

VERMONT STATE COLLEGES

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

Financial Statements

June 30, 2012 and 2011

C O N T E N T S

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INDEPENDENT AUDITORS' REPORT

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

For the year ended 12/31/14, comprising statements of financial position of Vermont State Colleges (a

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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 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

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Management's Discussion and Analysis (Unaudited)

June 30, 2012 and 2011

VERMONT STATE COLLEGES
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2012 and 2011

Using the Financial Statements - Continued

Statement of Cash Flows - this statement reports the cash received by and disbursed from VSC during a period of time. The cash flows are segregated into four categories - operating, noncapital financing, capital and related financing and investing.

Condensed Statement of Net Assets

The condensed statement of net assets presents the financial position of VSC. This statement shows the assets and liabilities at the end of the fiscal year using the accrual basis of accounting.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2012 and 2011

Using the Financial Statements - Continued

Non-current assets include cash and equivalents, endowments and other long-term investments, capital assets and notes receivable. Long term investments increased slightly. Deposits with

VERMONT STATE COLLEGES
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June 30, 2012 and 2011

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2012 and 2011

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2012 and 2011

Using the Financial Statements - Continued

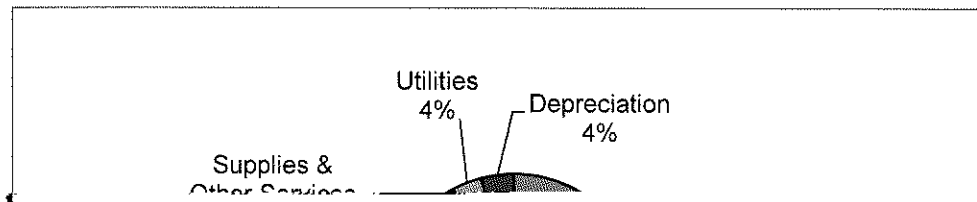
VERMONT STATE COLLEGES
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Management's Discussion and Analysis (Unaudited) - Continued

~~2010-2011~~

Using the Financial Statements - Continued

FY2012 Operating Expenses



VERMONT STATE COLLEGES
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Management's Discussion and Analysis (Unaudited) Continued

June 30, 2012 and 2011

At June 30, 2012, VSC had \$181,348,000 invested in Capital Assets, net of Accumulated Depreciation of \$116,701,000. At June 30, 2011, VSC had \$187,625,000 invested in Capital Assets, net of Accumulated Depreciation of \$116,701,000.

VERMONT STATE COLLEGES
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2012 and 2011

Economic Factors That Will Affect The Future - Continued

For FY2012, State Appropriations were \$25,998,000, or 16%, of total operating and non-operating revenues. VSC continues to rely on this important revenue source from the State of Vermont to help keep tuition as low as possible. For FY2012, in-state tuition increased 4% at Community College of Vermont (CCV), Castleton State College (CSC), Johnson State College (JSC) and Lyndon State College (LSC), and Vermont Technical College (VTC). FY2012 out-of-state tuition increased 4% at CCV, LSC and VTC while increasing 5% at JSC and 7% at CSC.

VSC continues to maintain its tuition and fee increases below the national average for

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Statements of Net Assets

June 30,

Assets

	2012	2011
Cash and equivalents (Note 2)	\$ 38,682,802	\$ 564,867
Short-term investments (Note 2)	-	40,120,946
Accounts receivable, net (Note 3)	10,091,212	11,618,192
Inventories	253,839	282,498
Deposit with bond trustees (Note 2)	15,072,756	31,338,076
Other current assets	<u>1,058,338</u>	<u>1,067,860</u>
Total Current Assets	<u>65,158,947</u>	<u>84,992,439</u>

Liabilities and Net Assets

Current Liabilities:

Accounts payable and accrued liabilities (Note 11)	\$ 14,124,206	\$ 13,214,172
Deferred revenue and deposits	6,484,210	6,803,976
Current portion of long-term debt (Note 4)	<u>4,940,334</u>	<u>4,433,894</u>
Total Current Liabilities	<u>25,548,750</u>	<u>24,452,042</u>

Accounts payable and accrued liabilities (Note 11)	92,178	-
Deferred revenue and deposits	787,430	864,360
Refundable grants	6,058,644	6,072,622

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

Statements of Revenues, Expenses and Changes in Net Asset
For the Years Ended June 30,

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Tuition and fees	\$ 110,632,877	\$ 107,717,508
Residence and dining	19,928,368	18,804,792
Less: scholarship allowances	<u>(20,881,867)</u>	<u>(21,032,822)</u>

Federal grants and contracts

11,417,042

12,165,527

Statements of Cash Flows
For the Years Ended June 30,

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 102,257,873	\$ 79,123,726
Grants and contracts	15,471,137	13,100,404

VERMONT STATE COLLEGES
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Statements of Cash Flows - Continued

For the Years Ended June 30,

	<u>2012</u>	<u>2011</u>
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	\$ 44,400,750	\$ 20,706,400
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Purchase of investments	(5,291,666)	(44,140,828)
Interest and dividends received on investments	<u>1,971,599</u>	<u>2,894,151</u>
Net Cash (Applied to) Provided by Investing Activities	<u>41,170,692</u>	<u>(1,540,195)</u>
<u>Net Increase (Decrease) in Cash and Equivalents</u>	<u>28,492,007</u>	<u>(1,060,010)</u>

VERMONT STATE COLLEGE

(a Component Unit of the State of Vermont)

Notes to the Financial Statements

June 30, 2012 and 2011

(a Component Unit of the State of Vermont)

Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 1 - Summary of Significant Accounting Policies - Continued

Basis of Presentation - Continued

The Colleges' policy is to define operating activities in the statement of operations as

VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

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

Inventories

Inventories are stated at the lower of cost (first-in, first-out retail inventory method) or market and consist of bookstore items.

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 date of donation. In accordance with the Board's capitalization policy, vehicles, equipment and works of art and historical treasures with a unit cost of at

least \$5,000 are capitalized. Land, building, leasehold and infrastructure improvements with a unit cost of \$50,000 or more are capitalized. Software with a unit cost of \$500,000 or more is capitalized. Interest cost on debt related to capital assets is capitalized during the construction period and then depreciated over the life of the project. The Colleges' capital assets, with the exception of land and construction in progress are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 50 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Restricted expendable net assets include certain capital funds appropriated by the State of Vermont to the Vermont Department of Buildings and General Services for the benefit of VSC and unexpended as of fiscal year-end.

Investments

Investments are stated at fair value. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated

VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

For the years ended 2012 and 2011

Note 1 - Summary of Significant Accounting Policies - Continued

Other Significant Accounting Policies

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

Amounts of vacation and sick leave accumulated at the end of the year are as follows:

VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

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

Bond and Note Issuance Costs, Discounts, and Premiums - Continued

Underwriter's discounts of \$164,124 and \$420,597 related to the 1998 and 2003 bond issuances are amortized over 20 and 20 years, respectively, and are included in

VERMONT STATE COLLEGES
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STATE OF VERMONT - FINANCIAL STATEMENTS

June 30, 2012 and 2011

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

Use of Estimates in Financial Statement Preparation

VERMONT STATE COLLEGES

Notes to the Financial Statements - Continued

June 30, 2012 and 2011

(a Component Unit of the State of Vermont)

Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 1 - Summary of Significant Accounting Policies - Continued

New Governmental Accounting Pronouncements - Continued

GASBS 68 Financial Reporting for Pension Plans - an amendment of GASB

VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 2 - Cash, Equivalents and Investments - Continued

Cash and Equivalents - Continued

At June 30, 2012, the balance of current assets - cash and equivalents consist of approximately \$18,000 in petty cash and the remainder deposited in Federal Deposit Insurance Corporation (FDIC) insured banking institutions of approximately \$28,665,000 per the accounting records of the Colleges and approximately

\$40,105,000 per bank records. As of June 30, 2012, all bank balances were covered under FDIC banking institution insurance coverage and also by a Federal Home Loan

VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 2 - Cash, Equivalents and Investments - Continued

Investments

	<u>Fair Value</u>	<u>Cost</u>
U.S. government bonds	\$ 1,388,565	\$ 1,313,836
Corporate bonds	2,653,079	2,464,967
Common stock	10,151,569	13,030,696
Mutual funds	4,817,376	2,527,373

VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 2 Cash, Investments, and Other Assets

Investments - Continued

2012
Investment Maturities (in years)

<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Money Market					
Investments	\$ 536,788	\$ 536,788	\$ -	\$ -	\$ -
Corporate Bonds	2,653,079	245,580	1,103,452	1,276,821	27,226
U.S. Govt. Bonds	<u>1,388,565</u>	<u>402,190</u>	<u>661,350</u>	<u>325,025</u>	-
Total	\$ <u>4,578,432</u>	\$ <u>1,184,558</u>	\$ <u>1,764,802</u>	\$ <u>1,601,846</u>	\$ <u>27,226</u>

VERMONT STATE COLLEGES

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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 2 - Cash, Equivalents and Investments - Continued

Investments - Continued

Investment income for the years ended June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 1,897,224	\$ 2,894,151

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THE UNIVERSITY OF CHICAGO

VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

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

Investments - Continued

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

A - An obligation rated 'A' is somewhat more susceptible to the adverse effects of

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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

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>2012</u>	<u>2011</u>
Student accounts receivable	\$ 6,836,661	\$ 6,486,406
Grants receivable	3,156,976	3,832,080
Other receivable	<u>1,820,965</u>	<u>2,761,303</u>
Subtotal	11,814,602	13,079,789
Allowance for doubtful accounts	<u>(1,723,390)</u>	<u>(1,461,597)</u>
Total accounts receivable, net	\$ <u>10,091,212</u>	\$ <u>11,618,192</u>

The notes receivable balance in the statement of net assets represents the Desiring

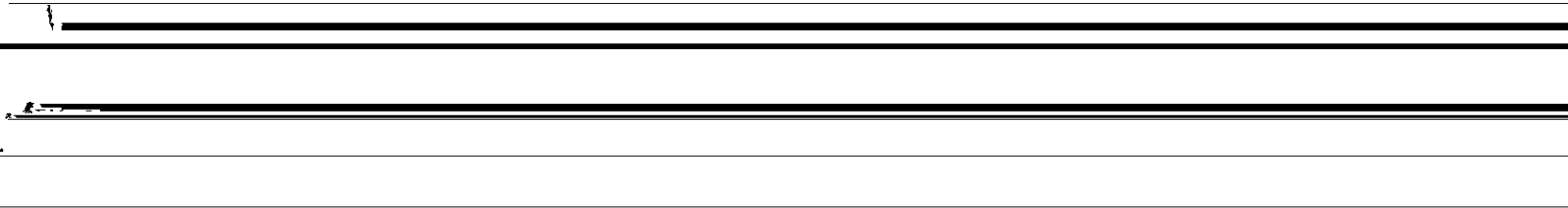
VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 4 - Long-Term Liabilities

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



2012

	<u>Beginning balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balances</u>	<u>Current portion</u>
Long-term liabilities					
Bonds and notes payable	\$ 145,540,752	-	\$ 4,341,495	\$ 141,199,257	\$ 4,940,334
Fair market value of interest					



Net OPEB obligation & accounts payable and	27,658,331	12,394,002	4,361,844	35,690,489	-
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VERMONT STATE COLLEGES
(a Component Unit of the State of Vermont)

Notes to Financial Statements

June 30, 2012 and 2011

Note 4 - Long-Term Liabilities - Continued

Bonds and Notes Payable

Outstanding debt is as follows:

	<u>2012</u>	<u>2011</u>
Student Housing and Dining Hall Bonds: (Collateralized by certain dormitory and dining hall facilities)		
6.25% Series A 1977, called in full on 7/1/12.	\$ 315,000	\$ 375,000
3% Series B 1977, called in full on 7/1/12.	60,000	79,000
Aramark Dining Renovation - LSC, 0% through 2012; uncollateralized.	-	32,353
Aramark Dining Renovation - VTC, 0% through 2012; uncollateralized.	-	40,000
Revenue Bonds, Series 2003:		
2.0% - 4.125% serial bonds aggregating		

VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 4 - **Long-Term Liabilities - Continued**

2012

2011

Bonds and Notes Payable - Continued

Revenue Bonds, Series 1998:

4.9% - 5.45% capital appreciation serial bonds aggregating \$5,205,000, maturing 2006 through 2013, and a 5.125% term bond of \$4,850,000, refinanced in FY2011 with 2010

Bond. Interest on the capital appreciation serial bonds accrues semi-annually and is compounded. Interest is payable only at maturity. The face amount of the capital appreciation serial bond is \$1,360,000 and \$2,080,000 at June 30, 2012 and 2011.

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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 4 - Long-Term Liabilities - Continued

2012

2011

Bonds and Notes Payable - Continued

VSC - Capital Construction Projects

Variable rate (69% of the one-month LIBOR

1,000,000 1,000,000

VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 4 - **Long-Term Liabilities - Continued**

Bonds and Notes Payable - Continued

In December 2010, VSC issued Revenue Bonds, Series 2010A, in the principal amount of \$11,095,000. The 2010A Bonds were issued to

refinancing a portion of the Series 1008 Bonds; (2) refinancing certain indebtedness

VERMONT STATE COLLEGES

GENERAL CATALOG

VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Notes to the Financial Statements - Continued

Bonds and Notes Payable - Continued

The loan and the related swap agreement mature on January 15, 2029, and the swap's notional amount of \$2,750,000 matches the \$2,750,000 variable rate loan. The swap was entered into at the same time the loan was issued in January 2009. Under the swap, VSC pays the counterparty a fixed payment of 2.25% and receives a variable payment computed as 69% of the one-month LIBOR plus 3.12%. Because of interest rate fluctuations since execution of the swap, the swap had a

VERMONT STATE COLLEGES

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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 4 - Long-Term Liabilities - Continued

Debt Rollforward - Continued

	Balance June 30, 2010	Additions	Repayments	Balance June 30, 2011	Current Portion
Series 1977-A	\$ 430,000	\$ -	\$ (55,000)	\$ 375,000	\$ 60,000
Series 1977-B	97,000	-	(18,000)	79,000	19,000
Tractor - JSC	23,865	-	(23,865)	-	-
Mail Machine - JSC	2,003	-	(2,003)	-	-
Aramark Dining Renovation - LSC	70,588	-	(38,235)	32,353	32,353
Aramark Dining Renovation - VTC	70,000	-	(30,000)	40,000	30,000
Series 1998 with accreted interest	7,444,855	102,529	(5,570,000)	1,977,384	700,000

VERMONT STATE COLLEGES
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June 30, 2012 and 2011

Note 4 - **Long-Term Liabilities - Continued**

Debt Rollforward - Continued

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

<u>Year Ending June 30</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2013	\$ 4,940,334	\$ 6,281,729
2014	4,723,560	6,116,358
2015	4,885,796	5,924,717
2016	5,027,249	5,725,738
2017	5,233,119	5,498,115
2018-2022	24,856,470	24,073,804
2023-2027	24,977,826	18,632,317

2028-2032	50,582,941	6,769,573
2033-2037	9,271,962	2,574,939

VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 5 - **Functional Expense Classification**

The following table details VSC's operating and interest expenses by functional expense classification:

	<u>2012</u>	<u>2011</u>
Instruction	\$ 56,469,539	\$ 56,716,406
<hr/>		
Public service	10,222,554	10,150,337
<hr/>		
Academic support	21,457,422	20,235,641
Student services	27,544,121	27,309,351
Institutional support	43,418,623	38,528,945
Physical plant	9,178,137	7,480,874
Student financial support	8,990,159	10,203,313
Depreciation	7,624,758	7,792,090
Interest expense	<u>6,397,681</u>	<u>6,024,345</u>
Total	\$ <u>191,327,165</u>	\$ <u>184,785,099</u>

Note 6 - **Appropriations**

VSC's operating appropriation from the State of Vermont is made directly to the Colleges and is drawn down on the basis of the approved budget.

VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 7 - **Retirement Plans**

Eligible faculty and staff participate in a defined contribution retirement plan administered by Teachers Insurance Annuity Association and College Retirement Equities Fund (TIAA-CREF). For the years ended June 30, 2012 and 2011, the Colleges' total payroll expense was approximately \$70,077,000 and \$70,740,000.

VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

Note 7 - Retirement Plans - Continued

VERMONT STATE COLLEGES
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June 30, 2012 and 2011

Note 8 - **Post-Employment Benefits Other Than Pension - Continued**

The following table shows the components of VSC's annual OPEB costs for the years

VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 8 - Post-Employment Benefits Other Than Pension - Continued

~~Funding Status and Funding Progress~~ As of the most recent actuarial valuation

date, the actuarial accrued liability for benefits was \$117,611,000, all of which was unfunded. The annual covered payroll (annual payroll of active employees covered by the plan) was \$52,025,735 and the ratio of the unfunded actuarial liability to annual covered payroll was 226.1%. The latest actuarial valuation date was on July 1, 2011.

VERMONT STATE COLLEGES

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Notes to the Financial Statements - Continued

For the years ended 2010 and 2009

Note 8 - Post-Employment Benefits Other Than Pension - Continued

Mortality: Life expectancies were based on the RP2000 mortality table by gender and status (active versus current retired) published by the Retirement Plans Experience Committee of the Society of Actuaries.

VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 9 - **Leases - Continued**

Future minimum rental payments required under operating leases with noncancelable terms in excess of one year at June 30, 2012 are as follows:

Year Ending June 30:	Real Estate	Vehicles and Equipment	Total
2013	\$ 1,983,437	\$ 261,726	\$ 2,245,163
2014	1,838,805	137,438	1,976,243
2015	1,431,257	89,268	1,520,525
2016	1,058,020	72,824	1,130,844
2017	1,067,308	3,663	1,070,971
2018 and beyond	<u>12,302,912</u>	-	<u>12,302,912</u>

VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 10 - Capital Assets - Continued

	June 30, 2010	Additions	Transfers	Retirements	June 30, 2011
Land	\$ 5,712,848	\$ -	\$ -	\$ -	\$ 5,712,848
Construction-in-process	<u>3,828,702</u>	<u>12,236,056</u>	<u>(8,850,565)</u>	<u>-</u>	<u>7,214,193</u>
Subtotal - Capital assets not depreciated	<u>9,541,550</u>	<u>12,236,056</u>	<u>(8,850,565)</u>	<u>-</u>	<u>12,927,041</u>
Information	<u>31,222,055</u>	<u>12,236,056</u>	<u>(8,850,565)</u>	<u>-</u>	<u>44,637,601</u>

VERMONT STATE COLLEGES
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Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 11 - Contingencies and Commitments - Continued

Contingencies - Continued

VSC is also exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. VSC manages these risks through a combination of commercial insurance packages purchased in the name of VSC, and through self-insurance for medical and dental claims. VSC has entered into contracts with a third-party claims administrator, which essentially caps medical claim costs (stop-loss) at an agreed-upon level. Individual stop-loss is \$150,000 of paid claims per covered member per year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Reserves for medical and dental claims are included in accrued liabilities in the amount of approximately \$1,544,000 at June 30, 2012 and \$1,265,000 at June 30, 2011 and are based on historical data. A medical and dental claim roll-forward is presented below:

	<u>2012</u>	<u>2011</u>
Medical and dental claims reserve, Beginning of year	\$ 1,265,000	\$ 1,225,000
Incurred claims	14,332,000	16,340,000
Payments on claims	<u>(14,053,000)</u>	<u>(16,300,000)</u>
Medical and dental claims reserve, End of year	\$ <u>1,544,000</u>	\$ <u>1,265,000</u>

During 2005, VSC began self-insuring its workers' compensation program.

(a Component Unit of the State of Vermont)

Notes to the Financial Statements - Continued

June 30, 2012 and 2011

Note 11 - Contingencies and Commitments - Continued

Commitments

VSC has entered into various construction contracts for the period ending June 30, 2012 and 2011.

SUPPLEMENTAL INFORMATION

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

Schedule of Funding Progress (Unaudited)

June 30, 2012 and 2011

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2011	\$ -	\$ 117,611,000	\$ 117,611,000	0%	\$ 52,025,735	226.1%
July 1, 2009	\$ -	\$ 94,168,000	\$ 94,168,000	0%	\$ 46,127,000	204.1%
July 1, 2007	\$ -	\$ 119,894,000	\$ 119,894,000	0%	\$ 41,292,000	290.4%

VSC has to date performed three actuarial valuations, the latest on July 1, 2011. 6

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

**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

We have audited the financial statements of Vermont State Colleges (a component unit of the State of Vermont) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vermont State Colleges' financial

[REDACTED]