

**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, 2022 and 2021**

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

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

**June 30, 2022 and 2021**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of the business-type activities of the Vermont State Colleges (a component unit of the State of Vermont) (the “Colleges”), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Colleges basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Colleges, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Colleges adopted new accounting guidance, *GASB Statement Number 87, Leases*. The adoption of this pronouncement required the Colleges to restate beginning net position. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Colleges ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audits of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Colleges internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Colleges ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and the other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of the Colleges internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Colleges internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Colleges internal control over financial reporting and compliance.



**Certified Public Accountants  
Braintree, Massachusetts**

October 31, 2022

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

## Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

### 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

Comprised of four public colleges, including Community College of Vermont (CCV), Castleton University (CU), Northern Vermont University (NVU), and Vermont Technical College (VTC), the Vermont State Colleges System serves more than 10,000 students annually. These students participate in educational programs at the certificate, associates, bachelors, and masters levels. An expanding portion of the VSCS' portfolio includes continuing education and workforce development.

In 2020, the VSCS embarked upon a significant period of transformation. This transformation, in partnership with the State of Vermont, includes expansion of the state appropriation, merger of three colleges into a single institution (Vermont State University), and aggressive administrative consolidation. The intended result is a fiscally sustainable Vermont State Colleges System that secures the future of public higher education in Vermont for generations to come. FY2022's singular transformation focus was conceptual development of the new university, Vermont State University (VTSU). This work will continue through FY2023, resulting in the launch of VTSU on July 1, 2023.



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### Significant Events Affecting These Financial Statements

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

- In 2020, the State of Vermont created the *Select Committee on the Future of Public Higher Education in Vermont*. The committee, established by the legislature, comprised of legislators, higher education professionals, government officials, and business leaders, provided guidance to the State of Vermont and Vermont State Colleges System leadership to address the urgent needs of the Vermont State Colleges. The *Select Committee* concluded its work in April 2021<sup>1</sup> with several key recommendations:
  - Reduce the structural deficit of the Vermont State Colleges System by \$25M over five years through a combination of expense reductions and increased revenues
  - Increase state investment (base appropriation) in the Vermont State Colleges System from \$30.5M to \$48.0M within five years
  - Merge Castleton University, Northern Vermont University, and Vermont Technical College into a single institution
  - Consolidate administrative operations
  - Provide bridge funding to support the Vermont State Colleges through the five-year transformation period
- Honoring the recommendations from the *Select Committee on the Future of Public Higher Education in Vermont*, the State of Vermont has increased the base appropriation from \$30.5M to \$45.5M since FY2020.
- Bridge funding, both in the form of general fund and federal American Rescue Plan Act grants have been received from the State of Vermont to support transformation of the Vermont State Colleges. Amounts received or allocated include:
  - FY2021: \$28.8M in state General Fund
  - FY2022: \$21.0M in ARPA grants for economic support for losses incurred
  - FY2023: \$14.9M in ARPA grants for economic support for losses incurred (budgeted, not yet incurred)
- In FY2021, the State of Vermont authorized a general fund allocation of \$20M to support transformation activities. The first installment of these funds, \$8M, was received in FY2022. Subsequent installments will be received in FY2023, FY2024, and FY2025.

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<sup>1</sup> The committee's final report, issued April 9, 2021 is available on the State of Vermont website at: <https://lifo.vermont.gov/assets/Uploads/c2ef482057/Final-Report-of-the-Select-Committee-on-the-Future-of-Public-Higher-Education-in-Vermont-Submitted.pdf>

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- Workforce development programs, funded via ARPA and Coronavirus Relief (CRF) grants as a pass through from the State of Vermont, were funded in FY2021, FY2022, FY2023. These programs, offering courses and certifications to Vermonters negatively affected by the COVID-19 Pandemic, have allowed upskilling and reskilling of more than two-thousand Vermonters. Allocated funds for these programs included:
  - FY2021: \$1.4M
  - FY2022: \$3.0M
  - FY2023: \$2.0M (budgeted, not yet incurred)
- For FY2022 and FY2023, legislatively-directed scholarship programs, funded via ARPA grants as a pass through from the State of Vermont, funded degree completion programs, scholarships for critical occupations, and practical nursing programs. These “last dollar” scholarship programs eliminated the need for students in these programs to accept loans for tuition. Allocated funds for these programs included:
  - Long Term Care Practical Nursing Program: \$ 1.4M
  - Degree Completion Program: \$ 3.0M
  - Critical Occupations Scholarships: \$14.7M
- The pandemic that began in January 2020 had a significant impact on the Vermont State Colleges System's performance for FY2020 and FY2021. FY2022 saw some rebounding in terms of enrollment, specifically at Community College of Vermont and Castleton University. However, room participation and enrollment continues to stall at both Vermont Technical College and Northern Vermont University. Fortunately, two means of funding have had a positive impact on the Vermont State Colleges – Coronavirus Relief Funding allocated from the State of Vermont and federally allocated Higher Education Emergency Relief Funding (HEERF). Allocated funds from CRF and HEERF included:

	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
○ Coronavirus Relief:	\$ 6.6M	\$15.7M	\$ 4.3M
○ HEERF (institutional):	\$ 2.9M	\$15.1M	\$ 5.8M
○ HEERF (student):	\$ 2.6M	\$ 3.5M	\$11.6M
- Enrollment trends continue to be a concern for institutions of Higher Education. Across the country, 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 as 49<sup>th</sup> or 50<sup>th</sup> in the country with respect to its support for public higher education. However, recent investments in response to the pandemic and transformation of the Vermont State Colleges have made significant improvements in this arena.
- The other post-employment benefits (OPEB) continues to pose a large liability at \$161 million. This is a decrease of \$77 million for FY2022, or approximately 32%. The reduction in accrual is due to the VSCS' recent adoption of a fully insured Medicare Advantage plan for retirees, effective January 1, 2022. The OPEB obligation is not pre-funded but paid when incurred



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during the period. The retirement group was closed to new members in 2012 for all staff and administrators, and in 2015 for all faculty groups. An actuarial forecast anticipates the Vermont State Colleges obligation will peak between 2038 and 2040 and from there decline to below the FY2022 obligation by 2050.

- 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.

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

## Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

### *Using the Financial Statements*

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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, 2022 and selected comparative information. Since this MD&A is designed to focus on current activities, resulting changes and currently known facts, please read this 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 at 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 the whole of the VSCS.

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

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

June 30, 2022 and 2021

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

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

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

	2022	% change	2021	% change	2020	% change	2019	% change	2018
Current Assets	127	32%	96	100%	48	45%	33	-6%	35
Noncurrent Assets									
Investments	48	-13%	55	15%	48	0%	48	4%	46
Capital assets, net	154	-4%	161	-5%	169	8%	157	-4%	163
Other	3	-25%	4	0%	4	-33%	6	0%	6
Deferred outflows/inflows	49	-14%	57	128%	25	0%	25	-11%	28
<b>Total Assets and Def'd outflows/inflows</b>	<b>381</b>	<b>2%</b>	<b>373</b>	<b>27%</b>	<b>294</b>	<b>9%</b>	<b>269</b>	<b>-3%</b>	<b>278</b>
Current liabilities	26	-26%	35	30%	27	13%	24	-14%	28
Non current liabilities									
Post employm't benefit oblig	161	-32%	238	23%	194	3%	189	1%	188
Bonds and Notes payable	122	-5%	128	-6%	136	14%	119	-2%	121
Other	4	0%	4	0%	4	-33%	6	-14%	7
Deferred outflows/inflows	74	100%	4	100%	5	100%	5	0%	0
<b>Total Liabilities</b>	<b>387</b>	<b>-5%</b>	<b>409</b>	<b>12%</b>	<b>366</b>	<b>7%</b>	<b>343</b>	<b>0%</b>	<b>344</b>
Net investment in cap'l assets	38	-7%	41	-11%	46	5%	44	-10%	49
Restricted									
Nonexpendable	22	5%	21	11%	19	0%	19	6%	18
Expendable	16	-20%	20	54%	13	0%	13	8%	12
Unrestricted	-82	-31%	-118	-21%	-150	0%	-150	3%	-145
<b>Total Net Position</b>	<b>-6</b>	<b>-83%</b>	<b>-36</b>	<b>-50%</b>	<b>-72</b>	<b>-3%</b>	<b>-74</b>	<b>12%</b>	<b>-66</b>
<b>Total Liabilities and Net Position</b>	<b>381</b>	<b>2%</b>	<b>373</b>	<b>27%</b>	<b>294</b>	<b>9%</b>	<b>269</b>	<b>-3%</b>	<b>278</b>

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

Assets are items of economic value owned 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 and right of use assets included in capital asset due to adoption of GASB 87) of \$381 million as of the end of the current fiscal year increased by \$8 million or 2% from prior year, the increase was primarily in cash due to the receipt of a \$21 million ARPA grant (bridge funding) to support economic relief related to the pandemic. This was offset

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by a decrease in investments, capital assets, and deferred outflows and inflows. Over the 5 years, total assets have increased by \$103 million: an increase of \$92 million in current assets and increase of \$11 million in non-current assets – largely related to a \$19 million increase in net capital assets for “right of use assets” due to the adoption of *GASB 87 Leases* as of 6/30/20. Deferred outflows and inflows during this time period increased by \$20 million.

Noncurrent assets consist primarily of endowment and other investments, in addition to capital assets. Investments were \$48 million as of June 30, 2022, \$7 million lower than the prior year reflecting the significant market uncertainty at the end of FY2022. Capital Assets continue to decline at approximately \$5 million per year reflecting the system's inability to invest at a rate equal to or greater 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 are due during the next fiscal year.

Current liabilities of \$24 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 varied dependent upon the timing of deferred revenue and accounts payable transactions. This was especially true for FY2021, which saw a large increase in current liabilities. Efforts in FY2022 to expedite payment and streamline processes reduced the current liabilities to below the system's five-year average.

Noncurrent liabilities decreased by \$13 million to \$361 million during FY2022. This decrease relates to the actuarial decrease in other post-employment benefits.

Net position is equal to the total assets minus the total liabilities and represents the residual value of the VSCS at a single point in time, which is 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 by \$61 million from -66 million in FY2018 to -5 million in FY2022. This improvement is the result of Higher Education Emergency Relief Funding, State of Vermont Bridge Funding (both ARPA and general fund), and Coronavirus Relief Funding beginning in FY2020.

Net investment in capital assets decreased by \$2 million from June 30, 2021 to June 30, 2022 due to depreciation, offset partially by reduction in outstanding debt related to capital assets. Net investment in capital assets have steadily decreased over the five-year period reported here.

The restricted nonexpendable portion of the Net Position represents the permanent endowment funds for the system. These are donations to the colleges that cannot be spent without permission of the donor. These are invested and the earnings are used in accordance with 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 \$4 million over 5 years is due to gifts received for endowments during this period.

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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 \$4 million increase from June 30, 2021 to June 30, 2022. Over the 5-year period, expendable net assets have increased by \$4 million, as earnings have outpaced the 5% spending on endowments permitted by Board policy; however, performance at the end of FY2022 reduced the gains from the prior year.

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. As noted earlier in these materials, the VSCS saw a reduction in the OPEB accrual for FY2022 due to its move to a Medicare Advantage program for its retirees. It is anticipated that the obligation will increase through 2040 and reduce to below the FY2022 value by 2050.

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

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### *Capital Assets and Debt Administration*

The System's facilities are critical to accomplishing the mission of the System as they provide the physical framework and environment for education, research, cultural programs, and residential life. However, due to fiscal constraints the VSCS has not been able to invest in its facilities consistent with the decrease in capital assets and depreciation. This is something the VSCS will begin addressing as it completes its system-wide transformation. Table 2, below, provides detail from the past 5 years related to the Capital Assets held by the System.

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

	2022	% Change	2021	% Change	2020	% Change	2019	% Change	2018
Land	8	-11%	9	0%	9	0%	9	0%	9
Construction in progress	6	20%	5	67%	3	50%	2	100%	1
Infrastructure	43	2%	42	2%	41	0%	41	3%	40
Buildings and improvements	260	0%	261	0%	262	0%	261	1%	259
Leasehold improvements	4	0%	4	0%	4	0%	4	0%	4
Equipment	43	13%	38	3%	37	3%	36	0%	36
Right of use assets ( <i>GASB 87</i> )	19	6%	18	0%	18	0%	0	0%	0
<b>Total Capital Assets</b>	<b>383</b>	<b>2%</b>	<b>377</b>	<b>1%</b>	<b>374</b>	<b>6%</b>	<b>353</b>	<b>1%</b>	<b>349</b>
<b>Accumulated Depreciation</b>	<b>-229</b>	<b>6%</b>	<b>-217</b>	<b>6%</b>	<b>-205</b>	<b>5%</b>	<b>-196</b>	<b>5%</b>	<b>-186</b>
<b>Capital Assets, Net</b>	<b>154</b>	<b>-4%</b>	<b>160</b>	<b>-5%</b>	<b>169</b>	<b>8%</b>	<b>157</b>	<b>-4%</b>	<b>163</b>
Related information									
Depreciation Expense	11	10%	10	0%	10	0%	10	0%	10
Outstanding Principal, Related Loans	114	-3%	118	-2%	120	-1%	121	-3%	125
Lease Liability ( <i>GASB 87</i> )	15	-12%	17	-6%	18	0%	0	0%	0

*Table 2: Capital Assets as of June 30*

Construction in Progress (CWIP) reflects amounts paid for buildings, or other assets, where the work is incomplete at year-end. Once complete, and the asset is placed into service, the total cost is moved to the appropriate capital asset category. Depreciation of each asset begins the month following placement into service. The dollar value of CWIP is wholly dependent upon funding availability for capital projects. In most years, this amount is between \$2 and \$3 million annually resulting in very little CWIP from year to year. 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 both FY2022 and FY2021 and will be closed out at the end of FY2023. Building and Improvements remained relatively constant from

FY2018 to FY2022 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. As noted in Table 2, depreciation continues to outpace the sum of building improvements, infrastructure, and construction in progress.

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

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## *Statement of Revenues, Expenses, and Changes in Net Position*

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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 shows the Condensed Statements of Revenues, Expenses, and Changes in Net Position for the past five fiscal years.

**Table 3: Condensed Statements of Revenues, Expenses, and Changes in Net Position**  
(\$ in millions)

	<u>2022</u>	<u>% Change</u>	<u>2021</u>	<u>% Change</u>	<u>2020</u>	<u>% Change</u>	<u>2019</u>	<u>% Change</u>	<u>2018</u>
Net Student Revenues	82	-6%	87	-13%	100	-7%	107	-1%	108
Grants and contracts	19	6%	18	13%	16	0%	16	7%	15
Other Operating Revenues	17	113%	8	33%	6	-14%	7	0%	7
Operating Revenues	118	4%	113	-7%	122	-6%	130	0%	130
Operating Expenses	202	7%	188	3%	183	-2%	186	0%	186
Operating Loss	-84	12%	-75	23%	-61	9%	-56	0%	-56
Nonoperating Revenues (Expenses)									
Non Capital Appropriations	47	-23%	61	85%	33	10%	30	0%	30
Federal Grants & Contracts	73	70%	43	54%	28	75%	16	0%	16
Gifts currently expendable	2	-33%	3	50%	2	0%	2	-33%	3
Investment Income & Interest	-4	-157%	7	600%	1	-50%	2	0%	2
Interest Expense	-5	-17%	-6	20%	-5	0%	-5	0%	-5
Other nonoperating revenues	-2	0%	0	0%	0	0%	0	0%	0
Net Nonoperating Revenues	111	3%	108	83%	59	31%	45	-2%	46
Total Change before other Revenues	27	-18%	33	-1750%	-2	-82%	-11	10%	-10
Other Changes in Net Position									
Capital Appropriation	2	0%	2	0%	2	-33%	3	0%	3
Capital gifts and grants	0	0%	0	0%	0	0%	0	0%	0
Endowment gifts	1	0%	1	0%	1	0%	0	0%	0
Change in Net Position	30	-17%	36	3500%	1	-114%	-7	0%	-7

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

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

Accounting rules require that our audited financials include operating revenues and expenses (revenues and expenses from the operation of the Vermont State Colleges System) and non-operating revenues and expenses (revenues and expenses that come from other sources such as state entities, grants, contracts, and accounting transactions). The following sections provide an analysis of the total operating and non-operating revenues and expenses.

Prior to the pandemic, the VSCS's primary source of revenue was from student tuition and fees at approximately 57% of total. However, the unusual conditions related to the pandemic, and the

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

## Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

State of Vermont's investment in transformation has shifted the proportion of total operating and non-operating income attributed to net students from the historical average of 57% to 35%. This shift is wholly attributable to lower student revenues plus the receipt of bridge funding, ARPA, CRF, and HEERF grants. Several of these funding elements, specifically ARPA, CRF, and HEERF are included in the Federal Grants & Contracts category.

The State Appropriation for FY2022 included a \$5 million increase to the base general fund for the Vermont State Colleges System together with a one-time \$8 million appropriation to support transformation of the Vermont State Colleges. This differs from FY2021 by \$13.4 million as the appropriation for FY2021 was inclusive of \$28.8 million in bridge funding. Bridge funding for FY2022 equaling \$21 million was allocated to the VSCS as an ARPA economic recovery grant.

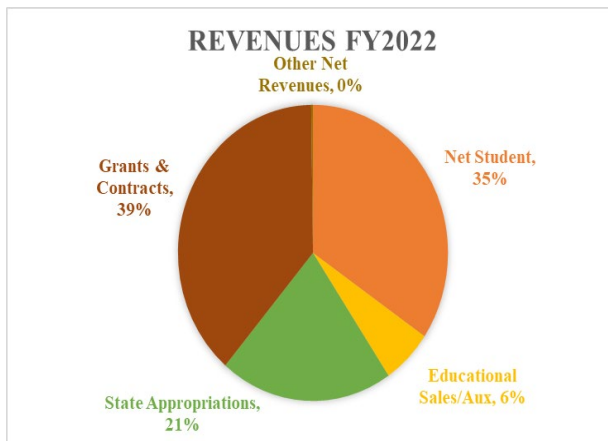


Chart 1: Current Year Revenue

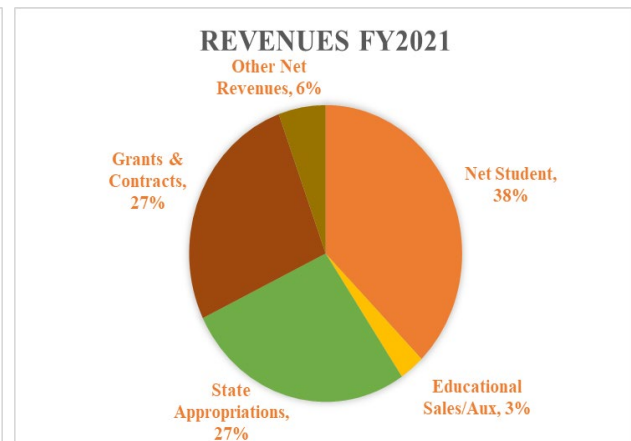


Chart 2: Prior Year Revenues

### 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 FY2018 through FY2022. For the System, student-based revenue has declined during this five-year period due to a combination of weaker enrollment and increased financial aid.

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. Since Fall 2017, the VSCS has seen a decline FTE of approximately 13%. However, as noted on this chart, the decline is not equal across institutions. CCV and Castleton are down less than 2% from Fall 2017, while NVU is down approximately 38% and VTC is down 16%.

The decline at Northern Vermont University and to a lesser degree Vermont Technical College, can be directly correlated to closure announcements for these locations, since averted. It is expected that it will take several years to return these campus locations to a stronger enrollment footing.

Fall 2021 was a marked increase in enrollment for Community College of Vermont. This increase can be directly attributed to three factors: 1) funding for workforce education for Vermonters negatively affected by the pandemic; 2) Vermont Student Assistance Corporation's

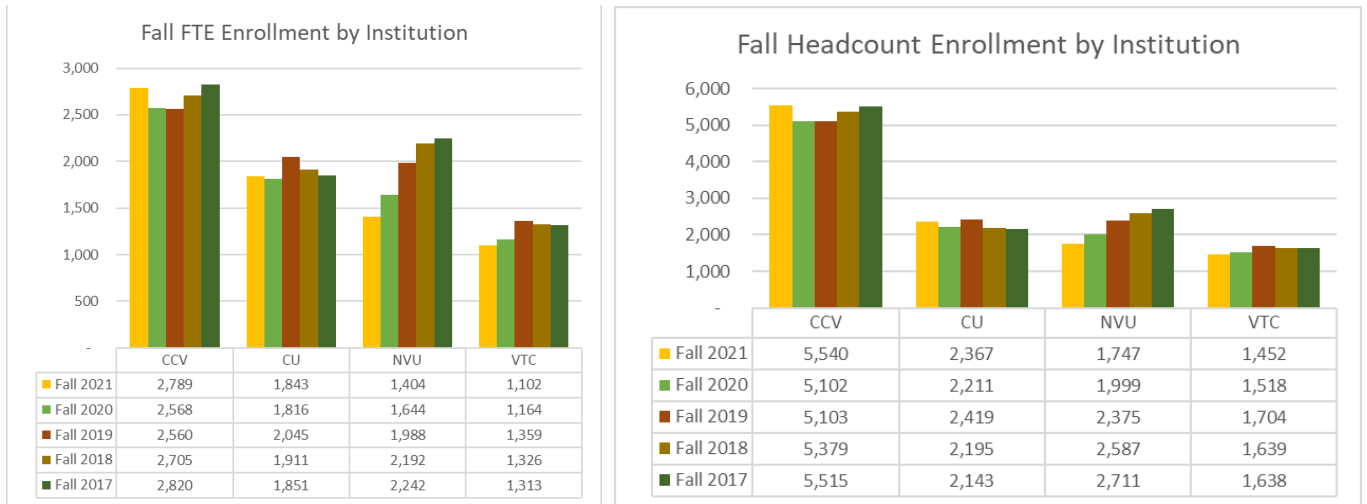


# VERMONT STATE COLLEGES (a Component Unit of the State of Vermont)

## Management’s Discussion and Analysis (Unaudited)

**June 30, 2022 and 2021**

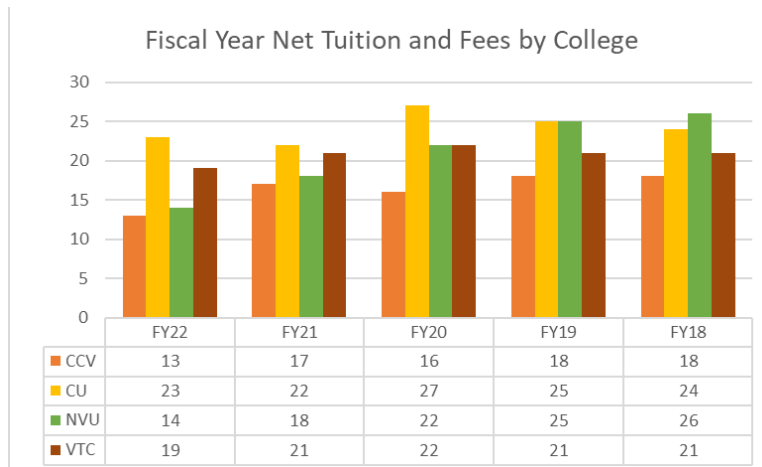
802 Opportunity Scholarship for low-income Vermonters; and 3) receipt of a McClure Foundation gift supplying all graduating high school seniors with a free course at Community College of Vermont.



*Chart 1: Fall FTE Enrollment and Headcount by Institution*

Chart 2 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 VTC. Proportionately, net tuition and fees revenue by institution declined during this same period. Recent enrollment improvements at CU has had a modest improvement in net tuition and fees.



*Chart 2: 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, 2022 and 2021**

#### Operating and Non-operating Expenses

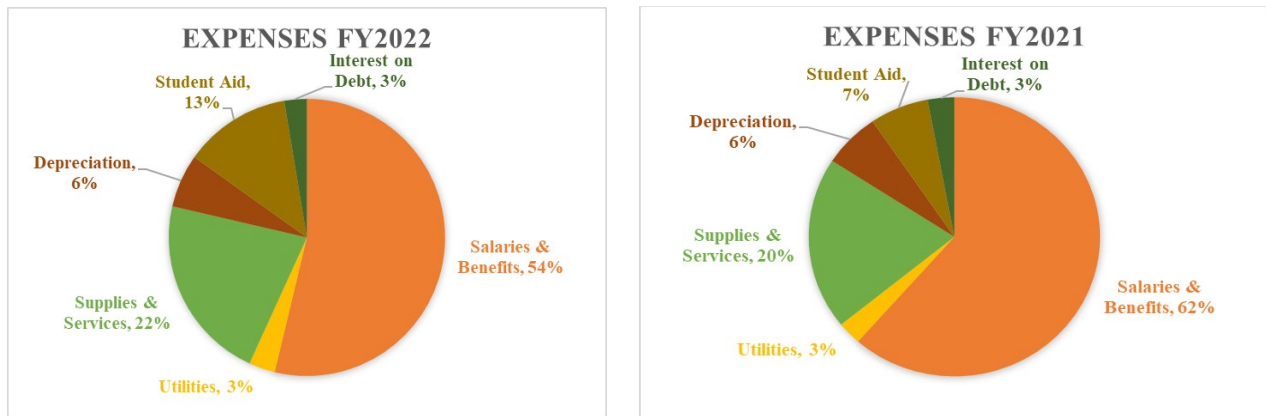
Table 4, below, shows the total Operating and Non-Operating Expenses for the past 5 years and the charts provide a quick view of the percent of expenses by type for FY2021 and FY2020.

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

	2022	% Change	2021	% Change	2020	% Change	2019	% Change	2018
<u>Operating</u>									
Salaries & Benefits	112	-6%	119	0%	119	-2%	121	-1%	122
Utilities	6	20%	5	-17%	6	-14%	7	17%	6
Supplies and Svcs	45	15%	39	5%	37	-8%	40	0%	40
Depreciation	13	0%	13	30%	10	0%	10	0%	10
Student Aid	26	117%	12	20%	10	25%	8	14%	7
<b>Total Operating</b>	<b>202</b>	<b>7%</b>	<b>188</b>	<b>3%</b>	<b>182</b>	<b>-2%</b>	<b>186</b>	<b>1%</b>	<b>185</b>
<u>Nonoperating</u>									
Interest on Debt	6	0%	6	20%	5	0%	5	-17%	6
<b>TOTAL Expenses</b>	<b>208</b>	<b>7%</b>	<b>194</b>	<b>4%</b>	<b>187</b>	<b>-2%</b>	<b>191</b>	<b>0%</b>	<b>191</b>

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

Salary and benefits account for approximately 54% of all operating and non-operating expenses for the Vermont State Colleges System. Since FY2018, salary and benefits have declined by \$10 million or 8.2% despite increases to total compensation. Careful budget management by institutional leaders, strong partnerships with the system’s bargaining units, and strong insurance performance has allowed the system to decrease expenditures in this area.



*Chart 2: Expenses FY2021 and FY2020 by Major Category*

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

Overall expenses have increased over the five years reported driven largely by an increase in scholarship aid. The large increase in student aid from FY2021 is directly attributable to legislatively funded scholarship programs including critical occupations, degree completion scholarships, and workforce development.

Additionally, supplies and services in FY2022 were notably higher than FY2021 due to a return to normal travel and activities as well as new spending associated with legislatively approved and funded transformation spending.

### 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.

**Table 5: Student Financial Aid Trends for Past Five Years**

(\$ in millions)

	FY22	FY21	FY20	FY19	FY18
Scholarship Allowances (included in revenue)	38	31	32	29	27
Scholarship Expenses (included in expenses)	26	13	10	8	7
<b>Total Student Aid</b>	<b>64</b>	<b>44</b>	<b>42</b>	<b>37</b>	<b>34</b>

*Table 5: Student Financial Aid Trends for Past Five Years*

A large influx of federal funding in the form of HEERF student aid increased the total scholarship expense for FY22 from baseline.

# VERMONT STATE COLLEGES

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

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

**June 30, 2022 and 2021**

## *Statement of Cash Flow*

The Statement of Cash Flows shows inflows and outflows of cash excluding accrued revenue and expense. The Condensed Statement of Cash Flows for the VSCS is shown as Table 6 below.

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

<u>Cash flows from:</u>	2022	% Change	2021	% Change	2020	2019	2018
Operating	-84	79%	-47	0%	-47	-43	-34
Non capital financing	117	9%	107	62%	66	48	49
Capital and related financing	-15	88%	-8	33%	-6	-8	-10
Investing	3	0%	0	-100%	1	-1	2
Net increase (decrease)	21	-60%	52	247%	15	-4	7
Cash, Beginning of Year	81	179%	29	107%	14	18	11
Cash, End of Year	102	26%	81	179%	29	14	18
<hr/>							
Operating cash flows if noncapital appropriations and non-operating grants were included							
Operating	-84	79%	-47	0%	-47	-43	-34
Non capital appropriations	47		61		33	30	30
Non operating grants	73		43		28	16	16
Operating cash flows with non-operating additions	36	-37%	57	307%	14	3	12

*Table 6: Condensed Statement of Cash Flows*

### **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. In addition, 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 (ARPA, 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.

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

### **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 during FY2018 and FY2019, the values increased significantly beginning in FY2020 due to receipt of federal funding in the form of American Rescue Plan Act, Higher Education Emergency Relief, and Coronavirus Relief funds. These monies increased the non-operating federal grants line from \$16 million in FY2018 to \$73 million at the end of FY2022.

At the same time, cash flows from non-capital appropriations declined by \$14 million from FY2021 to FY2022. This decline is directly related to the one-time nature of the \$28.8 million bridge fund allocated to the Vermont State Colleges, offset by the first installment of transformation funding, and an increase in the base appropriation.

### **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. Capital and related financing remained constant between FY2019 and FY2021. Sale of certain assets at the Vermont Technical College and Community College of Vermont locations affected these numbers for FY2022.

### **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 FY2022 there were modest cash changes due to investing activities.

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

### Economic Factors That Will Affect the Future

#### *Vermont State Colleges Transformation*

As noted at the beginning of this document, in 2020, the State of Vermont created the *Select Committee on the Future of Public Higher Education in Vermont*. Since the conclusion of the *Committee's* work in 2021, the Board of Trustees of the Vermont State Colleges endorsed the recommendations of the *Select Committee* and instructed the Chancellor to execute the recommendations. Since that time, the Vermont State Colleges have achieved the following:

1. The first \$5 million in structural savings were achieved in advance of the FY2023 budget, an additional \$5 million in structural savings will be achieved with each of the next four fiscal years
2. Launched a search for, and hired, the first president of Vermont State University
3. Created marketing and branding materials for the 2023-2024 academic year
4. Established a new tuition and discounting structure that reduces the published tuition price and lowers overall discounts commencing with the 2023-2024 academic year
5. Hired executive leaders for academic affairs, enrollment, and student success

In addition, the State of Vermont has authorized an additional \$15 million in state appropriation for the Vermont State Colleges (a 50% increase over the historical appropriation), authorized \$20 million in transformation funding, and provided \$64.7 million in bridge funding.

Over the next four years, further work will be completed including:

1. Receive accreditation for Vermont State University from the New England Commission on Higher Education (NECHE) and approval of the merger from the United State Department of Education
2. Formally launch Vermont State University on July 1, 2023
3. Receive the final increase of \$2.5 million to the base appropriation by FY2024
4. Receive the remaining installments of bridge funding equaling \$26.5 million between FY2024 and FY2026
5. Reduce the structural deficit through a combination of cost reductions and improved revenues by \$5 million a year for the years FY2023 and FY2026, inclusive
6. Implement shared services for information technology, human resources, libraries, and finance

#### *Vermont State Appropriations and Bridge Funding*

The *Select Committee on the Future of Public Higher Education in Vermont* recommended substantial increases in the state appropriation for the Vermont State Colleges System along with bridge funding to support the System through the period of transformation and stabilization.

To date, the State of Vermont has approved increases to the base appropriation of \$5 million (FY2022) and \$10 million (FY2023). To meet the recommendations of the *Select Committee* the VSCS anticipates a final increase of \$2.5 million before FY2025.

**VERMONT STATE COLLEGES**  
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**June 30, 2022 and 2021**

In addition to base appropriation increases, the VSCS requires bridge funding to assist the system with transformation in a fiscally responsible and sustainable manner. To date, the State of Vermont has approved bridge funding in the amounts of \$28.8 million (FY2021, general fund), \$21 million (FY2022, ARPA economic support grant), and \$14.9 million (FY2023, ARPA economic support grant). The VSCS will request three additional installments of bridge funding totaling \$26.5 million (FY2024: \$11.5 million, FY2025: \$10 million, FY2025: \$5 million).

Receipt of the increase to base appropriation and the final installments of bridge funding is vital to the success of the VSCS' transformation. To that end, the Chancellor and senior leadership team continue to work tirelessly with the Governor and his administration and the Legislature to provide the funding necessary to support transformation.

***Employee and Contractual Obligations***

The VSCS employs nearly three 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 – four full-time units and three part-time faculty units. The four full-time employee collective bargaining agreements expired on June 30, 2020 and received one-year extensions for both FY2021 and FY2022. Recently all the full-time units agreed to a two-year compensation package addressing wages and benefits for FY2023 and FY2024.

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

**Statements of Net Position**

**June 30,**

**Assets and Deferred Outflows of Resources**

	<u>2022</u>	(Restated) <u>2021</u>
<b>Current Assets:</b>		
Cash and equivalents (Note 3)	\$ 101,581,584	\$ 75,370,827
Restricted cash and equivalents	-	4,655,455
Accounts receivable, net (Note 4)	22,159,504	12,887,694
Deposit with bond trustees (Note 3)	1,087,625	1,068,825
Other current assets	<u>2,515,874</u>	<u>1,906,174</u>
<b>Total Current Assets</b>	<u>127,344,587</u>	<u>95,888,975</u>
<b>Non-Current Assets:</b>		
Cash and equivalents (Note 3)	896,203	936,856
Long-term investments (Note 3)	48,187,071	54,904,256
Notes receivable, net (Note 4)	1,469,809	3,279,122
Other assets	88,697	99,207
Capital assets, net (Note 12)	<u>153,631,793</u>	<u>160,861,203</u>
<b>Total Non-Current Assets</b>	<u>204,273,573</u>	<u>220,080,644</u>
<b>Total Assets</b>	<u>331,618,160</u>	<u>315,969,619</u>
<b>Deferred Outflows of Resources:</b>		
Deferred loss on debt refunding (Note 6)	6,493,996	7,525,847
OPEB (Note 10)	<u>42,760,473</u>	<u>50,006,413</u>
<b>Total Deferred Outflows of Resources</b>	<u>49,254,469</u>	<u>57,532,260</u>
 <b>Total Assets and Deferred Outflows of Resources</b>	 <u>\$ 380,872,629</u>	 <u>\$ 373,501,879</u>

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



## Liabilities, Deferred Inflows of Resources and Net Position

	<u>2022</u>	(Restated) <u>2021</u>
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities (Note 13)	\$ 12,945,955	\$ 16,251,717
Unearned revenue and deposits	7,104,075	12,856,448
Current portion of lease liability (Note 5)	1,916,423	2,013,498
Current portion of long-term debt (Note 5)	<u>4,428,454</u>	<u>4,258,454</u>
<b>Total Current Liabilities</b>	<u>26,394,907</u>	<u>35,380,117</u>
<b>Non-Current Liabilities:</b>		
Other liabilities	87,287	142,476
Refundable grants	3,556,288	4,029,353
Post-employment benefit obligations (Note 10)	160,734,727	238,004,492
Lease liability, net of current portion (Note 5)	12,891,810	14,577,461
Long-term debt, excluding current portion (Note 5)	<u>109,274,003</u>	<u>113,702,457</u>
<b>Total Non-Current Liabilities</b>	<u>286,544,115</u>	<u>370,456,239</u>
<b>Total Liabilities</b>	<u>312,939,022</u>	<u>405,836,356</u>
<b>Deferred Inflows of Resources:</b>		
OPEB (Note 10)	<u>74,054,636</u>	<u>3,876,310</u>
<b>Net Position:</b>		
Net investment in capital assets	37,926,523	40,718,271
Restricted - nonexpendable	22,454,476	20,782,281
Restricted - expendable	16,473,377	20,122,013
Unrestricted	<u>(82,975,405)</u>	<u>(117,833,352)</u>
<b>Total Net Position</b>	<u>(6,121,029)</u>	<u>(36,210,787)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 380,872,629</u>	<u>\$ 373,501,879</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>2022</u>	(Restated) <u>2021</u>
<b>Operating Revenues:</b>		
Tuition and fees	\$ 107,370,762	\$ 109,090,525
Residence and dining	13,020,293	8,753,469
Less: scholarship allowances	<u>(38,117,532)</u>	<u>(31,329,730)</u>
Net Tuition, Fees, and Residence and Dining Revenue	82,273,523	86,514,264
Federal grants and contracts	15,606,175	14,521,551
State and local grants and contracts	1,990,337	2,035,581
Non-governmental grants and contracts	1,392,306	1,882,074
Interest income	739,623	117,412
Sales and services of educational activities	14,352,916	6,879,828
Other operating revenues	<u>2,015,237</u>	<u>778,761</u>
<b>Total Operating Revenues</b>	<u><b>118,370,117</b></u>	<u><b>112,729,471</b></u>
<b>Operating Expenses (Notes 7, 10 and 13):</b>		
Salaries and wages	75,405,824	73,287,378
Employee benefits (Notes 9 and 10)	36,506,729	46,023,515
Scholarships and fellowships	26,075,221	12,688,211
Supplies and other services	45,354,078	38,761,619
Utilities	6,403,482	5,183,184
Depreciation (Note 11 and 12)	<u>12,973,552</u>	<u>12,298,223</u>
<b>Total Operating Expenses</b>	<u><b>202,718,886</b></u>	<u><b>188,242,130</b></u>
<b>Net Operating Loss</b>	<u><b>(84,348,769)</b></u>	<u><b>(75,512,659)</b></u>
<b>Non-Operating Revenues (Expenses):</b>		
State appropriations (Note 8)	47,331,892	60,725,199
Federal grants and contracts	72,826,574	42,749,079
Gifts	1,987,758	3,473,800
Investment income, net of expenses (Note 3)	(3,886,044)	6,915,624
Interest expense	(5,476,764)	(5,731,919)
Other non-operating revenues (expenses)	<u>(1,803,824)</u>	<u>168,820</u>
<b>Net Non-Operating Revenues</b>	<u><b>110,979,592</b></u>	<u><b>108,300,603</b></u>
<b>Increase in Net Position Before Other Revenues</b>	<b>26,630,823</b>	<b>32,787,944</b>
<b>Other Revenues:</b>		
State appropriations for capital expenditures (Note 8)	2,000,000	2,000,000
Capital grants and gifts	3,663	32,438
Additions to non-expendable assets	<u>1,455,272</u>	<u>1,361,122</u>
<b>Increase in Net Position</b>	<b>30,089,758</b>	<b>36,181,504</b>
Net Position, Beginning of Year	<u>(36,210,787)</u>	<u>(72,392,291)</u>
<b>Net Position, End of Year</b>	<u><b>\$ (6,121,029)</b></u>	<u><b>\$ (36,210,787)</b></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>2022</u>	(Restated) <u>2021</u>
<b>Cash Flows from Operating Activities:</b>		
Tuition and fees	\$ 56,896,667	\$ 74,734,760
Grants and contracts	8,288,977	19,864,627
Sales and services of educational activities	14,243,165	9,070,503
Interest received	739,623	117,412
Payments to suppliers	(54,765,925)	(41,623,567)
Payments to employees	(113,134,553)	(110,503,485)
Collection of loan payments	1,809,313	209,664
Other cash receipts	<u>2,015,237</u>	<u>778,761</u>
Net Cash Applied to Operating Activities	<u>(83,907,496)</u>	<u>(47,351,325)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
State appropriations	47,331,892	60,725,199
Non-operating federal grants	68,171,124	44,113,650
Gifts and grants	<u>1,730,252</u>	<u>2,540,294</u>
Net Cash Provided by Non-Capital Financing Activities	<u>117,233,268</u>	<u>107,379,143</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Capital and non-expendable grants and gifts	1,458,935	1,393,560
Capital appropriations	2,000,000	2,000,000
Purchase of capital assets	(8,133,110)	(5,407,875)
Change in deposits with bond trustee	(18,800)	(7,041)
Proceeds from sale of capital assets	2,612,560	1,669,512
Payments on capital debt	(2,816,318)	(2,631,028)
Interest expense on capital debt	(7,941,707)	(5,690,689)
Other receipts	<u>(1,803,824)</u>	<u>168,820</u>
Net Cash Applied to Capital and Related Financing Activities	<u>(14,642,264)</u>	<u>(8,504,741)</u>

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

**Statements of Cash Flows - Continued**

**For the Years Ended June 30,**

	<u>2022</u>	(Restated) <u>2021</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales and maturities of investments	\$ 9,642,133	\$ 4,801,103
Purchase of investments	(6,934,807)	(5,696,780)
Interest and dividends received on investments	<u>123,815</u>	<u>998,730</u>
Net Cash Provided by Investing Activities	<u>2,831,141</u>	<u>103,053</u>
<b>Net Increase in Cash and Equivalents</b>	<b>21,514,649</b>	<b>51,626,130</b>
Cash and Equivalents, Beginning of Year	<u>80,963,138</u>	<u>29,337,008</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 102,477,787</u></b>	<b><u>\$ 80,963,138</u></b>
<b>Reconciliation of Operating Loss to Net Cash Applied to Operating Activities:</b>		
Operating loss	\$ (84,348,769)	\$ (75,512,659)
Adjustments to reconcile operating loss to net cash applied to operating activities:		
Depreciation	12,973,552	12,298,223
Bad debts	152,119	542,474
OPEB activity	77,424,266	(34,527,750)
Changes in assets and liabilities:		
Accounts receivable	(9,423,929)	1,745,117
Other assets	(599,190)	(485,221)
Notes receivable	1,809,313	209,664
Accounts payable and accrued liabilities	(3,257,422)	3,018,680
Unearned revenues, deposits and refundable grants	(1,367,671)	1,413,209
Post-employment benefit obligations	<u>(77,269,765)</u>	<u>43,946,938</u>
Net Cash Applied to Operating Activities	<u>\$ (83,907,496)</u>	<u>\$ (47,351,325)</u>
<b>Non-Cash Transactions:</b>		
Unrealized gains (losses)	<u>\$ (6,828,990)</u>	<u>\$ 5,916,894</u>
Donation of stock	<u>\$ 1,218,600</u>	<u>\$ 952,750</u>
Net loss on disposal of capital assets	<u>\$ (1,803,824)</u>	<u>\$ 168,339</u>
Acquisition of capital assets	<u>\$ 223,592</u>	<u>\$ -</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, 2022 and 2021

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

*Organization*

Vermont State Colleges (the “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 Colleges operations in response to government requirements and observing safety measures. As a result, the Colleges housing’s maximum capacity decreased significantly in the 2021-2022 and 2020-2021 academic years.

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 June 2023.

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

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

The Colleges have been awarded the following HEERF and SIP funds as of June 30, 2022:

	Student Aid Award	Institutional Award	Strengthening Institution Program	Total
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
<b>Total</b>	<b><u>\$ 17,771,331</u></b>	<b><u>\$ 23,865,160</u></b>	<b><u>\$ 1,679,812</u></b>	<b><u>\$ 43,316,303</u></b>

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

2022				
	Student Aid Award	Institutional Award	Strengthening Institution Program	Total
CARES	\$ -	\$ -	\$ -	\$ -
CRRSAA	-	820,877	-	820,877
ARPA	11,624,508	9,524,584	505,015	21,654,107
<b>Total</b>	<b><u>\$ 11,624,508</u></b>	<b><u>\$ 10,345,461</u></b>	<b><u>\$ 505,015</u></b>	<b><u>\$ 22,474,984</u></b>
2021				
	Student Aid Award	Institutional Award	Strengthening Institution Program	Total
CARES	\$ 421,170	\$ 421,170	\$ 74,672	\$ 917,012
CRRSAA	3,070,616	9,093,217	542,363	12,706,196
ARPA	-	-	-	-
<b>Total</b>	<b><u>\$ 3,491,786</u></b>	<b><u>\$ 9,514,387</u></b>	<b><u>\$ 617,035</u></b>	<b><u>\$ 13,623,208</u></b>

# **VERMONT STATE COLLEGES**

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

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

#### **June 30, 2022 and 2021**

As of June 30, 2022 the Colleges have \$1,691,068 of unspent ARPA funds. All CARES and CRRSAA funds have been spent.

The CARES act also created the Coronavirus Relief Fund (“CRF”) and Coronavirus State and Local Fiscal Recovery Funds (CSL) which was awarded to the State. As of June 30, 2022, the State has allocated a total of approximately \$51,100,000 to the Colleges for expenses incurred due to the public health emergency with respect to the coronavirus. During the fiscal years ended June 30, 2022 and 2021, the Colleges expended \$36,488,199 and \$15,679,159 and recognized \$36,488,199 and \$15,679,159, respectively in non-operating Federal grants revenue. The remaining unexpended balance of \$0 and \$4,655,455 is included in unearned income and deposits in the statement of net position as of June 30, 2022 and 2021, respectively. The Colleges must expend this award by December 30, 2024.

#### *Basis of Presentation*

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. 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.

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

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

### Net Position

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

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

**Restricted - nonexpendable:** Net position subject to externally imposed conditions that VSC must maintain in perpetuity.

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

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

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

### Cash and Equivalents

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



# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Notes to the Financial Statements - Continued

June 30, 2022 and 2021

### 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, 2022 and 2021. Funds are restricted as they must be used to cover expenses that were incurred due to the COVID-19 pandemic.

### Allowance for Doubtful Accounts

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

### Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost as of date of acquisition or, in the case of gifts, at fair value as of the date of donation. In accordance with the Board's capitalization policy, vehicles, equipment and works of art and historical treasures with a unit cost of at least \$5,000 are capitalized. Land, building, leasehold and infrastructure improvements with a unit cost of \$50,000 or more are capitalized. Software with a unit cost of \$500,000 or more is capitalized. Interest costs on debt related to capital assets were capitalized during the construction period for projects before July 1, 2021. Beginning on July 1, 2021, interest on debt costs on debt related to capital assets were expensed during the construction period. 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.

Right of use assets are recorded in these financial statements in accordance with GASB 87 and represent the College's authority (right) to utilize a leased item over the duration of an agreed-upon lease term with another entity or vendor. The right to use assets, measured at the shorter of the estimated useful life or lease term, within these financials are for buildings and space rental with various vendors.

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.

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Notes to the Financial Statements - Continued

June 30, 2022 and 2021

### Investments

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

### Other Significant Accounting Policies

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

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

### Refundable Grants

Refundable grants are refundable to the federal government for Federal Perkins and Nursing Student loans.

The Federal Perkins Loan Program Extension Act of 2015 (the "Extension Act"), enacted on December 18, 2015, extended the Perkins Loan Program through September 30, 2017. The Extension Act states that new Perkins Loans cannot be disbursed to students after September 30, 2017. 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.

# VERMONT STATE COLLEGES

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

### Notes to the Financial Statements - Continued

June 30, 2022 and 2021

#### 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 \$4,052,316 and \$3,218,862 as of June 30, 2022 and 2021, respectively. Cumulative unamortized balances of bond premiums totaled \$12,942,457 and \$13,775,911 as of June 30, 2022 and 2021, respectively. The bond premiums are included in bonds and notes payable.

#### Post-employment Benefits Other Than Pensions ("OPEB")

GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions* ("GASB 75"), require governments to account for other post-employment benefits ("OPEB"), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the total OPEB liability is to be measured as the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service.

The Statement requires that the actuarial present value of projected benefit payments be attributed to the periods of employee services using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay.

#### Income Taxes

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

#### Grants

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

# VERMONT STATE COLLEGES

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

### Notes to the Financial Statements - Continued

June 30, 2022 and 2021

#### Use of Estimates in Financial Statement Preparation

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

#### New Government Accounting Pronouncements

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 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (PPP)* 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.

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-to-use asset and a corresponding liability would be recognized for SBITAs.

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

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

GASB Statement 99 – *Omnibus 2022* has multiple effective dates. The objective of this statement is to clarify differences among leases, PPP and SBITA (which is effective for reporting periods after June 15, 2022) and reporting requirements for financial guarantees and derivative investments (which is effective for reporting periods after June 15, 2023).

GASB Statement 100 – *Accounting Changes and Error Corrections – an amendment of GASB 62* is effective for reporting periods beginning after June 15, 2023. The objective of this statement is to provide consistency for changes in accounting principles, accounting estimates, and the reporting entity and corrections of errors.

GASB Statement 101 – *Compensated Absences* is effective for reporting periods beginning after December 15, 2023. The objective of this statement is to update the recognition and measurement for compensated absences.

Management has not completed its review of the requirements of these standards and their applicability.

*Reclassifications*

Certain amounts on the 2021 financial statements have been reclassified to conform to the 2022 presentation.

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

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

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

As of July 1, 2020, the College implemented GASB 87, *Leases*. GASB 87 enhances the consistency for leasing activities and establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

At June 30, 2020, the balance for the right to use asset and lease liability was \$18,441,987. There was no change to net position as of July 1, 2020, upon the implementation of GASB 87 since the adjustment for the right to use assets of \$18,441,987 was completely offset by the adjustment for the lease liability.

The prior period adjustment due to the implementation of GASB 87 as of and for the year ended June 30, 2021 is as follows:

	<u>Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
As of June 30, 2021:			
Capital assets, net	\$ 144,743,671	\$ 16,117,532	\$ 160,861,203
Lease liability	\$ -	\$ 16,590,959	\$ 16,590,959
Net investment in capital assets	\$ 41,191,698	\$ (473,427)	\$ 40,718,271
Year Ended June 30, 2021:			
Depreciation expense	\$ 9,973,768	\$ 2,324,455	\$ 12,298,223
Interest expense	\$ 4,882,621	\$ 849,298	\$ 5,731,919
Supplies and other services	\$ 41,461,945	\$ (2,700,326)	\$ 38,761,619

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

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

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

*Cash and Equivalents*

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

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

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, 2022, the balance of current assets - cash and equivalents and restricted cash and equivalents, consists of approximately \$9,800 in petty cash, and the remainder deposited in Federal Deposit Insurance Corporation ("FDIC") insured banking institutions of approximately \$101,572,000 per the accounting records of the Colleges, and approximately \$103,530,000 per bank records. Of the bank balances, approximately \$1,049,300 was covered by federal depository insurance and approximately \$102,480,700 was uninsured and uncollateralized at June 30, 2022.

At June 30, 2022, the balances of non-current assets - cash and equivalents deposited in FDIC insured banking institutions were approximately \$765,000 per the accounting records of the Colleges, and approximately \$482,000 per bank records. Of the bank balances, approximately \$122,500 was covered by federal depository insurance and approximately \$359,500 was uninsured and uncollateralized at June 30, 2022.

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

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

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.

Investments

Investments of the various funds at June 30, 2022 are as follows:

	<u>Fair Value</u>	<u>Cost</u>
U.S. Government bonds	\$ 4,685,511	\$ 4,655,253
Corporate bonds	4,125,463	4,240,406
Common stock and ETF's	12,533,851	11,922,331
Hedge fund shares	4,421,493	4,080,029
Mutual funds	9,868,959	10,785,930
Money market	12,551,794	12,551,794
Held by bond trustee	<u>1,087,625</u>	<u>1,087,625</u>
<b>Total Investments</b>	<b><u>\$ 49,274,696</u></b>	<b><u>\$ 49,323,368</u></b>



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

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

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	1,068,825	1,068,825
Total Investments	\$ 55,973,081	\$ 46,898,287

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.

**2022**  
**Investment Maturities (in years)**

<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>
<b>Money Market</b>					
<b>Investments</b>	\$ 12,551,794	\$ 12,551,794	\$ -	\$ -	\$ -
<b>Corporate Bonds</b>	4,125,463	973,455	2,872,715	279,293	-
<b>U.S. Govt. Bonds</b>	4,685,511	511,687	3,656,466	517,358	-
<b>Total</b>	\$ 21,362,768	\$ 14,036,936	\$ 6,529,181	\$ 796,651	\$ -
<b><u>Other Investments</u></b>					
<b>Common Stock and</b>					
<b>Mutual Funds</b>	26,824,303				
<b>Held by Bond Trustee</b>	1,087,625				
<b>Total</b>	\$ 49,274,696				

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

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

<u>Investment Type</u>	<u>2021</u>				
	<u>Market Value</u>	<u>Investment Maturities (in years)</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>
 <u>Other Investments</u>					
Common Stock and					
Mutual Funds	32,682,210				
Held by Bond Trustee	<u>1,068,825</u>				
Total	<u>\$ 55,973,081</u>				

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

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

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 1,220,023	\$ 636,663
Net realized and unrealized gain (loss)	<u>(4,912,448)</u>	<u>6,474,107</u>
Total investment income	<u>(3,692,425)</u>	7,110,770
Less: management fees	<u>(193,619)</u>	<u>(195,146)</u>
Investment income, net	<u>\$ (3,886,044)</u>	<u>\$ 6,915,624</u>

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

**June 30, 2022 and 2021**

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

<u>Investment rating*</u>	<u>2022</u>	<u>2021</u>
AAA	\$ 4,913,874	\$ 6,684,425
AA+	75,228	77,674
AA	333,638	1,431,306
AA-	228,052	4,133
A+	367,683	643,895
A	507,928	1,951,764
A-	1,222,039	772,682
BBB+	952,898	847,204
BBB	209,633	233,321
Unrated	12,551,794	9,575,642
	<u>\$ 21,362,768</u>	<u>\$ 22,222,046</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.

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.

# VERMONT STATE COLLEGES

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## Notes to the Financial Statements - Continued

June 30, 2022 and 2021

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

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

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

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

### Fair Value Hierarchy

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

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

# VERMONT STATE COLLEGES

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

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

*Common Stock and Exchange Traded Funds* (“ETF”): Value based on quoted prices in active markets of similar instruments.

*Hedge Fund Shares:* Hedge fund shares held by the Colleges are closed-end hedge funds that are registered with the SEC. The fair values of the investments in this class have been estimated using the net asset value (“NAV”) per share of the investments. The hedge fund shares held by the Colleges have redemption periods under 90 days and are considered redeemable in the near term. Hedge funds shares may at times, not be redeemable subject to the business judgement of the hedge funds board of directors.

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

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

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

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

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**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

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, 2022*

	Level 1	Level 2	Level 3	Total
U.S. Government bonds	\$ 4,685,511	\$ -	\$ -	\$ 4,685,511
Corporate bonds	-	4,125,463	-	4,125,463
Common stock and ETF's	12,533,851	-	-	12,533,851
Hedge fund shares	-	4,421,493	-	4,421,493
Mutual funds	9,868,959	-	-	9,868,959
Money market	12,551,794	-	-	12,551,794
Held by bond trustee	1,087,625	-	-	1,087,625
Total Assets at Fair Value	\$ 40,727,740	\$ 8,546,956	\$ -	\$ 49,274,696

*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	\$ 45,726,193	\$ 10,246,888	\$ -	\$ 55,973,081

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

**June 30, 2022 and 2021**

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

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

	<u>2022</u>	<u>2021</u>
Student accounts receivable	\$ 10,615,442	\$ 12,231,000
Grants receivable	17,382,522	6,682,679
Other receivable	<u>895,491</u>	<u>1,285,705</u>
Subtotal	28,893,455	20,199,384
Allowance for doubtful accounts	<u>(6,733,951)</u>	<u>(7,311,690)</u>
Total accounts receivable, net	<u>\$ 22,159,504</u>	<u>\$ 12,887,694</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 \$169,000 and \$1,205,000 at June 30, 2022 and 2021, 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 \$1,036,000 and net decrease of \$48,000 in 2022 and 2021, respectively, has been reflected in operating expenses.

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**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

Note 5 - **Long-Term Liabilities**

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

	2022				
	Beginning balances	Additions	Reductions	Ending balances	Current portion
<b>Long-term liabilities</b>					
Bonds and notes payable	\$ 117,960,911	\$ -	\$ 4,258,455	\$ 113,702,456	\$4,428,454
Total OPEB obligation	238,004,493	-	77,269,765	160,734,728	-
Lease liability	16,590,959	223,592	2,006,318	14,808,233	1,916,423
Other liabilities	142,476	87,287	142,476	87,287	-
Refundable grants	4,029,353	-	473,065	3,556,288	-
<b>Total long-term liabilities</b>	<b>\$ 376,728,192</b>	<b>\$ 310,879</b>	<b>\$ 84,150,079</b>	<b>\$ 292,888,992</b>	<b>\$ 6,344,877</b>
	2021				
	Beginning balances	Additions	Reductions	Ending balances	Current portion
<b>Long-term liabilities</b>					
Bonds and notes payable	\$ 119,574,365	\$ -	\$ 1,613,454	\$ 117,960,911	\$4,258,455
Total OPEB obligation	194,057,554	43,946,939	-	238,004,493	-
Lease liability	18,441,987	-	1,851,028	16,590,959	2,013,498
Other liabilities	244,435	142,476	244,435	142,476	-
Refundable grants	4,751,397	-	722,044	4,029,353	-
<b>Total long-term liabilities</b>	<b>\$ 337,069,738</b>	<b>\$ 44,089,415</b>	<b>\$ 4,430,961</b>	<b>\$ 376,728,192</b>	<b>\$ 6,271,953</b>

**Bonds and Notes Payable**

Outstanding debt as of June 30, is as follows:

	<b><u>2022</u></b>	<b><u>2021</u></b>
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 \$4,012,059 and \$4,231,897 has been added to the liability at June 30, 2022 and 2021, respectively. <sup>1</sup>	<b>\$28,197,058</b>	\$28,416,897



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**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

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 \$7,909,741 and \$8,428,413 has been added to the liability at June 30, 2022 and 2021, respectively. <sup>2</sup>

	<b>72,954,742</b>	76,088,414
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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 \$1,020,657 and \$1,115,601 has been added to the liability at June 30, 2022 and 2021, respectively.

	<u><b>12,550,657</b></u>	<u>13,455,600</u>
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	<u><b>\$ 113,702,457</b></u>	<u>\$ 117,960,911</u>
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<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, 2022 and 2021**

*Debt Roll-Forward*

Long-term debt activity for the years ended June 30, 2022 and 2021 was as follows:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Repayment</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Current</u> <u>Portion</u>
Series 2013	\$ 12,340,000	\$ -	\$ (810,000)	\$ 11,530,000	\$ 845,000
Series 2013 Bond Premium	<u>1,115,601</u>	<u>-</u>	<u>(94,944)</u>	<u>1,020,657</u>	<u>94,944</u>
Series 2013 Bonds	<u>13,455,601</u>	<u>-</u>	<u>(904,944)</u>	<u>12,550,657</u>	<u>939,944</u>
Series 2017	67,660,000	-	(2,615,000)	65,045,000	2,750,000
Series 2017 Bond Premium	<u>8,428,413</u>	<u>-</u>	<u>(518,672)</u>	<u>7,909,741</u>	<u>518,672</u>
Series 2017 Bonds	<u>76,088,413</u>	<u>-</u>	<u>(3,133,672)</u>	<u>72,954,741</u>	<u>3,268,672</u>
Series 2020	24,185,000	-	-	24,185,000	-
Series 2020 Bond Premium	<u>4,231,897</u>	<u>-</u>	<u>(219,838)</u>	<u>4,012,059</u>	<u>219,838</u>
Series 2020 Bonds	<u>28,416,897</u>	<u>-</u>	<u>(219,838)</u>	<u>28,197,059</u>	<u>219,838</u>
Total Bonds and Notes Payable	<u>\$ 117,960,911</u>	<u>\$ -</u>	<u>\$ (4,258,454)</u>	<u>\$ 113,702,457</u>	<u>\$ 4,428,454</u>

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**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

	Balance <u>June 30, 2020</u>	<u>Additions</u>	<u>Repayment</u>	Balance <u>June 30, 2021</u>	Current <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>219,838</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>

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>
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	4,704,666
2027	5,615,000	4,411,021
2028	4,850,000	4,027,163
2029-2033	33,675,000	11,216,575
2034-2038	33,215,000	3,992,200
2039-2041	<u>5,195,000</u>	<u>421,000</u>
	<u>\$ 100,760,000</u>	<u>\$ 44,355,053</u>

Deferred loss on debt refunding is included in interest expense.

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**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

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.

Lease Liability

The Colleges are a lessee of multiple long-term leases for buildings and office space from various vendors. Significant lease terms are described below:

Description	Commencement Date for GASB 87	Lease Term at GASB 87		Payment Amount	Rate Type	Interest Rate	Lease Liability 6/30/22	Lease Liability 6/30/21
		Commencement	(months)					
Rutland Lease (CCV)	7/1/2020		169	Varies	IBR	4.75%	\$ 9,830,835	\$ 10,268,901
St. Albans Lease (CCV)	11/1/2020		180	Varies	IBR	4.75%	2,008,827	2,084,264
Brattleboro Lease (CCV & VTC)	7/1/2020		48	Varies	IBR	4.75%	609,369	880,014
Stonecutter's Way Lease (OC)	7/1/2020		85	Varies	IBR	4.75%	446,420	603,740
Butternut Ledge Lease (CU)	7/1/2020		73	Varies	IBR	4.75%	444,612	540,995
Bennington Lease (CCV)	7/1/2020		48	Varies	IBR	4.75%	317,588	463,084
Newport Lease (CCV)	7/1/2020		48	Varies	IBR	4.75%	276,663	403,343
Killington lease (CU)	11/30/2021		68	Varies	IBR	4.75%	230,772	-
Foley Hall Lease (CU)	7/1/2020		37	Varies	IBR	4.75%	208,672	392,009
Randolph Lease (VTC)	7/1/2020		36	Varies	IBR	4.75%	147,588	280,387
Morrisville Lease (CCV)	7/1/2020		38	Varies	IBR	4.75%	142,132	254,212
Lyndonville Lease (NVU)	7/1/2020		82	Varies	IBR	4.75%	77,600	91,551
Tech Vault Rack Space Lease (OC)	7/1/2020		32	Varies	IBR	4.75%	49,476	120,820
Middlebury Lease (CCV)	7/1/2020		26	Varies	IBR	4.75%	17,679	120,496
Bennington lease (CU)	7/1/2020		24	Varies	IBR	4.75%	-	54,648
Highridge Condo Lease (CU)	7/1/2020		24	Varies	IBR	4.75%	-	32,495
							\$ 14,808,233	\$ 16,590,959

Interest Expense and Net Remaining Right of Use Assets

Lease interest expense for the years ended June 30, 2022 and 2021 was \$747,197 and \$849,298, respectively. The amortization of the right of use assets are amortized on a straight-line basis over the lease term for each lease. The remaining unamortized right of use asset related to lease obligations was \$13,943,015 and \$16,117,532 at June 30, 2022 and 2021, respectively. There were no other payments made other than the payments used in the calculation of the lease liability for the years ended June 30, 2022 and 2021. A number of the leases also include options to renew at various times based on the Colleges choice to continue the lease. There are no leases in which management believes that it is certain that the Colleges will exercise the renewal options.

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**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

*Future Lease Payments*

Lease payments due subsequent to June 30, 2022 are as follows:

Years Ending June 30,	Principal	Interest
2023	\$ 1,916,423	\$ 657,663
2024	1,528,755	575,285
2025	942,615	516,035
2026	1,020,321	469,525
2027	987,550	421,422
2028-2032	5,259,883	1,402,680
2033-2037	3,152,686	178,949
	\$ 14,808,233	\$ 4,221,560

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

During 2017, VSC paid a breakage fee of \$10,931,885 to discontinue all of its interest rate swap agreements. The breakage fee is recorded on the 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 \$1,003,345 for the years ended June 30, 2022 and 2021. The unamortized balance of the breakage fee was \$5,810,643 and \$6,813,988 for years ended June 30, 2022 and 2021.

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 \$28,506 and \$40,923 for the year ending June 30, 2022 and 2021. The unamortized balance of the advanced debt refunding was \$683,353 and \$711,859 for years ended June 30, 2022 and 2021.

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**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

Note 7 - **Functional Expense Classification**

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

		(Restated)
	<u>2022</u>	<u>2021</u>
Instructions	\$ 53,440,088	\$ 52,604,295
Research	110,345	17,395
Public Service	12,092,190	10,145,080
Academic Support	16,614,214	17,701,662
Student Services	40,373,031	33,286,109
Institution Support	34,549,148	42,871,394
Physical Plant	8,165,910	8,237,269
Student Financial Support	24,400,408	11,080,703
Depreciation	<u>12,973,552</u>	<u>12,298,223</u>
	<b>\$ 202,718,886</b>	<b>\$ 188,242,130</b>

Note 8 - **Appropriations**

VSC's operating appropriation from the State of Vermont is made directly to the Colleges and is drawn down on the basis of a monthly allotment. In addition to their operating appropriation, the Colleges received an additional \$5,000,000 for the Transformation Project, \$400,000 designated for the Dental Therapy Program and \$10,000,000 for various scholarships. Also included in the annual State appropriation for operations is funding for Allied Health of approximately \$1,158,000 in fiscal years 2022 and 2021; VMEC of approximately \$428,000 in fiscal year 2022 and 2021.

Capital appropriations for VSC made from the State Bond Funds were approximately \$2,000,000 for fiscal years 2022 and 2021, respectively.

# VERMONT STATE COLLEGES

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### Notes to the Financial Statements - Continued

June 30, 2022 and 2021

Note 9 - **Retirement Plans**

Eligible faculty and staff participate in a defined contribution retirement plan administered by Teachers Insurance Annuity Association and College Retirement Equities Fund (“TIAA-CREF”). For the years ended June 30, 2022 and 2021, the Colleges’ total payroll expense was approximately \$75,406,000 and \$73,287,000, respectively, of which approximately \$53,101,000 and \$50,728,000 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, 2022 and 2021, contributions made by the Colleges under this plan totaled approximately \$4,837,000 and \$4,681,000, or approximately 9.11% and 9.23%, of covered salaries, respectively. The defined contribution plan is not a fiduciary activity since the Colleges do not hold the assets nor have 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, 2022 and 2021, there were no covered salaries for employees participating in the Vermont Employees Retirement System and there were no employer contributions. There were no contributions to the Vermont State Teachers Retirement System during 2022 and 2021.

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, 2022 and 2021, contributions for these benefits were approximately \$573,000 and \$780,000, respectively.

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

**June 30, 2022 and 2021**

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 10 - **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>2022</u>	<u>2021</u>
Retirees and Beneficiaries	719	721
Inactive, Non-retired members	-	-
Active plan members	<u>914</u>	<u>860</u>
Total plan members	<b>1,633</b>	1,581

**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 2022 and 2021, VSC recognized employer contributions of \$7,024,702 and \$7,306,213, respectively, for both healthcare and early retirement. The plan is financed on a pay-as-you-go basis. In fiscal years 2022 and 2021, 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



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

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

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, 2022 and 2021, VSC reported a total OPEB liability of \$160,734,727 and \$238,004,492, respectively. The total OPEB liability as of June 30, 2022, the reporting date, was measured as of June 30, 2021, the measurement date, and the actuarial valuation date of July 1, 2021, which was rolled forward from the prior measurement date of June 30, 2020. The total OPEB liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, the measurement date, and the total OPEB liability was determined by an actuarial valuation date as of July 1, 2019.

The following table shows the components of VSC's annual OPEB costs for the year ended June 30, 2022 and 2021, and the changes in VSC's total OPEB obligation to the retiree healthcare plan are as follows:

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

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Interest on total OPEB obligation	\$ 5,179,166	\$ 6,671,317
Service Cost	5,231,085	3,672,170
Amortization of current year for difference between expected and actual experience	(536,788)	991,437
Amortization of current year for changes in plan actuarial assumptions	<u>-</u>	<u>5,300,477</u>
Annual OPEB cost	9,873,463	16,635,401
Difference between expected and actual experience to be recognized in future years	536,788	(991,437)
Difference between changes in plan actuarial assumptions to be recognized in future years	(67,475,590)	35,199,955
Difference between expected and actual experience of the Total OPEB liability	(12,898,213)	-
Benefit payments	<u>(7,306,213)</u>	<u>(6,896,981)</u>
Increase in total OPEB obligation	(77,269,765)	43,946,938
Total OPEB obligation - Beginning of Year	<u>238,004,492</u>	<u>194,057,554</u>
Total OPEB obligation - End of Year	<u>\$ 160,734,727</u>	<u>\$ 238,004,492</u>

**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>2021</u>
<u>Deferred Outflows of Resources</u>		
Differences between projected and actual experience	\$ 6,113,668	\$ 7,408,076
Changes in plan actual assumptions	29,622,103	35,292,123
Contributions subsequent to the measurement date	<u>7,024,702</u>	<u>7,306,213</u>
Total	<u>\$ 42,760,473</u>	<u>\$ 50,006,412</u>

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

**June 30, 2022 and 2021**

**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>2022</u>	<u>2021</u>
<u>Deferred Outflows of Resources</u>		
Differences between projected and actual experience	\$ 12,887,877	\$ 1,820,859
Changes in plan actual assumptions	<u>61,166,759</u>	<u>2,055,450</u>
Total	<u>\$ 74,054,636</u>	<u>\$ 3,876,309</u>

VSC's contributions of \$7,024,702 and \$7,306,213 made during fiscal year ending 2022 and 2021, 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:

<u>June 30,</u>	
2023	\$ (3,231,049)
2024	(3,231,049)
2025	(3,231,049)
2026	(3,198,889)
2027	(3,473,620)
2028 and after	<u>(21,953,209)</u>
	<u>\$ (38,318,865)</u>

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

Measurement date	June 30, 2021	June 30, 2020
Inflation	2.3%	2.5%
Salary Increases	3.5% per year	3.5% per year
Discount Rate	2.16%	2.21%
Healthcare Cost Trend Rate	5.9%, then decreasing incrementally to an ultimate rate of 3.6% in 2060	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, 2020. 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.

**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.

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

**June 30, 2022 and 2021**

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>2022</u>		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
1.16%	2.16%	2.16%
\$ 185,079,857	\$ 160,734,727	\$ 141,051,498
<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

**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:

<u>2022</u>		
Current Healthcare		
1.00% Decrease	Cost Trend Rate (A)	1.00% Increase
\$ 141,884,071	\$ 160,734,727	\$ 185,122,365

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

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

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

(A) - See page 55 for current healthcare cost trend rate.

**Note 11 - Capital Assets**

Property and equipment activity for the years ended June 30, 2022 and 2021 is summarized below:

	(Restated) Balance <u>June 30, 2021</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	Balance <u>June 30, 2022</u>
Land	\$ 8,670,348	\$ -	\$ -	\$ (234,300)	\$ 8,436,048
Construction-in-process	4,859,465	7,472,216	(6,381,432)	-	5,950,249
Subtotal - Capital assets not depreciated	<u>13,529,813</u>	<u>7,472,216</u>	<u>(6,381,432)</u>	<u>(234,300)</u>	<u>14,386,297</u>
Infrastructure	42,330,013	-	208,023	-	42,538,036
Buildings and improvements	261,331,103	1,865,165	396,933	(3,388,265)	260,204,936
Leasehold improvements	4,090,271	-	-	-	4,090,271
Equipment	38,043,564	660,894	3,911,311	-	42,615,769
Leased buildings	18,441,987	223,592	-	-	18,665,579
Subtotal - Capital assets depreciated	<u>364,236,938</u>	<u>2,749,651</u>	<u>4,516,267</u>	<u>(3,388,265)</u>	<u>349,449,012</u>
Less accumulated depreciation					
Capital assets	(214,581,093)	(10,575,442)	-	1,010,005	(224,146,530)
Right of use assets	(2,324,455)	(2,398,110)	-	-	(4,722,565)
Capital assets, net	<u>\$ 160,861,203</u>	<u>\$ (2,751,685)</u>	<u>\$ (1,865,165)</u>	<u>\$ (2,612,560)</u>	<u>\$ 153,631,793</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

	(Restated) Balance <u>June 30, 2020</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	(Restated) Balance <u>June 30, 2021</u>
Land	\$ 9,004,664	\$ -	\$ -	\$ (334,316)	\$ 8,670,348
Construction-in-process	<u>2,866,436</u>	<u>4,180,657</u>	<u>(2,187,628)</u>	<u>-</u>	<u>4,859,465</u>
Subtotal - Capital assets not depreciated	<u>11,871,100</u>	<u>4,180,657</u>	<u>(2,187,628)</u>	<u>(334,316)</u>	<u>13,529,813</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	36,932,380	1,170,583	71,827	(131,226)	38,043,564
Leased buildings	<u>18,441,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,441,987</u>
Subtotal - Capital assets depreciated	<u>362,996,628</u>	<u>1,227,217</u>	<u>2,187,628</u>	<u>(2,174,535)</u>	<u>364,236,938</u>
Less accumulated depreciation					
Capital assets	(205,446,665)	(9,973,768)	-	839,340	(214,581,093)
Right of use assets	<u>-</u>	<u>(2,324,455)</u>	<u>-</u>	<u>-</u>	<u>(2,324,455)</u>
Capital assets, net	<u>\$ 169,421,063</u>	<u>\$ (6,890,349)</u>	<u>\$ -</u>	<u>\$ (1,669,511)</u>	<u>\$ 160,861,203</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.

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:

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

**Notes to the Financial Statements - Continued**

**June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Medical and dental claims reserve, beginning of year	\$ 1,879,100	\$ 1,447,100
Incurred claims	19,352,900	19,682,000
Payments on claims	<u>(19,638,000)</u>	<u>(19,250,000)</u>
Medical and dental claims reserve, end of year	<u>\$ 1,594,000</u>	<u>\$ 1,879,100</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>2022</u>	<u>2021</u>
Workers' compensation reserve, beginning of year	\$ 402,000	\$ 365,000
Workers' compensation accrued during the year	769,000	674,000
Claims paid/reserved/claims administration	<u>(697,000)</u>	<u>(637,000)</u>
Workers' compensation reserve, end of year	<u>\$ 474,000</u>	<u>\$ 402,000</u>

Employment Contracts

The Colleges have employment contracts with certain officers that expire on various dates through fiscal year 2022. The agreements provide for aggregate annual base salaries of \$379,000 in fiscal year 2022, 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



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

**June 30, 2022 and 2021**

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.

## **SUPPLEMENTAL INFORMATION**

**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, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	July 1, 2021	July 1, 2019	July 1, 2019	July 1, 2017	July 1, 2017
<b>Total OPEB liability</b>					
Service Cost	\$ 5,231,085	\$ 3,672,170	\$ 4,532,612	\$ 4,515,546	\$ 4,359,477
Interest	5,179,166	6,671,317	7,194,823	6,647,387	6,185,678
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(12,898,213)	-	263,532	(1,778,447)	12,241,959
Changes of assumptions or other inputs	(67,475,590)	40,500,432	(755,342)	(2,480,058)	666,613
Benefit payments	<u>(7,306,213)</u>	<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>	(77,269,765)	43,946,938	5,054,004	505,402	16,989,502
<b>Total OPEB liability - beginning</b>	<u>238,004,492</u>	<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>\$ 160,734,727</u>	<u>\$ 238,004,492</u>	<u>\$ 194,057,554</u>	<u>\$ 189,003,550</u>	<u>\$ 188,498,148</u>
<b>Covered payroll</b>	51,296,724	50,942,334	49,219,646	50,074,973	51,380,910
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	313.34%	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, 2022 and 2021**

Note 1 - **Change in Plan Assumptions**

Measurement date – June 30, 2021

*Change in Discount Rate*

The discount rate decreased from 2.21% to 2.16%.

*Mortality Rates*

Mortality rates used general scale MP-2021 for males and females. In the prior measurement date, general scale MP-2019 was used.

*Health Care Cost Trend*

Updated to use the most recent Getzen Model (v, 2021-f4)

*Employee Retirement Rates*

The valuation retirement rates have been updated as of 7/1/2021 to reflect the overall trend towards later retirement ages, with some exceptions in the 60-64 age range which experienced higher retirement rates.

*Participation Rates*

Review of reports show show a decrease in the percentage of retirees who elect to receive health care benefits in retirement, has decreased from 95% to 90%.

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.

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

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

**June 30, 2022 and 2021**

*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.

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, 2022, 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 31, 2022.

### **Report on 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.

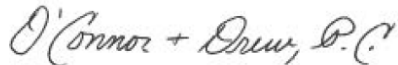


### **Report Compliance and Other Matters**

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 31, 2022

**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, 2022**

**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, 2022**

**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**

### **Opinion on 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, 2022. The Colleges major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

### **Basis for Opinion on Each Major Federal Program**

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* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Colleges and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Colleges' compliance with the compliance requirements referred to above.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Colleges' federal programs.

## **Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Colleges' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Colleges' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Colleges' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Colleges' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Colleges' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Other Matters**

The results of our auditing procedures disclosed an instance 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 item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Colleges' response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The colleges' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

*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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

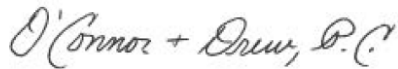
*Government Auditing Standards* requires the auditor to perform limited procedures on the Colleges' response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Colleges' response was not subjected to the other 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, 2022. We issued our report thereon dated October 31, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed 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 and is not a required part of the financial statements. 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 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 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 financial statements as a whole.



**Certified Public Accountants  
Braintree, Massachusetts**

October 31, 2022



# **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, 2022, 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 31, 2022.

## **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.

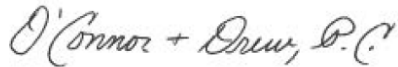


## **Report on Compliance and Other Matters**

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.

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

**Certified Public Accountants  
Braintree, Massachusetts**

October 31, 2022

**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, 2022**

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	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	\$ 1,095,705	\$ -
Federal Work-Study Program	84.033	N/A	N/A	1,469,617	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	3,279,112	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	-	-
Federal Direct Student Loans	84.268	N/A	N/A	26,262,177	-
Federal Pell Grant Program	84.063	N/A	N/A	13,844,669	-
				<hr/>	<hr/>
Total Student Financial Assistance Cluster				45,951,280	-
				<hr/> <hr/>	<hr/> <hr/>
<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	1,554,210	-
TRIO Upward Bound Math and Science	84.047M	N/A	N/A	331,820	-
TRIO Upward Bound	84.047A	N/A	N/A	1,498,949	-
TRIO McNair	84.217A	N/A	N/A	308,564	-
				<hr/>	<hr/>
Total TRIO Cluster				3,693,543	-
				<hr/> <hr/>	<hr/> <hr/>
<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	13,345	-
Education - CubeSat Continued Development	43.008	University of Vermont	33451 SUB00000147	5,907	-
Subtotal - Passthrough Awards				<hr/>	<hr/>
				19,252	-
<b>National Science Foundation:</b>					
<b>Direct Awards:</b>					
Geosciences	47.050	N/A	N/A	107,258	-
<b>Passthrough Awards:</b>					
National Science Foundation/UVM/NS	47.073	University of Vermont/National Science Foundation	AWD00000725SUB00000293	24,243	-
Biomedical Research and Research Training	93.859	University of Vermont	AWD00000100SUB00000034	157,079	-
Biomedical Research and Research Training	93.859	University of Vermont	AWD00000100SUB00000040	136,437	-
Biomedical Research and Research Training	93.859	University of Vermont	AWD00000100SUB00000037	64,552	-
Biomedical Research and Research Training	93.859	University of Vermont	AWD00000100SUB00000274	11,260	-
Subtotal - Passthrough Awards				<hr/>	<hr/>
				393,571	-
Total Research and Development Cluster				520,081	-
				<hr/> <hr/>	<hr/> <hr/>
<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	84.171	Vermont Department of Children & Families	03440-34001-22-NL	36,000	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.575	Vermont Department of Children & Families	03440-34001-22-NL	1,311,371	-
				<hr/>	<hr/>
Total 477 Cluster				1,347,371	-
				<hr/> <hr/>	<hr/> <hr/>

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

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

**Year Ended June 30, 2022**

	<b>Assistance Listing Number</b>	<b>Pass-Through Entity</b>	<b>Pass-Through Entity Award Number</b>	<b>Total</b>	<b>Total Amounts to Sub-recipients</b>
<b>MEDICAID CLUSTER</b>					
<b>U.S. Department of Health and Human Services:</b>					
<b>Passthrough Awards:</b>					
VCPI Operations Grant	93.778	Vermont Department of Mental Health	03150-A1843	<u>40,376</u>	<u>-</u>
<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>57,247</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	VT Agency of Transportation	GR1526	11,784	-
Highway Planning and Construction	20.205	VT Agency of Transportation	GR1673	<u>3,691</u>	<u>-</u>
				15,475	
<b>NON-CLUSTER</b>					
<b>U.S. Department of Agriculture:</b>					
<b>Direct Awards:</b>					
Higher Education - Institution Challenge Grants Program	10.351	N/A	N/A	25,000	-
Rural Business Enterprise Grants	10.855	N/A	N/A	<u>65,325</u>	<u>-</u>
Subtotal - Direct Awards				90,325	-
<b>Passthrough Awards:</b>					
Northeast Organic Farming Association- Organic Certification Training	10.575	Northeast Organic Farming Association of New Jersey	N/A	28,162	-
<b>U.S. Department of Commerce:</b>					
<b>Direct Awards:</b>					
Manufacturing Extension Partnership	11.611	N/A	N/A	649,221	-
<b>Passthrough Awards:</b>					
Mass MEP Human Capital Barometrics Project	11.611	N/A	N/A	65,896	-
<b>Small Business Administration:</b>					
<b>Direct Awards:</b>					
COVID-19 - Small Business Development Centers	59.037	N/A	N/A	593,780	-
OSBDC Portable Assistance Program	59.037	N/A	N/A	39,559	-
Small Business Development Centers	59.037	N/A	N/A	676,073	-
Community Navigator Pilot Program	59.037	N/A	N/A	<u>362,995</u>	<u>201,455</u>
Subtotal - Direct Awards				1,672,407	201,455
<b>National Endowment for the Arts</b>					
<b>Passthrough Awards:</b>					
COVID-19 Vermont Cultural Relief Grant	45.025	Vermont Arts Council	N/A	1,543	-

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

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

**Year Ended June 30, 2022**

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
<b>NON-CLUSTER - CONTINUED</b>					
<b>U.S. Department of Veteran Affairs</b>					
<b>Direct Awards:</b>					
Veteran Affairs	93.888	N/A	N/A	\$ 880	\$ -
<b>U.S. Department of Commerce</b>					
<b>Passthrough Awards:</b>					
University Corporation for Atmosphere Research	11.467	National Oceanic and Atmospheric Admin	SUBAWD002504	7,986	-
<b>Northern Border Regional Commission:</b>					
<b>Direct Awards:</b>					
Northern Border Regional Development	90.601	N/A	N/A	514,939	228,872
<b>U.S. Department of Health and Human Services:</b>					
<b>Direct Awards:</b>					
Oral Health Workforce Activities	93.236	N/A	N/A	334,372	982
National Institute of Health	93.855	N/A	N/A	45,596	-
Subtotal - Direct Awards				379,968	982
<b>Passthrough Awards:</b>					
Centers for Disease Control & Prevention	93.391	Vermont Department of Health	03420-09223	18,771	-
Substance Abuse and Mental Health Services	93.243	Vermont Department of Mental Health	03150-C1722	73,436	-
VCPI- 6 Core Strategies*****	93.958	Vermont Department of Health	03150-A1852	54,151	-
Block Grants for Community Mental Health Services*****	93.958	Vermont Department of Health	03420-09224	20,745	-
ADAP Workforce Development	93.959	Vermont Department of Health	03420-08888	25,725	-
Early Childhood Education Institute	93.434	Vermont Department of Health	03440-32000-22	30,000	-
Spectrum Youth and Family Services	93.243	Vermont Department of Health	N/A	48,907	-
VCPI DBT Training*****	93.958	Vermont Department of Health	03150-A1853, 03150-A1854	40,147	-
Subtotal - Passthrough Awards				311,882	-
<b>Corporation for National and Community Service:</b>					
<b>Passthrough Awards:</b>					
AmeriCorps	94.006	Vermont Agency of Human Services	19AFHVT00100012	306,604	-
<b>U.S. Department of Labor:</b>					
<b>Passthrough Awards:</b>					
Apprenticeship State Funds	17.285	Vermont Department of Labor	2247ASE01	75,408	-
Apprenticeship State Funds	17.285	Vermont Department of Labor	1947NEG01	39,672	-
Apprenticeship State Funds	17.285	Vermont Department of Labor	1947NEG02	184,289	-
Apprenticeship State Funds	17.285	Vermont Department of Labor	2247ASE02	181,814	-
Subtotal - Passthrough Awards				481,183	-
<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	11,624,506	-
COVID-19 - Higher Education Emergency Relief Fund - Institutional Portion*	84.425F	N/A	N/A	5,352,185	-
COVID-19 - Higher Education Strengthening - Institutional Programs*	84.425M	N/A	N/A	505,015	-
Title III	84.031A	N/A	N/A	1,012,636	-
Subtotal - Direct Awards				18,494,342	-

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

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

**Year Ended June 30, 2022**

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
<b>NON-CLUSTER - CONTINUED</b>					
<b>U.S. Department of Education:</b>					
<b>Passthrough Awards:</b>					
Career and Technical Education - Basic Grants to States**	84.048	Vermont Department of Education	4319R0572201	\$ 886,478	\$ -
Career and Technical Education - Basic Grants to States**	84.048	Vermont Department of Education	4322R0572201, 4319R2172201	282,028	-
Gaining Early Awareness and Readiness Program	84.334S	Vermont Student Assistance Corp.	N/A	119,763	-
Subtotal - Passthrough Awards				<u>1,288,269</u>	<u>-</u>
<b>U.S. Department of Treasury:</b>					
<b>Passthrough Awards:</b>					
COVID-19 - Coronavirus Relief Funds***	21.019	Vermont Agency of Administration	01110CRF20036-02	737,294	-
COVID-19 - Coronavirus Relief Funds***	21.019	Vermont Agency of Administration	01110CRF20093	3,600,000	-
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds****	21.027	Vermont Agency of Administration	01110Act9Sec(18)(a)-VSC	3,000,000	-
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds****	21.027	Vermont Agency of Administration	01110Act74SecG.300(a)(8)(B)-VSC	662,766	-
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds****	21.027	Vermont Agency of Administration	01110Act74SecG.300a8c-VSC-#1	6,379,713	-
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds****	21.027	Vermont Agency of Administration	01110Act74SecG.200(2)(I)-VSC	21,000,000	-
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds****	21.027	Vermont Agency of Administration	01110Act9Sec(17)(a)-VSC	48,722	-
Subtotal - Passthrough Awards				<u>35,428,495</u>	<u>-</u>
<b>Federal Emergency Management Agency:</b>					
<b>Passthrough Awards:</b>					
COVID-19 - Disaster Grants - Public Assistance	97.036	Vermont Department of Public Safety	PA-01-VT-4532-PW-00157	80,773	-
COVID-19 - Disaster Grants - Public Assistance	97.036	Vermont Department of Public Safety	PA-01- VT-4532-PW-00148	237,388	-
COVID-19 - Disaster Grants - Public Assistance	97.036	Vermont Department of Public Safety	PA-01-VT-4532-PW-00143	595,668	-
COVID-19 - Disaster Grants - Public Assistance	97.036	Vermont Department of Public Safety	PA-01-VT-4532-PW-00176	120,254	-
COVID-19 - Disaster Grants - Public Assistance	97.036	Vermont Department of Public Safety	PA-01-VT-4532-PW-00200	51,909	-
COVID-19 - Disaster Grants - Public Assistance	97.036	Vermont Department of Public Safety	PA-01-VT-4532-PW-00202	22,434	-
Subtotal - Passthrough Awards				<u>1,108,426</u>	<u>-</u>
<b>National Endowment for the Humanities</b>					
<b>Direct Awards:</b>					
National endowment for humanities	45.162	N/A	N/A	258,101	-
Total Non-Cluster				<u>61,088,629</u>	<u>431,309</u>
<b>Total Federal Funds</b>				<u>\$ 112,714,002</u>	<u>\$ 431,309</u>

\*Subtotal of ALN 84.425 programs is \$17,481,707

\*\* Subtotal of ALN 84.048 programs is \$1,168,507

\*\*\* Subtotal of ALN 21.019 programs is \$4,337,294

\*\*\*\* Subtotal of ALN 21.027 programs is \$31,091,201

\*\*\*\*\* Subtotal of ALN 93.958 programs is \$115,043

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

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2022**

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	\$ 173,549	\$ 323,990	\$ 379,063	\$ 219,103	\$ -	\$ -	\$ 1,095,705	\$ -
Federal Work-Study Program	84.033	N/A	N/A	149,549	273,464	808,542	238,062	-	-	1,469,617	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	-	773,813	2,282,225	176,302	-	46,772	3,279,112	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	-	-	-	-	-	-	-	-
Federal Direct Student Loans	84.268	N/A	N/A	1,703,324	9,698,171	8,956,077	5,904,605	-	-	26,262,177	-
Federal Pell Grant Program	84.063	N/A	N/A	6,252,474	2,873,895	2,837,574	1,880,726	-	-	13,844,669	-
Total Student Financial Assistance Cluster				8,278,896	13,943,333	15,263,481	8,418,798	-	46,772	45,951,280	-
<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	410,584	323,705	487,602	332,319	-	-	1,554,210	-
TRIO Upward Bound Math and Science	84.047M	N/A	N/A	-	331,820	-	-	-	-	331,820	-
TRIO Upward Bound	84.047A	N/A	N/A	-	348,569	1,150,380	-	-	-	1,498,949	-
TRIO McNair	84.217A	N/A	N/A	-	308,564	-	-	-	-	308,564	-
Total TRIO Cluster				410,584	1,312,658	1,637,982	332,319	-	-	3,693,543	-
<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	-	-	-	13,345	-	-	13,345	-
Education - CubeSat Continued Development	43.008	University of Vermont	33451 SUB00000147	-	-	-	5,907	-	-	5,907	-
Subtotal - Passthrough Awards				-	-	-	19,252	-	-	19,252	-
<b>National Science Foundation:</b>											
<b>Direct Awards:</b>											
Geosciences	47.050	N/A	N/A	-	107,258	-	-	-	-	107,258	-
<b>Passthrough Awards:</b>											
National Science Foundation/UVM/NS	47.083	University of Vermont/National Science Foundation	AWD0000072SSUB00000293	-	-	-	24,243	-	-	24,243	-
Biomedical Research and Research Training	93.859	University of Vermont	AWD00000118SUB00000034	-	157,079	-	-	-	-	157,079	-
Biomedical Research and Research Training	93.859	University of Vermont	AWD00000118SUB00000040	-	-	136,437	-	-	-	136,437	-
Biomedical Research and Research Training	93.859	University of Vermont	AWD00000118SUB00000037	-	-	64,552	-	-	-	64,552	-
Biomedical Research and Research Training	93.859	University of Vermont	AWD00000118SUB00000274	11,260	-	-	-	-	-	11,260	-
Subtotal - Passthrough Awards				11,260	157,079	200,989	24,243	-	-	393,571	-
Total Research and Development Cluster				11,260	264,337	200,989	43,495	-	-	520,081	-
<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	84.171	Vermont Department of Children & Families	03440-34001-22-NL	1,311,371	-	-	-	-	-	1,311,371	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.575	Vermont Department of Children & Families	03440-34001-22-NL	36,000	-	-	-	-	-	36,000	-
Total 477 Cluster				1,347,371	-	-	-	-	-	1,347,371	-

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

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

**Year Ended June 30, 2022**

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>										
VCPPI Operations Grant	Vermont Department of Mental Health	03150-A1843	-	-	40,376	-	-	-	40,376	-
<b>ECONOMIC DEVELOPMENT CLUSTER</b>										
<b>U.S. Department of Commerce:</b>										
<b>Direct Awards</b>										
Economic Adjustment Assistance	N/A	N/A	-	-	57,247	-	-	-	57,247	-
<b>HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</b>										
<b>U.S. Department of Agriculture:</b>										
<b>Passthrough Awards:</b>										
Highway Planning and Construction	VT Agency of Transportation	GR1526	-	-	-	-	11,784	-	11,784	-
Highway Planning and Construction	VT Agency of Transportation	GR1673	-	-	-	-	3,691	-	3,691	-
<b>NON-CLUSTER</b>										
<b>U.S. Department of Agriculture:</b>										
<b>Direct Awards:</b>										
Higher Education - Institution Challenge Grants Program	N/A	N/A	-	-	-	25,000	-	-	25,000	-
Rural Business Enterprise Grants	N/A	N/A	-	-	65,325	-	-	-	65,325	-
Subtotal - Direct Awards			-	-	65,325	25,000	-	-	90,325	-
<b>Passthrough Awards:</b>										
Northeast Organic Farming Association- Organic Certification Training	Northeast Organic Farming Association of New Jersey	N/A	-	-	-	28,162	-	-	28,162	-
<b>U.S. Department of Commerce:</b>										
<b>Direct Awards:</b>										
Manufacturing Extension Partnership	N/A	N/A	-	-	-	-	649,221	-	649,221	-
<b>Passthrough Awards:</b>										
Manufacturing Extension Partnership	Massachusetts Manufacturing Extension Center	N/A	-	-	-	-	65,896	-	65,896	-
<b>Small Business Administration:</b>										
<b>Direct Awards:</b>										
COVID-19 - Small Business Development Centers	N/A	N/A	-	-	-	-	593,780	-	593,780	-
OSBDC Portable Assistance Program	N/A	N/A	-	-	-	-	39,559	-	39,559	-
Small Business Development Centers	N/A	N/A	-	-	-	-	676,073	-	676,073	-
Community Navigator Pilot Program	N/A	N/A	-	-	-	-	362,995	-	362,995	201,455
Subtotal - Direct Awards			-	-	-	-	1,672,407	-	1,672,407	201,455
<b>National Endowment for the Arts</b>										
<b>Passthrough Awards:</b>										
COVID-19 - Vermont Cultural Relief Grant	Vermont Arts Council	N/A	-	-	1,543	-	-	-	1,543	-
<b>U.S. Department of Veteran Affairs</b>										
<b>Direct Awards:</b>										
Veteran Affairs	N/A	N/A	-	880	-	-	-	-	880	-
<b>U.S. Department of Commerce</b>										
<b>Passthrough Awards:</b>										
University Corporation for Atmosphere Research	National Oceanic and Atmospheric Admin	SUBAWD002504	-	-	7,986	-	-	-	7,986	-



**VERMONT STATE COLLEGES**  
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Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2022

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>Direct Awards:</b>											
Northern Border Regional Development	90.601	N/A	N/A	\$ -	\$ -	\$ 204,661	\$ -	\$ 310,278	\$ -	\$ 514,939	\$ 228,872
<b>U.S. Department of Health and Human Services:</b>											
<b>Direct Awards:</b>											
Oral Health Workforce Activities	93.236	N/A	N/A	-	-	-	334,372	-	-	334,372	982
National Institute of Health	93.855	N/A	N/A	-	-	45,596	-	-	-	45,596	-
Subtotal - Direct Awards				-	-	45,596	334,372	-	-	379,968	-
<b>Passthrough Awards:</b>											
Centers for Disease Control & Prevention	93.391	Vermont Department of Health	03420-09223	18,771	-	-	-	-	-	18,771	-
Substance Abuse and Mental Health Services	93.243	Vermont Department of Mental Health	03150-C1722	-	-	73,436	-	-	-	73,436	-
VCFI-6 Core Strategies****	93.958	Vermont Department of Health	03150-A1852	-	-	54,151	-	-	-	54,151	-
Block Grants for Community Mental Health Services****	93.958	Vermont Department of Health	03420-09224	-	-	20,745	-	-	-	20,745	-
ADAP Workforce Development	93.959	Vermont Department of Health	03420-08888	-	-	25,725	-	-	-	25,725	-
Early Childhood Education Institute	93.434	Vermont Department of Health	03440-32000-22	-	30,000	-	-	-	-	30,000	-
Spectrum Youth and Family Services	93.243	Vermont Department of Health	N/A	-	48,907	-	-	-	-	48,907	-
VCFPI DBT Training****	93.958	Vermont Department of Health	03150-A1853, 03150-A1854	-	-	40,147	-	-	-	40,147	-
Subtotal - Passthrough Awards				18,771	78,907	214,204	-	-	-	311,882	-
<b>Corporation for National and Community Service:</b>											
<b>Passthrough Awards:</b>											
AmeriCorps	94.006	Vermont Agency of Human Services	19AFHVT00100012	-	-	306,604	-	-	-	306,604	-
<b>U.S. Department of Labor:</b>											
<b>Passthrough Awards:</b>											
Apprenticeship State Funds	17.285	Vermont Department of Labor	2247ASE01	75,408	-	-	-	-	-	75,408	-
Apprenticeship State Funds	17.285	Vermont Department of Labor	1947NEG01	39,672	-	-	-	-	-	39,672	-
Apprenticeship State Funds	17.285	Vermont Department of Labor	1947NEG02	-	-	-	184,289	-	-	184,289	-
Apprenticeship State Funds	17.285	Vermont Department of Labor	2247ASE02	-	-	-	181,814	-	-	181,814	-
Subtotal - Passthrough Awards				115,080	-	-	366,103	-	-	481,183	-
<b>U.S. Department of Treasury:</b>											
<b>Passthrough Awards:</b>											
COVID-19 - Coronavirus Relief Funds	21.019	Vermont Agency of Administration	01110CRF20036-02 & 01110CRF200001	-	-	-	-	737,294	-	737,294	-
COVID-19 - Coronavirus Relief Funds	21.019	Vermont Agency of Administration	01110CRF20093	-	-	-	-	3,600,000	-	3,600,000	-
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	01110Ac9Sec(18)(a)-VSC	-	-	-	-	3,000,000	-	3,000,000	-
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	01110Ac74SecG.300(a)(8)(B)-VSC	-	-	-	-	662,766	-	662,766	-
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	01110Ac74SecG.300(a)(8)(B)-VSC#1	-	-	-	-	6,379,713	-	6,379,713	-
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	0110Ac74SecG.200(2)(i)-VSC	-	-	-	-	21,000,000	-	21,000,000	-
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	01110Ac9Sec(17)(a)-VSC	-	-	48,722	-	-	-	48,722	-
Subtotal - Passthrough Awards				-	-	48,722	-	35,379,773	-	35,428,495	-
<b>Federal Emergency Management Agency</b>											
<b>Passthrough Awards:</b>											
COVID-19 - Disaster Grants - Public Assistance	97.036	Vermont Department of Public Safety	PA-01-VT-4532-PW-00157	-	-	-	-	80,773	-	80,773	-
COVID-19 - Disaster Grants - Public Assistance	97.036	Vermont Department of Public Safety	PA-01-VT-4532-PW-00148	-	-	-	-	237,388	-	237,388	-
COVID-19 - Disaster Grants - Public Assistance	97.036	Vermont Department of Public Safety	PA-01-VT-4532-PW-00143	-	-	-	-	595,668	-	595,668	-
COVID-19 - Disaster Grants - Public Assistance	97.036	Vermont Department of Public Safety	PA-01-VT-4532-PW-00176	-	-	-	-	120,254	-	120,254	-
COVID-19 - Disaster Grants - Public Assistance	97.036	Vermont Department of Public Safety	PA-01-VT-4532-PW-00200	-	-	-	-	51,909	-	51,909	-
COVID-19 - Disaster Grants - Public Assistance	97.036	Vermont Department of Public Safety	PA-01-VT-4532-PW-00202	-	-	-	-	22,434	-	22,434	-
Subtotal - Passthrough Awards				-	-	-	-	1,108,426	-	1,108,426	-
<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	4,117,281	2,697,014	3,156,190	1,654,021	-	-	11,624,506	-
COVID-19 - Higher Education Emergency Relief Fund - Institutional Portion*	84.425F	N/A	N/A	3,095,416	42,765	2,197,693	16,311	-	-	5,352,185	-
COVID-19 - Higher Education Strengthening - Institutional Programs*	84.425M	N/A	N/A	1,618	240,220	263,177	-	-	-	505,015	-
Title III	84.031A	N/A	N/A	-	446,722	565,914	-	-	-	1,012,636	-
Subtotal - Passthrough Awards				7,214,315	3,426,721	6,182,974	1,670,332	-	-	18,494,342	-
<b>Passthrough Awards:</b>											
Career and Technical Education - Basic Grants to States**	84.048	Vermont Department of Education	4319R0572201	886,478	-	-	-	-	-	886,478	-
Career and Technical Education - Basic Grants to States**	84.048	Vermont Department of Education	4322R0572201, 4319R2172201	100,180	-	-	181,848	-	-	282,028	-
Gaining Early Awareness and Readiness Program	84.334S	Vermont Student Assistance Corp.	N/A	109,968	-	9,795	-	-	-	119,763	-
Subtotal - Passthrough Awards				1,096,626	-	9,795	181,848	-	-	1,288,269	-
<b>National Endowment for the Humanities</b>											
<b>Direct Awards:</b>											
National Endowment for Humanities	45.162	N/A	N/A	-	258,101	-	-	-	-	258,101	-
Total Non-Cluster				8,444,792	3,764,609	7,038,688	2,288,436	3,063,905	36,488,199	61,088,629	431,309
<b>Total Federal Funds</b>				\$ 18,492,903	\$ 19,284,937	\$ 24,238,763	\$ 11,083,048	\$ 3,079,380	\$ 36,534,971	\$ 112,714,002	\$ 431,309

\*Subtotal of ALN 84.425 programs is \$17,481,707  
 \*\* Subtotal of ALN 84.048 programs is \$1,168,507  
 \*\*\* Subtotal of ALN 21.019 programs is \$4,337,294  
 \*\*\*\* Subtotal of ALN 21.027 programs is \$31,091,201  
 \*\*\*\*\* Subtotal of ALN 93.958 programs is \$115,043

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

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

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, 2022. 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. As of June 30, 2022, loan balances receivable, net under Perkins was \$1,469,809.

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, 2022**

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

*Direct Student Loan Program*

The Colleges disbursed \$26,262,177 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, 2022. The Colleges are only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the Colleges' financial statements.

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

**Year Ended June 30, 2022**

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

***Financial Statements***

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted?  yes  no

***Federal Awards***

Type of auditor’s report issued: Unmodified

Internal control over major programs:

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

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

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

**Year Ended June 30, 2022**

***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	84.425E
COVID-19 - Higher Education Emergency Relief Fund - Institutional Portion	84.425F
COVID-19 - Higher Education Emergency Relief Fund - Strengthening Institutions Program	84.425M
Trio Cluster:	
TRIO Student Support Services	84.042A
TRIO Upward Bound – Math and Science	84.047M
TRIO Upward Bound	84.047A
TRIO McNair	84.217A
Non-cluster:	
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027
Disaster Grants – Public Assistance	97.036

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as a low-risk auditee? \_\_\_x\_\_\_ yes    \_\_\_ no

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

**Year Ended June 30, 2022**

**Section II – Financial Statement Findings:**

None.

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

**Year Ended June 30, 2022**

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

<b>Finding number:</b>	2022-001
<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**  
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**Schedule of Current Year Findings and Questioned Costs - Continued**

**Year Ended June 30, 2022**

***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 inquiry with management, one of the Colleges failed to report enrollment status changes, inclusive of graduation status records to the National Student Loan Data System (“NSLDS”) from Summer 2021 through Spring 2022.

***Cause***

One of the Colleges did not have the proper review procedures in place to ensure enrollment status changes were being reported to NSLDS.

***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. Since no students were reported to the NSLDS in the fiscal year 2022, a sample was not necessary as all students would not have been reported in the required timeframe and their student status would not be accurate.

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

See finding 2021-001 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 correctly 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, 2022

**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

### *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 2021:*

Out of a sample of forty students with enrollment status changes, three students were never reported to the NSLDS, three students were not reported to NSLDS within the 60-day required timeframe.

### *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.

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

**Year Ended June 30, 2022**

*Award Year 2016:*

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

***Current Year Status:***

During our inquiry with management, one of the Colleges failed to report enrollment status changes, inclusive of graduation status records to the National Student Loan Data System (NSLDS) from the Summer 2021 through Spring 2022 semesters.

The Colleges are looking to strengthen its controls in this area. See finding 2022-001 for more information and corrective action plan.

## Management's Corrective Action Plan

**Finding number:** 2022-001  
**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:** 2022

### *Corrective Action Plan:*

An external consultant (Higher Education Assistance Group) was contracted to bring current NVU's required reporting for enrollment and student program status changes through the Spring 2022 term. This work was complete September 9. Letters/Notifications were issued to United Educators (August 10) and impacted students (week of September 5). Ongoing, NVU has received support from the registrar at our sister institution Community College of Vermont (CCV). CCV's registrar has coordinated with the National Student Clearinghouse and submitted the first of term enrollment file for Fall 2022 on 10/3/22. NVU plans to hire a registrar soon and ongoing enrollment reporting will fall within the responsibilities of this new hire. Additionally, the Vermont State Colleges System registrar team will perform monthly checks to confirm that enrollment reporting for NVU has been completed.

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

September 2022

### *Contact Person*

Sharron Scott, CFO