

# **VERMONT STATE COLLEGES**

(a Component Unit of the State of Vermont)

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

JUNE 30, 2020 and 2019

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

Financial Statements and  
Management's Discussion and Analysis

June 30, 2020 and 2019

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## INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements  
We have audited the accompanying

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont State Colleges at June 30, 2020 and 2019 and the results of its operations and its cash flows for the year ended, in conformity with accounting principles generally accepted in the United States of America.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on page 2, the schedule of changes in total OPEB liability on page 64, and their respective notes on page 65-66, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing that information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2020, on our consideration of Vermont State Colleges' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Colleges' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.



Certified Public Accountants  
Braintree, Massachusetts

October 29, 2020

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Management's Discussion and Analysis (Unaudited)

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020 and 2019

x Funding (CRF) helped the VSCS to conclude

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

June 30, 2020 and 2019

### Using the Financial Statements

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

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

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

#### Financial Statements

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

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

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

June 30, 2020 and 2019

### STATEMENT OF NET POSITION

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

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

Current assets are available to satisfy current liabilities, which are those amounts expected to be payable within the next year. The major components of current assets are cash and accounts receivable, which are primarily funds due to the VSCS by students and granting agencies.

Total assets (including deferred outflows) of \$276 million as of the end of the current fiscal year increased by \$7 million or 3% from prior year, the increase was primarily in the cash due to the



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Management's Discussion and Analysis (Unaudited) - Continued

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The restricted nonexpendable portion of the 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 earning

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

June 30, 2020 and 2019

Construction in Progress reflects amounts paid for buildings or other assets that were not completed at year-end. When completed and placed in service, the total cost is moved to the appropriate capital asset category. Depreciation of that asset begins the month after it is placed in service. Construction in Progress has remained steady since the significant construction phase ended in FY14. Building and Improvements increased throughout the period, reflecting completed projects. Infrastructure includes water & sewer systems, heating & electrical systems, telecommunication systems, and roads. The increase in infrastructure over the five-year period is due to projects on the campuses as well as advanced communications systems for the entire System. Table 2 below also includes related information (depreciation expense and outstanding principal on construction loans).

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

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

#### Operating and Non-operating Revenue

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



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

June 30, 2020 and 2019

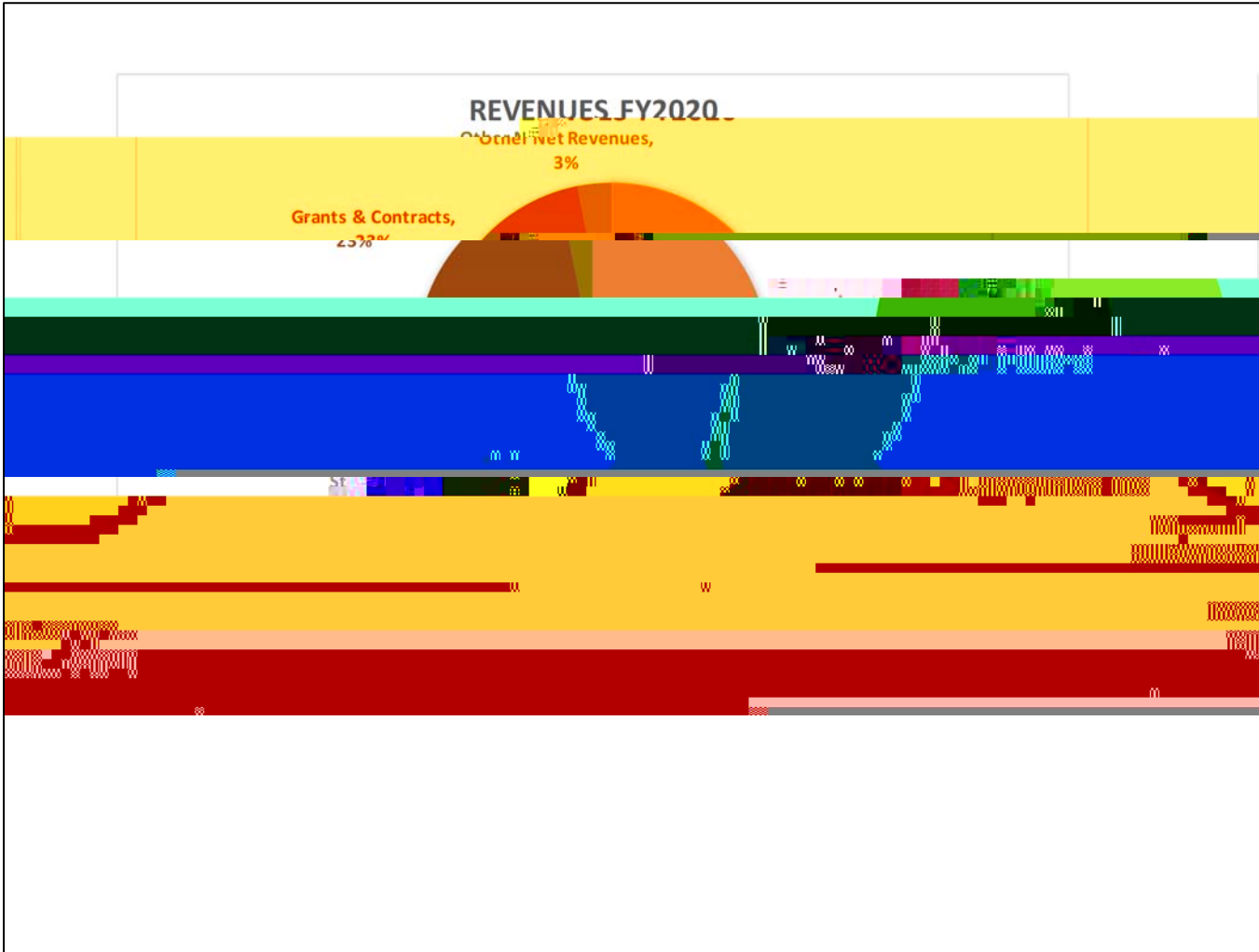


Chart1: Revenues FY2020

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020 and 2019



Chart2: Revenue FY2019

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

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### Tuition and Fee Revenue

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

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

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

Chart

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## Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2020 and 2019

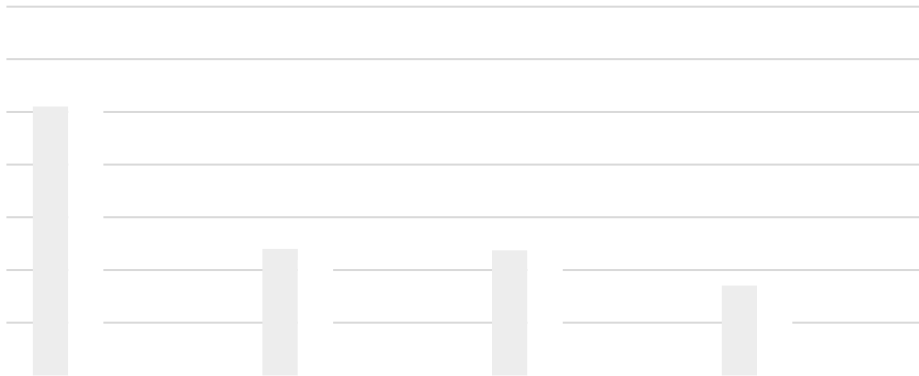


Chart4: Fall Headcount Enrollment by Institution

The chart below displays Net Tuition and Fees for each college during the five-year period. It is notable that CCV has by far the largest number of students – both FTE and Headcount, but their net tuition is consistently outpaced by the Universities. CCV, as a community college has the lowest tuition cost and charges courses on a per credit basis, while the residential schools charge a higher tuition rate and on a semester basis.

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



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

June 30, 2020 and 2019

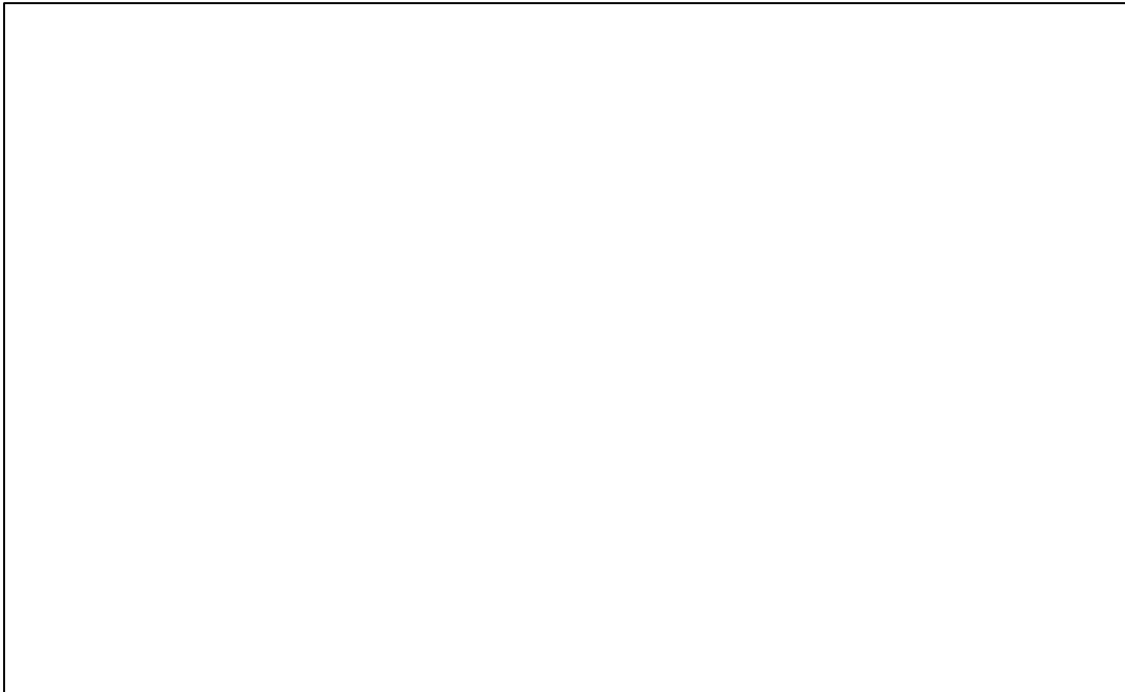


Chart 5: Fiscal year Net Tuition and Fees by Institution

### Operating and Non-operating Expenses

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

The largest percentage of VSCS expenses are for salary and benefits (approximately 63%). Those expenses have generally declined since FY2016 due to staff reductions compounded with a reduction in TIAA employer contribution for all employees beginning in FY2018. Positive trends in health care over the past couple of years have resulted in less expense; however, annual accruals related to post-employment benefits are also included in this salary and benefit expense category.

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

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as the VSCS institutions respond to the national trend toward aggressive discounting as a strategic and necessary response to the current competitive environment.

	2020	%Change	2019	%Change	2018	2017	2016
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Table 4: Total Operating and Non Operating Expense for Years Ended June 30

Chart 6: Expense FY 2020 and FY 2019 by Major Category

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

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### Student Financial Aid

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

- x 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.
- x 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.
- x

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

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

Table 5: Student Financial Aid Trends for Past Five Years

### Statement of Cash Flow

The Statement of Cash Flows shows inflows and outflows of cash excluding both revenue and expense that is accrued to comply with accounting rules. The Condensed Statement of Cash Flows for the VSCS is in Table 6 on page 18.

### Cash flows from operating activities

Cash flows from operating activities on the Statement of Cash Flows will always be different from the operating gain or loss on the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP) because of the inclusion of non-cash items, such as depreciation expenses on the SRECNP. Also, the SRECNP is prepared on the accrual basis of accounting, meaning that it shows both revenues earned, and expenses incurred though cash has not yet exchanged hands. The primary cash receipts from operating activities consist of tuition and fees, grants and contracts, and auxiliary income from housing and food service operations. Cash outlays include payment of

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

June 30, 2020 and 2019

wages and benefits; operating expenses such as utilities, supplies, insurance and repairs; and scholarships awarded to students. Cash flow from operations decreased significantly due to increased payments to suppliers, reduced tuition fees, and an increase in accounts receivable outstanding at year-end.

### Cash flows from noncapital financing activities

In normal years there are two primary sources of noncapital financing: state appropriations and non-operating federal grants that include PELL student grants. Accounting standards require that we reflect these sources of revenue as non-operating, even though each of the colleges depends on them to continue the current level of operations. This remained relatively stable over the past two years and has returned to the FY2016 level. For FY2020, the VSCS received additional sources of noncapital financing in the form of federal CARES act funding, HEERF, and Coronavirus Relief Funds. These monies increased the non-operating federal grants line from its usual \$16 million to \$31 million at the end of FY2020.

### Cash flows from capital and related financial activities

Cash flows from capital and related financing activities include all capital plant funds and related long-term debt activities (excluding depreciation and amortization of bond premiums, since these are non-cash transactions), as well as capital gifts, grants and appropriations. This has remained relatively consistent over the 5-year period presented herein with the exception of both FY2019 and FY2020 as Bond Series were paid off at the close of FY2018 and in January of 2020, so there was a smaller amount paid on deposit with bond trustee in both fiscal years.

### Cash flows from investing activities

Purchase or sale of investments and income from investments are included in cash flows from investing activities. An item on the cash flow statement belongs in the investing activities section if it results from any gains (or losses) from investments in financial markets and operating subsidies. In FY2020, there was an increase in the investment's category due to contributions to current endowments, as well as gains related to long-term investments.

Consistent with accounting standards, cash flow from state operating appropriations and federal

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

June 30, 2020 and 2019

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

<u>Cash flows from:</u>	2020	% Change	2019	% Change	2018	2017	2016
Operating	47	9%	43	16%	37	35	38
Noncapital financing	66	38%	48	2%	49	45	45
Capital and related financing	5	60%	10	43%	7	10	12
Investing	1	0%	1	50%	2	0	7
Net increase (decrease)	15	475%	4	157%	7	0	2
Cash Beginning of Year	14	22%	18	64%	11	11	9
Cash End of Year	29	107%	14	22%	18	11	11
<hr/>							
Operating cash flows if noncapital appropriations and PEL grants were included							
Operating	47	12%	42	14%	37	35	38
Noncapital appropriations	33	10%	30	0%	30	27	26
Nonoperating federal grants	31	94%	16	0%	16	16	17
Operating cash flows including appropriations and fed grants	17	325%	4	56%	9	8	5

Table 6: Condensed Statement of Cash Flows

### Economic Factors That Will Affect the Future

#### Pandemic Impacts

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

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

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June 30, 2020 and 2019

down between 21% and 24% for each of the residential institutions. Should this trend continue into the 2021-2022 academic year, the impact on



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	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and equivalents (Note 2)	\$ 22,432,987	\$ 12,779,829
Restricted cash and equivalents	5,940,335	-
Accounts receivable, net (Note 3)	17,174,731	14,613,398
Deposit with bond trustees (Note 2)	1,061,784	3,147,989
Other current assets	<u>1,458,477</u>	

Liabilities, Deferred Inflows of Resources and Net Position

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

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Tuition and fees	\$ 119,193,554	\$ 117,624,580
Residence and dining	13,080,067	18,584,640
Less: scholarship allowances	<u>(31,997,371)</u>	<u>(28,962,603)</u>
Net Tuition, Fees, and Residence and Dining Revenue	100,276,250	107,246,617
Federal grants and contracts	12,607,232	12,215,520
State and local grants and contracts	2,384,119	2,437,913
Non-governmental grants and contracts	940,145	1,091,487
Interest income	84,052	86,158
Sales and services of educational activities	4,123,603	5,359,762
Other operating revenues	<u>1,285,806</u>	<u>1,431,315</u>
Total Operating Revenue	<u>121,701,207</u>	

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Statements of Cash Flows

For the Years Ended June 30,

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

	<u>2020</u>	<u>2019</u>
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	\$ 5,448,756	\$ 18,790,357
Purchase of investments	(5,502,982)	(20,297,338)
Interest and dividends received on investments	<u>1,263,407</u>	<u>2,625,116</u>
Net Cash Provided by Investing Activities	<u>1,209,181</u>	<u>1,118,135</u>
Net Increase (Decrease) in Cash and Equivalents	16,252,649	(1,252,649)

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Notes to the Financial Statements

June 30, 2020 and 2019

Note 1 - Summary of Significant Accounting Policies

Organization

Vermont State Colleges include the following entities: System Office and Services, Community College of Vermont ("CCV"), Colleton University ("CU"), Northern Vermont University ("NVU"), Vermont Technical College ("VTC"), Vermont Manufacturing Extension Center ("VMEC")

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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

expended \$6,575,165 which included the cost of room and board refunds. The remaining unexpended balance of \$5,940,335 included in unearned revenue and deposits in the statement of net position must be used for necessary expenditures incurred due to COVID-19. The Colleges must expend this amount by December 30, 2020.

The accounting policies and procedures used

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## Notes to the Financial Statements - Continued

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### 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 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 on debt related to capital assets is capitalized during the construction period and then depreciated over the life of the project. The Colleges' capital assets, with the exception of land under construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range to 50 years. The costs of normal maintenance and repairs do not add to the value of the asset or materially extend asset lives are not capitalized.



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## Notes to the Financial Statements - Continued

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### Income Taxes

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

### Grants

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

### Use of Estimates in Financial Statement Preparation

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

### New Governmental Accounting Pronouncements

GASB Statement 84, Fiduciary Activities, is effective for periods beginning after December 15, 2019. The objective of this statement is to establish criteria for identifying fiduciary activities. Activity meeting the established criteria would then be presented in a statement of fiduciary net position and a statement of changes in fiduciary net position. Management has completed its review of the requirements of this standard and its applicability.

GASB Statement 87, Leases, is effective for periods beginning after June 15, 2021. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for

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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

an election on leases with terms of less than twelve months to be excluded from this Statement. Management is in the process of evaluating the impact and has not yet determined its impact on the financial statements.

# VERMONT STATE COLLEGES

VERMONT STATE COLLEGES  
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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 only for capital construction projects.

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

At June 30, 2020, the balances of non-current assets - cash and equivalents deposited in FDIC insured banking institutions were approximately \$964,000 per the accounting records of the Colleges and approximately \$959,000 per bank records. Of the bank balances, approximately \$250,000 was covered by federal depository insurance and approximately \$709,000 was uninsured and uncollateralized at June 30, 2020.

At June 30, 2019, the balance of current assets - cash and equivalents consists of approximately \$14,000 in petty cash, and the remainder deposited in Federal Deposit Insurance Corporation ("FDIC") insured banking institutions of approximately \$12,766,000 per the accounting records of the Colleges, and approximately \$14,907,000 per bank records. Of the bank balances, approximately \$700,000 was covered by federal depository insurance and approximately \$14,207,000 was uninsured and uncollateralized at June 30, 2019.

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

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

June 30, 2020 and 2019

Investments

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

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





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

June 30, 2020 and 2019

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 the prior year.

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

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

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

June 30, 2020 and 2019

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Notes to the Financial Statements - Continued

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level that is significant to the entire measurement. Valuation techniques used should

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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

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

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

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

June 30, 2020 and 2019

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

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

June 30, 2020 and 2019

Revenue Bonds, Series 2013:  
4.0% - 5.0% serial bonds aggregating  
\$13,715,000 maturing 2015 through 2032  
and 3.125% - 5.0% term bonds aggregating



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

June 30, 2020 and 2019

<sup>3</sup>On May 24, 2017, VSC issued the Vermont State Colleges System Bonds 2017 Series A, in the principal amount of \$67,660,000. The 2017 Bond was issued for the purpose of (1) refinancing certain indebtedness of VSC; (2) paying the costs of issuance of the 2017 Series A Bond; and (3) paying the breakage fee for the interest rate swap agreements. The 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 year ended June 30, 2020 and 2019 was as follows:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Repayment</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>
Series 2010-B	\$ 28,780,000	\$ -	\$ (28,780,000)	\$ -	\$ -
Series 2010 Bond Premium	-	-	-	-	-
Series 2010 Bonds	<u>28,780,000</u>	<u>-</u>	<u>(28,780,000)</u>	<u>-</u>	<u>-</u>
Series 2013	13,875,000	-	(755,000)	13,120,000	-

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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

June 30, 2020 and 2019

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

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

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

According to the terms of the agreements under which the revenue bonds were sold, the bonds are general obligations of VSC. The 2013 and 2010 Revenue Bonds are also collateralized by deposits held by the trustee in the Bond Fund. VSC is required to make payments to the trustee for deposits into the Bond Fund sufficient to pay the principal and interest fund requirements, when due.

**Note 5 - Deferred Outflows of Resources - Debt Refunding**

During 2017, VSC paid a breakage fee of \$10,931,885 to discount all of its interest rate swap agreements. The breakage fee is recorded on the statements of net position as a "deferred loss on debt refunding" and is amortized over the life of the old debt it was associated with and is included with interest expense. The amortization of the breakage fee that was included in interest expense was \$1,003,346 for the years ended June 30, 2020 and 2019.

# VERMONT STATE COLLEGES

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## Notes to the Financial Statements - Continued

June 30, 2020 and 2019

During 2020, VSC issued the 2020A Series B 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 escrow to pay off the 2010B Bond and the net carrying amount of the 2010 Bond was \$764,156 and is recognized as a "deferred loss on debt refunding", which 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 which was included in interest expense was \$11,823 for the year ending June 30, 2020.

Note 6 -

# VERMONT STATE COLLEGES

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## Notes to the Financial Statements - Continued

June 30, 2020 and 2019

### Note 7 - Appropriations

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

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

### Note 8 - Retirement Plans

Eligible faculty and staff participate in a defined contribution retirement plan administered by Teachers Insurance Annuity Association and College Retirement Equities Fund ("TIAA-CREF"). For the

VERMONT STATE COLLEGES  
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

In addition, full-time faculty employees who have worked for the Colleges for 15 years may elect early retirement at age 58 and receive 50% of their annual salary as of their

# VERMONT STATE COLLEGES

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## Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

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

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

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

June 30, 2020 and 2019

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

	<u>2020</u>	<u>2019</u>
Interest on total OPEB obligation	\$ 7,194,823	\$ 6,647,387
Service Cost	4,532,612	4,515,546
Amortization of current year for difference between expected and actual experience	991,437	951,327
Amortization of current year for changes in plan actuarial assumptions	<u>(301,243)</u>	<u>(186,281)</u>
Annual OPEB cost	12,417,629	11,927,979
Difference between expected and actual experience to be recognized in future years	(727,905)	(2,729,774)
Difference between changes in plan actuarial assumptions to be recognized in future years	(454,099)	(2,293,777)
Benefit payments	<u>(6,181,621)</u>	



VERMONT STATE COLLEGES  
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Deferred Outflows of Resources related to OPEB:

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

	<u>2020</u>	<u>2019</u>
<u>Deferred Outflows of Resources</u>		
Differences between projected and actual experience	\$ 8,702,485	\$ 9,733,361
Changes in plan actual assumptions	461,711	530,012

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

June 30, 2020 and 2019

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

Years Ending <u>June 30,</u>	
2021	\$ 690,194
2022	690,194
2023	690,194
2024	690,194
2025	690,194
2026-2027	<u>1,164,402</u>
	<u>\$ 4,615,372</u>

# VERMONT STATE COLLEGES

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

June 30, 2020 and 2019

published by the Retirement Plans Experience Committee of the Society of Actuaries. In the prior measurement date, general scale MP-2017 was used.

Retirement Rate: Age-related retirement rates were developed based on input and analysis of the current retiree population overall and th

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

June 30, 2020 and 2019

proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

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

<u>2019</u>		
Current Healthcare		
<u>1.00% Decrease</u>	<u>Cost Trend Rate (A)</u>	<u>1.00% Increase</u>
\$ 167,824,500	\$ 189,003,550	\$ 214,438,450

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

Note 10 - Leases

The Colleges have various operating leases for classrooms, office space, equipment and motor vehicles. The majority of these leases have terms equal to or less than ten years and in some cases contain escalation and maintenance clauses, as well as renewal options. Total rental expense for operating leases was approximately \$3,352,000 and \$2,935,000 in 2020 and 2019, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

Years Ending <u>June 30,</u>	<u>Real Estate</u>	<u>Vehicles and Equipment</u>	<u>Total</u>
2021	2,740,911		

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

June 30, 2020 and 2019

	Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	Balance <u>June 30, 2019</u>
Land	\$ 9,004,664	\$ -	\$ -	\$ -	\$ 9,004,664
Construction-in-process	<u>908,493</u>	<u>3,423,799</u>	<u>(2,727,788)</u>	<u>-</u>	<u>1,604,504</u>
Subtotal - Capital assets not depreciated	<u>9,913,157</u>	<u>3,423,799</u>	<u>(2,727,788)</u>	<u>-</u>	<u>10,609,168</u>
Infrastructure	39,864,432	-	1,134,089	-	40,998,521
Buildings and improvements	259,347,174	-	1,203,878	-	260,551,052
Leasehold improvements	4,090,271	-	-	-	90,274,0
Equipment	<u>35,411,937</u>	<u>855,205</u>	<u>389,821</u>	<u>(231,699)</u>	<u>36,425,264</u>
Subtotal - Capital assets depreciated	<u>338,713,814</u>	<u>855,205</u>	<u>2,727,788</u>	<u>(231,699)</u>	<u>342,065,108</u>
Less accumulated depreciation	<u>(185,680,251)</u>	<u>(10,084,696)</u>	<u>-</u>	<u>195,380</u>	<u>(195,569,567)</u>
Capital assets, net	<u>\$ 162,946,720</u>	<u>\$ (5,805,692)</u>	<u>\$ -</u>	<u>\$ (36,319)</u>	<u>\$ 157,104,709</u>

Note 12 - Contingencies and Commitments

Contingencies

VSC participates in various federally funded programs. These programs are subject to financial and compliance audits and resolution of identified questioned costs. The amount, if any, of expenditures that may be disallowed by the granting agency cannot be determined at this time.

VSC is involved in various claims and legal actions arising in the ordinary course of business. The ultimate disposition of these matters is indeterminable, but in the opinion of management, the amount of ultimate liability would not have a significant impact on VSC's financial condition.

VSC is also exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. VSC manages these risks through a combination of commercial insurance packages purchased in the name of VSC, and through self-insurance for medical and dental claims. VSC has entered into contracts with 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

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

June 30, 2020 and 2019

resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Reserves for medical and dental claims are included in accrued liabilities in the amount of approximately \$1,447,000 at June 30, 2020 and \$2,560,000 at June 30, 2019 and are based on actual data. A medical and dental claim roll-forward is presented below:

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

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



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

June 30, 2020 and 2019

Commitments

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

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

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

Employment Contracts

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

Service Concession Agreements

The Colleges entered into a service concession agreement with Sodexo Operations, LLC ("Sodexo") to manage and operate food services for VSC's students, faculty, staff, employees and guests through June 2022. The agreement was cancelable by either party at any time. Under the agreement, Sodexo made annual contributions to VSC to be used at VSC's discretion for food service facility enhancements. In March 2020, with the commencement of the pandemic, Sodexo exercised its right to the catastrophe clause of its existing contract with Sodexo. VSC is currently negotiating with Sodexo a revised three-year contract that will provide direct payment for services rendered and will eliminate the annual contributions to VSC.

Note 13 - Subsequent Event

The COVID-19 crisis has created volatility in the financial markets and a significant decrease in the overall economy. The adverse impact and duration of COVID-19 on the Colleges' finances and operations is currently uncertain.

VERMONT STATE COLLEGES  
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

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

REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)

Year ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date			

**VERMONT STATE COLLEGES**  
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Notes to the Required Supplementary Information - OPEB (Unaudited)

June 30, 2020 and 2019

Note 1 - Change in Plan Assumptions

Measurement date – June 30, 2019

Change in Discount Rate

The discount rate was ~~de~~creased 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-19~~ 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~~ the following economic assumptions that changed from the prior measurement date:

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

Measurement date – June 30, 2018

Change in Trend on Future Costs

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

Change in Discount Rate

The discount rate was ~~inc~~reased from 3.58% to 3.87%.

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

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

June 30, 2020 and 2019

Measurement date – June 30, 2017

Change in Discount Rate

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

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

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

To the Board of Trustees of



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Vermont State Colleges' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not a objective of our audits and accordingly, we do not express such an opinion. The result 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 testing of internal control and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Braintree, Massachusetts

October 29, 2020

# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

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

JUNE 30, 2020

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

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

June 30, 2020

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

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Vermont State Colleges' (a Component unit of the State of Vermont) (the "Colleges") compliance with the types of compliance requirements described in OMB Compliance Supplement that could have a direct material effect on each of the College's major federal programs for the year ended June 30, 2020. The Colleges major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative



Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, 2020-003 and 2020-004, that we consider significant deficiencies.

Management's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Colleges' response was not subjected to the audit procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.





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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 to describe the scope of our testing of internal control and compliance and the results of that







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

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

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

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
<b>RESEARCH AND DEVELOPMENT CLUSTER - CONTINUED</b>					
U.S. Department of Health and Human Services:					
Passthrough Awards:					
Biomedical Research and Research Training	93.859	University of Vermont	29252SUB51796	\$ 74,310	\$ -
Biomedical Research and Research Training	93.859	University of Vermont	29252SUB52826	102,935	-
Subtotal - Passthrough Awards				177,245	-
Total Research and Development Cluster				288,080	-
<b>CCDF CLUSTER</b>					
U.S. Department of Health and Human Services:					
Passthrough Awards:					
	93.575	Vermont Department of Children & Families	03440-44001-18ECPDS	1,132,484	-
<b>MEDICAID CLUSTER</b>					
U.S. Department of Health and Human Services:					
Passthrough Awards:					
Medical Assistance Program	93.778	Office of Vermont Health Access	P85 - Sec. B. 605	233,260	-
Medical Assistance Program	93.778	Vermont Department of Mental Health	03420-7299S	251	-
Medical Assistance Program	93.778	Vermont Department of Mental Health	03150-A1714	29,850	-
Medical Assistance Program	93.778	Vermont Department of Mental Health	03150-A1695	177,659	-
Total Medicaid Cluster				441,020	-
<b>ECONOMIC DEVELOPMENT CLUSTER</b>					
U.S. Department of Commerce:					
Direct Awards					
Economic Adjustment Assistance	11.307	N/A	N/A	72,417	-
<b>CHILD NUTRITION CLUSTER</b>					
U.S. Department of Agriculture:					
Direct Awards:					
Summer Food Program for Children	10.559	N/A	N/A	12,952	-

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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2020

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

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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2020

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



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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2020

CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Community College of Vermont	Castleton University	Northern Vermont University	Vermont Technical College	Workforce	System Offices & Services	Total	Total Amounts to Sub-recipients
<b>MEDICAID CLUSTER</b>										
U.S. Department of Health and Human Services:										
Passthrough Awards:										
93.778	Office of Vermont Health Access	P85 - Sec. B. 605	\$ -	\$ -	\$ -	233,260	\$ -	\$ -	233,260	\$ -
93.778	Vermont Department of Health	03420-7298S	-	-	251	-	-	-	251	-
93.778	Vermont Department of Mental Health	03150-A1714	-	-	29,850	-	-	-	29,850	-
93.778	Vermont Department of Mental Health	03150-A1695	-	-	177,659	-	-	-	177,659	-
<b>Total Medicaid Cluster</b>			<b>-</b>			<b>233,260</b>	<b>-</b>	<b>-</b>	<b>441,020</b>	<b>-</b>
<b>ECONOMIC DEVELOPMENT CLUSTER</b>										
U.S. Department of Commerce:										
Direct Awards										
11.307	Economic Adjustment Assistance	N/A	-	-	72,417	-	-	-	72,417	-
<b>CHILD NUTRITION CLUSTER</b>										
U.S. Department of Agriculture:										
Direct Awards:										
10.559	Summer Food Program for Children	N/A	-	12,952	-	-	-	-	12,952	-
<b>HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</b>										
U.S. Department of Agriculture:										
Direct Awards:										
20.205	Highway Planning and Construction	N/A	-	-	-	-	5,894	-	5,894	-
<b>NON-CLUSTER</b>										
U.S. Department of Agriculture:										
Direct Awards:										
10.351	Higher Education - Institution Challenge Grants Program	N/A	-	-	33,106	-	-	-	33,106	-
10.855	Rural Business Enterprise Grants	N/A	-	-	59,448	-	-	-	59,448	-
Subtotal - Direct Awards			-	-	92,554	-	-	-	92,554	-
U.S. Department of Commerce:										
Direct Awards:										
11.611	Manufacturing Extension Partnership	N/A	-	-	-	-	714,645	-	714,645	-
Institute of Museum and Library Services:										
Passthrough Awards:										
45.310	Grants to States - Job Hunt Helpers	VT Department of Libraries	11300.JHH.LSTA17.A1	1,371	-	-	-	-	1,371	-
Small Business Administration:										
Direct Awards:										
59.037	COVID-19 - Small Business Development Centers	N/A	-	-	-	-	89,063	-	89,063	-
59.037	Portability Assistance	N/A	-	-	-	-	6,896	-	6,896	-
59.037	Small Business Development Centers	N/A	-	-	-	-	619,562	-	619,562	-
Subtotal - Direct Awards			-	-	-	-	715,521	-	715,521	-
Environmental Protection Agency:										
Passthrough Awards:										
66.481	Great Lakes Fishery	Lake Champlain Basin Program	0100-319-004	-	6,974	-	-	-	6,974	-
U.S. Department of the Interior:										
Passthrough Awards:										
15.939	Heritage Partnership	Lake Champlain Basin Program	P18AC01302J	-	4,630	-	-	-	4,630	-

**VERMONT STATE COLLEGES**  
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Year Ended June 30, 2020

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



# VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Vermont State Colleges (the “Colleges”) under programs of the Federal Government for the year ended June 30, 2020. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the Colleges.

Note 2 - **Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 3 - **De Minimis Indirect Cost Rate**

The Colleges have elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - **Federal Student Loan Program**

*Perkins Loan Program*

The Federal Perkins Loan Program (“Perkins”) is administered directly by the Colleges and balances and transactions relating to the program are included in the College’s basic financial statements. During the year ended June 30, 2020, no loans were advanced under the Perkins program and no administrative costs were incurred. As of June 30, 2020, loan balances receivable, net under Perkins was \$3,488,786.

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



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

Schedule of Current Year Findings and Questioned Costs

Year Ended June 30, 2020

Section I – Summary of Auditors' Results:

*Financial Statements*

Type of auditors' report issued:

Unmodified

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

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

**Year Ended June 30, 2020**

*Identification of Major Programs:*

<b>Name of Federal Program or Cluster</b>	<b>CFDA Number</b>
Student Financial Assistance Cluster:	
Federal Supplemental Educational Opportunity Grant Program	<b>84.007</b>
Federal Work-Study Program	<b>84.033</b>
Federal Perkins Loan Program	<b>84.038</b>

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

Schedule of Current Year Findings and Questioned Costs - Continued

Year Ended June 30, 2020

Section II – Financial Statement Findings:

None

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

Schedule of Current Year Findings and Questioned Costs - Continued

Year Ended June 30, 2020

Section III – Federal Award Findings and Questioned Costs:

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

*Criteria*

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

Unless [the institution] expects to submit its next update 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 or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or
- (ii) A student who is enrolled at the school and who received a loan under title IV of the Act has changed his or her permanent address.

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

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

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

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

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

**Year Ended June 30, 2020**

***Condition***

The Federal Government requires the Colleges to report student enrollment changes to the National Student Loan Data System (“NSLDS”) within 60 days. During our testing of forty students with enrollment status changes who graduated or with

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

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

**Year Ended June 30, 2020**

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

***Criteria***

According to 34 CFR 690.83(b)

(1) An institution shall report to the Secretary any change for which a student qualifies including any related Payment Data changes by submitting to the Secretary the student's Payment Data that discloses the basis and result of the change in award for each student. The institution shall submit the student's Payment data reporting any to the Secretary by the reporting deadlines published by the Secretary in the Federal Register.

(2) An institution shall submit, in accordance with the deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct.

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

An institution must submit Pell Grant, Iraq and Afghanistan Service Grant, Direct Loan, and TEACH Grant disbursement records to COD, no later than 15 days after making the disbursement or becoming aware of the need to adjust a previously reported disbursement. In accordance with 34 CFR 668.164(a), title IV, Higher Education Act ("HEA") program funds are disbursed on the date that the institution:

- (a) Credits those funds to a student's account in the institution's general ledger or any subledger of the general ledger; or
- (b) pays those funds to a student directly.

Title IV, HEA program funds are disbursed even if an institution uses its own funds in advance of receiving program funds from the Department.

***Condition***

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



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

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

**Year Ended June 30, 2020**

***Cause***

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

***Effect***

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

***Questioned Costs***

Not applicable

***Perspective***

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

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

2019-002

***Recommendation***

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

***View of Responsible Officials***

The Colleges agrees with the finding.

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

**Year Ended June 30, 2020**

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

***Criteria***

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

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

***Condition***

The Financial Aid Office is responsible for completing the Return of Title IV calculation to determine how much Title IV aid the student earned and how much must be returned to the Department of Education. Once the Return of Title IV calculation is completed, the Colleges are responsible for adjusting the student's billing statement and returning unearned Title IV funds through the U.S. Department of Education's Gr

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

**Year Ended June 30, 2020**

***Perspective***

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

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

2019-003

***Recommendation***

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

***View of Responsible Officials***

The Colleges agree with the finding.

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

Schedule of Current Year Findings and Questioned Costs - Continued

Year Ended June 30, 2020

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

**Criteria**

According to 34 CFR 668.164(l):

- (1) Notwithstanding any State law (such as a law that allows funds to escheat to the State), an institution must return to the Secretary any title IV, Higher Education Act ("HEA") program funds, except Federal Work Study ("FWS") program funds, that it attempts to disburse directly to a student or parent that are not received by the student or parent. For FWS program funds, the institution is required to return only the Federal portion of the payroll disbursement.
- (2) If an EFT to a student's or parent's financial account is rejected, or a check to a student or parent is returned, the institution may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the EFT was rejected or the check returned. In cases where the institution does not make another attempt, the funds must be returned to the Secretary by the end of this 45-day period.
- (3) If a check sent to a student or parent is not returned to the institution but is not cashed, the institution must return the funds to the Secretary no later than 240 days after the date it issued the check.

**Condition**

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

**Cause**

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

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

Schedule of Current Year Findings

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

Management's Summary Schedule of Prior Audit Findings

Year Ended June 30, 2020

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

**Condition**

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

*Award Year 2019:*

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

*Award Year 2018:*

Out of a sample of forty students with enrollment status changes, two students' status changes (graduated) were never reported to NSLDS. One student's status change (withdrawal) was not reported to NSLDS within the 60-day requirement.

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

**Year Ended June 30, 2020**

*Current Year Status:*

During our testing of forty findings

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

Year Ended June 30, 2020

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

***Condition***

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



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

Year Ended June 30, 2020

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

***Condition***

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

***Current Year Status:***

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



## Management's Corrective Action Plan

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

### *Corrective Action Plan:*

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

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

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

### *Contact Person*

Sharron Scott, CFO



## Management's Corrective Action Plan

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

### *Corrective Action Plan:*

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

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

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

### *Contact Person*

Sharron Scott, CFO



## Management's Corrective Action Plan

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

### *Corrective Action Plan:*

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

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

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

### *Contact Person*

Sharron Scott, CFO



## Management's Corrective Action Plan

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

### *Corrective Action Plan:*

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

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

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

### *Contact Person*

Sharron Scott, CFO