

# **VERMONT STATE COLLEGES**

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

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

**JUNE 30, 2021 and 2020**

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

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

**June 30, 2021 and 2020**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Vermont State Colleges (a component unit of the State of Vermont) (the "Colleges"), which comprise the statements of net position as of June 30, 2021 and 2020, 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont State Colleges at June 30, 2021 and 2020 and the results of their respective changes in financial position and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-21 and the schedule of changes in Total OPEB liability page 63, and their respective notes on pages 64-65. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2021, 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 College's 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.



**Certified Public Accountants  
Braintree, Massachusetts**

October 25, 2021

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Management's Discussion and Analysis (Unaudited)

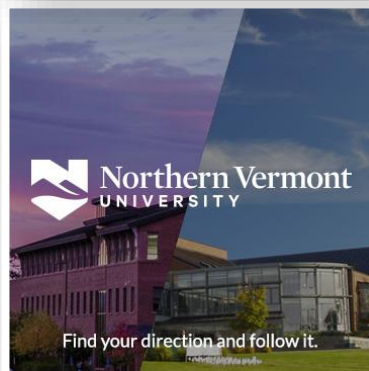
June 30, 2021 and 2020

### 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.



# **VERMONT STATE COLLEGES**

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### **Management's Discussion and Analysis (Unaudited)**

**June 30, 2021 and 2020**

#### **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 at which time 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. Three of four institutions reopened in Fall 2020 in fully remote or largely remote learning modalities. In Spring 2021, three of four institutions returned to primarily face-to-face instruction. With the exception of Community College of Vermont, all institutions saw lower than prior year enrollment. The result was lower than normal revenue from student tuition, fees, room, and board for both FY2020 and FY2021.
- Pandemic relief in the form of the Higher Education Relief (HEERF) and Coronavirus Relief (CRF) helped the VSCS to conclude fiscal years 2021 and 2020 in a positive position; however, the ongoing pandemic, coupled with the demographics of the Northeast as well as Vermont continues to be a concern.
- For FY2021, the State of Vermont authorized \$28.8 million in one-time bridge funding for the Vermont State Colleges. Considered an additional State Appropriation, these funds were authorized to provide the VSCS with additional funding to assist the System with expected revenue loss due to the pandemic.
- A workforce development program for those negatively impacted by the pandemic was created by the State of Vermont and funded by Coronavirus Relief Funds. This program improved tuition revenue by approximately \$1 million in FY2021.
- Enrollment trends continue to be a concern for institutions of Higher Education. Nationally, enrollments have declined consistently 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. Historically, Vermont has ranked in the bottom two states supporting higher education. However, recent investments in response to the pandemic and transformation of the Vermont State Colleges has made significant improvements in this arena.
- The other post-employment benefits accrual has a liability of \$238 million, an increase of \$44 million for FY2021. This accrual is not being pre-funded, but paid when incurred during retirement periods. These programs were closed in 2012 (all staff groups) and 2015 (faculty groups) for all newly hired employees, therefore the liability will reduce over time.

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**June 30, 2021 and 2020**

- 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 general 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 general obligation bonds issued in 2013 and 2017.

#### **Using the Financial Statements**

The following discussion and analysis provides an overview of the financial statements and activities of the Vermont State Colleges System (VSCS) for the year ended June 30, 2021 and selected comparative information. 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 VSCS 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:

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

# **VERMONT STATE COLLEGES**

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### **Management's Discussion and Analysis (Unaudited)**

**June 30, 2021 and 2020**

#### ***STATEMENT OF NET POSITION***

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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 the next page shows the condensed Statement of Net Position for the past five years.

Assets are items of economic value owed or controlled 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 fiscal 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 \$357 million as of the end of the current fiscal year increased by \$81 million or 29.7% from prior year, the increase was primarily in cash due to the receipt of \$28.8 million one-time bridge funds from the State of Vermont, Higher Education Emergency Relief Funding, and in deferred outflows related to other post-employment benefits (OPEB). Over the 5 years, total assets have increased by \$90 million: an increase of \$67 million in current assets and investments combined with the \$40 million increase in deferred outflows, net of \$24 million reduction in capital assets.

Noncurrent assets consist primarily of endowment and other investments, in addition to capital assets. Investments were \$55 million at June 30, 2021, \$7 million higher than the 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 such as vendors, employees, taxing agencies, and bondholders. Liabilities are classified as current and long-term. Current liabilities are those that due during the next fiscal year.

Current liabilities of \$33 million include primarily accounts payable, unearned revenue and principal amounts due on long-term debt related to the next fiscal year. Over this five-year period, current liabilities have been varied dependent upon the timing of deferred revenue and accounts payable transactions. This was especially true for FY2021.

Noncurrent liabilities increased by \$39 million to \$360 million during FY2021. This increase relates to the actuarial increase in other post-employment benefits.



# VERMONT STATE COLLEGES

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## Management's Discussion and Analysis (Unaudited)

**June 30, 2021 and 2020**

<b>TABLE 1: Condensed Statement of Net Position as of June 30</b>									
(\$ in millions)									
	2021	% change	2020	% change	2019	% change	2018	% change	2017
Current Assets	96	100%	48	45%	33	-6%	35	21%	29
Noncurrent Assets									
Investments	55	15%	48	0%	48	4%	46	0%	46
Capital assets, net	145	-4%	151	-4%	157	-4%	163	-4%	169
Other	4	0%	4	-33%	6	0%	6	0%	6
Deferred outflows/inflows	57	128%	25	0%	25	-11%	28	65%	17
Total Assets and Def'd outflows/inflows	357	29%	276	3%	269	-3%	278	4%	267
Current liabilities	33	22%	27	13%	24	-14%	28	22%	23
Non current liabilities									
Post employm't benefit oblig	238	23%	194	3%	189	1%	188	9%	172
Bonds and Notes payable	114	-3%	118	-1%	119	-2%	121	-3%	125
Other	4	0%	4	-33%	6	-14%	7	17%	6
Deferred outflows/inflows	4	100%	5	100%	5	100%	0		0
Total Liabilities	393	13%	348	1%	343	0%	344	6%	326
Net investment in cap'l assets	41	-11%	46	5%	44	-10%	49	-11%	55
Restricted									
Nonexpendable	21	11%	19	0%	19	6%	18	-5%	19
Expendable	20	54%	13	0%	13	8%	12	9%	11
Unrestricted	-118	-21%	-150	0%	-150	3%	-145	1%	-144
Total Net Position	-36	-50%	-72	-3%	-74	12%	-66	12%	-59
Total Liabilities and Net Position	357	29%	276	3%	269	-3%	278	4%	267

*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 residual value of the institution at a point in time for the VSCS as of the financial statements issued each 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 has improved \$23 million from -59 million in FY2017 to -36 million in FY2021. This improvement is due in large part to one-time bridge funding from the State of Vermont, as well as Higher Education Relief and Coronavirus Relief funds starting in FY2020.

Net investment in capital assets decreased by \$5 million from June 30, 2020 to June 30, 2021 due to depreciation, offset partially by reduction in outstanding debt related to capital assets. Net investment in capital assets have steadily decreased over the five-year period reported here.

# **VERMONT STATE COLLEGES**

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### **Management's Discussion and Analysis (Unaudited)**

**June 30, 2021 and 2020**

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 \$2 million over 5 years is due to gifts received for endowments during this period.

The restricted expendable portion of Net Position includes unexpended restricted gifts and grants, and unexpended endowment appreciation, subject to externally imposed conditions on their use. There was a \$7 million increase from June 30, 2020 to June 30, 2021. Over the 5-year period, expendable net assets have increased by \$9 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 full recognition of future OPEB obligations, which are unfunded. These obligations will erode over time and have a corresponding improvement to unrestricted net position.

### ***Capital Assets and Debt Administration***

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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. However, due to fiscal constraints the VSCS has not been able to invest in its facilities consistent with the decrease in capital assets and consistent with depreciation. This is something the VSCS will be addressing as it completes its system-wide transformation between FY2021 and FY2026. Table 2 below provides detail from the past 5 years related to the Capital Assets held by the System.

Construction in Progress reflects amounts paid for buildings or other assets that were not completed at year-end. When completed and placed in service, the total cost is moved to the appropriate capital asset category. Depreciation of that asset begins the month after it is placed in service. Construction in Progress has remained fairly steady, however, receipt of a Department of Defense Contract for construction of an Advanced Manufacturing Center on the Vermont Technical College campus at Randolph was in progress at the end of FY2021. Building and Improvements remained relatively constant from FY2019 to FY2021 reflecting limited funding for capital improvements. 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 on the next page also includes related information (depreciation expense and outstanding principal on construction loans).

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Management's Discussion and Analysis (Unaudited)

**June 30, 2021 and 2020**

Table 2: Capital Assets as of June 30									
(\$ in millions)									
	2021	% Change	2020	% Change	2019	% Change	2018	% Change	2017
Land	9	0%	9	0%	9	0%	9	0%	9
Construction in progress	5	67%	3	50%	2	100%	1	0%	1
Infrastructure	42	2%	41	0%	41	3%	40	3%	39
Buildings and improvements	261	0%	262	0%	261	1%	259	1%	257
Leasehold improvements	4	0%	4	0%	4	0%	4	0%	4
Equipment	38	3%	37	3%	36	0%	36	6%	34
Total Capital Assets	359	1%	356	1%	353	1%	349	1%	344
Accumulated Depreciation	-214	4%	-205	5%	-196	5%	-186	6%	-176
Capital Assets, Net	145	-4%	151	-4%	157	-4%	163	-3%	168
Related information									
Depreciation Expense	10	0%	10	0%	10	0%	10	0%	10
Outstanding Principal, Related Loans	118	-2%	120	-1%	121	-3%	125	-3%	129

Table 2: Capital Assets as of June 30

As noted in this table, depreciation continues to outpace the sum of building improvements, infrastructure, and construction in progress.

### 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 the next 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. In a normal year, the VSCS's primary source of revenue is from student tuition and fees. However, receipt of a one-time bridge appropriation plus Higher Education Emergency Relief and Coronavirus Relief funds, shifted the proportion of total operating and non-operating income attributable to net student revenues to 38%. As shown on Table 3, both Non Capital Appropriations and Federal Grants & Contracts increased \$43 million in FY2021.

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Management's Discussion and Analysis (Unaudited)

**June 30, 2021 and 2020**

<b>Table 3: Condensed Statements of Revenues, Expenses, and Changes in Net Position</b>									
	(\$ in millions)								
	<u>2021</u>	<u>% Change</u>	<u>2020</u>	<u>% Change</u>	<u>2019</u>	<u>% Change</u>	<u>2018</u>	<u>% Change</u>	<u>2017</u>
Net Student Revenues	87	-13%	100	-7%	107	-1%	108	-4%	112
Grants and contracts	18	13%	16	0%	16	7%	15	7%	14
Other Operating Revenues	8	33%	6	-14%	7	0%	7	0%	7
Operating Revenues	113	-7%	122	-6%	130	0%	130	-2%	133
Operating Expenses	189	3%	183	-2%	186	0%	186	1%	184
Operating Loss	-76	25%	-61	9%	-56	0%	-56	10%	-51
Nonoperating Revenues (Expenses)									
Non Capital Appropriations	61	85%	33	10%	30	0%	30	11%	27
Federal Grants & Contracts	43	54%	28	75%	16	0%	16	0%	16
Gifts currently expendable	3	50%	2	0%	2	-33%	3	50%	2
Investment Income & Interest	7	600%	1	-50%	2	0%	2	-33%	3
Interest Expense	-5	0%	-5	0%	-5	0%	-5	0%	-5
Other nonoperating revenues	0	0%	0	0%	0	0%	0	0%	0
Net Nonoperating Revenues	109	85%	59	31%	45	-2%	46	7%	43
Total Change before other Revenues	33	-1750%	-2	-82%	-11	10%	-10	25%	-8
Other Changes in Net Position									
Capital Appropriation	2	0%	2	-33%	3	0%	3	50%	2
Capital gifts and grants	0	0%	0	0%	0	0%	0	0%	0
Endowment gifts	1	0%	1	0%	0	0%	0	-100%	1
Change in Net Position	36	3500%	1	-114%	-7	0%	-7	40%	-5

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

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Management's Discussion and Analysis (Unaudited)

**June 30, 2021 and 2020**

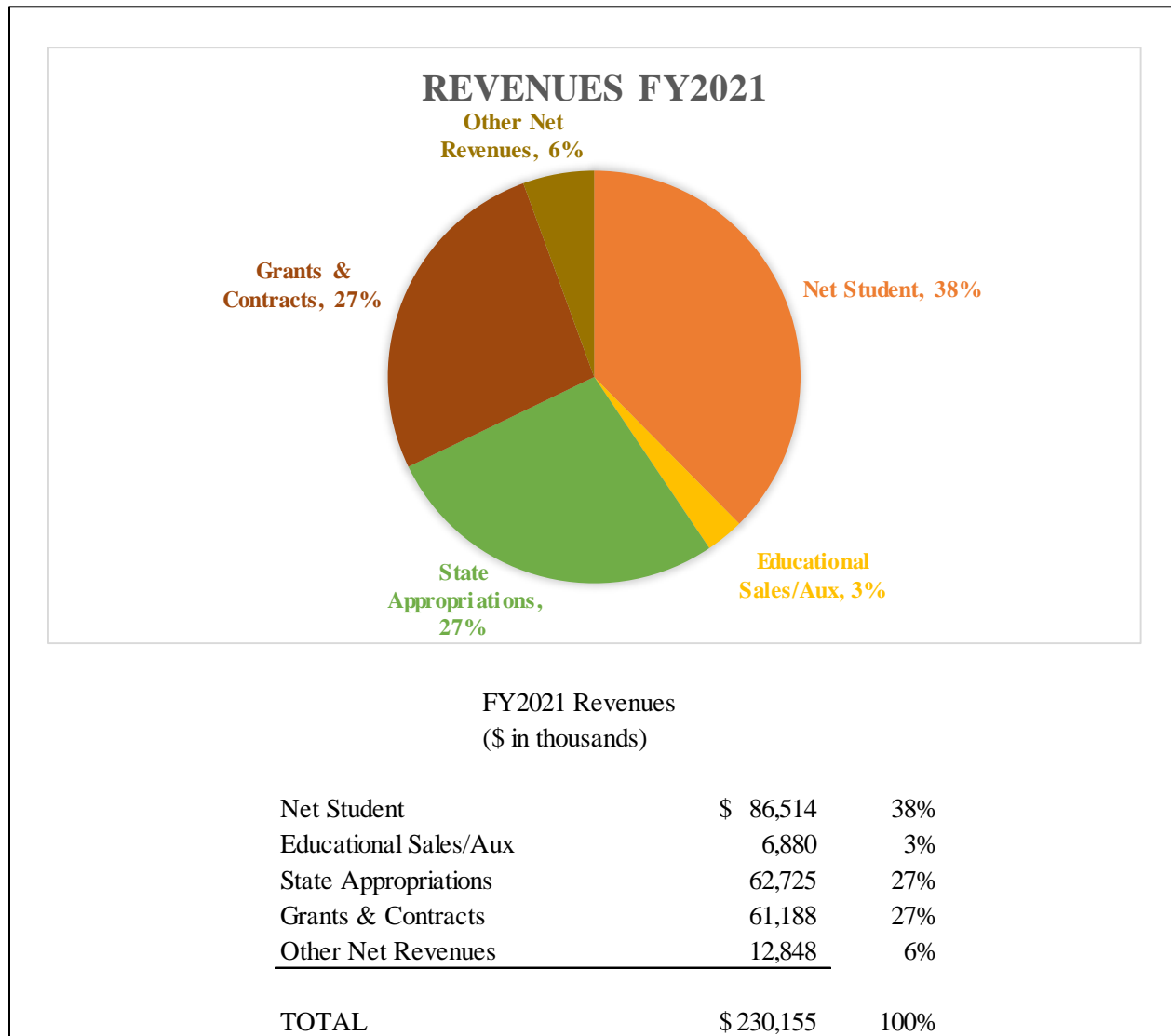


Chart 1: Revenues FY2021

# VERMONT STATE COLLEGES

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## Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

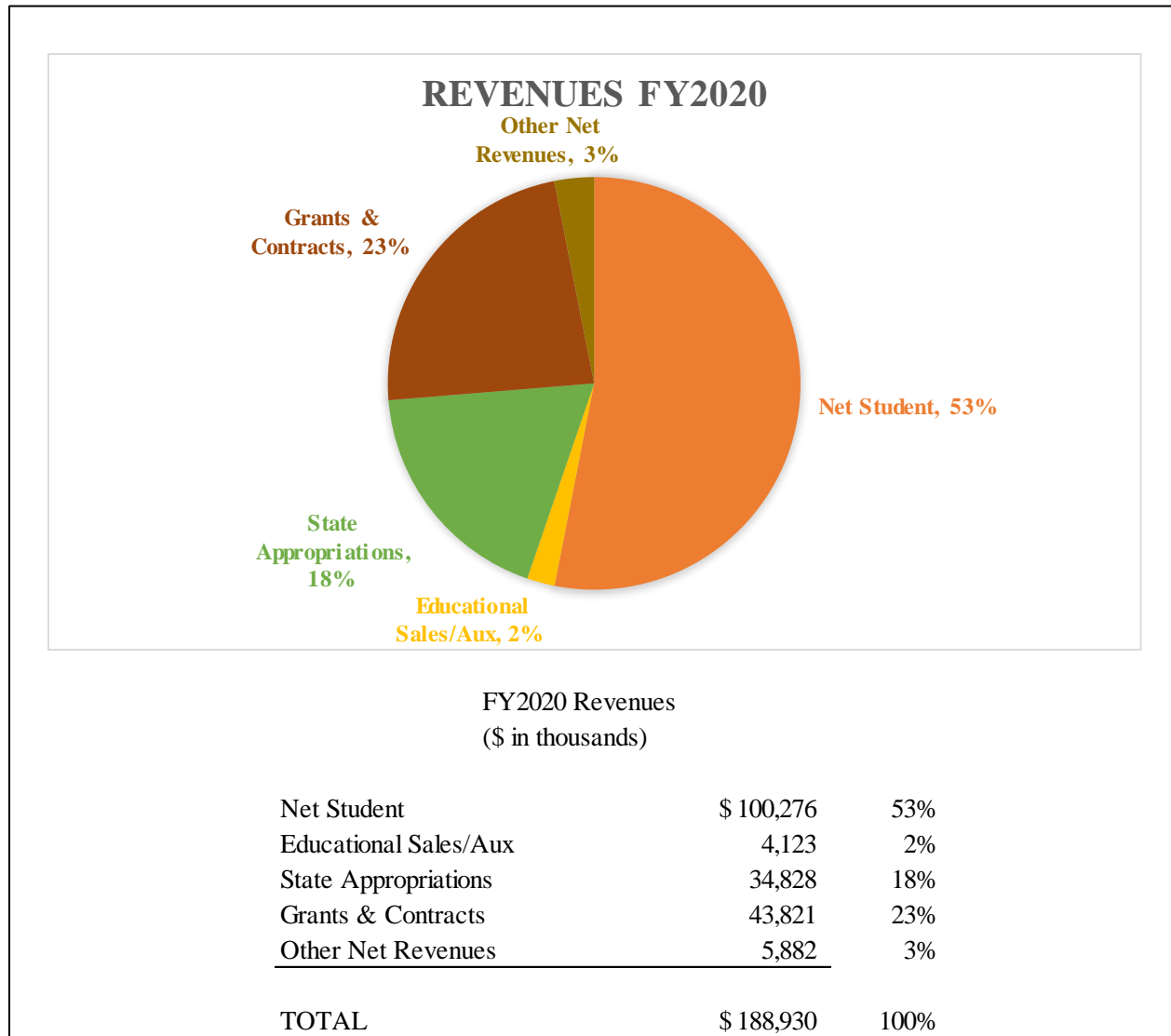


Chart 2: Revenues FY2020

# VERMONT STATE COLLEGES

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

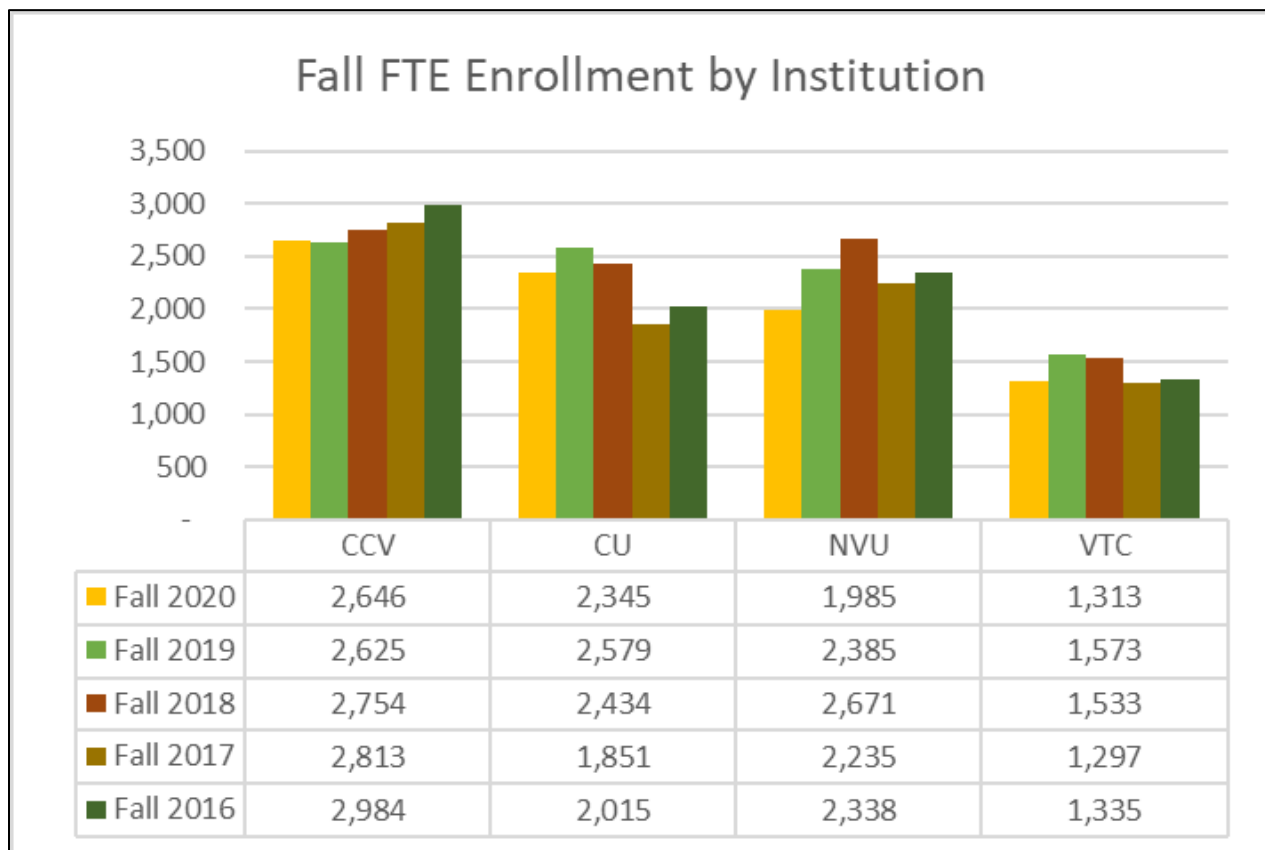
### Management's Discussion and Analysis (Unaudited)

**June 30, 2021 and 2020**

#### **Tuition and Fee Revenue**

Net Tuition and fees includes tuition and fees plus residence and dining fees less scholarship allowances. The charts below shows the trend for enrollments and corresponding Tuition and Fee Revenues from FY2017 through FY2021. For the System, student-based revenue has been declining during this five-year period, despite increases in tuition rates for all years. Enrollments, in a time of decreasing high school graduates in the state, coupled with pandemic effects, have created a challenge for the colleges/universities in our system.

Chart 3 displays Full Time Equivalent (FTE) enrollment. The FTE is a reasonable proxy for revenue and reflects the average full-time participation of students. This charts show a general steady decline in enrollment for CCV together with significant volatility for Castleton University, Northern Vermont University, and Vermont Technical College. The volatility at these institutions was exacerbated by the pandemic, while Community College of Vermont held steady with its enrollments due to a pilot program with a local funding agency.



*Chart 3: Fall FTE Enrollment by Institution*

\*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.

# VERMONT STATE COLLEGES

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### Management's Discussion and Analysis (Unaudited)

**June 30, 2021 and 2020**

Chart 4 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, enrollment (headcount) has declined across all institutions with the most significant declines occurring at NVU and CCV. Net tuition and fees revenue by institution declined at three of four institutions between FY17 and FY21 with net revenue down between 10% and 33%. NVU's net tuition and fees had been in 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. With the exception of CCV, net tuition and fee revenue was down in FY2021 due to the pandemic.

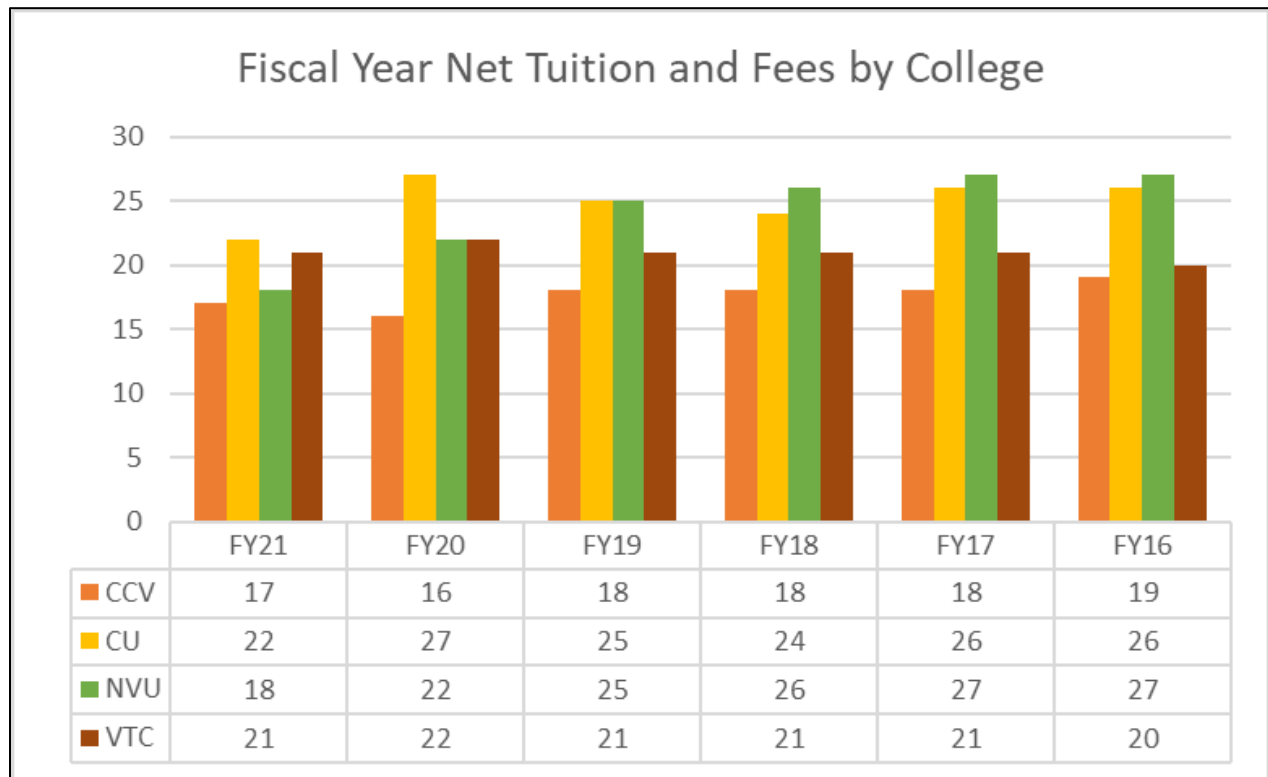


Chart 4: Fiscal year Net Tuition and Fees by Institution



# VERMONT STATE COLLEGES

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

### Management's Discussion and Analysis (Unaudited)

**June 30, 2021 and 2020**

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

Table 4, below, 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 FY2021 and FY2020.

The largest percentage of VSCS expenses are for salary and benefits. Over time, these expenses have declined 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 related expense; however, annual accruals related to post-employment benefits are also included in this salary and benefit expense category and have caused fluctuations in the recognized amounts.

Overall expenses have increased over the five years reported driven largely by an increase in scholarship aid. Additionally, supplies and services were notably higher due to required pandemic related spending on supplies, services, and technology. 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.

<b>Table 4: Total Operating and Non-operating Expenses for Years Ended June 30</b>									
(\$ in millions)									
	2021	% Change	2020	% Change	2019	% Change	2018	% Change	2017
<u>Operating</u>									
Salaries & Benefits	119	0%	119	-2%	121	-1%	122	1%	121
Utilities	5	-17%	6	-14%	7	17%	6	20%	5
Supplies and Svcs	41	11%	37	-8%	40	0%	40	-2%	41
Depreciation	10	0%	10	0%	10	0%	10	0%	10
Student Aid	13	30%	10	25%	8	14%	7	0%	7
Total Operating	188	3%	182	-2%	186	1%	185	1%	184
<u>Nonoperating</u>									
Interest on Debt	5	0%	5	0%	5	-17%	6	20%	5
TOTAL Expenses	193	3%	187	-2%	191	0%	191	1%	189

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

# VERMONT STATE COLLEGES

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### Management's Discussion and Analysis (Unaudited)

**June 30, 2021 and 2020**

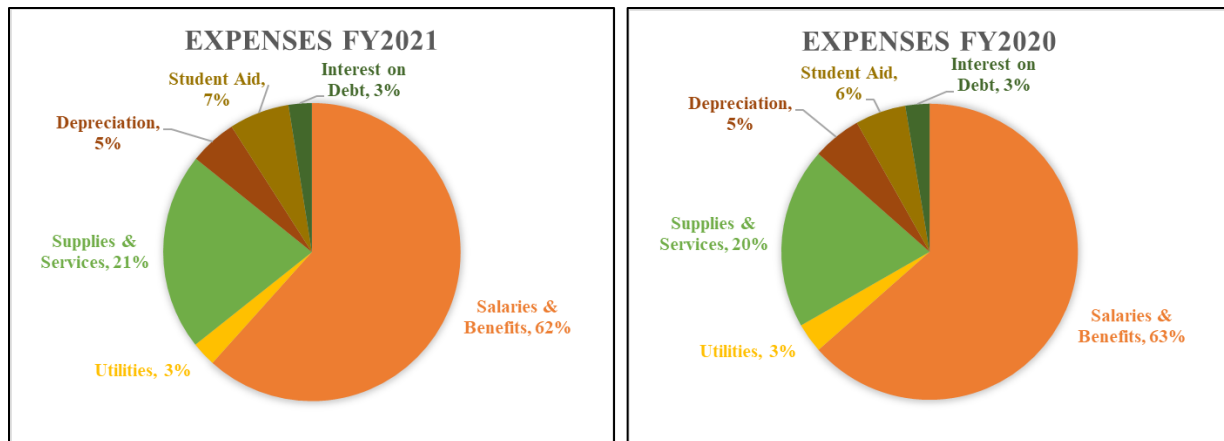


Chart 4: Expenses FY2021 and FY2020 by Major Category

### **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 are recognized at the initial gift value and adjusted by 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.

<b>Student Financial Aid Trends for Past Five Years</b>					
(\$ in millions)					
	FY21	FY20	FY19	FY18	FY17
Scholarship Allowances (included in revenue)	31	32	29	27	25
Scholarship Expenses (included in expenses)	13	10	8	7	7
<b>Total Student Aid</b>	<b>44</b>	<b>42</b>	<b>37</b>	<b>34</b>	<b>32</b>

Table 5: Student Financial Aid Trends for Past Five Years

# VERMONT STATE COLLEGES

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

### Management's Discussion and Analysis (Unaudited)

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#### ***Statement of Cash Flow***

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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.

#### **Cash flows from operating activities**

Cash flows from operating activities on the Statement of Cash Flows will always be different from the net operating income 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 even if 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 increased significantly due to significant increases in Operating Grants (CARES, HEERF, CRF).

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.

#### **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. While this value remained relatively stable between FY2017 and FY2019 large increases were seen in FY2020 and FY2021 due to receipt of federal funding in the form of CARES act, Higher Education Emergency Relief and Coronavirus relief funds. These monies increased the non-operating federal grants line from \$28 million to \$43 million at the end of FY2021.

#### **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 old Bond Series were refinanced at the close of FY2018 and in January of 2020,

# VERMONT STATE COLLEGES

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so there was a smaller amount paid on deposit with the bond trustee in both fiscal years, it is expected that this value will remain constant for several more 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 purchases or sales and gains (or losses) from investments in financial markets and operating subsidies. In FY2021 there were minimal cash changes due to investing activities.

<b>Table 6: Condensed Statement of Cash Flows as of June 30</b>							
(\$ in millions)							
<u>Cash flows from:</u>	2021	% Change	2020	% Change	2019	2018	2017
Operating	-50	6%	-47	9%	-43	-34	-35
Non capital financing	107	62%	66	38%	48	49	45
Capital and related financing	-6	0%	-6	-25%	-8	-10	-10
Investing	0	-100%	1	-200%	-1	2	0
Net increase (decrease)	52	247%	15	-475%	-4	7	0
Cash, Beginning of Year	29	107%	14	-22%	18	11	11
Cash, End of Year	81	179%	29	107%	14	18	11
Operating cash flows if noncapital appropriations and non-operating grants were included							
Operating	-50	6%	-47	9%	-43	-34	-35
Non capital appropriations	61		33		30	30	27
Non operating grants	43		28		16	16	16
Operating cash flows with non-operating additions	54	286%	14	367%	3	12	8

*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 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. Three of four institutions remained in a fully remote fashion through the fall semester, with minimal on campus activities at Castleton University, Vermont Technical College, and Community College of

# **VERMONT STATE COLLEGES**

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Vermont. In Spring 2021, all three residential communities returned to face-to-face instruction, though enrollment drops persisted.

Due to the pandemic, admissions recruiting activities were largely virtual throughout much of FY2021. This, coupled with smaller incoming classes in Fall 2020, will likely have lingering revenue implications for the next three to four years. As of the writing of this Management Discussion and Analysis, all four VSCS communities have returned to face-to-face instruction with full residential activities.

Several pilot scholarship programs, launched by State of Vermont, are likely to have a positive impact on student revenue for FY2022 and beyond. These scholarships, funded in part by the American Rescue Plan Act, focus attention on critical occupations, degree completers, and Vermonters transferring from out-of-state institution to return home to complete their education. The results from these pilots will be used to assess how what works to acquire and retain students in critical programs.

#### ***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 the institutions have adopted programs and implemented 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 College. The proposal was intended to alter the structure and shape of the Vermont State Colleges System to stabilize the system in response to the demographic challenges facing the region. Due to considerable public and legislative outcry, the proposal was withdrawn by the former Chancellor before being placed for a vote.

# VERMONT STATE COLLEGES

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

### Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

#### *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,<sup>1</sup> 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,<sup>2</sup> 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, more nimble and financially-sustainable organization. The Legislature also created the *Select Committee on the Future of Public Higher Education in Vermont* to develop a path forward.

Since creation of the *Select Committee*, several key actions have been taken that will have a positive impact on the financial health of the VSCS moving forward:

- The Select Committee completed its interim and final reports with final recommendations available in a report to the Joint Fiscal Office of the Vermont Legislature in April 2021.<sup>3</sup>
- The Board of Trustees of the Vermont State Colleges endorsed the recommendations of the Select Committee at its February 22, 2021 meeting to (a) bring together Castleton University, Northern Vermont University, and Vermont Technical College to create one new university, and (b) consolidate administrative functions and business processes system-wide.<sup>4</sup>
- Act 74 of the Vermont Legislature was enacted mandating system transformation and integration. This mandate requires the Vermont State Colleges to “establish policies and procedures to implement the Board approved transformation plan as developed by the Select Committee on Higher Education.”<sup>5</sup>
- To oversee the transformation process, a Director of Transformation Projects was hired to establish the critical project management infrastructure necessary to retool the Vermont State Colleges into the system of the future.
- An experienced government relations professional was hired to oversee the relationship between the Vermont State Colleges and State and Federal officials.
- A strategic financial plan and capital expenditures plan is being developed to shore up the balance sheet of the Vermont State Colleges and reduce the structural deficit of the system by \$25 million over five years.

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<sup>1</sup> <https://lifo.vermont.gov/assets/Subjects/Higher-Education/a824553cd8/Treasurer-VSC-Report-Final.pdf>

<sup>2</sup> <https://lifo.vermont.gov/assets/Subjects/Higher-Education/f13fd8d299/Report-on-Funding-for-the-Vermont-State-Colleges-System-FY-2020-and-FY-2021.pdf>

<sup>3</sup> <https://lifo.vermont.gov/assets/Uploads/c2ef482057/Final-Report-of-the-Select-Committee-on-the-Future-of-Public-Higher-Education-in-Vermont-Submitted.pdf>

<sup>4</sup> <https://www.vsc.edu/wp-content/uploads/2021/04/2021-02-22-Board-of-Trustees-Minutes-APPROVED.pdf>

<sup>5</sup> <https://legislature.vermont.gov/Documents/2022/Docs/ACTS/ACT074/ACT074%20As%20Enacted.pdf> p. 177-182

# **VERMONT STATE COLLEGES**

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

### **Management's Discussion and Analysis (Unaudited)**

**June 30, 2021 and 2020**

- A series of transformation initiatives is being executed to merge Vermont Technical College, Castleton University, and Northern Vermont University into a singly accredited institution launching July 2023.

#### ***Vermont State Appropriations***

In FY2021 the Vermont State Colleges received \$28.8 million in one-time bridge funding from the State of Vermont in the form of an additional appropriation. Additionally, the State provided more than \$22 million in Coronavirus Relief funds and \$2.3 million to support education for unemployed and under employed Vermonters who were negatively impacted by the pandemic.

Throughout the Legislative session, the Chancellor and senior team worked closely with the Legislature to provide the necessary background to support the recommendations of the *Select Committee on the Future of Public Higher Education in Vermont*. These recommendations included a \$17.5 increase to the System's annual operating appropriation over four years, and supporting bridge funds in excess of \$60 million over five years, plus funding to support transformation activities.

With the conclusion of the 2021 Legislative session, the VSCS received a \$5 million increase to its base appropriation, a \$21 million one-time economic support grant for bridge funding, \$20 million in funding for transformation activities, and more than \$15 million in scholarship programs. While there are no guarantees that Vermont will be able to continue to increase the VSCS's base appropriation or support additional bridge activities, we have been generously supported to date and will continue to work closely with the Governor, and legislative leadership in the House and Senate.

#### ***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 62% of all expenses related to employees.

The VSCS has seven collective bargaining units. Three of the collective bargaining agreements expired on June 30, 2020. Due to the pandemic, labor and management agreed to one-year extensions for these units for FY2020 and FY2021 with modest adjustments to the terms. Two additional agreements with part-time faculty expired on June 30, 2021 and are currently under negotiation. One contract with a newly-formed bargaining unit completed negotiation prior to June 2021. The remaining agreement for full-time faculty, will expire on June 30, 2022. All expired agreements will undergo negotiation in FY2022.

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

**Statements of Net Position**

**June 30,**

**Assets and Deferred Outflows of Resources**

	<u>2021</u>	<u>2020</u>
<b>Current Assets:</b>		
Cash and equivalents (Note 2)	\$ 75,370,827	\$ 22,432,987
Restricted cash and equivalents	4,655,455	5,940,335
Accounts receivable, net (Note 3)	12,887,694	17,174,731
Deposit with bond trustees (Note 2)	1,068,825	1,061,784
Other current assets	<u>1,906,174</u>	<u>1,458,477</u>
<b>Total Current Assets</b>	<u>95,888,975</u>	<u>48,068,314</u>
<b>Non-Current Assets:</b>		
Cash and equivalents (Note 2)	936,856	963,686
Long-term investments (Note 2)	54,904,256	48,091,685
Notes receivable, net (Note 3)	3,279,122	3,488,786
Other assets	99,207	61,683
Capital assets, net (Note 11)	<u>144,743,671</u>	<u>150,979,076</u>
<b>Total Non-Current Assets</b>	<u>203,963,112</u>	<u>203,584,916</u>
<b>Total Assets</b>	<u>299,852,087</u>	<u>251,653,230</u>
<b>Deferred Outflows of Resources:</b>		
Deferred loss on debt refunding (Note 5)	7,525,847	8,570,206
OPEB (Note 9)	<u>50,006,413</u>	<u>16,151,177</u>
<b>Total Deferred Outflows of Resources</b>	<u>57,532,260</u>	<u>24,721,383</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 357,384,347</u>	<u>\$ 276,374,613</u>

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



## **Liabilities, Deferred Inflows of Resources and Net Position**

	<u>2021</u>	<u>2020</u>
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities (Note 12)	\$ 16,251,717	\$ 13,402,712
Unearned revenue and deposits	12,856,448	12,187,617
Current portion of long-term debt (Note 4)	<u>4,258,454</u>	<u>1,613,454</u>
<b>Total Current Liabilities</b>	<u>33,366,619</u>	<u>27,203,783</u>
<b>Non-Current Liabilities:</b>		
Other liabilities	142,476	244,435
Refundable grants	4,029,353	4,751,397
Post-employment benefit obligations (Note 9)	238,004,492	194,057,554
Long-term debt, excluding current portion (Note 4)	<u>113,702,457</u>	<u>117,960,911</u>
<b>Total Non-Current Liabilities</b>	<u>355,878,778</u>	<u>317,014,297</u>
<b>Total Liabilities</b>	<u>389,245,397</u>	<u>344,218,080</u>
<b>Deferred Inflows of Resources:</b>		
OPEB (Note 9)	<u>3,876,310</u>	<u>4,548,824</u>
<b>Net Position:</b>		
Net investment in capital assets	41,191,698	45,779,424
Restricted - nonexpendable	20,782,281	19,157,254
Restricted - expendable	20,122,013	12,639,185
Unrestricted	<u>(117,833,352)</u>	<u>(149,968,154)</u>
<b>Total Net Position</b>	<u>(35,737,360)</u>	<u>(72,392,291)</u>
 <b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	 <u>\$ 357,384,347</u>	 <u>\$ 276,374,613</u>

**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,**

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues:</b>		
Tuition and fees	\$ 109,090,525	\$ 119,193,554
Residence and dining	8,753,469	13,080,067
Less: scholarship allowances	<u>(31,329,730)</u>	<u>(31,997,371)</u>
Net Tuition, Fees, and Residence and Dining Revenue	86,514,264	100,276,250
Federal grants and contracts	14,521,551	12,607,232
State and local grants and contracts	2,035,581	2,384,119
Non-governmental grants and contracts	1,882,074	940,145
Interest income	117,412	84,052
Sales and services of educational activities	6,879,828	4,123,603
Other operating revenues	<u>778,761</u>	<u>1,285,806</u>
<b>Total Operating Revenues</b>	<u>112,729,471</u>	<u>121,701,207</u>
<b>Operating Expenses (Notes 6, 10 and 12):</b>		
Salaries and wages	73,287,378	77,863,880
Employee benefits (Notes 8 and 9)	46,023,515	41,202,655
Scholarships and fellowships	12,688,211	10,369,849
Supplies and other services	41,461,945	37,107,026
Utilities	5,183,184	6,080,442
Depreciation (Note 11)	<u>9,973,768</u>	<u>9,999,987</u>
<b>Total Operating Expenses</b>	<u>188,618,001</u>	<u>182,623,839</u>
<b>Net Operating Loss</b>	<u>(75,888,530)</u>	<u>(60,922,632)</u>
<b>Non-Operating Revenues (Expenses):</b>		
State appropriations (Note 7)	60,725,199	32,754,092
Federal grants and contracts	42,749,079	27,890,446
Gifts	3,473,800	2,197,466
Investment income, net of expenses (Note 2)	6,915,624	1,322,745
Interest expense on capital debt	(4,882,621)	(4,944,172)
Other non-operating revenues (expenses)	<u>168,820</u>	<u>(18,971)</u>
<b>Net Non-Operating Revenues</b>	<u>109,149,901</u>	<u>59,201,606</u>
<b>Increase (Decrease) in Net Position Before Other Revenues</b>	33,261,371	(1,721,026)
<b>Other Revenues:</b>		
State appropriations for capital expenditures (Note 7)	2,000,000	2,074,056
Capital grants and gifts	32,438	405,759
Additions to non-expendable assets	<u>1,361,122</u>	<u>604,785</u>
<b>Increase (Decrease) in Net Position</b>	36,654,931	1,363,574
Net Position, Beginning of Year	<u>(72,392,291)</u>	<u>(73,755,865)</u>
<b>Net Position, End of Year</b>	<u>\$ (35,737,360)</u>	<u>\$ (72,392,291)</u>

*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,**

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities:</b>		
Tuition and fees	\$ 74,734,760	\$ 90,171,996
Grants and contracts	19,864,627	14,888,434
Sales and services of educational activities	9,070,503	4,049,903
Interest received	117,412	84,052
Payments to suppliers	(44,323,893)	(43,905,043)
Payments to employees	(110,503,485)	(113,910,231)
Collection of loan payments	209,664	696,442
Other cash receipts	<u>778,761</u>	<u>1,285,806</u>
Net Cash Applied to Operating Activities	<u>(50,051,651)</u>	<u>(46,638,641)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
State appropriations	60,725,199	32,754,092
Non-operating federal grants	44,113,650	31,181,335
Gifts and grants	<u>2,540,294</u>	<u>2,252,201</u>
Net Cash Provided by Non-Capital Financing Activities	<u>107,379,143</u>	<u>66,187,628</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Capital and non-expendable grants and gifts	1,393,560	1,010,544
Capital appropriations	2,000,000	2,074,056
Purchase of capital assets	(5,407,875)	(3,897,495)
Change in deposits with bond trustee	(7,041)	2,086,205
Proceeds from sale of capital assets	1,669,512	23,141
Proceeds from issuance of bonds	-	28,723,755
Payments on capital debt	(780,000)	(30,299,155)
Interest expense on capital debt	(4,841,391)	(5,208,599)
Other receipts	<u>168,820</u>	<u>(18,971)</u>
Net Cash Applied to Capital and Related Financing Activities	<u>(5,804,415)</u>	<u>(5,506,519)</u>

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

**Statements of Cash Flows - Continued**

**For the Years Ended June 30,**

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales and maturities of investments	\$ 4,801,103	\$ 5,448,756
Purchase of investments	(5,696,780)	(5,502,982)
Interest and dividends received on investments	<u>998,730</u>	<u>1,263,407</u>
Net Cash Provided by Investing Activities	<u>103,053</u>	<u>1,209,181</u>
<b>Net Increase in Cash and Equivalents</b>	<b>51,626,130</b>	<b>15,251,649</b>
Cash and Equivalents, Beginning of Year	<u>29,337,008</u>	<u>14,085,359</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 80,963,138</u></b>	<b><u>\$ 29,337,008</u></b>
<b>Reconciliation of Operating Loss to Net Cash Applied to Operating Activities:</b>		
Operating loss	\$ (75,888,530)	\$ (60,922,632)
Adjustments to reconcile operating loss to net cash applied to operating activities:		
Depreciation	9,973,768	9,999,987
Bad debts	542,474	796,980
OPEB activity	(34,527,750)	376,643
Changes in assets and liabilities:		
Accounts receivable	1,745,117	(708,867)
Other assets	(485,221)	833,085
Notes receivable	209,664	696,442
Accounts payable and accrued liabilities	3,018,680	(559,225)
Unearned revenues, deposits and refundable grants	1,413,209	(2,205,058)
Post-employment benefit obligations	<u>43,946,938</u>	<u>5,054,004</u>
Net Cash Applied to Operating Activities	<u><b>\$ (50,051,651)</b></u>	<u><b>\$ (46,638,641)</b></u>
<b>Non-Cash Transactions:</b>		
Unrealized gains (losses)	<u><b>\$ 5,916,894</b></u>	<u><b>\$ (1,119,070)</b></u>
Donation of stock	<u><b>\$ 952,750</b></u>	<u><b>\$ 403,259</b></u>
Net gain on disposal of capital assets	<u><b>\$ 168,339</b></u>	<u><b>\$ -</b></u>

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

# **VERMONT STATE COLLEGES**

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

### **Notes to the Financial Statements**

**June 30, 2021 and 2020**

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. During the year ended June 30, 2021, COVID-19 had a significant effect on the College’s operations in response to government requirements and observing safety measures. As a result, the College’s housing’s maximum capacity decreased significantly in the 2020-2021 academic year.

In response to the pandemic, the Federal government provided to the College Higher Education Emergency Relief Funds (HEERF) and funds for the Strengthening Institution Program (SIP) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan Act (ARPA). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid.

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award and the SIP can be used to cover any costs associated with significant changes to the delivery of instruction. Unless an extension is approved by the Department of Education, the student aid award and the institutional award and SIP funding must be spent by May 2022.

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

**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

The Colleges have been awarded the following HEERF and SIP funds as of June 30, 2021:

	Student Aid	Institutional	Strengthening	
	Award	Award	Institution	Total
			Program	
CARES	\$ 3,070,616	\$ 3,070,616	\$ 302,823	\$ 6,444,055
CRRSAA	3,070,616	9,914,094	542,363	13,527,073
ARPA	11,630,099	10,880,450	834,626	23,345,175
Total	<u>\$ 17,771,331</u>	<u>\$ 23,865,160</u>	<u>\$ 1,679,812</u>	<u>\$ 43,316,303</u>

The College have recognized the following funds as non-operating Federal grants for the years ended June 30, 2021, and 2020:

For the Year Ended June 30, 2021					For the Year Ended June 30, 2020				
	Student Aid	Institutional	Strengthening			Student Aid	Institutional	Strengthening	
	Award	Award	Institution	Total		Award	Award	Institution	Total
			Program					Program	
CARES	\$ 421,170	\$ 421,170	\$ 74,672	\$ 917,012	CARES	\$ 2,649,446	\$ 2,649,446	\$ 228,151	\$ 5,527,043
CRRSAA	3,070,616	9,093,217	542,363	12,706,196	CRRSAA	-	-	-	-
ARPA	-	-	-	-	ARPA	-	-	-	-
Total	<u>\$ 3,491,786</u>	<u>\$ 9,514,387</u>	<u>\$ 617,035</u>	<u>\$ 13,623,208</u>	Total	<u>\$ 2,649,446</u>	<u>\$ 2,649,446</u>	<u>\$ 228,151</u>	<u>\$ 5,527,043</u>

The CARES act also created the Coronavirus Relief Fund (“CRF”) which was awarded to the State. As of June 30, 2021, the State has allocated at total of approximately \$26,900,000 to the Colleges for expenses incurred due to the public health emergency with respect to the coronavirus. During the fiscal years ended June 30, 2021 and 2020, the Colleges expended \$15,679,159 and \$6,575,165 and recognized \$15,679,159 and \$6,575,165, respectively in non-operating Federal grants revenue. The remaining unexpended balance of \$4,655,455 and \$5,940,335 is included in unearned income and deposits in the statement of net position as of June 30, 2021 and 2020, respectively. The Colleges must expend this award by December 30, 2021.

# **VERMONT STATE COLLEGES**

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

### **Notes to the Financial Statements - Continued**

**June 30, 2021 and 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.

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Notes to the Financial Statements - Continued

June 30, 2021 and 2020

### 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 years ending June 30, 2021 and 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.



# **VERMONT STATE COLLEGES**

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

### **Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

#### *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.

# **VERMONT STATE COLLEGES**

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

### **Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

#### *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. No further extensions were granted for the program as of the date of these financial statements.

#### *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 \$3,218,862 and \$2,385,408 as of June 30, 2021 and 2020, respectively. Cumulative unamortized balances of bond premiums totaled \$13,775,911 and \$14,609,365 as of June 30, 2021 and 2020, respectively. The bond premiums are included in bonds and notes payable.

# **VERMONT STATE COLLEGES**

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

### **Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

#### *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.

# **VERMONT STATE COLLEGES**

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

### **Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

#### *Adoption of New Accounting Pronouncements*

The Colleges adopted GASB Statement 84 – *Fiduciary Activities* and the certain component unit criteria portion of GASB 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans*. The objective of these statements is to establish criteria for identifying and reporting of fiduciary activities. The implementation of these statements did not have a material effect on the financial statements.

#### *New Governmental Accounting Pronouncements*

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.

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.

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.

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

GASB Statement 94 – *Public-Private and Public-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.

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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.

GASB Statement 97 – *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 absences of a governing board of the potential component unit, the situation should be treated as the same as the primary government appointing a majority of the potential component unit's governing board. Management has not completed its review of the requirements of these standards and its applicability.

Management is in the process of evaluating these pronouncements and has not yet determined their impact on the financial statements.

### Reclassifications

Certain amounts on the 2020 financial statements have been reclassified to conform to the 2021 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.

# **VERMONT STATE COLLEGES**

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

### **Notes to the Financial Statements - Continued**

#### **June 30, 2021 and 2020**

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, 2021, the balance of current assets - cash and equivalents and restricted cash and equivalents, consists of approximately \$14,300 in petty cash, and the remainder deposited in Federal Deposit Insurance Corporation ("FDIC") insured banking institutions of approximately \$80,012,000 per the accounting records of the Colleges, and approximately \$81,529,000 per bank records. Of the bank balances, approximately \$628,000 was covered by federal depository insurance and approximately \$80,901,000 was uninsured and uncollateralized at June 30, 2021.

At June 30, 2021, the balances of non-current assets - cash and equivalents deposited in FDIC insured banking institutions were approximately \$937,000 per the accounting records of the Colleges, and approximately \$936,000 per bank records. Of the bank balances, approximately \$265,000 was covered by federal depository insurance and approximately \$671,000 was uninsured and uncollateralized at June 30, 2021.

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.

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

**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

Investments

Investments of the various funds at June 30, 2021 are as follows:

	<u>Fair Value</u>	<u>Cost</u>
U.S. Government bonds	\$ 6,438,074	\$ 6,078,575
Corporate bonds	6,208,330	5,890,960
Common stock and ETF's	18,645,031	11,865,354
Hedge fund shares	4,038,558	3,906,602
Mutual funds	9,998,621	8,512,329
Money market	9,575,642	9,575,642
Held by bond trustee	<u>1,068,825</u>	<u>1,068,825</u>
 Total Investments	 <u>\$ 55,973,081</u>	 <u>\$ 46,898,287</u>

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

	<u>Fair Value</u>	<u>Cost</u>
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	<u>1,061,784</u>	<u>1,061,784</u>
 Total Investments	 <u>\$ 49,153,469</u>	 <u>\$ 47,108,333</u>

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 bond, 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.

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Notes to the Financial Statements - Continued

**June 30, 2021 and 2020**

<u>2021</u>					
<u>Investment Maturities (in years)</u>					
<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Money Market					
Investments	\$ 9,575,642	\$ 9,575,642	\$ -	\$ -	\$ -
Corporate Bonds	6,208,330	1,428,430	4,050,902	728,998	-
U.S. Govt. Bonds	<u>6,438,074</u>	<u>1,465,385</u>	<u>3,771,343</u>	<u>1,201,346</u>	<u>-</u>
Total	<u>\$ 22,222,046</u>	<u>\$ 12,469,457</u>	<u>\$ 7,822,245</u>	<u>\$ 1,930,344</u>	<u>\$ -</u>

### Other Investments

Common Stock and Mutual Funds	32,682,210
Held by Bond Trustee	<u>1,068,825</u>
Total	<u>\$ 55,973,081</u>

<u>2020</u>					
<u>Investment Maturities (in years)</u>					
<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
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	<u>8,760,041</u>	<u>2,017,689</u>	<u>5,396,665</u>	<u>1,345,687</u>	<u>-</u>
Total	<u>\$ 21,987,026</u>	<u>\$ 8,105,181</u>	<u>\$ 10,142,250</u>	<u>\$ 3,739,595</u>	<u>\$ -</u>

### Other Investments

Common Stock and Mutual Funds	26,104,659
Held by Bond Trustee	<u>1,061,784</u>
Total	<u>\$ 49,153,469</u>



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

**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

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:

	<u><b>2021</b></u>	<u><b>2020</b></u>
Interest and dividend income	\$ <b>636,663</b>	\$ 1,259,821
Net realized and unrealized gain (loss)	<u><b>6,474,107</b></u>	<u>242,286</u>
 Total investment income	 <b>7,110,770</b>	 1,502,107
Less: management fees	<u><b>(195,146)</b></u>	<u>(179,362)</u>
 Investment income, net	 <u><u><b>\$ 6,915,624</b></u></u>	 <u><u>\$ 1,322,745</u></u>

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Notes to the Financial Statements - Continued

**June 30, 2021 and 2020**

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

<u>Investment rating*</u>	<u>2021</u>	<u>2020</u>
AAA	\$ 6,684,425	\$ 9,013,298
AA+	77,674	168,394
AA	1,431,306	1,447,534
AA-	4,133	8,571
A+	643,895	921,686
A	1,951,764	2,073,619
A-	772,682	1,721,591
BBB+	847,204	1,061,009
BBB	233,321	153,931
BBB-	-	-
BB+	-	-
BB	-	-
BB-	-	-
B+	-	-
B	-	-
B-	-	-
CCC+	-	-
Unrated	<u>9,575,642</u>	<u>5,417,393</u>
	<u><b>\$ 22,222,046</b></u>	<u><b>\$ 21,987,026</b></u>

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

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.

# **VERMONT STATE COLLEGES**

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

### **Notes to the Financial Statements - Continued**

#### **June 30, 2021 and 2020**

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

# **VERMONT STATE COLLEGES**

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

### **Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

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.

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Notes to the Financial Statements - Continued

### June 30, 2021 and 2020

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, 2021*

	Level 1	Level 2	Level 3	Total
U.S. Government bonds	\$ 6,438,074	\$ -	\$ -	\$ 6,438,074
Corporate bonds	-	6,208,330	-	6,208,330
Common stock and ETF's	18,645,031	-	-	18,645,031
Hedge fund shares	-	4,038,558	-	4,038,558
Mutual funds	9,998,621	-	-	9,998,621
Money market	9,575,642	-	-	9,575,642
Held by bond trustee	1,068,825	-	-	1,068,825
Total Assets at Fair Value	\$ <u>45,726,193</u>	\$ <u>10,246,888</u>	\$ <u>-</u>	\$ <u>55,973,081</u>

#### *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	\$ <u>37,766,808</u>	\$ <u>11,386,661</u>	\$ <u>-</u>	\$ <u>49,153,469</u>

# VERMONT STATE COLLEGES

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

### Notes to the Financial Statements - Continued

**June 30, 2021 and 2020**

**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:

	<u>2021</u>	<u>2020</u>
Student accounts receivable	\$ 12,231,000	\$ 12,762,953
Grants receivable	6,682,679	10,107,548
Other receivable	<u>1,285,705</u>	<u>1,816,793</u>
Subtotal	20,199,384	24,687,294
Allowance for doubtful accounts	<u>(7,311,690)</u>	<u>(7,512,563)</u>
Total accounts receivable, net	<u>\$ 12,887,694</u>	<u>\$ 17,174,731</u>

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 \$1,205,000 and \$1,253,000 at June 30, 2021 and 2020, respectively. This allowance is the aggregate that was reserved for each college based upon historical bad loan reserve requirements, the net decrease in the allowance of \$48,000 and net increase of \$39,000 in 2021 and 2020, respectively, has been reflected in operating expenses.

**Note 4 - Long-Term Liabilities**

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

	<u>2021</u>				
	<u>Beginning balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balances</u>	<u>Current portion</u>
<b>Long-term liabilities</b>					
Bonds and notes payable	\$ 119,574,365	\$ -	1,613,454	\$ 117,960,911	\$ 4,258,454
Total OPEB obligation	194,057,554	43,946,938	-	238,004,492	-
Other liabilities	244,435	142,476	244,435	142,476	-
Refundable grants	<u>4,751,397</u>	<u>-</u>	<u>722,044</u>	<u>4,029,353</u>	<u>-</u>
Total long-term liabilities	<u>\$ 318,627,751</u>	<u>\$ 44,089,414</u>	<u>\$ 2,579,933</u>	<u>\$ 360,137,232</u>	<u>\$ 4,258,454</u>

**VERMONT STATE COLLEGES**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

	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	<u>\$ 316,351,406</u>	<u>\$ 34,022,194</u>	<u>\$ 31,745,849</u>	<u>\$ 318,627,751</u>	<u>\$ 1,613,454</u>

*Bonds and Notes Payable*

Outstanding debt as of June 30, is as follows:

	<u><b>2021</b></u>	<u><b>2020</b></u>
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 \$4,231,897 and \$4,451,736 has been added to the liability at June 30, 2021 and 2020, respectively. <sup>1</sup>	<b>\$28,416,897</b>	\$28,636,735
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 \$8,428,414 and \$8,947,085 has been added to the liability at June 30, 2021 and 2020, respectively. <sup>2</sup>	<b>76,088,414</b>	76,607,085

**VERMONT STATE COLLEGES**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

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 \$1,115,600  
and \$1,210,545 has been added to the  
liability at June 30, 2021 and 2020,  
respectively.

**13,455,600**      14,330,545

**\$ 117,960,911**      \$ 119,574,365

<sup>1</sup> 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.

<sup>2</sup> On May 24, 2017, VSC issued the Vermont State Colleges System Bonds 2017 Series A, in the principal amount of \$67,660,000. The 2017 Bond was issued for the purpose of (1) refinancing certain indebtedness of VSC; (2) paying the costs of issuance of the 2017 Series A Bond; and (3) paying the breakage fee for the interest rate swap agreements. The 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.



**VERMONT STATE COLLEGES**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

*Debt Roll-Forward*

Long-term debt activity for the years ended June 30, 2021 and 2020 was as follows:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Repayment</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion</u>
Series 2013	\$ 13,120,000	\$ -	\$ (780,000)	\$ 12,340,000	\$ 810,000
Series 2013 Bond Premium	<u>1,210,545</u>	<u>-</u>	<u>(94,944)</u>	<u>1,115,601</u>	<u>94,944</u>
Series 2013 Bonds	<u>14,330,545</u>	<u>-</u>	<u>(874,944)</u>	<u>13,455,601</u>	<u>904,944</u>
Series 2017	67,660,000	-	-	67,660,000	2,615,000
Series 2017 Bond Premium	<u>8,947,085</u>	<u>-</u>	<u>(518,672)</u>	<u>8,428,413</u>	<u>518,672</u>
Series 2017 Bonds	<u>76,607,085</u>	<u>-</u>	<u>(518,672)</u>	<u>76,088,413</u>	<u>3,133,672</u>
Series 2020	24,185,000	-	-	24,185,000	-
Series 2020 Bond Premium	<u>4,451,735</u>	<u>-</u>	<u>(219,838)</u>	<u>4,231,897</u>	<u>219,839</u>
Series 2020 Bonds	<u>28,636,735</u>	<u>-</u>	<u>(219,838)</u>	<u>28,416,897</u>	<u>219,838</u>
Total Bonds and Notes Payable	<u>\$ 119,574,365</u>	<u>\$ -</u>	<u>\$ (1,613,454)</u>	<u>\$ 117,960,911</u>	<u>\$ 4,258,454</u>

**VERMONT STATE COLLEGES**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

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

**VERMONT STATE COLLEGES**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

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

Years Ending June 30,	Principal <u>Amount</u>	Interest <u>Amount</u>
2022	\$ 3,425,000	\$ 4,537,426
2023	3,595,000	5,380,026
2024	3,915,000	5,200,926
2025	5,355,000	5,001,476
2026	5,345,000	4,704,766
2027-2031	30,180,000	16,249,103
2032-2036	33,115,000	6,890,107
2037-2041	<u>19,255,000</u>	<u>1,384,276</u>
	<u>\$ 104,185,000</u>	<u>\$ 49,348,106</u>

Deferred loss on debt refunding is 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 Revenue Bond is 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, 2021 and 2020. The unamortized balance of the breakage fee was \$6,813,988 and \$7,817,334 for years ended June 30, 2021 and 2020.

# VERMONT STATE COLLEGES

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## Notes to the Financial Statements - Continued

### June 30, 2021 and 2020

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 \$40,923 and \$11,284 for the year ending June 30, 2021 and 2020. The unamortized balance of the advanced debt refunding was \$711,859 and \$752,872 for years ended June 30, 2021 and 2020.

Note 6 - **Functional Expense Classification**

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

	<u>2021</u>	<u>2020</u>
Instruction	\$ 52,604,295	\$ 53,644,471
Research	17,395	17,601
Public Service	10,145,080	9,115,632
Academic Support	20,401,988	22,024,412
Student Services	33,286,109	37,725,010
Institution Support	42,871,394	36,537,599
Physical Plant	8,237,269	4,713,801
Student Financial Support	11,080,703	8,845,326
Depreciation	<u>9,973,768</u>	<u>9,999,987</u>
	<u>\$ 188,618,001</u>	<u>\$ 182,623,839</u>

# **VERMONT STATE COLLEGES**

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

### **Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

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. In addition to their operating appropriation, the Colleges received an additional \$28,800,000 in bridge funding in fiscal year 2021 to address the structural deficit of the Colleges. Also included in the annual State appropriation for operations is funding for Allied Health of approximately \$1,158,000 in fiscal years 2021 and 2020; VMEC of approximately \$428,000 in fiscal year 2021 and 2020.

Capital appropriations for VSC made from the State Bond Funds were approximately \$2,000,000 and \$2,100,000 in fiscal years 2021 and 2020, 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, 2021 and 2020, the Colleges' total payroll expense was approximately \$73,287,000 and \$77,864,000, respectively, of which approximately \$50,728,000 and \$52,809,000 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, 2021 and 2020, contributions made by the Colleges under this plan totaled approximately \$4,681,000 and \$4,926,000, or approximately 9.23% and 9.33%, of covered salaries, respectively. The defined contribution plan is not a fiduciary activity since the Met does not hold the assets nor has the ability to direct the use, exchange or deployment of the assets.

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, 2021 and 2020, there were no covered salaries for employees participating in the Vermont Employees Retirement System and there were no

# VERMONT STATE COLLEGES

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## Notes to the Financial Statements - Continued

**June 30, 2021 and 2020**

employer contributions. There were no contributions to the Vermont State Teachers Retirement System during 2021 and 2020.

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, 2021 and 2020, contributions for these benefits were approximately \$780,000 and \$826,000, 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,:

	<u>2021</u>	<u>2020</u>
Retirees and Beneficiaries	721	700
Inactive, Non-retired members	-	-
Active plan members	<u>860</u>	<u>917</u>
Total plan members	<u>1,581</u>	<u>1,617</u>

# **VERMONT STATE COLLEGES**

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## **Notes to the Financial Statements - Continued**

### **June 30, 2021 and 2020**

**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 2021 and 2020, VSC recognized employer contributions of \$7,306,213 and \$6,986,981, respectively, for both healthcare and early retirement. The plan is financed on a pay-as-you-go basis. In fiscal years 2021 and 2020, 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, 2021 and 2020, VSC reported a total OPEB liability of \$238,004,492 and \$194,057,554, respectively. The total OPEB liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, the measurement date, and the actuarial valuation date of July 1, 2019, which was rolled forward from the prior measurement date of June 30, 2019. The total OPEB liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, the measurement date, and the total OPEB liability was determined by an actuarial valuation date as of July 1, 2019.

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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

The following table shows the components of VSC's annual OPEB costs for the year ended June 30, 2021 and 2020, and the changes in VSC's total OPEB obligation to the retiree healthcare plan are as follows:

	<u><b>2021</b></u>	<u><b>2020</b></u>
Interest on total OPEB obligation	\$ <b>6,671,317</b>	\$ 7,194,823
Service Cost	<b>3,672,170</b>	4,532,612
Amortization of current year for difference between expected and actual experience	<b>991,437</b>	991,437
Amortization of current year for changes in plan actuarial assumptions	<u><b>5,300,477</b></u>	<u>(301,243)</u>
Annual OPEB cost	<b>16,635,401</b>	12,417,629
Difference between expected and actual experience to be recognized in future years	<b>(991,437)</b>	(727,905)
Difference between changes in plan actuarial assumptions to be recognized in future years	<b>35,199,955</b>	(454,099)
Benefit payments	<u><b>(6,896,981)</b></u>	<u>(6,181,621)</u>
Increase in total OPEB obligation	<b>43,946,938</b>	5,054,004
Total OPEB obligation - Beginning of Year	<u><b>194,057,554</b></u>	<u>189,003,550</u>
Total OPEB obligation - End of Year	<u><b>\$ 238,004,492</b></u>	<u><b>\$ 194,057,554</b></u>



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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

**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,:

	<u><b>2021</b></u>	<u><b>2020</b></u>
<u>Deferred Outflows of Resources</u>		
Differences between projected and actual experience	\$ 7,408,077	\$ 8,702,485
Changes in plan actual assumptions	35,292,123	461,711
Contributions subsequent to the measurement date	<u>7,306,213</u>	<u>6,986,981</u>
Total	<u><u>\$ 50,006,413</u></u>	<u><u>\$ 16,151,177</u></u>

**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,:

	<u><b>2021</b></u>	<u><b>2020</b></u>
<u>Deferred Inflows of Resources</u>		
Differences between projected and actual experience	\$ 1,820,860	\$ 2,123,831
Changes in plan actual assumptions	<u>2,055,450</u>	<u>2,424,993</u>
Total	<u><u>\$ 3,876,310</u></u>	<u><u>\$ 4,548,824</u></u>

**VERMONT STATE COLLEGES**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

VSC's contributions of \$7,306,213 and \$6,986,981 made during fiscal year ending 2021 and 2020, 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 <u>June 30,</u>	
2022	\$ 6,291,914
2023	6,291,914
2024	6,291,914
2025	6,291,914
2026	6,324,073
2027 and after	<u>7,332,161</u>
	<u><u>\$ 38,823,890</u></u>

# VERMONT STATE COLLEGES

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## Notes to the Financial Statements - Continued

### June 30, 2021 and 2020

**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	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Inflation	2.5%	2.5%
Salary increases	3.5% per year	3.5% per year
Discount rate	2.21%	3.50%
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	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

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%, which was the same rate used in the prior measurement date. Employees less than 65 had an annual turnover rate of 3.5%, which was the same rate 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, the same rate was used.

# VERMONT STATE COLLEGES

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## Notes to the Financial Statements - Continued

**June 30, 2021 and 2020**

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:

<u>2021</u>		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
1.21%	2.21%	3.21%
\$ 281,487,793	\$ 238,004,492	\$ 204,566,933

<u>2020</u>		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
2.50%	3.50%	4.50%
\$ 222,043,023	\$ 194,057,554	\$ 171,021,205

**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:

**VERMONT STATE COLLEGES**  
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**Notes to the Financial Statements - Continued**

**June 30, 2021 and 2020**

<u>2021</u>		
Current Healthcare		
1.00% Decrease	Cost Trend Rate (A)	1.00% Increase
<u>\$ 203,930,702</u>	<u>\$ 238,004,492</u>	<u>\$ 281,230,049</u>

<u>2020</u>		
Current Healthcare		
1.00% Decrease	Cost Trend Rate (A)	1.00% Increase
<u>\$ 170,034,818</u>	<u>\$ 194,057,554</u>	<u>\$ 223,911,882</u>

(A) - See page 56 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 \$3,515,000 and \$3,352,000 in 2021 and 2020, respectively.

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Notes to the Financial Statements - Continued

**June 30, 2021 and 2020**

Future minimum rental payments required under operating leases with non-cancelable terms in excess of one year at June 30, 2021 are as follows:

<b>Years Ending June 30,</b>	<b><u>Real Estate</u></b>	<b><u>Vehicles and Equipment</u></b>	<b><u>Total</u></b>
2022	\$ 2,342,874	\$ 379,107	\$ 2,721,981
2023	1,957,502	310,616	2,268,118
2024	1,686,811	86,009	1,772,820
2025	1,189,630	41,618	1,231,248
2026	1,218,779	2,694	1,221,473
2027 and thereafter	<u>2,388,799</u>	<u>-</u>	<u>2,388,799</u>
	<u><u>\$ 10,784,395</u></u>	<u><u>\$ 820,044</u></u>	<u><u>\$ 11,604,439</u></u>

### Note 11 - **Capital Assets**

Property and equipment activity for the years ended June 30, 2021 and 2020 is summarized below:

	<b>Balance June 30, 2020</b>	<b><u>Additions</u></b>	<b><u>Transfers</u></b>	<b><u>Retirements</u></b>	<b>Balance June 30, 2021</b>
Land	\$ 9,004,664	\$ -	\$ -	\$ (334,316)	\$ 8,670,348
Construction-in-process	<u>2,866,436</u>	<u>4,180,658</u>	<u>(2,187,628)</u>	<u>-</u>	<u>4,859,466</u>
Subtotal - Capital assets not depreciated	<u>11,871,100</u>	<u>4,180,658</u>	<u>(2,187,628)</u>	<u>(334,316)</u>	<u>13,529,814</u>
Infrastructure	41,568,376	56,634	771,866	(66,863)	42,330,013
Buildings and improvements	261,963,614	-	1,343,935	(1,976,446)	261,331,103
Leasehold improvements	4,090,271	-	-	-	4,090,271
Equipment	<u>36,932,380</u>	<u>1,170,583</u>	<u>71,827</u>	<u>(131,226)</u>	<u>38,043,564</u>
Subtotal - Capital assets depreciated	<u>344,554,641</u>	<u>1,227,217</u>	<u>2,187,628</u>	<u>(2,174,535)</u>	<u>345,794,951</u>
Less accumulated depreciation	<u>(205,446,665)</u>	<u>(9,973,768)</u>	<u>-</u>	<u>839,339</u>	<u>(214,581,094)</u>
Capital assets, net	<u><u>\$ 150,979,076</u></u>	<u><u>\$ (4,565,893)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,669,512)</u></u>	<u><u>\$ 144,743,671</u></u>

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Notes to the Financial Statements - Continued

### June 30, 2021 and 2020

	Balance <u>June 30, 2019</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	Balance <u>June 30, 2020</u>
Land	\$ 9,004,664	\$ -	\$ -	\$ -	\$ 9,004,664
Construction-in-process	<u>1,604,504</u>	<u>3,046,796</u>	<u>(1,784,864)</u>	<u>-</u>	<u>2,866,436</u>
Subtotal - Capital assets not depreciated	<u>10,609,168</u>	<u>3,046,796</u>	<u>(1,784,864)</u>	<u>-</u>	<u>11,871,100</u>
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	<u>36,425,264</u>	<u>653,149</u>	<u>-</u>	<u>(146,033)</u>	<u>36,932,380</u>
Subtotal - Capital assets depreciated	<u>342,065,108</u>	<u>850,702</u>	<u>1,784,864</u>	<u>(146,033)</u>	<u>344,554,641</u>
Less accumulated depreciation	<u>(195,569,567)</u>	<u>(9,999,987)</u>	<u>-</u>	<u>122,889</u>	<u>(205,446,665)</u>
Capital assets, net	<u>\$ 157,104,709</u>	<u>\$ (6,102,489)</u>	<u>\$ -</u>	<u>\$ (23,144)</u>	<u>\$ 150,979,076</u>

#### 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.

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Notes to the Financial Statements - Continued

**June 30, 2021 and 2020**

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 \$1,879,000 June 30, 2021 and \$1,447,000 at June 30, 2020 and are based on historical data. A medical and dental claim roll-forward is presented below:

	<u><b>2021</b></u>	<u><b>2020</b></u>
Medical and dental claims reserve, beginning of year	\$ <b>1,447,100</b>	\$ 2,560,000
Incurred claims	<b>19,682,000</b>	16,837,100
Payments on claims	<u><b>(19,250,000)</b></u>	<u>(17,950,000)</u>
Medical and dental claims reserve, end of year	<u><b>\$ 1,879,100</b></u>	<u>\$ 1,447,100</u>

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 \$1,477,000 per year. VSC has obtained a letter of credit in the amount of \$600,000 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:

	<u><b>2021</b></u>	<u><b>2020</b></u>
Workers' compensation reserve, beginning of year	\$ <b>365,000</b>	\$ 297,000
Workers' compensation accrued during the year	<b>674,000</b>	842,000
Claims paid/reserved/claims administration	<u><b>(637,000)</b></u>	<u>(774,000)</u>
Workers' compensation reserve, end of year	<u><b>\$ 402,000</b></u>	<u>\$ 365,000</u>



# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Notes to the Financial Statements - Continued

**June 30, 2021 and 2020**

### Commitments

VSC has entered into various construction contracts. The following commitments are ongoing projects at June 30, 2021:

<u>Project</u>	<u>Expended through June 30, 2021</u>	<u>Committed Future Costs</u>	<u>Total Committed Costs of Project</u>
VTC - Advanced Manufacturing Center-	\$ 1,208,337	\$ 714,320	\$ 1,922,657
VTC - Axis Milling Machine	141,670	330,563	472,233
VTC - Lab Equipment	296,874	692,707	989,571
VTC - ProX SLS 6100 Printer	-	385,343	385,343
Total	\$ 1,646,881	\$ 2,122,933	\$ 3,769,804

### 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 \$379,000 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. In August 2020, VSC entered into a new service concession agreement with Sodexo continuing through August 2025. The new agreement will not require annual contributions.

**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, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	July 1, 2019	July 1, 2019	July 1, 2017	July 1, 2017
<b>Total OPEB liability</b>				
Service Cost	\$ 3,672,170	\$ 4,532,612	\$ 4,515,546	\$ 4,359,477
Interest	6,671,317	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	40,500,432	(755,342)	(2,480,058)	666,613
Benefit payments	<u>(6,896,981)</u>	<u>(6,181,621)</u>	<u>(6,399,026)</u>	<u>(6,464,225)</u>
<b>Net change in total OPEB liability</b>	43,946,938	5,054,004	505,402	16,989,502
<b>Total OPEB liability - beginning</b>	<u>194,057,554</u>	<u>189,003,550</u>	<u>188,498,148</u>	<u>171,508,646</u>
<b>Total OPEB liability - ending</b>	<u>\$ 238,004,492</u>	<u>\$ 194,057,554</u>	<u>\$ 189,003,550</u>	<u>\$ 188,498,148</u>
<b>Covered payroll</b>	50,942,334	49,219,646	50,074,973	51,380,910
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	467.20%	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.*

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

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

June 30, 2021 and 2020

Note 1 - **Change in Plan Assumptions**

Measurement date – June 30, 2020

*Change in Discount Rate*

The discount rate was decreased from 3.50% to 2.21%

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 decreased 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 was 2050. 200 was used in the prior measurement date.

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

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

**June 30, 2021 and 2020**

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%.

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***



## **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, 2021 and 2020, 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 Vermont State Colleges' basic financial statements and have issued our report thereon dated October 25, 2021.

### **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.

**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.

A handwritten signature in cursive script that reads "O'Connor + Drew, P.C.".

**Certified Public Accountants  
Braintree, Massachusetts**

October 25, 2021



# **VERMONT STATE COLLEGES**

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

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

**JUNE 30, 2021**

**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, 2021**

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

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## **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, 2021. 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.

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, 2021.

### **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 2021-001. 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, material weaknesses may exist that have not been identified.

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, 2021. We issued our report thereon dated October 25, 2021, 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.



**Certified Public Accountants  
Braintree, Massachusetts**

February 7, 2022

(except for the Schedule of Expenditures of Federal Awards; for which the date is October 25, 2021)



## **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 statement of net position as of June 30, 2021, the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 25, 2021.

### **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.

A handwritten signature in cursive script that reads "O'Connor + Drew, P.C.".

**Certified Public Accountants  
Braintree, Massachusetts**

October 25, 2021

**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, 2021**

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>					
<b>U.S. Department of Education:</b>					
<b>Direct Awards:</b>					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	\$ 1,113,157	\$ -
Federal Work-Study Program	84.033	N/A	N/A	1,505,563	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	3,488,786	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	-	-
Federal Direct Student Loans	84.268	N/A	N/A	29,092,895	-
Federal Pell Grant Program	84.063	N/A	N/A	13,446,712	-
Total Student Financial Assistance Cluster				<u>48,647,113</u>	<u>-</u>
<b>TRIO CLUSTER</b>					
<b>U.S. Department of Education:</b>					
<b>Direct Awards:</b>					
TRIO Student Support Services	84.042A	N/A	N/A	1,501,539	-
TRIO Upward Bound	84.047A	N/A	N/A	1,203,184	-
TRIO Upward Bound NY	84.047M	N/A	N/A	312,234	-
TRIO McNair	84.217A	N/A	N/A	246,352	-
Total TRIO Cluster				<u>3,263,309</u>	<u>-</u>
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>					
<b>National Aeronautics and Space Administration:</b>					
<b>Passthrough Awards:</b>					
Science - National Space Grant College and Fellowship Program	43.001	University of Vermont	AWD00000100SUB00000078	9,006	-
Experimental Program to Stimulate Competitive Research - Cubesat	43.008	University of Vermont	33451 SUB00000147	19,093	-
Subtotal - Passthrough Awards				<u>28,099</u>	<u>-</u>
<b>National Science Foundation:</b>					
<b>Direct Awards:</b>					
Geosciences	47.050	N/A	N/A	33,418	-
<b>Passthrough Awards:</b>					
Experimental Program to Stimulate Competitive Research	47.073	University of Vermont	30373SUB52050	11,303	-
Experimental Program to Stimulate Competitive Research	47.073	University of Vermont	30373SUB52051	13,177	-
Biomedical Research and Research Training	93.859	University of Vermont	29252SUB51796	101,597	-
Biomedical Research and Research Training	93.859	University of Vermont	2P20GM103449-19	118,196	-
Subtotal - Passthrough Awards				<u>244,273</u>	<u>-</u>
Total Research and Development Cluster				<u>305,790</u>	<u>-</u>
<b>477 CLUSTER</b>					
<b>U.S. Department of Health and Human Services:</b>					
<b>Passthrough Awards:</b>					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.575	Vermont Department of Children & Families	03440-44001-18ECPDS	1,241,518	-

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

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

**Year Ended June 30, 2021**

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
<b>MEDICAID CLUSTER</b>					
<b>U.S. Department of Health and Human Services:</b>					
<b>Passthrough Awards:</b>					
Medical Assistance Program	93.778	Office of Vermont Health Access	P85 - Sec. B. 605	\$ 248,103	\$ -
Medical Assistance Program	93.778	Vermont Department of Mental Health	03150-A1714	6,150	-
Medical Assistance Program	93.778	Vermont Department of Mental Health	03150-A1695	70,000	-
				<u>324,253</u>	<u>-</u>
Total Medicaid Cluster					
<b>ECONOMIC DEVELOPMENT CLUSTER</b>					
<b>U.S. Department of Commerce:</b>					
<b>Direct Awards</b>					
Economic Adjustment Assistance	11.307	N/A	N/A	<u>90,684</u>	<u>-</u>
<b>HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</b>					
<b>U.S. Department of Agriculture:</b>					
<b>Direct Awards:</b>					
Highway Planning and Construction	20.205	Vermont Agency of Transportation	N/A	<u>55,995</u>	<u>-</u>
<b>NON-CLUSTER</b>					
<b>U.S. Department of Commerce:</b>					
<b>Direct Awards:</b>					
Manufacturing Extension Partnership	11.611	N/A	N/A	666,519	-
Manufacturing Extension Partnership- Emergency Assistance Program	11.611	N/A	N/A	<u>9,180</u>	<u>-</u>
Subtotal - Direct Awards				675,699	-
<b>Small Business Administration:</b>					
<b>Direct Awards:</b>					
COVID-19 - Small Business Development Centers	59.037	N/A	N/A	548,516	-
Portability Assistance	59.037	N/A	N/A	53,545	-
Small Business Development Centers	59.037	N/A	N/A	<u>575,840</u>	<u>-</u>
Subtotal - Direct Awards				1,177,901	-
<b>National Endowment for Arts</b>					
<b>Passthrough Awards:</b>					
COVID -19 - Vermont COVID-19 Cultural Relief Grant	45.025	Vermont Arts Council	N/A	5,335	-
COVID -19 - Vermont COVID-19 Cultural Relief Grant	45.025	Vermont Humanities Council	N/A	<u>2,500</u>	<u>-</u>
Subtotal - Passthrough Awards				7,835	-
<b>U.S. Department of Veteran Affairs</b>					
<b>Direct Awards:</b>					
Veteran Affairs	93.888	N/A	N/A	1,184	-
<b>National Oceanic and Atmospheric Admin</b>					
<b>Passthrough Awards:</b>					
Meteorologic and Hydrologic Modernization Development	11.467	National Oceanic and Atmospheric Admin	NA16NWS4670042	1,563	-

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

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

**Year Ended June 30, 2021**

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
<b>NON-CLUSTER - Continued</b>					
<b>Northern Border Regional Commission:</b>					
<b>Passthrough Awards:</b>					
Northern Border Regional Development	90.601	Northern Border Regional Commission	NBRC16GVT	\$ 146,949	\$ -
<b>U.S. Department of Health and Human Services:</b>					
<b>Direct Awards:</b>					
Oral Health Workforce Activities	93.236	N/A	N/A	235,831	-
Early Childhood Education Institute	93.434	N/A	N/A	40,000	-
Subtotal - Direct awards				275,831	-
<b>U.S. Department of Health and Human Services:</b>					
<b>Passthrough Awards:</b>					
Special Education Grants for Infants and Families	84.181	Vermont Department of Children & Families	03440-34001-20-NL	36,000	-
Substance Abuse and Mental Health Services	93.243	Vermont Department of Mental Health	03150-C1052	100,000	-
Every Student Succeeds/Preschool Development Grants	93.434	Vermont Department of Children & Families	03440-34001-20-NL	48,385	-
Block Grants for Community Mental Health Services	93.958	Vermont Department of Health	03150-A1753	41,701	-
ADAP Workforce Development	93.959	Vermont Department of Health	03420-07626	19,440	-
VCPI DBT Training	92.958	Vermont Department of Health	03150-A1795	67,595	-
Subtotal - Passthrough Awards				313,121	-
<b>Corporation for National and Community Service</b>					
<b>Passthrough Awards:</b>					
AmeriCorps	94.006	Vermont Agency of Human Services	03400-16AFH-LEAP-FY20	322,009	-
<b>U.S. Department of Labor:</b>					
<b>Passthrough Awards:</b>					
Apprenticeship State Funds	17.285	Vermont Department of Labor	N/A	291,720	-
Strengthening Working Families Initiative	17.268	Vermont Department of Labor	HG-294545-16-60-A-5	764,349	241,878
Subtotal - Passthrough Awards				1,056,069	241,878
<b>U.S. Department of Treasury:</b>					
<b>Passthrough Awards:</b>					
COVID-19 - Coronavirus Relief Funds	21.019	Vermont Agency of Administration	01110CRF20001	5,622,173	-
COVID-19 - Coronavirus Relief Funds	21.019	Vermont Agency of Administration	01110CRF20036-02	7,701,004	-
COVID-19 - Coronavirus Relief Funds	21.019	Vermont Agency of Administration	01110CRF20036-03	1,442,153	-
COVID-19 - Coronavirus Relief Funds	21.019	Vermont Agency of Administration	03420-08436	359,940	-
Subtotal - Passthrough Awards				15,125,270	-
<b>U.S. Department of Education:</b>					
<b>Direct Awards:</b>					
COVID-19 - Higher Education Emergency Relief Fund - Student Aid Portion*	84.425E	N/A	N/A	3,491,786	-
COVID-19 - Higher Education Emergency Relief Fund - Institutional Portion*	84.425F	N/A	N/A	14,507,663	-
COVID-19 - Higher Education Emergency Relief Fund - Strengthening Institutions Program*	84.425M	N/A	N/A	617,035	-
Title III	84.031A	N/A	N/A	1,017,894	-
Subtotal - Direct awards				19,634,378	-
<b>Passthrough Awards:</b>					
Carl D. Perkins Vocation Education - Post Secondary	84.048A	Vermont Department of Education	PerkR2171801	-	-
Career and Technical Education - Basic Grants to States **	84.048	Vermont Department of Education	4319R0571901	705,637	-
Career and Technical Education - Basic Grants to States**	84.048	Vermont Department of Education	4322R0571901	293,823	-
Gaining Early Awareness and Readiness Program	84.334S	Vermont Student Assistance Corp	P334S110006-15	245,890	-
Subtotal - Passthrough Awards				1,245,350	-
Total Non-Cluster				39,983,159	241,878
<b>Total Federal Funds</b>				<u>\$ 93,911,821</u>	<u>\$ 241,878</u>

\*Subtotal of 84.425 programs is \$18,616,484

\*\* Subtotal of 84.048 programs is \$999,460

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

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2021**

	Assistance Listing 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
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>											
<b>U.S. Department of Education:</b>											
<b>Direct Awards:</b>											
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	\$ 191,001	\$ 323,990	\$ 379,063	\$ 219,103	\$ -	\$ -	1,113,157	\$ -
Federal Work-Study Program	84.033	N/A	N/A	156,432	366,580	812,731	169,820	-	-	1,505,563	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	-	947,197	2,207,446	287,371	-	46,772	3,488,786	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	-	-	-	-	-	-	-	-
Federal Direct Student Loans	84.268	N/A	N/A	2,834,205	9,700,434	10,022,290	6,535,966	-	-	29,092,895	-
Federal Pell Grant Program	84.063	N/A	N/A	5,444,677	2,981,065	3,240,552	1,780,418	-	-	13,446,712	-
Total Student Financial Assistance Cluster				8,626,315	14,319,266	16,662,082	8,992,678	-	46,772	48,647,113	-
<b>TRIO CLUSTER</b>											
<b>U.S. Department of Education:</b>											
<b>Direct Awards:</b>											
TRIO Student Support Services	84.042A	N/A	N/A	415,061	328,760	430,499	327,219	-	-	1,501,539	-
TRIO Upward Bound	84.047A	N/A	N/A	-	330,937	872,247	-	-	-	1,203,184	-
TRIO Upward Bound NY	84.047M	N/A	N/A	-	312,234	-	-	-	-	312,234	-
TRIO McNair	84.217A	N/A	N/A	-	246,352	-	-	-	-	246,352	-
Total TRIO Cluster				415,061	1,218,283	1,302,746	327,219	-	-	3,263,309	-
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>											
<b>National Aeronautics and Space Administration:</b>											
<b>Passthrough Awards:</b>											
Science - National Space Grant College and Fellowship Program	43.001	University of Vermont	AWD00000100SUB00000078	-	-	-	9,006	-	-	9,006	-
Education - CubeSat Continued Development	43.008	University of Vermont	33451 SUB00000147	-	-	-	19,093	-	-	19,093	-
Subtotal - Passthrough Awards				-	-	-	28,099	-	-	28,099	-
<b>National Science Foundation:</b>											
<b>Direct Awards:</b>											
Geosciences	47.050	N/A	N/A	-	33,418	-	-	-	-	33,418	-
<b>Passthrough Awards:</b>											
Experimental Program to Stimulate Competitive Research	47.073	University of Vermont	30373SUB52050	-	11,303	-	-	-	-	11,303	-
Experimental Program to Stimulate Competitive Research	47.073	University of Vermont	30373SUB52051	-	-	13,177	-	-	-	13,177	-
Biomedical Research and Research Training	93.859	University of Vermont	29252SUB51796	-	101,597	-	-	-	-	101,597	-
Biomedical Research and Research Training	93.859	University of Vermont	2P20GM103449-19	-	-	118,196	-	-	-	118,196	-
Subtotal - Passthrough Awards				-	112,900	131,373	-	-	-	244,273	-
Total Research and Development Cluster				-	146,318	131,373	28,099	-	-	305,790	-
<b>477 CLUSTER</b>											
<b>U.S. Department of Health and Human Services:</b>											
<b>Passthrough Awards:</b>											
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.575	Vermont Department of Children & Families	03440-34001-18-ECPDS	1,241,518	-	-	-	-	-	1,241,518	-

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

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

**Year Ended June 30, 2021**

	Assistance Listing 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
<b>MEDICAID CLUSTER</b>											
<b>U.S. Department of Health and Human Services:</b>											
<b>Passthrough Awards:</b>											
Medical Assistance Program	93.778	Office of Vermont Health Access	P85 - Sec. B. 605	\$ -	\$ -	\$ -	\$ 248,103	\$ -	\$ -	\$ 248,103	\$ -
Medical Assistance Program	93.778	Vermont Department of Mental Health	03150-A1714	-	-	6,150	-	-	-	6,150	-
VCPI Operations Grant	93.778	Vermont Department of Mental Health	03150-A1695	-	-	70,000	-	-	-	70,000	-
				-	-	76,150	248,103	-	-	324,253	-
Total Medicaid Cluster				-	-	76,150	248,103	-	-	324,253	-
<b>ECONOMIC DEVELOPMENT CLUSTER</b>											
<b>U.S. Department of Commerce:</b>											
<b>Direct Awards</b>											
Economic Adjustment Assistance	11.307	N/A	N/A	-	-	90,684	-	-	-	90,684	-
<b>HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</b>											
<b>U.S. Department of Agriculture:</b>											
<b>Direct Awards:</b>											
Highway Planning and Construction	20.205	N/A	N/A	-	-	-	-	55,995	-	55,995	-
<b>NON-CLUSTER</b>											
<b>U.S. Department of Commerce:</b>											
<b>Direct Awards:</b>											
Manufacturing Extension Partnership	11.611	N/A	N/A	-	-	-	-	666,519	-	666,519	-
Manufacturing Extension Partnership- Emergency Assistance Program	11.611	N/A	N/A	-	-	-	-	9,180	-	9,180	-
Subtotal - Direct Awards				-	-	-	-	675,699	-	675,699	-
<b>Small Business Administration:</b>											
<b>Direct Awards:</b>											
COVID-19 - Small Business Development Centers	59.037	N/A	N/A	-	-	-	-	548,516	-	548,516	-
OSBDC Portable Assistance Program	59.037	N/A	N/A	-	-	-	-	53,545	-	53,545	-
Small Business Development Centers	59.037	N/A	N/A	-	-	-	-	575,840	-	575,840	-
Subtotal - Direct Awards				-	-	-	-	1,177,901	-	1,177,901	-
<b>National Endowment for the Arts</b>											
<b>Passthrough Awards:</b>											
Vermont COVID-19 Cultural Relief Grant	45.025	Vermont Arts Council	N/A	-	-	5,335	-	-	-	5,335	-
Vermont COVID-19 Cultural Relief Grant	45.025	Vermont Humanities Council	N/A	-	-	2,500	-	-	-	2,500	-
Subtotal - Passthrough Awards				-	-	7,835	-	-	-	7,835	-
<b>U.S. Department of Veteran Affairs</b>											
<b>Direct Awards:</b>											
Veteran Affairs	93.888	N/A	N/A	-	1,184	-	-	-	-	1,184	-
<b>National Oceanic and Atmospheric Administration</b>											
<b>Passthrough Awards:</b>											
Meteorologic and Hydrologic Modernization Development	11.467	National Oceanic and Atmospheric Admin	NA16NWS4670042	-	-	1,563	-	-	-	1,563	-

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2021

Assistance Listing 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
<b>NON-CLUSTER - CONTINUED</b>										
<b>Northern Border Regional Commission:</b>										
<b>Passthrough Awards:</b>										
Northern Border Regional Development	90.601	Northern Border Regional Commission	NBRC16GVT	\$ 17,477	\$ -	\$ 38,613	\$ -	\$ 90,859	\$ -	\$ 146,949
<b>U.S. Department of Health and Human Services:</b>										
<b>Direct Awards:</b>										
Oral Health Workforce Activities	93.236	N/A	N/A	-	-	-	235,831	-	-	235,831
Early Childhood Education Institute	93.434	N/A	N/A	-	40,000	-	-	-	-	40,000
Subtotal - Direct Awards				-	40,000	-	235,831	-	-	275,831
<b>Passthrough Awards:</b>										
Special Education Grants for Infants and Families	84.181	Vermont Department of Children & Families	03440-34001-20-NL	36,000	-	-	-	-	-	36,000
Substance Abuse and Mental Health Services	93.243	Vermont Department of Mental Health	03150-C1052	-	-	100,000	-	-	-	100,000
Every Student Succeeds/Preschool Development Grants	93.434	Vermont Department of Children & Families	03440-34001-20-NL	48,385	-	-	-	-	-	48,385
Block Grants for Community Mental Health Services	93.958	Vermont Department of Health	03150-A1753	-	-	41,701	-	-	-	41,701
ADAP Workforce Development	93.959	Vermont Department of Health	03420-07626	-	-	19,440	-	-	-	19,440
VCPI DBT Training	92.958	Vermont Department of Health	03150-A1795	-	-	67,595	-	-	-	67,595
Subtotal - Passthrough Awards				84,385	-	228,736	-	-	-	313,121
<b>Corporation for National and Community Service:</b>										
<b>Passthrough Awards:</b>										
AmeriCorps	94.006	Vermont Agency of Human Services	03400-16AFH-LEAP-FY20	-	-	322,009	-	-	-	322,009
<b>U.S. Department of Labor:</b>										
<b>Passthrough Awards:</b>										
Apprenticeship State Funds	17.285	Vermont Department of Labor	N/A	130,235	-	-	-	161,485	-	291,720
Strengthening Working Families Initiative	17.268	Vermont Department of Labor	HG-294545-16-60-A-5	-	-	-	-	764,349	-	764,349
Subtotal - Direct Awards				130,235	-	-	-	925,834	-	1,056,069
<b>U.S. Department of Treasury:</b>										
<b>Passthrough Awards:</b>										
COVID-19 - Coronavirus Relief Funds	21.019	Vermont Agency of Administration	01110CRF20001	-	-	-	-	5,622,173	-	5,622,173
COVID-19 - Coronavirus Relief Funds	21.019	Vermont Agency of Administration	01110CRF20036-02	-	-	-	-	7,701,004	-	7,701,004
COVID-19 - Coronavirus Relief Funds	21.019	Vermont Agency of Administration	01110CRF20036-03	-	-	-	-	1,442,153	-	1,442,153
COVID-19 - Coronavirus Relief Funds	21.019	Vermont Agency of Administration	03420-08436	-	-	-	359,940	-	-	359,940
Subtotal - Passthrough Awards				-	-	-	359,940	14,765,330	-	15,125,270
<b>U.S. Department of Education:</b>										
<b>Direct Awards:</b>										
COVID-19 - Higher Education Emergency Relief Fund - Student Aid Portion*	84.425E	N/A	N/A	1,019,809	878,417	1,107,857	485,703	-	-	3,491,786
COVID-19 - Higher Education Emergency Relief Fund - Institutional Portion*	84.425F	N/A	N/A	3,284,962	4,839,783	3,447,009	2,935,909	-	-	14,507,663
COVID-19 - Higher Education Strengthening - Institutional Programs*	84.425M	N/A	N/A	260,348	132,648	146,491	77,548	-	-	617,035
Title III	84.031A	N/A	N/A	-	473,640	544,254	-	-	-	1,017,894
Subtotal - Passthrough Awards				4,565,119	6,324,488	5,245,611	3,499,160	-	-	19,634,378
<b>Passthrough Awards:</b>										
Carl D. Perkins Vocation Education - Post Secondary**	84.048A	Vermont Department of Education	PerkR2171801	-	-	-	-	-	-	-
Career and Technical Education - Basic Grants to States**	84.048	Vermont Department of Education	4319R0571901	705,637	-	-	-	-	-	705,637
Career and Technical Education - Basic Grants to States**	84.048	Vermont Department of Education	4322R0571901	71,108	-	-	222,715	-	-	293,823
Gaining Early Awareness and Readiness Program	84.334S	Vermont Student Assistance Corp.	P334S1 10006-15	241,805	-	4,085	-	-	-	245,890
Subtotal - Passthrough Awards				1,018,550	-	4,085	222,715	-	-	1,245,350
Total Non-Cluster				5,815,766	6,365,672	5,848,452	4,317,646	2,870,293	14,765,330	39,983,159
<b>Total Federal Funds</b>				\$ 16,098,660	\$ 22,049,539	\$ 24,111,487	\$ 13,913,745	\$ 2,926,288	\$ 14,812,102	\$ 93,911,821

\*Subtotal of CFDA 84.425 programs is \$18,616,484

\*\* Subtotal of CFDA 84.048 programs is \$999,460

# **VERMONT STATE COLLEGES**

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

### **Notes to Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2021**

**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, 2021. 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, 2021, loan balances receivable, net under Perkins was \$3,279,112.

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

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

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

**Year Ended June 30, 2021**

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

*Direct Student Loan Program*

The Colleges disbursed \$29,092,895 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, 2021. 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, 2021**

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

***Financial Statements***

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? \_\_\_\_\_ yes        x   no

***Federal Awards***

Type of auditor’s report issued: Unmodified

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ yes        x   no
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ 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, 2021**

***Identification of Major Programs:***

Name of Federal Program or Cluster	CFDA Number
Education Stabilization Fund:	
COVID-19 - Higher Education Emergency Relief Fund - Student Aid Portion	<b>84.425E</b>
COVID-19 - Higher Education Emergency Relief Fund - Institutional Portion	<b>84.425F</b>
COVID-19 - Higher Education Emergency Relief Fund - Strengthening Institutions Program	<b>84.425M</b>
Non-cluster:	
COVID-19 - Small Business Development Center	<b>59.037</b>
Manufacturing Extension Partnership	<b>11.611</b>
COVID-19 - Coronavirus Relief Funds	<b>21.019</b>

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

\$2,817,355

Auditee qualified as a low-risk auditee?

  x   yes           no

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

**Year Ended June 30, 2021**

**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, 2021**

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

<b>Finding number:</b>	2021-001
<b>Federal agency:</b>	U.S. Department of Education
<b>Programs:</b>	Student Financial Assistance Cluster
<b>CFDA #:</b>	84.007, 84.033, 84.038, 84.063, 84.268
<b>Award year:</b>	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.

# **VERMONT STATE COLLEGES**

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

### **Schedule of Current Year Findings and Questioned Costs - Continued**

**Year Ended June 30, 2021**

#### ***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 twenty students with enrollment status changes who graduated or withdrew from the institution, we noted the following:

1. Three student's status change was never reported to NSLDS.
2. Three students' status changes were not reported to NSLDS within the 60-day required timeframe.

#### ***Cause***

The Colleges were negatively impacted by COVID-19 and there were delays in response time from both the Colleges and National Student Clearinghouse.

#### ***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 twenty students selected for testing, six students, or 30% 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 2020-001 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)**

## **Management's Summary Schedule of Prior Audit Findings**

**Year Ended June 30, 2021**

**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

### ***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 2020:***

Out of a sample of forty students with enrollment status changes, one student was never reported to the NSLDS, four students were reported with the incorrect effective date, and six students' status changes were not reported to NSLDS within the 60-day required time frame.

### ***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**  
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**Management's Summary Schedule of Prior Audit Findings - Continued**

**Year Ended June 30, 2021**

***Current Year Status:***

During the auditors testing of twenty students with enrollment status changes who graduated or withdrew from the institution, the auditors noted the following:

1. Three student's status change was never reported to NSLDS.
2. Three students' status changes were not reported to NSLDS within the 60-day required timeframe.

The Colleges are looking to strengthen its controls in this area. See finding 2021-001 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 - Continued**

**Year Ended June 30, 2021**

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

***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.

***Award year 2020:***

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.

***Current Year Status:***

During the auditors current year testing, we did not note any students, out of our sample of ten, that were not reported within the required timeframe.



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

**Management's Summary Schedule of Prior Audit Findings - Continued**

**Year Ended June 30, 2021**

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

***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.

***Award year 2020:***

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.

***Current Year Status:***

During the auditors current year testing, the auditors did not note any students, out of a sample of twelve, that did not have the correct amount of Title IV funds returned.

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

**Management's Summary Schedule of Prior Audit Findings - Continued**

**Year Ended June 30, 2021**

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

***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.

***Award year 2020:***

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.

***Current Year Status:***

During the auditors current year testing, the auditors did not note any students, out of a sample of five, that had unclaimed funds exceeding the federal day limit.

## **Management's Corrective Action Plan**

**Finding number:** 2021-001  
**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:** 2021

### ***Corrective Action Plan:***

To correct this, one of the Colleges has modified our policy around reporting. Each month, approximately a week after the National Student Clearinghouse files are submitted the registrar and the assistant registrar will seek to confirm receipt by NSLDS.

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

**Fall 2021**

### ***Contact Person***

Sharron Scott, CFO