FY20240 Financial Statements & Single Audit

ITEM 1: Required Communications

ITEM 2: Financial Statement Draft to the Board

ITEM 3: Single Audit Report Draft to the Board

ITEM 4: Best Practices & Industry Updates

ITEM 1: Required Communications

Vermont State Colleges

October 28, 2024

withum
ADVISORY TAX AUDIT

WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

Required Communications

Auditors' Responsibility Under GAAS

- We have a responsibility to conduct our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.
- In carrying out this responsibility, we planned and performed the audit to obtain reasonable – not absolute – assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud.
  - We issued an unmodified opinion on the financial statements.
- An audit includes considerations of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion.
  - No material weaknesses/significant deficiencies were noted within the Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Required Communications - Continued

Auditors' Responsibility Under GAAS - continued

- We are responsible for communicating significant matters related to the financial statement audit that are, in our professional judgement, relevant to the responsibilities of those charged with governance.
- We applied certain limited procedures (such as inquiry of management and comparing for consistency) to the Required Supplementary Information that supplements the financial statements.
- Financial Statement Audit-No material weaknesses/significant deficiencies were noted within the Report on Internal Control over Financial Reporting and on Compliance and Other Matters
- Single Audit – Two compliance finding

Required Communications - Continued

Independence

- We are not aware of any relationships between Withum and the College that in our professional judgment may reasonably impact our independence.
- We are independent with respect to the College within the meaning of the pronouncements of the Independence Standards Board, Government Auditing Standards, and under Rule 101 of the AICPA Code of Professional Conduct.
- No management advisory services were performed by Withum.
- Withum assisted in the preparation of the financial statements, and GASB 87 and GASB 96 calculations. Withum will perform the Single Audit under the guidelines of Subpart F of the OMB Uniform Guidance for Federal Awards; however, these activities do not impact our independence
    - These non-attest services were supervised by Sharron Scott, Chief Financial and Operating Officer and Toby Stewart, Systems Controller.

Required Communications - Continued

Management's Responsibility

- Selection and use of appropriate accounting policies – Significant policies are found in Note 1
    - Application of all other existing policies were not changed during current year.
- Selection and use of appropriate accounting estimates – Based on management's knowledge and experience about past and current events and assumptions about future events.
    - Allowance for doubtful accounts
    - Depreciable lives and recoverability of capital assets
    - Net position classifications
    - Net pension and OPEB liabilities
    - Incremental borrowing rate for GASB 87 and 96
    - Health insurance reserve

Required Communications - Continued

Management's Responsibility – continued

- Accounting for significant and unusual transactions include:
  - New Chart of Accounts- VTSU Merger
- No transactions entered into during the year for which there is a lack of authoritative guidance or consensus.
- All significant transactions have been recognized in the financial statements in the proper period.

Required Communications - Continued

Significant Communications, Findings or Issues

- There were NO:
  - Disagreements with management
  - Major issues discussed with management prior to retention
  - Difficulties encountered in performing the audit
  - Uncorrected misstatements
  - Other findings or issues that are significant or relevant to be communicated to those charged with governance
- There were:
  - Proposed and accepted audit adjustments (see next slide)
- Consultation with other accountants –
  - Consulted with the actuary Annie Brown for the OPEB calculation. During the performance of our audit, we noted the covered valuation payroll amount per the actuarial report incorrectly reflected FY2024 payroll costs. All eligible and ineligible employees appear to have been properly included or excluded from the OBEB valuation calculation
- Significant written communications between the auditor and management include:
  - Engagement letter
  - Management representation letter (to be obtained after Board approval)

Required Communications - Continued

Significant Communications, Findings or Issues - Continued

	Account	Purpose	Income (Expense) Audit Adjustment FY 2024
Unadjusted change in net position as provided by client			**26,051,270**
	State Appropriation	To adjust for State Appropriation	(1,000,000)
	GASB 87 Lease	To adjust for lease liability	(269,218)
	GASB 96 SBITA	To adjust for SBITA liability	127,465
Adjusted change in net position as reported on the financial statements			**24,909,517**

Required Communications - Continued

Financial Statement Fraud Risks

- No pervasive financial statement fraud risks were identified.
- Specific Risks Presumed by Auditing Standards
  - Risk of misstatement relating to revenue recognition
  - Risk of management override of controls
    - Journal entries and adjustments
    - Significant accounting estimates
    - Significant unusual transactions

Discussion of Single Audit

- June 30, 2024 Uniform Guidance Report (Single Audit):
    - Audit Report on Compliance for Each Major Federal Program
    - Schedule of Expenditures of Federal Awards and Notes
    - Schedule of Findings and Questioned Costs- Two findings categorized as Significant Deficiencies
        - Student verification
        - NSLDS reporting

Other Matters

Discussion of financial statements

- ***GASB 101 – Compensated Absences* is effective for reporting periods beginning after December 15, 2023.**
- ***GASB 102 - Certain Risk Disclosures* is effective for reporting period beginning after June 15, 2024.**
- ***GASB 103 – Financial Reporting Model Improvements* is effective for reporting period beginning after June 15, 2025.**

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

Questions?

ITEM 2: Financial Statement Draft to the Board

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)
Financial Statements and
Management's Discussion and Analysis
June 30, 2024 and 2023
With Independent Auditor's Reports

Vermont State Colleges
(a Component Unit of the State of Vermont)
Table of Contents
June 30, 2024 and 2023

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Vermont State Colleges:

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, 2024 and 2023, 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, 2024 and 2023, 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 ("GAAS") 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 Auditor's 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

Auditor's Responsibilities for the Audit 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 auditor's 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 analysis 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE, 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.

DATE

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 two public colleges - Community College of Vermont (CCV) and Vermont State University (VTSU) - the Vermont State Colleges System serves more than 15,000 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 five-year transformation, in partnership with the State of Vermont, includes expansion of the state appropriation, the merger of three colleges into Vermont State University as of July 1, 2023, aggressive administrative consolidation and significant financial restructuring. 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.

FY2024 saw the resignation for Chancellor Sophie Zdatny after four years of exemplary service as Chancellor for the System. On January 1, 2024, Dr. Elizabeth (Beth) Mauch became chancellor of the system, stepping into the role at a critical time of transformation. Chancellor Mauch’s first six months in office resulted in a 6.12% increase in general fund state appropriation, bridge funding in the amount of $10 million, and continued support by Vermont’s legislature. Since her arrival, Chancellor Mauch has launched several initiatives that seek to strengthen the foundation of the Vermont State Colleges and solidify the system as the most affordable source of higher education in Vermont, that delivers in demand and high-quality academic programs that meet the needs of Vermont and Vermonters.

Community College of Vermont continues to serve more than 10,000 students each year, 94% of whom are Vermonters. More than half represent the first generation in their family to go to college, and over 60% graduate debt-free. CCV serves more than 400 veterans and military-connected students each semester, as well as close to 3,000 high school students taking college courses. In the Class of 2024, the youngest graduates were 17 and the eldest were 69. Three-quarters of degree-seeking students are working while they attend CCV. With support from Senator Sanders through a Congressionally Directed Spending grant, CCV in collaboration with the Department of Corrections, launched an educational program for people who are incarcerated, and more than 100 students are now enrolled through this program.

CCV has focused significant energy on affordability with significant support from the State of Vermont, Vermont Student Assistance Corp (VSAC), and private funders, for students and as a result, student loan borrowing decreased by 45% between 2021-2024. CCV continues to evolve and change as students are accessing learning opportunities in different ways with a strong interest in remote learning. In response, CCV has expanded it remote learning opportunities and has reduced its physical footprint by 23,000 square feet across five centers.

Vermont State University’s singular focus has been on financial and academic restructuring to ensure its financial viability for decades to come. FY2024 saw the implementation of academic and administrative optimization that resulted in a 15% reduction of full-time faculty and a similar reduction in full-time staff. These staffing adjustments were generously supported through one-time funds received from the State of Vermont to support transformation of the VSCS. Additionally, several academic programs were ceased as part of this effort and teach outs of these programs are scheduled over the next few academic years. In addition to this essential work, Vermont State University has increased its emphasis on marketing and brand recognition and continued its work on a facilities master plan. The University also diversified its income streams through the creation of a health care partnership with a regional medical center to support the respiratory therapy program as well as the one-time sale of certain assets. In the coming years, the University anticipates expanding public-private partnerships that will increase the use of campus facilities and increase campus vibrancy.

VTSU's accomplishments were tempered by lower than hoped for enrollment of new and returning students during FY2024. As with many merged institutions, enrollment the first year of a merge was lower than historical trends would predict. This was compounded by negative press related to library and athletics in the spring of 2023, initiatives that were later withdrawn.

In spring of 2024, the Vermont State Colleges launched a steering committee to assess the replacement of its enterprise resource planning (ERP) system, Colleague. The steering committee recommended replacement of the existing solution with a modern system that better meets the needs of our smaller, more nimble system. A request for proposals was issued in August 2024 and selection of a software vendor/implementation partner is expected by the end of calendar year 2024. The system has set aside $10 million to fund the ERP implementation and expects it will take between three and four years to fully implement.

The work of transformation continues through June 30, 2026, and it is expected that the VSCS will continue its focus on financial sustainability for years to come. Transformative activities over the next twelve months will focus on continued efficiency improvements and cost-reduction measures that simultaneously improve student outcomes and allow the Vermont State Colleges to deliver on its educational mission and completion of the system's five strategic projects to address innovation, degree completion and continuation programs, innovative models for affordability and legislative strategy.

<u>Significant Events Affecting These Financial Statements</u>

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[1] with several key recommendations:
    - Reduce the structural deficit of the Vermont State Colleges System by $25 million over five years through a combination of expense reductions and increased revenues. *This amount was reduced to $22 million over five years during the 2024 legislative session.*
    - Increase state investment (base appropriation) in the Vermont State Colleges System from $30.5 million to $48.0 million within five years, *an amount that that was exceeded in FY2025*
    - 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 $30.5 million to $52.8 million since FY2020, *exceeding* the recommendations of the *Select Committee*

- 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:

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

- FY2021: $28.8 million in state General Fund
- FY2022: $21.0 million in ARPA grants for economic support for losses incurred
- FY2023: $14.9 million in ARPA grants for economic support for losses incurred
- FY2024: $3.82 million in state General Fund and $5.18M in ARPA grants for economic support for losses incurred
- FY2025: $10 million in state General Fund

- In FY2021, the State of Vermont authorized a general fund allocation of $20 million to support transformation activities. The first installment of these funds, $8M, was received in FY2022. Subsequent installments were received in FY2023 and FY2024. The remaining installment was made in July 2024.

- 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: $1.4 million
  - FY2022: $3.0 million
  - FY2023: $2.0 million

- 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: $ 1.4 million
  - Degree Completion Program: $ 3.0 million
  - Critical Occupations Scholarships: $14.7 million

- For FY2024, new legislatively-directed programs include $3.8 million to provide Critical Occupation Scholarships at Vermont State University and $4 million to reduce tuition at Community College of Vermont during the 2023-2024 academic year. The Critical Occupations program offers free last-dollar tuition for eligible students with a household income of $75,000 or less enrolled in programs that lead to a career in early childhood occupations, clinical mental health counseling, criminal justice occupations, dental hygiene, and nursing. The Community College program reduces tuition for certificates, degrees, and courses that have a direct nexus to Vermont business and industry needs. Both programs are funded through one-time appropriations. For FY2025, the legislature appropriated $1 million to continue to the CCV Tuition Advantage program. Since its inception, the program has served more than 3,800 students at the Community College.

- 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 continued 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:

	FY2020	FY2021	FY2022
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 49th or 50th 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 benefit (OPEB) continues to pose a large liability at $123 million, however since FY2021, the VSC has seen a substantial reduction in accrual due to the VSCS' adoption of a fully insured Medicare Advantage plan for retirees, effective January 1, 2022. It is important to note the OPEB obligation is not pre-funded but paid when incurred 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 2028 and 2037 and from there decline to less than 50% of the anticipated FY2024 obligation by 2059.

- 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 2017.

- At the conclusion of FY2023, the Vermont State Colleges paid off the Series 2013 Revenue Bond ten years early. The benefits of this transaction were two-fold. First, it reduced annual expenses by $1.3 million annually for the remaining ten years of the term of the bond. This reduction was an important action relative to the system's ongoing commitment to reduce its annual expenditures. Second, the transaction eliminated $2.4 million in interest expense over the remaining life of the bond.

Using the Financial Statements

The following discussion and analysis provides an overview of the financial statements and activities of the Vermont State Colleges System (VSCS) for the year ended June 30, 2024 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

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 below 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)

	2024	% change	2023	% change	2022	% change	2021	% change	2020
Current Assets	134	16%	116	-9%	127	32%	96	100%	48
Noncurrent Assets									
Investments	78	7%	73	52%	48	-13%	55	15%	48
Capital assets, net	141	-3%	146	-5%	154	-4%	161	-5%	169
Other	2	0%	2	-33%	3	-25%	4	0%	4
Deferred outflows/inflows	36	-12%	41	-16%	49	-14%	57	128%	25
Total Assets and Def'd outflows/inflows	391	3%	378	-1%	381	2%	373	27%	294
Current liabilities	30	11%	27	4%	26	-26%	35	30%	27
Non current liabilities									
Post employm't benefit oblig	123	-8%	134	-17%	161	-32%	238	23%	194
Bonds and Notes payable	89	-5%	94	-23%	122	-5%	128	-6%	136
Other	17	13%	15	275%	4	0%	4	0%	4
Deferred outflows/inflows	85	100%	86	100%	74	100%	4	100%	5
Total Liabilities	344	-3%	356	-8%	387	-5%	409	12%	366
Net investment in cap'l assets	42	-7%	45	18%	38	-7%	41	-11%	46
Restricted									
Nonexpendable	26	4%	25	14%	22	5%	21	11%	19
Expendable	29	21%	24	50%	16	-20%	20	54%	13
Unrestricted	-50	-31%	-72	-12%	-82	-31%	-118	-21%	-150
Total Net Position	47	114%	22	-467%	-6	-83%	-36	-50%	-72
Total Liabilties and Net Position	391	3%	378	-1%	381	2%	373	27%	294

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*) equaled $391 million as of the end of the current fiscal year, an increase of $13 million or 3% from prior year. The increase can be largely attributed to an $18 million increase in current assets plus a $5 million increase in investments offset by a $5 million decrease in capital assets and a $5 million decrease in deferred outflows and inflows. Since 2020, total assets have increased by $97 million: an increase of $86 million in current assets and an increase of $10 million in deferred outflows/inflows.

Noncurrent assets consist primarily of endowment and other investments, in addition to capital assets. Investments were $78 million as of June 30, 2024, $5 million higher than the prior year reflecting the strong market occurring in FY2024 coupled with continued emphasis on cash management. 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 $30 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 and FY2023 to expedite payment and streamline processes reduced the current liabilities to below the system's five-year average, however, increases in payments to employees related to restructuring increased this amount at the end of FY2024.

Noncurrent liabilities decreased by $15 million to $314 million during FY2024. This decrease relates to three factors: 1) the $11 million actuarial decrease in other post-employment benefits, 2) a $5 million reduction in bonds and notes-payable, and 3) a decrease of $1 million in deferred outflows/inflows.

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 $119 million from -$72 million in FY2020 to $47 million in FY2024. 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, as well intense academic and administrative restructuring occurring primarily at Vermont State University.

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 in our endowment funds are designated for student scholarships. The increase of $7 million over 5 years is due to gifts received for endowments during this period.

The restricted expendable portion of Net Position includes unexpended restricted gifts and grants, and unexpended endowment appreciation, subject to externally imposed conditions on their use. There was an $5 million increase from June 30, 2023 to June 30, 2024. Over the 5-year period, expendable net assets have increased by $16 million, as earnings have outpaced the 5% spending on endowments permitted by Board policy.

The unrestricted portion of the Net Position is largely affected by general operations, but the most significant impact to date has been the full recognition of future OPEB obligations, which are unfunded. As noted earlier in these materials, the VSCS saw a reduction in the OPEB accrual for FY2023 and FY2024 due to its move to a Medicare Advantage program for its retirees.

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 historically not been able to invest in its facilities consistent with depreciation. This is something the VSCS will be addressing as it completes its system-wide transformation and saw modest progress in this regarding FY2024. Table 2, on the next page, 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)

	2024	% Change	2023	% Change	2022	% Change	2021	% Change	2020
Land	8	0%	8	0%	8	-11%	9	0%	9
Construction in progress	3	0%	3	-50%	6	20%	5	67%	3
Infrastructure	44	2%	43	0%	43	2%	42	2%	41
Buildings and improvements	267	1%	265	2%	260	0%	261	0%	262
Leasehold improvements	4	0%	4	0%	4	0%	4	0%	4
Equipment	45	2%	44	2%	43	13%	38	3%	37
Software arrangements *(GASB 96)*	3	-40%	5	0%	4	0%	0	0%	0
Right of use assets (*GASB 87*)	20	5%	19	0%	19	6%	18	0%	18
Total Capital Assets	394	1%	391	1%	387	3%	377	1%	374
Accumulated Depreciation	-253	4%	-244	6%	-230	6%	-217	6%	-205
Capital Assets, Net	141	-4%	147	-6%	157	-2%	160	-5%	169
Related information									
Depreciation Expense	14	27%	11	0%	11	10%	10	0%	10
Outstanding Principal, Related Loans	94	-4%	98	-14%	114	-3%	118	-2%	120
SBITA Liability *(GASB 96)*	2	0%	2	0%	3	0%	0	0%	0
Lease Liability (*GASB 87*)	13	0%	13	-13%	15	-12%	17	0%	18

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 and the timing of project conclusion. In most years, this amount is between $2 and $3 million annually resulting in very little CWIP from year to year. However, 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. This project was closed out at the end of FY2023 thus returning the Vermont State Colleges to its previous spending level.

Building and Improvements increased $2 million, or 1%, from FY2023 to FY2024 reflecting modest increases in capital improvements due to external funding sources. Infrastructure includes water & sewer systems, heating & electrical systems, telecommunication systems, and roads. Spending in this category has increased by $5 million since FY2020 due largely to slowed construction during the COVID 19 pandemic. As noted in Table 2, depreciation continues to outpace the sum of building improvements, infrastructure, and construction in progress. As discussed elsewhere in this document, Vermont State Colleges paid off the Series 2013 Revenue Bond ten years early at the end of FY2023. This resulted in a corresponding reduction in outstanding principal for the related loan.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position reports total operating revenues, operating expenses, non-operating revenues and expenses, and other changes in net position, showing the total change in net position for the fiscal year. Table 3 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)

	2024	% Change	2023	% Change	2022	% Change	2021	% Change	2020
Net Student Revenues	82	-13%	94	15%	82	-6%	87	-13%	100
Grants and contracts	21	5%	20	5%	19	6%	18	13%	16
Other Operating Revenues	9	0%	9	-47%	17	113%	8	33%	6
Operating Revenues	112	-9%	123	4%	118	4%	113	-7%	122
Operating Expenses	188	-3%	194	-4%	202	7%	188	3%	183
Operating Loss	-76	7%	-71	-15%	-84	12%	-75	23%	-61
Nonoperating Revenues (Expenses)									
Non Capital Appropriations	68	33%	51	9%	47	-23%	61	85%	33
Federal Grants & Contracts	21	-46%	39	-47%	73	70%	43	54%	28
Gifts currently expendable	2	0%	2	0%	2	-33%	3	50%	2
Investment Income & Interest	7	75%	4	-200%	-4	-157%	7	600%	1
Interest Expense	-5	25%	-4	-20%	-5	-17%	-6	20%	-5
Other nonoperating revenues	0	0%	1	0%	-2	0%	0	0%	0
Net Nonoperating Revenues	93	0%	93	-16%	111	3%	108	83%	59
Total Change before other Revenues	17	-23%	22	-19%	27	-18%	33	-1750%	-2
Other Changes in Net Position									
Capital Appropriation	7	75%	4	100%	2	0%	2	0%	2
Capital gifts and grants	0	0%	0	0%	0	0%	0	0%	0
Endowment gifts	1	0%	3	0%	1	0%	1	0%	1
Change in Net Position	25	-14%	29	-3%	30	-17%	36	3500%	1

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 State of Vermont's investment in transformation, state appropriation, and bridge funding has shifted the proportion of total operating and non-operating income attributed to net students from the historical average of 57% to its current 38%.

The State Appropriation for FY2024 included a $2.5 million increase to the base general fund for the Vermont State Colleges System together with a one-time $4 million appropriation to support transformation of the Vermont State Colleges, and a $4 million one-time appropriation to support the CCV Tuition Advantage Program, as well as $6.5 million in one-time support for capital projects. Combined, these factors increased state appropriations from 24% of total revenues in FY2023 to 34% of total revenues. The proportion of revenue attributable to grants and contracts declined from 26% in FY2023 to 19% in FY2024. This is due to a substantial reduction in ARPA grants as the State of Vermont winds down its spending on these programs. These adjustments were budgeted and planned.

<u>Tuition and Fee Revenue</u>

Charts 1 and 2 show the proportion of revenue assigned to each critical area of the Vermont State Colleges. Net Tuition and fees, which includes tuition and fees plus residence and dining fees less scholarship allowances has shrunk as a proportion of total revenues in each of the last few years with FY2024 being no exception. In FY2024, net student revenues were 38% of all revenues and in FY2023 it was 42% of all revenues. Simultaneously, State Appropriations, increased to 34% of all revenues for the Vermont State Colleges.

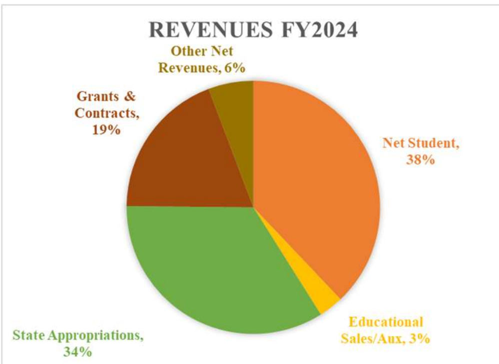


Chart 1: Current Year Revenue

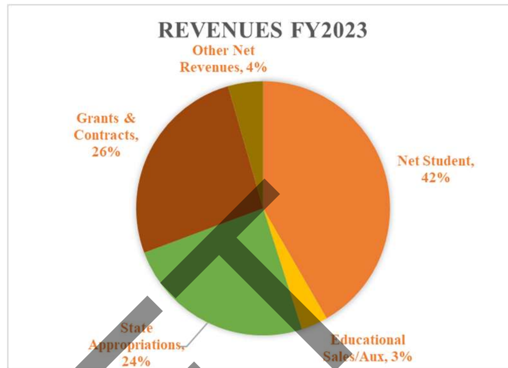


Chart 2: Prior Year Revenues

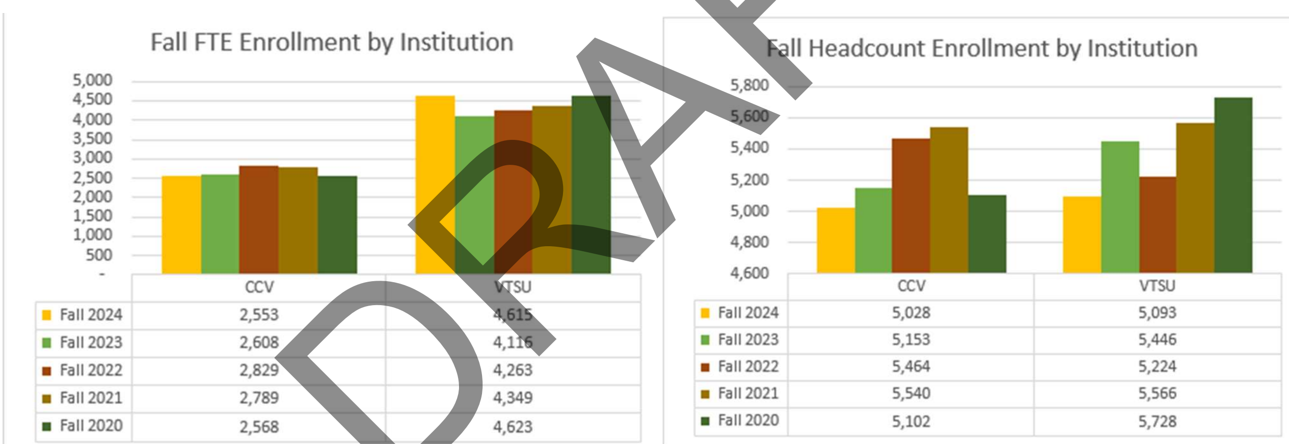


Chart 3: Fall FTE Enrollment and Headcount by Institution

Chart 3 displays Full Time Equivalent (FTE) and headcount enrollment for fall 2020 (FY2021) through fall 2024 (FY2025). The FTE is a reasonable proxy for revenue and reflects the average full-time participation of students. Between fall 2020 and fall 2023, the VSCS saw an FTE decline of approximately 9.5%. However, as noted on this chart, the decline is not equal across institutions. CCV's FTE increased 4.2% during this period while VTSU's FTE declined 16.2%.

Fall 2024 (FY2025) reflects a dip in headcount and FTE for CCV. This is due to a new administrative procedure that results in administrative withdrawal of students who have not arranged for payment by a specific date. The intent of this policy is to reduce bad debt on uncollected accounts and to provide a more realistic assessment of actual enrollment at the Community College. While this is the first year of this policy, it is expected to have a favorable impact on collected tuition and bad debt thus providing a more realistic picture of available revenues for the Community College. Further, students who briefly enrolled, yet failed to make payment, will have the ability to reenroll thus offering greater freedom to upskill and reskill the Vermont workforce.

Vermont State University's FTE enrollment modestly rebounded in Fall 2024, despite headcount lower than the previous year. The University saw an 11% increase in first year student enrollment in Fall 2024 which

resulted in a 2.2% increase in FTE. This increase in new student enrollment resulted in a greater proportion of students enrolled full-time.
Chart 4 displays Net Tuition and Fees for each college during the five-year period. There are several important items to note with this chart.

Net Tuition and Fee Revenue for Community College of Vermont was artificially depressed in FY2022 and FY2024 due largely to two accounting artifacts. In FY2022, CCV used Higher Education Emergency Relief Funds (HEERF) to pay back balances on student accounts. This action was highly beneficial to students as it relieved their debt and allowed these students to return to school to upskill their careers. The effect of this payment lowered the net tuition and fees revenue from prior years. In FY2024, the State of Vermont funded a 50% scholarship program titled "CCV Tuition Advantage". The tuition for students participating in these programs was reduced by 50% and a corresponding state appropriation was received to cover the difference. In both instances, actual student enrollment remained relatively constant.

Over the last five years, enrollment (headcount) has declined at Vermont State University. This enrollment change, coupled with a 15% reduction in in state tuition and a 30% reduction in out-of-state tuition, directly impacted net tuition and fees.

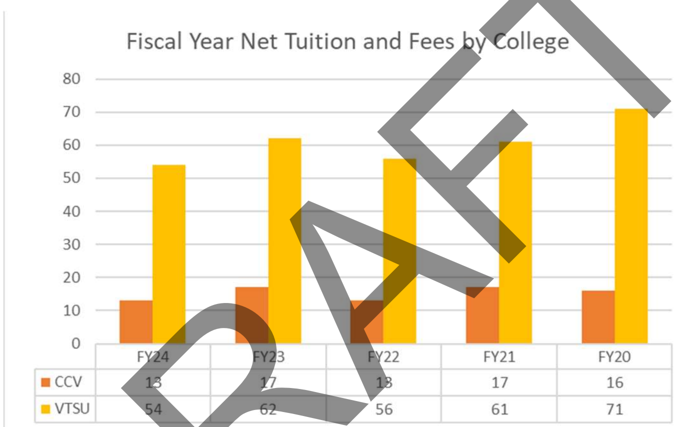


Chart 4: Fiscal year Net Tuition and Fees by Institution

Operating and Non-operating Expenses

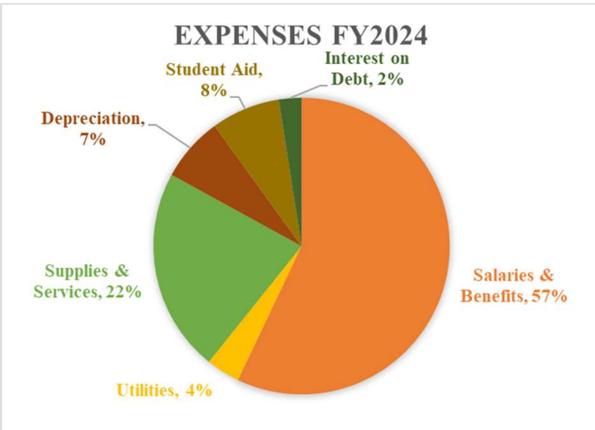
Table 4, below, shows the total Operating and Non-Operating Expenses for the past 5 years. The charts on the following page provide a quick view of the percentage of expenses by type for FY2023 and FY2024.

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

	2024	% Change	2023	% Change	2022	% Change	2021	% Change	2020
Operating									
Salaries & Benefits	110	1%	109	-3%	112	-6%	119	0%	119
Utilities	7	0%	7	17%	6	20%	5	-17%	6
Supplies and Svcs	43	-2%	44	-2%	45	15%	39	5%	37
Depreciation	14	0%	14	8%	13	0%	13	30%	10
Student Aid	14	-26%	19	-27%	26	117%	12	20%	10
Total Operating	188	-3%	193	-4%	202	7%	188	3%	182
Nonoperating									
Interest on Debt	5	25%	4	-33%	6	0%	6	20%	5
TOTAL Expenses	193	-2%	197	-5%	208	7%	194	4%	187

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

Salary and benefits account for approximately 57% of all operating and non-operating expenses for the Vermont State Colleges System. Since FY2020, salary and benefits have declined by $9 million, 7.6% 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.



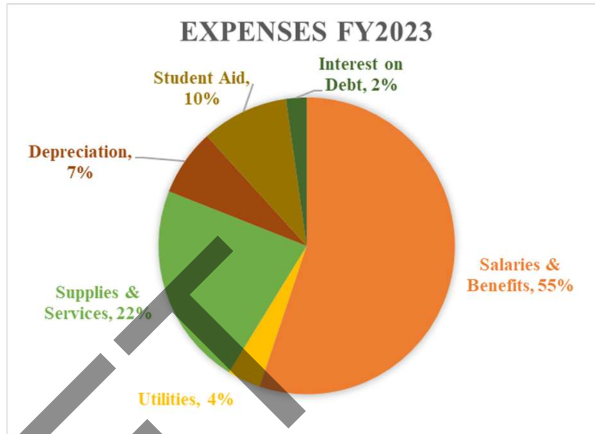


Chart 1: Expenses FY2021 and FY2020 by Major Category

Overall expenses have increased over the five years reported driven largely by an increase in scholarship aid, followed by an increase in supplies and services, related primarily to transformation expenses, and depreciation. State Funded Scholarship programs in FY2022 and FY2023 for critical occupations, degree completion scholarships, and workforce development placed significant pressure in this category, however, these scholarships were funded either via ARPA grants or direct appropriation from the State of Vermont.

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)

	FY24	FY23	FY22	FY21	FY20
Scholarship Allowances (included in revenue)	20	29	38	31	32
Scholarship Expenses (included in expenses)	14	19	26	13	10
Total Student Aid	34	48	44	42	37

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 FY2022 from baseline. This trend continued into FY2023 at a smaller amount as Community College of Vermont concluded the last of its spending in this arena. Continued legislatively directed spending for reduced tuition at Community College of Vermont is anticipated into FY2025.

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)

Cash flows from:	2024	% Change	2023	% Change	2022	% Change	2021	% Change	2020
Operating	-72	22%	-59	-30%	-84	79%	-47	0%	-47
Non capital financing	90	-2%	92	-21%	117	9%	107	62%	66
Capital and related financing	-6	-63%	-16	7%	-15	88%	-8	33%	-6
Investing	2	-110%	-20	-767%	3	0%	0	-100%	1
Net increase (decrease)	14	-567%	-3	-114%	21	-60%	52	247%	15
Cash, Beginning of Year	99	-3%	102	26%	81	179%	29	107%	14
Cash, End of Year	113	14%	99	-3%	102	26%	81	179%	29
Operating cash flows if noncapital appropriations and non-operating grants were included									
Operating	-72	22%	-59	-30%	-84	79%	-47	0%	-47
Non capital appropriations	68		51		47		61		33
Non operating grants	21		39		73		43		28
Operating cash flows with non-operating additions	17	-45%	31	-14%	36	-37%	57	307%	14

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 in FY2022 due to significant increases in Operating Grants (ARPA, HEERF, CRF) and continued to a lesser degree in FY2023. As expected, Operating Grants continued to decline in FY2024 and will decline further in FY2025.

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

Cash flows from noncapital financing activities

In normal years, there are two primary sources of noncapital financing: state appropriations and non-operating federal grants that fund PELL student grants. Accounting standards require that we reflect these sources of revenue as non-operating, even though each of the colleges depends on them to continue the current level of operations.

Between FY2020 and FY2023, the Vermont State Colleges received a significant influx in federal funding in the form of American Rescue Plan Act, Higher Education Emergency Relief, and Coronavirus Relief funds support recovery from the COVID-19 pandemic. These monies increased the non-operating federal grants line from $16 million in FY2019 to $73 million at the end of FY2022. In FY2023, non-operating grants dropped to $39 million based on slowed receipt of these grant funds, these grants declined further in FY2024. It is expected these funds will return to baseline by FY2026.

At the same time, cash flows from non-capital appropriations increased by $17 million from FY2023 to FY2024. This increase is directly related to creation of the CCV Tuition Advantage Program, one-time receipt of funds to support capital projects, and a $2.5 million increase in general fund base appropriations.

Cash flows from capital and related financial activities

Cash flows from capital and related financing activities include all capital plant funds and related long-term debt activities (excluding depreciation and amortization of bond premiums, since these are non-cash transactions), as well as capital gifts, grants, and appropriations. With the exception of FY2023 and FY2022, when the Vermont State Colleges sold certain assets at Vermont State University and Community College of Vermont, these numbers have remained largely unchanged.

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 FY2023 there were cash changes due to a shift in the management of cash which moved funds to longer-term investments.

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 $15 million in structural savings were achieved in advance of the FY2025 budget, an additional $3.5 million in structural savings will be achieved with each of the next two fiscal years
2. David Bergh was hired to serve as President of Vermont State University to oversee the economic and academic transformation of Vermont State University
3. As of July 1, 2023, merged Castleton University, Northern Vermont University, and Vermont Technical College into Vermont State University
4. Optimized academic programs and administrative systems to increase the cost-effectiveness of Vermont State University resulting in an approximately 15% reduction in staffing at Vermont State University
5. Enrolled the first class of Vermont State University
6. Established a new tuition and discounting structure that reduces the published tuition price and lowers overall discounts commencing with the 2023-2024 academic year
7. Hired executive leaders for academic affairs, enrollment, and student success
8. Created an Information Technology shared services unit
9. Hired a new, dynamic, chancellor

In addition, the State of Vermont has authorized an additional $18 million in state appropriation for the Vermont State Colleges (a 60% increase over the historical appropriation), authorized $20 million in transformation funding, and provided $73.7 million in bridge funding, and funded new scholarship programs for low-income Vermonters.

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

1. Continue the work necessary to build and maintain a financial sustainable Vermont State Colleges
2. Deepen and build upon the connections between Community College of Vermont and Vermont State University to advance student success, enrollment, and affordability
3. Drive system-wide change that will result in lower administrative and academic costs
4. Implement a new ERP system
5. Receive the remaining installments of bridge funding equaling $15.0 million between FY2025 and FY2026
6. Reduce the structural deficit through a combination of cost reductions and improved revenues by $3.5 million a year for the years FY2026 and FY2027.

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 all the increases to the base appropriation recommended by the *Select Committee.*

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) and $9 million for FY2024 through a combination of general fund and ARPA economic support grant. For FY2025, the State of Vermont allocated $10 million in bridge funding. The final tranche of bridge funding, in the amount of $5 million, will be requested as part of the FY2026 budgeting cycle.

The Vermont State Colleges is grateful for the substantial increase in general fund appropriation it has received from the State of Vermont since 2020. This continued support is vital to the ongoing success of the VSC. The Chancellor and senior leadership team continue to work closely with the Governor and the Legislature to provide the funding necessary to support the Vermont State Colleges so that we may continue to serve *"for the benefit of Vermont"*.

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 57% of all expenses related to employees.

The VSCS has seven collective bargaining units – four full-time units and three part-time faculty units. All full-time units are currently in active negotiations. The Vermont State Colleges is committed to working closely with our collective bargaining units to reach fair contracts that result in sustainable benefits and competitive wages.

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)
Statements of Net Position
June 30,

Assets and Deferred Outflows of Resources

	2024	2023
Current Assets:		
Cash and equivalents (Note 3)	**$ 112,387,519**	$ 98,842,936
Accounts receivable, net (Note 4)	**19,476,804**	15,132,037
Other current assets	**2,258,518**	2,851,834
Total Current Assets	**134,122,841**	116,826,807
Non-Current Assets:		
Cash and equivalents (Note 3)	**668,505**	660,542
Long-term investments (Note 3)	**77,833,335**	72,586,940
Notes receivable, net (Note 4)	**827,573**	809,507
Other assets	**19,470**	123,060
Capital assets, net (Note 11)	**141,273,594**	146,967,199
Total Non-Current Assets	**220,622,477**	221,147,248
Total Assets	**354,745,318**	337,974,055
Deferred Outflows of Resources:		
Deferred loss on debt refunding (Note 6)	**4,403,299**	5,445,225
OPEB (Note 10)	**31,709,689**	35,519,806
Total Deferred Outflows of Resources	**36,112,988**	40,965,031
Total Assets and Deferred Outflows of Resources	**$ 390,858,306**	$ 378,939,086

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

Liabilities, Deferred Inflows of Resources and Net Position

	2024	2023
Current Liabilities:		
Accounts payable and accrued liabilities (Note 12)	**$ 14,772,725**	$ 13,937,940
Unearned revenue and deposits	**7,533,405**	6,033,863
Current portion of lease liability (Note 5)	**1,863,340**	1,719,623
Current portion of SBITA Liability (Note 5)	**784,710**	1,404,480
Current portion of long-term debt (Note 5)	**5,183,510**	3,768,510
Total Current Liabilities	**30,137,690**	26,864,416
Non-Current Liabilities:		
Other liabilities	**3,451**	34,839
Refundable grants	**3,343,558**	3,343,558
Post-employment benefit obligations (Note 10)	**123,246,472**	133,937,265
Lease liability, net of current portion (Note 5)	**12,027,003**	11,717,177
SBITA liability, net of current portion (Note 5)	**1,237,583**	694,631
Long-term debt, excluding current portion (Note 5)	**88,711,269**	93,894,779
Total Non-Current Liabilities	**228,569,336**	243,622,249
Total Liabilities	**258,707,026**	270,486,665
Deferred Inflows of Resources:		
OPEB (Note 10)	**85,090,403**	86,301,061
Net Position:		
Net investment in capital assets	**41,889,237**	44,863,006
Restricted - nonexpendable	**26,305,307**	25,279,443
Restricted - expendable	**28,932,793**	23,860,619
Unrestricted	**(50,066,460)**	(71,851,708)
Total Net Position	**47,060,877**	22,151,360
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 390,858,306**	$ 378,939,086

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,

	2024	2023
Operating Revenues:		
Tuition and fees	**$ 86,686,041**	$ 107,589,382
Residence and dining	**15,304,473**	15,604,629
Less: scholarship allowances	**(19,449,954)**	(29,178,554)
Net Tuition, Fees, and Residence and Dining Revenue	**82,540,560**	94,015,457
Federal grants and contracts	**16,485,522**	16,111,378
State and local grants and contracts	**2,607,042**	2,201,724
Non-governmental grants and contracts	**1,664,572**	1,483,576
Interest income	**21,343**	88,812
Sales and services of educational activities	**6,813,041**	7,703,515
Other operating revenues	**2,255,406**	1,174,970
Total Operating Revenues	**112,387,486**	122,779,432
Operating Expenses (Notes 7, 10 and 13):		
Salaries and wages	**79,474,060**	78,128,715
Employee benefits (Notes 9 and 10)	**30,504,629**	30,799,469
Scholarships and fellowships	**14,467,178**	18,773,733
Supplies and other services	**42,808,512**	43,866,215
Utilities	**7,094,838**	7,210,584
Depreciation (Note 11)	**13,582,166**	14,333,932
Total Operating Expenses	**187,931,383**	193,112,648
Net Operating Loss	**(75,543,897)**	(70,333,216)
Non-Operating Revenues (Expenses):		
State appropriations (Note 8)	**67,701,553**	51,045,239
Federal grants and contracts	**20,799,193**	39,355,112
Gifts	**1,677,183**	2,047,953
Investment income, net of expenses (Note 3)	**7,687,334**	4,082,139
Interest expense on capital debt	**(4,759,415)**	(4,426,143)
Other non-operating revenues	**30,850**	26,318
Net Non-Operating Revenues	**93,136,698**	92,130,618
Increase in Net Position Before Other Revenues	**17,592,801**	21,797,402
Other Revenues:		
State appropriations for capital expenditures (Note 8)	**6,500,000**	3,700,000
Capital grants and gifts	**-**	1,024
Additions to non-expendable assets	**816,716**	2,656,921
Increase in Net Position	**24,909,517**	28,155,347
Net Position, Beginning of Year	**22,151,360**	(6,003,987)
Net Position, End of Year	**$ 47,060,877**	$ 22,151,360

DRAFT

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,

	2024	2023
Cash Flows from Operating Activities:		
Tuition and fees	**$ 68,033,034**	$ 73,444,088
Grants and contracts	**17,698,867**	29,583,408
Sales and services of educational activities	**7,066,433**	5,676,516
Interest received	**21,343**	88,812
Payments to suppliers	**(50,068,924)**	(51,171,671)
Payments to employees	**(117,368,917)**	(115,509,945)
Collection of loan payments	**(18,066)**	660,302
Other cash receipts	**2,255,406**	1,174,970
Net Cash Applied to Operating Activities	**(72,380,824)**	(56,053,520)
Cash Flows from Non-Capital Financing Activities:		
State appropriations	**67,701,553**	51,045,239
Non-operating federal grants	**20,799,193**	39,355,112
Gifts and grants	**1,677,183**	2,043,110
Net Cash Provided by Non-Capital Financing Activities	**90,177,929**	92,443,461
Cash Flows from Capital and Related Financing Activities:		
Capital and non-expendable grants and gifts	**816,716**	2,657,945
Capital appropriations	**7,500,000**	3,700,000
Purchase of capital assets	**(3,909,298)**	(3,573,113)
Change in deposits with bond trustee	**-**	1,087,625
Proceeds from sale of capital assets	**5,100**	15,786
Payments on SBITA arrangements	**(1,516,528)**	(1,240,409)
Payments on capital debt	**(2,091,110)**	(13,556,880)
Interest expense on capital debt	**(7,521,228)**	(8,163,793)
Other receipts	**30,850**	26,318
Net Cash Applied to Capital and Related Financing Activities	**(6,685,498)**	(19,046,521)

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)
Statements of Cash Flows - Continued
For the Years Ended June 30,

	2024	2023
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	**$ 6,920,578**	$ 6,079,396
Purchase of investments	**(6,704,140)**	(26,278,088)
Investment income (loss)	**2,224,501**	(119,037)
Net Cash Provided by (Applied to) Investing Activities	**2,440,939**	(20,317,729)
Net Increase (Decrease) in Cash and Equivalents	**13,552,546**	(2,974,309)
Cash and Equivalents, Beginning of Year	**99,503,478**	102,477,787
Cash and Equivalents, End of Year	**$ 113,056,024**	$ 99,503,478
Reconciliation of Operating Loss to Net Cash Applied to Operating Activities:		
Operating loss	**$ (75,543,897)**	$ (70,333,216)
Adjustments to reconcile operating loss to net cash applied to operating activities:		
Depreciation	**13,582,166**	14,333,932
Bad debts	**1,208,110**	1,007,832
OPEB activity	**2,599,459**	19,487,092
Changes in assets and liabilities:		
Accounts receivable	**(5,552,877)**	6,019,635
Other assets	**696,906**	(370,323)
Notes receivable	**(18,066)**	660,302
Accounts payable and accrued liabilities	**(129,986)**	1,269,238
Unearned revenues, deposits and refundable grants	**1,468,154**	(1,330,550)
Post-employment benefit obligations	**(10,690,793)**	(26,797,462)
Net Cash Applied to Operating Activities	**$ (72,380,824)**	$ (56,053,520)
Summary of Cash and Equivalents, End of Year:		
Cash and Equivalents (current)	**$ 112,387,519**	$ 98,842,936
Cash and Equivalents (non-current)	**668,505**	660,542
Cash and Equivalents, End of Year	**$ 113,056,024**	$ 99,503,478
Non-Cash Transactions:		
Unrealized gains	**$ 2,996,750**	$ 1,340,550
Donation of stock	**$ -**	$ 1,753,644
Net gain on disposal of capital assets	**$ 5,100**	$ 15,786
Acquisition of capital assets	**$ -**	$ 655,447

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

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"), Vermont State University ("VTSU") and Workforce Development ("WFD").

COVID- 19
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 due to the coronavirus.

As of June 30, 2024 and 2023, the Colleges expended and recognized approximately $0 and $1,691,000, respectively of HEERF related awards. The Colleges have expended all HEERF funds received.

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. During the fiscal years ended June 30, 2024 and 2023, the Colleges expended $6,285,166 and $24,547,048 and recognized $6,285,166 and $24,547,048, respectively in non-operating Federal grants revenue.

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.

The Colleges are considered a special-purpose government under the provisions of GASB Statements No. 34 and 35. 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 outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

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

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

Unrestricted: Net position that is not subject to externally imposed stipulations or categorized as net investment in capital assets. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

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

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

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. Leased and subscription-based information technology arrangement assets are amortized over the shorter of the lease/ subscription term or useful life of the underlying asset. 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.

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 statement of new position 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.

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 and was fully amortized in 2023. 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 $6,549,993 and $5,811,483 as of June 30, 2024 and 2023, respectively. Cumulative unamortized balances of bond premiums totaled $10,444,779 and $11,183,290 as of June 30, 2024 and 2023, 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.

GASB 75 requires that the actuarial present value of projected benefit payments be attributed to the periods of employee services using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay.

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

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

Use of Estimates in Financial Statement Preparation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events.

These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period.

Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances.

Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, net position classification, self-funded health insurance accrual, and determining the other post-employment benefits liability.

Future Governmental Accounting Pronouncements Not Implemented

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.

GASB Statement 102 – *Certain Risk Disclosures* is effective for reporting periods beginning after June 15, 2024. The objective of this statement is to update the required disclosures for risks that could negatively impact state and local governments.

GASB Statement 103 – *Financial Reporting Model Improvements* is effective for reporting periods beginning after June 15, 2025. The objective of this statement is to improve the financial reporting model to enhance decision making by the organization and assessing a government's accountability.

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

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

As of July 1, 2023, the College implemented GASB Statement 100 – *Accounting Changes and Error Corrections*, an amendment of GASB 62. The objective of this statement is to provide consistency for changes in accounting principles, accounting estimates, and the reporting entity's corrections of errors. The adoption of this statement did not have a material impact to the financial statements.

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, 2024, the balance of current assets - cash and equivalents and restricted cash and equivalents, consists of approximately $6,400 in petty cash, and the remainder deposited in Federal Deposit Insurance Corporation ("FDIC") insured banking institutions of approximately $112,387,500 per the accounting records of the Colleges, and approximately $113,304,900 per bank records. Of the bank balances, approximately $831,600 was covered by federal depository insurance and approximately $112,473,300 was uninsured and uncollateralized at June 30, 2024.

At June 30, 2024, the balances of non-current assets - cash and equivalents deposited in FDIC insured banking institutions were approximately $668,500 per the accounting records of the Colleges, and approximately $564,600 per bank records. Of the bank balances, approximately $0 was covered by federal depository insurance and approximately $564,600 was uninsured and uncollateralized at June 30, 2024.

At June 30, 2023, the balance of current assets - cash and equivalents and restricted cash and equivalents, consists of approximately $7,700 in petty cash, and the remainder deposited in Federal Deposit Insurance Corporation ("FDIC") insured banking institutions of approximately $98,842,900 per the accounting records of the Colleges, and approximately $99,770,600 per bank records. Of the bank balances, approximately $703,500 was covered by federal depository insurance and approximately $99,067,100 was uninsured and uncollateralized at June 30, 2023.

At June 30, 2023, the balances of non-current assets - cash and equivalents deposited in FDIC insured banking institutions were approximately $660,500 per the accounting records of the Colleges, and approximately $417,000 per bank records. Of the bank balances, approximately $0 was covered by federal depository insurance and approximately $417,000 was uninsured and uncollateralized at June 30, 2023.

Investments

Investments of the various funds at June 30, 2024 are as follows:

	Fair Value	Cost
U.S. Government bonds	**$ 20,305,333**	**$ 20,241,518**
Corporate bonds	**7,401,191**	**7,387,494**
Common stock and ETFs	**16,925,605**	**13,194,083**
Mutual funds	**11,549,202**	**10,260,993**
Money market	**15,762,774**	**15,762,774**
Hedge fund shares	**5,889,230**	**5,736,778**
Total Investments	**$ 77,833,335**	**$ 72,583,640**

Investments of the various funds at June 30, 2023 are as follows:

	Fair Value	Cost
U.S. Government bonds	$ 20,301,322	$ 22,429,169
Corporate bonds	7,739,370	8,531,992
Common stock and ETFs	14,665,527	12,749,565
Mutual funds	10,357,201	9,969,036
Money market	13,282,024	13,282,026
Hedge fund shares	6,241,496	3,483,154
Total Investments	$ 72,586,940	$ 70,444,942

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 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.

2024
Investment Maturities (in years)

Investment Type	Market Value	Less than 1	1-5	6-10	More than 10
Money Market Investments	**$ 15,762,774**	**$ 15,762,774**	**$ -**	**$ -**	**$ -**
Corporate Bonds	**7,401,191**	**1,205,431**	**4,729,823**	**1,465,937**	**-**
U.S. Govt. Bonds	**20,305,333**	**2,810,741**	**12,937,882**	**4,556,710**	**-**
Total	**$ 43,469,298**	**$ 19,778,946**	**$ 17,667,705**	**$ 6,022,647**	**$ -**
Other Investments					
Common Stock, Mutual Fund and Hedge Fund Shares	**34,364,037**				
Total	**$ 77,833,335**				

2023
Investment Maturities (in years)

Investment Type	Market Value	Less than 1	1-5	6-10	More than 10
Money Market Investments	$ 13,282,022	$ 13,282,022	$ -	$ -	$ -
Corporate Bonds	7,739,370	295,727	5,666,221	1,777,422	-
U.S. Govt. Bonds	20,301,322	1,872,946	12,863,280	5,565,096	-
Total	$ 41,322,714	$ 15,450,695	$ 18,529,501	$ 7,342,518	$ -
Other Investments					
Common Stock, Mutual Fund and Hedge Fund Shares	31,264,226				
Total	$ 72,586,940				

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:

	2024	2023
Interest and dividend income	**$ 4,655,932**	$ 3,061,882
Net realized and unrealized gain	**3,270,471**	1,199,302
Total investment income	**7,926,403**	4,261,184
Less: management fees	**(239,069)**	(179,045)
Investment income, net	**$ 7,687,334**	$ 4,082,139

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

Investment rating*	**2024**	2023
AAA	**$ 20,941,284**	$ 20,923,313
AA+	**67,390**	67,112
AA	**319,927**	305,211
AA-	**559,098**	867,103
A+	**962,519**	1,117,329
A	**1,814,583**	1,540,005
A-	**2,090,361**	2,109,047
BBB+	**1,042,530**	1,202,371
BBB	**139,599**	138,104
Unrated	**15,532,008**	13,053,121
	$ 43,469,298	$ 41,322,716

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Assets at Fair Value as of June 30, 2024

	Level 1	Level 2	Level 3	Total
U.S. Government bonds	$ $20,305,333	$ -	$ -	$ 20,305,333
Corporate bonds	-	7,401,191	-	7,401,191
Common stock and ETFs	16,925,605	-	-	16,925,605
Mutual funds	11,549,202	-	-	11,549,202
Money market	15,762,774	-	-	15,762,774
Hedge fund shares	-	5,889,230	-	5,889,230
Total Assets at Fair Valu	$ 64,542,914	$ 13,290,421	$ -	$ 77,833,335

Assets at Fair Value as of June 30, 2023

	Level 1	Level 2	Level 3	Total
U.S. Government bonds	$ 20,301,322	$ -	$ -	$ 20,301,322
Corporate bonds	-	7,739,370	-	7,739,370
Common stock and ETFs	14,665,527	-	-	14,665,527
Mutual funds	10,357,201	-	-	10,357,201
Money market	13,282,026	-	-	13,282,026
Hedge fund shares	-	6,241,494	-	6,241,494
Total Assets at Fair Value	$ 58,606,076	$ 13,980,864	$ -	$ 72,586,940

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:

	2024	2023
Student accounts receivable	**$ 13,444,718**	$ 11,508,707
Grants receivable	**11,111,804**	7,595,792
Other receivable	**1,805,014**	1,889,652
Subtotal	**26,361,536**	20,994,151
Allowance for doubtful accounts	**(6,884,732)**	(5,862,114)
Total accounts receivable, net	**$ 19,476,804**	$ 15,132,037

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 $4,000 and $25,000 at June 30, 2024 and 2023, respectively.

This allowance is the aggregate that was reserved for each college based upon historical bad loan reserve requirements, the net increase in the allowance of approximately $1,023,000 in 2024 and decrease in the allowance of approximately $872,000 in 2023, has been reflected in operating expenses.

Note 5 - **Long-Term Liabilities**

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

	2024				
	Beginning balances	**Additions**	**Reductions**	**Ending balances**	**Current portion**
Long-term liabilities					
Bonds and notes payable	**$ 97,663,289**	**$ -**	**$ 3,768,510**	**$ 93,894,779**	**$5,183,510**
Total OPEB obligation	**133,937,265**	**-**	**10,690,793**	**123,246,472**	**-**
Lease liability	**13,436,800**	**2,544,653**	**2,091,110**	**13,890,343**	**1,863,340**
SBITA liability	**2,099,111**	**1,439,710**	**1,516,528**	**2,022,293**	**784,710**
Other liabilities	**34,839**	**-**	**31,388**	**3,451**	**-**
Refundable grants	**3,343,558**	**-**	**-**	**3,343,558**	**-**
Total long-term liabilities	**$ 250,514,862**	**$ 3,984,363**	**$ 18,098,329**	**$ 236,400,896**	**$ 7,831,560**

	2023				
	Beginning balances	Additions	Reductions	Ending balances	Current portion
Long-term liabilities					
Bonds and notes payable	$113,702,457	$ -	$16,039,168	$ 97,663,289	$3,768,510
Total OPEB obligation	160,734,727	-	26,797,462	133,937,265	-
Lease liability	14,808,233	655,355	2,026,788	13,436,800	1,719,623
SBITA liability	2,881,401	458,119	1,240,409	2,099,111	1,404,480
Other liabilities	87,287	-	52,448	34,839	-
Refundable grants	3,556,288	-	212,730	3,343,558	-
Total long-term liabilities	$ 295,770,393	$ 1,113,474	$ 46,369,005	$ 250,514,862	$ 6,892,613

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

	2024	2023
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 $3,572,380 and $3,792,219 has been added to the liability at June 30, 2024 and 2023, respectively. [1]	**$27,617,380**	$27,977,218
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 $6,872,399 and $7,391,071 has been added to the liability at June 30, 2024 and 2023, respectively. [2]	**$66,277,399**	69,686,071
	$ 93,894,779	$ 97,683,289

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

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

Debt Roll-Forward

Long-term debt activity for the years ended June 30, 2024 and 2023 was as follows:

	Balance June 30, 2023	Additions	Repayment	Balance June 30, 2024	Current Portion
Series 2013	$ -	$ -	$ -	$ -	$ -
Series 2013 Bond Premium	-	-	-	-	-
Series 2013 Bonds	-	-	-	-	-
Series 2017	62,295,000	-	(2,890,000)	59,405,000	3,040,000
Series 2017 Bond Premium	7,391,069	-	(518,672)	6,872,397	518,672
Series 2017 Bonds	69,686,069	-	(3,408,672)	66,277,397	3,558,672
Series 2020	24,185,000	-	(140,000)	24,045,000	1,405,000
Series 2020 Bond Premium	3,792,220	-	(219,838)	3,572,382	219,838
Series 2020 Bonds	27,977,220	-	(359,838)	27,617,382	1,624,838
Total Bonds and Notes Payable	$ 97,663,289	$ -	$ (3,768,510)	$ 93,894,779	$5,183,510

	Balance June 30, 2022	Additions	Repayment	Balance June 30, 2023	Current Portion
Series 2013	$ 11,530,000	$ -	$(11,530,000)	$ -	$ -
Series 2013 Bond Premium	1,020,657	-	(1,020,657)	-	-
Series 2013 Bonds	12,550,657	-	(12,550,657)	-	-
Series 2017	65,045,000	-	(2,750,000)	62,295,000	2,890,000
Series 2017 Bond Premium	7,909,741	-	(518,672)	7,391,069	518,672
Series 2013 Bonds	72,954,741	-	(3,268,672)	69,686,069	3,408,672
Series 2020	24,185,000	-	-	24,185,000	140,000
Series 2020 Bond Premium	4,012,059	-	(219,839)	3,792,220	219,838
Series 2020 Bonds	28,197,059	-	(219,839)	27,977,220	359,838
Total Bonds and Notes Payable	$113,702,457	$ -	$(16,039,168)	$ 97,663,289	$3,768,510

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

Years Ending June 30,	Principal Amount	Interest Amount
2025	$ 4,445,000	$ 3,567,250
2026	4,390,000	3,337,250
2027	4,610,000	3,109,500
2028	4,850,000	2,870,500
2029	4,840,000	2,619,000
2030	5,085,000	2,367,500
2031-2035	29,340,000	7,880,200
2035-2040	24,090,000	1,961,700
2041-2043	1,800,000	72,000
	$ 83,450,000	$ 27,784,900

Deferred loss on debt refunding is included in interest expense.

According to the terms of the agreements under which the revenue bonds were sold, the bonds are general obligations of VSC.

Note 5A - **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 Commencement (months)	Payment Amount	Rate Type	Interest Rate	Lease Liability 6/30/24	Lease Liability 6/30/23
Rutland Lease (CCV)	7/1/2020	169	Varies	IBR	4.75%	$ 8,817,877	$ 9,348,540
St. Albans Lease (CCV)	11/1/2020	180	Varies	IBR	4.75%	1,832,950	1,925,313
Stonecutter's Way Lease (OC)	7/1/2020	85	Varies	IBR	4.75%	279,003	361,078
Tech Vault Lease (OC)	5/1/2023	60	Varies	IBR	4.75%	281,532	346,942
Butternut Ledge Lease (CU)	7/1/2020	73	Varies	IBR	4.75%	236,605	343,550
Brattleboro Lease (CCV & VTC) - Extendec	6/30/2024	48	Varies	IBR	Various	704,921	316,469
Killington lease (CU)	11/30/2021	68	Varies	IBR	4.75%	148,014	190,872
Bennington Lease (CCV)	7/1/2020	48	Varies	IBR	4.75%	279,597	163,368
Newport Lease (CCV)	7/1/2020	48	Varies	IBR	4.75%	423,817	142,339
Lyndonville Lease (NVU)	7/1/2020	82	Varies	IBR	4.75%	101,609	134,334
Middlebury Lease (CCV)	7/1/2020	50	Varies	IBR	4.75%	18,608	126,682
Morrisville Lease (CCV)	7/1/2020	38	Varies	IBR	4.75%	152,899	20,878
Foley Hall Lease (CU) - Extended	7/31/2023	37	Varies	IBR	4.75%	454,167	16,435
Randolph Lease (VTC) - Extended	7/31/2023	36	Varies	IBR	10.00%	158,743	-
						$ 13,890,342	$ 13,436,800

Interest Expense and Net Remaining Right of Use Assets

Lease interest expense for the years ended June 30, 2024 and 2023 was $663,061 and $670,739, 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 $12,444,480 and $12,260,154 at June 30, 2024 and 2023, 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, 2024 and 2023. 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.

Future Lease Payments

Lease payments due subsequent to June 30, 2024 are as follows:

Years Ending June 30,	Principal	Interest
2025	$ 1,863,340	$ 669,593
2026	1,828,638	560,916
2027	1,405,836	469,150
2028	1,118,836	401,722
2029-2033	5,843,111	1,151,082
2034-2038	1,830,582	62,239
	$ 13,890,343	$ 3,314,702

Note 5B - **Subscription-Based Information Technology Arrangements**

The Colleges have entered into subscription-based information technology arrangements (SBITAs) involving its financial managements software and document management software.

The scheduling management software arrangement is a three-year agreement, initiated in fiscal year 2023 with yearly payments of $160,000. The Colleges have used a 4.75% discount rate for this arrangement based on the incremental borrowing rate they received from their lender to determine the present value of the intangible right- of use asset and SBITA liability. The contract expires on August 30, 2025, and the Colleges have the option to extend on a yearly basis. There is no option to purchase the software.

The professional development management software arrangement is a two-year agreement, initiated in fiscal year 2024 with yearly payments totaling $105,435. The Colleges have used a 4.75% discount rate for this arrangement based on the incremental borrowing rate it received from their lender to determine the present value of the intangible right- of use asset and SBITA liability. The contract expires on December 31, 2025. There is no option to extend or purchase the software.

The learning management software arrangement is a five-year agreement, initiated in fiscal year 2019 with yearly payments of increasing amounts totaling $1,387,878. The Colleges have used a 4.75% discount rate for this arrangement based on the incremental borrowing rate i they received from their lender to determine the present value of the intangible right- of use asset and SBITA liability. The contract expires on June 30, 2024. The College reordered another 3 years with yearly payments of increasing amounts totaling $921,560. The Colleges used a 10% discount rate for this extension. The contract expires on June 30, 2027. There is no option to purchase the software.

The information management software arrangement is a five-year agreement, initiated in fiscal year 2019 with yearly payments of $37,500. The Colleges have used a 4.75% discount rate for this arrangement based on the incremental borrowing rate they received from their lender to determine the present value of the intangible right- of use asset and SBITA liability. The initial contract expires on June 30, 2024. The Colleges have signed an extension of the initial contract for an additional 4 years for $37,500 per year for CCV and an additional 3 years for $25,000 per year for VTSU. The Colleges used a 10% discount rate for this extension. This contract expires on June 30, 2029 and June 30, 2026, respectively. There is no option to purchase the software.

The information management software arrangement is a four-year agreement, initiated in fiscal year 2023 with yearly payments of $203,846. The Colleges have used a 4.75% discount rate for this arrangement based on the incremental borrowing rate they received from their lender to determine the present value of the intangible right- of use asset and SBITA liability. The contract expires on December 31, 2027, and the Colleges have the option to extend for one year. There is no option to purchase the software.

The work management software arrangement is a three-year agreement, initiated in fiscal year 2024 with yearly increasing payments totaling $154,219. The Colleges have used a 4.75% discount rate for this arrangement based on the incremental borrowing rate they received from its lender to determine the present value of the intangible right-of-use asset and SBITA liability. The contract expires on June 14, 2027. There is no option to extend or purchase the software.

At June 30, 2024, the total amount of the SBITA right of use assets and accumulated amortization for SBITAs were $3,122,718 and $927,133, respectively. At June 30, 2023, the total amount of the SBITA right of use assets and accumulated amortization for SBITAs were $4,627,978 and $2,482,588, respectively.

Annual requirements to amortize the SBITA liability and related interest subsequent to June 30, 2024 are as follows:

Years Ended June 30,	Principal	Interest	Total
2025	$ 784,710	$ 78,406	$ 863,116
2026	622,058	107,402	729,460
2027	545,900	57,118	603,018
2028	69,625	5,376	75,001
	$ 2,022,293	$ 248,302	$ 2,270,595

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, 2024 and 2023. The unamortized balance of the breakage fee was $3,803,953 and $4,807,298 for years ended June 30, 2024 and 2023, respectively.

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 payoff 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 $37,581 for the years ending June 30, 2024 and 2023. The unamortized balance of the advanced debt refunding was $599,346 and $636,927 for years ended June 30, 2024 and 2023, respectively.

Note 7 - **Functional Expense Classification**

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

	2024	2023
Instructions	**$ 55,611,293**	$ 53,112,008
Research	**1,479,415**	678,601
Public Service	**12,338,789**	12,376,990
Academic Support	**20,709,126**	19,866,473
Student Services	**37,157,268**	49,245,320
Institution Support	**22,023,284**	24,365,659
Physical Plant	**11,972,224**	2,020,808
Student Financial Support	**13,057,818**	17,112,857
Depreciation	**13,582,166**	14,333,932
	$ 187,931,383	$ 193,112,648

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 $17,500,000 for the Transformation Project, $307,000 designated for the Next Generation ("HETF"), $1,500,000 designated for Certificates in 3D Technology, $500,000 for Restorative Justice, $4,000,000 for Tuition Reduction, $3,800,000 for Critical Occupation Scholarships, $3,820,000 for Bridge Funding and $4,000,000 for various scholarships. Also included in the annual State appropriation for operations is funding for Allied Health of approximately $1,774,148 in fiscal years 2024 and 2023; VMEC of approximately $428,000 in fiscal year 2023. Capital appropriations for VSC made from the State Bond Funds were approximately $6,500,000 and $3,700,000 for fiscal years 2024 and 2023, respectively.

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, 2024 and 2023, the Colleges' total payroll expense was approximately $79,474,000 and $78,129,000, respectively, of which approximately $53,407,000 and $52,860,000, respectively represented salaries and wages of employees covered under the defined contribution plan.

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, 2024 and 2023, contributions made by the Colleges under this plan totaled approximately $4,918,000 and $4,877,000, or approximately 9.21% and 9.23%, respectively 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, 2024 and 2023, 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 2024 and 2023.

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, 2024 and 2023, contributions for these benefits were approximately $357,000 and $517,000, respectively.

The early retirement benefit is no longer being offered to faculty employees hired after February 10, 2005, but those employees who were eligible for early retirement before the benefit was discontinued have the option of electing for early retirement in October of every year. The benefit will be completely phased out when those employees currently eligible for early retirement either elect for early retirement or reach the age of 65.

Note 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, 2023:

	2024	2023
Retirees and Beneficiaries	**824**	719
Inactive, Non-retired members	**-**	-
Active plan members	**759**	914
Total plan members	**1,583**	1,633

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 2024 and 2023, VSC recognized employer contributions of $6,706,148 and $6,895,566, respectively, for both healthcare and early retirement. The plan is financed on a pay-as-you-go basis.

In fiscal years 2024 and 2023, there were minimal member contributions to the plan from new retirees hired before July 1, 2000. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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

At June 30, 2024 and 2023, VSC reported a total OPEB liability of $123,246,472 and $133,937,265, respectively. The total OPEB liability as of June 30, 2024, the reporting date, was measured as of June 30, 2023, the measurement date, and the actuarial valuation date of July 1, 2023. The total OPEB liability as of June 30, 2023, the reporting date, was measured as of June 30, 2022, the measurement date, and the total OPEB liability was determined by an actuarial valuation date as of July 1, 2021.

The following table shows the components of VSC's annual OPEB costs for the years ended June 30, 2024 and 2023, and the changes in VSC's total OPEB obligation to the retiree healthcare plan are as follows:

	2024	2023
Interest on total OPEB obligation	**$ 4,625,516**	$ 3,396,004
Service Cost	**1,575,203**	2,229,613
Amortization of current year for difference between expected and actual experience	**(112,936)**	(508,019)
Annual OPEB cost	**6,087,783**	5,117,598
Difference between expected and actual experience to be recognized in future years	**112,936**	508,019
Difference between changes in plan actuarial assumptions to be recognized in future years	**(19,545,728)**	(25,629,673)
Difference between expected and actual mortality table of the Total OPEB liability	**5,782,201**	-
Difference between expected and actual experience of the Total OPEB liability	**3,417,950**	231,296
Benefit payments	**(6,545,935)**	(7,024,702)
Increase in total OPEB obligation	**(10,690,793)**	(26,797,462)
Total OPEB obligation - Beginning of Year	**133,937,265**	160,734,727
Total OPEB obligation - End of Year	**$123,246,472**	$133,937,265

Deferred Outflows of Resources related to OPEB:

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

Deferred Outflows of Resources	2024	2023
Differences between projected and actual experience	$ 6,721,477	$ 5,021,787
Changes in plan actual assumptions	18,282,063	23,952,083
Contributions subsequent to the measurement date	6,706,149	6,545,936
Total	$ 31,709,689	$ 35,519,806

Deferred Inflows of Resources related to OPEB:

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

Deferred Outflows of Resources	2024	2023
Differences between projected and actual experience	$ 9,225,485	$ 11,056,681
Changes in plan actual assumptions	75,864,918	75,244,380
Total	$ 85,090,403	$ 86,301,061

VSC's contributions of $6,706,148 and $6,545,935 made during fiscal years ending 2024 and 2023, respectively, subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the succeeding year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ending June 30,	
2025	$ (7,585,905)
2026	(7,553,745)
2027	(7,828,476)
2028	(12,594,999)
2029	(13,877,819)
2030 and after	(10,645,919)
	$ (60,086,863)

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

Measurement date	June 30, 2023	June 30, 2022
Inflation	2.25%	2.3%
Salary Increases	3.5% per year	3.5% per year
Discount Rate	3.65%	3.54%
Healthcare Cost Trend Rate	5.7%, then decreasing incrementally to an ultimate rate of 3.6% in 2060	5.9%, then decreasing incrementally to an ultimate rate of 3.6% in 2060

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-2021 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.

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:

1.00% Decrease 2.65%	**2024 Current Discount Rate 3.65%**	**1.00% Increase 4.65%**
$ 139,146,639	**$ 123,246,472**	**$ 110,174,507**

1.00% Decrease 2.54%	2023 Current Discount Rate 3.54%	1.00% Increase 4.54%
$ 151,770,539	$ 133,937,265	$ 119,309,958

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:

1.00% Decrease	**2024 Current Healthcare Cost Trend Rate**	**1.00% Increase**
$ 110,340,666	**$ 123,246,472**	**$ 138,945,805**

1.00% Decrease	2023 Current Healthcare Cost Trend Rate	1.00% Increase
$ 118,286,607	$ 133,937,265	$ 153,140,594

Note 11 - **Capital Assets**

Property and equipment activity for the years ended June 30, 2024 and 2023 is summarized below:

	Balance June 30, 2023	Additions	Transfers	Retirements	Balance June 30, 2024
Land	$ 8,436,048	$ -	$ -	$ -	$ 8,436,048
Construction-in-process	3,491,980	2,306,919	(3,219,272)	-	2,579,627
Subtotal - Capital assets not depreciated	11,928,028	2,306,919	(3,219,272)	-	11,015,675
Infrastructure	43,051,021	1,009,160	704,254	-	44,764,435
Buildings and improvements	264,597,599	-	2,091,165	-	266,688,764
Leasehold improvements	4,090,271	-	-	-	4,090,271
Equipment	43,654,858	831,310	423,853	(53,602)	44,856,419
Software arrangements	4,627,978	1,439,710	-	(2,944,970)	3,122,718
Leased buildings	19,321,024	2,306,561	-	(1,696,510)	19,931,075
Subtotal - Capital assets depreciated	379,342,751	5,586,741	3,219,272	(4,695,082)	383,453,682
Less accumulated depreciation					
Capital assets	(234,760,122)	(10,070,416)	-	48,503	(244,782,035)
SBITA arrangement	(2,482,588)	(1,389,515)	-	2,944,970	(927,133)
Right of use assets	(7,060,870)	(2,122,235)	-	1,696,510	(7,486,595)
Capital assets, net	$146,967,199	$ (5,688,506)	$ -	$ (5,099)	$141,273,594

	Balance June 30, 2022	Additions	Transfers	Retirements	Balance June 30, 2023
Land	$ 8,436,048	$ -	$ -	$ -	$ 8,436,048
Construction-in-process	5,950,249	2,874,221	(5,332,490)	-	3,491,980
Subtotal - Capital assets not depreciated	14,386,297	2,874,221	(5,332,490)	-	11,928,028
Infrastructure	42,538,036	30,171	482,814	-	43,051,021
Buildings and improvements	260,204,936	79,544	4,313,119	-	264,597,599
Leasehold improvements	4,090,271	-	-	-	4,090,271
Equipment	42,615,769	1,048,377	77,361	(86,649)	43,654,858
Software arrangements	4,169,859	503,119	-	(45,000)	4,627,978
Leased buildings	18,665,579	655,445	-	-	19,321,024
Subtotal - Capital assets depreciated	372,284,450	2,316,656	4,873,294	(131,649)	379,342,751
Less accumulated depreciation					
Capital assets	(224,146,530)	(10,684,455)	-	70,863	(234,760,122)
SBITA arrangement	(1,171,416)	(1,311,172)	-	-	(2,482,588)
Right of use assets	(4,722,565)	(2,338,305)	-	-	(7,060,870)
Capital assets, net	$156,630,236	$ (9,143,055)	$ (459,196)	$ (60,786)	$146,967,199

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 $2,020,000 June 30, 2024 and $1,594,000 at June 30, 2023 and are based on historical data. A medical and dental claim roll-forward is presented below:

	2024	2023
Medical and dental claims reserve, beginning of year	**$ 2,020,000**	$ 1,594,000
Incurred claims	**23,579,000**	20,535,000
Payments on claims	**(23,243,000)**	(20,109,000)
Medical and dental claims reserve, end of year	**$ 2,356,000**	$ 2,020,000

VSC self-insures its workers' compensation program and is operated by a third-party claims administrator. Contributions to the plan are based on estimated payroll and rates adjusted by an experience modification factor. VSC has purchased stop-loss insurance, which is effective for individual claims over $200,000 and for aggregate claims in excess of $1,477,000 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:

	2024	2023
Workers' compensation reserve, beginning of year	**$ 358,000**	$ 474,000
Workers' compensation accrued during the year	**515,000**	521,000
Claims paid/reserved/claims administration	**(659,000)**	(637,000)
Workers' compensation reserve, end of year	**$ 214,000**	$ 358,000

Commitments
VSC has entered into various construction contracts. The following commitments are ongoing projects at June 30, 2024:

Project	Total Expended Through 6/30/2024	Committed Future Costs	Total Committed Costs of Project
Meat Processing Training Lab	$ 32,436	$ 924,925	$ 957,361
Castleton Steam Line Repair	-	594,500	594,500
Williston Nursing Expansion	108,210	342,823	451,033
Totals	**$ 140,646**	**$ 1,862,248**	**$ 2,002,894**

Employment Contracts
The Colleges have employment contracts with certain officers that expire on various dates through fiscal year 2024. The agreements provide for aggregate annual base salaries of $379,000 in fiscal year 2024, and may be terminated with cause at any time.

Public-Private Partnership
The Colleges entered into a public-private partnership with Sodexo Operations, LLC (“Sodexo”) to manage and operate its food services for VSC’s students, faculty, staff, employees and guests through June 2023; the partnership was cancelable by either party at any time. Under the partnership, Sodexo made annual contributions to VSC to be used at VSC’s discretion for food service facility enhancements. In March 2020, with the commencement of the pandemic, VSC exercised its right to the catastrophe clause of its existing contract with Sodexo. In August 2020, VSC entered into a new public-private partnership with Sodexo continuing through August 2025. The new public-private partnership will not require annual contributions.

Note 13 - **Subsequent Events**

The Colleges have evaluated subsequent events through October 30, 2024, the date for which the financial statements were available for issuance. Based on that evaluation, the Colleges have determined the following event subsequent to June 30, 2024 has occurred that requires disclosure in the financial statements.

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, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2018
Valuation date	July 1, 2023	July 1, 2022	July 1, 2021	July 1, 2019	July 1, 2019	July 1, 2017	July 1, 2017
Total OPEB liability							
Service Cost	$ 1,575,203	$ 2,229,613	$ 5,231,085	$ 3,672,170	$ 4,532,612	$ 4,515,546	$ 4,359,477
Interest	4,625,516	3,396,003	5,179,166	6,671,317	7,194,823	6,647,387	6,185,677
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	3,417,951	231,296	(12,898,213)	-	263,532	(1,778,447)	12,241,959
Changes of assumptions or other inputs	(13,763,527)	(25,629,673)	(67,475,590)	40,500,432	(755,342)	(2,480,058)	666,614
Benefit payments	(6,545,935)	(7,024,702)	(7,306,213)	(6,896,981)	(6,181,621)	(6,399,026)	(6,464,225)
Net change in total OPEB liability	(10,690,792)	(26,797,463)	(77,269,765)	43,946,938	5,054,004	505,402	16,989,502
Total OPEB liability - beginning	133,937,264	160,734,727	238,004,492	194,057,554	189,003,550	188,498,148	171,508,646
Total OPEB liability - ending	$ 123,246,472	$ 133,937,264	$ 160,734,727	$ 238,004,492	$ 194,057,554	$ 189,003,550	$ 188,498,148
Covered payroll	51,641,316	51,296,724	51,296,724	50,942,334	49,219,646	50,074,973	51,380,910
Total OPEB liability as a percentage of covered-employee payroll	238.66%	261.10%	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 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)
Multi-Year Schedule of Contributions (Unaudited)

Year ended	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	July 1, 2023	July 1, 2022	July 1, 2021	July 1, 2019	July 1, 2019	July 1, 2017	July 1, 2017
Actuarially determined contributions	$ 7,763,065	$ 8,894,092	$ 9,565,257	$ 16,167,269	$ 14,223,337	$ 15,290,840	$ 14,867,425
Employer contributions	6,706,148	6,545,935	7,024,702	7,306,213	6,896,981	6,181,621	6,399,026
Contribution deficiency (excess)	1,056,918	2,348,157	2,540,555	8,861,056	7,326,356	9,109,219	8,468,399
Covered payroll	51,641,316	51,296,724	51,296,724	50,942,334	49,219,646	50,074,973	51,380,910
Actual Contributions as a % of Covered Valuation Payroll	12.99%	12.76%	13.69%	14.34%	14.01%	12.34%	12.45%

Notes:

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

See accompanying notes to the required supplementary information.

Note 1 - **Change in Plan Assumptions**

Measurement date – June 30, 2023

Change in Discount Rate

The discount rate increased from 3.54% to 3.65%.

Mortality Rates

Updated using the most recent Getzen Model (v. 2024-1b) and adjustment for the impact of the Inflation Reduction Act (IRA).

Per Capita Claims Costs

Updated based on MAPD premium rates and the most recently available health care claims and fixed cost data for early retiree.

Dental Rates

Increased from 2.0% to 2.5%. The change was made based on increasing retiree dental claims over the last 3 years.

Measurement date – June 30, 2022

Change in Discount Rate

The discount rate increased from 2.16% to 3.54%.

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 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.

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%.

INDEPENDENT AUDITOR'S 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 AUDITOR'S 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:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Vermont State Colleges (a component unit of the State of Vermont) (the "Colleges"), which comprise the statement of net position as of June 30, 2024, 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 Vermont State Colleges' basic financial statements and have issued our report thereon dated DATE.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 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 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 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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DATE

ITEM 3: Single Audit Report Draft to the Board

VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)
Financial Statements
June 30, 2024
With Independent Auditor's Reports

Vermont State Colleges
(a Component Unit of the State of Vermont)
Table of Contents
June 30, 2024

INDEPENDENT AUDITOR'S 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:

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 identified as subject to audit 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, 2024. The College's major federal programs are identified in the summary of auditor's 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 their major federal programs for the year ended June 30, 2024.

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 ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the 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 the 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 the Colleges' federal programs.

Auditor's 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 to express an opinion on the 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 GAAS, *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 the Colleges' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the 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 the 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 the 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 instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings 2024-001 and 2024-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Colleges' response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Colleges are also responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Colleges' response and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or corrective action plan.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above. 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. 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-01 and 2024-02 to be significant deficiencies.

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.

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 business-type activities of the Colleges, as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the Colleges' basic financial statements. We issued our report thereon dated DATE, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

DATE

INDEPENDENT AUDITOR'S 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:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Vermont State Colleges (a Component unit of the State of Vermont) (the "Colleges"), which comprise the statement of net position as of June 30, 2024, the related statements of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Colleges' basic financial statements and have issued our report thereon dated DATE.

Report on 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 control. Accordingly, we do not express an opinion on the effectiveness of the Colleges' internal control.

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

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

Report of 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 their 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.

DATE

Vermont State Colleges
(a Component Unit of the State of Vermont)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	$ 1,224,123	$ -
Federal Work-Study Program	84.033	N/A	N/A	1,290,956	-
Federal Direct Student Loans	84.268	N/A	N/A	25,459,607	-
Federal Pell Grant Program	84.063	N/A	N/A	14,514,026	-
Total Student Financial Assistance Cluster				42,488,712	-
TRIO CLUSTER					
U.S. Department of Education:					
Direct Awards:					
TRIO Student Support Services	84.042A	N/A	N/A	1,582,913	-
TRIO Upward Bound	84.047A	N/A	N/A	1,131,946	-
TRIO McNair	84.217A	N/A	N/A	259,916	-
Total TRIO Cluster				2,974,775	-
RESEARCH AND DEVELOPMENT CLUSTER					
National Aeronautics and Space Administration:					
Passthrough Awards:					
Science - National Space Grant College and Fellowship Program	43.001	University of Vermont	AWD00000100SUB00000078	14,606	-
National Science Foundation:					
Direct Awards:					
Collaborative Research	47.074	N/A	N/A	10,574	-
Passthrough Awards:					
National Science Foundation/UVM	47.083	University of Vermont	AWD00000725SUB00000293	170,500	-
EPSCoR SOCKS	47.083	University of Vermont	AWD00001392SUB00000461	206,105	-
National Science Foundation CONFIR	47.084	Northern Forest Center	N/A	29,459	-
Subtotal - Passthrough Awards				406,064	-
U.S. Department of Health and Human Services:					
Direct Awards:					
National Institutes of Health	93.855	N/A	N/A	19,403	-
National Institutes of Health	93.859	N/A	N/A	145,516	-
Subtotal - Direct Awards				164,919	-
Passthrough Awards:					
NEWVEC	93.084	University of Massachusetts	017116-9067	45,296	-
Vermont Biomedical Research and Research Network	93.859	University of Vermont	AWD00000118SUB00000040, AWD00000118SUB00000034, AWD00000118SUB00000034&40	308,640	-
Subtotal - Passthrough Awards				353,936	-
Total Research and Development Cluster				950,099	-

See Independent Auditor’s Report.
See Accompanying Notes to 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, 2024

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
MEDICAID CLUSTER					
U.S. Department of Health and Human Services:					
Passthrough Awards:					
VCPI Operations Grant	93.778	Vermont Department of Mental Health	03150-A1944	$ 45,164	$ -
477 CLUSTER					
U.S. Department of Health and Human Services:					
Passthrough Awards:					
Child Care Mandatory and Matching Funds of the Child Care and Development	93.575	Vermont Department of Children & Families	03440-32004-23	1,270,495	-
Child Care Mandatory and Matching Funds of the Child Care and Development	84.181A	Vermont Department of Children & Families	03440-32004-23	33,910	-
Total 477 Cluster				1,304,405	-
ECONOMIC DEVELOPMENT CLUSTER					
U.S. Department of Commerce:					
Direct Awards					
Economic Adjustment Assistance	11.307	N/A	N/A	2,019	-
VMEC & VMEC National Institute of Standards and Technology	11.611	N/A	N/A	907,728	-
EDA Café	11.307	N/A	N/A	245,188	-
				1,154,935	-
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER					
U.S. Department of Agriculture:					
Passthrough Awards:					
Highway Planning and Construction	20.205	VT Agency of Transportation	GR1761	42,246	-
NON-CLUSTER					
U.S. Department of Agriculture:					
Direct Awards					
RUS-DLT Project	10.855	N/A	N/A	400,146	-
RBDG Forest Innovation	10.351	N/A	N/A	62,500	-
Transform Agriculture and Education	10.326	N/A	N/A	4,282	-
Subtotal - Direct Awards				466,928	-
Passthrough Awards:					
Kingdom Military Teen Adventure Camp	10.500	University of Vermont	AWD00001307SUB00000435	37,117	-
U.S. Department of Justice					
Direct Awards:					
US Department of Justice	16.753	N/A	N/A	1,005,891	-
Small Business Administration:					
Direct Awards:					
COVID-19 - Small Business Development Centers	59.037	N/A	N/A	48,639	-
Congressional Community Project	59.059	N/A	N/A	74,263	-
Small Business Development Centers	59.037	N/A	N/A	832,025	-
COVID-19 - Community Navigator Pilot Program	59.077	N/A	N/A	975,940	580,364
Subtotal - Direct Awards				1,930,867	580,364

See Independent Auditor’s Report.
See Accompanying Notes to 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, 2024

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
Northern Border Regional Commission:					
Direct Awards:					
Northern Border Regional Development	90.601	N/A	N/A	$ 531,400	$ 115,738
U.S. Department of Health and Human Services:					
Passthrough Awards:					
Centers for Disease Control & Prevention	93.391	Vermont Department of Health	03420-09223	105,870	-
VCPI - Mental Health Equity	93.391	Vermont Department of Mental Health	03420-09922	89,629	
Block Grants for Community Mental Health Services***	93.958	Vermont Department of Health	03150-A1964	8,548	-
VCPI- VAPA Work	93.959	Vermont Department of Health	03420-09922	26,371	-
Childhood Professional Development System	93.434	Vermont Department of Health	03440-32004-24	150,000	-
Spectrum Youth and Family Services	93.243	Vermont Department of Health	YSBIRT-2	19,963	-
VCPI - ASIST Training	93.243	Vermont Department of Health	03150-A1947	10,000	-
VCPI DBT Training***	93.958	Vermont Department of Health	03150-A1854	29,500	-
Subtotal - Passthrough Awards				439,881	-
AmeriCorps					
Passthrough Awards:					
AmeriCorps	94.006	Vermont Agency of Human Services	22AFFVT0010001, 03400-LEAP-22AFF-FY24	380,970	-
U.S. Department of Labor:					
Direct Awards:					
GF Apprenticeship	17.289	N/A	N/A	48,764	-
WORC5 NBRC CPEP+	17.280	N/A	N/A	72,065	-
Subtotal - Direct Awards				120,829	-
Passthrough Awards:					
VCPI Retain	17.720	Vermont Department of Labor	1947RTN2-05	20,266	-
U.S. Department of Treasury:					
Direct Awards:					
U.S. Department of Treasury	21.031	N/A	N/A	25,609	-
Passthrough Awards:					
COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Agriculture, Food & Markets	02200-WQ-PSWF-2024-016	1,806	-
COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	01110Act74SecG.300(a)(8)(B)-VSC	65,006	-
COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	01110Act74SecG.300a8c-VSC-#1	651,003	-
COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	01110ACT185SecG.300(a)(3)-VSC	5,180,000	-
COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	01110Act9Sec(17)(a)-VSC	389,157	-
Subtotal - Passthrough Awards				6,286,972	-

See Independent Auditor’s Report.
See Accompanying Notes to 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, 2024

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
U.S. Department of Education:					
Direct Awards:					
AOE Mental Health	84.184X	N/A	N/A	149,870	-
ROAD To Success	84.116W	N/A	N/A	37,267	-
Title III	84.031A	N/A	N/A	532,393	-
Fund for Improvement of Postsecondary Education	84.116Z			445,066	-
Subtotal - Passthrough Awards				1,164,596	-
Passthrough Awards:					
Career and Technical Education - Basic Grants to States**	84.048	Vermont Department of Education	4319R0572201	1,047,186	-
Career and Technical Education - Basic Grants to States**	84.048	Vermont Department of Education	4322R0572201, 4319R2172201	148,835	-
Gaining Early Awareness and Readiness Program	84.334S	Vermont Student Assistance Corp.	N/A	168,427	-
Subtotal - Passthrough Awards				1,364,448	-
National Endowment for the Humanities					
Direct Awards:					
National Endowment for the Humanities	45.162	N/A	N/A	$ 31,940	$ -
Total Non-Cluster				13,807,714	696,102
Total Federal Funds				$ 62,768,050	$ 696,102

*Subtotal of ALN 84.425 programs is $1,691,067
** Subtotal of ALN 84.048 programs is $1,228,276
*** Subtotal of ALN 93.958 programs is $153,576

See Independent Auditor’s Report.
See Accompanying Notes to 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, 2024

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Community College of Vermont	Vermont State University	Workforce Development	System Offices and Services	Total	Total Amounts to Sub-recipients
STUDENT FINANCIAL ASSISTANCE CLUSTER									
U.S. Department of Education:									
Direct Awards:									
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	$ 280,908	$ 943,215	$ -	$ -	$ 1,224,123	$ -
Federal Work-Study Program	84.033	N/A	N/A	125,715	1,165,241	-	-	1,290,956	-
Federal Direct Student Loans	84.268	N/A	N/A	1,456,282	24,003,325	-	-	25,459,607	-
Federal Pell Grant Program	84.063	N/A	N/A	6,891,310	7,622,716	-	-	14,514,026	-
Total Student Financial Assistance Cluster				8,754,215	33,734,497	-	-	42,488,712	-
TRIO CLUSTER									
U.S. Department of Education:									
Direct Awards:									
TRIO Student Support Services	84.042A	N/A	N/A	398,737	1,184,176	-	-	1,582,913	-
TRIO Upward Bound	84.047A	N/A	N/A	-	1,131,946	-	-	1,131,946	-
TRIO McNair	84.217A	N/A	N/A	-	259,916	-	-	259,916	-
Total TRIO Cluster				398,737	2,576,038	-	-	2,974,775	-
RESEARCH AND DEVELOPMENT CLUSTER									
National Aeronautics and Space Administration:									
Passthrough Awards:									
Science - National Space Grant College and Fellowship Program	43.001	University of Vermont	AWD00000100SUB00000078	-	14,606	-	-	14,606	-
National Science Foundation:									
Direct Awards:									
Collaborative Research	47.074	N/A	N/A	-	10,574	-	-	10,574	-
Passthrough Awards:									
National Science Foundation/UVM	47.083	University of Vermont	AWD00000725SUB00000293	-	170,500	-	-	170,500	-
EPSCoR SOCKS	47.083	University of Vermont	AWD00001392SUB00000461	-	-	206,105	-	206,105	-
National Science Foundation CONFIR	47.084	Northern Forest Center	N/A	-	29,459	-	-	29,459	-
Subtotal - Passthrough Awards				-	199,959	206,105	-	406,064	-
U.S. Department of Health and Human Services:									
Direct Awards:									
National Institutes of Health	93.855	N/A	N/A	-	19,403	-	-	19,403	-
National Institutes of Health	93.859	N/A	N/A	-	145,516	-	-	145,516	-
Subtotal - Direct Awards				-	164,919	-	-	164,919	-
Passthrough Awards:									
NEWVEC	93.084	University of Massachusetts	017116-9067	-	45,296	-	-	45,296	-
Vermont Biomedical Research and Research Network	93.859	University of Vermont	AWD00000118SUB00000040, AWD00000118SUB00000034, AWD00000118SUB00000034&40	-	308,640	-	-	308,640	-
Subtotal - Passthrough Awards				-	353,936	-	-	353,936	-
Total Research and Development Cluster				-	743,994	206,105	-	950,099	-
MEDICAID CLUSTER									
U.S. Department of Health and Human Services:									
Passthrough Awards:									
VCPI Operations Grant	93.778	Vermont Department of Mental Health	03150-A1944	$ -	$ -	$ 45,164	$ -	$ 45,164	$ -

See Independent Auditor's Report.
See Accompanying Notes to 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, 2024

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Community College of Vermont	Vermont State University	Workforce Development	System Offices and Services	Total	Total Amounts to Sub-recipients
477 CLUSTER									
U.S. Department of Health and Human Services:									
Passthrough Awards:									
Child Care Mandatory and Matching Funds of the Child Care and Development	93.575	Vermont Department of Children & Families	03440-32004-23	1,240,495	-	30,000	-	1,270,495	-
Child Care Mandatory and Matching Funds of the Child Care and Development	84.181A	Vermont Department of Children & Families	03440-32004-23	33,910	-	-	-	33,910	-
Total 477 Cluster				1,274,405	-	30,000	-	1,304,405	-
ECONOMIC DEVELOPMENT CLUSTER									
U.S. Department of Commerce:									
Direct Awards									
Economic Adjustment Assistance	11.307	N/A	N/A	-	2,019	-	-	2,019	-
VMEC & VMEC National Institute of Standards and Technology	11.611	N/A	N/A	-	-	907,728	-	907,728	-
EDA Café	11.307	N/A	N/A	-	245,188	-	-	245,188	-
				-	247,207	907,728	-	1,154,935	-
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER									
U.S. Department of Agriculture:									
Passthrough Awards:									
Highway Planning and Construction	20.205	VT Agency of Transportation	GR1761	-	615	41,631	-	42,246	-
NON-CLUSTER									
U.S. Department of Agriculture:									
Direct Awards									
RUS-DLT Project	10.855	N/A	N/A	-	400,146	-	-	400,146	-
RBDG Forest Innovation	10.351	N/A	N/A	-	62,500	-	-	62,500	-
Transform Agriculture and Education	10.326	N/A	N/A	-	4,282	-	-	4,282	-
Subtotal - Direct Awards				-	466,928	-	-	466,928	-
Passthrough Awards:									
Kingdom Military Teen Adventure Camp	10.500	University of Vermont	AWD00001307SUB00000435	-	37,117	-	-	37,117	-
U.S. Department of Justice									
Direct Awards:									
US Department of Justice	16.753	N/A	N/A	1,005,891	-	-	-	1,005,891	-
Small Business Administration:									
Direct Awards:									
COVID-19 - Small Business Development Centers	59.037	N/A	N/A	-	-	48,639	-	48,639	-
Congressional Community Project	59.059	N/A	N/A	-	-	74,263	-	74,263	-
Small Business Development Centers	59.037	N/A	N/A	-	-	832,025	-	832,025	-
COVID-19 - Community Navigator Pilot Program	59.077	N/A	N/A	-	-	975,940	-	975,940	580,364
Subtotal - Direct Awards				-	-	1,930,867	-	1,930,867	580,364
Northern Border Regional Commission:									
Direct Awards:									
Northern Border Regional Development	90.601	N/A	N/A	$ -	$ 366,316	$ 165,084	$ -	$ 531,400	$ 115,738

See Independent Auditor’s Report.
See Accompanying Notes to 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, 2024

	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Award Number	Community College of Vermont	Vermont State University	Workforce Development	System Offices and Services	Total	Total Amounts to Sub-recipients
U.S. Department of Health and Human Services:									
Passthrough Awards:									
Centers for Disease Control & Prevention	93.391	Vermont Department of Health	03420-09223	105,870	-	-	-	105,870	-
VCPI - Mental Health Equity	93.391	Vermont Department of Mental Health	03420-09922	-	-	89,629	-	89,629	
Block Grants for Community Mental Health Services***	93.958	Vermont Department of Health	03150-A1964	-	-	8,548	-	8,548	-
VCPI- VAPA Work	93.959	Vermont Department of Health	03420-09922	-	-	26,371	-	26,371	-
Childhood Professional Development System	93.434	Vermont Department of Health	03440-32004-24	150,000	-	-	-	150,000	-
Spectrum Youth and Family Services	93.243	Vermont Department of Health	YSBIRT-2	-	19,963	-	-	19,963	-
VCPI - ASIST Training	93.243	Vermont Department of Health	03150-A1947	-	-	10,000	-	10,000	-
VCPI DBT Training***	93.958	Vermont Department of Health	03150-A1854	-	29,500	-	-	29,500	-
Subtotal - Passthrough Awards				255,870	49,463	134,548	-	439,881	-
AmeriCorps									
Passthrough Awards:									
AmeriCorps	94.006	Vermont Agency of Human Services	22AFFVT0010001, 03400-LEAP-22AFF-FY24	-	380,970	-	-	380,970	-
U.S. Department of Labor:									
Direct Awards:									
GF Apprenticeship	17.289	N/A	N/A			48,764		48,764	-
WORC5 NBRC CPEP+	17.280	N/A	N/A	72,065	-	-	-	72,065	-
Subtotal - Direct Awards				72,065	-	48,764	-	120,829	-
Passthrough Awards:									
VCPI Retain	17.720	Vermont Department of Labor	1947RTN2-05	-	20,266	-	-	20,266	-
U.S. Department of Treasury:									
Direct Awards:									
U.S. Department of Treasury	21.031	N/A	N/A	-	-	25,609	-	25,609	-
Passthrough Awards:									
COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Agriculture, Food & Markets	02200-WQ-PSWF-2024-016	-	1,806	-	-	1,806	-
COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	01110Act74SecG.300(a)(8)(B)-VSC	-	-	-	65,006	65,006	-
COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	01110Act74SecG.300a8c-VSC-#1	-	-	-	651,003	651,003	-
COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	01110ACT185SecG.300(a)(3)-VSC	-	-	-	5,180,000	5,180,000	-
COVID-19- Coronavirus State and Local Fiscal Recovery Funds	21.027	Vermont Agency of Administration	01110Act9Sec(17)(a)-VSC	-	389,157	-	-	389,157	-
Subtotal - Passthrough Awards				-	390,963	-	5,896,009	6,286,972	-
U.S. Department of Education:									
Direct Awards:									
AOE Mental Health	84.184X	N/A	N/A	-	149,870	-	-	149,870	-
ROAD To Success	84.116W	N/A	N/A	-	37,267	-	-	37,267	-
Title III	84.031A	N/A	N/A	-	532,393	-	-	532,393	-
Fund for Improvement of Postsecondary Education	84.116Z			-	90,537	-	354,529	445,066	-
Subtotal - Passthrough Awards				-	810,067	-	354,529	1,164,596	-
Passthrough Awards:									
Career and Technical Education - Basic Grants to States**	84.048	Vermont Department of Education	4319R0572201	1,047,186	-	-	-	1,047,186	-
Career and Technical Education - Basic Grants to States**	84.048	Vermont Department of Education	4322R0572201, 4319R2172201	148,835	-	-	-	148,835	-
Gaining Early Awareness and Readiness Program	84.334S	Vermont Student Assistance Corp.	N/A	168,427	-	-	-	168,427	-
Subtotal - Passthrough Awards				1,364,448	-	-	-	1,364,448	-
National Endowment for the Humanities									
Direct Awards:									
National Endowment for the Humanities	45.162	N/A	N/A	$ -	$ 31,939	$ -	$ -	$ 31,940	$ -
Total Non-Cluster				2,698,274	2,554,029	2,304,872	6,250,538	13,807,714	696,102
Total Federal Funds				$ 13,125,631	$ 39,856,380	$ 3,535,500	$ 6,250,538	$ 62,768,050	$ 696,102

*Subtotal of ALN 84.425 programs is $1,691,067

** Subtotal of ALN 84.048 programs is $1,228,276

*** Subtotal of ALN 93.958 programs is $153,576

See Independent Auditor's Report.

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

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, 2024. 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*. Because the schedule presents only a selected portion of the operations of the Colleges, it is not intended to and does not present the financial position, changes in net position or cash flows of the Colleges.

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*.

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.

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 Colleges' basic financial statements. As of June 30, 2024, loan balances receivable, net under Perkins was $827,573.

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

Direct Student Loan Program

The Colleges disbursed $25,459,607 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, 2024. The Colleges are only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the Colleges' financial statements.

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number
Student Financial Aid Cluster:	
Federal Supplemental Educational Opportunity Grant	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Direct Student Loans	84.268
Federal Pell Grant Program	84.063
Non-cluster:	
RUS-DLT Project	10.855
United States Department of Justice	16.753
Career and Technical Education Basic Grants to States	84.048
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027
Manufacturing Extension Partnership	11.611
Small Business Development Center Grant	59.037
Early Childhood Professional Development Program	93.575

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

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

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

Finding number:	2024-001
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #:	84.268, 84.063
Award year:	2024

Criteria
According to 34 CFR 668.59:

(a) For the subsidized student financial assistance programs, if an applicant's FAFSA information changes as a result of verification, the applicant or the institution must submit to the Secretary any changes to –

(1) A nondollar item; or

(2) A single dollar item of $25 or more.

(b) For the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, an institution must –

(1) Recalculate the applicant's Federal Pell Grant on the basis of the EFC on the corrected valid SAR or valid ISIR; and

(2)

(i) Disburse any additional funds under that award only if the institution receives a corrected valid SAR or valid ISIR for the applicant and only to the extent that additional funds are payable based on the recalculation;

(ii) Comply with the procedures specified in §668.61 for an interim disbursement if, as a result of verification, the Federal Pell Grant award is reduced; or –

(iii) Comply with the procedures specified in 34 CFR 690.79 for an overpayment that is not an interim disbursement if, as a result of verification, the Federal Pell Grant award is reduced.

(c) For the subsidized student financial assistance programs, excluding the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, the institution must –

(1) Adjust the applicant's financial aid package on the basis of the EFC on the corrected valid SAR or valid ISIR; and

(2)

(i) Comply with the procedures specified in §668.61 for an interim disbursement if, as a result of verification, the financial aid package must be reduced;

(ii) Comply with the procedures specified in 34 CFR 673.5(f) for a Federal Perkins loan or an FSEOG overpayment that is not the result of an interim disbursement if, as a result of verification, the financial aid package must be reduced; and

(iii) Comply with the procedures specified in 34 CFR 685.303(e) for Direct Subsidized Loan excess loan proceeds that are not the result of an interim disbursement if, as a result of verification, the financial aid package must be reduced.

Condition

The financial aid award process includes consideration of financial and demographic data provided by the student applicant. To evaluate the reliability of this data, a participating institution is required by the Federal Government to select a sample from its student population and verify certain prescribed data. The selected students' files should be revised to incorporate any changes in the supplied data. The College's policy is to verify the information of those students identified by the Federal Government's processor. During our testing, we noted 1 student, out of a sample of 40, that did not complete verification before aid was disbursed.

Cause

The Colleges failed to have the proper review procedures in place to ensure students flagged for verification complete verification before aid was disbursed.

Effect

The student's EFC was calculated using incorrect data. Since the student's EFC is used to calculate the financial aid award, an incorrect EFC can result in an improper award.

Questioned Costs

Not applicable.

Identification as a Repeat Finding

Not applicable.

Recommendation

The Colleges should continue to strengthen their controls surrounding verification. The Colleges should implement policies that require all student ISIR's subject to verification be reviewed once the verification process is complete. The reviewer should be well-versed in the verification process and requirements. Once reviewed, all verified ISIR's should be re-submitted to the Federal Government's processor for recalculation of the applicant's EFC prior to awarding aid.

View of Responsible Officials

The Colleges agrees with the finding.

Finding number:	2024-002
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #:	84.268, 84.063
Award year:	2024

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

> Unless the Colleges 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.

<u>The Dear Colleague Letter GEN-12-6</u> 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:

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

Condition
The Federal Government requires the Colleges to report student enrollment changes to the National Student Loan Data System ("NSLDS") within 60 days.

During our testing, we noted 1 student, out of a sample of 40, that were not reported to NSLDS.

During our testing, we noted that three of the Colleges merged into one entity during year ending June 30, 2024. We observed the records and noted 18 students out of 3,789 students did not have their NSLDS status properly transferred to the new institution.

Cause
The Colleges did not have adequate procedures in place to ensure that status changes were properly reported to NSLDS. The College did not have procedures in place to ensure student statuses were properly transferred during the merger of three of the Colleges.

Effect
The Colleges did not report the student's correct status change to NSLDS, which may impact the student's loan grace periods and enrollment reporting statistics collected by the Department of Education.

Questioned Costs
Not applicable.

Perspective
Our sample was not, and was not intended to be, statistically valid. Of the 40 students selected for testing, 1 student, or 2.5% of our sample, were not reported to NSLDS. Of the 3,789 students merged into one institution, 18 students, or 0.5% of merged students, were not reported to NSLDS.

Identification as a Repeat Finding, if applicable
Not applicable.

Recommendation
The Colleges should provide training to employees responsible for processing information for the NSLDS and ensure that they have adequate knowledge in the related rules and regulations. This training should include an explanation of the status changes, the importance of reporting the correct status changes and the consequences of incorrect reporting. Additionally, the Colleges should implement reconciliation procedures between enrollment records and NSLDS to ensure that information is properly maintained.

View of Responsible Officials
The Colleges agrees 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, 2024

Finding number:	2023-01
Federal agency:	U.S. Department of Education
Programs:	Federal Pell Grants and Direct Loans
CFDA #:	84.063 and 84.268
Award year:	2023

Condition

Federal regulations require the Colleges to report to the Federal Government's Common Origination and Disbursement System ("COD") Federal Pell Grant and Direct Loan disbursements made to students within 15 days of the funds being disbursed to the student.

Award year 2023:

During our testing, we noted 3 students, out of a sample of 40, that were not reported within the required timeframe by 1 to 9 days.

Current Year Status:

During our current year testing, we did not note any findings related to prior year finding 2023-01.

Finding number:	2023-02
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:	2023

Condition

The Colleges' satisfactory academic progress policy ("SAP") allows for a student who fails to meet the minimum standard to be provided one semester of academic warning. If the student does not improve, as described in the Colleges' SAP, the student will be dismissed from the Colleges unless the student successfully appeals the dismissal.

Award year 2023:

During our testing, we noted that four students failed to meet the minimum standards established by the Colleges' SAP. Of these four students, one student did not receive notification that they were out of compliance of the Colleges' SAP.

Current Year Status:

During our current year testing, we did not note any findings related to prior year finding 2023-02.

Finding number:	2023-03
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:	2023

Condition

When a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution should determine the proper amount of Title IV funds to be refunded as of the recipient's withdrawal date. Once a recipient's withdrawal date is determined, an institution should complete a Return of Title IV ("R2T4") calculation. The R2T4 is used to calculate the percentage of the payment period or period of enrollment completed, establish the amount of Title IV funds earned by the recipient, and determine the amount required to be returned to the Department of Education.

Award year 2023:

During our testing, we noted 1 student, out of a sample of 40, where the Return of Title IV calculation was completed using incorrect withdrawal dates.

Current Year Status:

During our current year testing, we did not note any findings related to prior year finding 2023-03.

Finding number:	2023-04
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:	2023

Condition

Federal regulations state that any unearned Title IV grant or loan assistance received by a student must be refunded to the Title IV programs upon a student's withdrawal from the institution. The Colleges have 45 days from the date they determined the student withdrew to return any unearned portions of Title IV funds.

Award year 2023:

During our testing, we noted 3 students, out of a sample of 40, had unearned Title IV aid that was not returned to the Federal Government, within 45 days of the determined withdrawal date, by 20 to 74 days.

Current Year Status:

During our current year testing, we did not note any findings related to prior year finding 2023-04.

Vermont State Colleges
(a Component Unit of the State of Vermont)
Management's Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024

Finding number:	2023-05
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:	2023

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 2023:
Out of a sample of forty students with enrollment status change, two students were reported with the incorrect effective date, one student had an incorrect status reporting, and five students' status changes were not reported to NSLDS within the 60-day required time frame.

Award Year 2022:
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.

Award Year 2021:
Out of a sample of forty students with enrollment status changes, three students were never reported to the NSLDS, and 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.

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 current year testing, we noted 1 finding related to NSLDS reporting. See finding 2024-02.

The Colleges are looking to strengthen its controls in this area. See finding 2024-02 for more information and corrective action plan.

Vermont State Colleges
(a Component Unit of the State of Vermont)
Management's Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024

Finding number:	2023-06
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:	2023

Condition
Federal regulations require an institution to return unclaimed Title IV funds issued by check or EFT within 240 days.

Award year 2023:
During our testing, we noted 3 students, out of a sample of 40, that had unclaimed funds exceeding the federal day limit by 27 to 224 days.

Current Year Status:
During our current year testing, we did not note any findings related to prior year finding 2023-06.

Vermont State Colleges
(a Component Unit of the State of Vermont)
Management's Corrective Action Plan
Year Ended June 30, 2024

Finding number:	2024-001
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #:	84.268
Award year:	2024

Corrective Action Plan:

VTSU
VTSU is setting standard procedures for the merged financial aid department, so all personnel are following a standard procedure. In the future, VTSU will not be marking students or using the code for "not verifying" for students who do not enroll. Posting rules are in place that will not allow aid to post to a students account if verification is incomplete.

Timeline for Implementation of Corrective Action Plan:

Immediately.

Contact Person

Sharron Scott, CFO

Finding number:	2024-002
Federal agency:	U.S. Department of Education
Programs:	Student Financial Assistance Cluster
CFDA #:	84.268, 84.063
Award year:	2024

Corrective Action Plan:

VTSU
This was an isolated instance and attributed to the merger of three institution into one institution effective July 1, 2023. The registrar is monitoring the re-enrollment of students that have taken a leave of absences or have not enrolled in VTSU since the merger to identify additional errors and will take appropriate action to correct them as the occur.

Timeline for Implementation of Corrective Action Plan:

Immediately.

Contact Person

Sharron Scott, CFO

ITEM 4: Best Practices & Industry Updates

Vermont State Colleges – Best Practices and Industry Updates

June 30, 2024

withum
ADVISORY TAX AUDIT

WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

Best Practices – P-Card

P-Card -

- We noted through our extensive higher education practices the following-
  - P-Cards continue to be a high area of fraud risk
  - Many vendors now send a digital receipt of the invoice. One Institution began matching these digital receipts to receipts submitted by employee and noting discrepancies which resulted in the Institution uncovering a significant amount of fraud.
  - We noted during our single audit the following –
    - P-Card was used to purchase $22,500 in educational services for a grant.
    - P-Card purchased had receipts from restaurants that were not itemized. Also, noted a receipt that had a 35% tip of the invoice.

Recommendation –

- We recommend Vermont utilize the feature of reviewing digital receipts from the vendor even it is just spot checking a few a month so employee's are aware it is in the review process and would deter fraud.
- We recommend that P-Card transaction limits should be lower and that items like the one stated above should go through the normal procurement process.
- We recommend that procedures should be in place for P-Cards that when an employee submits receipts for meals that they should contain the following:
  - Itemized list of food and beverage
  - List of attendees of dinner

Industry Update - Financial Aid Fraud

Identity Fraud –

- Fraudulent applications using fake identities have continued to increase exponentially
- This past January, California Community Colleges suspected 25% of system’s applicants to be fraudulent.
- Bots are becoming more sophisticated to appear as real students

Recommendation -

- Ensure have processes in place to flag unusual trends and not solely relying on the Federal Verification Process
    - Influx of admission applications that is abnormal in a short period of time
    - Surge in FAFSA on a single day
        - Fraudulent ISIRS usually have the following:
            - Phone numbers are frequently missing
            - Addresses belong to houses that are out of mark, outside of normal service area.
            - Manually enter income instead of IRS download.
    - Multiple student refunds routed to the same account number
    - Increase of students attempting to enroll past well-known deadlines