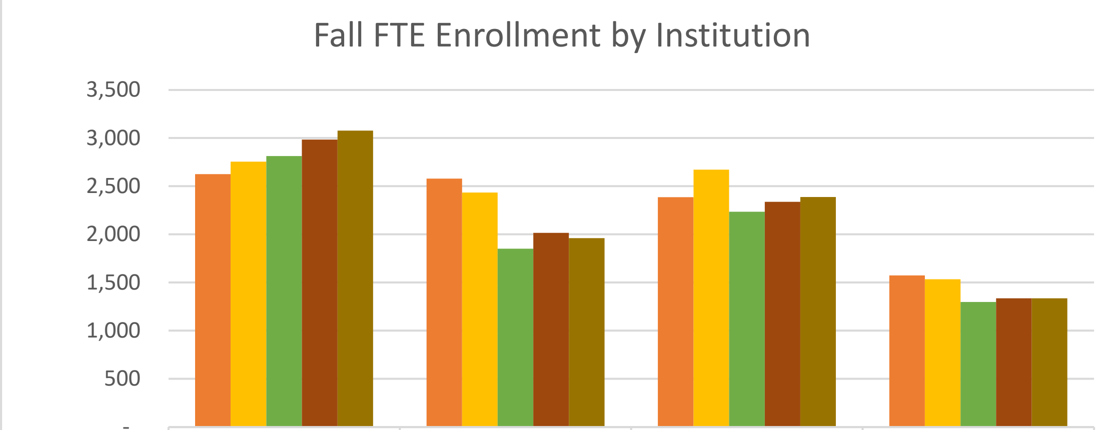
Chart 2: Revenues FY2019

Tuition and Fee Revenue

Net Tuition and fees includes tuition and fees plus residence and dining fees less scholarship allowances. The charts below show the trend for Tuition and Fee Revenue from FY2016 through FY2020. For the System, student-based revenue has been slowly declining during this five-year period, despite increases in tuition rates. Enrollments, in a time of decreasing high school graduates in the state, have created a challenge for the colleges/universities in our system.

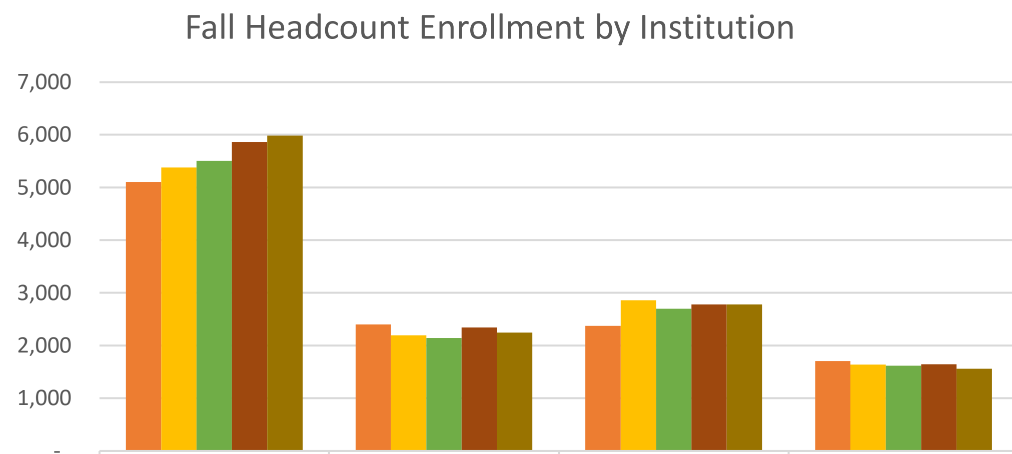
Enrollments are displayed by both FTE (Full Time Equivalent) and by Headcount. FTE provides better comparative information; whereas, headcount shows the total number of individuals who have benefited from a VSCS education. These charts show a general steady decline in enrollment for CCV together with significant volatility for Castleton University, Northern Vermont University, and Vermont Technical College.

*Please note that the method used for calculating FTE for the VSCS changed for Fall 2018 and restatement of prior years is not feasible, so with exception of CCV, the comparative nature of this chart is somewhat lost for Fall 2018 as compared to prior years herein.



	CCV	CU	NVU	VTC
Fall 2019	2,625	2,579	2,385	1,573
Fall 2018	2,754	2,434	2,671	1,533
Fall 2017	2,813	1,851	2,235	1,297
Fall 2016	2,984	2,015	2,338	1,335
Fall 2015	3,077	1,960	2,387	1,335

Chart 3: Fall FTE Enrollment by Institution

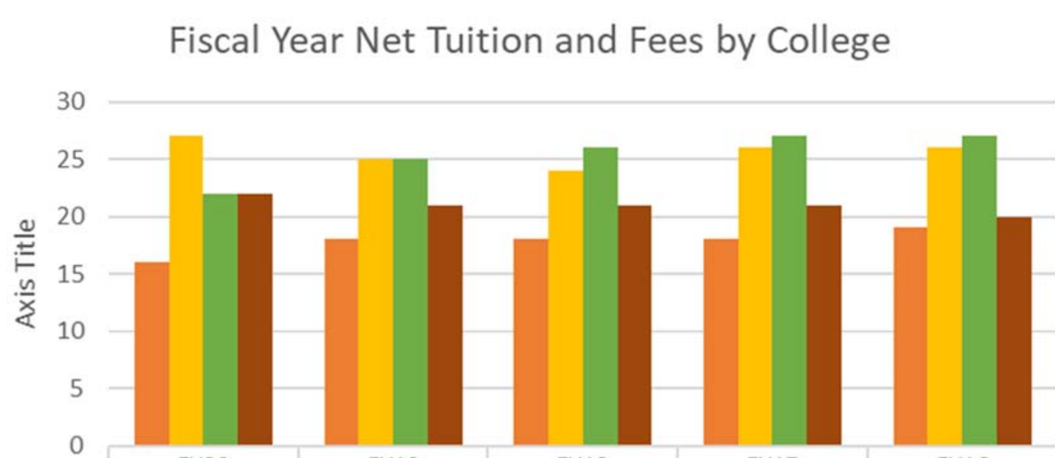


	CCV	CU	NVU	VTC
Fall 2019	5,104	2,399	2,374	1,704
Fall 2018	5,378	2,194	2,858	1,638
Fall 2017	5,504	2,141	2,699	1,616
Fall 2016	5,863	2,342	2,781	1,645
Fall 2015	5,983	2,246	2,780	1,559

Chart 4: Fall Headcount Enrollment by Institution

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 the Universities. 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.

Over the last five years, CCV and NVU have seen enrollment declines of 16% and 19% respectively while CU and VTC have seen enrollment increases of approximately 4% and 10% with the all of CU's growth in net revenue occurring between FY2019 and FY2020. CU's increase in net tuition and fees can be attributed to, in large part, the closures of Green Mountain College, Southern Vermont College, and College of St. Joseph during FY2019. NVU's decline in net tuition and fees had been a steady decline until FY2019 at which time enrollments at the NVU-Lyndon campus dipped and greater emphasis was placed on discounting to boost enrollment. CCV, like NVU, experienced a large drop in net tuition and fees between FY2019 and FY2020.



	FY20	FY19	FY18	FY17	FY16
CCV	16	18	18	18	19
CU	27	25	24	26	26
NVU	22	25	26	27	27
VTC	22	21	21	21	20

Chart 5: Fiscal year Net Tuition and Fees by Institution

Operating and Non-operating Expenses

Table 4 on page 15 shows the total Operating and Non-Operating Expenses for the past 5 years, and the charts provide a quick view of the percent of expenses by type for FY2020 and FY2019.

The largest percentage of VSCS expenses are for salary and benefits (approximately 63%). Those expenses have generally declined since FY2014 due to staff reductions compounded with a reduction in TIAA employer contribution for all employees 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.

Overall expenses have declined over the five years reported. Changes in utility expenses have been a direct result of favorable oil prices, and a particularly mild winter heating season, and the closure of the residential campuses in March 2020 due to COVID-19. Supplies and services is the second largest expense (20%). Keeping this expense relatively constant has been the result of the colleges and universities continued efforts to contain costs in response to the enrollment declines and the modest dip in percentage from FY2019 to FY2020 was due, again to reduced expenditures on supplies and services due to the closure of residential facilities. Notably, student aid has increased as the VSCS institutions respond to the national trend towards aggressive discounting as a strategic and necessary response to the current competitive environment.

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

	2020	% Change	2019	% Change	2018	2017	2016
Operating							
Salaries & Benefits	119	-2%	121	-1%	122	121	121
Utilities	6	-14%	7	17%	6	5	6
Supplies and Svcs	38	-5%	40	0%	40	41	41
Depreciation	10	0%	10	0%	10	10	11
Student Aid	10	25%	8	14%	7	7	7
Total Operating	183	-2%	186	1%	185	184	186
Nonoperating							
Interest on Debt	5	0%	5	-17%	6	5	5
TOTAL Expenses	188	-2%	191	0%	191	189	191

Table 4: Total Operating and Non-Operating Expenses for Years Ended June 30

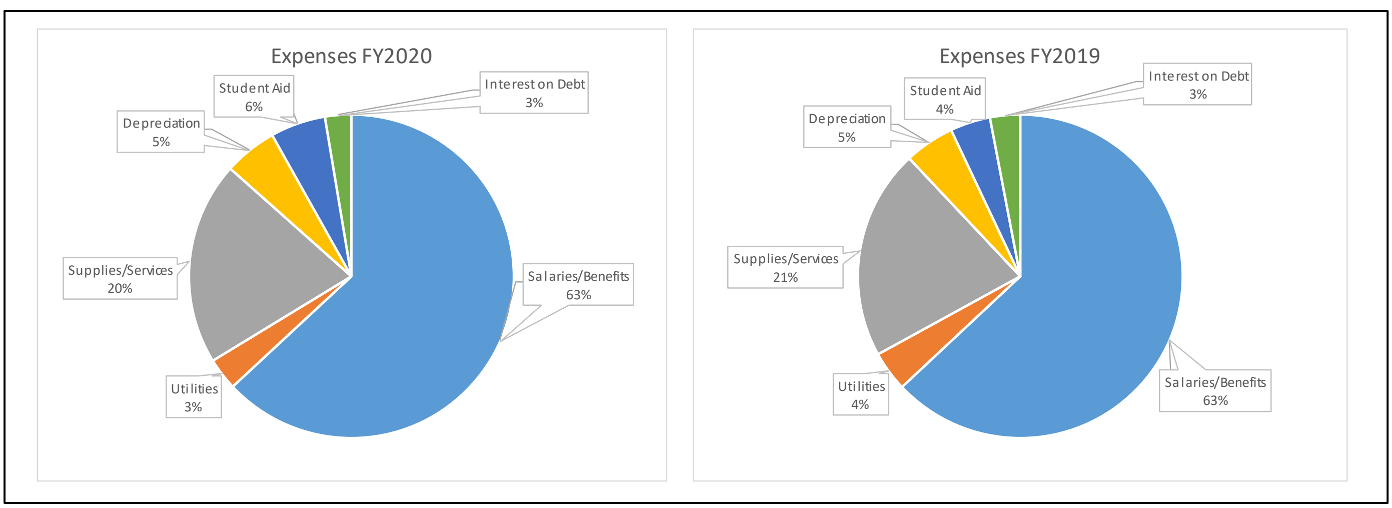


Chart 6: Expenses FY2020 and FY2019 by Major Category

Student Financial Aid

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

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

Student Financial Aid Trends for the Past Five Years
($ in millions)

	FY20	FY19	FY18	FY17	FY16
Scholarship Allowances (included in revenue)	32	29	27	25	25
Scholarship Expenses (included in expenses)	10	8	7	7	7
Total Student Aid	42	37	34	32	32

Table 5: Student Financial Aid Trends for Past Five Years

Statement of Cash Flow

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 the VSCS 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, Expenses, and Changes in Net Position (SRECNP) because of the inclusion of noncash items, such as depreciation expenses on the SRECNP. Also, the SRECNP is prepared on the accrual basis of accounting, meaning that it shows both revenues earned, and expenses incurred though cash has not yet exchanged hands. The primary cash receipts from operating activities consist of tuition and fees, grants and contracts, and auxiliary income from housing 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. Cash flow from operations decreased significantly due to increased payments to suppliers, reduced tuition and fees, and an increase in accounts receivable outstanding at year-end.

Cash flows from noncapital financing activities

In normal years 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. This remained relatively stable over the past two years and has returned to the FY2016 level. For FY2020, the VSCS received additional sources of noncapital financing in the form of federal CARES act funding, HEERF, and Coronavirus Relief Funds. These monies increased the non-operating federal grants line from its usual $16 million to $31 million at the end of FY2020

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 with the exception of both FY2019 and FY2020 as Bond Series were paid off at the close of FY2018 and in January of 2020, so there was a smaller amount paid on deposit with the bond trustee in both fiscal years.

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 subsidies. In FY2020, there was an increase in the investment's category due to additions to current endowments, as well as gains related to long-term investments.

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.

Table 6: Condensed Statement of Cash Flows as of June 30
($ in millions)

Cash flows from:	2020	% Change	2019	% Change	2018	2017	2016
Operating	-47	9%	-43	16%	-37	-35	-38
Non capital financing	66	38%	48	-2%	49	45	45
Capital and related financing	-5	-50%	-10	43%	-7	-10	-12
Investing	1	0%	1	-50%	2	0	7
Net increase (decrease)	15	-475%	-4	-157%	7	0	2
Cash, Beginning of Year	14	-22%	18	64%	11	11	9
Cash, End of Year	29	107%	14	-22%	18	11	11
Operating cash flows if noncapital appropriations and PELL grants were included							
Operating	-47	12%	-42	14%	-37	-35	-38
Non capital appropriations	33	10%	30	0%	30	27	26
Non operating federal grants	31	94%	16	0%	16	16	17
Operating cah flows including appropriations and fed grants	17	325%	4	-56%	9	8	5

Table 6: Condensed Statement of Cash Flows

Economic Factors That Will Affect the Future

Pandemic Impacts

The worldwide pandemic of the novel coronavirus COVID-19 has hit the higher education sector especially hard. In March of 2020 all VSCS institutions, like much of the higher education market, closed its residence halls and moved to remote instruction. This teaching modality persisted through the summer 2020 term, and disrupted summer camps and conferences.

The pandemic is affecting the VSCS institutions unequally. The Community College of Vermont is experiencing a modest uptick in enrollment, comparing favorably with its community college peers nationally who are experiencing a downturn in enrollment. Castleton University, Northern Vermont University, and Vermont Technical College are experiencing a downturn in enrollment and residence hall participation. This downturn varies dependent upon the teaching modality selected by each institution and their own demographic trend. The pandemic impact on enrollment for the three residential institutions is estimated at between 9% and 19%. This reduction in enrollment is consistent with national trends. New student enrollment for the fall semester was down between 21% and 24% for each of the residential institutions. Should this trend continue into the 2021-2022 academic year, the impact on VSCS finances would be substantial.

Structural Difficulties

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. In fact, the number of births in Vermont in 2015 was the lowest since before the Civil War and continues to shrink. Additionally, free college initiatives in neighboring states and online education are increasing the competitive landscape and forcing aggressive discounting strategies to ensure VSCS enrollments. All of the institutions have adopted programs and strategies to better recruit in this shrinking market.

In August 2019, the VSCS Office of the Chancellor published a white paper titled "Serving Vermont's Students by Securing the Future of the Vermont State Colleges System." The intent was to set the foundation for consideration of concrete, strategic actions that the Vermont State College System could take to secure its mission in an increasingly challenging and rapidly changing higher education environment. The paper highlighted the demographic challenges facing Vermont, New England, and the Northeast, as well as pointed to challenges with respect to the structure and nature of the VSCS.

In late March/early April 2020, the combined effects of the pandemic and the VSCS's structural issues became clear. In response, the former Chancellor proposed shuttering the residential campuses of Northern Vermont University and the Randolph Center location of Vermont Technical. The proposal was intended to alter the structure and shape of the Vermont State Colleges System so as to stabilize the system in response to the demographic challenges facing the region. Due to considerable public and legislative outcry, the proposal was withdrawn.

Legislative Evaluation and Support

At the request of the Vermont Legislature two separate financial evaluations of the Vermont State Colleges were undertaken in May 2020. The first, conducted by Vermont State Treasurer Beth Pearce, evaluated the financial health of the VSCS to determine the extent of the VSCS's demographic and funding challenges. The second evaluation, organized by the Joint Fiscal Office of the Vermont State Legislature and conducted by Mr. James Page, former chancellor of the University of Maine System, evaluated the overall financial condition of the VSCS, its current demographic and pandemic related enrollment challenges. Both studies concluded that the VSCS was accurately reflecting its financial situation and that an infusion of cash from the State would be necessary to support the transformation of the VSCS into a leaner, nimbler and financially sustainable organization. The Legislature also created a Select Committee to student the future of public higher education in Vermont, with a specific focus on the Vermont State Colleges System.

Several key actions have been taken that will have a positive impact on the VSCS moving forward:

- Hiring of an external consultant to assist the work of the Legislative Select Committee. The consulting firm's preliminary report is due on December 4, 2020, with an interim report due in mid-February and the final report to be released in mid-April 2021.
- Board approval of critical policy changes that facilitate the creation of a system-wide budget that emphasizes the health of the system rather than the independent health of a single institution
- Development of strategic priorities for the Vermont State Colleges – these priorities emphasize affordability of a post-secondary education, the accessibility of a post-secondary education for Vermonters, and the quality/relevance of credentials, programs of study, and degrees offered by the VSCS
- Hiring of two critical positions - Chancellor and Chief Financial/Operating Officer. These officers are driving change throughout the system, with an emphasis on collaboration and transparency within the higher education and legislative communities

Vermont State Appropriations

The pandemic has had and continues to have a negative effect on the finances of the State of Vermont with receipt of tax and other revenues down substantially. However, the State has been extraordinarily generous to the VSCS this year. In addition to holding its base appropriation flat year-over-year, it supplied one-time bridge funding in the amount of $28.8 million, plus federal Coronavirus Relief Funds (CRF) in the amount of $22.758 million for FY2021. Additionally, the VSCS has received a one-time grant in the amount of $2.3 million to support education for unemployed Vermonters. Combined, the total appropriation plus CRF allocated in the FY2021 budget is $98.5 million, more than three times the amount of funding allocated in the previous year.

While the VSCS does not anticipate receiving this level of funding in future years, it has allowed the VSCS the time necessary to transform into a leaner and more nimble organization. This work will be ongoing throughout FY2021.

Employee and Contractual Obligations

The VSCS employs more than two thousand people annually, the majority of whom are covered by collective bargaining agreements. Wages and benefits are the single biggest expense of the VSCS, with more than 63% of all expenses related to employees.

The VSCS has six collective bargaining units. Three of the collective bargaining agreements expired on June 30, 2020. Due to the pandemic, labor and management agreed to a one-year extension of the agreements with modest adjustments to the terms. Two additional agreements will expire on June 30, 2021. Negotiation for new agreements for these five units will be conducted in FY2021. The remaining agreement, for full-time faculty, will expire on June 30, 2022. An election for a possible seventh bargaining unit (part-time faculty teaching for NVU Online) is scheduled to be held in October 2020.

VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	2020	2019
Current Assets:		
Cash and equivalents (Note 2)	**$ 22,432,987**	$ 12,779,829
Restricted cash and equivalents	**5,940,335**	-
Accounts receivable, net (Note 3)	**17,174,731**	14,613,398
Deposit with bond trustees (Note 2)	**1,061,784**	3,147,989
Other current assets	**1,458,477**	2,252,541
Total Current Assets	**48,068,314**	32,793,757
Non-Current Assets:		
Cash and equivalents (Note 2)	**963,686**	1,305,530
Long-term investments (Note 2)	**48,091,685**	47,978,121
Notes receivable, net (Note 3)	**3,488,786**	4,185,228
Other assets	**61,683**	100,704
Capital assets, net (Note 11)	**150,979,076**	157,104,709
Total Non-Current Assets	**203,584,916**	210,674,292
Total Assets	**251,653,230**	243,468,049
Deferred Outflows of Resources:		
Deferred loss on debt refunding (Note 5)	**8,570,206**	8,820,680
OPEB (Note 9)	**16,151,177**	16,444,994
Total Deferred Outflows of Resources	**24,721,383**	25,265,674
Total Assets and Deferred Outflows of Resources	**$ 276,374,613**	$ 268,733,723

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

Liabilities, Deferred Inflows of Resources and Net Position

	2020	2019
Current Liabilities:		
Accounts payable and accrued liabilities (Note 12)	**$ 13,402,712**	$ 14,540,357
Unearned revenue and deposits	**12,187,617**	7,131,827
Current portion of long-term debt (Note 4)	**1,613,454**	2,503,616
Total Current Liabilities	**27,203,783**	24,175,800
Non-Current Liabilities:		
Other liabilities	**244,435**	224,866
Refundable grants	**4,751,397**	6,036,744
Post-employment benefit obligations (Note 9)	**194,057,554**	189,003,550
Long-term debt, excluding current portion (Note 4)	**117,960,911**	118,582,630
Total Non-Current Liabilities	**317,014,297**	313,847,790
Total Liabilities	**344,218,080**	338,023,590
Deferred Inflows of Resources:		
OPEB (Note 9)	**4,548,824**	4,465,998
Net Position:		
Net investment in capital assets	**45,779,424**	46,529,627
Restricted - nonexpendable	**19,157,254**	18,564,953
Restricted - expendable	**12,639,185**	13,185,660
Unrestricted	**(149,968,154)**	(152,036,105)
Total Net Position	**(72,392,291)**	(73,755,865)
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 276,374,613**	$ 268,733,723

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

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,

	2020	2019
Operating Revenues:		
Tuition and fees	**$ 119,193,554**	$ 117,624,580
Residence and dining	**13,080,067**	18,584,640
Less: scholarship allowances	**(31,997,371)**	(28,962,603)
Net Tuition, Fees, and Residence and Dining Revenue	**100,276,250**	107,246,617
Federal grants and contracts	**12,607,232**	12,215,520
State and local grants and contracts	**2,384,119**	2,437,913
Non-governmental grants and contracts	**940,145**	1,091,487
Interest income	**84,052**	86,158
Sales and services of educational activities	**4,123,603**	5,359,762
Other operating revenues	**1,285,806**	1,431,315
Total Operating Revenues	**121,701,207**	129,868,772
Operating Expenses (Notes 6, 10 and 12):		
Salaries and wages	**77,863,880**	78,107,048
Employee benefits (Notes 8 and 9)	**41,202,655**	42,706,911
Scholarships and fellowships	**10,369,849**	7,805,966
Supplies and other services	**37,107,026**	40,403,321
Utilities	**6,080,442**	6,772,332
Depreciation (Note 11)	**9,999,987**	10,084,696
Total Operating Expenses	**182,623,839**	185,880,274
Net Operating Loss	**(60,922,632)**	(56,011,502)
Non-Operating Revenues (Expenses):		
State appropriations (Note 7)	**32,754,092**	29,790,256
Federal grants and contracts	**27,890,446**	15,978,880
Gifts	**2,197,466**	2,108,506
Investment income, net of expenses (Note 2)	**1,322,745**	2,562,154
Interest expense on capital debt	**(4,944,172)**	(5,357,070)
Other non-operating revenues (expenses)	**(18,971)**	147,313
Net Non-Operating Revenues	**59,201,606**	45,230,039
Decrease in Net Position Before Other Revenues	**(1,721,026)**	(10,781,463)
Other Revenues:		
State appropriations for capital expenditures (Note 7)	**2,074,056**	3,000,000
Capital grants and gifts	**405,759**	3,500
Additions to non-expendable assets	**604,785**	290,578
Increase (Decrease) in Net Position	**1,363,574**	(7,487,385)
Net Position, Beginning of Year	**(73,755,865)**	(66,268,480)
Net Position, End of Year	**$ (72,392,291)**	$ (73,755,865)

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

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

Statements of Cash Flows

For the Years Ended June 30,

	2020	2019
Cash Flows from Operating Activities:		
Tuition and fees	**$ 90,171,996**	$ 98,885,844
Grants and contracts	**14,888,434**	14,634,805
Sales and services of educational activities	**4,049,903**	5,359,762
Interest received	**84,052**	86,158
Payments to suppliers	**(38,474,396)**	(43,761,040)
Payments to employees	**(119,340,878)**	(120,017,607)
Collection of loan payments	**696,442**	791,625
Other cash receipts	**1,285,806**	1,431,315
Net Cash Applied to Operating Activities	**(46,638,641)**	(42,589,138)
Cash Flows from Non-Capital Financing Activities:		
State appropriations	**32,754,092**	29,790,256
Non-operating federal grants	**31,181,335**	15,978,880
Gifts and grants	**2,252,201**	2,373,517
Net Cash Provided by Non-Capital Financing Activities	**66,187,628**	48,142,653
Cash Flows from Capital and Related Financing Activities:		
Capital and non-expendable grants and gifts	**1,010,544**	294,078
Capital appropriations	**2,074,056**	-
Purchase of capital assets	**(3,897,495)**	(4,309,639)
Change in deposits with bond trustee	**2,086,205**	1,466,570
Proceeds from sale of capital assets	**23,141**	56,200
Proceeds from issuance of bonds	**28,723,755**	-
Payments on capital debt	**(30,299,155)**	(3,280,000)
Interest expense on capital debt	**(5,208,599)**	(5,357,069)
Other receipts	**(18,971)**	139,013
Net Cash Applied to Capital and Related Financing Activities	**(5,506,519)**	(10,990,847)

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

Statements of Cash Flows - Continued

For the Years Ended June 30,

	2020	2019
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	**$ 5,448,756**	$ 18,790,357
Purchase of investments	**(5,502,982)**	(20,297,338)
Interest and dividends received on investments	**1,263,407**	2,625,116
Net Cash Provided by Investing Activities	**1,209,181**	1,118,135
Net Increase (Decrease) in Cash and Equivalents	**15,251,649**	(4,319,197)
Cash and Equivalents, Beginning of Year	**14,085,359**	18,404,556
Cash and Equivalents, End of Year	**$ 29,337,008**	$ 14,085,359
Reconciliation of Operating Loss to Net Cash Applied to Operating Activities:		
Operating loss	**$ (60,922,632)**	$ (56,011,502)
Adjustments to reconcile operating loss to net cash applied to operating activities:		
Depreciation	**9,999,987**	10,084,696
Bad debts	**796,980**	680,460
OPEB activity	**376,643**	5,925,157
Changes in assets and liabilities:		
Accounts receivable	**(708,867)**	(3,567,568)
Other assets	**833,085**	(985,545)
Notes receivable	**696,442**	818,601
Accounts payable and accrued liabilities	**(559,225)**	156,051
Unearned revenues, deposits and refundable grants	**(2,205,058)**	(194,890)
Post-employment benefit obligations	**5,054,004**	505,402
Net Cash Applied to Operating Activities	**$ (46,638,641)**	$ (42,589,138)
Non-Cash Transactions:		
Equipment provided by capital grants and gifts	**$ -**	$ 30,635
Proceeds from sale of investments transferred to operating cash	**$ 1,415,582**	$ 642,135
Unrealized gains (losses)	**$ (1,119,070)**	$ (432,423)
Donation of stock	**$ 403,259**	$ -
Net loss on disposal of capital assets	**$ -**	$ 19,881

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"), Northern Vermont University ("NVU"), 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").

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. On March 23, 2020, the Colleges transitioned students to a distance learning environment for the completion of the 2020 spring semester, and the 2020 summer semester was taught online. The Colleges refunded a total of $5,380,526, before June 30, 2020 to students for a prorated share of the housing and meals fees charged for the period from when the Colleges transitioned students to a distance learning environment to the completion of the 2020 spring semester.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) became law. As part of the law, the CARES Act created the Higher Education Emergency Relief Fund ("HEERF"). The Colleges were awarded $6,141,231 of which 50% (or half) is required to be distributed to students affected by the COVID-19 crisis as emergency grants and the other half is required by the Colleges to cover costs associated with changes in operations due to the COVID-19 crisis. According to the terms of HEERF, an institution can only spend costs associated with changes in operations due to the COVID-19 crisis up to the amount provided to students as emergency grants.

As of June 30, 2020, the Colleges expended $2,649,446 for emergency grants to students and $2,649,446 for institutional costs from the HEERF funds. In conjunction with CARES Act regulations, the Colleges must spend these funds by one calendar year from when the funds were awarded.

The CARES act also created the Coronavirus Relief Fund which was awarded to the State. On June 15, 2020, the governor signed a fiscal year 2020 supplemental budget that allocated a portion of the CRF to the Colleges amounting to $12,515,500, of which $5,117,792, had to be used to cover the cost of room and board refunds due to the closing of the campuses in the Spring 2020 semester. As of June 30, 2020, the Colleges expended $6,575,165 which included the cost of room and board refunds. The remaining unexpended balance of $5,940,335 is included in unearned revenue and deposits in the statement of net position and must be used for necessary expenditures incurred due to COVID-19. The Colleges must expend this award by December 30, 2020.

The accounting policies and procedures used by the Vermont State Colleges ("VSC" or the "Colleges") in accounting for, and reporting, its 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, expenses and changes in net position demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are reported as general revenue.

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

The Colleges' policy is to define operating activities in the statements 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, 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:

Net investment in capital assets: 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.

Restricted Cash and Equivalents
The Colleges restricted cash consists of CRF funds that were funded to the Colleges from the State but were not expended as of the year ending June 30, 2020. Funds are restricted as they must be used to cover expenses that were incurred due to the COVID-19 pandemic.

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.

Capital Assets
Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost as of date of acquisition or, in the case of gifts, at fair value as of the date of donation. In accordance with the 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 statements 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 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 benefits.

Refundable Grants
Refundable grants are refundable to the federal government for 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 Colleges are currently evaluating alternative methods of financial aid for students affected by the Extension Act for the 2020-2021 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 underwriters' premiums are amortized on the straight-line basis over the life of the respective bond. VSC incurred bond premiums related to the 2013, 2017, and 2020 bonds at the time of the issuance of the bonds. 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. The bond premium for the 2020 bond of $4,538,755 is amortized over 21.7 years. Cumulative amortization of the bond premium totaled $2,385,408 and $1,684,772 as of June 30, 2020 and 2019, respectively. Cumulative unamortized balances of bond premiums totaled $14,609,365 and $10,771,246 as of June 30, 2020 and 2019, respectively. The bond premiums are included in bonds and notes payable.

Post-employment Benefits Other Than Pensions ("OPEB")
GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment 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 total 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 employees' 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, self-funded health insurance accrual, and determining the other post-employment benefits liability.

New Governmental Accounting Pronouncements
GASB Statement 84, *Fiduciary Activities* is effective for periods beginning after December 15, 2019. The objective of this Statement is to establish criteria for identifying fiduciary activities. Activity meeting the established criteria would then be presented in a statement of fiduciary net position and a statement of changes in fiduciary net position. 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 June 15, 2021. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Statement. Management is in the process of evaluating this Statement and has not yet determined its impact on the financial statements.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2021. 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.

GASB Statement 90 – *Majority Equity Interests*, an amendment of GASB Statements 14 and 61, is effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to improve the consistency of reporting a government's majority equity interest in a legally separate organization. A majority equity interest should be recognized using the equity method if the government's holding of the equity interest represents an investment. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 91 – *Conduit Debt Obligations* is effective for reporting periods beginning after December 15, 2021. The objective of this Statement is to improve the consistency of reporting conduit debt. This Statement requires government entities that issue conduit debt, but are not the obligors, not to recognize the liability unless it is more likely than not that the government issuer will service the debt. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 92 – *Omnibus 2020* is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to improve comparability in financial reporting for leases, pensions, OPEB, and asset retirement obligations. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 94 – *Public-Private and Public-Private Partnerships and Availability Payment Arrangements* is effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for arrangements in which the governmental entity (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 96 – *Subscription-Based Information Technology Arrangements (SBITA)* is effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for transactions in which a governmental entity contracts with another party for the right to use their software. A right-of-use asset and a corresponding liability would be recognized for SBITAs. Management has not completed its review of the requirements of this standard and its applicability.

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

Reclassifications
Certain amounts on the 2019 financial statements have been reclassified to conform to the 2020 presentation.

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

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

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

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

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

At June 30, 2020, the balance of current assets - cash and equivalents and restricted cash and equivalents, consists of approximately $15,000 in petty cash, and the remainder deposited in Federal Deposit Insurance Corporation (“FDIC”) insured banking institutions of approximately $28,358,000 per the accounting records of the Colleges, and approximately $29,478,000 per bank records. Of the bank balances, approximately $1,191,000 was covered by federal depository insurance and approximately $28,287,000 was uninsured and uncollateralized at June 30, 2020.
At June 30, 2020, the balances of non-current assets - cash and equivalents deposited in FDIC insured banking institutions were approximately $964,000 per the accounting records of the Colleges, and approximately $959,000 per bank records. Of the bank balances, approximately $250,000 was covered by federal depository insurance and approximately $709,000 was uninsured and uncollateralized at June 30, 2020.

At June 30, 2019, 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 $12,766,000 per the accounting records of the Colleges, and approximately $14,907,000 per bank records. Of the bank balances, approximately $700,000 was covered by federal depository insurance and approximately $14,207,000 was uninsured and uncollateralized at June 30, 2019.

At June 30, 2019, the balances of non-current assets - cash and equivalents deposited in FDIC insured banking institutions were approximately $1,306,000 per the accounting records of the Colleges, and approximately $1,306,000 per bank records. Of the bank balances, approximately $250,000 was covered by federal depository insurance and approximately $1,056,000 was uninsured and uncollateralized at June 30, 2019.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Investments
Investments of the various funds at June 30, 2020 are as follows:

	Fair Value	Cost
U.S. Government bonds	**$ 8,760,041**	**$ 8,277,343**
Corporate bonds	**8,006,904**	**7,614,131**
Common stock and ETF's	**13,072,630**	**12,538,585**
Hedge fund shares	**3,379,757**	**3,601,384**
Mutual funds	**9,652,272**	**8,795,025**
Money market	**5,220,081**	**5,220,081**
Held by bond trustee	**1,061,784**	**1,061,784**
Total Investments	**$ 49,153,469**	**$ 47,108,333**

Investments of the various funds at June 30, 2019 are as follows:

	Fair Value	Cost
U.S. Government bonds	$ 9,394,940	$ 9,186,397
Corporate bonds	8,847,291	8,747,382
Common stock and ETF's	15,553,273	13,350,519
Hedge fund shares	1,125,677	1,000,000
Mutual funds	10,305,114	9,972,751
Money market	2,751,826	2,749,018
Held by bond trustee	3,147,989	3,147,989
Total Investments	$ 51,126,110	$ 48,154,056

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.

2020
Investment Maturities (in years)

Investment Type	Market Value	Less than 1	1-5	6-10	More than 10
Money Market Investments	**$ 5,220,081**	**$ 5,220,081**	**$ -**	**$ -**	**$ -**
Corporate Bonds	**8,006,904**	**867,411**	**4,745,585**	**2,393,908**	**-**
U.S. Govt. Bonds	**8,760,041**	**2,017,689**	**5,396,665**	**1,345,687**	**-**
Total	**$ 21,987,026**	**$ 8,105,181**	**$ 10,142,250**	**$ 3,739,595**	**$ -**
Other Investments					
Common Stock and Mutual Funds	**26,104,659**				
Held by Bond Trustee	**1,061,784**				
Total	**$ 49,153,469**				

2019
Investment Maturities (in years)

Investment Type	Market Value	Less than 1	1-5	6-10	More than 10
Money Market Investments	$ 2,751,826	$ 2,751,826	$ -	$ -	$ -
Corporate Bonds	8,847,291	1,377,845	4,757,159	2,712,287	-
U.S. Govt. Bonds	9,394,940	885,072	6,128,619	2,381,249	-
Total	$ 20,994,057	$ 5,014,743	$ 10,885,778	$ 5,093,536	$ -
Other Investments					
Common Stock and Mutual Funds	26,984,064				
Held by Bond Trustee	3,147,989				
Total	$ 51,126,110				

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.

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

	2020	2019
Interest and dividend income	**$ 1,259,821**	$ 1,230,390
Net realized and unrealized gain (loss)	**242,286**	1,514,228
Total investment income	**1,502,107**	2,744,618
Less: management fees	**(179,362)**	(182,464)
Investment income, net	**$ 1,322,745**	$ 2,562,154

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

Investment rating*	2020	2019
AAA	**$ 9,013,298**	$ 9,733,021
AA+	**168,394**	83,350
AA	**1,447,534**	1,766,436
AA-	**8,571**	860,615
A+	**921,686**	643,655
A	**2,073,619**	2,339,099
A-	**1,721,591**	1,346,719
BBB+	**1,061,009**	1,219,060
BBB	**153,931**	250,276
BBB-	**-**	-
BB+	**-**	-
BB	**-**	-
BB-	**-**	-
B+	**-**	-
B	**-**	-
B-	**-**	-
CCC+	**-**	-
Unrated	**5,417,393**	2,751,826
	$ 21,987,026	$ 20,994,057

*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.

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 non-payment than obligations rated ‘BB’, but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic 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.

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 and Exchange Traded Funds ("ETF"): 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. Hedge funds shares may at times, not be redeemable subject to the business judgement of the hedge funds board of directors.

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 Colleges believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

Assets at Fair Value as of June 30, 2020

	Level 1	Level 2	Level 3	Total
U.S. Government bonds	**$ 8,760,041**	**$ -**	**$ -**	**$ 8,760,041**
Corporate bonds	**-**	**8,006,904**	**-**	**8,006,904**
Common stock and ETF's	**13,072,630**	**-**	**-**	**13,072,630**
Hedge fund shares	**-**	**3,379,757**	**-**	**3,379,757**
Mutual funds	**9,652,272**	**-**	**-**	**9,652,272**
Money market	**5,220,081**	**-**	**-**	**5,220,081**
Held by bond trustee	**1,061,784**	**-**	**-**	**1,061,784**
Total Assets at Fair Value	**$ 37,766,808**	**$ 11,386,661**	**$ -**	**$ 49,153,469**

Assets at Fair Value as of June 30, 2019

	Level 1	Level 2	Level 3	Total
U.S. Government bonds	$ 9,394,940	$ -	$ -	$ 9,394,940
Corporate bonds	-	8,847,291	-	8,847,291
Common stock	15,553,273	-	-	15,553,273
Hedge fund shares	-	1,125,677	-	1,125,677
Mutual funds	10,305,114	-	-	10,305,114
Money market	2,751,826	-	-	2,751,826
Held by bond trustee	3,147,989	-	-	3,147,989
Total Assets at Fair Value	$ 41,153,142	$ 9,972,968	$ -	$ 51,126,110

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

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

	2020	2019
Student accounts receivable	**$ 12,762,953**	$ 12,468,104
Grants receivable	**10,107,548**	6,415,040
Other receivable	**1,816,793**	2,605,519
Subtotal	**24,687,294**	21,488,663
Allowance for doubtful accounts	**(7,512,563)**	(6,875,265)
Total accounts receivable, net	**$ 17,174,731**	$ 14,613,398

The notes receivable balance in the statements of net position represent the Perkins notes receivable. It is shown net of an allowance for bad debts of approximately $1,253,000 and $1,214,000 at June 30, 2020 and 2019, respectively. This allowance is the aggregate that was reserved for each college based upon historical bad loan reserve requirements, the net increase in the allowance of $39,000 and $11,000 in 2020 and 2019, respectively, has been reflected in operating expenses.

Note 4 - **Long-Term Liabilities**

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

	2020				
	Beginning balances	**Additions**	**Reductions**	**Ending balances**	**Current portion**
Long-term liabilities					
Bonds and notes payable	**$ 121,086,246**	**$ 28,723,755**	**30,235,636**	**$ 119,574,365**	**$ 1,613,454**
Total OPEB obligation	**189,003,550**	**5,054,004**	**-**	**194,057,554**	**-**
Other liabilities	**224,866**	**244,435**	**224,866**	**244,435**	**-**
Refundable grants	**6,036,744**	**-**	**1,285,347**	**4,751,397**	**-**
Total long-term liabilities	**$ 316,351,406**	**$ 34,022,194**	**$ 31,745,849**	**$ 318,627,751**	**$ 1,613,454**

	2019									
		Beginning balances		Additions		Reductions		Ending balances		Current portion
Long-term liabilities										
Bonds and notes payable	$	125,023,978	$	-	$	3,937,732	$	121,086,246	$	2,503,616
Total OPEB obligation		188,498,148		505,402		-		189,003,550		-
Other liabilities		247,529		224,865		247,528		224,866		-
Refundable grants		6,037,232		-		488		6,036,744		-
Total long-term liabilities	$	319,806,887	$	730,267	$	4,185,748	$	316,351,406	$	2,503,616

Bonds and Notes Payable
Outstanding debt as of June 30, is as follows:

	2020	2019
Revenue Bonds, Series 2020A: 3.0% - 5.0% serial bonds aggregating \$18,990,000 maturing 2020 through 2037 and a \$5,195,000 4.0% term bond due October 2040. Interest on the serial bonds is paid semi-annually on the unpaid balances. Unamortized bond premium of \$4,451,736 has been added to this liability at June 30, 2020. [1]	**$ 28,636,735**	$ -
Revenue Bonds, Series 2010B: 4.751% - 5.101% serial bonds aggregating \$3,800,000 maturing 2018 through 2020, and 6.101%, 6.861%, and 7.211% term bonds of \$6,255,000, \$5,580,000, and \$14,630,000 due July 2025, July 2030, and July 2040, respectively. Interest on the term bond is payable semi-annually on the unpaid balances. [2]	**-**	28,780,000
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 \$8,947,085 and \$9,465,747 has been added to the liability at June 30, 2020 and 2019, respectively. [3]	**76,607,085**	77,125,757

	2020	2019
Revenue Bonds, Series 2013:		
4.0% - 5.0% serial bonds aggregating $13,715,000 maturing 2015 through 2032 and 3.125% - 5.0% term bonds aggregating $4,450,000 maturing 2027 through 2030. Interest on serial bonds is paid semi-annually on the unpaid balances. Unamortized bond premium of $1,210,545 and $1,305,489 has been added to the liability at June 30, 2020 and 2019, respectively.	**$ 14,330,545**	$ 15,180,489
	$ 119,574,365	$ 121,086,246

[1] In February 2020, VSC issued Revenue Bonds, Series 2020A, in the principal amount of $18,990,000 in serial bonds and $5,195,000 in term bonds. The 2020A Bonds were issued solely for the purpose of refunding the Series 2010B Bond. The Colleges entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense. At the time of the issuance, the bond proceeds were put in an irrevocable trust for which the trustee would use the funds to pay off the 2010B Bond at a later date. The refunding decreased the College's total debt service by $5,409,550 and resulted in an economic gain (difference between the present value of the old and new debt service payments) of $5,352,091.

[2] In December 2010, VSC issued Federally Taxable Build America Bonds, Series 2010B, in the principal amount of $30,265,000. The 2010B Bonds were issued for the purpose of (1) financing certain upgrades to the Community College of Vermont's Montpelier campus, including a 12,000 square foot building addition; (2) constructing a new residence hall and other related improvements at Castleton University; (3) renovating an academic building and a visual arts center at Johnson State College; (4) expanding parking facilities at Lyndon State College together with building improvements for Lyndon State College's journalism program; (5) financing library renovations, the installation of certain energy or heating systems, construction of additional on-campus housing at the Randolph campus of Vermont Technical College ("VTC"), and improvements at VTC's Blair Park, Williston, Vermont campus; and (6) paying the costs of issuance of the 2010B Bonds. VSC is expected to receive a 35% subsidy of the interest paid on the Series 2010B Build America Bonds from the Federal Government, which will be recorded as a reduction of bond interest expense. (Sequester for federal budget reduced subsidy of interest by 7.6%). The bond was refunded as part of the 2020A series Bond.

[3] 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 Colleges entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense. The refunding increased the Colleges' 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 years ended June 30, 2020 and 2019 was as follows:

	Balance June 30, 2019	Additions	Repayment	Balance June 30, 2020	Current Portion
Series 2010-B	$ 28,780,000	$ -	$ (28,780,000)	$ -	$ -
Series 2010 Bond Premium	-	-	-	-	-
Series 2010 Bonds	28,780,000	-	(28,780,000)	-	-
Series 2013	13,875,000	-	(755,000)	13,120,000	780,000
Series 2013 Bond Premium	1,305,489	-	(94,944)	1,210,545	94,944
Series 2013 Bonds	15,180,489	-	(849,944)	14,330,545	874,944
Series 2017	67,660,000	-	-	67,660,000	-
Series 2017 Bond Premium	9,465,757	-	(518,672)	8,947,085	518,672
Series 2013 Bonds	77,125,757	-	(518,672)	76,607,085	518,672
Series 2020	-	24,185,000	-	24,185,000	-
Series 2020 Bond Premium	-	4,538,755	(87,020)	4,451,735	219,838
Series 2020 Bonds	-	28,723,755	(87,020)	28,636,735	219,838
Total Bonds and Notes Payable	$ 121,086,246	$ 28,723,755	$ (30,235,636)	$ 119,574,365	$ 1,613,454

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

	Balance June 30, 2018	Additions	Repayment	Balance June 30, 2019	Current Portion
Series 2010-A	$ 1,190,000	$ -	$ (1,190,000)	$ -	$ -
Series 2010-B	30,265,000	-	(1,485,000)	28,780,000	1,135,000
Series 2010 Bond Premium	44,116	-	(44,116)	-	-
Series 2010 Bonds	31,499,116	-	(2,719,116)	28,780,000	1,135,000
Series 2013	14,480,000	-	(605,000)	13,875,000	755,000
Series 2013 Bond Premium	1,400,433	-	(94,944)	1,305,489	94,944
Series 2013 Bonds	15,880,433	-	(699,944)	15,180,489	849,944
Series 2017	67,660,000	-	-	67,660,000	-
Series 2017 Bond Premium	9,984,429	-	(518,672)	9,465,757	518,672
Series 2017 Bonds	77,644,429	-	(518,672)	77,125,757	518,672
Total Bonds and Notes Payable	$ 125,023,978	$ -	$ (3,937,732)	$ 121,086,246	$ 2,503,616

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

Years Ending June 30,	Principal Amount	Interest Amount
2021	$ 780,000	$ 5,009,462
2022	3,425,000	4,782,547
2023	3,595,000	4,615,322
2024	3,915,000	4,436,222
2025	5,355,000	4,208,897
2026-2030	27,895,000	14,772,740
2031-2035	34,110,000	4,786,299
2036-2040	24,090,000	58,626
2041	1,800,000	18,621
	$ 104,965,000	$ 42,688,736

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 5 - **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 statements 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 $1,003,346 for the years ended June 30, 2020 and 2019.

During 2020, VSC issued the 2020A Series Bond which was an advanced refunding of the 2010B Bond. As stated in the advanced refunding agreement, the proceeds from the issuance of the 2020A Bond was to be placed in an irrevocable trust and will be used to pay off the 2010B Bond. The difference between the amount in placed in escrow to pay off the 2010B Bond and the net carrying amount of the 2010 Bond was $764,156 and is recognized 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 this advanced debt refunding that was included in interest expense was $11,823 for the year ending June 30, 2020.

Note 6 - **Functional Expense Classification**

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

	2020	2019
Instruction	**$ 53,644,471**	$ 55,107,218
Research	**17,601**	42,237
Public service	**9,115,632**	9,597,218
Academic support	**22,024,412**	22,496,341
Student services	**37,725,010**	39,393,272
Institutional support	**36,537,599**	37,267,090
Physical plant	**4,713,801**	5,574,191
Student financial support	**8,845,326**	6,318,011
Depreciation	**9,999,987**	10,084,696
Total	**$ 182,623,839**	$ 185,880,274

Note 7 - **Appropriations**

VSC's operating appropriation from the State of Vermont is made directly to the Colleges and is drawn down on the basis of a monthly allotment. Included in the annual State appropriation for operations is funding for Allied Health of approximately $1,158,000 in fiscal years 2020 and 2019; VMEC of approximately $428,000 in fiscal year 2020 and 2019. Additional appropriations totaling $820,000 were received in fiscal year 2020: $120,000 to cover costs of maintaining records of Burlington College, $500,000 for a student retention program, and $200,000 for the design of a pilot associates degree program for Vermont Technical College.

Capital appropriations for VSC made from the State Bond Funds were approximately $2,100,000 and $3,000,000 in fiscal years 2020 and 2019, respectively.

Note 8 - **Retirement Plans**

Eligible faculty and staff participate in a defined contribution retirement plan administered by Teachers Insurance Annuity Association and College Retirement Equities Fund ("TIAA-CREF"). For the years ended June 30, 2020 and 2019, the Colleges' total payroll expense was approximately $77,864,000 and $78,107,000, respectively, of which approximately $52,809,000 and $51,902,000 represented salaries and wages of employees covered under the defined contribution plan, respectively. The Colleges' requirements to contribute to the retirement plan are specified by four collective bargaining agreements and by personnel policies for non-represented employees. Employer contribution rates are established by employee category. There are no required employee contributions to the plan. Depending upon the position category, employees may be eligible for the plan from as early as date of hire to as long as two years from date of hire. All eligible employees are vested from the date of eligibility. During the years ended June 30, 2020 and 2019, contributions made by the Colleges under this plan totaled approximately $4,926,000 and $5,163,000, or approximately 9.33% and 9.95%, of covered salaries, respectively.

Additionally, certain employees participate in one of two defined benefit plans (Vermont Employees Retirement System or Vermont State Teachers Retirement System). Employees who were participants in either of these plans prior to their employment by the Colleges are allowed to continue participation. During the years ended June 30, 2020 and 2019, 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 2020 and 2019.

In addition, full-time faculty employees who have worked for the Colleges for 15 years may elect early retirement at age 58 and receive 50% of their annual salary as of their retirement date. In addition, VSC will pay 12% of the retiree's early retirement wages to the individual. This 12% payment represents VSC's contribution, which would have been made to the individual TIAA/CREF pension account. The payments due under this program are funded by VSC, as needed. During the years ended June 30, 2020 and 2019, contributions for these benefits were approximately $826,000 and $899,000, respectively.

The early retirement benefit is no longer being offered to faculty employees hired after February 10, 2005, 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 9 - Post-Employment Benefits Other Than Pension

Plan Description: VSC administers a self-insured single-employer defined benefit healthcare plan. The plan provides 100% of the 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. Employees hired after October 1, 2012 (fulltime faculty after October 1, 2015) are ineligible for retiree medical and dental benefits. The type of employees that were covered by the benefits terms at June 30,:

	2020	2019
Retirees and Beneficiaries	**700**	654
Inactive, Non-retired members	**-**	-
Active plan members	**917**	938
Total plan members	**1,617**	1,592

Funding Policy: Contribution requirements are also negotiated between VSC and union representatives. VSC contributes 100% of the current-year utilization costs for eligible employees, spouses or civil union partners. For the fiscal years 2020 and 2019, VSC recognized employer contributions of $6,986,981 and $6,181,621, respectively, for both healthcare and early retirement. The plan is financed on a pay-as-you-go basis. In fiscal years 2020 and 2019, there were minimal member contributions to the plan from new retirees hired before July 1, 2000. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Annual OPEB Cost and Total OPEB Obligation: VSC's OPEB cost (expense) includes most changes in the total OPEB liability. The effects 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.

At June 30, 2020 and 2019, VSC reported a total OPEB liability of $194,057,554 and $189,003,550, respectively. The total OPEB liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, the measurement date, and the actuarial valuation date of July 1, 2019. The total OPEB liability as of June 30, 2019, the reporting date, was measured as of June 30, 2018, the measurement date, and the total OPEB liability was determined by an actuarial valuation date as of July 1, 2017 which was rolled forward from the prior measurement date of June 30, 2017.

The following table shows the components of VSC's annual OPEB costs for the year ended June 30, 2020 and 2019, and the changes in VSC's total OPEB obligation to the retiree healthcare plan are as follows:

	2020	2019
Interest on total OPEB obligation	**$ 7,194,823**	$ 6,647,387
Service Cost	**4,532,612**	4,515,546
Amortization of current year for difference between expected and actual experience	**991,437**	951,327
Amortization of current year for changes in plan actuarial assumptions	**(301,243)**	(186,281)
Annual OPEB cost	**12,417,629**	11,927,979
Difference between expected and actual experience to be recognized in future years	**(727,905)**	(2,729,774)
Difference between changes in plan actuarial assumptions to be recognized in future years	**(454,099)**	(2,293,777)
Benefit payments	**(6,181,621)**	(6,399,026)
Increase in total OPEB obligation	**5,054,004**	505,402
Total OPEB obligation - Beginning of Year	**189,003,550**	188,498,148
Total OPEB obligation - End of Year	**$ 194,057,554**	$ 189,003,550

Deferred Outflows of Resources related to OPEB:

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

Deferred Outflows of Resources	**2020**	2019
Differences between projected and actual experience	**$ 8,702,485**	$ 9,733,361
Changes in plan actual assumptions	**461,711**	530,012
Contributions subsequent to the measurement date	**6,986,981**	6,181,621
Total	**$ 16,151,177**	$ 16,444,994

Deferred Inflows of Resources related to OPEB:

VSC reported deferred inflows of resources related to OPEB from the following sources for the year ended June 30,:

Deferred Inflows of Resources	**2020**	2019
Differences between projected and actual experience	**$ 2,123,831**	$2,426,803
Changes in plan actual assumptions	**2,424,993**	2,039,195
Total	**$ 4,548,824**	$4,465,998

VSC's contributions of $6,986,981 and $6,181,621 made during fiscal year ending 2020 and 2019, respectively, subsequent to the measurement date will be recognized as a reduction of the total OPEB 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 June 30,		
2021	$	690,194
2022		690,194
2023		690,194
2024		690,194
2025		690,194
2026-2027		1,164,402
	$	4,615,372

Actuarial Assumptions: The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2019	June 30, 2018
Inflation	2.5%	2.6%
Salary increases	3.5% per year	3.5% per year
Discount rate	3.50%	3.87%
Healthcare Cost Trend Rate	4.7%, increasing incrementally to an ultimate rate of 5.2% in 2023, then decreasing incrementally to an ultimate rate of 3.8% in 2050	5.4%, decreasing incrementally to an ultimate rate of 5.1% in 2021 then increasing from 5.1% to 5.3% in 2022 and then decreasing incrementally to an ultimate rate of 3.8% in 2040

The discount rate was based on the Bond Buyer 20-Bond GO Index.

Future Employment: Age-related turnover rates were developed based on the experience from July 1, 2017 to July 1, 2019. 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. Employees less than 40 had an annual turnover rate of 8.5%, an increase from the 7.5% rate used in the prior measurement date. Employees less than 65 had an annual turnover rate of 3.5%, an increase from the 2.5% used in the prior measurement date.

Mortality: Life expectancies were based on the RP-2006 Table (base rates underlying RP-2014) projected to 2017 and thereafter, with MP-2019 projection scale which is published by the Retirement Plans Experience Committee of the Society of Actuaries. In the prior measurement date, general scale MP-2017 was used.

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.

Sensitivity of the Colleges' proportionate share of the total OPEB liability to changes in the discount rate: The following presents the Colleges' proportionate share of the total OPEB liability, as well as what the Colleges' proportionate share of the total 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:

2020

1.00% Decrease (2.5%)	**Current Discount Rate (3.5%)**	**1.00% Increase (4.5%)**
$ 222,043,023	**$ 194,057,554**	**$ 171,021,205**

2019

1.00% Decrease (2.87%)	Current Discount Rate (3.87%)	1.00% Increase (4.87%)
$ 211,446,681	$189,003,550	$170,026,659

Sensitivity of the Colleges' proportionate share of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the Colleges' proportionate share of the total OPEB liability, as well as what the Colleges' proportionate share of the total 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:

2020

1.00% Decrease	Current Healthcare Cost Trend Rate (A)	1.00% Increase
$ 170,034,818	**$ 194,057,554**	**$ 223,911,882**

2019

1.00% Decrease	Current Healthcare Cost Trend Rate (A)	1.00% Increase
$ 167,824,500	$ 189,003,550	$ 214,438,450

(A) - See page 53 for current healthcare cost trend rate.

Note 10 - **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 $3,352,000 and $2,935,000 in 2020 and 2019, respectively.

Future minimum rental payments required under operating leases with non-cancelable terms in excess of one year at June 30, 2020 are as follows:

Years Ending June 30,	Real Estate	Vehicles and Equipment	Total
2021	$ 2,740,911	$ 347,317	$ 3,088,228
2022	2,249,909	317,586	2,567,495
2023	2,016,575	263,830	2,280,405
2024	1,617,602	61,795	1,679,397
2025	1,270,735	30,843	1,301,578
2026 and thereafter	3,775,920	-	3,775,920
	$13,671,652	$ 1,021,371	$14,693,023

Note 11 - **Capital Assets**

Property and equipment activity for the years ended June 30, 2020 and 2019 is summarized below:

	Balance June 30, 2019	Additions	Transfers	Retirements	Balance June 30, 2020
Land	$ 9,004,664	$ -	$ -	$ -	$ 9,004,664
Construction-in-process	1,604,504	3,046,796	(1,784,864)	-	2,866,436
Subtotal - Capital assets not depreciated	10,609,168	3,046,796	(1,784,864)	-	11,871,100
Infrastructure	40,998,521	197,553	372,302	-	41,568,376
Buildings and improvements	260,551,052	-	1,412,562	-	261,963,614
Leasehold improvements	4,090,271	-	-	-	4,090,271
Equipment	36,425,264	653,149	-	(146,033)	36,932,380
Subtotal - Capital assets depreciated	342,065,108	850,702	1,784,864	(146,033)	344,554,641
Less accumulated depreciation	(195,569,567)	(9,999,987)	-	122,889	(205,446,665)
Capital assets, net	$157,104,709	$ (6,102,489)	$ -	$ (23,144)	$150,979,076

	Balance June 30, 2018	Additions	Transfers	Retirements	Balance June 30, 2019
Land	$ 9,004,664	$ -	$ -	$ -	$ 9,004,664
Construction-in-process	908,493	3,423,799	(2,727,788)	-	1,604,504
Subtotal - Capital assets not depreciated	9,913,157	3,423,799	(2,727,788)	-	10,609,168
Infrastructure	39,864,432	-	1,134,089	-	40,998,521
Buildings and improvements	259,347,174	-	1,203,878	-	260,551,052
Leasehold improvements	4,090,271	-	-	-	4,090,271
Equipment	35,411,937	855,205	389,821	(231,699)	36,425,264
Subtotal - Capital assets depreciated	338,713,814	855,205	2,727,788	(231,699)	342,065,108
Less accumulated depreciation	(185,680,251)	(10,084,696)	-	195,380	(195,569,567)
Capital assets, net	$ 162,946,720	$ (5,805,692)	$ -	$ (36,319)	$ 157,104,709

Note 12 - **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 $200,000 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 $1,447,000 at June 30, 2020 and $2,560,000 at June 30, 2019 and are based on historical data. A medical and dental claim roll-forward is presented below:

	2020	2019
Medical and dental claims reserve, beginning of year	**$ 2,560,000**	$ 1,987,000
Incurred claims	**16,837,100**	18,747,000
Payments on claims	**(17,950,000)**	(18,174,000)
Medical and dental claims reserve, end of year	**$ 1,447,100**	$ 2,560,000

VSC self-insures its workers' compensation program and is operated by a third-party claims administrator. Contributions to the plan are based on estimated payroll and rates adjusted by an experience modification factor. VSC has purchased stop-loss insurance, which is effective for individual claims over $200,000 and for aggregate claims in excess of $1,603,900 per year. VSC has obtained a letter of credit in the amount of $450,000 to be used in the event of failure to pay premiums on the stop-loss policy. This is collateralized by a certificate of deposit. A workers' compensation roll-forward is presented below:

	2020	2019
Workers' compensation reserve, beginning of year	**$ 297,000**	$ 432,000
Workers' compensation accrued during the year	**842,000**	640,000
Claims paid/reserved/claims administration	**(774,000)**	(775,000)
Workers' compensation reserve, end of year	**$ 365,000**	$ 297,000

Commitments
VSC has entered into various construction contracts. The following commitments are ongoing projects at June 30, 2020:

Project	Expended through June 30, 2020	Committed Future Costs	Total Committed Costs of Project
Castleton Fine Arts Roof replacement	$ 166,000	$ 69,000	$ 235,000
NVU-J Site Improvements	408,000	40,000	448,000
	$ 574,000	$ 109,000	$ 683,000

At June 30, 2020, invoices related to construction projects of approximately $337,000 were included in accounts payable.

Employment Contracts
The Colleges have employment contracts with certain officers that expire on various dates through fiscal year 2021. The agreements provide for aggregate annual base salaries of $165,000 in fiscal year 2021, respectively, and may be terminated with cause at any time.

Service Concession Agreements
The Colleges 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 was cancelable by either party at any time. Under the agreement, Sodexo made annual contributions to VSC to be used at VSC's discretion for food service facility enhancements. In March 2020, with the commencement of the pandemic, VSC exercised its right to the catastrophe clause of its existing contract with Sodexo. VSC is currently negotiating with Sodexo a revised three-year contract that will provide direct payment for services rendered and will eliminate the annual contributions to VSC.

Note 13 - **Subsequent Event**

The COVID-19 crisis has created volatility in the financial markets and a significant decrease in the overall economy. The full adverse impact and duration of COVID-19 on the Colleges' finances and operations cannot be determined.

As a result of the COVID-19 crisis and other factors, student enrollment has decreased for the 2020 fall semester. In addition, capacity of residence hall occupancy has been reduced to meet social distancing guidelines

Subsequent to June 30, 2020, the governor signed the 2021 Fiscal Year Appropriations Act on October 2, 2020, the bill provided the Colleges with its base appropriations of $30.5 million and an additional $28.8 million in bridge funding to allow the Colleges to restructure beginning in the 2021/2022 academic year.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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

Schedule of Changes in Total OPEB Liability (Unaudited)

Year ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	July 1, 2019	July 1, 2017	July 1, 2017
Total OPEB liability			
Service Cost	$ 4,532,612	$ 4,515,546	$ 4,359,477
Interest	7,194,823	6,647,387	6,185,678
Changes of benefit terms		-	-
Differences between expected and actual experience	263,532	(1,778,447)	12,241,959
Changes of assumptions or other inputs	(755,342)	(2,480,058)	666,613
Benefit payments	(6,181,621)	(6,399,026)	(6,464,225)
Net change in total OPEB liability	5,054,004	505,402	16,989,502
Total OPEB liability - beginning	189,003,550	188,498,148	171,508,646
Total OPEB liability - ending	$ 194,057,554	$ 189,003,550	$ 188,498,148
Covered payroll	49,219,646	50,074,973	51,380,910
Total OPEB liability as a percentage of covered-employee payroll	394.27%	377.44%	366.86%

Notes:

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

See accompanying notes to the required supplementary information.

Note 1 - **Change in Plan Assumptions**

Measurement date – June 30, 2019

Change in Discount Rate

The discount rate was decreased from 3.87% to 3.5%

Employee Turnover

Employees less than 40 had an annual turnover rate of 8.5%, an increase from the 7.5% rate used in the prior measurement date. Employees less than 65 had an annual turnover rate of 3.5%, an increase from the 2.5% used in the prior measurement date.

Mortality Rates

Mortality rates used general scale MP-2019 for males and females. In the prior measurement date, general scale MP-2017 was used.

Change in Trend on Future Costs

The healthcare trend rate decreased from 5.4% to 4.7%. The medical trend was developed using the SOA Getzen Model and noted the following economic assumptions that changed from the prior measurement date:

- Rate of Inflation was 2.5% which was a decrease from 2.6%
- Rate of Growth in Real Income/GDP per capital was 1.25% which was an increase from 1.15%
- Health share of GDP resistance point was 25% which was an increase from 20%
- Year for limiting cost growth to GDP growth was 2050. 2040 was used in prior measurement date.

Measurement date – June 30, 2018

Change in Trend on Future Costs

The healthcare trend rate decreased from 5.5% to 5.4%.

Change in Discount Rate

The discount rate was increased from 3.58% to 3.87%.

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

June 30, 2020 and 2019

Measurement date – June 30, 2017

Change in Discount Rate

The discount rate decreased to 3.58% based upon the change of the discount method to the discount rate of the Bond Buyer 20-Bond GO Index as of the measurement date as required by GASB Statement 74. The June 30, 2016 discount rate was calculated to be 3.75%.

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

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Vermont State Colleges (a component unit of the State of Vermont) (the "Colleges"), which comprise the statements of net position as of June 30, 2020 and 2019, the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Vermont State Colleges' basic financial statements and have issued our report thereon dated October 29, 2020.

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

25 Braintree Hill Office Park ● Suite 102 ● Braintree, MA 02184 ● P:617.471.1120 ● F:617.472.7560
27 Church Street ● Winchester, MA 01890 ● P:781.729.4949 ● F:781.729.5247
www.ocd.com

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits 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 + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 29, 2020

VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

INDEPENDENT AUDITORS' REPORTS AS REQUIRED BY THE UNIFORM GUIDANCE AND *GOVERNMENT AUDITING STANDARDS* AND RELATED INFORMATION

JUNE 30, 2020

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

Independent Auditors' Reports as Required by the Uniform Guidance and *Government Auditing Standards* and Related Information

June 30, 2020

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

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 College's major federal programs for the year ended June 30, 2020. 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 College's 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 Colleges' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

25 Braintree Hill Office Park ● Suite 102 ● Braintree, MA 02184 ● P:617.471.1120 ● F:617.472.7560
27 Church Street ● Winchester, MA 01890 ● P:781.729.4949 ● F:781.729.5247
www.ocd.com

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, 2020.

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 2020-001, 2020-002, 2020-003 and 2020-004. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the 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 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 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 and therefore, material weakness or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identity certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, 2020-003 and 2020-004, that we consider to be significant deficiencies.

Management's response to the internal control over compliance findings 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.

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 Colleges, as of and for the year ended June 30, 2020. We issued our report thereon dated October 29, 2020, 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 + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

May 10, 2021

(except for the Schedule of Expenditures of Federal Awards; for which the date is October 29, 2020)

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Vermont State Colleges (the "Colleges") which comprise the statements of net position as of June 30, 2020 and 2019, the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Colleges' basic financial statements and have issued our report thereon dated October 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Colleges' internal control over financial reporting ("internal control") as a basis for designing 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 controls. Accordingly, we do not express an opinion on the effectiveness of the Colleges' internal controls.

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

Purpose of this Report

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

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 29, 2020

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, 2020

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	$ 1,163,653	$ -
Federal Work-Study Program	84.033	N/A	N/A	1,157,156	-
Federal Direct Student Loans	84.268	N/A	N/A	37,926,482	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	4,685,671	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	-	-
Federal Pell Grant Program	84.063	N/A	N/A	16,016,389	-
Total Student Financial Assistance Cluster				60,949,351	-
TRIO CLUSTER					
U.S. Department of Education:					
Direct Awards:					
TRIO Student Support Services	84.042A	N/A	N/A	1,595,534	-
TRIO Upward Bound	84.047A	N/A	N/A	1,074,048	-
TRIO Upward Bound NY	84.047M	N/A	N/A	284,197	-
TRIO McNair	84.217A	N/A	N/A	196,374	-
Total TRIO Cluster				3,150,153	-
RESEARCH AND DEVELOPMENT CLUSTER					
National Aeronautics and Space Administration:					
Passthrough Awards:					
Science - National Space Grant College and Fellowship Program	43.001	University of Vermont	29907 SUB51933	15,562	-
Experimental Program to Stimulate Competitive Research - Cubesat	43.008	University of Vermont	30018	25,000	-
Subtotal - Passthrough Awards				40,562	-
National Science Foundation:					
Direct Awards:					
Geosciences	47.050	N/A	N/A	22,380	-
Passthrough Awards:					
Experimental Program to Stimulate Competitive Research	47.073	University of Vermont	30373SUB52050	25,331	-
Experimental Program to Stimulate Competitive Research	47.073	University of Vermont	30373SUB52051	22,562	-
Subtotal - Passthrough Awards				47,893	-

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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2020

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
RESEARCH AND DEVELOPMENT CLUSTER - CONTINUED					
U.S. Department of Health and Human Services:					
Passthrough Awards:					
Biomedical Research and Research Training	93.859	University of Vermont	29252SUB51796	$ 74,310	$ -
Biomedical Research and Research Training	93.859	University of Vermont	29252SUB52826	102,935	-
Subtotal - Passthrough Awards				177,245	-
Total Research and Development Cluster				288,080	-
CCDF CLUSTER					
U.S. Department of Health and Human Services:					
Passthrough Awards:					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.575	Vermont Department of Children & Families	03440-44001-18ECPDS	1,132,484	-
MEDICAID CLUSTER					
U.S. Department of Health and Human Services:					
Passthrough Awards:					
Medical Assistance Program	93.778	Office of Vermont Health Access	P85 - Sec. B. 605	233,260	-
Medical Assistance Program	93.778	Vermont Department of Mental Health	03420-7299S	251	-
Medical Assistance Program	93.778	Vermont Department of Mental Health	03150-A1714	29,850	-
Medical Assistance Program	93.778	Vermont Department of Mental Health	03150-A1695	177,659	-
Total Medicaid Cluster				441,020	-
ECONOMIC DEVELOPMENT CLUSTER					
U.S. Department of Commerce:					
Direct Awards					
Economic Adjustment Assistance	11.307	N/A	N/A	72,417	-
CHILD NUTRITION CLUSTER					
U.S. Department of Agriculture:					
Direct Awards:					
Summer Food Program for Children	10.559	N/A	N/A	12,952	-
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER					
U.S. Department of Agriculture:					
Direct Awards:					
Highway Planning and Construction	20.205	Vermont Agency of Transportation	N/A	5,894	-
NON-CLUSTER					
U.S. Department of Agriculture:					
Direct Awards					
Rural Business Development Grant	10.351	N/A	N/A	33,106	-
Distance Learning and Telemedicine Loans	10.855	N/A	N/A	59,448	-
Subtotal - Direct Awards				92,554	-

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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2020

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
NON-CLUSTER - CONTINUED					
U.S. Department of Commerce:					
Direct Awards:					
Manufacturing Extension Partnership	11.611	N/A	N/A	$ 714,645	$ -
Institute of Museum and Library Services:					
Passthrough Awards:					
Grants to States - Job Hunt Helpers	45.310	VT Department of Libraries	11300.JHH.LSTA17.A1	1,371	-
Small Business Administration:					
Direct Awards:					
COVID-19 - Small Business Development Centers	59.037	N/A	N/A	89,063	-
Portability Assistance	59.037	N/A	N/A	6,896	-
Small Business Development Centers	59.037	N/A	N/A	619,562	-
Subtotal - Direct Awards				715,521	-
Environmental Protection Agency:					
Passthrough Awards:					
Great Lakes Fishery	66.481	Lake Champlain Basin Program	0100-319-004	6,974	-
U.S. Department of the Interior:					
Passthrough Awards:					
Heritage Partnership	15.939	Lake Champlain Basin Program	P18AC01302J	4,630	-
Northern Border Regional Commission:					
Passthrough Awards:					
Northern Border Regional Development	90.601	Northern Border Regional Commission	NBRC16GVT	81,867	-
U.S. Department of Health and Human Services:					
Direct Awards:					
Oral Health Workforce Activities	93.236	N/A	N/A	416,491	-

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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2020

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
NON-CLUSTER - CONTINUED					
U.S. Department of Health and Human Services:					
Passthrough Awards:					
Substance Abuse and Mental Health Services	93.243	Vermont Department of Mental Health	03150-C1052	$ 79,721	$ -
Block Grants for Community Mental Health Services	93.958	Vermont Department of Health	03150-A1753	2,557	-
ADAP Workforce Development	93.959	Vermont Department of Health	03420-07626	16,560	-
Subtotal - Passthrough Awards				98,838	-
Corporation for National and Community Service:					
Passthrough Awards:					
AmeriCorps	94.006	Vermont Agency of Human Services	03400-16AFH-LEAP-FY20	301,402	-
U.S. Department of Labor:					
Passthrough Awards:					
H-1B Job Training Grants	17.268	Vermont Department of Labor	HG-294545-16-60-A-5	541,578	243,341
Apprenticeship State Funds	17.285	Vermont Department of Labor	N/A	233,796	-
Subtotal - Passthrough Awards				775,374	243,341
U.S. Department of Treasury:					
Passthrough Awards:					
COVID-19 - Coronavirus Relief Funds	21.019	Vermont Agency of Administration	01110CRF20001	6,575,166	-
U.S. Department of Education:					
Direct Awards:					
COVID-19 - Higher Education Emergency Relief Fund - Students	84.425E	N/A	N/A	2,649,446	-
COVID-19 - Higher Education Emergency Relief Fund - Institutional	84.425F	N/A	N/A	2,649,446	-
COVID-19 - Higher Education Strengthening Institutional Programs	84.425M	N/A	N/A	228,151	-
Subtotal - Higher Education Emergency Relief Fund				5,527,043	-
JLD Program	84.033	N/A	N/A	14,752	-
Title III	84.031A	N/A	N/A	441,643	-
Total - Direct awards from U.S. Department of Education				5,983,438	-
Passthrough Awards:					
Carl D. Perkins Vocation Education - Post Secondary	84.048A	Vermont Department of Education	PerkR2171801	240,214	-
Career and Technical Education - Basic Grants to States	84.048	Vermont Department of Education	4319R0571901	730,825	-
Career and Technical Education - Basic Grants to States	84.048	Vermont Department of Education	4322R0571901	60,000	-
Subtotal - Career and Technical Education				1,031,039	-
Gaining Early Awareness and Readiness Program	84.334S	Vermont Student Assistance Corp	P334S110006-15	254,775	-
Subtotal - Passthrough Awards				1,285,814	-
Total Non-Cluster				17,054,085	243,341
Total Federal Funds				$ 83,106,436	$ 243,341

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

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Community College of Vermont	Castleton University	Northern Vermont University	Vermont Technical College	Workforce	System Offices & Services	Total	Total Amounts to Sub-recipients
STUDENT FINANCIAL ASSISTANCE CLUSTER											
U.S. Department of Education:											
Direct Awards:											
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	$ 241,497	$ 323,990	$ 379,063	$ 219,103	$ -	$ -	$ 1,163,653	$ -
Federal Work-Study Program	84.033	N/A	N/A	101,455	226,930	678,913	149,858	-	-	1,157,156	-
Federal Direct Student Loans	84.268	N/A	N/A	3,376,097	12,441,926	13,603,318	8,505,141	-	-	37,926,482	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	-	1,887,461	2,203,527	594,683	-	-	4,685,671	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	-	-	-	-	-	-	-	-
Federal Pell Grant Program	84.063	N/A	N/A	5,903,171	3,379,726	4,494,794	2,238,698	-	-	16,016,389	-
Total Student Financial Assistance Cluster				9,622,220	18,260,033	21,359,615	11,707,483	-	-	60,949,351	-
TRIO CLUSTER											
U.S. Department of Education:											
Direct Awards:											
TRIO Student Support Services	84.042A	N/A	N/A	369,307	353,074	460,603	412,550	-	-	1,595,534	-
TRIO Upward Bound	84.047A	N/A	N/A	-	304,244	769,804	-	-	-	1,074,048	-
TRIO Upward Bound NY	84.047M	N/A	N/A	-	284,197	-	-	-	-	284,197	-
TRIO McNair	84.217A	N/A	N/A	-	196,374	-	-	-	-	196,374	-
Total TRIO Cluster				369,307	1,137,889	1,230,407	412,550	-	-	3,150,153	-
RESEARCH AND DEVELOPMENT CLUSTER											
National Aeronautics and Space Administration:											
Passthrough Awards:											
Science - National Space Grant College and Fellowship Program	43.001	University of Vermon	29907 SUB51933	-	-	-	15,562	-	-	15,562	-
Education - CubeSat Continued Development	43.008	University of Vermon	30018	-	-	-	25,000	-	-	25,000	-
Subtotal - Passthrough Awards				-	-	-	40,562	-	-	40,562	-
National Science Foundation:											
Direct Awards:											
Geosciences	47.050	N/A	N/A	-	22,380	-	-	-	-	22,380	-
Passthrough Awards:											
Experimental Program to Stimulate Competitive Research	47.073	University of Vermont	30373SUB52050	-	25,331	-	-	-	-	25,331	-
Experimental Program to Stimulate Competitive Research	47.073	University of Vermont	30373SUB52051	-	-	22,562	-	-	-	22,562	-
Biomedical Research and Research Training	93.859	University of Vermont	29252SUB51796	-	74,310	-	-	-	-	74,310	-
Biomedical Research and Research Training	93.859	University of Vermont	2925SUB52826	-		102,935	-	-	-	102,935	-
Subtotal - Passthrough Awards				-	99,641	125,497	-	-	-	225,138	-
Total Research and Development Cluster				-	122,021	125,497	40,562	-	-	288,080	-
CCDF CLUSTER											
U.S. Department of Health and Human Services:											
Passthrough Awards:											
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.575	Vermont Department of Children & Families	03440-34001-18-ECPDS	1,132,484	-	-	-	-	-	1,132,484	-

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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2020

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Community College of Vermont	Castleton University	Northern Vermont University	Vermont Technical College	Workforce	System Offices & Services	Total	Total Amounts to Sub-recipients
MEDICAID CLUSTER											
U.S. Department of Health and Human Services:											
Passthrough Awards:											
Medical Assistance Program	93.778	Office of Vermont Health Access	P85 - Sec. B. 605	$ -	$ -	$ -	$ 233,260	$ -	$ -	$ 233,260	$ -
Medical Assistance Program	93.778	Vermont Department of Health	03420-7299S	-	-	251	-	-	-	251	-
Medical Assistance Program	93.778	Vermont Department of Mental Health	03150-A1714	-	-	29,850	-	-	-	29,850	-
VCPI Operations Grant	93.778	Vermont Department of Mental Health	03150-A1695	-	-	177,659	-	-	-	177,659	-
Total Medicaid Cluster				-	-	207,760	233,260	-	-	441,020	-
ECONOMIC DEVELOPMENT CLUSTER											
U.S. Department of Commerce:											
Direct Awards											
Economic Adjustment Assistance	11.307	N/A	N/A	-	-	72,417	-	-	-	72,417	-
CHILD NUTRITION CLUSTER											
U.S. Department of Agriculture:											
Direct Awards:											
Summer Food Program for Children	10.559	N/A	N/A	-	12,952	-	-	-	-	12,952	-
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER											
U.S. Department of Agriculture:											
Direct Awards:											
Highway Planning and Construction	20.205	N/A	N/A	-	-	-	-	5,894	-	5,894	-
NON-CLUSTER											
U.S. Department of Agriculture:											
Direct Awards:											
Higher Education - Institution Challenge Grants Program	10.351	N/A	N/A	-	-	33,106	-	-	-	33,106	-
Rural Business Enterprise Giants	10.855	N/A	N/A	-	-	59,448	-	-	-	59,448	-
Subtotal - Direct Awards				-	-	92,554	-	-	-	92,554	-
U.S. Department of Commerce:											
Direct Awards:											
Manufacturing Extension Partnership	11.611	N/A	N/A	-	-	-	-	714,645	-	714,645	-
Institute of Museum and Library Services:											
Passthrough Awards:											
Grants to States - Job Hunt Helpers	45.310	VT Department of Libraries	11300.JHH.LSTA17.A1	1,371	-	-	-	-	-	1,371	-
Small Business Administration:											
Direct Awards:											
COVID-19 - Small Business Development Centers	59.037	N/A	N/A	-	-	-	-	89,063	-	89,063	-
Portability Assistance	59.037	N/A	N/A	-	-	-	-	6,896	-	6,896	-
Small Business Development Centers	59.037	N/A	N/A	-	-	-	-	619,562	-	619,562	-
Subtotal - Direct Awards				-	-	-	-	715,521	-	715,521	-
Environmental Protection Agency:											
Passthrough Awards:											
Great Lakes Fishery	66.481	Lake Champlain Basin Program	0100-319-004	-	6,974	-	-	-	-	6,974	-
U.S. Department of the Interior:											
Passthrough Awards:											
Heritage Partnership	15.939	Lake Champlain Basin Program	P18AC01302J	-	4,630	-	-	-	-	4,630	-

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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2020

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Community College of Vermont	Castleton University	Northern Vermont University	Vermont Technical College	Workforce	System Offices & Services	Total	Total Amounts to Sub-recipients
NON-CLUSTER - CONTINUED											
Northern Border Regional Commission:											
Passthrough Awards:											
Northern Border Regional Development	90.601	Northern Border Regional Commission	NBRC16GVT	$ 10,988	$ -	$ 58,698	$ -	$ 12,181	$ -	$ 81,867	$ -
U.S. Department of Health and Human Services:											
Direct Awards:											
Oral Health Workforce Activities	93.236	N/A	N/A	-	-	-	416,491	-	-	416,491	-
Passthrough Awards:											
Substance Abuse and Mental Health Services	93.243	Vermont Department of Mental Health	03150-C1052	-	-	79,721	-	-	-	79,721	-
Block Grants for Community Mental Health Services	93.958	Vermont Department of Health	03150-A1753	-	-	2,557	-	-	-	2,557	-
ADAP Workforce Development	93.959	Vermont Department of Health	03420-07626	-	-	16,560	-	-	-	16,560	-
Subtotal - Passthrough Awards				-	-	98,838	-	-	-	98,838	-
Corporation for National and Community Service:											
Passthrough Awards:											
AmeriCorps	94.006	Vermont Agency of Human Services	03400-16AFH-LEAP-FY19	-	-	301,402	-	-	-	301,402	-
U.S. Department of Labor:											
Passthrough Awards:											
H-1B Job Training Grants	17.268	Vermont Department of Labor	HG-294545-16-60-A-5	-	-	-	-	541,578	-	541,578	243,341
Apprenticeship State Funds	17.285	Vermont Department of Labor	N/A	191,464	-	-	-	42,332	-	233,796	-
Subtotal - Direct Awards				191,464	-	-	-	583,910	-	775,374	243,341
U.S. Department of Treasury:											
Passthrough Awards:											
COVID-19 - Coronavirus Relief Funds	21.019	Vermont Agency of Administration	01110CRF20001	-	-	-	-	-	6,575,166	6,575,166	-
U.S. Department of Education:											
Direct Awards:											
COVID-19 - Higher Education Emergency Relief Fund - Students	84.425E	N/A	N/A	460,841	878,417	824,485	485,703	-	-	2,649,446	-
COVID-19 - Higher Education Emergency Relief Fund - Institutional	84.425F	N/A	N/A	460,841	878,417	824,485	485,703	-	-	2,649,446	-
COVID-19 - Higher Education Strengthening Institutional Programs	84.425M	N/A	N/A	-	86,096	94,217	47,838	-	-	228,151	-
Subtotal - Higher Education Emergency Relief Fund				921,682	1,842,930	1,743,187	1,019,244	-	-	5,527,043	-
JLD Program	84.033	N/A	N/A	-	-	14,752	-	-	-	14,752	-
Title III	84.031A	N/A	N/A	-	162,885	278,758	-	-	-	441,643	-
Total - Direct awards from U.S. Department of Education				921,682	2,005,815	2,036,697	1,019,244	-	-	5,983,438	-
Passthrough Awards:											
Carl D. Perkins Vocation Education - Post Secondary	84.048A	Vermont Department of Education	PerkR2171801	-	-	-	240,214	-	-	240,214	-
Career and Technical Education - Basic Grants to States	84.048	Vermont Department of Education	4319R0571901	730,825	-	-	-	-	-	730,825	-
Career and Technical Education - Basic Grants to States	84.048	Vermont Department of Education	4322R0571901	60,000	-	-	-	-	-	60,000	-
Subtotal - Career and Technical Education				790,825	-	-	240,214	-	-	1,031,039	-
Gaining Early Awareness and Readiness Program	84.334S	Vermont Student Assistance Corp.	P334S110006-15	240,607	-	14,168	-	-	-	254,775	-
Subtotal - Passthrough Awards				1,031,432	-	14,168	240,214	-	-	1,285,814	-
Total Non-Cluster				2,156,937	2,017,419	2,602,357	1,675,949	2,026,257	6,575,166	17,054,085	243,341
Total Federal Funds				$ 13,280,948	$ 21,550,314	$ 25,598,053	$ 14,069,804	$ 2,032,151	$ 6,575,166	$ 83,106,436	$ 243,341

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

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, 2020. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the 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, 2020, no loans were advanced under the Perkins program and no administrative costs were incurred. As of June 30, 2020, loan balances receivable, net under Perkins was $3,488,786.

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 $37,926,482 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, 2020. The Colleges are only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the Colleges' financial statements.

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

Schedule of Current Year Findings and Questioned Costs

Year Ended June 30, 2020

<u>Section I – Summary of Auditors' Results:</u>

Financial Statements

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

Federal Awards

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

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

Schedule of Current Year Findings and Questioned Costs - Continued

Year Ended June 30, 2020

Identification of Major Programs:

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster:	
Federal Supplemental Educational Opportunity Grant Program	**84.007**
Federal Work-Study Program	**84.033**
Federal Perkins Loan Program	**84.038**
Federal Pell Grant Program	**84.063**
Federal Direct Student Loans	**84.268**
Non-Cluster:	
COVID-19 - Coronavirus Relief Funds	**21.019**
COVID-19 - Higher Education Emergency Relief Fund - Students	**84.425E**
COVID-19 - Higher Education Emergency Relief Fund - Institutional	**84.425F**
CARES Act Higher Education - Strengthening Institutional Programs	**84.425M**
Title III - Strengthening Institutions	**84.031A**

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

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

Schedule of Current Year Findings and Questioned Costs - Continued

Year Ended June 30, 2020

Section III – Federal Award Findings and Questioned Costs:

Finding number:	2020-001
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #:	84.007, 84.033, 84.038, 84.063, 84.268
Award year:	2020

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

> Unless [the institution] it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that –
>
> (i) A loan under title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or
>
> (ii) A student who is enrolled at the school and who received a loan under title IV of the Act has changed his or her permanent address.

The Dear Colleague Letter GEN-12-6 issued by the U.S. Department of Education ("ED") on March 30, 2012 states that in addition to student loan borrowers, Enrollment Reporting files will include two additional groups of students: Pell Grant and Perkins Loan recipients.

According to 2 CFR Part 200, Appendix XI Compliance Supplement updated June 2019:

> Under the Pell Grant and loan programs, institutions must complete and return within 15 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway mailboxes sent by ED via the National Student Loan Data System ("NSLDS"). The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

Condition
The Federal Government requires the Colleges to report student enrollment changes to the National Student Loan Data System ("NSLDS") within 60 days. During our testing of forty students with enrollment status changes who graduated or withdrew from the institution, we noted the following:

1. One student's status change was never reported to NSLDS.
2. Five students' status changes were reported with the incorrect effective date.
3. Seven students' status changes were not reported to NSLDS within the 60-day required timeframe.

Cause
The Colleges did not have adequate procedures in place to ensure that students with status changes had their effective date correctly reported to NSLDS and were reported in the required timeframe.

Effect
The Colleges did not report the students' correct effective dates to NSLDS or were not reported within the required timeframe, which may impact the students' loan grace periods.

Questioned Costs
Not applicable

Perspective
Our sample was not, and was not intended to be, statistically valid. Of the forty students selected for testing, eleven students, or 27.5% of our sample, had either incorrect effective dates reported to NSLDS or were not reported to NSLDS within the required timeframe.

Identification as a Repeat Finding, if applicable
See finding 2019-001 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 is correct and done with the required timeframe.

View of Responsible Officials
The Colleges agree with the finding.

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

Schedule of Current Year Findings and Questioned Costs - Continued

Year Ended June 30, 2020

Finding number:	2020-002
Programs:	Student Financial Assistance Cluster
CFDA #:	84.007, 84.033, 84.038, 84.063, 84.268
Award year:	2020

Criteria
According to 34 CFR 690.83(b)

> (1) An institution shall report to the Secretary any change for which a student qualifies including any related Payment Data changes by submitting to the Secretary the student's Payment Data that discloses the basis and result of the change in award for each student. The institution shall submit the student's Payment data reporting any to the Secretary by the reporting deadlines published by the Secretary in the Federal Register.
>
> (2) An institution shall submit, in accordance with the deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct.

According to the Federal Register (Volume 83, Number 233):

> An institution must submit Pell Grant, Iraq and Afghanistan Service Grant, Direct Loan, and TEACH Grant disbursement records to COD, no later than 15 days after making the disbursement or becoming aware of the need to adjust a previously reported disbursement. In accordance with 34 CFR 668.164(a), title IV, Higher Education Act ("HEA") program funds are disbursed on the date that the institution:
>
> > (a) Credits those funds to a student's account in the institution's general ledger or any subledger of the general ledger; or
> > (b) pays those funds to a student directly.
>
> Title IV, HEA program funds are disbursed even if an institution uses its own funds in advance of receiving program funds from the Department.

Condition
Federal regulations require the Colleges to report to the Federal Government's Common Origination and Disbursement System ("COD") Federal Pell Grant and Direct Loan disbursements made to students within fifteen days of the funds being disbursed to the student. During our testing, we noted five students, out of a sample of forty, who were not reported within the required timeframe by a range of two to twenty-nine days.

Cause
The College did not have procedures in place to ensure these students were being reported within the required timeframe.

Effect
The Colleges did not report disbursements to the COD within the required time frame.

Questioned Costs
Not applicable

Perspective
Our sample was not, and was not intended to be, statistically valid. Of the forty students selected for testing, five students, or 12.5% of our sample, was determined to be reported late to the COD by a range of two to twenty-nine days.

Identification as a Repeat Finding, if applicable
2019-002

Recommendation
We recommend that management of the Colleges review, and if necessary, update the policies and procedures to ensure all Pell Grant funds and Direct Loans are reported within the required timeframe.

View of Responsible Officials
The Colleges agrees with the finding.

Finding number:	2020-003
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #:	84.007, 84.033, 84.038, 84.063, 84.268
Award year:	2020

Criteria
According to 34 CFR 668.22(e)(4):

> *Total amount of unearned title IV assistance to be returned.* The unearned amount of title IV assistance to be returned is calculated by subtracting the amount of title IV assistance earned by the student as calculated under paragraph (e)(1) of this section from the amount of title IV aid that was disbursed to the student as of the date of the institution's determination that the student withdrew.

Condition
The Financial Aid Office is responsible for completing the Return of Title IV calculation to determine how much Title IV aid the student earned and how much must be returned to the Department of Education. Once the Return of Title IV calculation is completed, the Colleges are responsible for adjusting the student's billing statement and returning unearned Title IV funds through the U.S. Department of Education's Grant Management System ("G5"). The Colleges have 45 days from the date they determined the student withdrew to return any unearned portions of Title IV funds. During our testing, we noted four students, out of a sample of forty, where the Return to Title IV ("R2T4") form was not calculated correctly.

Cause
The Colleges did not have procedures in place to ensure the correct amount was calculated on the R2T4 form.

Effect
The Colleges did not return the correct amount of Title IV funds to the Department of Education.

Questioned Costs
$1,278

Perspective
Our sample was not, and was not intended to be, statistically valid. Of the forty students selected for testing, four students, or 10% of our sample, had the incorrect amount of Title IV funds returned.

Identification as a Repeat Finding, if applicable
2019-003

Recommendation
The Colleges should review their current policies and procedures to ensure the R2T4 form is calculated correctly.

View of Responsible Officials
The Colleges agree with the finding.

Finding number:	2020-004
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #:	84.007, 84.033, 84.038, 84.063, 84.268
Award year:	2020

Criteria
According to 34 CFR 668.164(l):

(1) Notwithstanding any State law (such as a law that allows funds to escheat to the State), an institution must return to the Secretary any title IV, Higher Education Act ("HEA") program funds, except Federal Work Study ("FWS") program funds, that it attempts to disburse directly to a student or parent that are not received by the student or parent. For FWS program funds, the institution is required to return only the Federal portion of the payroll disbursement.

(2) If an EFT to a student's or parent's financial account is rejected, or a check to a student or parent is returned, the institution may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the EFT was rejected or the check returned. In cases where the institution does not make another attempt, the funds must be returned to the Secretary before the end of this 45-day period.

(3) If a check sent to a student or parent is not returned to the institution but is not cashed, the institution must return the funds to the Secretary no later than 240 days after the date it issued the check.

Condition
Federal regulations require an institution to return unclaimed Title IV funds issued by check or EFT within 240 days. During our testing, we noted two students, out of a sample of forty, that had unclaimed funds exceeding the federal day limit by 130 and 25 days.

Cause
The Colleges did not monitor the outstanding check aging to ensure that the 240-day timeframe was met.

Effect
The Colleges did not return Title IV unclaimed funds to the Department of Education within the required 240-day time frame.

Questioned Costs
There were two outstanding checks that totaled $4,832, which pertained specifically to federal-sourced funds.

Perspective
Our sample was not, and was not intended to be, statistically valid. Of the forty students selected for testing, two students, or 5% of our sample, had unclaimed funds pertaining to federal sources that were not returned to the Department of Education within the 240-day required time frame.

Identification as a Repeat Finding, if applicable
N/A

Recommendation
The Colleges should examine its policies and procedures related to unclaimed funds including the process and time frame for identifying aged balances and the process for cancelling checks and returning funds to the Department of Education.

View of Responsible Officials
The Colleges agree with the finding.

Management's Summary Schedule of Prior Audit Findings

Year Ended June 30, 2020

Finding number:	2019-001
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #:	84.007, 84.033, 84.038, 84.063, 84.268
Award year:	2019

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 2019:

Out of a sample of forty students with enrollment status changes, three students were not reported with the correct effective date to the NSLDS.

Award Year 2018:

Out of a sample of forty students with enrollment status changes, two students' 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.

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.

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

Management's Summary Schedule of Prior Audit Findings

Year Ended June 30, 2020

Current Year Status:
During our testing of forty student with enrollment status changes who graduated or withdrew from the institution, we noted the following:

1. One student's status change was never reported to NSLDS.
2. Five students' status changes were reported with the incorrect effective date.
3. Seven students' status changes were not reported to NSLDS with the 60-day required timeframe.

The Colleges are looking to strengthen its controls in this area. See finding 2020-001 for more information and corrective action plan.

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

Management's Summary Schedule of Prior Audit Findings

Year Ended June 30, 2020

Finding number:	2019-002
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #:	84.007, 84.033, 84.038, 84.063, 84.268
Award year:	2019

Condition

Federal regulations require the Colleges to report to the Federal Government's Common Origination and Disbursement System ("COD") Federal Pell Grant disbursements made to students within fifteen days of the funds being disbursed to the student. During our testing, we noted seven students, out of a sample of forty, were not reported within the required timeframe by a range of four to fifty-seven days.

Current Year Status:

During our current year testing, we noted five students, out of a sample of forty, were not reported within the required timeframe by a range of two to twenty-nine days. The Colleges are looking to strengthen its controls in this area. See finding 2020-002 for more information and corrective action plan.

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

Management's Summary Schedule of Prior Audit Findings

Year Ended June 30, 2020

Finding number:	2019-003
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #:	84.007, 84.033, 84.038, 84.063, 84.268
Award year:	2019

Condition
The Financial Aid Office is responsible for completing the Return of Title IV calculation to determine how much Title IV aid the student earned and how much must be returned to the Department of Education. Once the Return of Title IV calculation is completed, the Colleges are responsible for adjusting the student's billing statement and returning unearned Title IV funds through the U.S. Department of Education's Grant Management System ("G5"). The Colleges have 45 days from the date they determined the student withdrew to return any unearned portions of Title IV funds. During our testing, we noted one student, out of a sample of forty, where the aid returned was different than the amount correctly calculated on the Return to Title IV ("R2T4") form.

Current Year Status:
During our current year testing, we noted four students, out of a sample of forty, who did not have the correct amount of Title IV funds returned. The Colleges are looking to strengthen its controls in this area. See finding 2020-003 for more information and corrective action plan.

CASTLETON UNIVERSITY
COMMUNITY COLLEGE OF VERMONT
NORTHERN VERMONT UNIVERSITY
VERMONT TECHNICAL COLLEGE

VERMONT
— STATE COLLEGES SYSTEM —

OFFICE OF THE CHANCELLOR
PO BOX 7
MONTPELIER, VT 05601
P (802) 224-3000

Management's Corrective Action Plan

Finding number: 2020-001
Federal agency: U.S. Department of Education
Programs: Student Financial Assistance Cluster
CFDA #: 84.007, 84.033, 84.038, 84.063, 84.268
Award year: 2020

Corrective Action Plan:

To correct this, one of the Colleges has modified our policy around withdrawals. In our new policy, official withdrawals are based upon the date the student began the withdrawal process or officially notified of the intent to withdraw, while unofficial withdrawals are based upon the last date of academic activity or the midpoint of the term. We believe this change will eliminate the need for the verification process.

Timeline for Implementation of Corrective Action Plan:

CCV implemented and is currently using this policy as of September 2020, the beginning of the 2020-2021 academic year.

Contact Person

Sharron Scott, CFO

CASTLETON UNIVERSITY
COMMUNITY COLLEGE OF VERMONT
NORTHERN VERMONT UNIVERSITY
VERMONT TECHNICAL COLLEGE

VERMONT STATE COLLEGES SYSTEM

OFFICE OF THE CHANCELLOR
PO BOX 7
MONTPELIER, VT 05601
P (802) 224-3000

Management's Corrective Action Plan

Finding number:	2020-002
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #:	84.007, 84.033, 84.038, 84.063, 84.268
Award year:	2020

Corrective Action Plan:

To correct this, the College is reducing the amount of post-withdrawal disbursements it makes by disbursing aid earlier and in batch to a student's account. The College has also increased the frequency of its COD reporting and has structured staff schedules to make sure there is uninterrupted time for the uploading and verification of COD reporting.

Timeline for Implementation of Corrective Action Plan:

CCV implemented and are currently employing these changes as of September 2020, the start of the Fall 2020 semester.

Contact Person

Sharron Scott, CFO

OFFICE OF THE CHANCELLOR
PO BOX 7
MONTPELIER, VT 05601
P (802) 224-3000

Management's Corrective Action Plan

Finding number:	2020-003
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #:	84.007, 84.033, 84.038, 84.063, 84.268
Award year:	2020

Corrective Action Plan:

To correct this, the College has changed our withdrawal policy so official withdrawals do not rely upon last academic activity as the withdrawal date. For unofficial withdrawals, we have moved nearly all unofficial withdrawals to being processed at the end of the term to make sure we have the most accurate reporting from the faculty member on a student's attendance.

Timeline for Implementation of Corrective Action Plan:

CCV implemented and is currently using this policy as of September 2020, the beginning of the 2020-2021 academic year.

Contact Person

Sharron Scott, CFO

CASTLETON UNIVERSITY
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NORTHERN VERMONT UNIVERSITY
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STATE COLLEGES SYSTEM

OFFICE OF THE CHANCELLOR
PO BOX 7
MONTPELIER, VT 05601
P (802) 224-3000

Management's Corrective Action Plan

Finding number:	2020-004
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #:	84.007, 84.033, 84.038, 84.063, 84.268
Award year:	2020

Corrective Action Plan:

To correct this, the Colleges will ensure we are keeping and tracking accurate records of outstanding checks and respond to them in a timely manner prior to the 240 days.

Timeline for Implementation of Corrective Action Plan:

CCV implemented and is currently employing changes as of July 2020.

Contact Person

Sharron Scott, CFO