NEW ISSUE

In the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, under existing law, assuming continued compliance with certain provisions of the Internal Revenue Code of 1986, as amended, interest on the Bonds (as hereinafter defined) will not be included in the gross income of holders of such bonds for federal income tax purposes. Interest on the Bonds will not constitute a preference item for the purposes of computation of the alternative minimum tax imposed on certain individuals. In the further opinion of Bond Counsel, the Bonds are exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes. See "TAX EXEMPTION" herein.

Vermont Bond Bank

$24,185,000
VERMONT BOND BANK
Vermont State Colleges System Bonds
2020 Series A

VERMONT
STATE COLLEGES SYSTEM

Dated: Date of Delivery **Due: October 1, as shown on the inside cover**

The Vermont State Colleges System Bonds, 2020 Series A (the "Bonds") of the Vermont Municipal Bond Bank (d/b/a the Vermont Bond Bank) (the "Bond Bank") are issuable only as fully registered bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as the registered Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial interests in the Bonds will be made in book-entry-only form, in the denomination of $5,000 or any integral multiple thereof. Purchasers of beneficial interests will not receive certificates representing their interest in the Bonds. So long as Cede & Co. is the registered Bondholder, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

Principal of and semiannual interest will be paid, as set forth herein, directly to DTC by U.S. Bank National Association, as Trustee and Paying Agent, so long as DTC or its nominee, Cede & Co., is the registered Bondholder. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participant as more fully described herein. The Bonds are subject to redemption, as more fully set forth herein.

The Bonds are direct and special obligations of the Bond Bank payable solely from the funds and accounts established by the VSCS Program Resolution (as defined herein) and rights to receive revenues thereunder, subject to the provisions of other resolutions issued on behalf of the VSCS (as defined herein) hereafter pledging particular assets, monies or revenues to particular notes and bonds of the Bond Bank as more fully described in this Official Statement. None of the funds and accounts established under the Pool Resolution (as defined herein), or any other funds of the Bond Bank not held under the VSCS Program Resolution, are pledged to the security of the Bonds. The Bond Bank does not possess any ad valorem taxing powers. The State of Vermont is not obligated to pay the principal of and interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Vermont is pledged to the payment of such principal and interest. See "SECURITY FOR THE BONDS" herein.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the VSCS by its counsel, Stitzel, Page & Fletcher, P.C., Burlington, Vermont. Certain legal matters will be passed on for the Underwriters by their counsel, Locke Lord LLP, Boston, Massachusetts. Omnicap Group LLC, El Segundo, California, serves as financial advisor to the Bond Bank. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, New York or its custodial agent on or about February 6, 2020.

Morgan Stanley **Citigroup**

January 23, 2020

$24,185,000
Vermont Bond Bank
Vermont State Colleges System Bonds
2020 Series A

Maturity (October 1)	Principal	Interest Rate	Yield	CUSIP[†] Number	Maturity (October 1)	Principal	Interest Rate	Yield	CUSIP[†] Number
2023	$ 140,000	5.00%	0.92%	924214T74	2031	$1,290,000	4.00%	1.65%*	924214U72
2024	1,405,000	5.00	0.97	924214T82	2032	1,340,000	4.00	1.77*	924214U80
2025	1,195,000	5.00	1.00	924214T90	2033	1,395,000	4.00	1.86*	924214U98
2026	1,250,000	5.00	1.08	924214U23	2034	1,450,000	4.00	1.93*	924214V22
2027	1,320,000	5.00	1.18	924214U31	2035	1,500,000	3.00	2.27*	924214V30
2028	1,130,000	5.00	1.31	924214U49	2036	1,545,000	3.00	2.31*	924214V48
2029	1,185,000	5.00	1.40	924214U56	2037	1,605,000	4.00	2.05*	924214V55
2030	1,240,000	4.00	1.55*	924214U64					

$5,195,000 4.00% Term Bonds due October 1, 2040 to Yield 2.21%* CUSIP[†] Number: 924214V63

[†]CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright © CUSIP Global Services. The CUSIP numbers listed above are being provided solely for the convenience of the Bondowners and the Bond Bank makes no representations with respect to such numbers or undertakes any responsibility for their accuracy. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products.

*Priced at the stated yield to the first optional redemption date, October 1, 2029.

INTRODUCTION TO THE OFFICIAL STATEMENT

The following is furnished solely to provide limited introductory information regarding the Vermont Bond Bank Vermont State Colleges System Bonds, 2020 Series A (the "Bonds") and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing elsewhere in this Official Statement, including the appendices hereto. Investors should read the entire Official Statement to obtain information essential to making an informed decision.

Issuer:	Vermont Municipal Bond Bank (d/b/a the Vermont Bond Bank) (the "Bond Bank")
Purpose:	The Bonds are being issued: (i) to make a loan to the Vermont State Colleges, also known as the Vermont State Colleges System (the "VSCS") to be evidenced by an unsecured general obligation bond issued by the VSCS to the Bond Bank (the "2020 VSCS Bond"); and (ii) to pay costs of issuance of the Bonds. The VSCS will apply the proceeds to refund certain outstanding indebtedness of the VSCS.
Security:	The Bonds are general obligations of the Bond Bank and are secured on a parity with other bonds issued and to be issued (collectively, the "VSC Program Bonds") under the Bond Bank's VSCS Program Resolution (defined herein). The Bonds are secured by a pledge of the 2020 VSCS Bond and the amounts required to be paid by the VSCS to the Bond Bank pursuant to a loan agreement for principal and interest on the 2020 VSCS Bond. The Bonds are further secured under the Act (defined herein) by an intercept by the State Treasurer of State funding to the VSCS in the event the VSCS is in default on its payments to the Bond Bank on the 2020 VSCS Bond. See "SECURITY FOR THE BONDS."
Redemption Provisions:	The Bonds maturing on and after October 1, 2030 are subject to redemption at the option of the Bond Bank, at any time on and after October 1, 2029, at par plus accrued interest to the date of redemption. The Bonds are also subject to mandatory sinking fund redemption as described herein. See "THE BONDS–Redemption Provisions."
Denominations:	The Bonds will be issued in denominations of $5,000 and integral multiples thereof.
Ratings:	Moody's Investors Service, Inc. ("Moody's") has rated the Bonds "Aa2". See "RATINGS".
Principal Payments:	Annually, each October 1, commencing October 1, 2023.
Interest Payments:	Semi-annually, each April 1 and October 1, commencing October 1, 2020.
Tax Status:	Interest on the Bonds will not be included in the gross income of the holders thereof for federal income tax purposes. The Bonds are exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes. See "TAX EXEMPTION."
Professional Consultants to the Bond Bank:	*Financial Advisor*: Omnicap Group LLC, El Segundo, California *Bond Counsel*: Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts *Trustee and Paying Agent*: U.S. Bank National Association, Boston, Massachusetts
Registration:	The Bonds initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds.
Legal Matters:	All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel. The opinion will be substantially in the form attached hereto as Appendix C. Certain legal matters will be passed on for the VSCS by its counsel, Stitzel, Page & Fletcher, P.C., Burlington, Vermont and for the Underwriters by their counsel, Locke Lord LLP.
Authority for Issuance:	The Bonds are being issued pursuant to the Vermont Municipal Bond Bank Law, being Public Act No. 216 of the Laws of Vermont of the 1969 Adjourned Session of the Vermont General Assembly, as amended (the "Act"), the Bond Bank's General Bond Resolution for Vermont State Colleges System adopted on March 30, 2017 (the "VSCS Program Resolution") and the Bond Bank's Series Resolution adopted on December 18, 2019.

Conditions Affecting Issuance:	The Bonds are offered when, as and if issued, subject to the approving legal opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, and subject to the other conditions contained in the Contract of Purchase between the Bond Bank and Morgan Stanley & Co. LLC, on behalf of itself and Citigroup Global Markets Inc. (together, the "Underwriters").
Delivery:	The Bonds are expected to be issued on or about February 6, 2020, at DTC on behalf of the Underwriters.
Book-Entry Only:	The Bonds will be issued as book-entry only securities through DTC.
Limitations on Offering or Reoffering Securities:	No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Bond Bank. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds offered hereby, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.
No Litigation:	There is no litigation of any nature now pending, or to the knowledge of the Bond Bank or the VSCS, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds or the 2020 VSCS Bond, respectively. See "LITIGATION AND OTHER PROCEEDINGS."
Continuing Disclosure:	The VSCS and the Bond Bank will undertake to provide continuing disclosure with respect to the Bonds. See "CONTINUING DISCLOSURE."

Questions regarding the Bonds or the Official Statement can be directed to, and additional copies of the Official Statement, the Bond Bank's audited financial reports and the VSC Program Resolution and the Series Resolution may be obtained from, the Bond Bank's financial advisor, Omnicap Group LLC: (310) 318-3095.

DEBT SUMMARY

The summary data in the table below is furnished solely as a summary and does not purport to be comprehensive. All such data is subject in all respects to more detailed descriptions contained elsewhere in this Official Statement. Investors should read the entire Official Statement to obtain information essential to making an informed decision.

Outstanding Bonds of the Bond Bank as of January 1, 2020

VSCS Program Bonds	$ 67,660,000
Other Debt*	582,520,000
Total Outstanding Debt	$650,180,000

* Represents bonds outstanding under the Pool Resolution (as defined herein).

The information set forth herein has been obtained from the Bond Bank, the VSCS, The Depository Trust Company and other sources that are believed to be reliable, but information from other than the Bond Bank or the VSCS is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Bond Bank or the VSCS, respectively. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Bond Bank or the VSCS since the date hereof, except as expressly set forth herein. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Bond Bank or the VSCS.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds offered hereby, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. All quotations from and summaries and explanations of provisions of laws, resolutions, the Bonds and other documents herein do not purport to be complete; reference is made to said laws, resolutions, the Bonds and other documents for full and complete statements of their provisions. Copies of the above are available for inspection at the principal office of the Bond Bank. In connection with this offering, the Underwriters may over allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower or yields higher than the public offering prices or yields stated on the inside cover page hereof and said offering prices or yields may be changed from time to time by the Underwriters.

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$24,185,000

VERMONT BOND BANK

Vermont State Colleges System Bonds
2020 Series A

INTRODUCTORY STATEMENT

This Official Statement is provided for the purpose of setting forth information concerning the Vermont Municipal Bond Bank (d/b/a the Vermont Bond Bank) (the "Bond Bank") and the Vermont State Colleges, also known as the Vermont State Colleges System (the "VSCS"), in connection with the sale of $24,185,000 Vermont Bond Bank Vermont State Colleges System Bonds, 2020 Series A (the "Bonds"). The Bonds are issued pursuant to the Vermont Municipal Bond Bank Law, being Public Act No. 216 of the Laws of Vermont of the 1969 Adjourned Session of the Vermont General Assembly, as amended (the "Act").

The Bonds are to be issued under and are to be secured by the Bond Bank's General Bond Resolution for Vermont State Colleges System adopted on March 30, 2017 (the "VSCS Program Resolution") and the Bond Bank's Series Resolution adopted on December 18, 2019 authorizing the issuance of the Bonds (collectively, with the VSCS Program Resolution, the "Resolution"). On May 24, 2017, the Bond Bank issued $67,660,000 Vermont State Colleges System Bonds, 2017 Series A (the "2017 Bonds"), all of which remain outstanding as of January 1, 2020. The Bonds, the 2017 Bonds and any additional bonds issued under the VSCS Program Resolution (referred to collectively herein as the "VSCS Program Bonds") constitute, or in the case of additional bonds will constitute, special obligations of the Bond Bank, to which the interests of the Bond Bank in the funds and accounts established by the VSCS Program Resolution and rights to receive revenues under the VSCS Program Resolution are pledged for the payment of principal, redemption premium, if any, and interest thereon subject to the provisions of other resolutions issued on behalf of the VSCS hereafter pledging particular assets, monies or revenues to particular notes and bonds.

VSCS has requested the Bond Bank to issue the Bonds and loan the proceeds thereof to the VSCS under a loan agreement dated as of February 1, 2020 (the "Loan Agreement") with the Bond Bank. To evidence repayment of the loan, the VSCS is issuing a general unsecured obligation (the "2020 VSCS Bond") to the Bond Bank. The Loan Agreement requires that the payment of principal and interest on the 2020 VSCS Bond be sufficient, together with other amounts available under the Resolution, if any, to pay principal, redemption premium, if any, and interest on the Bonds.

The Bond Bank. The Bond Bank is a body corporate and politic with corporate succession, and is constituted as an instrumentality exercising public and essential governmental functions of the State of Vermont (the "State").

Pursuant to the Act, the Bond Bank is authorized to issue the Bonds for the purpose of, among other purposes, (1) providing funds to enable the Bond Bank to make loans to counties, municipalities or other public bodies of the State, including the VSCS, (2) refunding bonds previously issued by the Bond Bank, and (3) establishing or increasing reserves with which to secure or to pay debt service and all other costs and expenses of the Bond Bank incident to and necessary or convenient to carry out its corporate purposes. As described under "SECURITY FOR THE BONDS – No Reserve Fund for VSCS Program Bonds," no reserve fund is established under the VSCS Program Resolution or will be funded in connection with the Bonds. Additional VSCS Program Bonds may be issued by the Bond Bank in the future to make loans to the VSCS for any purposes then permitted by law. Repayment of any such future loans to the VSCS would be evidenced by the direct purchase by the Bond Bank from the VSCS of the VSCS' bonds, notes or evidences of debt constituting general obligations of the VSCS (referred to herein collectively with the 2020 VSCS Bond, the "VSCS Bonds").

VSCS. The VSCS is a public corporation and instrumentality of the State organized and existing under the laws of the State to plan, supervise, administer, and operate facilities for higher education. The VSCS has issued, and may continue to issue, general unsecured bonds and other indebtedness on a parity with the 2020 VSCS Bond under Sections 2171 to 2186, inclusive, of Title 16 of Vermont Statutes Annotated (the "VSCS Act"). A portion of such outstanding VSCS indebtedness is expected to be repaid from the proceeds of the Bonds. See Appendix A – "CERTAIN INFORMATION REGARDING THE VERMONT STATE COLLEGES SYSTEM." The 2020 VSCS Bond will be issued under the VSCS Act as a general, unsecured obligation pursuant to a resolutions adopted by the VSCS on January 6, 2020.

The Bonds. The Bonds are being issued to provide monies which will be used to purchase the 2020 VSCS Bond in the aggregate principal amount of $24,185,000. The proceeds of the Bonds will be used to retire certain outstanding indebtedness of the VSCS (the "VSCS Prior Bonds") and to pay certain costs of issuance of the Bonds. See "SOURCES AND USES OF FUNDS" herein.

Security for the Bonds. The Bonds will constitute, in the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, special obligations of the Bond Bank, and to which the interests of the Bond Bank in the funds and accounts established under the VSCS Program Resolution and rights to receive revenues thereunder are pledged for the payment of principal, redemption premium, if any, and interest thereon. The Bonds, the 2017 Bonds and other bonds issued on a parity therewith under the VSCS Program Resolution, are further secured by the pledge of the VSCS Bonds purchased by the Bond Bank under the VSCS Program Resolution and the amounts paid by the VSCS or required to be paid by the VSCS to the Bond Bank pursuant to the Loan Agreement and any existing and future loan agreements pursuant to which such other bonds are issued, for principal and interest on such VSCS Bonds (the "VSCS Bond Payments") and the investments thereof and the proceeds of such investments, if any, and all funds and accounts established by the VSCS Program Resolution, except the Rebate Fund. Pursuant to the Loan Agreement, the 2020 VSCS Bond Payments are due on the 1st day of the month prior to the principal and interest payment dates on the Bonds. Under the Act, the Bond Bank may enforce its right to receive VSCS Bond Payments by intercepting, via the State Treasurer, certain available State funding to the VSCS. All VSCS Program Bonds, notwithstanding their date of issuance, are secured equally and ratably by all of the above. Additional series of VSCS Program Bonds may be authorized and issued by the Bond Bank pursuant to the VSCS Program Resolution on a parity with the Bonds.

The Bond Bank is obligated to pay the principal of and interest on the Bonds solely from pledged revenues or funds of the Bond Bank held under the VSCS Program Resolution. No other funds of the Bond Bank are available to pay VSCS Program Bonds, and the State is not obligated to pay the principal of or interest thereon and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or interest on VSCS Program Bonds.

Official Statement. There follows in this Official Statement a brief description of the Bond Bank and a description of the VSCS, together with summaries of the terms of the Bonds, the Resolution, the Loan Agreement and certain provisions of the Act. All references herein to the Act and the Resolution are qualified in their entirety by reference to such law and such documents, copies of which are available from the Bond Bank, and all references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolution. Terms not otherwise defined herein shall have the meanings given such terms in Appendix B and the Resolution.

VERMONT BOND BANK

The Vermont Municipal Bond Bank (d/b/a the Vermont Bond Bank) was created by the Act in 1970 as a body corporate and politic with corporate succession and is constituted as an instrumentality exercising public and essential governmental functions of the State.

Purposes of the Bond Bank

It is the policy of the State, as declared in the Act, to foster and promote by all reasonable means the provision of adequate capital markets for the financing by counties, municipalities or other public bodies of the State, including the VSCS (the "Governmental Units"), of their respective public improvements and other municipal purposes from proceeds of their bonds (the "Municipal Bonds") and notes and to assist such Governmental Units in such financing by making funds available at reduced interest costs for orderly financing especially during periods of restricted credit or money supply, particularly for those Governmental Units not otherwise able to borrow for such purposes. In furtherance of this policy, the Bond Bank is empowered to issue its bonds, including the Bonds, to make funds available at reduced rates and on more favorable terms for borrowing by such Governmental Units through the purchase by the Bond Bank of their Municipal Bonds. Each Governmental Unit requesting the Bond Bank to purchase its Municipal Bonds is required to complete an application form containing certain information concerning the Governmental Unit and the Municipal Bonds proposed to be purchased.

The Bonds are the second issue of VSCS Program Bonds under the VSCS Program Resolution. The Bond Bank also issues bonds under its General Bond Resolution adopted on May 3, 1988 (the "Pool Resolution") for the benefit of a pool of Governmental Units. As of January 1, 2020, the Bond Bank has $67,660,000 bonds outstanding under the VSCS Program Resolution and $582,520,000 bonds outstanding under the Pool Resolution. None of the funds and accounts established under the Pool Resolution, or any other funds of the Bond Bank not held under the VSCS Program Resolution, are pledged to the security of the Bonds or any other VSCS Program Bonds issued under the VSCS Program Resolution.

In consideration for adopting the VSCS Program Resolution, the Bond Bank established a policy under which Governmental Units seeking loans outside of the Pool Resolution must (i) demonstrate that the Governmental Unit could not attain the level of financial benefit contemplated but for the assistance of the Bond Bank, (ii) evidence that State funding that is subject to intercept, as described under "SECURITY FOR THE BONDS - Intercept of State Funding and Other Enforcement of the 2020 VSCS Bond," is sufficient to satisfy payment of the Municipal Bonds, and (iii) provide to the Bond Bank audited financial statement and other relevant information.

Powers of the Bond Bank

In order to fulfill its purposes, the Bond Bank has, among others, the following powers:

(1) To borrow money and to issue its negotiable bonds or notes and to provide for and secure the payment thereof and to provide for the rights of the holders thereof, and to purchase, hold and dispose of any of its bonds or notes;

(2) To fix and revise from time to time and charge and collect fees and charges for the use of its services or facilities;

(3) In connection with any loan to a Governmental Unit, to consider the need, desirability or eligibility of the loan, the ability of the Governmental Unit to secure borrowed money from other sources and the costs thereof, and the particular public improvement or purpose to be financed by the Municipal Bonds to be purchased by the Bond Bank;

(4) To charge for its costs and services in review or consideration of any proposed loan to a Governmental Unit or purchase of Municipal Bonds of a Governmental Unit, and to charge therefor whether or not the loan is made or the Municipal Bonds are purchased;

(5) To establish any terms and provisions with respect to any purchase of Municipal Bonds by the Bond Bank, including date and maturities of the Municipal Bonds, provisions as to redemption or payment prior to maturity, and any other matters which are necessary, desirable or advisable in the judgment of the Bond Bank;

(6) To enter into and enforce all contracts necessary, convenient or desirable for the purposes of the Bond Bank or pertaining to any loan to a Governmental Unit or any purchase or sale of Municipal Bonds or other investments or to the performance of its duties and execution or carrying out of any of its powers under the Act;

(7) To purchase or hold Municipal Bonds at such prices and in such manner as the Bond Bank deems advisable, and to sell Municipal Bonds acquired or held by it at such prices without relation to cost and in such manner as the Bond Bank deems advisable, all consistent with the policy of the State as declared in the legislative findings of the Act;

(8) To invest any funds or monies of the Bond Bank not then required for loan to Governmental Units and for the purchase of Municipal Bonds in the same manner as permitted for investment of funds belonging to the State or held in the treasury, except as otherwise provided by the Act (however, the VSCS Program Resolution limits investments to certain securities as hereinafter set forth);

(9) To prescribe any form of application or procedure required of a Governmental Unit for the loan or purchase of its Municipal Bonds and to fix the terms and conditions of that loan or purchase and to enter into agreements with Governmental Units with respect to any loan or purchase; and

(10) To do all things necessary, convenient or desirable to carry out the powers expressly granted or necessarily implied in the Act.

Organization and Membership of the Bond Bank

The membership of the Bond Bank consists of five directors: the State Treasurer, who is a director ex-officio, and four directors appointed by the Governor with the advice and consent of the State Senate for terms of two years. The four directors appointed by the Governor must be residents of the State and must be qualified voters therein for at least one year next preceding the time of appointment. Each director holds office for the term of his appointment and until his successor shall have been appointed and qualified. A director is eligible for reappointment. Any vacancy in a directorship occurring other than by the expiration of the term is filled for the unexpired term only in the same manner as the original appointment, except that the advice and consent of the Senate is not required if it is not in session.

The directors elect one of their members as Chairman. The directors also elect a Secretary and a Treasurer who need not be directors, and the same person may be elected to serve both as Secretary and Treasurer. The powers of the Bond Bank are vested in the directors thereof, and three directors of the Bond Bank constitute a quorum. Action may be taken and motions and resolutions adopted by the Bond Bank at any meeting thereof by the affirmative vote of at least three directors of the Bond Bank, including the director ex-officio. A vacancy in the directorship of the Bond Bank does not impair the right of a quorum to exercise all the powers and perform all the duties of the Bond Bank.

The Bond Bank's membership is as follows:

DAVID R. KIMEL, *Chair*; term expires January 31, 2022.

Mr. Kimel is a resident of the City of St. Albans, Vermont. He is a retired broadcast group owner and business consultant. He is a member of the Vermont Association of Broadcasters Hall of Fame. He is currently the Manager of the Collins Perley Center. Mr. Kimel also sits on the District Six Environmental Board. He holds a Bachelor of Science degree in Business Administration.

DEBORAH WINTERS, *Treasurer*; term expires January 31, 2022.

Ms. Winters is a resident of Swanton, Vermont and an owner of Firetech Sprinkler Corp. She is a member of the board of Directors of the Champlain Valley Exposition. She holds a Bachelor of Science degree in Civil Engineering and Operations Research from Princeton University and a Master of Business Administration from Boston University.

MARY ALICE MCKENZIE; term expires January 31, 2021.

Ms. McKenzie is a resident of Colchester, Vermont and is a consultant. She was formerly the Executive Director of the Boys and Girls Club of Burlington, General Counsel to the Vermont State Colleges, and CEO of McKenzie of Vermont. Ms. McKenzie holds a Bachelor of Arts degree in Business Administration from St. Mary's College and a Juris Doctor degree from Valparaiso University School of Law.

DAVID R. COATES; term expires January 31, 2021.

Mr. Coates is a resident of Colchester, Vermont and a retired partner in the Burlington office of KPMG. He is a past president of the Vermont Society of CPA's and currently serves on the Governor's Council of Economic Advisors. He is a member of the Board of Directors of Green Mountain Power and is also on the Board of Directors of National Life of Vermont.

ELIZABETH PEARCE, *Ex-Officio*.

Treasurer Pearce is a resident of Barre, Vermont and has more than 30 years of experience in government finance at both the state and local levels. She served as Vermont's Deputy Treasurer for more than seven years before assuming her current role as Treasurer. Prior to joining the Vermont State Treasurer's Office, she served as Deputy Treasurer for Cash Management at the Massachusetts State Treasurer's Office from 1999-2003; Deputy Comptroller for the Town of Greenburgh, New York; and Accounting Manager and Financial Operations Manager for the Town of West Hartford, Connecticut. In addition, she has served as a fiscal officer with the Massachusetts Department of Social Services and as a project director for the Massachusetts Executive Office of Human Services. Ms. Pearce has a Bachelor of Arts degree from the University of New Hampshire.

The Executive Director and Secretary to the Bond Bank is as follows:

MICHAEL GAUGHAN, *Executive Director, Secretary.*

Mr. Gaughan is a resident of Winooski, Vermont. He became Executive Director and Secretary of the Bond Bank and Executive Director of the Vermont Educational and Health Buildings Financing Agency on January 2, 2018. He was previously a Director and a Public-Private Partnerships Manager for a national community development finance nonprofit. He also has related experience as a public finance banker focused on governmental, housing, and community facilities transactions. Mr. Gaughan earned a Bachelor of Arts degree from Middlebury College and a Master of City Planning degree from the University of Pennsylvania.

VERMONT STATE COLLEGES SYSTEM

The Vermont State Colleges, also known as the Vermont State Colleges System, is a public corporation and instrumentality of the State organized and existing under the laws of the State to plan, supervise, administer, and operate facilities for higher education. The VSCS has previously issued bonds under Sections 2171 to 2186, inclusive, of Title 16 of Vermont Statutes Annotated (the "VSCS Act"), a portion of which is expected to be repaid on the date of issuance of the Bonds from the proceeds thereof.

The 2020 VSCS Bond will be issued under the VSCS Act as a general, unsecured obligation pursuant to resolutions adopted by the VSCS on January 6, 2020.

The VSCS may issue additional bonds in the future.

For further information about the VSCS, including its outstanding indebtedness, see Appendix A – "CERTAIN INFORMATION REGARDING THE VERMONT STATE COLLEGES SYSTEM."

THE BONDS

Description

The Bonds shall be dated their date of delivery, shall mature on October 1 in the years and principal amounts, and shall bear interest at the rates per annum, set forth on the inside cover page of this Official Statement.

The Bonds shall bear interest from their date, payable on October 1, 2020 and semi-annually thereafter on October 1 and April 1 of each year. The Bonds initially will be issued as one fully registered bond for each maturity in the aggregate principal amount for such maturity as set forth on the inside cover page of this Official Statement in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). Beneficial ownership in the Bonds may be acquired or transferred only through book-entries made on the records of DTC and its participants in the principal amount of $5,000 or integral multiples thereof. The principal of and interest on the Bonds will be paid by U.S. Bank National Association, as Trustee and paying agent (the "Paying Agent"). As long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, such payments will be made directly to Cede & Co. Interest on any Bond which is payable and is punctually paid or provided for on any interest payment date will be paid to the registered owner at the close of business on the March 15 and September 15 next preceding such interest payment date (the "Record Date").

Book-Entry-Only System

Unless otherwise noted, portions of the description that follows of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of interest and other payments on the Bonds to DTC Participants or Beneficial Owners of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, the DTC Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the Bond Bank for inclusion in this Official Statement. Accordingly, the Bond Bank, the VSCS and the Underwriters do not and cannot make any representations concerning these matters.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all of the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

The principal of and interest and premium, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Bank or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Bond Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of and interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Bank or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Bond Bank or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Bond Bank may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In such event, Bond certificates will be printed and delivered.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE BOND BANK BELIEVES TO BE RELIABLE, BUT THE BOND BANK TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

Redemption Provisions

Optional Redemption

The Bonds maturing prior to October 1, 2030 are not subject to redemption. The Bonds maturing on and after October 1, 2030 are subject to redemption, at the option of the Bond Bank (which may be upon the request of VSCS), at any time on and after October 1, 2029, either as a whole, or in part (and by lot if less than all of a maturity and interest rate is to be redeemed) from the maturities designated by the Bond Bank (which may be as requested by VSCS) at a Redemption Price of par plus accrued interest to the date of redemption.

Notice of such redemption shall be mailed not less than thirty (30) days before the redemption date to the registered owners of any Bonds or portions of Bonds to be redeemed. Notice of redemption having been given, as aforesaid, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date and from and after such redemption date, interest on such Bonds shall cease to accrue and become payable.

Mandatory Sinking Fund Redemption

The Bonds maturing October 1, 2040 will be subject to redemption prior to maturity by lot on each October 1, under the provisions of the Resolution, at the principal amount thereof plus accrued interest to the redemption date, without premium, from sinking fund payments and on the dates, as set forth below:

Bonds maturing October 1, 2040

Year	Sinking Fund Payment
2038	$1,665,000
2039	1,730,000
2040	1,800,000

Exchange and Transfer

The Resolution provides that Bonds, upon surrender thereof at the corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his attorney duly authorized in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same maturity of any other authorized denominations.

The Bonds shall be transferable only upon the books of the Bond Bank, which shall be kept for the purpose at the corporate trust office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any Bond the Bond Bank shall issue in the name of the transferee a new registered Bond or Bonds of the same aggregate principal amount and maturity as the surrendered Bond.

In all cases in which the privilege of exchanging bonds or transferring registered bonds is exercised, the Bond Bank shall execute and the Trustee shall deliver bonds in accordance with the provisions of the VSCS Program Resolution. The Bonds are interchangeable for bonds of like series at the office of the Trustee upon the payment of a charge sufficient to reimburse it for any tax, fee or any other governmental charge required to be paid. The cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Bank or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge) shall be paid by the Bond Bank as an Administrative Expense. See, however, "THE BONDS - Book-Entry-Only System" herein for a description of the exchange and transfer provisions applicable to beneficial ownership interests in the Bonds.

SOURCES AND USES OF FUNDS

The proceeds of sale of the Bonds are expected to be used and applied as set forth below, rounded to the nearest dollar.

Sources of Funds:	
Principal amount of Bonds	$24,185,000
Aggregate Original Issue Premium for the Bonds	4,538,755
TOTAL SOURCES	$28,723,755
Uses of Funds:	
Deposit to Escrow Fund to refund VSCS Prior Bonds	$28,409,156
Costs of Issuance (including Underwriters' Discount)	314,599
TOTAL USES	$28,723,755

PLAN OF FINANCING

Proceeds of the Bonds are expected to be used to make a loan to the Vermont State Colleges System (the "VSCS Loan"), through the purchase by the Bond Bank of the 2020 VSCS Bond. Such proceeds will be used by VSCS to refund the VSCS Prior Bonds and to pay certain costs of issuance of the Bonds. See Appendix A – "CERTAIN INFORMATION REGARDING THE VERMONT STATE COLLEGES SYSTEM " under the heading "Indebtedness of the Corporation." A portion of the proceeds of the Bonds will be deposited in an Escrow Fund (the "Escrow Fund") to be held by The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent") under an Escrow Agreement among the Bond Bank, the VSCS and the Escrow Agent. A portion of such funds in the amount of $28,409,155.00 will be applied to the purchase of direct obligations of the United States of America ("Government Obligations") bearing interest and maturing at times sufficient, together with the cash balance in the Escrow Fund, to redeem the VSCS Prior Bonds on July 1, 2020.

SECURITY FOR THE BONDS

The following is a brief summary of security for the VSCS Program Bonds, including the Bonds. For a more detailed description, see Appendix B – "SUMMARY OF CERTAIN PROVISIONS OF THE VSCS PROGRAM RESOLUTION" hereto, the Resolution and the Act.

The Bond Bank's obligation to pay the principal of and interest on VSCS Program Bonds is subject to the provisions of other resolutions now or hereafter pledging particular monies, assets or revenues to particular notes or bonds. The State is not obligated to pay the principal of or interest on VSCS Program Bonds, and neither the faith and credit nor the taxing power of the State is pledged to the payment thereof. VSCS Program Bonds are special obligations of the Bond Bank, and to which the interests of the Bond Bank in the funds and accounts established by the VSCS Program Resolution and rights to receive revenues under the VSCS Program Resolution are pledged for the payment of the principal or Redemption Price of and interest on VSCS Program Bonds.

No other funds of the Bond Bank are available to pay VSCS Program Bonds, and the State is not obligated to pay the principal of or interest thereon and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or interest on VSCS Program Bonds.

To secure the payment of the principal or Redemption Price of and interest on VSCS Program Bonds, the Bond Bank pledges and assigns for the benefit of the Holders of VSCS Program Bonds, all VSCS Bonds and VSCS Bond Payments. The VSCS Program Resolution creates a continuing pledge and first lien on the foregoing to secure the full and final payment of the principal or Redemption Price of and interest on all of the bonds issued pursuant to the VSCS Program Resolution. The VSCS Bonds and the VSCS Bond Payments, the investments thereof and the proceeds of such investments, if any, and all funds and accounts established by the Resolution (except for any Rebate Fund established in connection with a series of bonds) are pledged for the payment of the principal or Redemption Price of and interest on VSCS Program Bonds in accordance with the terms and provisions of the Resolution. The foregoing pledge is subject to the provisions of any other resolutions or indentures pledging and appropriating particular monies, assets or revenues to particular notes or bonds.

There shall at all times be scheduled payments of principal and interest on VSCS Bonds pledged under the VSCS Program Resolution which, when added to interest and other income, if any, estimated by the Bond Bank to be derived from the investment or deposit of money available therefor in any Fund or Account created by the VSCS Program Resolution, will be sufficient to pay Debt Service on all Outstanding VSCS Program Bonds when due.

Loan Agreement and 2020 VSCS Bond Payments

The Loan Agreement under which the VSCS Loan is made to the VSCS from the proceeds of the Bonds must comply with certain terms and conditions, including the following:

(a) the VSCS shall, prior to or as soon as practicable upon the issuance of the Bonds issue the 2020 VSCS Bond as a valid general obligation of the VSCS;

(b) the VSCS shall be obligated to pay Fees and Charges to the Bond Bank at the times and in the amounts which will enable the Bond Bank to pay the amounts specified in "Fees and Charges" below; and

(c) the Bond Bank shall not sell and the VSCS shall not redeem prior to maturity the 2020 VSCS Bond prior to the date on which a sufficient amount of Outstanding Bonds are redeemable, and in the event of any sale or redemption prior to maturity of any portion of the VSCS Bond thereafter, the same shall be in an amount equal to the aggregate of (i) the principal amount, interest to accrue to the next redemption date, and redemption premium, if any, needed to redeem a sufficient amount of Outstanding Bonds to assure that there shall at all times be scheduled payments of principal and interest on the 2020 VSCS Bond pledged under the VSCS Program Resolution, which, when added to interest and other income estimated by the Bond Bank to be derived from the investment or deposit of money available therefor in any Fund or Account created by the VSCS Program Resolution, will be sufficient to pay Debt Service on all Outstanding Bonds when due, and (ii) the costs and expenses of the Bond Bank in effecting the redemption of the Bonds so to be redeemed, less the amount of monies available in the applicable sub-account or sub-accounts in the Redemption Account and for application to the redemption of the Bonds so to be redeemed in accordance with the terms and provisions of the VSCS Program Resolution, as determined by the Bond Bank.

Fees and Charges

The Bond Bank shall establish, make, maintain and charge such Fees and Charges to the VSCS, and shall from time to time revise such Fees and Charges whenever necessary, so that such Fees and Charges actually collected from the VSCS will at all times produce monies which, together with other monies available therefor, including any grants made by the United States of America or any agency or instrumentality thereof or by the State or any agency or instrumentality thereof, will be at least sufficient to pay, as the same becomes due, the Administrative Expenses of the Bond Bank and the fees and expenses of the Trustee and Paying Agents.

Intercept of State Funding and Other Enforcement of the 2020 VSCS Bond

The Bond Bank shall diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of the Loan Agreement and the 2020 VSCS Bond, including the prompt collection, and the giving of notice to the State Treasurer of any failure or default of the VSCS in the payment, of the 2020 VSCS Bond or of its Fees and Charges.

On April 19, 2016, the Act was amended with respect to the provisions relating the State Treasurer's ability to intercept State funding to Governmental Units, including the VSCS, that are in default on their payment obligations on Municipal Bonds, including VSCS Bonds, acquired or held by the Bond Bank. Effective July 1, 2016, the Act, as so amended, provides that upon receipt by the State Treasurer of written notice from the Bond Bank (or the Trustee) that a Governmental Unit is in default on the payment of principal or interest on a Municipal Bond acquired or held by the Bond Bank, the State Treasurer will immediately withhold all further payment to the Governmental Unit of any or all funds appropriated and payable by the State to the Governmental Unit, until the default is cured. During the default period, the State Treasurer will make direct payment of all, or as much as is necessary, of the withheld amounts to the Bond

Bank, or at the Bond Bank's direction, to the Trustee or paying agent for the bonds, so as to cure, or cure insofar as possible, the default as to the bond or the interest on the bond.

The State Treasurer, the Bond Bank and the Commissioner of the Vermont Department of Finance and Management (the "Commissioner") have entered into a State Intercept Memorandum of Agreement (the "Intercept MOA") to establish procedures with respect to the intercept of State funds described above. Under the Intercept MOA, as applicable for VSCS Program Bonds, upon any failure of the VSCS to pay in full on the due date of the VSCS Bond Payments (March 1 and September 1 for the 2020 VSCS Bond), within ten business days the Bond Bank shall notify the State Treasurer of the amount not paid by the VSCS. No later than six business days following the receipt of such notice, the State Treasurer will determine an estimate of the amount of State funds due to the VSCS for the remainder of the fiscal year and work with the Commissioner to intercept such funds and remit them to the Trustee. The MOA further provides that to the extent there remains any unpaid VSCS Bond Payments as of the end of a fiscal year of the State, State funds available in the next fiscal year would be intercepted.

Any intercepted payment made by the State Treasurer to the Bond Bank (or the Trustee or paying agent for the Bonds), as described above, will be credited as if made directly by the Governmental Unit.

The Act, as so amended, further provides that no provision thereof shall be construed: (1) to limit, impair, or impede the rights or remedies granted to the holders of bonds issued by the Bond Bank and the Governmental Units; (2) to require the State to continue the payment of State aid or assistance to any Governmental Unit; (3) to limit or prohibit the State from repealing or amending any law relating to State aid or assistance, including the manner and time of payment or apportionment, or the amount of aid or assistance; (4) to create any obligation on the part of the State Treasurer or the State to make any payment on behalf of a defaulting Governmental Unit other than from funds appropriated and payable to a defaulting Governmental Unit by the State.

For information about State funding to the VSCS during each of the prior five fiscal years and a comparison of such amounts to the maximum annual debt service on the Bonds, see Appendix A – "CERTAIN INFORMATION REGARDING THE VERMONT STATE COLLEGES SYSTEM – State Appropriations." Over the last five fiscal years, base State appropriations to the VSCS were between 3.34 and 4.41 times the maximum annual debt service on the Bonds and the 2017 Bonds.

There can be no assurance that State appropriations to the VSCS in the amounts set forth in Appendix A hereto or in any other amount will continue in future years or that such appropriations will be available at the time needed, if necessary, to satisfy the VSCS Bond Payments. The State has no obligation to appropriate any funds to the VSCS in any year.

In addition, the Act provides that upon the sale and issuance of any Municipal Bonds to the Bond Bank by any Governmental Unit, that Governmental Unit is deemed to agree that on the failure of that Governmental Unit to pay interest or principal on any of the Municipal Bonds owned or held by the Bond Bank when payable, all defenses to nonpayment are waived. Notwithstanding any other law, including any law under which the Municipal Bonds were issued by that Governmental Unit, the Bond Bank upon nonpayment is constituted a holder or owner of the Municipal Bonds as being in default.

Pledge of VSCS Bonds and VSCS Bond Payments

To secure the payment of the principal or Redemption Price of and interest on VSCS Program Bonds, the Bond Bank pledges and assigns to the Trustee, for the benefit of the Holders of VSCS Program Bonds, all VSCS Bonds and VSCS Bond Payments. The pledge of such VSCS Bonds and VSCS Bond Payments for the benefit of the Holders of VSCS Program Bonds shall be valid and binding from and after the date of adoption of the VSCS Program Resolution, and such VSCS Bonds and VSCS Bond Payments shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Bond Bank, irrespective of whether such parties have notice thereof. The foregoing pledge is subject to the provisions of any other resolutions or indentures hereafter issued on behalf of VSCS pledging and appropriating particular monies, assets or revenues to particular notes or bonds.

The VSCS is authorized to incur debt and issue bonds for a variety of capital costs and to secure its obligation as a general obligation of the VSCS payable from funds available to the VSCS. See Appendix A – "CERTAIN INFORMATION REGARDING THE VERMONT STATE COLLEGES SYSTEM " under the heading "Indebtedness of the Corporation." The intercept of State funds appropriated for VSCS, as described above under "Intercept of State Funding and Other Enforcement of VSCS Bonds" is not available to general obligation debt of the VSCS, but is provided under the Act as a remedy for the Bond Bank, as the holder of Municipal Bonds, including VSCS Bonds.

No Reserve Fund for VSCS Program Bonds

The Act provides that the Bond Bank may establish and maintain a reserve fund to secure its bonds and, if funded, the State, by its General Assembly, is legally authorized, but not legally obligated, to appropriate annually such sum as is necessary to restore the reserve fund to its required funding amount. No reserve fund is established under the VSCS Program Resolution or will be funded in connection with the Bonds. Accordingly, the State will not be called upon to appropriate funds for the Bonds. The reserve fund established by the Pool Resolution is not pledged to and is not available to pay the Bonds or any other VSCS Program Bonds issued under the VSCS Program Resolution.

AGREEMENT OF THE STATE AND THE BOND BANK

Section 4621 of the Act provides that the State does pledge to and agree with the holders of the bonds or notes of the Bond Bank that it will not limit or restrict the rights vested in the Bond Bank to fulfill the terms of any agreement made with bondholders or noteholders, or in any way impair the rights or remedies of such holders until the bonds and notes, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such holders, are fully met and discharged, and, under the VSCS Program Resolution, the Bond Bank covenants that it will not cause the State to take any such action.

BONDS AS LEGAL INVESTMENTS

Under the provisions of Section 4623 of the Act, the Bonds, in the State, are securities in which all public officers and bodies of the State and all its municipalities and municipal subdivisions, all insurance companies and associations, and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are or may be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them.

SECURITY FOR PUBLIC DEPOSITS

Bonds or notes of the Bond Bank are authorized security for any and all public deposits in the State.

TAX EXEMPTION

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel to the Bond Bank ("Bond Counsel"), is of the opinion that, under existing law, interest on the Bonds will not be included in the gross income of the holders of the Bonds for federal income tax purposes. Bond Counsel's opinion is expressly conditioned upon compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), which requirements must be satisfied subsequent to the date of issuance of the Bonds in order to ensure that interest on the Bonds is and continues to be excludable from the gross income of the holders of the Bonds for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of the holders thereof retroactive to the date of issuance of the Bonds. In particular, and without limitation, these requirements include restrictions on the use, expenditure and investment of Bond proceeds and the payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. The Bond Bank has provided covenants and certificates as to continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, interest on the Bonds will not constitute a preference item under Section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax. Bond Counsel has not opined as to any other matters of federal tax law relating to the Bonds. However, prospective purchasers should be aware that certain collateral consequences may result under federal tax law for certain holders of the Bonds. The nature of these consequences depends on the particular tax status of the holder and the holder's other items of income or deduction. Holders should consult with their own tax advisors with respect to such matters.

Interest paid on tax-exempt obligations such as the Bonds is generally required to be reported by payors to the Internal Revenue Service ("IRS") and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if the bond holder fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the Bond holder as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Bonds from gross income for federal tax purposes.

In the opinion of Bond Counsel, under existing law, interest on the Bonds is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes. Bond Counsel has not opined as to the taxability of the Bonds and the interest thereon under the laws of any state other than Vermont.

For federal and Vermont income tax purposes, interest on the Bonds includes any original issue discount, which with respect to a Bond, is equal to the excess, if any, of the stated redemption price at maturity of such bond over the initial offering price at which a substantial amount of all such Bonds of the same series and maturity was sold. Original issue discount accrues based on a constant yield method over the term of a Bond. Holders of Bonds should consult their own tax advisors with respect to the computations of original issue discount during the period in which any such Bond is held.

An amount equal to the excess, if any, of the purchase price of a Bond over the principal amount payable at maturity constitutes amortizable bond premium for federal and Vermont income tax purposes. The required amortization of such premium during the term of a Bond will result in reduction of the holder's tax basis on such Bond. Such amortization also will result in reduction of the amount of the stated interest on the Bonds taken into account as interest for tax purposes. Holders of Bonds purchased at a premium should consult their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to the state or local tax consequences of owning such Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds, including legislation, court decisions, or administrative actions, whether at the federal or state level, may affect the tax exempt status of interest on the Bonds or the tax consequences of ownership of the Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly reduce or eliminate the benefit of the exclusion of the interest on the Bonds from gross income for federal income tax purposes or any state tax benefit. Tax reform proposals and deficit reduction measures, including but not limited to proposals to reduce the benefit of the interest exclusion from income for certain holders of tax-exempt bonds, including bonds issued prior to the proposed effective date of the applicable legislation, and other proposals to limit federal tax expenditures, have been and are expected to be under ongoing consideration by the United States Congress. These proposed changes could affect the market value or marketability of the Bonds and, if enacted, could also affect the tax treatment of all or a portion of the interest on the Bonds for some or all holders. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences.

On the date of delivery of the Bonds, the original purchasers thereof will be furnished with an opinion of Bond Counsel substantially in the form attached hereto. See Appendix C – "PROPOSED FORM OF OPINION OF BOND COUNSEL."

LITIGATION AND OTHER PROCEEDINGS

There is no controversy or litigation of any nature now pending, or to the knowledge of the Bond Bank, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds or prohibiting the Bond Bank from making the VSCS Loan with the proceeds of the Bonds or any proceeding of the Bond Bank taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the Bonds or the existence or powers of the Bond Bank.

There is no controversy or litigation of any nature, now pending or, to the knowledge of VSCS, threatened, restraining or enjoining the issuance, sale, execution or delivery of the 2020 VSCS Bond to the Bond Bank, or in any way contesting or affecting the sale or validity of the 2020 VSCS Bond or the Loan Agreement or any proceedings of VSCS taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or securities provided for the payment of the VSCS Bonds or the existence or powers of the VSCS. See Appendix A – "CERTAIN INFORMATION REGARDING THE VERMONT STATE COLLEGES SYSTEM."

APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel. The VSCS Loan made by the Bond Bank with the proceeds of the Bonds will be made by the Bond Bank subject to the approval of the 2020 VSCS Bond securing the VSCS Loan and to the validity and enforceability of the Loan Agreement entered into by the VSCS by bond counsel to VSCS, and such bond counsel will, at the time of the making of the VSCS Loan, provide the Bond Bank with an opinion as to the validity and enforceability of the 2020 VSCS Bond securing the VSCS Loan and the Loan Agreement entered into by the VSCS.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission, the Bond Bank and the VSCS will undertake to provide annual reports and notice of certain events with respect to the Bond Bank and the VSCS by filing with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system. A description of this undertaking is set forth in Appendix E attached hereto.

In reviewing its compliance with existing continuing disclosure undertakings in connection with this issue, the VSCS discovered that in the past five years it failed to include its current budget as required in its annual reports filed with EMMA and it did not timely file notice of rating downgrades, including one that occurred in August 2015. The VSCS has since made corrective filings to address these issues.

FINANCIAL ADVISOR

Omnicap Group LLC, El Segundo, California serves as financial advisor to the Bond Bank. The financial advisor is a municipal advisor registered with the Securities and Exchange Commission and the MSRB, is an independent advisory firm, and is not engaged in the business of underwriting, trading or distribution municipal securities or other public securities and therefore will not participate in the underwriting.

FINANCIAL STATEMENTS

The financial statements of the Bond Bank for the fiscal year ended December 31, 2018 have been examined by Mudgett, Jennett & Krogh-Wisner, P.C., independent public accountants, as indicated in their report with respect thereto, and are included in Appendix D-1.

The financial statements of the VSCS for the fiscal year ended June 30, 2019 have been examined by O'Connor & Drew, P.C., independent public accountants, as indicated in their report with respect thereto, and are included in Appendix D-2.

UNDERWRITING

The Bonds are being purchased by the Underwriters, for whom Morgan Stanley & Co. LLC is acting as representative, at an aggregate purchase price of $28,614,752.77 (consisting of the aggregate stated principal amount of the Bonds, $24,185,000.00, plus original issue premium, $4,538,754.85, less aggregate Underwriters' discount, $109,002.08). The Contract of Purchase for the Bonds provides that the Underwriters will purchase all of the Bonds if any are purchased. The obligations of the Underwriters are subject to certain terms and conditions set forth in the Contract of Purchase. Subject to the Contract of Purchase, the Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts) and others at prices lower than the public offering prices stated on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriters.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. may compensate Fidelity for its selling efforts with respect to the Bonds.

RATING

Moody's Investors Service, Inc. ("Moody's") has rated the Bonds "Aa2". Such rating reflects only the view of such rating agency and any desired explanation of the significance of such rating may be obtained from Moody's. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any period of time or that such rating will not be revised or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any revision or withdrawal of the rating may have an effect on the market price of the Bonds.

MISCELLANEOUS

The quotations from, and summaries and explanations of the Act, the Resolution and the Loan Agreement contained herein do not purport to be complete and reference is made to said law, Resolution and Loan Agreement for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Bond Bank and the purchasers or Holders of any of the Bonds.

VERMONT BOND BANK

By:*/s/ Michael Gaughan*
Executive Director

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APPENDIX A
VERMONT STATE COLLEGES

Introduction

Vermont State Colleges, also known as Vermont State Colleges System ("*VSCS*" or the "*Corporation*") was created by an act of the Vermont General Assembly on July 28, 1961 (as codified at 16 V.S.A. 2171 *et seq.*, the "*Act*") as a public corporation and instrumentality of Vermont (the "*State*" or *"Vermont"*), with a purpose to "plan, supervise, administer and operate facilities for education above the high school level, supported in whole or in substantial part with state funds." Upon its creation, VSCS acquired Castleton Teachers College (which subsequently became Castleton State College in 1961 and then Castleton University in 2015, referred to herein as "*CU*" or "*Castleton*"), Johnson Teachers College (which subsequently became Johnson State College in 1961, referred to herein as "*JSC*" or "*Johnson*"), Lyndon Teachers College (which subsequently became Lyndon State College in 1961, referred to herein as "*LSC*" or "*Lyndon*") and Vermont Technical College ("*VTC*"). In 1972, the Community College of Vermont ("*CCV*") was merged into the Corporation. In 2018, JSC and LSC were unified to become Northern Vermont University (referred to herein as "*NVU*" and for each campus, "*NVU-Johnson*" and "*NVU-Lyndon*"). The Corporation, therefore, currently consists of four separate colleges (the "*Colleges*").

Certain Provisions of the Act Establishing the Corporation

Section 2171 of the Act provides in part that:

"(c) The Corporation may acquire, hold and dispose of property in fee or in trust, or any other estate, except as provided in subsection (d) of this section, shall have a common seal, and shall be an instrumentality of the state for the purposes set forth in this section. The State of Vermont shall support and maintain the Corporation.

(d) The Corporation shall not abandon, lease, sell or dispose of any of the institutions under its control unless such action is specifically authorized by the General Assembly. The terms of any such sale, lease or other disposal shall be prescribed by the Agency of Administration, with the approval of the Governor, within the terms of the authorization of the General Assembly.

(e) The Corporation may make expenditures for capital improvements. The Corporation is authorized to borrow money for building purposes, to give security therefor as may be required, to execute necessary or proper instruments in connection therewith, and is also authorized to accept, use, and administer such funds as may be made available to it for any of its corporate purposes by the United States or any of its agencies, and to agree to any terms and conditions with reference thereto which may be required thereby not inconsistent with its corporate purposes."

Organization and Membership of the Corporation

The Act provides that the Corporation shall be governed by a fifteen-member Board of Trustees (the "*Board*"). The Governor of Vermont (the "*Governor*") appoints five of the Trustees (the "*Appointed Trustees*"), and the Board elects four of the Trustees (the "*Elected Trustees*"), in each case to serve four-year terms. In addition to the Appointed Trustees and Elected Trustees, the Board is comprised of: (i) one Trustee who shall be a matriculated student at one of the Colleges and is selected annually by students across the Colleges as their representative; (ii) four Trustees serving four-year terms who are members of the Vermont Legislature and are elected every other year by the General Assembly of the Legislature as their representatives; and (iii) the Governor.

The officers of the Board consist of a Chair, Vice-Chair, Secretary and Treasurer. There are five standing committees of the Board: Audit; Education, Personnel and Student Life; Executive; Finance & Facilities; and Long Range Planning.

Below are the names of, positions held by, and terms of the present members of the Board:

Name	Board Position(s)	Occupation	Term Expiration
The Honorable Phillip B. Scott, Governor	Member	Governor of the State of Vermont	*Ex-Officio*
Janette Bombardier	Member	Chief Engineering Officer, Chroma Technology Corp.	February 28, 2021
Megan Cluver	Member	Senior Manager, Deloitte Consulting LLP	March 1, 2023
Rep. Lynn Dickinson	Vice Chair	Business Manager	February 28, 2020
Margaret "Peg" Flory	Member	Retired	March 1, 2023
Rep. Dylan Giambatista	Member	Director of Financial Literacy and Outreach, State Treasurer's	February 28, 2022
Isabel "Izzy" Gogarty	Member	Student Trustee (Castleton)	May 31, 2020
Adam Grinold	Member	Executive Director, Brattleboro Economic Development	March 1, 2023
J. Churchill "Church" Hindes	Chair	Retired	February 28, 2021
Rep. Bill Lippert, Jr.	Member	Retired	February 28, 2020
Karen Handy Luneau	Secretary	Co-Owner, Handy Toyota	February 28, 2021
Rep. Jim Masland	Member	Consultant and Building Contractor	February 28, 2022
Linda Milne	Treasurer	Certified Public Accountant	February 28, 2021
Michael S. Pieciak	Member	Commissioner, Vermont Department of Financial Regulation	February 28, 2021
David Silverman	Member	President & CEO, Union Bank	February 23, 2021

The Colleges

The operating Colleges of the Corporation include: (a) two four-year, campus-based, liberal arts colleges — Castleton and NVU; (b) a four-year, campus-based technical college, VTC; (c) a two-year, non-campus based community college providing education at twelve sites around the State, CCV; and (d) system offices and services (the "*Office of the Chancellor*"). These entities serve in excess of 11,800 students in both leased and owned facilities, the latter comprised of more than 150 buildings, which when combined with infrastructure, equipment and approximately 1,700 acres of land have a combined replacement value of approximately $500 million. Following are brief descriptions of each of the Colleges:

CASTLETON UNIVERSITY was founded in 1787 and is located about 10 miles west of Rutland, Vermont, in the Village of Castleton. Castleton is a four-year, coeducational, liberal arts college with present enrollment of approximately 2,400 students. Castleton awards associate degrees primarily in nursing; bachelor's degrees primarily in arts & sciences, business, communication, and physical education-related programs; and master's degrees in education. Accreditation is by the New England Association of Schools and Colleges ("*NEASC*"), the Commission on Accreditation of Athletic Training Education, the National Council on Social Work Education, and the National League for Nursing Accrediting Commission. Castleton's current President is Karen D. Scolforo, Ph.D.

NORTHERN VERMONT UNIVERSITY was created on July 1, 2018 with the unification of JSC and LSC. JSC, which upon unification became NVU-Johnson, was founded in 1828 and is located about 35 miles northeast of Burlington, Vermont, in the Village of Johnson. LSC, which upon unification became NVU-Lyndon, was founded in 1911 and is located about 10 miles north of St. Johnsbury, Vermont, in the Village of Lyndonville. NVU-Johnson is a four-year, coeducational, liberal arts campus with present enrollment of approximately 1,600 students, and awards a small number of associate degrees in business, general studies and technical theatre; bachelor degrees primarily in arts & sciences, business, elementary education, and psychology; and master degrees in education, counseling, and studio art. NVU-Lyndon is a four-year, coeducational college offering a wide array of professional programs along with programs in the liberal arts and sciences. The present enrollment is approximately 975 students, most of whom major in a professional program. NVU-Lyndon awards associate degrees primarily in business, graphic design, and general studies; bachelor's degrees primarily in business, visual arts, education, exercise science, human services, television studies, and meteorology; and master's degrees in education. Accreditation is by the NEASC, as well as the Commission on Accreditation of Allied Health Education Programs (CAAHEP). NVU's current President is Elaine C. Collins, Ph.D.

VERMONT TECHNICAL COLLEGE was founded in 1866 and is located about 25 miles south of Montpelier, Vermont, in the Village of Randolph Center. VTC is a four-year, coeducational, technical college with present enrollment of approximately 1,700 students. VTC awards one-year certificates in nursing; associate degrees primarily in architecture, nursing, computer science, automotive technology, and engineering technology (architectural & building, civil, electrical & electronics, mechanical, rehabilitation); and bachelor's degrees primarily in business, computer science, electromechanical engineering, sustainable technology and design and agriculture. Accreditation is by the NEASC, the Accrediting Board for Engineering Technology, the National League for Nursing, the Vermont State Board of Nursing, the National Automotive Technology Education Foundation, the Federal Aviation Administration, the American Veterinary Medical Association and the Commission on Accreditation for Respiratory Care. VTC's current President is Patricia Moulton.

COMMUNITY COLLEGE OF VERMONT was founded in 1970 and is located in owned and leased space at 12 sites including Bennington, Brattleboro, Middlebury, Montpelier, Morrisville, Newport, Rutland, Springfield, St. Albans, St. Johnsbury, and White River Junction, with administrative offices based in the City of Montpelier. CCV also has a location in Winooski where VSCS leases the property but owns the building. CCV is a two-year, coeducational, community college with present enrollment of approximately 5,100 students. CCV awards associate degrees in a broad range of studies geared toward needs of its students, many of whom are working adults. Accreditation is by the NEASC. CCV's current President is Joyce Judy.

THE SYSTEM OFFICES AND SERVICES are located in Montpelier, Vermont. This consolidated administrative component of the Corporation is comprised of: (1) the Office of the Chancellor; (2) the Board; (3) Administrative Information Systems; and (4) System Support - administratively centralized to serve the Corporation and the Colleges. Each College President reports to the Chancellor of the Corporation (the *"Chancellor"),* who is also the chief executive officer of the Corporation. George B. "Jeb" Spaulding is the current Chancellor. The Executive Officers of the Corporation, listed below, coordinate the Corporation's respective functions in concert with related staff officials of each College.

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Executive Officers

Set forth below is summary biographical information concerning the Chancellor and the staff of the Office of the Chancellor.

Chancellor – George B. "Jeb" Spaulding

George B. "Jeb" Spaulding began his tenure as Chancellor of VSCS in January 2015. Since becoming Chancellor, he has focused on creating a more comprehensive and interconnected system of distinctive institutions, in order to increase opportunities and supports for students, create a stronger more diverse community of faculty and staff, and ensure a stronger financial foundation for all VSCS institutions.

From 2011 to 2014, Mr. Spaulding served as Secretary of the Vermont Agency of Administration, the senior cabinet position in the Executive Branch, under Governor Peter Shumlin. In 2003, he won his first of five elections to become Vermont State Treasurer, and in 2009 served as President of the National Association of State Treasurers. As State Treasurer, Mr. Spaulding served on the boards of the Vermont Economic Development Authority, the Vermont Student Assistance Corporation, the Vermont Housing Finance Authority, the Vermont Municipal Bond Bank, the Vermont Education and Health Building Finance Agency, and the Vermont Pension Investment Committee.

Mr. Spaulding was a Vermont State Senator from 1985 to 2000, chairing, at various points, the Senate Appropriations Committee, Senate Education Committee, Joint Fiscal Committee, and Joint Administrative Rules Committee. During his time as a State Senator, he was a trustee of the New England Board of Higher Education and a Commissioner of the Education Commission of the States. Mr. Spaulding earned his BA in Mass Communications in 1975 and an M.Ed. in Administration and Planning in 1993, both from the University of Vermont. Over the years, he has been active in numerous local service organizations, such as Red Cross, United Way, 4-H, and Rotary.

Chief Financial Officer – Stephen T. Wisloski

Steve Wisloski has been the Chief Financial Officer of the Corporation since January 2016. Prior to working for the Corporation, Mr. Wisloski served five years as Vermont's Deputy State Treasurer and another two years as Director of Investments and Debt Management. Mr. Wisloski also worked for Public Financial Management for twelve years and served as an acquisition program manager in the U.S. Air Force. Mr. Wisloski earned a BS in Political Science from the Massachusetts Institute of Technology.

General Counsel – Sophie Zdatny

Sophie Zdatny began her tenure with VSCS as Associate General Counsel in August 2014 and has served as General Counsel since January 2017. Previously, she spent 15 years in private practice litigating cases and two years clerking for a federal judge. Prior to moving to Vermont in 2008, she taught several classes at West Virginia University's College of Law. She previously served as the President of the Vermont Bar Foundation and she currently sits on the Vermont Board of Bar Examiners. She is a member of the Central Vermont American Inns of Court. She has a BA in Political Science from Wellesley College and a J.D. from West Virginia University.

Chief Academic Officer – Yasmine L. Ziesler, Ph.D.

Dr. Ziesler supports the work of the Education, Personnel, and Student Life (EPSL) Committee of the Board. She works closely with several VSCS-wide teams including the academic deans, institutional research, registrars, teaching and learning technologies, and advising technology. Prior to joining the Chancellor's Office in 2015, Dr. Ziesler served as Dean of Technology and Associate Academic Dean at Castleton, and she began her VSCS career at the CCV in 2003. Dr. Ziesler received her Ph.D. in anthropology from Boston University and a BA in cognitive science-psycholinguistics from Brown University. She served as a Fulbright English teacher in the Republic of Korea in 1995-1996.

Mission of the Vermont State Colleges

For the benefit of Vermont, VSCS provides affordable, high quality, student-centered, and accessible education, fully integrating professional, liberal, and career study, consistent with student aspirations and regional and state needs. This integrated education, in conjunction with experiential learning opportunities, assures that graduates of VSCS programs will:

1. Demonstrate competence in communication, research and critical thinking;
2. Practice creative problem-solving both individually and collaboratively;
3. Be engaged, effective, and responsible citizens;
4. Bring to the workplace appropriate skills and an appreciation of work quality and ethics; and
5. Embrace the necessity and joy of lifelong learning for personal and professional growth.

VSCS provides continuing educational opportunities for individuals to meet their specific goals.

Vision of the Vermont State Colleges

To realize its mission for the benefit of Vermont:

- The VSCS will be known for high quality programs, as measured by the skills, knowledge and contributions of students, graduates and clients.
- VSCS system resources – human, financial, technological and physical – will be collaboratively leveraged to achieve our mission and stated goals, and to address agreed upon priorities.
- The VSCS will develop a culture of continuous improvement, supported by college and system assessment systems that measure progress toward stated goals.
- The VSCS will be recognized as a great place to work, in terms of what it offers employees as well as what it contributes to local communities.
- The VSCS will have comprehensive and timely access to data that inform college and system planning, management and decision making.
- The VSCS will maximize the advantages of being a system and minimize bureaucracy to maintain one comprehensive and interconnected system comprised of four distinct institutions.
- VSCS structures and delivery systems will be flexible enough to both anticipate and quickly adapt to shifting internal and external forces.
- VSCS services will be delivered when and where students and clients need them.
- The VSCS will meet or exceed students' and clients' expectations related to service.

Six Priorities to Support the Mission of the Vermont State Colleges

The following are the six primary strategies of VSCS:

Strategy 1: Increase the continuation rate of high school students on to postsecondary education.

- Provide effective leadership and advocacy, with partners, on the urgent need to increase postsecondary affordability and attainment while sustaining program quality.
- Expand strategies targeted at current populations of high school students who are not continuing with postsecondary education.
- Expand existing and create additional flexible academic pathways into and through degree programs, including providing meaningful certificates and associate degrees.

Strategy 2: Improve the retention and graduation rates at the Colleges.

- Implement degree maps to create clear curriculum paths to graduation.
- Improve access and use of data and advising technologies.
- Develop multiple delivery models for degree completion, including online, connected classrooms, and flexible schedule options.
- Continue to increase comprehensive and strategic approaches to student support services.

Strategy 3: Become a more attractive destination for Vermont high school graduates.

- Create a positive brand at the VSCS system level that supports the unique characteristics of each college and is rooted in the sustained quality of the academic experience.
- Continue to improve technological and physical infrastructure.
- Enhance relationships with school counselors statewide.
- Establish VSCS celebration and support of academic excellence.

Strategy 4: Serve well more working age Vermonters.

- Improve and expand flexible and online delivery of programs across the VSCS to increase number of degree programs available to students statewide.
- Work with employers on needs assessment and flexibility of delivery.
- Improve the entire technology infrastructure of the VSCS to ensure that it is user friendly and competitive.

Strategy 5: Operate as a more integrated system to expand student opportunities and achieve operational efficiencies.

- In addition to maximizing productive collaboration and integration across the entire system, develop strategic alliances between Johnson and Lyndon State Colleges, as well as Vermont Technical College and Community College of Vermont, intended to complement and/or supplement their individual strengths and weaknesses.
- Improve the entire technology infrastructure of the VSCS to ensure that it is user friendly and competitive.
- Review the financial model of the VSCS to ensure institutional stability and explore financial incentives that support collaboration and system interconnectedness.
- Reduce transferability and course-sharing barriers to expand the diversity of student academic and co-curricular learning opportunities.

Strategy 6: Increase state financial support and other supplemental revenues.

- More effectively advocate for state support.
- Increase grant-writing capacity in the VSCS.
- Collaborate on shared fundraising resources.

Other Activities of the Corporation

The Corporation oversees and advises entities engaged in activities other than traditional higher education.

The Corporation oversees the Vermont Small Business Development Center (the "*VTSBDC*") through the position of the VSCS Chancellor as a member of the VTSBDC's governing body. The VTSBDC is the Vermont branch of a federal initiative, the goal of which is to spur economic development through promoting the growth and success of small businesses. The VTSBDC supports Vermont companies through training on all aspects of business, delivered via group seminars, workshops and individualized consultation.

In addition, the Corporation advises the Vermont Manufacturing Extension Center ("*VMEC*") through the position of Pat Moulton, President of VTC, as a member of VMEC's Advisory Board. VMEC was formed in response to Vermont's selection for a Manufacturing Extension Partnership by the National Institute of Standards and Technology. As such, VMEC's goal is to improve manufacturing in Vermont and to strengthen the global competitiveness of the State's smaller manufacturers.

The Technology Extension Division ("*TED*") was established in 1991 to meet the education and training needs of Vermont employers. Since then, TED has served hundreds of companies and thousands of employees. TED draws upon the resources of VSCS and nationally recognized training vendors to provide educational programming in sales and marketing, supervision and management, healthcare, computer technology and manufacturing processes and operations.

Relationship with the State

The Corporation is an instrumentality of the State for operating facilities for education for above high school level. The Corporation has the statutory power to acquire, hold and dispose of property and to make expenditures for capital improvements. As such, the Corporation enjoys certain public and private aspects of operation. The Corporation's real and personal property used for educational (and not commercial) purposes is exempt from taxation.

Additionally, although the Corporation's financial statements are presented to the Legislature and the State financial officials each year, the revenues and debts of the Corporation are not the revenues or debts of the State.

Faculty and Employees

VSCS employees include both unionized and non-unionized individuals.

Full-time faculty at the three campus-based Colleges (Castleton, NVU, and VTC) comprise approximately 250 persons who are represented by the American Federation of Teachers ("*AFT*"). The initial certification for this unit was in 1973. The current full time faculty agreement expires August 31, 2022. Part-time faculty at the same three Colleges comprises approximately 300 persons who are also represented by AFT. The initial certification for this unit was in 1991. The current part-time faculty agreement expires August 31, 2021. The approximately 600 faculty who teach at CCV are all part-time and are represented by the AFT. The initial certification for this unit was in 2017. The current CCV faculty agreement expires August 31, 2021. There are also 50 faculty who teach in the External Degree Program through NVU who also are not currently represented by a union.

The 50 supervisory staff at the three campus-based Colleges who are not managerial or confidential employees are members of the Supervisory Unit of the VSCS United Professionals/AFT union. This unit was certified initially in 2002. The current agreement with this unit expires June 30, 2020. The United Professionals/AFT union also represents the 190 professional, administrative, and technical staff at the three campus-based colleges. This unit also was originally certified in 2002. The most recent agreement with this unit expires June 30, 2020.

The remainder of unionized employees at the four campus-based Colleges, approximately 155 individuals, are represented by the Vermont State Employees Association (*"VSEA"*). This unit was certified in 1993 as being represented by the VSEA although it had been certified prior to that date with different representation. The current agreement with this unit expires June 30, 2020.

There are approximately 300 other employees of the three campus-based Colleges, CCV and the Chancellor's Office. None of these employees is currently represented by a union.

The following two tables show the total VSCS staff for the last five years and the VSCS's full time faculty for the 2018-2019 academic year, respectively.

	Fall 2014	**Fall 2015**	**Fall 2016**	**Fall 2017**	**Fall 2018**
Total VSCS Staff	2,210	2,133	2,151	2,130	2,030

	2018-2019 Full-Time Faculty			
	CU	NVU-J	NVU-L	VTC
Total Full Time Faculty	76	36	44	100
Tenured Faculty	47	22	27	34
Student/Faculty Ratio	18 to 1	15 to 1	15 to 1	11 to 1

Retirement Plans; Post Retirement Obligations

All full-time employees are eligible for membership in the Corporation's retirement plan with TIAA-CREF (the "*Retirement Plan*") after varying waiting periods.

Contributions to the Retirement Plan are determined by employee category, and employees are not required to make contributions thereto. For the years ended June 30, 2019 and 2018, the Colleges' total payroll expense was approximately $78,107,000 and $79,584,000, respectively, of which approximately $51,902,000 and $53,887,000, respectively, represented salaries and wages of employees covered under the defined contribution plan. The Colleges' requirements to contribute to the retirement plan are specified by four collective bargaining agreements and by personnel policies for non-represented employees. During the years ended June 30, 2019 and 2018, contributions made by the Colleges under this plan totaled approximately $5,163,000 and $5,357,000, or approximately 9.95% and 9.94% of covered salaries, respectively.

Additionally, certain employees participate in one of two state defined benefit plans (Vermont Employees Retirement System or Vermont State Teachers Retirement System). Employees who were participants in either of these plans prior to their employment by any of the Colleges are allowed to continue participation. During the year ended June 30, 2019, there were no covered salaries for employees participating in the Vermont Employees Retirement System and there were no employer contributions. There were no contributions to the Vermont State Teachers Retirement System during 2019 and 2018.

Full-time faculty employees who have worked for the Colleges for 15 years may elect early retirement at age 55 and receive 50% of their annual salary as of their retirement date; full-time faculty employees who have worked for the Corporation for ten years may elect early retirement at age 55 and receive 40% of their annual salary as of their retirement date. In addition, the Corporation will pay 12% of the retiree's early retirement wages to the individual. This 12% payment represents the Corporation's contribution, which would have been made to the individual TIAA/CREF pension account. The payments due under this program are made by the Corporation and expense is recorded as the payments are incurred. During the years ended June 30, 2019 and 2018, the expenses for these benefits were approximately $899,000 and $850,000, respectively. The early retirement benefit is no longer being offered to new hires, but those employees who were eligible for early retirement before the benefit was discontinued in February 2015 have the option of electing for early retirement in October of every year. The benefit will be completely phased out when those employees currently eligible for early retirement either elect for early retirement or reach the age of 65.

The Corporation administers a self-insured single-employer defined benefit healthcare plan. The plan provides 100% of the lifetime healthcare payments for eligible employees, spouses or civil union partners. The self-insured plan, administered by CIGNA, covers both active and retired members. Benefit provisions are established through negotiations between the Corporation and the unions representing employees, and they are reviewed during the bargaining period prior to the termination date of each union contract. The retiree healthcare plan does not issue a publicly available financial report. The following employees were covered by the benefits terms at June 30,

	2019	2018
Retirees and Beneficiaries	607	554
Active Plan Members	891	994
Total plan members	1,498	1,588

Contribution requirements are also negotiated between the Corporation and union representatives. The Corporation contributes 100% of the current-year utilization costs for eligible employees, spouses or civil union partners. For the fiscal years 2019 and 2018, the Corporation recognized employer contributions of $6,181,621 and $6,318,175, respectively, for both healthcare and early retirement. The plan is financed on a pay-as-you-go basis. In fiscal years 2019 and 2018, there were no member contributions.

The Corporation's Other Post Employment Benefit (*"OPEB"*) cost (expense) includes most changes in the net OPEB liability. The effect 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, 2019 and 2018, the Corporation reported a total net OPEB liability of $189,003,550 and $188,498,148, respectively. The total net OPEB liability as of June 30, 2019, the reporting date, was measured as of June 30, 2018, the measurement date, and the actuarial valuation date of July 1, 2017 was rolled forward from the prior measurement date of June 30, 2017. The total net OPEB liability as of June 30, 2018, the reporting date, was measured as of June 30, 2017, the measurement date, and the total net OPEB liability was determined by an actuarial valuation date as of July 1, 2017.

In addition to earned retirement benefits, full-time employees who retire are entitled to a reduced amount of paid premium life insurance and paid health insurance premiums for themselves and, subject to certain requirements, for their spouses. Premiums for such coverage are fully paid by the Corporation.

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The following table shows the components of the Corporation's annual OPEB costs for the years ended June 30, 2019 and 2018 and the changes in the Corporation's net OPEB obligation to the Retiree Health and Early Retirement Plans:

	2019	2018
Interest on total OPEB obligation	$6,647,387	$ 6,185,677
Service Cost	4,515,546	4,515,546
Amortization of current year for difference between expected and actual experience	951,327	951,327
Amortization of current year for changes in plan actuarial assumptions	(186,281)	68,301
Annual OPEB cost	11,927,979	11,867,754
Difference between expected and actual experience to be recognized in future years	(2,729,774)	10,987,660
Difference between changes in plan actuarial assumptions to be recognized in future years	(2,293,777)	598,313
Benefit payments	(6,399,026)	(6,464,225)
Increase in net OPEB obligation	505,402	16,989,502
Net OPEB obligation – Beginning of year	188,498,148	171,508,646
Net OPEB obligation – End of year	$189,003,550	$188,498,148

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Operating Information - Admissions and Student Enrollment

The following tables set forth the applicants, admits and matriculants at each College (or campus) and for VSCS in total for each of the last five years.

Admissions Data by College
(Fall 2015-2019)
(First-time Freshmen only)

	Fall 2015	Fall 2016	Fall 2017	Fall 2018*	Fall 2019*
Institution Name	Applicants	Applicants	Applicants	Applicants	Applicants
Castleton University	2,076	2,116	2,296	2,191	2,172
NVU-Johnson	850	1,038	1,044	2,234	2,998
NVU-Lyndon	1,180	1,204	1,368	*	*
Vermont Technical College	443	463	684	931	991
TOTAL	4,549	4,835	5,392	5,356	6,161
	Admits	Admits	Admits	Admits	Admits
Castleton University	2,009	2,017	1,872	1,871	1,819
NVU-Johnson	809	987	909	1,883	2,339
NVU-Lyndon	1,162	1,184	1,106	*	*
Vermont Technical College	376	407	433	635	664
TOTAL	4,356	4,595	4,320	4,389	4,822
	Enrolled	Enrolled	Enrolled	Enrolled	Enrolled
Castleton University	445	476	372	434	422
NVU-Johnson	204	211	205	403	323
NVU-Lyndon	272	265	216	*	*
Vermont Technical College	215	218	200	213	215
TOTAL	1,136	1,170	993	1,050	960

From IPEDS Admissions Surveys
Enrollments include both full-time and part-time students
*In 2018, JSC and LSC were unified to create NVU. Fall 2018 and Fall 2019 combined data for NVU-Johnson, NVU-Lyndon and NVU-Online is shown in NVU-Johnson.

Geographic Diversification

The following chart indicates the average geographic diversification for all of the Colleges, including CCV, for the Fall of 2019.

Vermont	82%
Other New England	10%
Mid-Atlantic	5%
Other U.S.	2%
Foreign	1%

For the Fall of 2019, the average geographic composition of students for all VSCS, excluding CCV, is approximately 74.4% Vermont students and 25.6% from states other than Vermont.

Top Competitor Schools for each College

Northern Vermont University	Castleton University	Vermont Technical College
University of Vermont	University of Vermont	University of Vermont
University of Maine at Orono	Plymouth State University	Champlain College
University of New England	Keene State College	Norwich University
Rochester Institute of Technology	University of New Hampshire	N.H. Technical College

Student Enrollment

Below is a summary of student enrollment numbers showing actual enrollment in Fall of the current and past four academic years, detailed by each of the Colleges: CU, NVU-J, NVU-L, VTC, and CCV.

Total Student Enrollment by College or Campus

	2015	2016	2017	2018	2019
CCV	5,983	5,863	5,504	5,378	5,104
CU	2,246	2,342	2,141	2,194	2,399
NVU-J	1,514	1,525	1,552	1,766	1,634
NVU-L	1,266	1,256	1,147	1,092	974
VTC	1,559	1,645	1,616	1,638	1,704
Total*	12,036	12,009	11,442	11,257	11,060

* Students may enroll at more than one College. Totals shown eliminate duplication of such students and therefore are less than the sum of the individual College enrollments. NVU-J includes NVU Online students.

The majority of students at campus-based CU, NVU-J, NVU-L, and VTC pursue full-time studies, while most of those at CCV are part-time students.

Total Student Headcount

		Fall 2015	Fall 2016	Fall 2017	Fall 2018	Fall 2019
Undergraduate:	In-State	9,633	9,508	9,183	8,847	8,546
	Out-of-State	1,864	1,869	1,803	1,805	1,782
	Total	11,497	11,377	10,986	10,652	10,328
Graduate:	In-State	480	547	409	448	596
	Out-of-State	59	85	51	157	136
	Total	539	632	460	605	732
Total:	Part-time	6,252	6,208	6,390	5,692	5,475
	Full-time	5,784	5,801	5,198	5,565	5,585
	Total Headcount:	12,036	12,009	11,446	11,257	11,060

Total Full Time Equivalency Enrollment by College or Campus

	2015	2016	2017	2018**	2019**
CCV	3,077	2,984	2,813	2,754	2,625
CU	1,960	2,015	1,851	2,434	2,579
NVU-J	1,225	1,223	1,229	1,499	1,389
NVU-L	1,162	1,116	1,006	1,101	996
VTC	1,286	1,335	1,297	1,533	1,573
Total*	8,710	8,673	8,197	9,392	9,209

* Students may enroll at more than one College. Totals shown eliminate duplication of such students and therefore are less than the sum of the individual College enrollments.

**Starting in Fall 2018, to calculate the number of full-time equivalent students, VSCS aggregates the credit load of all students, by level, and divides with the appropriate full-time load (12 credits for undergraduate students and six credits for graduate students). In previous years, students enrolled on a full-time basis accounted for one FTE each, whereas to calculate the full-time equivalent for students enrolled on a part-time basis, VSCS would divide the sum of credits carried by part-time students by the corresponding full-time credit load. The final FTE count was the sum of the full-time students and the number of full-time equivalent students as calculated above. This method would undercount full-time students taking more than 12 credits. Also starting with Fall 2018, students taking classes at both NVU-J and NVU-L are included in the FTE count of both campuses.

Retention

Set forth below are the undergraduate retention rates for first time cohorts returning for their second year at the respective Colleges indicated.

Undergraduate Retention Rates for Full-time First-time Cohort
(by reporting year)

	2014	2015	2016	2017	2018
Community College of Vermont	48%	50%	52%	48%	48%
Castleton University	69%	74%	75%	70%	69%
NVU-Johnson	68%	69%	69%	64%	65%
NVU-Lyndon	61%	67%	68%	63%	*
Vermont Technical College	71%	78%	70%	66%	66%

* In 2018, JSC and LSC were unified to create NVU. 2018 combined data for NVU-Johnson and NVU-Lyndon is shown in NVU-Johnson.

Degrees Awarded

The following is a summary of the number of degrees awarded for the academic years indicated:

Degrees awarded

	2014-15	2015-16	2016-17	2017-18	2018-19
Undergraduate Certificates	217	203	207	217	215
Associate Degrees	947	970	865	877	796
Bachelor's Degrees	1,028	979	1,000	978	927
Post-Baccalaureate Certificates	0	0	1	0	2
Master's Degrees	116	94	99	91	80
Total:	2,308	2,246	2,172	2,163	2,020

Student Tuition Charges

Set forth below are the student tuition charges for each of the Colleges for the 2019-2020 academic year.

	Full Time Tuition Rate			
School	In-State	Out-of-State	New England Board of Higher Education	International
CU	$11,304	$27,984	$17,256	$27,984
NVU	11,592	25,680	19,180	25,680
VTC	14,304	27,336	21,456	31,440

	Per-Credit Hour Rate			
School	In-State	Out-of-State	New England Board of Higher Education	International
CCV	$271	$552	$271	$552

Historic Tuition Rates

Set forth below are the historic student tuition charges at each of the Colleges for the academic years indicated.

Tuition	2014-15	2015-16	2016-17	2017-18	2018-19
Castleton					
In-State	$ 9,768	$10,248	$10,248	$10,872	$11,184
Out-of-State (all)	24,432	25,656	25,656	26,424	27,192
NVU-Johnson					
In-State	$ 9,600	$ 9,984	$10,224	$10,632	$10,944
Out-of-State (all)	21,600	22,680	22,680	23,592	24,264
NVU-Lyndon					
In-State	$ 9,696	$ 9,984	$10,224	$10,632	*
Out-of-State (all)	20,760	21,384	21,912	23,592	*
Vermont Technical College					
In-State	$11,856	$12,456	$12,960	$13,512	$13,896
Out-of-State	22,704	23,832	24,792	$25,824	26,568
Community College of Vermont (per credit hour)					
In-State	$239	$246	$253	$261	$268
Out-of-State	478	492	506	522	536

* In 2018, JSC and LSC were unified to create NVU. Tuition charges for 2019-19 for NVU-Johnson and NVU-Lyndon is shown in NVU-Johnson.

Under the auspices of the New England Board of Higher Education ("*NEBHE*") Regional Student Program, students from other New England states can enroll in academic programs of the Corporation that are not offered at their home state institutions but are offered in Vermont, and pay tuition rates that are lower than the otherwise applicable out-of-state rates. In particular, (i) for Castleton and VTC the tuition rate is equal to 150% of the Corporation's in-state rate, (ii) for NVU the tuition rate is $6,500 less than the otherwise applicable out-of-state rates, and (iii) for CCV the tuition rate is equal to the otherwise applicable in-state rate.

Student mix of those paying in-state versus out-of-state tuitions tends to vary by type of institution, with apportionment of Vermonters to non-Vermonters approximately 64% at NVU-Lyndon, 71% at Castleton, 76% at NVU-Johnson, 85% at Vermont Technical College, and about 93% at the Community College of Vermont.

Room and Board (all but CCV)

	2015-16	2016-17	2017-18	2018-19	2019-20
Room	$5,774	$5,948	$6,128	$6,312	$6,504
Board	3,776	3,890	4,008	4,129	4,254

Students Living on Campus

	2014-15	2015-16	2016-17	2017-18	2018-19
Castleton	982	1,061	1,106	997	1,045
NVU-Johnson	496	475	473	443	870
NVU-Lyndon	655	600	580	512	*
Vermont Tech	461	464	425	424	403

* In 2018, JSC and LSC were unified to create NVU. 2018-19 combined data for NVU-Johnson and NVU-Lyndon is shown in NVU-Johnson.

Student Financial Aid

Sources of financial aid are essentially federal programs (Federal Pell Grants, Federal Supplemental Education Opportunity Grants, Federal Student Work Study, subsidized and unsubsidized loans, Federal Perkins loans, and Nursing loans), state programs, and funding by the Corporation along with some private giving. The following provides a summary of total student financial aid for the past five fiscal years:

Expenditures by Financial Aid Type*

	2014	2015	2016	2017	2018
Institutional Aid	$8,773,765	$9,822,103	$10,884,721	$8,773,765	$9,822,103
State Aid	5,031,506	4,624,004	4,950,236	5,031,506	4,624,004
Federal Aid	22,151,062	20,172,321	17,971,789	22,151,062	20,172,321
Other Aid	3,131,531	3,596,997	3,804,752	3,131,531	3,596,997
Total Aid	$39,087,864	$38,215,425	$37,611,498	$39,087,864	$38,215,425

*Information for 2019 will not be submitted to IPEDS until mid-February 2020.

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Operating Revenues and Expenditures

Following are summaries of operating revenues and expenditures for the Corporation for each of the past five fiscal years (ended June 30).

	2015	2016	2017	2018	2019
REVENUES					
Operating Revenues					
Tuition and Fees (Gross)	$115,146,051	$116,026,307	$118,054,176	$116,522,454	$117,624,580
Dorm and Dinning	19,926,641	20,075,440	20,272,217	19,069,865	18,584,640
(Less Scholarship Allowance)	(25,212,668)	(24,761,694)	(25,793,897)	(27,344,447)	(28,962,603)
Net Tuition and Fees:	$109,860,024	$111,340,053	$112,532,496	$108,247,872	$107,246,617
Federal Grants and Contracts	$11,267,895	$11,261,929	$10,762,269	$10,951,225	$12,215,520
State and Local Grants and Contracts	1,872,176	2,291,236	2,408,202	2,778,362	2,437,913
Non-Governmental Grants and Contracts	1,384,237	1,136,090	915,606	824,657	1,091,487
Interest Income (from Accts Receivable)	87,334	81,693	87,046	86,381	86,158
Sales and Services	6,008,981	6,083,859	5,968,655	5,303,557	5,359,762
Auxiliary Enterprises	1,104,783	123,571	-	-	-
Other Operating Revenue	1,567,754	1,823,430	1,305,009	1,398,317	1,431,315
TOTAL OPERATING REVENUE	$133,153,184	$134,141,861	$133,979,283	$129,590,371	$129,868,772
EXPENSES					
Operating Expenses					
Salaries and Wages	$79,922,958	$78,963,999	$79,467,558	$79,583,780	$78,107,048
Employee Benefits	42,665,064	42,364,668	41,561,708	42,291,707	42,706,911
Scholarships and Fellowships	6,741,524	6,920,136	7,353,585	7,346,293	7,805,966
Supplies and Other Services	39,341,671	40,860,715	40,871,119	40,322,825	40,403,321
Utilities	7,142,919	6,176,191	5,475,191	5,798,694	6,772,332
Depreciation	14,087,773	10,488,999	9,722,037	9,842,721	10,084,696
TOTAL OPERATING EXPENSES	$189,901,909	$185,774,708	$184,451,198	$185,186,020	$185,880,274
Operating Income (Loss)	($56,748,725)	($51,632,847)	($50,471,915)	($55,595,649)	($56,011,502)
NON-OPERATING REVENUES (EXPENSES)					
State Appropriations	$27,221,566	$25,702,913	$26,830,818	$30,319,008	$29,790,256
Federal Grants and Contracts	18,451,754	16,639,503	15,920,436	16,382,196	15,978,880
Gifts	4,255,144	3,060,797	2,489,826	2,434,193	2,108,506
Investment Income (Net of Expense)	358,253	624,012	2,792,082	2,128,687	2,562,154
Interest Expenses on Capital Debt	(5,758,495)	(5,569,104)	(5,212,248)	(5,505,852)	(5,357,070)
Other Non-Operating Revenues	(50,502)	(655,014)	30,061	41,265	147,313
Net Non-Operating Revenues	$44,477,720	$39,803,107	$42,850,975	$45,799,497	$45,230,039
Income/(loss) before Other Rev, Exp, Gains, Losses	($12,271,005)	($11,829,740)	($7,620,940)	($9,796,152)	($10,781,463)
Capital Appropriations	1,488,000	3,006,258	2,000,000	2,500,000	3,000,000
Capital Grants and Gifts	7,970	237,866	2,199	375	3,500
Additions to Non-Expendable Assets	520,945	462,918	873,512	347,981	290,578
Increase/(Decrease) in Net Assets	($10,254,090)	($8,122,698)	($4,745,229)	($6,947,796)	($7,487,385)

Net Income Available for Debt Service

The following table sets forth for each of the past five fiscal years, the net income available for debt service (an internally-generated measure solely for illustrative purposes), calculated as the increase (decrease) in net assets, adding back accruals for GASB 75/OPEB and depreciation expense, and removing interest on capital debt expense.

	2015	2016	2017	2018	2019
Increase/(Decrease) in Net Assets	($10,254,090)	($8,122,698)	($4,745,229)	($6,947,796)	($7,487,385)
Plus GASB 75/OPEB Expense	5,527,188	7,164,016	6,464,225	6,318,175	6,181,621
Plus Depreciation	14,087,773	10,488,999	9,722,037	9,842,721	10,084,696
Plus Interest on Capital Debt	5,758,495	5,569,104	5,212,248	5,505,852	5,357,070
Net Income Available for Debt Service	$15,119,366	$15,099,421	$16,653,281	$14,718,952	$14,136,002

Management's Discussion and Analysis

Tuition and fees, net of scholarship allowances, are the largest component of operating revenues and the primary source of funding for the Corporation's academic programs. Net tuition, fees, residence and dining revenue decreased by $1.0 million, or 0.9% in fiscal year 2019, as a result of lower enrollments offsetting higher tuition and room and board rates. This is a more modest decline than fiscal year 2018, in which net tuition and fees decreased by $4.25 million, or 3.8%.

Compensation and benefits of $120.8 million in fiscal year 2019, $121.9 million in fiscal year 2018, and $121.0 million in fiscal year 2017 comprise the most significant portion of total expenses. Compensation and benefits were almost unchanged from 2017 to 2019, which indicates that declines in employee headcount offset contractually mandated employee compensation increases and healthcare cost increases.

The System had a negative net asset position of approximately ($73.8 million) at June 30, 2019, a decrease of approximately $7.5 million in fiscal year 2019. The System's negative net position is largely due to changes to financial reporting for OPEB liabilities under GASB 75. See note 9 to the Corporation's fiscal year 2019 audited financial statements attached as Appendix D-2 to the Official Statement.

State Appropriations

The State provides an annual appropriation of funds for the operating budgets. This annual appropriation is allocated among the Colleges. Due to the VSCS history of increased tuition and room and board rates, the operating appropriations continue to become a smaller portion of the VSCS budget. Over the past five years, State base appropriations have increased by over 25%, from $24.3 million to $30.5 million. Appropriations are made on an annual basis and these funds are disbursed to the Corporation in equal monthly installments during the fiscal year.

In addition, the State also provides an annual capital appropriation for specific projects. Over the past five years, the annual capital appropriations have ranged from $1.9 million to $3.0 million. There can be no assurance that operating or capital appropriations of the State to VSCS will continue at past levels.

VSCS is responsible for submitting both budgetary and capital appropriations to the State as part of the budget development process. The State's Department of Finance and Management typically sets a deadline for VSCS's appropriation request for the upcoming fiscal year's budget and current fiscal year's budget adjustment in September, and for VSCS's capital appropriation in October. These requests are then included in the Governor's budget recommendation to the General Assembly at the start of the Legislative session in January. VSCS is also responsible for tracking the status of its appropriations requests, and for testifying to Legislative committees upon request. Vermont's Legislative session typically adjourns by mid-May, and as such, both base budgetary and capital appropriations are finalized prior to the start of VSCS's July 1 fiscal year and are incorporated into VSCS's annual budget development process.

The following tables sets forth, for the current and past four fiscal years, the base appropriation for VSCS, the pro forma coverage provided by such base appropriation of the maximum annual debt service for the State-intercept supported bonds (Series 2017A and Series 2020A), the additional appropriation for Allied Health Programs, the additional capital appropriations, and the total appropriations. Funding for Allied Health Programs supports dental hygiene, respiratory therapy, and nursing programs, the graduates of which are anticipated to deliver health care services to Medicaid beneficiaries or uninsured or underinsured persons, or both.

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Fiscal Year	Base Appropriation for VSCS (includes supplemental aid)	Pro Forma Base Appropriation Coverage of Maximum Annual Debt Service on the Series 2017A Bonds and Series 2020A Bonds*	Appropriation for Allied Health Programs	Capital Appropriations	One-Time Funds	Total Appropriations
2016	$24,300,464	3.02 x	$1,157,775	$2,400,000		$27,858,239
2017	25,000,464	3.11 x	1,157,775	3,000,000	$770,000	29,928,239
2018	28,000,464	3.48 x	1,157,775	2,000,000	880,000	32,038,239
2019	28,000,464	3.48 x	1,157,775	3,000,000	350,000	32,508,239
2020	30,500,464	3.79 x	1,157,775	2,100,000	820,000	34,578,239

* Pro forma coverage calculated as base state appropriation for VSCS operations divided by the maximum annual debt service for the Series 2017A Bonds plus the pro-forma maximum annual debt service for the 2020 Series A Bonds of $8,050,150, as described in the table captioned "Debt Service on Indebtedness of the Corporation" under the heading "Indebtedness of the Corporation" below.

Budget Methodology

The Corporation provides primary responsibility for each College's operating budget to the individual College President by permitting each College to retain all operating revenue generated by tuition, room and board and auxiliary services. The Board establishes annual tuition and room and board levels and approves each budget, but the revenue retention and control of operating expenses provide autonomy and incentives to each College to maintain its annual budget and to close each fiscal year with at least a balanced budget. The President of each College reports to the Chancellor, and the Chancellor, in turn, reports to the Board.

Capital Budgets of the Corporation

The Corporation develops annual capital budgets for each College by prioritizing operations, maintenance and capital projects. From these considerations, the Corporation selects projects for further pursuit of funding from applicable sources. Proposals for funding are subject to Board approval.

Funding for academic or general purpose projects is sought from State capital appropriations, the Corporation's yearly allocation being affected by both the State's capital debt affordability ceiling as well as competition with other State agencies for available funding. In fiscal year 2019, the Corporation received $2.1 million of "base" capital appropriation used primarily for deferred building maintenance and for a variety of other important maintenance and code, life and safety needs. In fiscal year 2020, the Corporation received $2.0 million in base capital appropriation.

Funding for projects related to dormitory and dining facilities is annually addressed to a notable extent with approximately $1.0 million per year from "dorm/dining capital fees" paid by students (as part of their room & board fee) living and eating on campus. Examples of projects the Corporation has funded in this way include: (a) periodic roof repair and replacement necessary for dorm and dining buildings; (b) bathroom upgrades addressing both operation and physical access; (c) improvements of boilers, emergency generators and various heating, ventilating and air handling systems; and (d) repair, replacement and refurbishment of windows, alarm systems, locking systems, carpeting and furnishings.

Cost Savings Initiatives

Over the past several years, VSCS has completed or is in the process of undertaking the following initiatives:

First, VSCS does not have a defined benefit pension plan, and it closed its retiree health care benefit to new employees (except full time faculty) in the fall of 2012, and to full time faculty in the fall of 2015. This action is projected to slow the growth in the VSCS's OPEB liability, which is projected to peak in fiscal year 2023 and then begin to decline.

Second, in spring 2016, and in a partnership between three of its unions and its non-bargaining unit employees, VSCS reduced the employer contribution to its 403(b) retirement plan by over 20% and enacted a mandatory high deductible health care plan for new employees. These groups collectively represent over 70 percent of VSCS's full-time employees. The 403(b) plan change became effective on July 1, 2016 for new employees of these groups, and on July 1, 2017 for existing employees of those same groups. The high deductible health plan also became available optionally to existing employees of these groups on January 1, 2017. These changes were added to the full-time faculty union's contract at the end of 2019. Savings from the 403(b) plan changes are expected to be approximately $1.3 million per year, and savings from the high deductible health plan are estimated to increase gradually to $1 million per year by fiscal year 2022, at which point approximately one third of System employees are estimated to be utilizing that plan.

Third, in summer 2016, VSCS commenced a series of business office consolidations, removing functions performed at each of the Colleges and centralizing them in the Chancellor's Office. Accounts payable was completed in November 2016, accounting and financial reporting was completed in June 2017, and payroll and benefits administration and grants administration were completed in 2019. These consolidations have reduced personnel costs by over $1 million annually.

Fourth, Johnson and Lyndon were unified into the new NVU on July 1, 2018. This unification has provided much-needed critical mass to two of the System's smaller institutions and has provided over $2 million in annual personnel savings from consolidation of leadership, senior staff and non-academic functions.

Finally, VSCS has received substantial additional support from the State, increasing the System's base appropriation from $24.3 million in fiscal year 2016 to $30.5 million in fiscal year 2020. The General Assembly also approved an aggregate of $2.0 million of one-time funds over this timeframe.

Securing the Future Initiative

In May 2019, in response to a presentation from the Chancellor entitled "Securing the Future" that discussed challenges facing higher education generally and VSCS in particular, the Long Range Planning Committee of the Board directed the Chancellor's Office to continue its work identifying these challenges and developing multiple courses of action to address them, and specifically requested that the Chancellor draft a white paper for review at the Board's June 2019 meeting.

The Chancellor's white paper, entitled "Serving Vermont's Students by Securing the Future of the Vermont State Colleges System" identified six major challenges facing the VSCS:

1. **Historically weak demographics.** The number of Vermont high school graduates has declined by 25% since the 1990s, and the number of babies born in Vermont in 2018 was the lowest since the Civil War. Given that over 80% of the Corporation's students are and historically have been Vermont residents, the System's institutions will disproportionately bear the brunt of these changes.

2. **Bottom-ranked State support.** Despite a 25% increase in annual State appropriations from fiscal year 2016 to fiscal year 2020, Vermont continues to have at or near the lowest level of state support for public higher education in the United States. This results in higher tuition and increasing inability to invest in the academic mission.

3. **Accelerating pricing pressures.** Aggressive tuition discounting from surrounding colleges, free college programs in nearby states, and an explosion in inexpensive and scalable online education have limited the Corporation's ability to increase tuition prices enough to offset rising operating costs, largely driven by salaries and health care benefits.

4. **Barriers to adaptability.** The Corporation's infrastructure, including over 145 buildings, 2.3 million square feet, and 1,400 acres on five major campus locations spread throughout Vermont, is aging with extensive deferred maintenance, and the Corporation has six collectively bargained employee groups with contractual increases to salaries and benefits and numerous restrictions governing working conditions.

5. **Changing student preferences and attitudes.** A number of generational changes are impacting the higher education industry, including students and parents questioning the value of college and wishing to avoid student loans, employers providing training and increasingly not requiring a college degree, and a preference among younger people for urban or suburban locations.

6. **Disruptive technology and delivery.** From data analytics and artificial intelligence tools to increasingly sophisticated virtual reality interfaces, the pace and scope of technological change is or will soon be disrupting entire industries, including higher education.

At its June 2019 meeting, the Board directed the Chancellor to continue to develop the white paper by soliciting feedback from the colleges and VSCS community, and the white paper was delivered in final form at the Long Range Planning Committee's August 2019 meeting. Several campus listening sessions to discuss the white paper were conducted in August and September, a list of over 200 suggestions was collected from the VSCS community, and the Board discussed these further at its September annual retreat.

In October 2019, the Long Range Planning Committee directed the college Presidents and the Chancellor to report to the Board what steps they will take in response to the white paper's six challenges to ensure:

- Consistent positive operating results
- Sustainable campus configurations consistent with realistic enrollment and revenue projections
- Increased opportunities for non-traditional students
- Improved affordability for students
- Improved retention and graduation rates
- Increased VSCS collaborations

Status reports were delivered at the December 2019 Board meeting and will be delivered again at the March 2020 Board meeting, with final reports to be delivered at the Board's annual meeting in June.

Materials related to the Secure the Future initiative may be found on the VSCS website at: https://www.vsc.edu/board-of-trustees/securethefuture/

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Indebtedness of the Corporation

The Corporation had outstanding indebtedness of $121,086,246 as of June 30, 2019. The following table provides unaudited information relating to all of the Corporation's bonds and notes payable as of December 31, 2019, totaling approximately $119.2 million.

Indebtedness of the Corporation

Obligation	**Amount Owed As of December 31, 2019**
Revenue Bonds – Series 2010B (Build America Bonds)*	$27,645,000
Revenue Refunding Bonds – Series 2013 (including original issue premium of $1,305,489)	14,425,489
Vermont State Colleges System Bonds – 2017 Series A (including original issue premium of $9,465,747)	77,125,747
Total Amount Owed:	**$119,196,236**

* Expected to be repaid in full from the proceeds of the Vermont Municipal Bond Bank Vermont State Colleges System Bonds, 2020 Series A (the "Series 2020 A Bonds").

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The following table sets forth the debt service on VSCS existing debt (excluding debt service expected to be repaid with the proceeds of the Series 2020 A Bonds).

Debt Service on Indebtedness of the Corporation

Fiscal Year (June 30)	Debt Service on Existing Debt*	Debt Service on Series 2020 A Bonds**	Total Debt Service
2020	$4,444,750	-	$4,444,750
2021	4,439,050	$1,299,469	5,738,519
2022	6,986,875	1,127,250	8,114,125
2023	6,989,650	1,127,250	8,116,900
2024	6,994,050	1,361,250	8,355,300
2025	6,980,350	2,373,000	9,353,350
2026	6,977,850	2,098,875	9,076,725
2027	6,979,975	2,093,875	9,073,850
2028	6,995,397	2,101,000	9,096,397
2029	6,989,522	1,846,500	8,836,022
2030	6,982,269	1,845,750	8,828,019
2031	6,982,869	1,847,375	8,830,244
2032	6,982,175	1,846,250	8,828,425
2033	6,978,925	1,842,375	8,821,300
2034	5,674,000	1,845,500	7,519,500
2035	5,675,500	1,845,375	7,520,875
2036	5,674,100	1,842,000	7,516,100
2037	5,674,500	1,840,250	7,514,750
2038	5,676,300	1,844,750	7,521,050
2039	-	1,840,375	1,840,375
2040	-	1,837,125	1,837,125
2041	-	1,834,750	1,834,750

* Excludes debt service on the Series 2010B bonds expected to be refunded with the Series 2020 A Bonds.
** Preliminary, subject to change.

Gifts and Endowments

During fiscal year 2019, the Corporation received $2.1 million in gifts. Each College has a Director of Development to help realize improvements in giving by increasing development efforts including annual fund drives, alumni appeals, and cultivating "friends of the college."

The Corporation's investment objective for its endowments is to exceed the consumer price index and the relevant market index pertaining to the particular types of investments. The endowments have a spending policy of up to 5% of current value or the trailing three year average, whichever is less. The Corporation had an endowment value of $27.3 million on June 30, 2019. As of December 31, 2019, the endowment was valued at $28.0 million. The following table indicates the market value of the endowment funds for the five fiscal years ending June 30, 2015 through 2019.

Fiscal Year	Market Value
2015	$23,642,000
2016	23,214,000
2017	28,550,000
2018	26,515,000
2019	27,264,000

Insurance

The Corporation manages its risks through a combination of self-insurance and commercial insurance purchased in the name of the Corporation. Property, casualty, auto, general liability, and educators' liability insurance is carried with various companies selected periodically through bidding that is assisted by Vermont brokers. Employee health insurance and workers' compensation coverage is self-insured by the Corporation. The Corporation uses stop loss insurance to help manage the risk involved in these two areas.

Future Capital Projects

The Corporation has no significant additional capital projects planned at the current time.

No Litigation

The VSCS is not aware of any litigation, pending or threatened, wherein any unfavorable decision would have a material adverse impact on the financial condition of the VSCS.

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION FOR VSCS PROGRAM

The following is a brief summary of certain provisions of the General Bond Resolution for Vermont State Colleges System (the "General Resolution for VSCS Program") adopted by the Vermont Municipal Bond Bank (d/b/a the Vermont Bond Bank) (the "Bond Bank") on March 30, 2017, including certain terms used in the General Resolution for VSCS Program and used and not elsewhere defined in this Official Statement. This summary does not purport to be complete and reference is made to the General Resolution for VSCS Program for full and complete statements of its terms and provisions.

"Accountant's Certificate" shall mean a certificate signed by a certified public accountant or a firm of certified public accountants of recognized standing selected by the Bond Bank.

"Accreted Value" shall mean, as of any interest payment date, with respect to any non-interest bearing Bonds, the amount representing the original principal plus the amount of interest that has accrued to such date as specified in the Series Resolution.

"Act" shall mean Public Act No. 216 of the Laws of Vermont of the 1969 Adjourned Session of the Vermont General Assembly, as amended.

"Administrative Expenses" shall mean the Bond Bank's expenses of carrying out and administering its powers, duties and functions, as authorized by the Act, and shall include, without limiting the generality of the foregoing: administrative expenses, legal, accounting and consultant's services and expenses, payments to underwriters or placement agents of the Bonds, payments to pension, retirement, health and hospitalization funds, fees of a Credit Bank or insurer, rebate payments to the United States Treasury Department, and any other expenses required or permitted to be paid by the Bond Bank under the provisions of the Act or the Resolution or otherwise.

"Aggregate Debt Service" for any period shall mean, as of any date of calculation and with respect to all Bonds, the sum of the amounts of Debt Service for such period.

"Bond" or **"Bonds"** shall mean any Bond or the issue of Bonds, as the case may be, established and created by the Resolution and issued pursuant to a Series Resolution.

"Bondholders" or **"Holder of Bonds"** or **"Holder"** (when used with reference to Bonds) or the registered owner of any Outstanding Bond or Bonds.

"Credit Bank" shall mean with respect to purchases in connection with tenders of Variable Rate Bonds, the person (other than an Insurer) providing a letter of credit, a line of credit, a guaranty or other credit- or liquidity-enhancement facility, as designated in the Series Resolution providing for the issuance of such Bonds.

"Credit Facility" shall mean with respect to purchases in connection with tenders of Variable Rate Bonds, a letter of credit, a line of credit, a guaranty or another credit- or liquidity-enhancement facility (other than an insurance policy issued by an Insurer), as designated in the Series Resolution providing for the issuance of such Bonds.

"Debt Service" for any period shall mean, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, and (ii) that portion of principal for such Series which would accrue during such period if such principal were deemed to accrue daily in equal amounts from the next preceding principal payment date for such Series (or, if there shall be no such preceding principal payment date, from a date one year preceding the due date of such principal payment or from the date of delivery of such Series of Bonds if such date occurred less than one year prior to the date of such principal payment). Such interest and principal payments for such Series shall be calculated on the assumption that no Bonds (except Variable Rate Bonds actually tendered for payment prior to the stated maturity thereof) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of the principal payment on the due date thereof; provided, however, that with respect to Variable Rate Bonds tendered for payment before the stated maturity thereof, interest shall be deemed to accrue on the date required to be paid pursuant to such tender, and provided further that with respect to Variable Rate Bonds or variable rate VSCS Bonds interest requirements shall be determined in the manner set forth in the Series Resolution. A Series Resolution may provide that interest expense on Credit Facilities drawn upon to purchase but not to retire Bonds, to the extent such interest exceeds the interest otherwise payable on such Bonds may be included in the determination of Debt Service.

"Fees and Charges" shall mean all fees and charges authorized to be charged by the Bond Bank pursuant to subsection (8) of section 4591 of the Act and charged by the Bond Bank to the VSCS pursuant to the terms and provisions of VSCS Loan Agreements.

"Fiduciary" or **"Fiduciaries"** shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

"Fiscal Year" shall mean any twelve (12) consecutive calendar months commencing with the first day of January and ending on the last day of the following December.

"Outstanding" when used with reference to Bonds, other than Bonds referred to in Section 11.5 of the Resolution, shall mean, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except: (i) any Bonds cancelled by the Trustee or any Paying Agent at or prior to such date, (ii) any Bonds for the payment or redemption of which monies equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date, provided that if such bonds are to be redeemed, notice of such redemption shall have been given as in Article IV of the Resolution provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Article III or Section 4.6 or Section 11.6 of the Resolution, (iv) Bonds deemed to have been paid as provided in subsection 2 of Section 14.1, and (v) Variable Rate Bonds for which the Purchase Price has been deposited with the Trustee.

"Paying Agent" for the Bonds of any Series shall mean the bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution and a Series Resolution or any other resolution of the Bond Bank adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

"Redemption Price" shall mean, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution and the Series Resolution pursuant to which the same was issued.

"Variable Rate Bonds" means any Bonds the interest rate on which is not established at the time of issuance of such bonds at a single numerical rate for the entire term of such Bonds a feature of which may include an option on the part of the Holders of such Bonds to tender to the Bond Bank or to any depositary, Paying Agent or other fiduciary for such Holders, or to an agent of any of the foregoing, all or a portion of such Bonds for purchase. No Variable Rate Bonds shall be issued unless (a) such Bonds shall have been rated "A" or higher (without reference to gradations of such categories such as "plus" or "minus") by Moody's Investors Service and S&P Global Ratings, (b) any obligations the Bond Bank may have, other than its obligation on such Bonds (which need not be uniform as to all Holders thereof), to reimburse any person for its having extended a Credit Facility or similar arrangement shall be subordinated to the obligation of the Bond Bank on the Bonds (c) a maximum interest rate is established in the Series Resolution authorizing such Bonds and (d) upon any change in the interest rate of such Variable Rate Bonds, the Bond Bank shall comply with Section 601(2) of the Resolution.

"Vermont State Colleges System" or **"VSCS"** means the public corporation of the state of Vermont established pursuant to section 2171 of Chapter 72 of the Vermont Statutes Annotated.

"VSCS Bonds" shall mean the bonds, notes, or other evidence or debt issued by the VSCS and authorized pursuant to the Act and other laws of the State and which have heretofore or will hereafter be acquired by the Bond Bank as evidence of indebtedness of a VSCS Loan to the VSCS pursuant to the Act.

"VSCS Bond Payments" shall mean the amounts paid or required to be paid, from time to time, for principal and interest by the VSCS to the Bond Bank on VSCS Bonds.

"VSCS Loan" shall mean a loan heretofore or hereafter made by the Bond Bank to the VSCS pursuant to the Act and more particularly described in the applicable Series Resolution.

"VSCS Loan Agreement" shall mean an agreement heretofore or hereafter entered into between the Bond Bank and the VSCS setting forth the terms and conditions of a VSCS Loan.

"**2020 Bonds**" means the Bond Bank's Vermont State Colleges System Bonds, 2020 Series A.

"2020 Series Resolution" means the Bond Bank's Series Resolution adopted on December 18, 2019 authorizing the issuance of the 2020 Bonds.

FUNDS AND ACCOUNTS

The General Resolution for VSCS Program establishes the following special Funds and Accounts held by the Trustee:

Revenue Fund
- General Account
- Operating Account
- Interest Account
- Principal Account
- Redemption Account

The 2020 Series Resolution adopted December 18, 2018 for the Bonds establishes a Rebate Fund for the 2020 Bonds. Funds maintained in the Rebate Fund are not pledged to secure payments on the Bonds and the Bondholders shall have no right in or claims to such money in the Rebate Fund.

Revenue Fund

General Account

The General Resolution for VSCS Program provides for the deposit to the General Account of: (i) all proceeds of a Series of Bonds to be used to make VSCS Loans; (ii) all monies received as VSCS Bond Payments; (iii) the balance of monies remaining in the Redemption Account when the Trustee is able to purchase principal amounts of Bonds at a purchase price less than an amount equal to the proceeds from the sale or redemption of VSCS Bonds and (iv) the excess of proceeds resulting from the VSCS's redemption of its VSCS Bonds.

The General Resolution for VSCS Program provides for the following withdrawals to be made from the General Account for the following purposes:

(1) On or before each interest payment date of the Bonds, the Trustee shall withdraw from the General Account and deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will on such interest payment date be equal to the installment of interest on the Bonds then falling due.

(2) On or before each principal payment date of the Bonds, the Trustee shall withdraw from the General Account and deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will on such principal payment date be equal to the principal becoming due on the Bonds on such principal payment date.

(3) On or before each interest payment date for each Series of Bonds after providing for the payments into the Interest Account pursuant to Section 6.3.2 of the General Resolution for VSCS Program and the principal payments, if any, pursuant to Section 6.3.3 of the General Resolution for the VSCS Program, the Trustee shall withdraw from the General Account and deposit in the Operating Account the aggregate of the amounts requisitioned by the Bond Bank as of such interest payment date for the six-month period to and including the next succeeding interest payment date, for the following purposes:

(a) To pay the estimated Administrative Expenses of the Bond Bank due and to become due during such six-month period with respect to such Series of Bonds;

(b) To pay the fees and expenses of the Trustee and Paying Agents then due and to become due during such six-month period with respect to such Series of Bonds; and

(c) Financing costs incurred with respect to such Series of Bonds, including fees and expenses of the attorney or firm of attorneys of recognized standing in the field of municipal law selected by the Bond Bank, initial Trustee's and Paying Agent's fees and expenses, costs and expenses of financial consultants, printing costs and expenses, the payment to any officers, departments, boards, agencies, divisions and commissions of the State of Vermont of any statement of cost and expense rendered to the Bond Bank pursuant to Section 4556 of the Act, and all other financing and other miscellaneous costs, in the aggregate amount specified in the resolution authorizing such Series of Bonds.

(4) As of the last day of each Fiscal Year, and not later than the twentieth day (20^{th}) of the succeeding Fiscal Year, after providing for all payments required to have been made during such Fiscal Year into the Interest Account pursuant to Section 6.3.3 of the General Resolution for VSCS Program, into the Principal Account pursuant to Section 6.3.3 of the General Resolution for VSCS Program, and into the Operating Account pursuant to Section 6.3.4 of the General Resolution for VSCS Program, the Trustee shall withdraw from the General Account and shall pay to the Bond Bank for any of its lawfully authorized purposes the balance of the monies so remaining in the General Account; provided, however, that the Bond Bank, in its absolute discretion, may direct the Trustee to deposit any or all of such balance to be withdrawn from the General Account to the credit of the Redemption Account and the payment to the Bond Bank of such balance shall be reduced accordingly; and provided further that no such transfer to the Bond Bank shall be made unless, after giving effect to such transfer, total assets of Accounts established under the General Resolution for VSCS Program shall exceed total liabilities, determined in accordance with generally accepted accounting principles and evidenced by a certificate of an Authorized Officer.

Operating Account

The General Resolution for VSCS Program provides that all Fees and Charges received by the Trustee shall be deposited upon receipt in the Operating Account. Such Fees and Charges collected by the Trustee shall be used, together with such portion of the proceeds of the sale of Bonds, if any, as shall be provided by a Series Resolution and the deposits made to the Operating Account from the General Account, as described hereinbefore, and any other monies which may be made available to the Bond Bank for the purposes of the Operating Account from any source or sources, to pay (i) Administrative Expenses of the Bond Bank, (ii) the fees and expenses of the Trustee and Paying Agents, and (iii) financing costs incurred with respect to a Series of Bonds. Monies at any time held for the credit of the Operating Account shall be used for and applied solely to such purposes. The General Resolution for VSCS Program further provides that payments from the Operating Account shall be made by the Trustee upon receipt of a requisition, signed by an Authorized Officer, describing each payment, the amount of the payment, the party to whom payment is to be made, and specifying that each item is a proper charge against the monies in the Operating Account.

Interest Account and Principal Account

(1) The monies in the Interest Account and the Principal Account in the Revenue Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds in the manner provided in the General Resolution for VSCS Program. All monies deposited in the Interest Account and the Principal Account in the Revenue Fund shall be disbursed and applied by the Trustee at the times and in the manner provided in the General Resolution for VSCS Program.

(2) The Trustee shall, on or before each interest payment date of the Bonds, pay, out of the monies then held for the credit of the Interest Account, to itself and the Paying Agents, the amounts required for the payment by it and such Paying Agents of the interest becoming due on the Bonds on such interest payment date, and such amounts so withdrawn are irrevocably pledged for and shall be applied to the payment of such interest. The Trustee shall also pay out of the Interest Account to itself and the appropriate Paying Agents, on or before any redemption date for Bonds being refunded by a Refunding Issue, the amount required for the payment of interest on the Bonds then to be redeemed, to the extent not otherwise provided pursuant to the General Resolution for VSCS Program.

(3) The Trustee shall, on or before each principal payment date of the Bonds, pay, out of the monies then held for the credit of the Principal Account, to itself and the Paying Agents, the amounts required for the payment by it and such Paying Agents of the principal becoming due on the Bonds on such principal payment date, and such amounts so withdrawn are irrevocably pledged for and shall be applied to the payment of such principal.

Redemption Account

The General Resolution for VSCS Program provides that the monies in the Redemption Account shall be used solely for the purpose of paying the Redemption Price on the Bonds. The Trustee shall establish in the Redemption Account a separate sub-account for the Bonds of each Series outstanding. Monies held in each such separate sub-account by the Trustee shall be applied to the purchase or retirement of the Bonds of the Series in respect of which such sub-account was created provided that after such purchase or retirement there shall be scheduled payments of principal and interest on VSCS Bonds pledged under the General Resolution for VSCS Program which, when added to interest and other income estimated by the Bond Bank to be derived from the investment or deposit of money available therefor in any Fund or Account created by the General Resolution for VSCS Program, will be sufficient to pay Debt Service on all Outstanding Bonds when due. Monies for the redemption of Bonds may be deposited in the Redemption Account from the General Account at the direction of the Bond Bank as provided above under the caption “General Account”. In the event VSCS Bonds or other obligations securing a VSCS Loan shall be sold by the Bond Bank in accordance with the terms of the applicable VSCS Loan Agreement, or redeemed by the VSCS, the Bond Bank shall deposit the proceeds from such sale or redemption, except an amount thereof equal to the cost and expenses of the Bond Bank in effectuating the redemption of the Bonds to be redeemed upon such sale by the Bond Bank or redemption by the VSCS, into the applicable sub-account in the Redemption Account.

Investment of Funds

The General Resolution for VSCS Program provides that all monies held by the Trustee shall be continuously and fully secured, for the benefit of the Bond Bank and the Holders of the Bonds. The Trustee shall invest the Funds and Accounts upon the direction of the Bond Bank as follows:

Monies in the Revenue Fund (and each of the Accounts therein) shall, as nearly as may be practicable, be invested upon the direction of the Bond Bank in obligations the maturity or redemption date at the option of the holder of which shall coincide as nearly as practicable with the times at which monies in such Funds will be required for the purposes provided in the General Resolution for VSCS Program as follows: (a) direct obligations of the United States of America for the payment of money, or obligations for the payment of money which are guaranteed or insured as to payment of principal and interest by the United States of America, and direct obligations for the payment of money, issued by an agency or instrumentality of the United States of America, or obligations for the payment of money which are guaranteed or insured as to payment of principal and interest by an agency or instrumentality of the United States of America, (b) bonds and other legally created direct, general obligations of any state of the United States of America and any political subdivision of any state of the United States of America for the payment of money, provided that any such issuer at the date of such investment is not in default in the payment of principal or interest on any of its direct, general obligations, (c) direct obligations for the payment of money, issued by an agency or instrumentality of any state of the United States of America for the payment of money which are guaranteed or insured as to payment of principal and interest by the state or commonwealth of which the issuer is an instrumentality, (d) bonds and other evidences of indebtedness of the United States of America, of any state thereof, or of any political subdivision thereof, or of any public authority or instrumentality of one or more of the foregoing, which are payable as to both principal and interest from adequate special revenues pledged or otherwise appropriated or by law required to be provided for the purpose of that payment, but not including any obligations payable solely out of special assessments on properties benefited by local improvements; except that bonds or evidences or indebtedness of issuers outside the state of Vermont must be, at the time the investment is made, rated "A" or higher by S&P Global Ratings or Moody's Investors Service with respect to long term indebtedness and A-1 or P-1 or higher by S&P Global Ratings or Moody's Investors Service, respectively, with respect to short term indebtedness (in every case without reference to gradations of such categories such as "plus" or "minus"), (e) interest bearing obligations issued, assumed or guaranteed by any solvent institution created or existing under the laws of the United States of America or of any state, whether or not secured, which are not in default as to interest or principal, if those obligations at the time of investment are rated "A" or higher by S&P Global Ratings or Moody's Investors Service with respect to long term indebtedness and P-1 or A-1 or higher by S&P Global Ratings or Moody's Investors Service, respectively, with respect to short term indebtedness (in every case without reference to gradations of such categories such as "plus" or "minus"), including, among others, (A) certificates of deposit or time deposits of any bank, any branch of any bank, trust company or national banking association that has a combined capital surplus and undivided profits not less than $25,000,000, (B) any repurchase agreement with a maturity of not more than 30 days, that is with a bank or trust company (including the Trustee and its affiliates) that has a combined capital, surplus and undivided profits not less than $100,000,000 or with primary government dealers (any such government dealer must be a member of Securities Investor Protection Corporation), for obligations described in (a) hereof having on the date of the repurchase agreement and on the first day of every month thereafter a fair market value equal to at least 102% of the amount of the repurchase obligation of the bank, trust company or government dealer; provided, however, that (i) the purchase obligation of the bank, trust company or government dealer is collateralized by such obligations themselves, (ii) such obligations purchased must be transferred to the Trustee (unless the purchase agreement is with the bank serving as Trustee or any related party) or a third party agent by physical delivery or by an entry made on the records of the issuer of such obligations and such Trustee or third party agent and segregated from securities owned generally by the bank, trust company or government dealer, or the Trustee is furnished with an opinion of counsel stating that a perfected security interest under the Uniform Commercial Code of the state in which the securities are located or book entry procedures present at 31 Code of Federal Regulations ("C.F.R.") §306.1 et seq. or 31 C.F.R. §350.0 et seq. in such investments has been created for the benefit of the Holders of the Bonds, and (iii) if the repurchase agreement is with the bank serving as Trustee or any related party, the third party holding such investments holds them as agent for the beneficial owners of the Bonds rather than as agent for the bank serving as Trustee or any other party and the investments be evaluated no less frequently than weekly to determine if their fair market value equals or exceeds the required 102% level and, if upon such valuation, the fair market value is found to be deficient, then the bank, trust company or government dealer shall have no more than five business days to pledge additional obligations authorized hereunder for such repurchase agreement so as to satisfy such requirement or the third party holding the investments must be required to liquidate the collateral and disburse the proceeds to the Trustee, (f) units of a taxable government money market portfolio comprised solely of obligations listed in (a) above with the yield adjusted so as to maintain the value of such units at par and (g) such other investments as may from time to time be permitted by the Act and approved in writing by Moody's Investors Service and S&P Global Ratings.

In lieu of the investments of monies above authorized, the Trustee shall upon direction of the Bond Bank deposit monies from any fund or account held by the Trustee under the terms of the General Resolution for VSCS Program in interest-bearing time deposits, or shall make other similar banking arrangements, with itself or a member bank or banks of the Federal Reserve System or banks the deposits of which are insured by the Federal Deposit Insurance Corporation; provided, that all monies in each such interest-bearing time deposit or other similar banking arrangement shall be continuously and fully secured by direct obligations of the United States of America or of the State or obligations the principal and interest of which are guaranteed by the United States of America or the State, of a market value equal at all times to the amount of the deposit or the other similar banking arrangement.

Issuance of Additional Obligations

The General Resolution for VSCS Program provides that the Bond Bank shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge and lien on the VSCS Bonds and the VSCS Bond Payments or which will be payable from the Revenue Fund, except that additional Series of Bonds may be issued from time to time pursuant to a Series Resolution subsequent to the issuance of the initial Series of Bonds under the Resolution on a parity with the Bonds of such initial Series of Bonds and secured by an equal charge and lien on the VSCS Bonds and the VSCS Bond Payments, and payable equally and ratably from the Revenue Fund for the purposes of (i) making VSCS Loans to the VSCS, (ii) making payments into the Interest Account or the Operating Account, (iii) the refunding of Notes theretofore issued by the Bond Bank to provide funds to make VSCS Loans, and (iv) subject to the provisions and limitations on the issuance of Refunding Bonds, the refunding of any Bonds then Outstanding, under the conditions and subject to the limitations stated below.

No additional Series of Bonds shall be issued subsequent to the issuance of the initial Series of Bonds under the Resolution unless:

(a) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds and Notes of the Bond Bank theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(b) there is at the time of the issuance of such additional Bonds no deficiency in the amounts required by the Resolution or any Series Resolution to be paid into the Revenue Fund; and

(c) upon the issuance of such additional obligations there shall be scheduled payments of principal and interest on the VSCS Bonds pledged under the General Resolution for VSCS Program which, when added to interest and other income estimated by the Bond Bank to be derived from the investment or deposit of money available therefor in any Fund or Account created by the General Resolution for VSCS Program, will be sufficient to pay Debt Service on all Outstanding Bonds when due.

The Bond Bank expressly reserves the right to adopt one or more other general bond resolutions and reserves the right to issue Notes and any other obligations so long as the same are not a charge or lien on the VSCS Bonds, the VSCS Bond Payments and the Fees and Charges, or payable from the Revenue Fund created pursuant to the General Resolution for VSCS Program. In addition, the Bond Bank may issue Variable Rate Bonds under the General Resolution for VSCS Program.

Issuance of Refunding Bonds

The General Resolution for VSCS Program provides that: (1) All or any part of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other monies available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act, the General Resolution for VSCS Program and the Series Resolution authorizing said Series of Refunding Bonds.

(2) A Series of Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee (in addition to the receipt by it of the documents required by the General Resolution for VSCS Program for the delivery of any Series of Bonds) of:

(a) A certificate of an Authorized Officer setting forth (1) the Aggregate Debt Service for the then current and each future calendar year (i) with respect to all Series of Bonds Outstanding immediately prior to such authentication and delivery and (ii) with respect to all Series of Bonds to be Outstanding immediately thereafter, and (2) that the Aggregate Debt Service for each such year set forth pursuant to (1)(ii) of this paragraph (a) is no greater than the Aggregate Debt Service set forth pursuant to (1)(i) of this paragraph (a);

(b) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on the redemption date specified in such instructions;

(c) Irrevocable instructions to the Trustee, satisfactory to it, to mail the required notice to the Holders of the Bonds being refunded;

(d) Either (i) monies in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which monies shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, or (ii) direct obligations of the United States of America in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the General Resolution for VSCS Program relative to defeasance of Bonds and any monies required pursuant thereto, which direct obligations of the United States of America and monies shall be held in trust and used only as provided by such provisions; and

(e) A certificate of an Authorized Officer containing such additional statements as may be reasonably necessary to show compliance with the requirements of the General Resolution for VSCS Program which provide for Refunding Bonds.

(3) In the event that the Aggregate Debt Service immediately after issuance of the Refunding Bonds is reduced, the Bond Bank shall allocate the Debt Service savings in the manner specified in the Series Resolution authorizing such Series, which shall have been determined after consideration by the

Bond Bank of factors including without limitation, the amount of Fees and Charges, if any, paid by VSCS to the Bond Bank in connection with the Bonds being refunded.

Modification of VSCS Loan Agreement Terms

The Bond Bank shall not consent to the modification of, or modify, the rate or rates of interest or method of determining such rates, or the amount or time of payment of any installment of principal or interest of any VSCS Bonds evidencing a VSCS Loan, or the amount or time of payment of any Fees and Charges payable with respect to such VSCS Loan, or the security for or any terms and provisions of such VSCS Loan or the VSCS Bonds evidencing the same, in a manner which adversely affects or diminishes the rights of the Bondholders; provided, however, that, in the event the Bonds issued to provide the funds with which the Bond Bank has made a VSCS Loan are being or have been refunded and the Refunding Bonds are in a principal amount in excess of or less than the principal amount of the Bonds refunded, the Bond Bank may consent to the modification of and modify the VSCS Loan Agreement relating to such VSCS Loan and the VSCS Bonds evidencing the same, and the VSCS Bond Payments to be made thereunder so long as such VSCS Bond Payments are sufficient to maintain the scheduled payments of principal and interest on VSCS Bonds pledged under the General Resolution for VSCS Program which, when added to interest and other income estimated by the Bond Bank to be derived from the investment or deposit of money available therefor in any Fund or Account created by the General Resolution for VSCS Program, will be sufficient to pay Debt Service on all Outstanding Bonds when due.

Sale of VSCS Bonds by Bond Bank

The Bond Bank shall not sell any VSCS Bonds or other obligations issued as evidence of a VSCS Loan made by the Bond Bank prior to the date on which a sufficient amount of Outstanding Bonds issued with respect to such VSCS Loan are redeemable, and shall not after such date sell any such VSCS Bonds or other obligations issued as evidence of a VSCS Loan made by the Bond Bank, unless the sales price thereof received by the Bond Bank shall not be less than the aggregate of: (i) the principal amount, the interest to accrue to the redemption date and redemption premium, if any, needed to redeem a sufficient amount of Bonds to assure Bond Bank compliance with the provisions of the General Resolution for VSCS Program governing the scheduled payments of principal and interest on VSCS Bonds pledged under the General Resolution for VSCS Program which, when added to interest and other income estimated by the Bond Bank to be derived from the investment or deposit of money available therefor in any Fund or Account created by the General Resolution for VSCS Program, will be sufficient to pay Debt Service on all Outstanding Bonds when due, and (ii) the costs and expenses of the Bond Bank in effecting the redemption of the Outstanding Bonds so to be redeemed, less the amount of monies or securities available in the applicable sub-account or sub-accounts in the Redemption Account and for application to the redemption of such Bonds in accordance with the terms and provisions of the General Resolution for VSCS Program, as determined by the Bond Bank.

Account and Reports

(1) The Bond Bank shall keep, or cause to be kept, proper books of record and account in which complete and correct entries shall be made of its transactions relating to all VSCS Bond Payments, VSCS Bonds, the Fees and Charges and all funds and accounts established by the General Resolution for VSCS Program, which shall at all reasonable times be subject to the inspection of the Trustee and the Holders of an aggregate of not less than five percent (5%) in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

(2) The Bond Bank shall annually, within ninety (90) days after the close of each Fiscal Year, file with the Trustee a copy of an annual report for such Fiscal Year (the "Annual Report"),

accompanied by an Accountant's Certificate, setting forth in complete and reasonable detail: (a) its operations and accomplishments; (b) its receipts and expenditures during such Fiscal Year in accordance with the categories or classifications established by the Bond Bank for its operating and capital outlay purposes; (c) its assets and liabilities at the end of such Fiscal Year, including a schedule of its VSCS Bond Payments, VSCS Bonds, Fees and Charges and the status of reserve, special or other funds and the funds and accounts established by the General Resolution for VSCS Program; and (d) a schedule of its Bonds Outstanding and other obligations outstanding at the end of such Fiscal Year, together with a statement of the amounts paid, redeemed and issued during such Fiscal Year. A copy of each such annual report and Accountant's Certificate shall be mailed promptly thereafter by the Bond Bank to each Bondholder who shall have filed his name and address with the Bond Bank for such purpose.

Budgets

(1) The Bond Bank shall, at least sixty (60) days prior to the beginning of each calendar year, prepare and file in the office of the Trustee a preliminary budget covering its fiscal operations for the succeeding calendar year which shall be open to inspection by any Bondholder. The Bond Bank shall also prepare a summary of such preliminary budget and on or before forty-five (45) days prior to the beginning of each calendar year mail a copy thereof to any Bondholder who shall have filed his name and address with the Bond Bank for such purpose.

(2) In the event the Holders of ten percent (10%) or more in principal amount of the Outstanding Bonds shall file with the Bond Bank thirty (30) days or more prior to the beginning of a calendar year a written request for a public hearing on such preliminary budget, the Bond Bank shall call and hold such public hearing in the City of Montpelier, in the State of Vermont, such hearing to be held not later than fifteen (15) days prior to the beginning of such calendar year. Notice of such public hearing shall be published once in an Authorized Newspaper, not less than ten (10) days prior to the date of such hearing, and shall contain a statement of the purpose of the hearing and the place and hour at which the same will be held. At such hearing any Bondholder, or his duly authorized attorney or representative, shall be entitled to be heard on any of the provisions contained in such preliminary budget.

(3) The Bond Bank shall adopt an annual budget covering its fiscal operations for the succeeding calendar year not later than December 1 of each year and file the same with the Trustee and with such officials of the State as required by the Act, as then amended, which budget shall be open to inspection by any Bondholder. In the event the Bond Bank shall not adopt an annual budget for the succeeding calendar year on or before December 1, the budget for the preceding calendar year shall be deemed to have been adopted and be in effect for such calendar year until the annual budget for such calendar year shall have been adopted as above provided. The Bond Bank may at any time adopt an amended annual budget in the manner provided in the Act as then amended.

Personnel and Servicing of Programs

(1) The Bond Bank shall at all times appoint, retain and employ competent personnel for the purpose of carrying out its respective programs and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all persons employed by the Bond Bank shall be qualified for their respective positions.

(2) The Bond Bank may pay to the VSCS from the Operating Account such amounts as are necessary to reimburse the VSCS for the reasonable costs of any services performed for the Bond Bank.

Waiver of Laws

The Bond Bank shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in the General Resolution for VSCS Program or in any Series Resolution or in the Bonds, and all benefit or advantage of any such law or laws has been expressly waived by the Bond Bank.

Defaults

The Trustee shall be and by the General Resolution for VSCS Program is vested with all of the rights, powers and duties of a trustee appointed by Bondholders pursuant to Section 4702 of the Act, and the right of Bondholders to appoint a trustee pursuant to Section 4702 of the Act is abrogated in accordance with the provision of subdivision 18 of Section 4648 of the Act.

The General Resolution for VSCS Program declares each of the following events an "event of default":

(a) If the Bond Bank shall default in the payment of the principal or Redemption Price of or interest on any Bond when and as the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty (30) days; or

(b) if the Bond Bank shall fail or refuse to comply with the provisions of the Act or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part in the General Resolution for VSCS Program, any Series Resolution, any Supplemental Resolution, or in the Bonds contained, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Holders of not less than five percent (5%) in principal amount of the Outstanding Bonds;

provided, however, that an event of default shall not be deemed to exist under the provisions of clause (c) above upon failure of the Bond Bank to make and collect Fees and Charges required to be made and collected by the provisions of the General Resolution for VSCS Program or upon the failure of the Bond Bank to enforce any obligation undertaken by the VSCS pursuant to a VSCS Loan Agreement including the making of the stipulated VSCS Bond Payments so long as the Bond Bank may be otherwise directed by law and so long as the Bond Bank shall be provided with monies from the State or otherwise, sufficient in amount to pay the principal of and interest on all Bonds as the same shall become due during the period for which the Bond Bank shall be directed by law to abstain from making and collecting such Fees and Charges and from enforcing the obligations of VSCS under the applicable VSCS Loan Agreement.

Remedies

(1) Upon the happening and continuance of any event of default specified in paragraph (a) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraph (b) above, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights;

(a) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the Bond Bank to make and collect Fees and Charges and VSCS Bond Payments adequate to carry out the covenants and agreements as to, and pledge of, such Fees and Charges and VSCS Bond Payments, and other properties and to require the Bond Bank to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

(c) by action or suit in equity, to require the Bond Bank to account as if it were the Trustee of an express trust for the Holders of the Bonds;

(d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and

(e) in accordance with the provisions of the Act, declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, to annul such declaration and its consequences.

(2) In the enforcement of any remedy under the Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and any time remaining, due from the Bond Bank for principal, Redemption Price, interest or otherwise, under any provision of the General Resolution for VSCS Program or a Series Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the Bond Bank for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any monies available for such purpose, in any manner provided by law, the monies adjudged or decreed to be payable.

Priority of Payments After Default

In the event that the funds held by the Trustee and Paying Agents shall be insufficient for the payment of interest and principal or Redemption Price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other monies received or collected by the Trustee acting pursuant to the Act and the General Resolution for VSCS Program, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under the General Resolution for VSCS Program, shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

These provisions are in all respects subject to provisions in the General Resolution for VSCS Program as to the extension of payment of principal and interest on the Bonds.

Whenever monies are to be applied by the Trustee pursuant to the provisions of the General Resolution for VSCS Program provision governing priority of payments after default, such monies shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such monies available for application and the likelihood of additional money becoming available for such application in the future; the deposit of such monies with the Paying Agents, or otherwise setting aside such monies in trust for the proper purpose, shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Bond Bank, to any Bondholder or to any other person for any delay in applying any such monies, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the General Resolution for VSCS Program as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such monies, it shall fix the date (which shall be an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Termination of Proceedings

In case any proceeding taken by the Trustee on account of any event of default shall have been discontinued or abandoned for any reason, then in every such case the Bond Bank, the Trustee and the Bondholders shall be restored to their former positions and rights under the General Resolution for VSCS Program, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Limitation on Rights of Bondholders

No Holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the General Resolution for VSCS Program, or for the protection or enforcement of any right under the General Resolution for VSCS Program or any right under law unless such Holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the General Resolution for VSCS Program or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the General Resolution for VSCS Program or for any other remedy provided in the General Resolution for VSCS Program or under law. It is understood and intended that no one or more Holders of the Bonds secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the General Resolution for VSCS Program, or to enforce any right thereunder or under law with respect to the Bonds or the General Resolution for VSCS Program, except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the benefit of all Holders of the Outstanding Bonds. Notwithstanding the foregoing provisions, the obligation of the Bond Bank shall be absolute and unconditional to pay the principal and Redemption Price of and interest on the Bonds to the respective Holders thereof pertaining thereto at the respective due dates thereof, and nothing therein shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Anything in the General Resolution for VSCS Program to the contrary notwithstanding, each Holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the General Resolution for VSCS Program or any Series Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorney's fees, against any party litigant in any suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but such provisions shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five percent (25%) in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal or Redemption Price of or interest on any Bond on or after the respective due date thereof expressed in such Bond.

Remedies Not Exclusive

No remedy conferred upon or reserved to the Trustee or to the Holders of the Bonds under the General Resolution for VSCS Program is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given thereunder or now or hereafter existing at law or in equity or by statute.

No Waiver of Default

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the General Resolution for VSCS Program to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Notice of Event of Default

The Trustee shall give to the Bondholders notice of each event of default under the General Resolution for VSCS Program known to the Trustee within ninety (90) days after the knowledge of the occurrence thereof, unless such event of default shall have been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of the principal or Redemption Price of or interest on any of the Bonds, or in the making of any payment required to be made into the Revenue Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders. Each such notice of event of default shall be given by the Trustee by mailing written notice thereof: (1) to all registered Holders of Bonds, as the names and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Trustee; (2) to such Bondholders as have filed their names and addresses with the Trustee for that purpose; and (3) to such other persons as is required by law.

Modifications of Resolution and Outstanding Bonds

The General Resolution for VSCS Program provides procedures whereby the Bond Bank may amend the General Resolution for VSCS Program or a Series General Resolution for VSCS Program by adoption of a supplemental resolution. Amendments that may be made without the consent of Bondholders must be for purposes of further securing the Bonds, imposing further limitations on or surrendering rights of the Bond Bank or curing ambiguities.

Amendments of the respective rights and obligations of the Bond Bank and the Bondholders may be made with the written consent of the Holders of at least two-thirds in principal amount of the Outstanding Bonds to which the amendment applies; but no such amendment shall permit a change in the terms of redemption or maturity of the principal of any Bond or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof, or the rate of interest thereon or reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect such amendment.

Amendments may be made in any respect with the written consent of the Holders of all of the Bonds then Outstanding.

Defeasance

(1) If the Bond Bank shall pay or cause to be paid to the Holders of all Bonds and coupons then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Resolution for VSCS Program, then, at the option of the Bond Bank, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Bond Bank to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Bond Bank, execute and deliver to the Bond Bank all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Bond Bank all money, securities and funds held by them pursuant to the General Resolution for VSCS Program which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

(2) Bonds or interest installments for the payment or redemption of which monies shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Bond Bank of funds for

such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (1) above. All Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (1) above if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Bond Bank shall have given to the Trustee in form satisfactory to it, irrevocable instructions to mail notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either monies in an amount which shall be sufficient, or direct obligations of the United States of America the principal of and the interest on which when due will provide monies which, together with the monies, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Bond Bank shall have given the Trustee in form satisfactory to it irrevocable instructions to mail notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the General Resolution for VSCS Program and stating such maturity or redemption date upon which monies are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Failure to mail any notice shall not effect the ability of the Bond Bank to defease any of the Bonds. Neither direct obligations of the United States of America or monies deposited with the Trustee pursuant to the provision in the General Resolution for VSCS Program providing for defeasance or principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided, however, that any cash received from such principal or interest payments on such direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in direct obligations of the United States of America maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Bond Bank, as received by the Trustee, free and clear of any trust, lien or pledge.

(3) Anything in the General Resolution for VSCS Program to the contrary notwithstanding, any monies held by the Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such monies were held by the Fiduciary at such date, or for six (6) years after the date of deposit of such monies if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the Bond Bank, be repaid by the Fiduciary to the Bond Bank, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Bond Bank for the payment of such Bonds; provided, however, that before being required to make any such payment to the Bond Bank, the Fiduciary shall, at the expense of the Bond Bank, mail to the Bondholders and cause to be published at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, a notice that said monies remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication of such notice, the balance of such monies then unclaimed will be returned to the Bond Bank.

One Financial Center
Boston, MA 02111
617 542 6000
mintz.com

MINTZ

[Closing Date]

Vermont Bond Bank
Winooski, Vermont

Re: Vermont Bond Bank, Vermont State Colleges System Bonds, 2020 Series A (the "Bonds")

We have acted as bond counsel to the Vermont Municipal Bond Bank (d/b/a the Vermont Bond Bank) (the "Bond Bank") in connection with the issuance by the Bond Bank of the Bonds pursuant to the provisions of Public Act No. 216 of the Laws of Vermont enacted by the General Assembly of the State of Vermont at the 1969 Adjourned Session, as amended (the "Act"), the General Bond Resolution for Vermont State Colleges System adopted by the Bond Bank on March 30, 2017 (the "General Resolution for VSCS Program"), and the Series Resolution adopted by the Bond Bank on December 18, 2019 authorizing the issuance of the Bonds (the "Series Resolution," and together with the General Resolution for VSCS Program, the "Resolutions"). Terms not otherwise defined herein shall have the same meanings as set forth in the Resolutions.

We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion. In addition, we have examined and relied upon the opinions of bond counsel to the Vermont State Colleges, also known as the Vermont State Colleges System ("VSCS") dated the date hereof, relative to the validity and enforceability of the general obligation bond issued by the VSCS (the "VSCS Bond") which secure the loan to the VSCS financed by the Bond Bank from the proceeds of the Bonds (the "Loan"), and to the validity and enforceability of the Loan Agreement dated as of February 1, 2020 (the "Loan Agreement") between the Bond Bank and the VSCS.

The Bonds are being issued by means of a book-entry-only system, with bond certificates immobilized at The Depository Trust Company, New York, New York ("DTC"), and not available for distribution to the public, evidencing ownership of the Bonds in denominations of $5,000 or integral multiples thereof, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants.

The Bonds are payable on October 1 in the years and principal amounts, bear interest at the rates and are subject to redemption prior to maturity, all as provided in the Series Resolution.

As to questions of fact material to our opinion, we have relied upon the representations of the Bank contained in the Resolutions and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bank is duly created and validly existing as a body politic and corporate constituted as an instrumentality of the State of Vermont (the "State"), under and pursuant to the laws of the State with the power to adopt the Resolutions, perform the agreements on its part contained therein and issue the Bonds.

2. The Resolutions have been duly adopted by the Bank and constitute valid and binding obligations of the Bank enforceable upon the Bank.

3. Pursuant to the Act and subject to the exceptions and terms of the Resolutions, the Resolutions create a valid lien on the VSCS Bond, the VSCS Bond Payments and moneys and securities held or set aside thereunder for the security of the Bonds on a parity with any other bonds to be issued under the General Resolution for VSCS Program.

4. The Bonds have been duly authorized, executed and delivered by the Bank and are valid and binding direct and special obligations of the Bank payable solely from the funds and accounts established by the Resolutions and rights to receive revenues thereunder.

5. In the General Resolution for VSCS Program, the Bank has validly covenanted and will be legally obligated to enforce and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of the VSCS Bonds securing the Loan made by the Bank, including the prompt collection of payments of principal and interest on such VSCS Bond and Fees and Charges (as defined in the General Resolution for VSCS Program).

6. Interest on the Bonds will not be included in the gross income of the holders of the Bonds for federal income tax purposes. This opinion is rendered subject to compliance with various requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. Interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax. We express no opinion as to other federal tax consequences resulting from holding the Bonds.

7. Interest on the Bonds is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes.

Except as set forth in paragraph (6), we express no opinion as to federal tax consequences of holding the Bonds, and except as set forth in paragraph (7), we express no opinion as to any state or local tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Resolutions may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

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VERMONT MUNICIPAL BOND BANK

FINANCIAL STATEMENTS
DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017
AND
INDEPENDENT AUDITOR'S REPORTS

VERMONT MUNICIPAL BOND BANK

DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017

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Mudgett
Jennett &
Krogh-Wisner, P.C.
Certified Public Accountants #435

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Vermont Municipal Bond Bank

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Vermont Municipal Bond Bank (the Bond Bank), a component unit of the State of Vermont, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Bond Bank's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Vermont Municipal Bond Bank as of December 31, 2018, and the respective changes in financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

141 Main Street • P.O. Box 937, Montpelier, Vermont 05601 • Phone (802) 229-9193

Other Matters

Report on Summarized Comparative Information

We have previously audited the Bond Bank's 2017 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and each major fund in our report dated June 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2019 on our consideration of the Bond Bank's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Bank's internal control over financial reporting and compliance.

Montpelier, Vermont
May 29, 2019

Mudgett, Jennett & Krogh-Wisner, P.C.

The Vermont Municipal Bond Bank (Bank or VMBB) was created by the Act in 1970 as a body corporate and politic with corporate succession and is constituted as an instrumentality exercising public and essential governmental functions of the State of Vermont. The Bank's primary purpose is to provide Vermont's municipalities with inexpensive access to capital markets. As of December 31, 2018, the Bank has issued over $2.5 billion in tax-exempt and taxable bonds through 87 series of bonds for municipalities, including 28 refunding bonds, and one conduit debt series for the Vermont State College System.

This discussion of the VMBB's financial performance provides an overview of the Bank's financial activities for the fiscal year ended December 31, 2018. The statements are divided into two funds. The Bond Fund reports the financial activities of the pool of funds loaned to municipalities. The Bond Fund assets and liabilities are held by one corporate trustee, U.S. Bank, N.A. The Operating Fund is made up of activities relating to the administrative operations of the VMBB.

2018 Financial Highlights

In 2018, the Bond Bank issued $41,165,000 through two series of Local Investment Bonds. The $7,990,000 2018 Series 1 Bonds provided loans to 6 municipalities, and $33,175,000 2018 Series 2 Bonds were issued to provide loans to 16 municipalities with 20 projects.

In 2017, the Bank issued $160,065,000 through five series of bonds. Two bond series, totaling $58,910,000 provided loans to 24 municipalities and one Green Bond series of $6,115,000 provided 2 municipal loans for environmentally-beneficial projects in Vermont. One bond series, totaling $27,380,000, was issued to advance refund the VMBB's previously issued 2013 Series 1 bonds. The VMBB also issued $67,660,000 2017 Series A Bonds for the purpose of issuing loans to the Vermont State College System which constitute special not general obligations of the Bond Bank. Municipal bonds of $69,995,000 were refunded or retired in 2017.

As of December 31, 2018, the VMBB had 490 loans outstanding to 218 different municipalities totaling $548,480,020. As of December 31, 2017, the VMBB had 499 loans outstanding to 256 different municipalities totaling $555,844,436.

Outstanding Loans by Debt Type as of 12/31/18	Summary			
	# Loans	% Total	Amount	% Total
General Obligation Bonds	483	98.57%	532,285,804	97.04%
Revenue Bonds	7	1.43%	16,194,216	2.96%
Total	490	100.00%	548,480,020	100.00%

Outstanding Loans by Project Type as of 12/31/18	Summary			
	# Loans	% Total	Amount	% Total
Local Government	305	62.24%	319,379,362	58.23%
School District	149	30.41%	206,933,188	37.73%
Other Governmental Unit	36	7.35%	22,167,470	4.04%
Total	490	100.00%	548,480,020	100.00%

Major Statement of Net Position items changed as follows from 2018 to 2017:

Indicators	12/31/2018 Balance	12/31/2017 Balance, Restated	Variance	Percent Variance
Total Assets and Deferred Outflows of Resources	$664,814,176	$673,366,568	$(8,552,392)	(1.27)%
Total Liabilities	$626,328,272	$635,860,687	$(9,532,415)	(1.49)%
Total Net Position	$38,485,904	$37,505,881	$980,023	2.61%
Net Position Unrestricted	$25,799,239	$24,084,825	$1,714,414	7.12%
Net Position Restricted	$12,686,665	$13,421,056	$(734,391)	(5.47)%

Assets and Deferred Outflows of Resources

In the Operating Fund, Total Assets increased $1,740,703 or 7.22%. Cash and Cash Equivalents increased by $2,061,061 or 266.70% while investments decreased by $280,733 or 1.21%.

In the Bond Fund, Total Current Assets decreased $6,134,632 or 10.48%. Noncurrent Assets decreased $1,867,642 or 0.33%, and Restricted Cash decreased $2,813,383 or 74.97% from the prior year. Restricted Investments increased by $7,649,978 or 14.95% and Total Loans to Municipalities decreased by $7,364,416 or 1.32%. Deferred Outflows of Resources decreased by $2,290,821 or 8.27%.

Liabilities

In the Bond Fund, Total Current Liabilities increased by $1,340,596 or 2.83% while Total Noncurrent Liabilities decreased by $10,899,300 or 1.85%.

Total Bonds Payable (Current and Noncurrent) were $623,950,453 at December 31, 2018 and $633,485,645 at December 31, 2017.

Net Position

Restricted Net Position in the Bond Fund decreased from 2017 to 2018 by $734,391 or 5.47%. Unrestricted Net Position in the Operating Fund increased by $1,714,414 or 7.12% from 2017 to 2018. These changes in net position were largely due to net transfers from the Bond Fund to the Operating Fund of $1,999,461. Operating income exceeded net nonoperating revenue and expenses in the Bond Fund by $1,265,070 while operating loss exceeded investment income in the Operating Fund by $285,047. Total Net Position at December 31, 2018 equaled 6.17% of Total Bonds Payable and Unrestricted Net Position equaled 4.13% of Total Bonds Payable. Total Net Position at December 31, 2017 equaled 5.92% of Total Bonds Payable and Unrestricted Net Position equaled 3.80% of Total Bonds Payable.

Operating Summary

Major Revenue and Expense item changes from 2018 to 2017 are as follows:

Revenue & Expense Indicators	12/31/2018 Balance	12/31/2017 Balance	Variance	Percent Variance
Total All Revenue (Including Transfers In)	$28,100,491	$25,635,392	$2,465,099	9.62%
Total All Expenses (Including Transfers Out)	$27,120,468	$25,481,110	$1,639,358	6.43%
Operating Income (Loss)	$17,723,372	$17,265,470	$457,902	2.65%
Bond Fund Revenues	$25,349,641	$24,789,682	$559,959	2.26%
Bond Fund Expenses	$24,084,571	$24,747,101	$(662,530)	(2.68)%
Operating Fund Revenues	$751,389	$687,715	$63,674	9.26%
Operating Fund Expenses	$1,036,436	$576,014	$460,422	79.93%
Bond Fund Change in Net Position	$(734,391)	$200,576	---	---
Operating Fund Change in Net Position	$1,714,414	$(46,294)	---	---

Investment Portfolio

The VMBB's unrestricted investment portfolio on December 31, 2018 was valued at "fair market value" of $22,947,710, excluding investment cash deposits of $521,661. The December 31, 2017 "fair market value" of the investment portfolio was $23,228,443, excluding investment cash deposits of $465,173. The total cost of the portfolio, excluding cash deposits, was $23,382,919 on December 31, 2018 and $23,279,717 on December 31, 2017.

Subsequent Events

In February 2019, the VMBB issued $24,870,000 2019 Series 1 Bonds designated as Local Investment Bonds to reflect the local impact of the projects that are capitalized by the 2019 Bonds. This designation is intended to alert individual investors of the reduced barriers to investing in Vermont's local communities through the $1,000 denominations of the 2019 Bonds. During 2019, the Bond Bank may issue additional series bonds.

Contact for Further Information

This financial report is designed to provide the reader with a general overview of the Vermont Municipal Bond Bank's finances. Questions about this report or requests for additional financial information should be directed to Michael Gaughan, Executive Director, Vermont Municipal Bond Bank, Champlain Mill, 20 Winooski Falls Way, Winooski, VT 05404, at 802-654-7377 or michaelg@vtbondagency.org.

VERMONT MUNICIPAL BOND BANK
STATEMENT OF NET POSITION
DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017

	2018			2017
	Bond Fund	Operating Fund	Total	Summarized Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Current assets -				
Cash and cash equivalents	$ 3,642,522	$ 2,833,854	$ 6,476,376	$ 9,745,711
Accrued interest receivable	1,678,234	3,954	1,682,188	1,822,291
Accounts receivable and prepaid expenses	-	50,692	50,692	94,271
Current portion of loans to municipalities	47,079,850	-	47,079,850	47,740,029
Investments	-	22,947,710	22,947,710	23,228,443
Total current assets	52,400,606	25,836,210	78,236,816	82,630,745
Noncurrent assets -				
Restricted cash	939,249	-	939,249	3,752,632
Restricted investments	58,813,966	-	58,813,966	51,163,988
Loans to municipalities	501,400,170	-	501,400,170	508,104,407
Total noncurrent assets	561,153,385	-	561,153,385	563,021,027
Total assets	613,553,991	25,836,210	639,390,201	645,651,772
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflow on refunding of bonds payable	25,423,975	-	25,423,975	27,714,796
Total assets and deferred outflows of resources	$ 638,977,966	$ 25,836,210	$ 664,814,176	$ 673,366,568
LIABILITIES AND NET POSITION				
LIABILITIES:				
Current liabilities -				
Accounts payable	$ -	$ 36,971	$ 36,971	$ 83,947
Accrued arbitrage rebate	140,270	-	140,270	47,933
Bond interest payable	2,140,445	-	2,140,445	2,143,921
Current portion of bonds payable	46,430,000	-	46,430,000	45,105,000
Total current liabilities	48,710,715	36,971	48,747,686	47,380,801
Noncurrent liabilities -				
Accrued arbitrage rebate	60,133	-	60,133	99,241
Bonds payable	577,520,453	-	577,520,453	588,380,645
Total noncurrent liabilities	577,580,586	-	577,580,586	588,479,886
Total liabilities	626,291,301	36,971	626,328,272	635,860,687
NET POSITION:				
Restricted	12,686,665	-	12,686,665	13,421,056
Unrestricted	-	25,799,239	25,799,239	24,084,825
Total net position	12,686,665	25,799,239	38,485,904	37,505,881
Total liabilities and net position	$ 638,977,966	$ 25,836,210	$ 664,814,176	$ 673,366,568

The notes to financial statements are an integral part of this statement.

VERMONT MUNICIPAL BOND BANK
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018			2017
	Bond Fund	Operating Fund	Total	Summarized Total
OPERATING REVENUES:				
Interest	$ 21,006,313	$ -	$ 21,006,313	$ 21,323,306
Other income	-	47,643	47,643	29,244
Total operating revenue	21,006,313	47,643	21,053,956	21,352,550
OPERATING EXPENSES:				
Bond issue costs	494,105	-	494,105	883,261
Other expense	2,311,219	-	2,311,219	2,696,582
Operating expenses	-	525,260	525,260	507,237
Total operating expenses	2,805,324	525,260	3,330,584	4,087,080
OPERATING INCOME (LOSS)	18,200,989	(477,617)	17,723,372	17,265,470
NONOPERATING REVENUE (EXPENSES):				
Net appreciation/(depreciation) in fair value of investments	(888,363)	(511,176)	(1,399,539)	1,462
Interest and investment revenue	2,757,004	703,746	3,460,750	2,497,094
Interest rebate	1,538,336	-	1,538,336	1,557,514
Interest expense	(20,390,884)	-	(20,390,884)	(21,059,641)
Arbitrage recovery (rebate)	47,988	-	47,988	(107,617)
Total nonoperating revenue (expenses)	(16,935,919)	192,570	(16,743,349)	(17,111,188)
NET INCOME (LOSS) BEFORE TRANSFERS	1,265,070	(285,047)	980,023	154,282
TRANSFER TO OPERATING FUND	(1,999,461)	1,999,461	-	-
CHANGE IN NET POSITION	(734,391)	1,714,414	980,023	154,282
NET POSITION, beginning of year (restated)	13,421,056	24,084,825	37,505,881	37,351,599
NET POSITION, end of year	$ 12,686,665	$ 25,799,239	$ 38,485,904	$ 37,505,881

The notes to financial statements are an integral part of this statement.

VERMONT MUNICIPAL BOND BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017
(Page 1 of 2)

	2018			2017
	Bond Fund	Operating Fund	Total	Summarized Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from municipalities -				
Principal	$ 47,780,031	$ -	$ 47,780,031	$ 46,271,333
Interest (net of refunding interest savings)	18,844,909	-	18,844,909	18,606,688
Cash paid to suppliers for goods and services	-	(343,725)	(343,725)	(456,292)
Cash paid to employees for services	-	(155,246)	(155,246)	(147,180)
Loans to municipalities	(40,415,615)	-	(40,415,615)	(69,042,631)
Bond issue costs	(567,370)	-	(567,370)	(809,996)
Other receipts	-	91,222	91,222	29,244
Net cash provided (used) by operating activities	25,641,955	(407,749)	25,234,206	(5,548,834)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Proceeds from bonds issued	43,455,821	-	43,455,821	92,228,325
Principal reductions	(45,105,000)	-	(45,105,000)	(69,995,000)
Interest expense	(25,989,552)	-	(25,989,552)	(16,783,313)
Arbitrage recovery (rebate)	101,217	-	101,217	(73,393)
Interest rebate	1,538,336	-	1,538,336	1,557,514
Transfers	(1,999,461)	1,999,461	-	-
Net cash provided (used) by noncapital financing activities	(27,998,639)	1,999,461	(25,999,178)	6,934,133
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales of investments	4,986,285	3,073,065	8,059,350	3,467,403
Purchase of investments	(9,822,880)	(2,792,332)	(12,615,212)	(7,003,738)
Earnings (loss) on investments	(888,363)	(511,176)	(1,399,539)	1,462
Investment income	2,751,246	699,792	3,451,038	2,493,701
Net cash provided (used) by investing activities	(2,973,712)	469,349	(2,504,363)	(1,041,172)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,330,396)	2,061,061	(3,269,335)	344,127
CASH AND CASH EQUIVALENTS, beginning of year	8,972,918	772,793	9,745,711	9,401,584
CASH AND CASH EQUIVALENTS, end of year	$ 3,642,522	$ 2,833,854	$ 6,476,376	$ 9,745,711

The notes to financial statements are an integral part of this statement.

VERMONT MUNICIPAL BOND BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018 Bond Fund	2018 Operating Fund	2018 Total	2017 Summarized Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 18,200,989	$ (477,617)	$ 17,723,372	$ 17,265,470
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -				
(Increase)/decrease in following assets:				
Accrued interest receivable	149,815	-	149,815	(20,036)
Accounts receivable	-	43,579	43,579	(94,271)
Loans to municipalities	7,364,416	-	7,364,416	(22,771,298)
Increase/(decrease) in following liabilities:				
Accounts payable	(73,265)	26,289	(46,976)	71,301
Net cash provided (used) by operating activities	$ 25,641,955	$ (407,749)	$ 25,234,206	$ (5,548,834)

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

	2018 Bond Fund	2018 Operating Fund	2018 Total	2017 Summarized Total
Refunding loss amortization:	$ 2,290,821	$ -	$ 2,290,821	$ 2,199,432

The notes to financial statements are an integral part of this statement.

1. Authorizing legislation and nature of funds:

A. Authorizing legislation - The Vermont Municipal Bond Bank (Bond Bank) was established by the General Assembly of the State of Vermont in 1970 for the purpose of fostering and promoting the provision of adequate capital markets and facilities for borrowing money by governmental units of the State of Vermont for financing public improvements or other purposes. The Bond Bank is authorized to carry out this function by borrowing money, issuing bonds and notes and purchasing bonds and notes of local governmental units. The Bond Bank is a component unit of the State of Vermont.

The Bond Bank is administered by a Board of Directors, with a mandate to provide municipalities with access to municipal bond proceeds at the lowest possible interest rates.

The Board is comprised of five directors consisting of the Treasurer of the State of Vermont (Ex-officio) and four directors appointed by the Governor of the State of Vermont, with the advice and consent of the Senate, to serve terms of two years each, two terms expiring on February 1 in alternate years, or until a successor is appointed. The Directors elect a Chair, Secretary and a Treasurer.

Eligible municipalities are defined as any city, town, village, school district, fire district, consolidated sewer or water district, or a solid waste district organized under the laws of the State, and also includes every municipal corporation identified in subdivision 1751(1) of V.S.A., Title 24.

As of December 31, 2018, the following resolutions had been adopted by the Bond Bank and remain active:

Date	Resolution
February 17, 1972	General Bond Resolution "Creating and establishing an issue of bonds of the Vermont Municipal Bond Bank; providing for the issuance from time to time of said bonds; providing for the payment of principal and interest of said bonds, and providing for the rights of the holders thereof."
May 3, 1988	General Bond Resolution "Creating and Establishing an issue of bonds for the Vermont Municipal Bond Bank; providing for the issuance from time to time of said bonds; providing for the payment of the principal and interest of said bonds; and providing for the rights of the holders thereof."
June 16, 2008	2008 Series 1 and Series 2 Resolution authorizing the issuance of $37,935,000 2008 Series 1 Bonds and $5,635,000 2008 Series 2 Bonds. 2008 Series 1 was partially refunded and defeased by 2015 Series 5.
June 15, 2009	2009 Series 1 Resolution authorizing the issuance of the $61,560,000 2009 Series 1 Bonds and 2009 Series 2 Resolution authorizing the issuance of $26,025,000 Series 2 Refunding Bonds and the refunding of the 1998 Series 2 Bonds and 1999 Series 1 Bonds. 2009 Series 1 was partially refunded and defeased by 2015 Series 5.

1. Authorizing legislation and nature of funds (continued):

A. Authorizing legislation (continued) -

June 10, 2010	2010 Series 1 Resolution authorizing the issuance of the $23,430,000 2010 Series 1 Bonds, 2010 Series 2 Resolution authorizing the issuance of $9,770,000 Federal Taxable Recovery Zone Economic Development Bonds (RZEDBs) 2010 Series 2 Bonds, 2010 Series 3 Resolution authorizing the issuance of $1,365,000 Federally Taxable Qualified School Construction Bonds 2010 Series 3 Bonds and 2010 Series 4 Resolution authorizing the issuance of $39,305,000 Series 4 Refunding Bonds and the refunding of 2000 Series 1 Bonds and 2001 Series 1 Bonds. 2010 Series 1 was partially refunded and defeased by 2016 Series 2.
October 12, 2010	2010 Series 5 Resolution authorizing the issuance of $24,520,000 Federally Taxable RZEDBS 2010 Series 5 Bonds.
January 25, 2011	2011 Series 1 Resolution authorizing the issuance of $9,500,000 Federally Taxable Qualified School Construction Bonds 2011 Series 1 Bonds.
June 15, 2011	2011 Series 2 Resolution authorizing the issuance of $25,665,000 2011 Series 2 Bonds, 2011 Series 3 Resolution authorizing the issuance of $2,940,000 Federally Taxable Qualified School Construction Bonds 2011 Series 3 Bonds and 2011 Series 4 Resolution authorizing the issuance of $14,370,000 Series 4 Refunding Bonds and the refunding of 2002 Series 1 Bonds. 2011 Series 2 was partially refunded and defeased by 2016 Series 2.
November 7, 2011	2011 Series 5 Resolution authorizing the issuance of $43,695,000 2011 Series 5 Bonds and 2011 Series 6 Resolution authorizing the issuance of $25,895,000 Series 6 Refunding Bonds and the refunding of 2003 Series 2 Bonds. 2011 Series 5 was partially refunded and defeased by 2016 Series 2.
June 13, 2012	2012 Series 1 Resolution authorizing the issuance of $36,125,000 2012 Series 1 Bonds, 2012 Series 2 Resolution authorizing the issuance of $8,855,000 Qualified School Construction Bonds 2012 Series 2 Bonds and 2012 Series 3 Resolution authorizing the issuance of $26,590,000 Series 3 Refunding Bonds and the refunding of 2004 Series 1 Bonds.
October 24, 2012	2012 Series 4 Resolution authorizing the issuance of $8,790,000 2012 Series 4 Bonds and 2012 Series 5 Resolution authorizing the issuance of $6,485,000 Series 5 Refunding Bonds and the refunding of 2003 Series 1 Bonds.
June 19, 2013	2013 Series 1 Resolution authorizing the issuance of $54,895,000 2013 Series 1 Bonds and 2014 Series 2 Resolution authorizing the issuance of $18,285,000 Series 2 Refunding Bonds and the partial refunding of the 2005 Series 1 Bonds.

1. Authorizing legislation and nature of funds (continued):

A. Authorizing legislation (continued) -

November 20, 2013	2014 Series 1 Resolution authorizing the issuance of the $29,475,000 2014 Series 1 Bonds.
June 10, 2014	2014 Series 3 Resolution authorizing the issuance of the $51,025,000 2014 Series 3 Bonds and the 2014 Series 4 Resolution authorizing the issuance of $21,035,000 Series 4 Refunding Bonds and the refunding of the 2006 Series 1 Bonds.
April 14, 2015	2015 Series 1 Resolution authorizing the issuance of the $30,630,000 2015 Refunding Bonds and the refunding of the 2004 Series 2 Bonds and the partial refunding of the 2007 Series 1 Bonds.
June 22, 2015	2015 Series 2 Resolution authorizing the issuance of the $7,975,000 2015 Series 2 Serial Bonds and the 2015 Series 3 Resolution authorizing the issuance of $14,535,000 2015 Series 3 Refunding Bonds with the partial refunding of the 2005 Series 2 Bonds and the partial refunding of the 2005 Series 3 Bonds and the 2015 Series 5 Resolution authorizing the issuance of $52,400,000 2015 Series 5 Refunding Bonds with the partial refunding of the 2008 Series 1 Bonds and the partial refunding of the 2009 Series 1 Bonds.
October 8, 2015	2015 Series 4 Resolution authorizing the issuance of the $10,425,000 2015 Series 4 Taxable Bonds.
June 7, 2016	2016 Series 1 Resolution authorizing the issuance of the $41,870,000 2016 Series 1 Bonds and 2016 Series 2 Resolution authorizing the issuance of the $52,390,000 2016 Series 2 Refunding Bonds the partial refunding of the 2007 Series 2 Bonds, the 2010 Series 1 Bonds, the 2011 Series 2 Bonds and the 2011 Series 5 Bonds.
February 7, 2017	2017 Series 1 Resolution authorizing the issuance of the $31,920,000 2017 Series 1 Bonds and 2017 Series 2 Resolution authorizing the issuance of the $6,115,000 2017 Series 2 Green Bonds.
March 30, 2017	2017 General Vermont State Colleges System (VSCS) Bond Resolution allowing for multiple series of parity bonds that will constitute special not general obligations of the Bond Bank and 2017 Series A Resolution authorizing the issuance of the $67,660,000 2017 VSCS Series 1 Bonds.
June 21, 2017	2017 Series 3 Resolution authorizing the issuance of the $26,990,000 2017 Series 3 Bonds and 2017 Series 4 Resolution authorizing the issuance of $27,380,000 Series 4 Refunding Bonds and the partial refunding of the 2013 Series 1 Bonds.

1. Authorizing legislation and nature of funds (continued):

A. Authorizing legislation (continued) -

January 25, 2018	2018 Series 1 Resolution authorizing the issuance of the $7,990,000 2018 Series 1 Local Investment Bonds.
June 11, 2018	2018 Series 2 Resolution authorizing the issuance of the $33,175,000 2018 Series 2 Local Investment Bonds.

B. Basis of presentation and nature of funds - The financial statement presentation follows the recommendations of the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Bond Bank is a special-purpose entity with only business-type activities. Under GASB Statement No. 34, such entities should present only the financial statements required for enterprise funds. The accompanying financial statements include two distinct funds, each of which is considered a separate accounting entity. The following funds are used by the Bond Bank.

Operating Fund - The Operating Fund is used to administer the operations of the Bond Bank and derives its revenues principally from investment income.

Bond Fund - The Bond Fund is used to administer the activities of the Bond Bank for the municipal loan program. The Fund issues bonds which are utilized to finance capital improvements or other purposes for local municipalities throughout the State of Vermont.

2. Summary of significant accounting policies:

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

A. Advance refundings - All advance refundings completed are accounted for in accordance with the provisions of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. Under GASB Statement No. 23, the difference between the reacquisition price and the net carrying amount of the old debt is amortized as a component of interest expense over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The unamortized portion is reported as a deferred outflow of resources.

B. Fund accounting - The financial statements of the Bond Bank have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) in conformity with the principles of fund accounting.

C. Measurement focus and basis of accounting - The Bond Bank uses the economic resources measurement focus and the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the obligation for payment is incurred. Operating revenues include interest from loans to municipalities and accrued interest receivable from municipalities. Interest expense on related bonds payable is recorded as a nonoperating expense in accordance with GASB Statements No. 9 and 34.

2. Summary of significant accounting policies (continued):

D. Cash equivalents - The Bond Bank considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents.

E. Investments - The Directors appoint trustees to oversee the investments in the Bond Fund. As of December 31, 2018, the Trustee is the U.S. Bank National Association. The Directors engaged McDonnell Investment Management, LLC to provide investment management services for the Operating Fund. Investments with readily determinable fair values are reported at their fair values on the Statement of Net Position. See Note 4.

F. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources, if applicable, are reported as separate sections on the Statement of Net Position. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period.

G. Use of estimates - The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Prior year totals - The financial statements include certain prior year summarized comparative information in total but not by fund as presented in the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Bond Bank's financial statements for the year ended December 31, 2017, from which the summarized information was derived. The prior year's information on investment gains and losses has been reclassified and restated to conform with the current year's financial presentation. See note 2.I. which follows.

I. Restated net position - The beginning bond fund net position was restated from $13,214,818 to include restricted investment sinking funds of $206,238 available at December 31, 2017, for a restated bond fund net position beginning of year, of $13,421,056.

3. Custodial credit risk - deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Bond Bank's deposits may not be recovered. Cash consists of money market accounts invested primarily in commercial paper and government securities. The Bond Bank's custodial credit risk policy directs management to invest in cash or near cash investments that are either 100% FDIC insured or Aaa rated funds or government securities. As of December 31, 2018, general operating reserve cash was $2,833,854. Of this total, $251,192 was in collateralized and FDIC insured cash accounts. The remaining total of $2,572,484 was held within "government money markets funds" rated Aaa-mf by Moody's Investors Service (Moody's). Unrestricted cash and cash equivalents in the Bond Fund of $3,642,522 was held within "government money markets funds" rated Aaa-mf by Moody's, held by the Trustee. These funds are secured in eligible investments as defined in the General Resolution.

4. Investments:

Unrestricted investments - The Bond Bank's investment objectives for its unrestricted investments are 1) to obtain regular, predictable interest income, through the investment in a diversified portfolio of U.S. Treasury and other government securities, corporate, mortgage and asset-backed securities, and other fixed income securities; 2) to outperform the investment returns of the Barclays Intermediate Aggregate Bond Index; and 3) to provide for cash funding needs through regular interest income.

The Bond Bank reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. GASB Statement No. 72, *Fair Value Measurement and Application*, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- Level 1. Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- Level 2. Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

The Bond Bank measures fair value using level 1 inputs because they are available and generally provide the most reliable evidence of fair value for the Bond Bank's measurement of investments.

The classification and fair value of unrestricted investments held at December 31, 2018 and 2017 are identified as follows:

	Operating Fund	
	2018	2017
Agency Securities	$ 1,362,689	$ 2,552,400
Asset-Backed Securities	2,045,480	1,599,750
Corporate Securities	6,949,849	7,317,513
Corporate Securities: Yankee	573,047	390,776
Mortgage Backed Securities (MBS)	7,787,065	7,085,683
MBS: Collateralized	1,388,528	201,170
MBS: Commercial	166,587	1,462,442
Municipal Securities	695,824	520,337
U.S. Treasury Securities	1,978,641	2,098,372
	$ 22,947,710	$ 23,228,443

4. Investments (continued):

The Bond Bank's investment policy permits the following ranges expressed as percentages of market value of the account:

Sector	Min%	Max%	Quality	Min%	Max%
U.S. Treasury	0%	100%	U.S. Treasury	0%	100%
Federal Agency	0%	50%	Federal Agency	0%	100%
Mortgage-Backed Securities	0%	50%	Aaa/AAA	0%	50%
Corporate	0%	50%	Aa/AA	0%	50%
Asset-Backed Securities	0%	35%	A/A	0%	40%
Commercial MBS	0%	10%	Baa/BBB	0%	15%
Supranational	0%	10%	Ba/BB	0%	10%

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. With the exception of U.S. Treasury, agency and agency mortgage issues, the Bond Bank's investment policy provides that no more than 5% of the portfolio may be invested in the obligations of any one issuer.

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In addition to the ranges listed above, the Bond Bank's investment policy provides that the weighted average portfolio quality must be rated at least Aa2 by Moody's and/or AA by Standard & Poor's. Issues downgraded below BB-/Ba3 must be disposed of in a prudent manner with a target disposition within 90 days after the date of the downgrade. As of December 31, 2018, the Bond Bank's unrestricted investments are identified below.

Ratings by Moody's Investors Service	Agency Securities	Asset-Backed Securities	Corporate Securities	Corporate Securities: Yankee	Mortgage Backed Securities	MBS: Collateralized	MBS: Commercial	Municipal Securities	U.S. Treasury Securities
Aaa	$ 1,362,689	$ 1,723,670	$ 142,469	$ -	$ 7,787,065	$ 1,388,528	$ 166,587	$ -	$ 1,978,641
Aa1	-	321,810	169,890	156,175	-	-	-	457,081	-
Aa2	-	-	-	-	-	-	-	-	-
Aa3	-	-	461,770	-	-	-	-	238,743	-
A1	-	-	339,425	194,605	-	-	-	-	-
A2	-	-	564,793	-	-	-	-	-	-
A3	-	-	1,584,355	222,267	-	-	-	-	-
Baa1	-	-	1,599,533	-	-	-	-	-	-
Baa2	-	-	1,303,799	-	-	-	-	-	-
Baa3	-	-	617,621	-	-	-	-	-	-
Ba1	-	-	166,194	-	-	-	-	-	-
	$ 1,362,689	$ 2,045,480	$ 6,949,849	$ 573,047	$ 7,787,065	$ 1,388,528	$ 166,587	$ 695,824	$ 1,978,641

4. Investments (continued):

Interest rate risk - Interest rate risk is the risk that changes in interest rates will affect the fair value of certain investments. In accordance with its investment policy, the Bond Bank manages its exposure to declines in fair values of its unrestricted investments by limiting the weighted average maturity of its investment portfolio to within a range of 80% to 120% of that of the Barclays Intermediate Aggregate Bond Index. There are no limitations on the duration, or maturity, of specific securities. The weighted average duration for unrestricted investments is as follows:

	Weighted Average Duration by Asset Class (Years)
Agency Securities	3.49
Asset-Backed Securities	1.44
Corporate Securities	3.63
Corporate Securities: Yankee	4.94
Mortgage Backed Securities (MBS)	4.69
MBS: Collateralized	4.53
MBS: Commercial	4.35
Municipal Securities	4.62
U.S. Treasury Securities	5.91

Restricted investments - The Bond Fund investments are restricted to meet the reserve requirements for each issue. The General Resolution provides that all monies held by the Trustees shall be continuously and fully secured, for the benefit of the Bond Bank and the holders of the bonds. The restricted investments in the Bond Fund are to be invested in obligations with maturity dates which coincide as nearly as practicable with dates of debt service or other purposes provided in the General Resolution. Allowable investments are limited by certain restrictions and include 1) direct obligations of the United States of America or obligations which are guaranteed or insured by the United States of America, or instrumentality or agency thereof; 2) state and municipal bonds provided they are rated at least A at the time of investment; 3) interest bearing obligations issued, assumed, or guaranteed by any solvent U.S. institution rated at least A at the time of investment, certificates of deposit or time deposits at banking institutions with capital surplus and undivided profits of not less than $25,000,000; 4) repurchase agreements with maturities of not more than 30 days with a bank or trust company that has a combined capital surplus and undivided profits not less than $100,000,000 or with primary government dealers who are members of the Securities Investor Protection Corporation; and 5) units of a taxable government money market portfolio comprised solely of obligations listed above. The funds may also be deposited in an interest bearing account held by the Trustee provided that the account is fully secured by direct obligations of the United States of America. The classification and fair value of restricted investments held at December 31, 2018 and 2017 are as follows:

	Bond Fund	
	2018	2017
U.S. Treasury Bonds	$ 11,815,553	$ 7,320,551
U.S. Treasury Notes	39,615,483	35,010,525
U.S. Treasury Strips	4,297,707	5,702,813
U.S. Governments	3,085,223	3,130,099
	$ 58,813,966	$ 51,163,988

4. Investments (continued):

Restricted investments in the Bond Fund at December 31, 2018 mature as follows:

		Investment Maturity (in Years)			
Investment Type	Fair Value	≤ 1	1-5	6-10	≥ 10
U.S. Treasury Bonds	$ 11,815,553	$ 526,713	$ 824,187	$ 7,381,750	$ 3,082,903
U.S. Treasury Notes	39,615,483	793,066	5,124,613	9,188,735	24,509,069
U.S. Treasury Strips	4,297,707	1,980,165	964,575	1,352,967	-
U.S. Governments	3,085,223	-	1,811,815	-	1,273,408
	$ 58,813,966	$ 3,299,944	$ 8,725,190	$ 17,923,452	$ 28,865,380

Restricted cash - On December 31, 2018, $939,249 of cash in reserve funds was restricted by the terms of the bond requirements.

5. Loans to municipalities:

Loans to municipalities are secured by revenues or are general obligations of the municipalities. Interest rates correspond with the interest rates on the related bonds payable by the Bond Bank plus, in some cases, an increment is added to fund capitalized interest, reserve requirements and issue costs. The loans mature during the same periods as the related bonds payable.

Interest savings from refundings may be passed through to the municipalities and are included in other expense. Other expense for 2018 includes interest credits to municipalities from the 2009 Series 2 refunding of $85,576, the 2010 Series 4 refunding of $901,860, the 2011 Series 4 refunding of $55,000, the 2012 Series 3 refunding of $180,000, the 2014 Series 2 refunding of $105,000, the 2014 Series 4 refunding of $80,000, the 2015 Series 1 refunding of $219,717, the 2015 Series 3 refunding of $160,571, the 2015 Series 5 refunding of $37,119, the 2016 Series 2 of $450,000 and the 2017 Series 4 of $36,376.

Other expense for 2017 includes interest credits to municipalities from the 2009 Series 2 refunding of $328,959, the 2010 Series 4 refunding of $1,121,228, the 2011 Series 4 refunding of $80,000, the 2011 Series 6 refunding of $65,000, the 2012 Series 3 refunding of $180,000, the 2014 Series 2 refunding of $110,000, the 2014 Series 4 refunding of $75,000, the 2015 Series 1 refunding of $83,921, the 2015 Series 3 refunding of $31,200, the 2015 Series 5 refunding of $36,982, the 2016 Series 2 of $450,000 and the 2017 Series 4 of $134,292.

6. Bond liability activity:

Bond liability activity for the year ended December 31, 2018, was as identified on the following page.

6. Bond liability activity (continued):

	January 1, 2018	Additions	Reductions	December 31, 2018	Amounts Due Within One Year
Bonds payable	$ 576,520,000	$ 41,165,000	$ 45,105,000	$ 572,580,000	$ 46,430,000
Plus unamortized premium (discount)	56,965,645	2,748,266	8,343,458	51,370,453	-
Total bonds payable	633,485,645	43,913,266	53,448,458	623,950,453	46,430,000
Accrued arbitrage rebate	147,174	93,274	40,045	200,403	140,270
	$ 633,632,819	$ 44,006,540	$ 53,488,503	$ 624,150,856	$ 46,570,270

7. Bonds payable:

Bonds payable consist of the following:

	2018	2017
2008 Series 1 Bonds consist of $1,775,000 Serial Bonds with interest at 5.0% through December 1, 2018; interest payable semi-annually. Partially refunded by 2015 Series 5.	$ -	$ 1,775,000
2008 Series 2 Bonds consist of $5,515,000 Term Bonds with interest at 6.25% through December 1, 2032; interest payable semi-annually.	5,515,000	5,580,000
2009 Series 1 Bonds consist of $3,230,000 Serial Bonds with interest at 3.5% through December 1, 2019; interest payable semi-annually. Partially refunded by 2015 Series 5.	3,230,000	6,360,000
2009 Series 2 Bonds consist of $2,270,000 Refunding Bonds with interest at 3.1% to 4.1% through December 1, 2028; less unamortized discount of $4,595; interest payable semi-annually.	2,265,405	4,294,019
2010 Series 1 Bonds consist of $1,805,000 Serial Bonds with interest at 3.0% through December 1, 2020; interest payable semi-annually. Partially refunded by 2016 Series 2.	1,805,000	2,715,000
2010 Series 2 Bonds consist of $1,285,000 Serial Bonds with interest at 4.170% to 4.27% through December 1, 2020; $2,165,000 5.12% Term Bonds due December 1, 2025; and $1,845,000 5.738% Term Bonds maturing December 1, 2030; interest payable semi-annually.	5,295,000	5,955,000

7. Bonds payable (continued):

	2018	2017
2010 Series 3 Bonds consist of $1,365,000 Term Bonds with interest at 5.388% maturing December 1, 2026; interest payable semi-annually.	1,365,000	1,365,000
2010 Series 4 Bonds consist of $8,930,000 Refunding Bonds with interest at 3.3% to 5.0% through December 1, 2031; plus unamortized premium of $188,921; interest payable semi-annually.	9,118,921	12,088,826
2010 Series 5 Bonds consist of $4,545,000 Serial Bonds with interest at 4.454% to 5.604% through December 1, 2025; $3,440,000 5.204% Term Bonds due December 1, 2023; $8,150,000 6.036% Term Bonds due December 1, 2035; and $495,000 6.186% Term Bonds due December 1, 2040; interest payable semi-annually.	16,630,000	17,670,000
2011 Series 1 Bonds consist of $9,500,000 Term Bonds with interest at 5.66% maturing December 1, 2025; interest payable semi-annually.	9,500,000	9,500,000
2011 Series 2 Bonds consist of $4,350,000 Serial Bonds with interest at 2.5% to 4.0% through December 1, 2021; interest payable semi-annually. Partially refunded by 2016 Series 2.	4,350,000	5,805,000
2011 Series 3 Bonds consist of $2,940,000 Term Bonds with interest at 4.749% maturing December 1, 2027; interest payable semi-annually.	2,940,000	2,940,000
2011 Series 4 Bonds consist of $5,090,000 Refunding Bonds with interest at 3.375% to 5.0% through December 1, 2032; plus unamortized premium of $187,786; interest payable semi-annually.	5,277,786	6,748,992
2011 Series 5 Bonds consist of $5,105,000 Serial Bonds with interest at 3.0% to 4.0% through December 1, 2021; interest payable semi-annually. Partially refunded by 2016 Series 2.	5,105,000	6,555,000
2011 Series 6 Bonds consist of $14,370,000 Refunding Bonds with interest at 3.0% to 5.0% through December 1, 2033; plus unamortized premium of $712,180; interest payable semi-annually.	15,082,180	17,895,742
2012 Series 1 Bonds consist of $24,350,000 Serial Bonds with interest at 3.0% to 5.0% through December 1, 2032; $1,645,000 4.0% Term bonds maturing December 1, 2042; plus unamortized premium of $2,036,320; interest payable semi-annually.	28,031,320	30,139,852

7. Bonds payable (continued):

	2018	2017
2012 Series 2 Bonds consist of $300,000 Term Bonds with interest at 3.513% maturing December 1, 2027; and $8,555,000 3.960% Term Bonds due December 1, 2032; interest payable semi-annually.	8,855,000	8,855,000
2012 Series 3 Bonds consist of $15,865,000 Refunding Bonds with interest at 5.0% through December 1, 2024; plus unamortized premium of $1,260,557; interest payable semi-annually.	17,125,557	20,105,891
2012 Series 4 Bonds consist of $4,865,000 Serial Bonds with interest at 4.0% to 5.0% through December 1, 2032; $540,000 5.0% Term Bonds maturing December 1, 2034; $555,000 5.0% Term Bonds maturing December 1, 2037; and $365,000 3.375% Term Bonds maturing December 1, 2043; plus unamortized premium of $598,006; interest payable semi-annually.	6,923,006	7,480,427
2012 Series 5 Bonds consist of $630,000 Refunding Bonds with interest at 3.0% to 5.0% through December 1, 2023; plus unamortized premium of $57,717; interest payable semi-annually.	687,717	1,214,577
2013 Series 1 Bonds consist of $15,790,000 Serial Bonds with interest at 4.0% to 5.0% through December 1, 2023; plus unamortized premium of $822,305; interest payable semi-annually. Partially refunded by 2017 Series 4.	16,612,305	19,670,804
2014 Series 1 Bonds consist of $24,095,000 Serial Bonds with interest at 4.0% to 5.0% through December 1, 2033; plus unamortized premium of $1,413,928; interest payable semi-annually.	25,508,928	26,917,149
2014 Series 2 Bonds consist of $12,520,000 Refunding Bonds with interest at 5.0% through December 1, 2025; plus unamortized premium of $896,663; interest payable semi-annually.	13,416,663	15,770,094
2014 Series 3 Bonds consist of $40,140,000 Serial Bonds with interest at 5.0% through December 1, 2034; $1,450,000 5.0% Term Bonds maturing December 1, 2044; plus unamortized premium of $4,255,663; interest payable semi-annually.	45,845,663	49,218,801
2014 Series 4 Bonds consist of $16,535,000 Refunding Bonds with interest at 2.0% to 5.0% through December 1, 2026; plus unamortized premium of $1,265,782; interest payable semi-annually.	17,800,782	20,338,834

7. Bonds payable (continued):

	2018	2017
2015 Series 1 Bonds consist of $23,720,000 Refunding Bonds with interest at 1.45% to 5.0% through December 1, 2027; $695,000 3.75% Term Bonds maturing on December 1, 2037; plus unamortized premium of $1,618,873; interest payable semi-annually.	26,033,873	29,540,795
2015 Series 2 Bonds consist of $5,385,000 Serial Bonds with interest at 2.0% to 5.0% through December 1, 2035; $1,740,000 4.0% Term Bonds maturing December 1, 2045; plus unamortized premium of $243,779; interest payable semi-annually.	7,368,779	7,694,926
2015 Series 3 Bonds consist of $3,275,000 Refunding Bonds with interest at 2.0% to 3.0% through December 1, 2025: plus unamortized premium of $31,497; interest payable semi-annually.	3,306,497	4,822,981
2015 Series 4 Bonds consist of $2,025,000 Taxable Serial Bonds with interest at 2.2% to 3.45% through December 1, 2025; $4,000,000 4.494% Taxable Term Bonds maturing December 1, 2040; $4,275,000 4.6% Term Bonds maturing December 1, 2045; interest payable semi-annually.	10,300,000	10,425,000
2015 Series 5 Bonds consist of $49,555,000 Refunding Serial Bonds with interest at 2.0% to 5.0% through December 1, 2035; $2,080,000 4.0% Term Bonds maturing December 1, 2039; plus unamortized premium of $3,187,835; interest payable semi-annually.	54,822,835	55,816,454
2016 Series 1 Bonds consist of $33,890,000 Serial Bonds with interest at 2.0% to 5.0% through December 1, 2036; $3,145,000 5.0% Term Bonds maturing December 1, 2041; $1,240,000 5.0% Term Bonds maturing December 1, 2046; plus unamortized premium of $6,616,029; interest payable semi-annually.	44,891,029	47,346,232
2016 Series 2 Bonds consist of $49,290,000 Refunding Serial Bonds with interest at 5.0% through December 1, 2036; $2,165,000 3.0% Term Bonds maturing December 1, 2041; plus unamortized premium of $11,178,343; interest payable semi-annually.	62,633,343	64,940,262
2017 Series 1 Bonds consist of $26,650,000 Serial Bonds with interest at 2.5% to 5.0% through December 1, 2037; $4,420,000 3.75% Term Bonds maturing December 1, 2047; plus unamortized premium of $3,627,997; interest payable semi-annually.	34,697,997	36,010,809

7. Bonds payable (continued):

	2018	2017
2017 Series 2 Bonds consist of $4,020,000 Serial Bonds with interest at 2.0% to 5.0% through December 1, 2030; $1,755,000 3.75% Term Bonds maturing December 1, 2047; plus unamortized premium of $141,132; interest payable semi-annually.	5,916,132	6,300,288
2017 Series 3 Bonds consist of $22,300,000 Serial Bonds with interest at 4.0% to 5.0% through December 1, 2037; $3,895,000 5.0% Term Bonds maturing December 1, 2047; plus unamortized premium of $4,621,858; interest payable semi-annually.	30,816,858	32,149,029
2017 Series 4 Bonds consist of $26,300,000 Refunding Serial Bonds with interest at 3.125% to 5.0% through December 1, 2033; $360,000 3.25% Term Bonds maturing December 1, 2037; $640,000 4.0% Term Bonds maturing December 1, 2043; plus unamortized premium of $3,663,611; interest payable semi-annually.	30,963,611	31,479,861
2018 Series 1 Bonds consist of $4,995,000 Serial Bonds with interest at 3.0% to 5.0% through December 1, 2034; $1,310,000 3.375% Term Bonds maturing December 1, 2038; $1,685,000 3.5% Term Bonds maturing December 1, 2044; plus unamortized premium of $599,081; interest payable semi-annually.	8,589,081	-
2018 Series 2 Bonds consist of $32,420,000 Serial Bonds with interest at 2.25% to 5.0% through December 1, 2038; $755,000 3.375% Term Bonds maturing December 1, 2043; plus unamortized premium of $2,149,185; interest payable semi-annually.	35,324,185	-
	623,950,453	633,485,645
Less current portion of bonds payable	(46,430,000)	(45,105,000)
	$ 577,520,453	$ 588,380,645

7. Bonds payable (continued):

The annual requirements to amortize bonds payable as of December 31, 2018 are as follows:

Year ending December 31,	Principal	Interest	Total
2019	$ 46,430,000	$ 25,685,290	$ 72,115,290
2020	42,515,000	23,965,814	66,480,814
2021	41,525,000	22,243,274	63,768,274
2022	40,320,000	20,494,576	60,814,576
2023	39,450,000	18,609,017	58,059,017
2024 to 2028	169,925,000	66,605,027	236,530,027
2029 to 2033	120,750,000	32,221,663	152,971,663
2034 to 2038	48,550,000	10,936,852	59,486,852
2039 to 2043	15,645,000	3,548,892	19,193,892
2044 to 2048	7,470,000	782,008	8,252,008
	572,580,000	225,092,413	797,672,413
Unamortized premium (discount) at December 31, 2018	51,370,453	-	51,370,453
	$ 623,950,453	$ 225,092,413	$ 849,042,866

The deferred outflow on refunding of bonds payable at December 31, 2018 includes, $1,190,242 in 2009 Series 2 Bonds, $1,556,195 in 2010 Series 4 Bonds, $766,261 in 2011 Series 4 Bonds, $1,012,429 in 2011 Series 6 Bonds, $1,731,121 in 2012 Series 3 Bonds, $582,015 in 2012 Series 5 Bonds, $702,193 in 2014 Series 2 Bonds, $1,259,210 in 2014 Series 4 Bonds, $2,544,368 in 2015 Series 1 Bonds, $1,969,530 in 2015 Series 3 Bonds, $3,406,778 in 2015 Series 5 Bonds, $6,418,915 in 2016 Series 2 Bonds and $2,284,718 in 2017 Series 4 Bonds.

In August 2017, the Bond Bank defeased certain 2013 Series 1 bonds placing the proceeds in an irrevocable trust with an escrow agent to provide for payment of the refunded bonds. Accordingly, the trust account assets and the liability for those bonds has been removed from the Bond Bank's financial statements. At December 31, 2018, $26,480,000 of 2013 Series 1 Bonds to be called on December 1, 2023, are still outstanding and are considered defeased.

In 2016, the Bond Bank defeased certain bonds placing the proceeds in an irrevocable trust with an escrow agent to provide for payment of the refunded bonds. Accordingly, the trust account assets and the liability for those bonds has been removed from the Bond Bank's financial statements. At December 31, 2018, $13,735,000 of 2010 Series 1 Bonds to be called on December 1, 2020, $10,955,000 of 2011 Series 2 Bonds to be called on December 1, 2021, and $28,815,000 of 2011 Series 5 Bonds to be called December 31, 2021, are still outstanding and are considered defeased.

In 2015, the Bond Bank partially defeased 2009 Series 1 bonds placing the proceeds in an irrevocable trust with an escrow agent to provide for payment of the refunded bonds. Accordingly, the trust account assets and the liability for those bonds has been removed from the Bond Bank's financial statements. At December 31, 2018, $32,065,000 of the 2009 Series 1 Bonds to be called on December 1, 2019 are still outstanding and are considered defeased.

7. Bonds payable (continued):

In May 2017, the VMBB issued $67,660,000 2017 Series A Bonds for the purpose of issuing loans to the Vermont State College System. The bonds were issued under the 2017 General Vermont State Colleges System (VSCS) Bond Resolution allowing for multiple series of parity bonds that will constitute special not general obligations of the Bond Bank. The bonds are direct obligations of the Bank payable solely from the funds and accounts established by the General Resolution for the VSCS Program. None of the funds and accounts established under the Bond Fund, or any other funds of the Bank not held under the General Resolution for the VSCS Program, are pledged to the security of the Bonds. Accordingly, the bonds are not reported as liabilities, and any related assets held by trustees are not reported as assets, in the accompanying financial statements. At December 31, 2018, the outstanding bonds payable were $67,660,000 under this resolution.

8. Reserve requirement:

The Bond Bank is required to maintain certain amounts in reserve funds. The Trustees' evaluation of the reserve fund and the reserve requirements are summarized as follows:

	2018	2017
Reserve Fund -		
Amortized value	$ 52,957,473	$ 51,796,567
Reserve requirement	43,557,924	43,215,144
Excess above requirement	$ 9,399,549	$ 8,581,423

The value includes amortization of premium or discount and accrued interest on securities held in the reserve funds. Restricted cash of $939,249 and $3,752,632 is included in the amortized value at December 31, 2018 and December 31, 2017, respectively.

9. Accrued arbitrage rebate payable:

The accrued arbitrage rebate payable is based on interim arbitrage rebate analysis performed by the Bond Bank's arbitrage rebate counsel for bonds issued prior to 2018.

10. Transfer to Operating Fund:

The $1,999,461 transfer during 2018 to the Operating Fund includes restructuring cash investments of $2,023,497, equity reimbursements of $115,285, reimbursement of bond issue repayments of $8,182, US Treasury arbitrage reimbursement of $116,868 totaling $2,263,832 and to the Bond Fund equity contributions of $264,371.

11. Retirement plan:

As of December 31, 2018, the Bond Bank had a simplified employee pension (SEP) plan for regular employees. In 2018, the Bond Bank's policy was to contribute 14.6% of annual compensation. To be eligible, an active employee must be twenty-one years of age and have been employed by the Bond Bank for over one year. In 2018 and 2017, the Bond Bank contributed to retirement plans in the amount of $25,304 and $27,903, respectively.

12. Related party transactions:

The Bond Bank receives reimbursements from related parties for general and administrative services the Bond Bank provides. The total amounts receivable in the Operating Fund as of December 31, 2018 and December 31, 2017 from the related parties were $46,403 and $73,669, respectively.

13. Equity contribution reimbursements:

The Bond Bank Board has elected to make equity contributions to certain of the bond series that it has issued. The Board may elect to be reimbursed for equity contributions at the closing of the bond series or when a refunding of a bond series is made. The reimbursement is made as a transfer from the Bond Fund to the Operating Fund.

Scheduled equity contribution reimbursements are as follows:

Year ending December 31,		Principal
2019	$	317,731
2020		10,633
2021		10,633
2022		10,633
2023		10,633
2024 to 2028		53,165
2029 to 2033		53,165
2034 to 2038		53,165
	$	519,758

14. Commitments:

On September 1, 2009, the Bond Bank entered into a lease agreement for a five-year term with annual rent payments of $14,728. The lease agreement has two additional three-year terms, at the option of the Bond Bank, with rent adjusted in accordance with a consumer price index adjustment. The second additional three-year term option was accepted by the Bond Bank in June 2017 for the three years effective October 1, 2017. Total occupancy expense was $18,838 and $16,574 for the fiscal years ended December 31, 2018 and December 31, 2017, respectively.

15. Subsequent events:

In February 2019, the Bond Bank issued $24,870,000 2019 Series 1 Bonds designated as Local Investment Bonds to reflect the local impact of the projects that are capitalized by the 2019 Bonds. The Bond Bank anticipates the issuance of additional bonds for various Vermont municipalities' capital projects during 2019 in amounts as yet to be determined. Management has evaluated subsequent events through May 24, 2019, which is the date the financial statements were available to be issued.

Mudgett
Jennett &
Krogh-Wisner, P.C.
Certified Public Accountants #435

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

The Board of Directors
Vermont Municipal Bond Bank

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Vermont Municipal Bond Bank (the Bond Bank), a component unit of the State of Vermont, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Bond Bank's basic financial statements, and have issued our report thereon dated May 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bond Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Bank's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vermont Municipal Bond Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

141 Main Street • P.O. Box 937, Montpelier, Vermont 05601 • Phone (802) 229-9193

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bond Bank's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Bank's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Montpelier, Vermont
May 29, 2019

Mudgett, Jennett & Krogh-Wisner, P.C.

VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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

Financial Statements and
Management's Discussion and Analysis
June 30, 2019

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O'Connor & Drew P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements
We have audited the accompanying financial statements of the Vermont State Colleges (a component unit of the State of Vermont) (the "Colleges"), which comprise the statements of net position as of June 30, 2019 and 2018, the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Colleges' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont State Colleges at June 30, 2019 and 2018 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

25 Braintree Hill Office Park ● Suite 102 ● Braintree, MA 02184 ● P:617.471.1120 ● F:617.472.7560
27 Church Street ● Winchester, MA 01890 ● P:781.729.4949 ● F:781.729.5247
www.ocd.com

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-19, the schedule of changes in total OPEB liability on page 62, and their respective notes on Page 63, 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 the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information
Our audits were conducted for the purpose of forming an opinion on the financial statements of Vermont State Colleges, taken as a whole. The accompanying schedule of expenditures of federal awards on pages 69 through 75 is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and is not a required part of the basic financial statements. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2019, on our consideration of Vermont State Colleges' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 21, 2019

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

Management's Discussion and Analysis (Unaudited)

June 30, 2019 and 2018

Introduction

The management of the Vermont State Colleges System (VSCS) has prepared the following unaudited Management's Discussion and Analysis (MD&A), required supplemental information according to the Governmental Accounting Standards Board (GASB). The intent is to contribute to the reader's understanding of the accompanying financial statements and notes. As this MD&A contains highly summarized information, tables and graphs, it should be read in conjunction with the accompanying financial statements and notes.

Vermont State Colleges System

Commencing July 1, 2018 with the official merger of Johnson State College and Lyndon State College into Northern Vermont University, the Vermont State Colleges System is now comprised of four public colleges united in the common purpose of providing affordable, high quality, student-centered, and accessible education, fully integrating professional, liberal, and career study, consistent with student aspirations and regional and state needs.

Community College of Vermont (CCV)

Castleton University (CU)

Northern Vermont University (NVU-J and NVU-L)

Vermont Technical College (VTC)

Significant Events Affecting These Financial Statements

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

- Enrollment trends continue to be a concern for institutions of Higher Education. Nationally, enrollments have declined by 9.0% since 2011. Although a national issue, these challenges to the industry are hitting New England and Vermont especially hard. There are declining numbers of traditional college students and increased competition among colleges for those students. Student preferences and attitudes toward higher education are changing. Vermont also ranks at the bottom of the nation in state support.

- The change in accounting for the accrual of the costs of other post-employment benefits (OPEB) GASB 75 implemented in FY2018 had a significant impact on the financial position of the VSCS - bringing the accrual balance from $65 million at 6/30/17 (before restatement) to a total of $188 million at the end of FY2018. In the current year, the liability is at $189 million. This accrual is not being pre-funded, but paid when incurred during retirement periods. Groups have been closed for newly hired employees, which will reduce this liability over time.

- In FY2017, the System refinanced its privately placed, variable rate bank loans issued in FY2006, FY2008 and FY2009, terminated the related interest rate swaps, and amortized a balloon maturity associated with the FY2008 loan. The System structured the repayments to provide debt service relief from FY2018 through FY2021, followed by level debt service from FY2022 through FY2038. The FY2017 debt was issued through the Vermont Municipal Bond Bank, is publicly traded and fixed rate, and is backed by the System's appropriation from the State of Vermont. In addition to the bonds issued in FY2013 and FY2017, the System's debt also includes publicly traded fixed rate general obligation bonds issued in FY2011.

- In FY2018, Johnson State College and Lyndon State College unified administration in preparation for the origination of Northern Vermont University – one accredited institution with two distinct campuses at Johnson and Lyndon. This unification was finalized on July 1, 2018, and the newly formed Northern Vermont University began operating as one accredited institution.

Using the Financial Statements

The following discussion and analysis provides an overview of the financial statements and activities of the Vermont State Colleges System (VSCS) for the year ended June 30, 2019 and selected comparative information for the previous 4 years. Since this MD&A is designed to focus on current activities, resulting changes and currently known facts, please read in conjunction with the financial statements and notes that follow this section.

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

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

Financial Statements

The Vermont State Colleges System's financial statements include three primary components:

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

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of VSCS at a point in time - June 30, and includes all assets, liabilities, and the net position of the System. Net position represents the residual interest in the System's assets after liabilities are deducted. The change in net position is an indicator of whether the overall financial condition has improved or deteriorated during the year. Table 1 on page 7 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 $269 million as of the end of the current fiscal year decreased by $9 million or 3.2% from prior year, the decrease was primarily in the cash due to the prior year receipt of FY2019 state capital monies in June 2018, and in deferred outflows due to predictable amortization. These decreases were offset somewhat by an increase in Accounts Receivable and supplemented by a decrease in Capital Assets net of depreciation. Over the 5 years, total assets have decreased by $3 million: an increase of $7 million in current assets plus investments combined with the $14 million increase in deferred outflows, net of the $24 million reduction in capital assets.

Noncurrent assets consist primarily of endowment and other investments, in addition to capital assets. Investments were $48 million at June 30, 2019, which was essentially a $2 million change over prior year due to endowment spending net market gains. Capital Assets continue to decline at relatively the same rate indicating that investments in capital have primarily been at the same level each year and continue to be less than depreciation on an annual basis.

Liabilities are obligations owed by the institutions. They include funds owed to others like vendors, employees, taxing agencies, bondholders. Liabilities are classified as current and long-term. Current liabilities are those that due during the next fiscal year.

Current liabilities of $24 million include primarily accounts payable and unearned revenue related to the next fiscal year. Current liabilities have been relatively consistent, with the exception of the $3 million deferred revenue from the FY2019 state capital project monies received in June 2018.

Noncurrent liabilities increased by $3 million to $319 million during FY2019. This increase relates a new deferred inflow recorded in FY19 offset by Bond and Notes Payable scheduled loan payments. The deferred inflow relates to GASB 75. The change in accounting standard to GASB

75 had a significant impact on the OPEB liability in FY2018 bringing the total OPEB liability to $188 million at June 30, 2018 and $189 million at June 30, 2019.

TABLE 1: Condensed Statement of Net Position as of June 30

($ in millions)

	2019	% change	2018	% change	2017	% change	2016	2015
Current Assets	33	-6%	35	21%	29	-3.3%	30	24
Noncurrent Assets								
Investments	48	4%	46	0%	46	7.0%	43	50
Capital assets, net	157	-4%	163	-4%	169	-2.9%	174	181
Other	6	0%	6	0%	6	0.0%	6	6
Deferred outflows/inflows	25	-11%	28	65%	17	13.3%	15	11
Total Assets and Def'd outflows/inflows	269	-3%	278	4%	267	-0.4%	268	272
Current liabilities	24	-14%	28	22%	23	-8.0%	25	24
Noncurrent liabilities								
Post employm't benefit oblig	189	1%	188	9%	172	186.7%	60	55
Bonds and Notes payable	119	-2%	121	-3%	125	6.8%	117	123
Other	6	-14%	7	17%	6	-71.4%	21	16
Deferred outflows/inflows	5	100%	0		0	0.0%	0	0
Total Liabilities	343	0%	344	6%	326	46.2%	223	218
Net investment in capital assets	46	-6%	49	-11%	55	1.9%	54	57
Restricted								
Nonexpendable	19	6%	18	-5%	19	5.6%	18	17
Expendable	13	8%	12	9%	11	22.2%	9	9
Unrestricted	-152	5%	-145	1%	-144	300.0%	-36	-29
Total Net Position	-74	12%	-66	12%	-59	-231.1%	45	54
Total Liabilities and Net Position	269	-3%	278	4%	267	-0.4%	268	272

Net position is equal to the total assets minus the total liabilities and represents the value of the institution at a point in time - for the VSCS, financial statements on June 30th.

Net investment in capital assets represents the historic cost of the System's capital assets reduced by total accumulated depreciation, plus the outstanding principal balances on debt used for the acquisition, construction, or improvement of those assets.

Total net position decreased from $54 million to $-74 million over the five years reported here, primarily from the recognition of post retirement costs and compounded by the change to GASB 75 in FY2018 (FY2017 was restated for FY2018 financial statement presentation). Changes in our net position from FY2018 to FY2019 include a decrease to cash ($-4M), decrease in capital assets (-$6M), an increase in unfunded post-retirement benefit obligations ($1M), a decrease in amount owed on debt ($4M), as well as the net increase in OPEB Deferred Outflows/Inflows ($2M).

Net investment in capital assets decreased by $3 million from June 30, 2018 to June 30, 2019 due to depreciation, offset partially by reduction in outstanding debt related to capital assets. Net investment in capital assets have steadily decreased over the five-year period reported here.

The restricted nonexpendable portion of the Net Position represents the permanent endowment funds for the system. These are donations to the colleges that cannot be spent without permission of the donor. These are invested; and the earnings are used based on VSCS Board Policy and the instructions of the donor. Most of the earnings on our endowment funds are designated for student scholarships. The increase of $2 million over 5 years is due to gifts received for endowments during this period.

The restricted expendable portion of Net Position includes unexpended restricted gifts and grants, and unexpended endowment appreciation, subject to externally imposed conditions on their use. There was a $1 million increase from June 30, 2018 to June 30, 2019. Over the 5-year period, expendable net assets have increased by $4 million, as earnings have outpaced the 5% spending on endowments permitted by Board policy.

The unrestricted portion of the Net Position is largely affected by general operations, but the most significant impact to date has been the OPEB obligations, which are unfunded. Year over year, that liability has increased and has over time eroded the unrestricted net position. Additionally, that liability increased significantly in FY2018 due to implementation of GASB 75 and was restated for FY2017 to be comparative with the new standard. This resulted in the significant change to unrestricted net position in both FY2017 and FY2018 as compared to the previous three years reported herein.

During FY2019, the system's total Net Position declined from $-66 million to $-74 million. This is due primarily to our unrestricted net assets being reduced from the annual booking of the VSCS OPEB liability. The details of the change in net position are shown in Table 3 the Statement of Revenues, Expenses, and Changes in Net Position beginning on page 10.

Capital Assets and Debt Administration

The System's facilities are critical to accomplishing the mission of the System as they provide the physical framework and environment for education, research, cultural programs and residential life. Table 2 below provides detail from the past 5 years related to the Capital Assets held by the System.

Construction in Progress reflects amounts paid for buildings or other assets that were not completed at year-end. When completed and placed in service, the total cost is moved to the appropriate capital asset category. Depreciation of that asset begins the month after it is placed in service. Construction in Progress has remained fairly steady 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 enhanced communications systems for the entire System. Table 2 below also includes related information (depreciation expense and outstanding principal on construction loans).

TABLE 2: Capital Assets as of June 30

($ in millions)

	2019	% Change	2018	% Change	2017	% Change	2016	2015
Land	9	0%	9	0%	9	-10%	10	10
Construction in progress	2	100%	1	0%	1	-50%	2	2
Infrastructure	41	3%	40	3%	39	3%	38	38
Buildings and improvements	261	1%	259	1%	257	1%	254	252
Leasehold improvements	4	0%	4	0%	4	0%	4	4
Equipment	36	0%	36	6%	34	3%	33	32
Total Capital Assets	353	1%	349	1%	344	1%	341	338
Accumulated Depreciation	-196	5%	-186	6%	-176	5%	-167	-157
Capital Assets, Net	157	-4%	163	-3%	168	-3%	174	181
Related information								
Depreciation Expense	10	0%	10	0%	10	0%	10	14
Outstanding Principal, Related Loans	121	-3%	125	-3%	129	5%	123	127

Statement of Revenues, Expenses, and Changes in Net Position

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

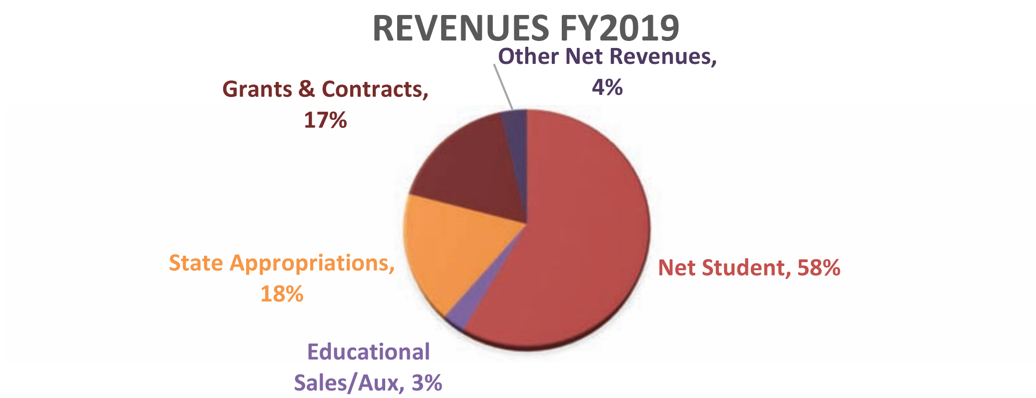
Operating and Non-operating Revenue

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 58% 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.

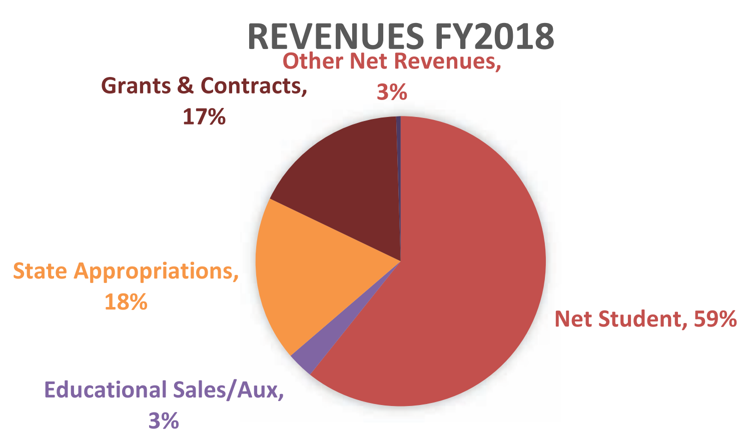
TABLE 3: Condensed Statements of Revenues, Expenses, and Changes in Net Position

($ in millions)

	2019	% Change	2018	% Change	2017	% Change	2016	2015
Net Student Revenues	107	-1%	108	-4%	112	0%	112	110
Grants and contracts	16	7%	15	7%	14	-7%	15	15
Other Operating Revenues	7	0%	7	0%	7	-13%	8	8
Operating Revenues	130	0%	130	-2%	133	-1%	135	133
Operating Expenses	186	0%	186	1%	184	-1%	186	190
Operating Loss	-56	0%	-56	10%	-51	0%	-51	-57
Nonoperating Revenues (Expenses)								
Non Capital Appropriations	30	0%	30	11%	27	4%	26	27
Federal Grants & Contracts	16	0%	16	0%	16	-6%	17	18
Gifts currently expendable	2	-33%	3	50%	2	-33%	3	4
Investment Income & Interest	2	0%	2	-33%	3	200%	1	0
Interest Expense	-5	0%	-5	0%	-5	-17%	-6	-4
Other nonoperating revenues	0	0%	0	0%	0	-100%	-1	0
Net Nonoperating Revenues	45	-2%	46	7%	43	8%	40	45
Total Change before other Revenues	-11	10%	-10	25%	-8	-27%	-11	-12
Other Changes in Net Position								
Capital Appropriation	3	0%	3	50%	2	-33%	3	2
Capital gifts and grants	0	0%	0	0%	0	0%	0	0
Endowment gifts	0	0%	0	-100%	1	100.0%	0	1
Change in Net Position	-7	0%	-7	40%	-5	-38%	-8	-10



	FY2019 Revenues ($ in thousands)	FY2018 Revenues ($ in thousands)
Net Student	$ 107,247	$108,248
Educational Sales/Aux	5,360	5,304
State Appropriations	32,790	32,819
Grants & Contracts	31,723	30,936
Other Net Revenues	6,628	6,435
TOTALS	$ 183,748	$183,742



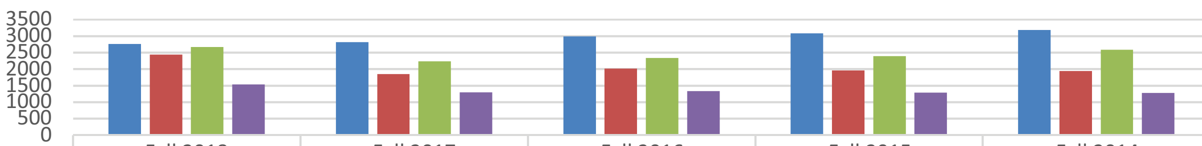
Tuition and Fee Revenue

Net Tuition and fees includes tuition and fees plus residence and dining fees less scholarship allowances. The charts below shows the trend for Tuition and Fee Revenue from FY2015 through FY2019. For the System, student-based revenue has been 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 the 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 and NVU. Both Castleton University and Vermont Technical College have experienced more volatility in enrollments over the 5-year period.

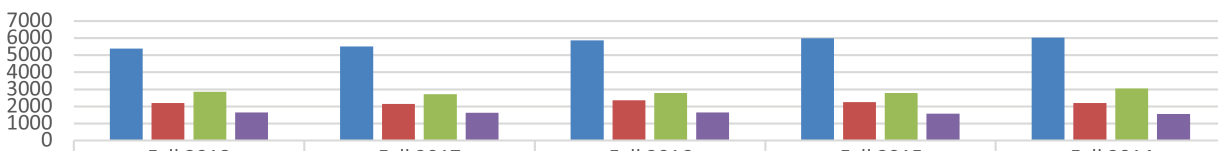
*Please note that the method used for calculating FTE for the VSCS changed for Fall 2018 and restatement of prior years is not feasible, so with exception of CCV, the comparative nature of this chart is somewhat lost for Fall 2018 as compared to prior years herein.

Fall Enrollment by FTE by College*



	Fall 2018	Fall 2017	Fall 2016	Fall 2015	Fall 2014
CCV	2754	2813	2984	3077	3186
CU	2434	1851	2015	1960	1940
NVU	2671	2235	2338	2387	2579
VTC	1533	1297	1335	1286	1274

Fall Enrollment by Headcount by College



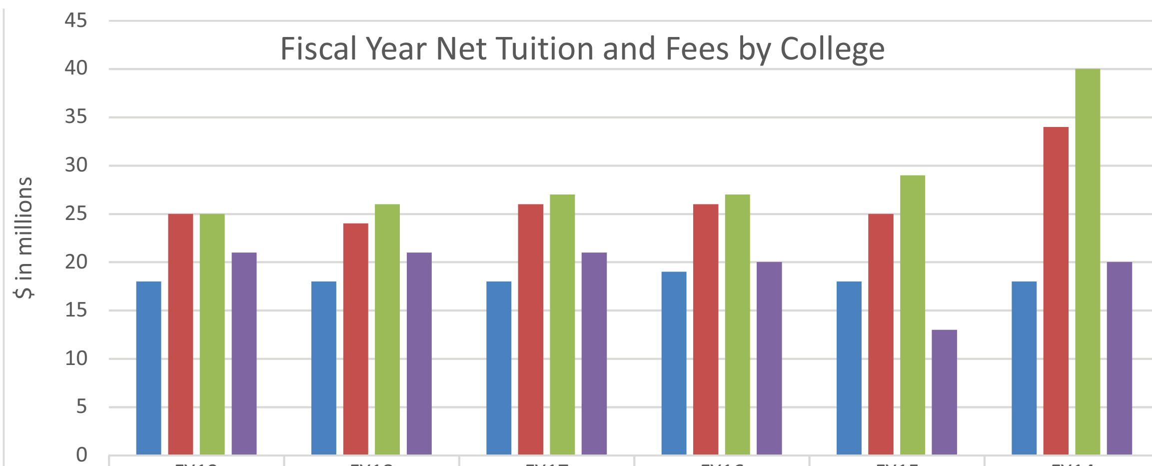
	Fall 2018	Fall 2017	Fall 2016	Fall 2015	Fall 2014
CCV	5378	5504	5863	5983	6019
CU	2194	2141	2342	2246	2183
NVU	2858	2699	2781	2780	3043
VTC	1638	1616	1645	1559	1542

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2019 and 2018

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, and generally more on par with Vermont Technical College, which has far fewer students. CCV, as a community college has the lowest tuition cost and charges for courses on a per credit basis, while the residential schools charge a higher tuition rate and on a semester basis. However, CCV's net tuition has remained much more stable during the more recent years than the other colleges/universities which have experienced a sharp decline after FY2014, but have been relatively stable (within $1-2 million) in subsequent years reported herein. The exception being VTC, who rebounded in FY2016 from the significant FY2015 decline, returning to the approximate FY2014 level and maintaining that level to date.



	FY19	FY18	FY17	FY16	FY15	FY14
CCV	18	18	18	19	18	18
CU	25	24	26	26	25	34
NVU	25	26	27	27	29	40
VTC	21	21	21	20	13	20

Operating and Non-operating Expenses

Table 4 on page 14 shows the total Operating and Non-Operating Expenses for the past 5 years, and the charts provide a quick view of the percent of expenses by type for FY2019 and FY2018.

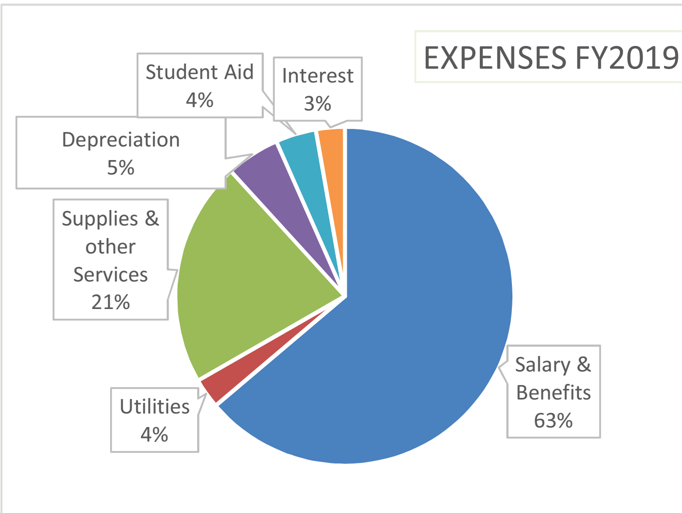
The largest percentage of VSCS expenses are for salary and benefits (approximately 63%). Those expenses have generally declined since FY2014 due to staff reductions compounded with a reduction in TIAA employer contribution for all employees, except the Full-Time Faculty, beginning in FY2018. Positive trends in health care over the past couple of years have resulted in far less expense; however, annual accruals related to post-employment benefits are also included in this salary and benefit expense category.

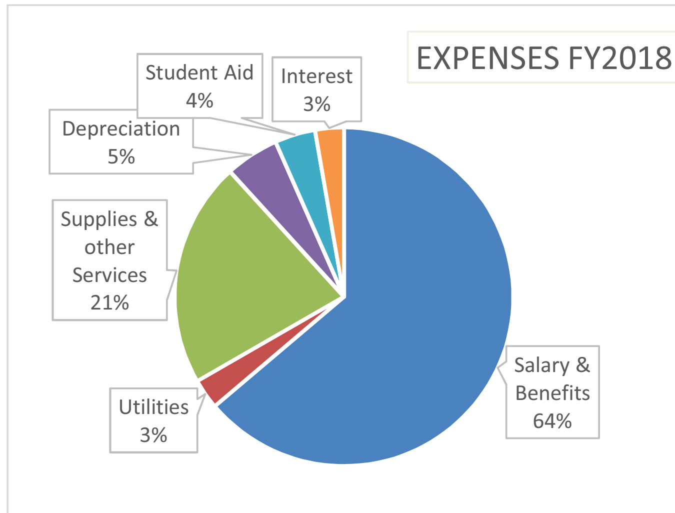
Overall expenses have declined over the five years reported. Changes in utility expenses have been a direct result of solar energy efforts across all the colleges, but an increase in oil prices and a particularly long winter heating season caused an increase in FY2019. Supplies and services is the second largest expense (21%). Keeping this expense relatively constant has been the result of the colleges and universities continued efforts to contain costs in response to the enrollment declines. Notably, student aid has increased as the VSCS institutions respond to the national trend towards aggressive discounting as a strategic and necessary response to the current competitive environment.

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

($ in millions)

	2019	% change	2018	% change	2017	2016	2015
Operating							
Salaries & Benefits	121	-1%	122	1%	121	121	123
Utilities	7	17%	6	20%	5	6	7
Supplies and Svcs	40	0%	40	-2%	41	41	39
Depreciation	10	0%	10	0%	10	11	14
Student Aid	8	14%	7	0%	7	7	7
Total Operating	186		185		184	186	190
Nonoperating							
Interest on Debt	5	-17%	6	20%	5	5	6
TOTAL Expenses	191	0%	191	1%	189	191	196





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:

- Scholarship Allowances – financial aid retained by the System to cover students' tuition, fees, and on-campus housing and meals. These amounts are reported as a direct offset to operating revenues.
- Scholarships and Fellowships Expense – financial aid refunded to students to cover off-campus living costs, books, and other personal living expenses. These amounts are reported as operating expense.

TABLE 5: Student Financial Aid Trends Over the Past Five Fiscal Years

($ in millions)

	FY19	FY18	FY17	FY16	FY15
Scholarship Allowances (included in revenue)	29	27	25	25	25
Scholarship Expenses (included in expenses)	8	7	7	7	7
Total Student Aid	37	34	32	32	32

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 17.

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 noncash items, such as depreciation expenses on the SRECNP. Also, the SRECNP is prepared on the accrual basis of accounting, meaning that it shows both revenues earned and expenses incurred 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 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 and fees, and an increase in accounts receivable outstanding at year-end.

Cash flows from noncapital financing activities

There are two primary sources of noncapital financing: state appropriations and non-operating federal grants that fund PELL student grants. Accounting standards require that we reflect these sources of revenue as non-operating, even though each of the colleges depends on them to continue the current level of operations. Cash flows from noncapital financing activities have remained relatively consistent over the past two fiscal years.

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 decreased significantly from prior year due to the FY2019 Capital Appropriations being paid near the end of FY2018. Additionally, there was a reduction in the cash required on deposit to the bond trustee at year-end.

Cash flows from investing activities

Purchase or sale of investments and income earned on investments are included in cash flows from investing activities. An item on the cash flow statement belongs in the investing activities section if it results from any gains (or losses) from investments in financial markets and operating subsidiaries. In FY2019, there was a reduction in the level of investments due to endowment spending.

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

TABLE 6: Condensed Statement of Cash Flows as of June 30

($ in millions)

Cash flows from:	2019	% change	2018	% change	2017	2016	2015
Operating	-42	14%	-37	6%	-35	-38	-35
Non capital financing	48	-2%	49	9%	45	45	48
Capital and related financing	-11	57%	-7	-30%	-10	-12	-13
Investing	1	-50%	2	100%	0	7	6
Net increase (decrease)	-4	-157%	7	100%	0	2	6
Cash, Beginning of Year	18	64%	11	0%	11	9	3
Cash, End of Year	14	-22%	18	64%	11	11	9
Operating cash flows if noncapital appropriations and PELL grants were included							
Operating	-42	14%	-37	6%	-35	-38	-35
Non capital appropriations	30	0%	30	11%	27	26	27
Non operating federal grants	16	0%	16	0%	16	17	20
Operating cash flows including appropriation and fed grants	4	-56%	9	13%	8	5	12

Economic Factors That Will Affect the Future

Demographic Trend

Consistent with national trends, Vermont continues to experience a demographic decline in the overall number of graduating high school students. This is expected to last for the foreseeable future and likely result in permanently lower enrollments going forward. In fact, the number of births in Vermont in 2015 was the lowest since before the Civil War and continues to shrink. Additionally, free college initiatives in neighboring states and online education are increasing the competitive landscape and forcing aggressive discounting strategies to ensure VSCS enrollments. All of the institutions have adopted programs and strategies to better recruit in this shrinking market.

The VSCS Office of the Chancellor published a white paper in August 2019 titled "Serving Vermont's Students by Securing the Future of the Vermont State Colleges System". The intent was to set the foundation for consideration of concrete, strategic actions that the Vermont State Colleges System can take to secure its mission in an increasingly challenging and rapidly changing higher education environment. The paper was presented to the Long Range Planning Committee of the VSCS Board of Trustees as a first step to gain a clear understanding of the forces affecting our colleges and universities, as well as the strengths and weaknesses of the VSCS to respond to these threats and opportunities.

The paper broadly describes six major challenges facing higher education and six strategies the VSCS Board of Trustees had already adopted as the VSCS Six Priorities back in 2015. Historically weak demographics, bottom-ranked State support, accelerating pricing pressures, barriers to adaptability, changing student preferences and attitudes, and disruptive technology and delivery stood out as the top challenges facing the Vermont State Colleges System. In response, the six priorities adopted by the Board in 2015 proved to be relevant in addressing these challenges.

The VSCS has made significant strides in each of the six strategies: a focus on high school continuation rates, retention and graduation rates at our institutions, increased visibility and marketing efforts, program development for working age Vermonters, administrative and operational efficiencies - including the unification of the two northern VSCS colleges into one single institution, Northern Vermont University, and increases in state financial support and other supplemental revenues. The Vermont State Colleges System will adapt, innovate, and leverage its strengths in order to secure a financially viable and bright future.

Vermont State Appropriations

For FY2019, State Appropriations for both operating and capital projects were \$32,790,000, or 18% of total operating and non-operating revenues. VSCS continues to rely on this important revenue source from the State of Vermont to help keep tuition as low as possible.

Other Post-Employment Benefits

A ruling of the Government Accounting Standards Board (GASB) effective in FY2008 requires that we recognize the future costs of retirement benefits. Subsequently, GASB 75 replaced the original standard from FY2008 and was adopted by the VSCS in FY2018. For the VSCS, this includes employer costs of medical, prescription, dental and life insurance plans for all current employees who have already become eligible to receive retirement benefits and those employees who may become eligible before they retire. The cost of these benefits must be recognized during the period of active employment rather than when they are paid during retirement. Because of VSCS's early retirement wages benefit for the full-time faculty, VSCS must also account for this liability for those eligible employees under the GASB ruling.

The annual cost to VSCS includes the actuarially calculated costs for the year, less payments made during the year to our self-insurance plan for current retirees and early retirement benefits paid to retired full-time faculty.

For financial reporting purposes, an actuarial valuation is required for OPEB plans with total eligible employees (active, retirees and beneficiaries) of 200 or more. This externally prepared report was prepared for the VSCS for FY2019 and FY2018 in order to meet the GASB 75 financial reporting requirements.

Miscellaneous

As a result of positive market conditions during both FY2019 and FY2018, VSCS had net realized and unrealized gains on the endowments and other investments.

VSCS has contractual commitments for various construction projects currently under way. The funds have been encumbered for these projects.

Employees: As of Fall 2018, the VSCS employs approximately 2,030 full and part-time employees. Approximately 528 of the 923 full-time employees at VSCS are covered by union contracts.

VSC Employees as of November 1, 2018

Bargaining Unit Employees	
Full Time	528
Part Time	618
TOTAL	1,146
Non-Bargaining Unit Employees	
Full Time	395
Part Time & Temp	489
TOTAL	884
TOTAL Employees	2030

VERMONT STATE COLLEGES

(a Component Unit of the State of Vermont)

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	2019	2018
Current Assets:		
Cash and equivalents (Note 2)	**$ 12,779,829**	$ 17,969,575
Accounts receivable, net (Note 3)	**14,613,398**	11,384,075
Deposit with bond trustees (Note 2)	**3,147,989**	4,942,501
Other current assets	**2,252,541**	1,193,508
Total Current Assets	**32,793,757**	35,489,659
Non-Current Assets:		
Cash and equivalents (Note 2)	**1,305,530**	434,981
Long-term investments (Note 2)	**47,978,121**	46,184,316
Notes receivable, net (Note 3)	**4,185,228**	4,923,967
Other assets	**100,704**	169,308
Capital assets, net (Note 11)	**157,104,709**	162,946,720
Total Non-Current Assets	**210,674,292**	214,659,292
Total Assets	**243,468,049**	250,148,951
Deferred Outflows of Resources:		
Deferred loss on debt refunding (Note 5)	**8,820,680**	9,824,025
OPEB (Note 9)	**16,444,994**	17,904,148
Total Deferred Outflows of Resources	**25,265,674**	27,728,173
Total Assets and Deferred Outflows of Resources	**$ 268,733,723**	$ 277,877,124

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

Liabilities, Deferred Inflows of Resources and Net Position

	2019	2018
Current Liabilities:		
Accounts payable and accrued liabilities (Note 12)	**$ 14,540,357**	$ 14,395,060
Unearned revenue and deposits	**7,131,827**	9,943,657
Current portion of long-term debt (Note 4)	**2,503,616**	3,937,732
Total Current Liabilities	**24,175,800**	28,276,449
Non-Current Liabilities:		
Other liabilities (Note 12)	**224,866**	247,529
Refundable grants	**6,036,744**	6,037,232
Post-employment benefit obligations (Note 9)	**189,003,550**	188,498,148
Long-term debt, excluding current portion (Note 4)	**118,582,630**	121,086,246
Total Non-Current Liabilities	**313,847,790**	315,869,155
Total Liabilities	**338,023,590**	344,145,604
Deferred Inflows of Resources:		
OPEB (Note 9)	**4,465,998**	-
Net Position:		
Net investment in capital assets	**46,529,627**	49,065,357
Restricted nonexpendable	**18,564,953**	18,208,512
Restricted expendable	**13,185,660**	11,517,067
Unrestricted	**(152,036,105)**	(145,059,416)
Total Net Position	**(73,755,865)**	(66,268,480)
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 268,733,723**	$ 277,877,124

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

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30,

	2019	2018
Operating Revenues:		
Tuition and fees	**$ 117,624,580**	$ 116,522,454
Residence and dining	**18,584,640**	19,069,865
Less: scholarship allowances	**(28,962,603)**	(27,344,447)
Net Tuition, Fees, and Residence and Dining Revenue	**107,246,617**	108,247,872
Federal grants and contracts	**12,215,520**	10,951,225
State and local grants and contracts	**2,437,913**	2,778,362
Non-governmental grants and contracts	**1,091,487**	824,657
Interest income	**86,158**	86,381
Sales and services of educational activities	**5,359,762**	5,303,557
Other operating revenues	**1,431,315**	1,398,317
Total Operating Revenues	**129,868,772**	129,590,371
Operating Expenses (Notes 6, 10 and 12):		
Salaries and wages	**78,107,048**	79,583,780
Employee benefits (Notes 8 and 9)	**42,706,911**	42,291,707
Scholarships and fellowships	**7,805,966**	7,346,293
Supplies and other services	**40,403,321**	40,322,825
Utilities	**6,772,332**	5,798,694
Depreciation (Note 11)	**10,084,696**	9,842,721
Total Operating Expenses	**185,880,274**	185,186,020
Net Operating Loss	**(56,011,502)**	(55,595,649)
Non-Operating Revenues (Expenses):		
State appropriations (Note 7)	**29,790,256**	30,319,008
Federal grants and contracts	**15,978,880**	16,382,196
Gifts	**2,108,506**	2,434,193
Investment income, net of expenses (Note 2)	**2,562,154**	2,128,687
Interest expense on capital debt	**(5,357,070)**	(5,505,852)
Other non-operating revenues (expenses)	**147,313**	41,265
Net Non-Operating Revenues	**45,230,039**	45,799,497
Decrease in Net Position Before Other Revenues	**(10,781,463)**	(9,796,152)
Other Revenues:		
State appropriations for capital expenditures (Note 7)	**3,000,000**	2,500,000
Capital grants and gifts	**3,500**	375
Additions to non-expendable assets	**290,578**	347,981
Decrease in Net Position	**(7,487,385)**	(6,947,796)
Net Position, Beginning of Year	**(66,268,480)**	(59,320,684)
Net Position, End of Year	**$ (73,755,865)**	$ (66,268,480)

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

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

Statements of Cash Flows

For the Years Ended June 30,

	2019	2018
Cash Flows from Operating Activities:		
Tuition and fees	**$ 98,885,844**	$ 100,821,174
Grants and contracts	**14,634,805**	14,144,991
Sales and services of educational activities	**5,359,762**	6,683,153
Interest received	**86,158**	86,381
Payments to suppliers	**(43,761,040)**	(38,708,919)
Payments to employees	**(120,017,607)**	(121,748,345)
Loans issued to students	**500**	(837,432)
Collection of loan payments	**791,125**	805,831
Other cash receipts	**1,431,315**	1,398,317
Net Cash Applied to Operating Activities	**(42,589,138)**	(37,354,849)
Cash Flows from Non-Capital Financing Activities:		
State appropriations	**29,790,256**	30,319,008
Non-operating federal grants	**15,978,880**	16,382,196
Gifts and grants	**2,373,517**	2,449,089
Net Cash Provided by Non-Capital Financing Activities	**48,142,653**	49,150,293
Cash Flows from Capital and Related Financing Activities:		
Capital and non-expendable grants and gifts	**294,078**	348,356
Capital appropriations	**-**	5,500,000
Purchase of capital assets	**(4,309,639)**	(4,139,141)
Change in deposits with bond trustee	**1,466,570**	130,724
Proceeds from sale of capital assets	**56,200**	16,445
Payments on capital debt	**(3,280,000)**	(3,325,000)
Interest expense on capital debt	**(5,357,069)**	(5,505,852)
Other receipts	**139,013**	41,265
Net Cash Applied to Capital and Related Financing Activities	**(10,990,847)**	(6,933,203)

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

Statements of Cash Flows - Continued

For the Years Ended June 30,

	2019	2018
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	**$ 21,041,248**	$ 11,749,522
Purchase of investments	**(19,864,915)**	(10,134,299)
Interest and dividends received on investments	**(58,198)**	549,353
Net Cash Provided by Investing Activities	**1,118,135**	2,164,576
Net Increase in Cash and Equivalents	**(4,319,197)**	7,026,817
Cash and Equivalents, Beginning of Year	**18,404,556**	11,377,739
Cash and Equivalents, End of Year	**$ 14,085,359**	$ 18,404,556
Reconciliation of Operating Loss to Net Cash Applied to Operating Activities:		
Operating loss	**$ (56,011,502)**	$ (55,595,649)
Adjustments to reconcile operating loss to net cash applied to operating activities:		
Depreciation	**10,084,696**	9,842,721
Bad debts	**680,460**	593,909
Net OPEB activity	**5,925,157**	5,427,098
Changes in assets and liabilities:		
Accounts receivable	**(3,567,568)**	(895,825)
Other assets	**(985,545)**	1,131,316
Notes receivable	**818,601**	537,413
Accounts payable and accrued liabilities	**156,051**	526,641
Unearned revenues, deposits and refundable grants	**(194,890)**	902,045
Post-employment benefit obligations	**505,402**	175,482
Net Cash Applied to Operating Activities	**$ (42,589,138)**	$ (37,354,849)
Non-Cash Transactions:		
Equipment provided by capital grants and gifts	**$ 30,635**	$ 20,000
Equipment acquisitions financed through capital leases	**$ -**	$ 251,086
Unrealized gains (losses)	**$ -**	$ 31,248
Net loss on disposal of capital assets	**$ 19,881**	$ 2,400

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

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

Organization
Vermont State Colleges include the following entities: System Office and Services, Community College of Vermont ("CCV"), Castleton University ("CU"), Northern Vermont University ("NVU"), Vermont Technical College ("VTC"), Vermont Manufacturing Extension Center ("VMEC"), Small Business Development Center ("SBDC"), and Vermont Tech Office of Continuing Education and Workforce Development ("TED").

The accounting policies and procedures used by the Vermont State Colleges ("VSC" or the "Colleges") in accounting for, and reporting, their financial transactions are based on the accrual method of accounting. The significant accounting policies followed by the Colleges are described below.

Basis of Presentation
The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB").

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The accompanying statements of revenues, expenses and changes in net position demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are reported as general revenues.

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

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

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

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

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

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

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

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

Net Position - continued

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

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

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

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

Capital Assets
Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost as of date of acquisition or, in the case of gifts, at fair value as of date of donation. In accordance with the Board's capitalization policy, vehicles, equipment and works of art and historical treasures with a unit cost of at least $5,000 are capitalized. Land, building, leasehold and infrastructure improvements with a unit cost of $50,000 or more are capitalized. Software with a unit cost of $500,000 or more is capitalized. Interest cost on debt related to capital assets is capitalized during the construction period and then depreciated over the life of the project. The Colleges' capital assets, with the exception of land and construction in progress are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 50 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

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

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

Refundable Grants
Refundable grants consist primarily of the refundable portion of the Federal Perkins and Nursing Student loans.

The Federal Perkins Loan Program Extension Act of 2015 (the "Extension Act"), enacted on December 18, 2015, extended the Perkins Loan Program through September 30, 2017. The Extension Act states that new Perkins Loans cannot be disbursed to students after September 30, 2017. Students that received a fall semester Perkins loan disbursement before October 1, 2017 can receive a spring semester Perkins loan disbursement. The Colleges are currently evaluating alternative methods of financial aid for students affected by the Extension Act for the 2018-19 academic year.

Unearned Revenue and Deposits
Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are reported as unearned revenues.

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

Student Fees
Student tuition and fees are presented net of scholarships and fellowships applied to students' accounts. Certain other scholarship amounts are paid directly to, or refunded to students, and they are reflected as expenses.

Bond and Note Premiums
Bond and note underwriters' premiums are amortized on the straight-line basis over the life of the respective bond. VSC incurred bond premiums related to the 2010, 2013 and 2017 bonds at the time of the issuance of the bonds. The bond premium for the 2010 bond of $377,743 is amortized on a straight-line basis over approximately 8.5 years. The bond premium for the 2013 bond of $1,898,889 is amortized over 20 years. The bond premium for the 2017 bond of $10,557,129 is amortized over 20.5 years. Cumulative amortization of the bond premium totaled $2,062,514 and $1,404,783 as of June 30, 2019 and 2018, respectively. The bond premium is included in bonds and notes payable.

Post-employment Benefits Other Than Pensions ("OPEB")
GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* ("GASB 75"), require governments to account for other post-employment benefits ("OPEB"), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the net OPEB liability is to be measured as the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service. The Statement requires that the actuarial present value of projected benefit payments be attributed to the periods of employee services using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay.

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

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

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

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, 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, 2018. 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 net position and a statement of changes in net position. Pension and other employee-benefit trust funds, investment trust funds, private-purpose trust funds and custodial funds would be reported, as applicable, according to this Statement. Information of component units of a primary government would be shown in the aggregate with the fiduciary funds of the primary government. Under this Statement, a liability could be recognized to the beneficiaries in a fiduciary fund if the government has been compelled to disburse fiduciary resources. Management has not yet evaluated the effects of the implementation of this Statement.

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2019. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Statement. Management is in the process of evaluating this Statement and has not yet determined its impact on the financial statements.

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

New Governmental Accounting Pronouncements - continued
GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management has not completed its review of the requirements of this standard and its applicability.

Reclassifications
Certain amounts on the 2018 financial statements have been reclassified to conform to the 2019 presentation.

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

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

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

In accordance with the Uniform Prudent Management of Institutional Funds Act, VSC deems all realized and unrealized gains on permanently restricted investments to be temporarily restricted if the income is restricted by the donor. Absent donor restrictions, the Board of Trustees has adopted a spending policy whereby 5% of the lesser of the current market value of investments or the average portfolio value over the last three years is allowed to be drawn down and allocated to operations.

Cash and equivalents included with non-current assets are restricted primarily for specific programs or to be used to pay for capital construction projects.

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

Cash and Equivalents - continued
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.

At June 30, 2018, 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 $17,955,000 per the accounting records of the Colleges, and approximately $18,631,000 per bank records. Of the bank balances, approximately $732,000 was covered by federal depository insurance and approximately $17,900,000 was uninsured and uncollateralized at June 30, 2019.

At June 30, 2018, the balances of non-current assets - cash and equivalents deposited in FDIC insured banking institutions were approximately $435,000 per the accounting records of the Colleges, and approximately $413,000 per bank records. Of the bank balances, approximately $329,000 was covered by federal depository insurance and approximately $84,000 was uninsured and uncollateralized at June 30, 2018.

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

Investments
Investments of the various funds at June 30, 2019 are as follows:

	Fair Value	Cost
U.S. Government bonds	**$ 9,394,940**	**$ 9,186,397**
Corporate bonds	**8,847,291**	**8,747,382**
Common stock	**15,553,273**	**13,350,519**
Hedge fund shares	**1,125,677**	**1,000,000**
Mutual funds	**10,305,114**	**9,972,751**
Money market	**2,751,826**	**2,749,018**
Held by bond trustee	**3,147,989**	**3,147,989**
Total Investments	**$ 51,126,110**	**$ 48,154,056**

Investments of the various funds at June 30, 2018 are as follows:

	Fair Value	Cost
U.S. Government bonds	$ 8,515,105	$ 8,851,740
Corporate bonds	9,761,429	10,175,628
Common stock	15,264,667	11,604,348
Hedge fund shares	1,096,984	1,000,000
Mutual funds	10,038,619	9,757,802
Money market	1,507,512	1,506,665
Held by bond trustee	4,942,501	4,942,501
Total Investments	$ 51,126,817	$ 47,838,684

Investment maturities include deposits held by the bond trustee, which are invested in various government securities, corporate bonds, commercial grade paper, and money market accounts. The majority of these funds are related to the 2013 and 2010 bonds, and they are held in the bond fund, the reserve fund, and the construction fund. Within the bond fund, there is a principal account, an interest account, and a sinking fund account.

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Investments - continued

2019
Investment Maturities (in years)

Investment Type	**Market Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Money Market Investments	**$ 2,751,826**	**$ 2,751,826**	**$ -**	**$ -**	**$ -**
Corporate Bonds	**8,847,291**	**1,377,845**	**4,757,159**	**2,712,287**	**-**
U.S. Govt. Bonds	**9,394,940**	**885,072**	**6,128,619**	**2,381,249**	**-**
Total	**$ 20,994,057**	**$ 5,014,743**	**$ 10,885,778**	**$ 5,093,536**	**$ -**
Other Investments					
Common Stock and Mutual Funds	**26,984,064**				
Held by Bond Trustee	**3,147,989**				
Total	**$ 51,126,110**				

2018
Investment Maturities (in years)

Investment Type	Market Value	Less than 1	1-5	6-10	More than 10
Money Market Investments	$ 1,507,512	$ 1,507,512	$ -	$ -	$ -
Corporate Bonds	9,761,429	1,982,627	5,382,623	2,396,179	-
U.S. Govt. Bonds	8,515,105	2,302,520	3,506,208	2,706,377	-
Total	$ 19,784,046	$ 5,792,659	$ 8,888,831	$ 5,102,556	$ -
Other Investments					
Common Stock and Mutual Funds	26,400,270				
Held by Bond Trustee	4,942,501				
Total	$ 51,126,817				

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

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

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

	2019	2018
Interest and dividend income	**$ 1,230,390**	$ 1,206,026
Net realized and unrealized gain (loss)	**1,514,228**	1,109,314
Total investment income	**2,744,618**	2,315,340
Less: management fees	**(182,464)**	(186,653)
Investment income, net	**$ 2,562,154**	$ 2,128,687

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

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

Investment rating*	**2019**	2018
AAA	**$ 9,733,021**	$ 8,554,868
AA+	**83,350**	19,961
AA	**1,766,436**	2,208,674
AA-	**860,615**	224,407
A+	**643,655**	901,075
A	**2,339,099**	3,013,271
A-	**1,346,719**	1,542,103
BBB+	**1,219,060**	1,028,935
BBB	**250,276**	581,413
BBB-	**-**	201,827
BB+	**-**	-
BB	**-**	-
BB-	**-**	-
B+	**-**	-
B	**-**	-
B-	**-**	-
CCC+	**-**	-
Unrated	**2,751,826**	1,507,512
	$ 20,994,057	$ 19,784,046

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Common Stock: Value based on quoted prices in active markets of similar instruments.

Hedge Fund Shares: Hedge fund shares held by the Colleges are closed-end hedge funds that are registered with the SEC. The fair values of the investments in this class have been estimated using the net asset value ("NAV") per share of the investments. The hedge fund shares held by the Colleges have redemption periods under 90 days and are considered redeemable in the near term.

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

Fair Value Hierarchy - continued

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

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

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

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

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

Assets at Fair Value as of June 30, 2019

	Level 1	Level 2	Level 3	Total
U.S. Government bonds	$ 9,394,940	$ -	$ -	$ 9,394,940
Corporate bonds	-	8,847,291	-	8,847,291
Common stock	15,553,273	-	-	15,553,273
Hedge fund shares	-	1,125,677	-	1,125,677
Mutual funds	10,305,114	-	-	10,305,114
Money market	2,751,826	-	-	2,751,826
Held by bond trustee	3,147,989	-	-	3,147,989
Total Assets at Fair Value	$ 41,153,142	$ 9,972,968	$ -	$ 51,126,110

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

Fair Value Hierarchy - continued

Assets at Fair Value as of June 30, 2018

	Level 1	Level 2	Level 3	Total
U.S. Government bonds	$ 8,515,105	$ -	$ -	$ 8,515,105
Corporate bonds	-	9,761,429	-	9,761,429
Common stock	15,264,667	-	-	15,264,667
Hedge fund shares	-	1,096,984	-	1,096,984
Mutual funds	10,038,619	-	-	10,038,619
Money market	1,507,512	-	-	1,507,512
Held by bond trustee	4,942,501	-	-	4,942,501
Total Assets at Fair Value	$ 40,268,404	$ 10,858,413	$ -	$ 51,126,817

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:

	2019	2018
Student accounts receivable	**$ 12,468,104**	$ 11,713,723
Grants receivable	**6,415,040**	4,686,487
Other receivable	**2,605,519**	1,273,910
Subtotal	**21,488,663**	17,674,120
Allowance for doubtful accounts	**(6,875,265)**	(6,290,045)
Total accounts receivable, net	**$ 14,613,398**	$ 11,384,075

The notes receivable balance in the statements of net position represent the Perkins notes receivable. It is shown net of an allowance for bad debts of approximately $1,214,000 and $1,203,000 at June 30, 2019 and 2018, respectively. This allowance is the aggregate that was reserved for by each college based upon historical bad loan reserve requirements, the net increase in the allowance of $11,000 and $584,000 in 2019 and 2018, respectively, has been reflected in operating expenses.

Note 4 - **Long-Term Liabilities**

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

	2019									
		Beginning balances		Additions		Reductions		Ending balances		Current portion
Long-term liabilities										
Bonds and notes payable	**$**	**125,023,978**	**$**	**-**	**$**	**3,937,732**	**$**	**121,086,246**	**$**	**2,503,616**
Net OPEB obligation		**188,498,148**		**505,402**		**-**		**189,003,550**		**-**
Other liabilities		**247,529**		**224,865**		**247,528**		**224,866**		**-**
Refundable grants		**6,037,232**		**-**		**488**		**6,036,744**		**-**
Total long-term liabilities	**$**	**319,806,887**	**$**	**730,267**	**$**	**4,185,748**	**$**	**316,351,406**	**$**	**2,503,616**

	2018									
		Beginning balances		Additions		Reductions		Ending balances		Current portion
Long-term liabilities										
Bonds and notes payable	$	129,006,709	$	-	$	3,982,731	$	125,023,978	$	3,937,732
Net OPEB obligation		171,508,646		16,989,502		-		188,498,148		-
Other liabilities		66,107		252,677		71,255		247,529		-
Refundable grants		6,037,793		-		561		6,037,232		-
Total long-term liabilities	$	306,619,255	$	17,242,179	$	4,054,547	$	319,806,887	$	3,937,732

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

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

	2019	2018
Revenue Bonds, Series 2010A: 3.0% - 4.0% serial bonds aggregating $5,710,000 maturing 2011 through 2018 and a $5,375,000 4.0% term bond due July 2017. Interest on the serial bonds is paid semi-annually on the unpaid balances. Unamortized bond premium of $0 and $44,116 has been added to this liability at June 30, 2019 and 2018, respectively.[1]	**$ -**	$ 1,234,116
Revenue Bonds, Series 2010B: 4.751% - 5.101% serial bonds aggregating $3,800,000 maturing 2018 through 2020, and 6.101%, 6.861%, and 7.211% term bonds of $6,255,000, $5,580,000, and $14,630,000 due July 2025, July 2030, and July 2040, respectively. Interest on the term bond is payable semi-annually on the unpaid balances.[2]	**28,780,000**	30,265,000
Revenue Bonds, Series 2017: 4.0% - 5.0% serial bonds aggregating $67,660,000 maturing 2021 through 2037 and Interest on serial bonds is paid semi-annually on the unpaid balances. Unamortized bond premium of $9,465,747 and $9,984,429 has been added to the liability at June 30, 2019 and 2018, respectively.[3]	**77,125,757**	77,644,429

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

Bonds and Notes Payable - continued

Revenue Bonds, Series 2013:		
4.0% - 5.0% serial bonds aggregating $13,715,000 maturing 2015 through 2032 and 3.125% - 5.0% term bonds aggregating $4,450,000 maturing 2027 through 2030. Interest on serial bonds is paid semi-annually on the unpaid balances. Unamortized bond premium of $1,305,489 and $1,400,433 has been added to the liability at June 30, 2019 and 2018, respectively.	**$ 15,180,489**	$ 15,880,433
	$ 121,086,246	$ 125,023,978

[1] In December 2010, VSC issued Revenue Bonds, Series 2010A, in the principal amount of $11,085,000. The 2010A Bonds were issued for the purpose of (1) refinancing a portion of the Series 1998 Bonds; (2) refinancing certain indebtedness of VSC including loans to improve the Blair Park, Williston, Randolph, and Vermont campuses of VSC; and (3) paying the costs of issuance of the 2010A Bonds.

[2] In December 2010, VSC issued Federally Taxable Build America Bonds, Series 2010B, in the principal amount of $30,265,000. The 2010B Bonds were issued for the purpose of (1) financing certain upgrades to the Community College of Vermont's Montpelier campus, including a 12,000 square foot building addition; (2) constructing a new residence hall and other related improvements at Castleton University; (3) renovating an academic building and a visual arts center at Johnson State College; (4) expanding parking facilities at Lyndon State College together with building improvements for Lyndon State College's journalism program; (5) financing library renovations, the installation of certain energy or heating systems, construction of additional on-campus housing at the Randolph campus of Vermont Technical College ("VTC"), and improvements at VTC's Blair Park, Williston, Vermont campus; and (6) paying the costs of issuance of the 2010B Bonds. VSC is expected to receive a 35% subsidy of the interest paid on the Series 2010B Build America Bonds from the Federal Government, which will be recorded as a reduction of bond interest expense. (Sequester for federal budget reduced subsidy of interest by 7.6%).

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

Bonds and Notes Payable - continued

[3] 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 College entered into the bond refunding with the goal to achieve cost savings primarily through the reduction of interest expense. The refunding increased the College's total debt service by $15,163,384 and resulted in an economic gain (difference between the present value of the old and new debt service payments) of $1,051,774.

Debt Roll-Forward

Long-term debt activity for the years ended June 30, 2019 and 2018 was as follows:

	Balance June 30, 2018	Additons	Repayment	Balance June 30, 2019	Current Portion
Series 2010-A	$ 1,190,000	$ -	$ (1,190,000)	$ -	$ -
Series 2010-B	30,265,000	-	(1,485,000)	28,780,000	1,135,000
Series 2010 Bond Premium	44,116	-	(44,116)	-	-
Series 2010 Bonds	31,499,116	-	(2,719,116)	28,780,000	1,135,000
Series 2013	14,480,000	-	(605,000)	13,875,000	755,000
Series 2013 Bond Premium	1,400,433	-	(94,944)	1,305,489	94,944
Series 2013 Bonds	15,880,433	-	(699,944)	15,180,489	849,944
Series 2017	67,660,000	-	-	67,660,000	-
Series 2017 Bond Premium	9,984,429	-	(518,672)	9,465,757	518,672
Series 2017 Bonds	77,644,429	-	(518,672)	77,125,757	518,672
Total Bonds and Notes Payable	$ 125,023,978	$ -	$ (3,937,732)	$ 121,086,246	$ 2,503,616

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

Debt Roll-Forward - continued

	Balance June 30, 2017	Additions	Repayment	Balance June 30, 2018	Current Portion
Series 2010-A	$ 3,055,000	$ -	$ (1,865,000)	$ 1,190,000	$ 1,190,000
Series 2010-B	30,265,000	-	-	30,265,000	1,485,000
Series 2010 Bond Premium	88,232	-	(44,116)	44,116	44,116
Series 2010 Bonds	33,408,232	-	(1,909,116)	31,499,116	2,719,116
Series 2013	15,940,000	-	(1,460,000)	14,480,000	605,000
Series 2013 Bond Premium	1,495,377	-	(94,944)	1,400,433	94,944
Series 2013 Bonds	17,435,377	-	(1,554,944)	15,880,433	699,944
Series 2017	67,660,000	-	-	67,660,000	-
Series 2017 Bond Premium	10,503,100	-	(518,671)	9,984,429	518,672
Series 2017 Bonds	78,163,100	-	(518,671)	77,644,429	518,672
Total Bonds and Notes Payable	$ 129,006,709	$ -	$ (3,982,731)	$125,023,978	$ 3,937,732

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

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

Years Ending June 30,	Principal Amount	Interest Amount
2020	$ 1,890,000	$ 4,135,674
2021	1,960,000	4,108,972
2022	4,640,000	4,025,732
2023	4,860,000	3,861,557
2024	5,095,000	3,689,313
2025-2029	27,720,000	14,211,427
2030-2034	32,220,000	4,744,427
2035-2039	28,425,000	571,576
2040-2041	3,505,000	252,746
	$ 110,315,000	$ 39,601,424

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 deposit into the Bond Fund sufficient to pay the principal and interest fund requirements, when due.

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

During 2017, VSC paid a breakage fee of $10,931,885 to discontinue all of its interest rate swap agreements. The breakage fee is recorded on the statements of net position as a "deferred loss on debt refunding" and is amortized of the life of the old debt it was associated with and is included with interest expense. The amortization of the breakage fee that was included in interest expense was $1,003,345 for the years ended June 30, 2019 and 2018.

Note 6 - **Functional Expense Classification**

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

	2019	2018
Instruction	**$ 55,107,218**	$ 56,708,525
Research	**42,237**	43,806
Public service	**9,597,218**	10,079,874
Academic support	**22,496,341**	20,464,012
Student services	**39,393,272**	39,368,958
Institutional support	**37,267,090**	36,771,677
Physical plant	**5,574,191**	6,069,746
Student financial support	**6,318,011**	5,836,701
Depreciation	**10,084,696**	9,842,721
Total	**$ 185,880,274**	$ 185,186,020

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 2019 and 2018; VMEC of approximately \$428,000 in fiscal year 2019 and 2018.

Capital appropriations for VSC made from the State Bond Funds were approximately \$3,000,000 and \$2,500,000 in fiscal years 2019 and 2018, respectively.

Note 8 - **Retirement Plans**

Eligible faculty and staff participate in a defined contribution retirement plan administered by Teachers Insurance Annuity Association and College Retirement Equities Fund ("TIAA-CREF"). For the years ended June 30, 2019 and 2018, the Colleges' total payroll expense was approximately \$78,107,000 and \$79,584,000, respectively, of which approximately \$51,902,000 and \$53,887,000 represented salaries and wages of employees covered under the defined contribution plan, respectively. The Colleges' requirements to contribute to the retirement plan are specified by four collective bargaining agreements and by personnel policies for non-represented employees. Employer contribution rates are established by employee category. There are no required employee contributions to the plan. Depending upon the position category, employees may be eligible for the plan from as early as date of hire to as long as two years from date of hire. All eligible employees are vested from the date of eligibility. During the years ended June 30, 2019 and 2018, contributions made by the Colleges under this plan totaled approximately \$5,163,000 and \$5,357,000, or approximately 9.95% and 9.94% of covered salaries, respectively.

Additionally, certain employees participate in one of two defined benefit plans (Vermont Employees Retirement System or Vermont State Teachers Retirement System). Employees who were participants in either of these plans prior to their employment by the Colleges are allowed to continue participation. During the years ended June 30, 2019 and 2018, there were no covered salaries for employees participating in the Vermont Employees Retirement System and there were no employer contributions. There were no contributions to the Vermont State Teachers Retirement System during 2019 and 2018.

Note 8 - **Retirement Plans - Continued**

In addition, full-time faculty employees who have worked for the Colleges for 15 years may elect early retirement at age 55 and receive 50% of their annual salary as of their retirement date; full-time faculty employees who have worked for VSC for ten years may elect early retirement at age 55 and receive 40% of their annual salary as of their retirement date. In addition, VSC will pay 12% of the retiree's early retirement wages to the individual. This 12% payment represents VSC's contribution, which would have been made to the individual TIAA/CREF pension account. The payments due under this program are funded by VSC, as needed. During the years ended June 30, 2019 and 2018, contributions for these benefits were approximately $899,000 and $850,000, respectively.

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

Note 9 - **Post-Employment Benefits Other Than Pension**

Plan Description: VSC administers a self-insured single-employer defined benefit healthcare plan. The plan provides 100% of the lifetime healthcare payments for eligible employees, spouses or civil union partners. The self-insured plan, administered by CIGNA, covers both active and retired members. Benefit provisions are established through negotiations between VSC and the unions representing VSC employees, and they are reviewed during the bargaining period prior to the termination date of each union contract. The retiree healthcare plan does not issue a publicly available financial report. The following employees were covered by the benefits terms at June 30,:

	2019	2018
Retirees and Beneficiaries	**607**	554
Active plan members	**891**	994
Total plan members	**1,498**	1,588

Note 9 - **Post-Employment Benefits Other Than Pension - Continued**

Funding Policy: Contribution requirements are also negotiated between VSC and union representatives. VSC contributes 100% of the current-year utilization costs for eligible employees, spouses or civil union partners. For the fiscal years 2019 and 2018, VSC recognized employer contributions of $6,181,621 and $6,318,175, respectively, for both healthcare and early retirement. The plan is financed on a pay-as-you-go basis. In fiscal years 2019 and 2018, there were no member contributions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Annual OPEB Cost and Net OPEB Obligation: VSC's OPEB cost (expense) includes most changes in the net OPEB liability. The effect 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, 2019 and 2018, VSC reported a total net OPEB liability of $189,003,550 and $188,498,148, respectively. The total net OPEB liability as of June 30, 2019, the reporting date, was measured as of June 30, 2018, the measurement date, and the actuarial valuation date of July 1, 2017 was rolled forward from the prior measurement date of June 30, 2017. The total net OPEB liability as of June 30, 2018, the reporting date, was measured as of June 30, 2017, the measurement date, and the total net OPEB liability was determined by an actuarial valuation date as of July 1, 2017.

Note 9 - **Post-Employment Benefits Other Than Pension - Continued**

The following table shows the components of VSC's annual OPEB costs for the year ended June 30, 2019 and 2018 and the changes in VSC's net OPEB obligation to the Retiree Health and Early Retirement Plans:

	2019	2018
Interest on total OPEB obligation	**$ 6,647,387**	$ 6,185,677
Service Cost	**4,515,546**	4,359,477
Amortization of current year for difference between expected and actual experience	**951,327**	1,254,299
Amortization of current year for changes in plan actuarial assumptions	**(186,281)**	68,301
Annual OPEB cost	**11,927,979**	11,867,754
Difference between expected and actual experience to be recognized in future years	**(2,729,774)**	10,987,660
Difference between changes in plan actuarial assumptions to be recognized in future years	**(2,293,777)**	598,313
Benefit payments	**(6,399,026)**	(6,464,225)
Increase in net OPEB obligation	**505,402**	16,989,502
Net OPEB obligation - Beginning of Year	**188,498,148**	171,508,646
Net OPEB obligation - End of Year	**$ 189,003,550**	$ 188,498,148

Note 9 - **Post-Employment Benefits Other Than Pension - Continued**

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,:

Deferred Outflows of Resources	2019	2018
Differences between projected and actual experience	$ 9,733,361	$ 10,987,660
Changes in plan actual assumptions	530,012	598,313
Contributions subsequent to the measurement date	6,181,621	6,318,175
Total	$ 16,444,994	$ 17,904,148

Deferred Inflows of Resources related to OPEB:

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

Deferred Inflows of Resources	2019	2018
Differences between projected and actual experience	$ 2,426,803	$ -
Changes in plan actual assumptions	2,039,195	-
Contributions subsequent to the measurement date	-	-
Total	$ 4,465,998	$ -

Note 9 - **Post-Employment Benefits Other Than Pension - Continued**

VSC's contributions of $6,181,621 and $6,318,175 made during fiscal year ending 2019 and 2018, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in the succeeding year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ending June 30,		
2020	$	765,047
2021		765,047
2022		765,047
2023		765,047
2024		765,047
2025-2027		1,972,140
	$	5,797,375

Note 9 - **Post-Employment Benefits Other Than Pension - Continued**

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

Measurement date	June 30, 2018	June 30, 2017
Inflation	2.6%	2.6%
Salary increases	3.5% per year	3.5% per year
Discount rate	3.87%	3.58%
Healthcare Cost Trend Rate	5.4%, decreasing incrementally to an ultimate rate of 5.1% in 2021 then increasing from 5.1% to 5.3% in 2022 and then decreasing incrementally to an ultimate rate of 3.8% in 2040	5.5%, decreasing incrementally to an ultimate rate of 5.1% in 2021 then increasing from 5.1% to 5.3% in 2022 and then decreasing incrementally to an ultimate rate of 3.8% in 2040

The discount rate was based on the Bond Buyer 20-Bond GO Index.

Future Employment: Age related turnover rates were developed based on the experience from the years ended June 30, 2005 through 2009. These rates were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Note 9 - **Post-Employment Benefits Other Than Pension - Continued**

Mortality: Life expectancies were based on the RP-2006 Table (base rates underlying RP-2014) projected to 2017 and thereafter, with MP-2017 projection scale which is published by the Retirement Plans Experience Committee of the Society of Actuaries.

Retirement Rate: Age-related retirement rates tables were developed based on input and analysis of the current retiree population overall and the new retirees over the last five years. The age related tables assumed rates of retirement beginning at age 55.

Marital Status: Marital status of member at the calculation date was assumed to be 70% married based on current retiree population. Spousal participation was assumed to be 90% at the calculation date.

Healthcare Cost Trend Rate: Dental claims are expected to increase at 2.0 per annum. Medical trend rates are based on the Society of Actuaries ("SOA") Long-Run Medical Cost Trend Model. The economic assumptions used were the following:

- Rate of Inflation - 2.6%
- Rate of Growth in Real Income/GDP per Capita - 1.15%
- Extra Trend due to Technology - 1.00%
- Health Share of GDP Resistance Point - 20%
- Year for limiting Cost Growth to GDP Growth 2040

Sensitivity of the Colleges' proportionate share of the net OPEB liability to changes in the discount rate: The following presents the Colleges' proportionate share of the net OPEB liability, as well as what the Colleges' proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

2019

1.00% Decrease (2.87%)	Current Discount Rate (3.87%)	1.00% Increase (4.87%)
$ 211,446,681	$ 189,003,550	$ 170,026,659

Note 9 - **Post-Employment Benefits Other Than Pension - Continued**

	2018	
1.00% Decrease (2.58%)	Current Discount Rate (3.58%)	1.00% Increase (4.58%)
$ 211,679,150	$ 188,498,148	$ 168,925,037

Sensitivity of the Colleges' proportionate share of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the Colleges' proportionate share of the net OPEB liability, as well as what the Colleges' proportionate share of the net 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:

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

	2018	
1.00% Decrease	Current Healthcare Cost Trend Rate (A)	1.00% Increase
$ 168,232,241	$ 188,498,148	$ 212,785,134

(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 all operating leases was approximately $2,935,000 and $3,067,000 in 2019 and 2018, respectively.

Note 10 - **Leases - continued**

Future minimum rental payments required under operating leases with non-cancelable terms in excess of one year at June 30, 2019 are as follows:

Years Ending June 30,	Real Estate	Vehicles and Equipment	Total
2020	$ 2,961,578	$ 390,285	$ 3,351,863
2021	2,747,905	366,068	3,113,973
2022	2,256,853	322,731	2,579,584
2023	1,873,936	260,030	2,133,966
2024 and thereafter	6,461,919	53,084	6,515,003
	$ 16,302,191	$ 1,392,198	$ 17,694,389

Note 11 - **Capital Assets**

Property and equipment activity for the years ended June 30, 2019 and 2018 is summarized below:

	Balance June 30, 2018	Additions	Transfers	Retirements	Balance June 30, 2019
Land	$ 9,004,664	$ -	$ -	$ -	$ 9,004,664
Construction-in-process	908,493	3,423,799	(2,727,788)	-	1,604,504
Subtotal - Capital assets not depreciated	9,913,157	3,423,799	(2,727,788)	-	10,609,168
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	-	-	-	4,090,271
Equipment	35,411,937	855,205	389,821	(231,699)	36,425,264
Subtotal - Capital assets depreciated	338,713,814	855,205	2,727,788	(231,699)	342,065,108
Less accumulated depreciation	(185,680,251)	(10,084,696)	-	195,380	(195,569,567)
Capital assets, net	$162,946,720	$ (5,805,692)	$ -	$ (36,319)	$157,104,709

Note 11 - **Capital Assets - Continued**

	Balance June 30, 2017	Additions	Transfers	Retirements	Balance June 30, 2018
Land	$ 9,004,664	$ -	$ -	$ -	$ 9,004,664
Construction-in-process	591,775	2,931,519	(2,614,801)	-	908,493
Subtotal - Capital assets not depreciated	9,596,439	2,931,519	(2,614,801)	-	9,913,157
Infrastructure	39,314,228	-	550,204	-	39,864,432
Buildings and improvements	257,449,757	85,794	1,811,623	-	259,347,174
Leasehold improvements	4,090,271	-	-	-	4,090,271
Equipment	34,070,153	1,392,914	252,974	(304,104)	35,411,937
Subtotal - Capital assets depreciated	334,924,409	1,478,708	2,614,801	(304,104)	338,713,814
Less accumulated depreciation	(176,106,780)	(9,842,721)	-	269,250	(185,680,251)
Capital assets, net	$ 168,414,068	$ (5,432,494)	$ -	$ (34,854)	$ 162,946,720

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.

Note 12 - **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 $175,000 of paid claims per covered member per year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Reserves for medical and dental claims are included in accrued liabilities in the amount of approximately $2,560,000 at June 30, 2019 and $1,987,000 at June 30, 2019 and are based on historical data. A medical and dental claim roll-forward is presented below:

	2019	2018
Medical and dental claims reserve, beginning of year	**$ 1,987,000**	$ 1,908,000
Incurred claims	**18,747,000**	18,393,000
Payments on claims	**(18,174,000)**	(18,314,000)
Medical and dental claims reserve, end of year	**$ 2,560,000**	$ 1,987,000

VSC self-insures its workers' compensation program and is operated by a third-party claims administrator. Contributions to the plan are based on estimated payroll and rates adjusted by an experience modification factor. VSC has purchased stop-loss insurance, which is effective for individual claims over $200,000 and for aggregate claims in excess of $1,085,000 per year. VSC has obtained a letter of credit in the amount of $450,000 to be used in the event of failure to pay premiums on the stop-loss policy. This is collateralized by a certificate of deposit. A workers' compensation roll-forward is presented below:

	2019	2018
Workers' compensation reserve, beginning of year	**$ 432,000**	$ 265,000
Workers' compensation accrued during the year	**640,000**	881,000
Claims paid/reserved/claims administration	**(775,000)**	(714,000)
Workers' compensation reserve, end of year	**$ 297,000**	$ 432,000

Note 12 - **Contingencies and Commitments - Continued**

Commitments
VSC has entered into various construction contracts. The following commitments are ongoing projects at June 30, 2019:

Project	Expended through June 30, 2019	Committed Future Costs	Total Committed Costs of Project
VTC Building 200 Roof	$ -	$ 94,000	$ 94,000
NVU-J Site Improvements	254,000	190,000	444,000
NVU-J Willey Window Replacement	147,000	16,000	163,000
CU Jeffords Science Renovation	219,000	529,000	748,000
	$ 620,000	$ 829,000	$ 1,449,000

At June 30, 2019, invoices related to construction projects of approximately $303,000 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 $700,000 and $165,000 in fiscal years 2020 and 2021, respectively, and may be terminated with cause at any time.

Note 12 - **Contingencies and Commitments - Continued**

Service Concession Agreements
The Colleges have entered into a service concession agreement with Sodexo Operations, LLC ("Sodexo") to manage and operate its food services for VSC's students, faculty, staff, employees and guests through June 2022; the agreement is cancelable by either party at any time. Under the agreement Sodexo shall make annual contributions to VSC to be used at VSC's discretion for food service facility enhancements. The annual contributions shall commence on July 1st of each year and shall be in accordance with the following schedule:

Years Ending June 30,	
2020	$ 225,000
2021	487,500
2022	487,500
Total	$ 1,200,000

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Changes in Total OPEB Liability (Unaudited)

Year ended	June 30, 2019	June 30, 2018
Measurement date	June 30, 2018	June 30, 2017
Valuation date	July 1, 2017	July 1, 2017
Total OPEB liability		
Service Cost	$ 4,515,546	$ 4,359,477
Interest	6,647,387	6,185,678
Changes of benefit terms	-	-
Differences between expected and actual experience	(1,778,447)	12,241,959
Changes of assumptions or other inputs	(2,480,058)	666,613
Benefit payments	(6,399,026)	(6,464,225)
Net change in total OPEB liability	505,402	16,989,502
Total OPEB liability - beginning	188,498,148	171,508,646
Total OPEB liability - ending	$ 189,003,550	$ 188,498,148
Covered-employee payroll	50,074,973	51,380,910
Total OPEB liability as a percentage of covered-employee payroll	377.44%	366.86%

Notes:

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information - OPEB (Unaudited)

June 30, 2019 and 2018

Note 1 - **Change in Plan Assumptions**

Measurement date – June 30, 2018

Change in Trend on Future Costs

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

Change in Discount Rate

The discount rate was increased from 3.58% to 3.87%.

Measurement date – June 30, 2017

Change in Discount Rate

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

INDEPENDENT AUDITORS' REPORT ON 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*

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

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

Report on Compliance for Each Major Federal Program
We have audited Vermont State Colleges' (a component unit of the State of Vermont) (the Colleges) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Vermont State Colleges' major federal programs for the years ended June 30, 2019. 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 Vermont State Colleges' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Vermont State Colleges' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Colleges' compliance.

Opinion on Each Major Federal Program
In our opinion, the Colleges complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2019.

Other Matters
The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2019-001, 2019-002 and 2019-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance
Management of the Vermont State Colleges is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Vermont State Colleges' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Vermont State Colleges' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, however, material weaknesses may exist that have not been identified.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Vermont State Colleges, as of and for the year ended June 30, 2019. We issued our report thereon dated October 21, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 21, 2019

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*

O'Connor & Drew P.C.
Certified Public Accountants

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Vermont State Colleges (a component unit of the State of Vermont) (the "Colleges"), which comprise the statements of net position as of June 30, 2019 and 2018, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Vermont State Colleges' basic financial statements and have issued our report thereon dated October 21, 2019.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Vermont State Colleges' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Colleges' internal control. Accordingly, we do not express an opinion on the effectiveness of the Colleges' internal control.

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

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

25 Braintree Hill Office Park ● Suite 102 ● Braintree, MA 02184 ● P:617.471.1120 ● F:617.472.7560
27 Church Street ● Winchester, MA 01890 ● P:781.729.4949 ● F:781.729.5247
www.ocd.com

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Vermont State Colleges' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 21, 2019

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

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

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	$ 1,088,192	$ -
Federal Work-Study Program	84.033	N/A	N/A	1,328,735	-
Federal Direct Student Loans	84.268	N/A	N/A	39,689,361	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	5,491,071	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	-	-
Federal Pell Grant Program	84.063	N/A	N/A	15,978,880	-
Total Student Financial Assistance Cluster				63,576,239	-
TRIO CLUSTER					
U.S. Department of Education:					
Direct Awards:					
TRIO Student Support Services	84.042A	N/A	N/A	1,366,077	-
TRIO Upward Bound	84.047A	N/A	N/A	1,282,172	-
TRIO Upward Bound NY	84.047M	N/A	N/A	287,671	-
TRIO McNair	84.217A	N/A	N/A	249,544	-
Total TRIO Cluster				3,185,464	-
RESEARCH AND DEVELOPMENT CLUSTER					
National Aeronautics and Space Administration:					
Passthrough Awards:					
Science - National Space Grant College & Fellowship Program	43.001	University of Vermont	29907 SUB51933	9,904	-
Education - CubeSat Continued Development	43.008	University of Vermont	30018	4,229	-
Subtotal - Passthrough Awards				14,133	-
National Science Foundation:					
Direct Awards:					
Geosciences	47.050	N/A	N/A	77,160	-
Education and Human Resources	47.076	N/A	N/A	2,118	-
Subtotal - Direct Awards				79,278	-
Passthrough Awards:					
Experimental Program to Stimulate Competitive Research	47.073	University of Vermont	30373SUB52050	73,219	-
Experimental Program to Stimulate Competitive Research	47.073	University of Vermont	30373SUB52051	24,388	-
Subtotal - Passthrough Awards				97,607	-
Total Research and Development Cluster				191,018	-

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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2019

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
CCDF CLUSTER					
U.S. Department of Health and Human Services:					
Passthrough Awards:					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.575	Vermont Department of Children & Families	03440-34001-18-ECPDS	851,195	-
MEDICAID CLUSTER					
U.S. Department of Health and Human Services:					
Passthrough Awards:					
Medicaid Assistance Program	93.778	Office of Vermont Health Access	P85 - Sec. B. 605	220,249	-
Medical Assistance Program	93.778	Vermont Department of Mental Health	03420-7299S	5,372	-
Medical Assistance Program	93.778	Vermont Department of Mental Health	03150-A1695	268,930	-
Total Medicaid Cluster				494,551	-
ECONOMIC DEVELOPMENT CLUSTER					
U.S. Department of Commerce:					
Direct Awards					
Economic Adjustment Assistance	11.307	N/A	N/A	61,422	-
CHILD NUTRITION CLUSTER					
U.S. Department of Agriculture					
Direct Awards					
Summer Food Program for Children	10.559	N/A	N/A	22,687	-
NON-CLUSTER					
U.S. Department of Agriculture:					
Direct Awards					
Rural Business Development Grant	10.351	N/A	N/A	58,736	-
Distance Learning and Telemedicine Loans	10.855	N/A	N/A	321,337	-
Subtotal - Direct Awards				380,073	-
U.S. Department of Commerce:					
Direct Awards:					
Manufacturing Extension Partnership	11.611	N/A	N/A	512,750	-
Institute of Museum and Library Services:					
Passthrough Awards:					
Grants to States - Job Hunt Helpers	45.310	VT Department of Libraries	11300.JHH.LSTA17.A1	33,580	-

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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2019

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
NON-CLUSTER - CONTINUED					
Small Business Administration:					
Direct Awards:					
Small Business Development Centers	59.037	N/A	N/A	765,583	-
Environmental Protection Agency:					
Passthrough Awards:					
Great Lakes Fishery	66.481	Lake Champlain Basin Program	0100-319-004	3,250	-
Pollution Prevention Grants Program	66.708	VT Department of Environmental Conservation	2018-CGPTC-ECD-01	7,841	-
Subtotal - Passthrough awards				11,091	-
U.S. Department of the Interior					
Passthrough Awards					
Heritage Partnership	15.939	Lake Champlain Basin Program	P18AC01302J	4,564	-
U.S. Department of Education:					
Passthrough Awards:					
Carl D. Perkins Vocalation Education - Post Secondary	84.048A	Vermont Department of Education	PerkR2171801	199,012	-
Career and Technical Education - Basic Grants to States	84.048	Vermont Agency of Education	4319R0571801	705,746	-
Career and Technical Education - Basic Grants to States	84.048	Vermont Agency of Education	4322R0571801	60,000	-
Race to the Top Early Challenge Grant	84.412	Vermont Department of Children & Familie	N/A	39,675	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Vermont Student Assistance Corp	P334S110006-15	382,127	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334S	Vermont Student Assistance Corp	P334S110006-15	33,036	-
Mathematics and Science Partnerships	84.366	Vermont Department of Education	4655R1171501	69,253	-
Subtotal - Passthrough Awards				1,488,849	-
Northern Border Regional Commission:					
Passthrough Awards:					
Northern Border Regional Development	90.601	Northern Border Regional Commission	NBRC16GVT	146,447	-
National Endowment For the Arts					
Passthrough Awards:					
Arts Partnership Agreements	45.025	New England Foundation for the Arts	18-34739	3,600	-
U.S. Department of Health and Human Services:					
Direct Awards:					
Oral Health Workforce Activities	93.236	N/A	N/A	165,226	-
Passthrough Awards:					
Biomedical Research and Research Training	93.859	University of Vermont	29252SUB51796	227,978	-
Biomedical Research and Research Training	93.859	University of Vermont	29252SUB52826	161,329	-
Subtotal - Passthrough Awards				389,307	-

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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2019

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Total	Total Amounts to Sub-recipients
NON-CLUSTER - CONTINUED					
U.S. Department of Transportation					
Passthrough Awards:					
Highway Planning and Construction	20.205	Vermont Agency of Transportation	N/A	1,631	-
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	60,796	-
Block Grants for Prevention and Treatment of Substance abuse	93.959	Vermont Department of Health	03420-07656	7,736	-
ADAP Workforce Development	93.959	Vermont Department of Health	03420-07626	18,000	-
Subtotal - Passthrough Awards				86,532	-
Corporation for National and Community Service:					
Passthrough Awards:					
AmeriCorps	94.006	Vermont Agency of Human Services	03400-16AFH-LEAP-FY19	238,741	-
U.S. Department of Defense:					
Passthrough Awards:					
VT Additive Manufacturing Partnership	12.617	Vermont Department of Economic Development	N/A	23,437	-
U.S. Department of Labor:					
Direct Awards:					
H-1B Job Training Grants	17.268	N/A	N/A	588,435	-
TAACCCT 1 + 4	17.282	N/A	N/A	84,502	-
Subtotal - Direct Awards				672,937	-
Passthrough Awards					
Apprenticeship State Funds	17.285	Vermont Department of Labor	N/A	5,301	-
U.S. Department of Education:					
Direct Awards					
Title III	84.031A	N/A	N/A	51,883	-
Total Non-Cluster				4,981,532	-
Total Federal Funds				$ 73,364,108	-

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

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

	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
STUDENT FINANCIAL ASSISTANCE CLUSTER											
U.S. Department of Education:											
Direct Awards:											
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	$ 166,036	$ 323,990	$ 379,063	$ 219,103	$ -	$ -	$ 1,088,192	$ -
Federal Work-Study Program	84.033	N/A	N/A	132,472	330,809	693,142	172,312	-	-	1,328,735	-
Federal Direct Student Loans	84.268	N/A	N/A	4,043,565	11,825,020	15,161,218	8,659,558	-	-	39,689,361	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	-	2,165,477	2,584,079	741,515	-	-	5,491,071	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	-	-	-	-	-	-	-	-
Federal Pell Grant Program	84.063	N/A	N/A	5,846,088	3,152,643	4,821,688	2,158,461	-	-	15,978,880	-
Total Student Financial Assistance Cluste				10,188,161	17,797,939	23,639,190	11,950,949	-	-	63,576,239	-
TRIO CLUSTER											
U.S. Department of Education:											
Direct Awards:											
TRIO Student Support Services	84.042A	N/A	N/A	373,261	297,583	406,120	289,113	-	-	1,366,077	-
TRIO Upward Bound	84.047A	N/A	N/A	-	297,753	984,419	-	-	-	1,282,172	-
TRIO Upward Bound NY	84.047M	N/A	N/A	-	287,671	-	-	-	-	287,671	-
TRIO McNair	84.217A	N/A	N/A	-	249,544	-	-	-	-	249,544	-
Total TRIO Cluster				373,261	1,132,551	1,390,539	289,113	-	-	3,185,464	-
RESEARCH AND DEVELOPMENT CLUSTER											
National Aeronautics and Space Administration:											
Passthrough Awards:											
Science - National Space Grant College & Fellowship Program	43.001	University of Vermon	29907 SUB51933	-	-	-	9,904	-	-	9,904	-
Education - CubeSat Continued Development	43.008	University of Vermon	30018	-	-	-	4,229	-	-	4,229	-
Subtotal - Passthrough Awards				-	-	-	14,133	-	-	14,133	-
National Science Foundation:											
Direct Awards:											
Geosciences	47.050	N/A	N/A	-	77,160	-	-	-	-	77,160	-
Education and Human Resources	47.076	N/A	N/A	-	-	2,118	-	-	-	2,118	-
Subtotal - Direct Awards				-	77,160	2,118	-	-	-	79,278	-
Passthrough Awards:											
Experimental Program to Stimulate Competitive Research	47.073	University of Vermont	30373SUB52050	-	44,617	28,602	-	-	-	73,219	-
Experimental Program to Stimulate Competitive Research	47.073	University of Vermont	30373SUB52051	-	-	24,388	-	-	-	24,388	-
Subtotal - Passthrough Awards				-	44,617	52,990	-	-	-	97,607	-
Total Research and Development Cluste				-	121,777	55,108	14,133	-	-	191,018	-
CCDF CLUSTER											
U.S. Department of Health and Human Services:											
Passthrough Awards:											
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.575	Vermont Departmet of Children & Families	03440-34001-18-ECPDS	851,195	-	-	-	-	-	851,195	-

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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2019

	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
MEDICAID CLUSTER											
U.S. Department of Health and Human Services:											
Passthrough Awards:											
Medical Assistance Program	93.778	Office of Vermont Health Access	P85 - Sec. B. 605	-	-	-	220,249	-	-	220,249	-
Medical Assistance Program	93.778	Vermont Department of Mental Health	03420-7299S	-	-	5,372	-	-	-	5,372	-
VCPI Operations Grant	93.778	Vermont Department of Mental Health	03150-A1695	-	-	268,930	-	-	-	268,930	-
Total Medicade Cluster				-	-	274,302	220,249	-	-	494,551	-
ECONOMIC DEVELOPMENT CLUSTER											
U.S. Department of Commerce:											
Direct Awards											
Economic Adjustment Assistance	11.307	N/A	N/A	-	-	61,422	-	-	-	61,422	-
CHILD NUTRITION CLUSTER											
U.S. Department of Agriculture											
Direct Awards											
Summer Food Program for Children	10.559	N/A	N/A	-	-	22,687	-	-	-	22,687	-
NON-CLUSTER											
U.S. Department of Agriculture:											
Direct Awards:											
Higher Education - Institution Challenge Grants Program	10.351	N/A	N/A	-	-	58,736	-	-	-	58,736	-
Rural Business Enterprise Giants	10.855	N/A	N/A	-	-	321,337	-	-	-	321,337	-
Subtotal - Direct Awards				-	-	380,073	-	-	-	380,073	-
U.S. Department of Commerce:											
Direct Awards:											
Manufacturing Extension Partnership	11.611	N/A	N/A	-	-	-	-	512,750	-	512,750	-
Institute of Museum and Library Services:											
Passthrough Awards:											
Grants to States - Job Hunt Helpers	45.310	VT Department of Libraries	11300.JHH.LSTA17.A1	33,580	-	-	-		-	33,580	-
Small Business Administration:											
Direct Awards:											
Small Business Development Centers	59.037	N/A	N/A	-	-	-	-	765,583	-	765,583	-
Environmental Protection Agency:											
Passthrough Awards:											
Great Lakes Fishery	66.481	Lake Champlain Basin Program	0100-319-004	-	3,250	-	-	-	-	3,250	-
Pollution Prevention Grants Program	66.708	VT Department of Environmental Conservation	2018-CGPTC-ECD-01	7,841		-	-	-	-	7,841	-
Subtotal - Passthrough awards				7,841	3,250	-	-	-	-	11,091	-
U.S. Department of the Interior											
Passthrough Awards											
Heritage Partnership	15.939	Lake Champlain Basin Program	P18AC01302J	-	4,564	-	-	-	-	4,564	-
U.S. Department of Education:											
Passthrough Awards:											
Carl D. Perkins Vocalation Education - Post Secondary	84.048A	Vermont Department of Education	PerkR2171801	-	-	-	199,012	-	-	199,012	-
Career and Technical Education - Basic Grants to States	84.048	Vermont Department of Education	4319R0571901	705,746	-	-	-	-	-	705,746	-
Career and Technical Education - Basic Grants to States	84.048	Vermont Department of Education	4322R0571901	60,000	-	-	-	-	-	60,000	-
Race to the Top Early Challenge Grant	84.412	Vermont Department of Children & Families	N/A	-	39,675	-	-	-	-	39,675	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Vermont Student Assistance Corp	P334S110006-15	286,704	-	-	-	-	95,423	382,127	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334S	Vermont Student Assistance Corp	P334S110006-15	1,527	3,451	23,466	4,592	-	-	33,036	-
Mathematics and Science Partnerships	84.366	Vermont Department of Education	4655R1171501	-	-	69,253	-	-	-	69,253	-
Subtotal - Passthrough Awards				1,053,977	43,126	92,719	203,604	-	95,423	1,488,849	-

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

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2019

	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
NON-CLUSTER - CONTINUED											
Northern Border Regional Commission:											
Passthrough Awards:											
Northern Border Regional Development	90.601	Northern Border Regional Commission	NBRC16GVT	73,383	-	73,064	-	-	-	146,447	-
National Endowment For the Arts											
Passthrough Awards:											
Arts Partnership Agreements	45.025	New England Foundation for the Arts	18-34739	-	3,600	-	-	-	-	3,600	-
U.S. Department of Health and Human Services:											
Direct Awards:											
Oral Health Workforce Activities	93.236	N/A	N/A	-	-	-	165,226	-	-	165,226	-
Passthrough Awards:											
Biomedical Research and Research Training	93.859	University of Vermont	29252SUB51796	-	227,978	-	-	-	-	227,978	-
Biomedical Research and Research Training	93.859	University of Vermont	29252SUB52826	-	-	161,329	-	-	-	161,329	-
Subtotal - Passthrough Awards				-	227,978	161,329	-	-	-	389,307	-
U.S. Department of Transportation											
Passthrough Awards:											
Highway Planning and Construction	20.205	Vermont Agency of Transportation	N/A	-	-	-	-	1,631	-	1,631	-
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	-	-	60,796	-	-	-	60,796	-
Block Grants for Prevention and Treatment of Substance abuse	93.959	Vermont Department of Health	03420-07656	-	-	7,736	-	-	-	7,736	-
ADAP Workforce Development	93.959	Vermont Department of Health	03420-07626	-	-	18,000	-	-	-	18,000	-
Subtotal - Passthrough Awards				-	-	86,532	-	-	-	86,532	-
Corporation for National and Community Service:											
Passthrough Awards:											
AmeriCorps	94.006	Vermont Agency of Human Services	03400-16AFH-LEAP-FY19	-	-	238,741	-	-	-	238,741	-
U.S. Department of Defense:											
Passthrough Awards:											
VT Additive Manufacturing Partnership	12.617	Vermont Department of Economic Development	N/A	-	-	-	23,437	-	-	23,437	-
U.S. Department of Labor:											
Direct Awards:											
H-1B Job Training Grants	17.268	N/A	N/A	-	-	-	-	588,435	-	588,435	-
TAACCCT 1 + 4	17.282	N/A	N/A	84,502	-	-	-	-	-	84,502	-
Subtotal - Direct Awards				84,502	-	-	-	588,435	-	672,937	-
Passthrough Awards											
Apprenticeship State Funds	17.285	Vermont Department of Labor	N/A	-	-	-	-	5,301	-	5,301	-
U.S. Department of Education:											
Direct Awards											
Title III	84.031A	N/A	N/A	-	-	51,883	-	-	-	51,883	-
Total Non-Cluster				1,253,283	282,518	1,084,341	392,267	1,873,700	95,423	4,981,532	-
Total Federal Funds				$ 12,665,900	$ 19,334,785	$ 26,527,589	$ 12,866,711	$ 1,873,700	$ 95,423	$ 73,364,108	$ -

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

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Note 1 - **<u>Basis of Presentation</u>**

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, 2019. 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 - **<u>Summary of Significant Accounting Policies</u>**

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 - **<u>De Minimis Indirect Cost Rate</u>**

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

Note 4 - **<u>Federal Student Loan Program</u>**

<u>Perkins Loan Program</u>
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, 2019, no loans were advanced under the Perkins program and no administrative costs were incurred. As of June 30, 2019, loan balances receivable, net under Perkins was $4,185,228.

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

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

Direct Student Loan Program
The Colleges disbursed $39,689,361 of loans under the Federal Direct Student Loans program, which include Stafford Subsidized and Unsubsidized Loans and Parent Plus Loans. It is not practical to determine the balances of the loans outstanding to students of the Colleges under the program as of June 30, 2019. The Colleges are only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the Colleges' financial statements.

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

Schedule of Current Year Findings and Questioned Costs

Year Ended June 30, 2019

<u>Section I – Summary of Auditors' Results:</u>

Financial Statements

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

Federal Awards

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

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

Schedule of Current Year Findings and Questioned Costs - Continued

Year Ended June 30, 2019

Identification of Major Programs:

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster:	
Federal Supplemental Educational Opportunity Grant Program	**84.007**
Federal Work-Study Program	**84.033**
Federal Perkins Loan Program	**84.038**
Federal Pell Grant Program	**84.063**
Federal Direct Student Loans	**84.268**
TRIO Cluster:	
Student Support Services	**84.042A**
Upward Bound	**84.047A**
McNair	**84.217A**
Upward Bound	**84.047M**
CCDF Cluster:	
Child Care and Development Block Grant	**93.575**
Noncluster:	
AmeriCorps	**94.006**

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

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

Required reporting for the Pell Grant and Direct Loan Programs

Sample				*Population from Which Sample Was Drawn*	
Sample Description	**OPEID**	**Number of Students Receiving Direct Loan Funds**	**Amount of Direct Loan Funds Disbursed**	**Number of Students Receiving Direct Loan Funds**	**Amount of Direct Loan Funds Disbursed**
Return of Direct Loan Testing	Various*	21	$137,155	135	$445,591

Finding Number	**Student Identifier**	**OPEID**	**Direct Loan Disbursed ($)**	**Direct Loan Under-payment ($)**
2019-003	1598217	00368800	$5,771	$193

*Sample and population consisted of the following colleges with their respective OPEID's:

Vermont Technical College (00369800)
Northern Vermont University (00368800)
Castleton University (00368300)
Community College of Vermont (01116700)

Section II – Financial Statement Findings:

None

Section III – Federal Award Findings and Questioned Costs:

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

Criteria

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

> Unless [the institution] it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that –
>
> (i) A loan under title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or
>
> (ii) A student who is enrolled at the school and who received a loan under title IV of the Act has changed his or her permanent address.

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

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

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

method or the NSLDS website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

Condition
The Federal Government requires the Colleges to report student enrollment changes to the National Student Loan Data System ("NSLDS") within 60 days. During our testing, we noted three students, out of a sample of forty, that had incorrect effective dates reported to NSLDS.

Cause
The Colleges did not have adequate procedures in place to ensure that students with status changes had their effective date correctly reported to NSLDS.

Effect
The Colleges did not report the students correct effective dates to NSLDS, which may impact the students' loan grace periods.

Questioned Costs
Not applicable

Perspective
Our sample was not, and was not intended to be, statistically valid. Of the forty students selected for testing, three students, or 8% of our sample, had incorrect effective dates reported to NSLDS.

Identification as a Repeat Finding, if applicable
See finding 2018-001 included in the summary schedule of prior year findings.

Recommendation
We recommend that management review its control procedures for reporting student financial aid data to the NSLDS to ensure proper controls are in place to ensure that all information is reported in a timely manner

View of Responsible Officials
The Colleges agrees with the finding.

Finding number:	2019-002
Federal agency:	U.S. Department of Education
Programs:	Federal Pell Grants
CFDA #:	84.063
Award year:	2019

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 the Colleges to report to the Federal Government's Common Origination and Disbursement System ("COD") Federal Pell Grant disbursements made to students within fifteen days of the funds being disbursed to the student. During our testing, we noted seven students, out of a sample of forty, were not reported within the required timeframe by a range of four to fifty-seven days.

Cause
The Colleges were relying on a report from their reporting software to identify if the disbursement were reported to COD correctly and in a timely manner. The outputs of this report that the Colleges were relying on in order to ensure disbursements were reported correctly and in a timely manner was delivering incorrect information. As a result, these students not being reported within the required timeframe.

Effect
The Colleges did not report Pell Grant disbursements to 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, seven students, or 18% of our sample, was determined to be reported late to the COD by a range of four to fifty-seven days.

Identification as a Repeat Finding, if applicable
N/A

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

View of Responsible Officials
The Colleges agrees with the finding.

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

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 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.

Cause
The Colleges did not have procedures in place to ensure the refunded amount calculated per the R2T4 matched the actual aid returned.

Effect
The Colleges did not return the correct amount of Title IV funds to the Department of Education.

Questioned Costs
$193

Perspective
Our sample was not, and was not intended to be, statistically valid. Of the forty students selected for testing, one student, or 3% of our sample, had the incorrect amount of Title IV funds returned.

Identification as a Repeat Finding, if applicable
N/A

Recommendation
The Colleges should review their current policies and procedures to ensure the amount of federal aid returned agrees with the amount calculated on the R2T4 form.

View of Responsible Officials
The Colleges agrees with the finding.

OFFICE OF THE CHANCELLOR
PO BOX 7
MONTPELIER, VT 05601
P (802) 224-3000
F (802) 224-3035

Management's Summary Schedule of Prior Audit Findings

Year Ended June 30, 2019

Finding number:	2018-001
Federal agency:	U.S. Department of Education
Programs:	Federal Supplemental Educational Opportunity Grant Program, Federal Work-Study Program, Federal Perkins Loan Program, Federal Pell Grant Program, Federal Direct Student Loans Program
CFDA #'s:	84.007, 84.033, 84.038, 84.063, 84.268
Award year:	2018

Condition

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

Award Year 2018:

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

Award Year 2017:

Out of a sample of forty students with enrollment status changes, two students with a status change were not reported in a timely manner to the NSLDS. One student was never reported to the NSLDS and the other student took ninety-one days to report.

Award Year 2016:

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

Current Year Status:

Out of a sample of forty students with enrollment status changes, three students were not reported with the correct effective date to the NSLDS. The Colleges are looking to strengthen its controls in this area. See finding 2019-001 for more information and corrective action plan.

OFFICE OF THE CHANCELLOR
PO BOX 7
MONTPELIER, VT 05601
P (802) 224-3000
F (802) 224-3035

Management's Summary Schedule of Prior Audit Findings

Year Ended June 30, 2019

Finding number:	2018-002
Federal agency:	U.S. Department of Education
Programs:	Federal Work-Study Program
CFDA #'s:	84.033
Award year:	2018

Condition
The Federal Government requires the Colleges to use at least seven percent of its Federal Work Study (FWS) allocations for an award year to pay for student's employed in community service activities. During our review of Vermont Technical College's Fiscal Operations Report and Application to Participate (FISAP), one of the colleges did not use at least seven percent of its Federal Work Study allocation for compensating students in community service activities.

Current Year Status:
The corrective action plan was fully implemented. The auditors' current year testing revealed no findings in this area.

CASTLETON UNIVERSITY
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STATE COLLEGES SYSTEM

OFFICE OF THE CHANCELLOR
PO BOX 7
MONTPELIER, VT 05601
P (802) 224-3000
F (802) 224-3035

Management's Summary Schedule of Prior Audit Findings

Year Ended June 30, 2019

Finding number:	2018-003
Federal agency:	U.S. Department of Education
Programs:	Federal Direct Student Loans Program
CFDA #'s:	84.268
Award year:	2018

Condition

Federal regulations state that any unearned Title IV grant or loan assistance received by a student must be refunded to the Title IV programs upon a student's withdrawal from the institution. The academic institution is responsible for the calculation of the earned and unearned portion of Title IV assistance using a standard Return of Title IV Funds form ("R2T4"). In our testing sample of 40 students who were determined to have withdrawn from the Colleges, we noted one student for whom funds were not returned within the required 45 days.

Current Year Status:

The corrective action plan was fully implemented. The auditors' current year testing revealed no findings in this area.

WWW.VSC.EDU
INFO@VSC.EDU

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COMMUNITY COLLEGE OF VERMONT
JOHNSON STATE COLLEGE
LYNDON STATE COLLEGE
VERMONT TECHNICAL COLLEGE

VERMONT
STATE COLLEGES SYSTEM

OFFICE OF THE CHANCELLOR
PO BOX 7
MONTPELIER, VT 05601
P (802) 224-3000
F (802) 224-3035

Management's Corrective Action Plan

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

Corrective Action Plan:

To avoid inadvertently changing correct withdrawal dates before the information is uploaded to NSLDS, our Registrar will resolve this by now checking the R2T4 withdrawal data as part of the error correction process to ensure where the data is coming from and if it is correct. This solution was implemented for our final Spring 2019 Clearinghouse Reporting on 5/13/19.

To avoid having a discrepancy between the R2T4 unofficial withdrawal date and the withdrawal date in NSLDS, our Registrar will add a step to our Clearinghouse reporting between generating the data file and submitting it that allows us to find any students with discrepancies between the R2T4 date and the withdrawal date. After being identified, we will correct these before submitting the file.

One student represents an isolated issue driven by the determination that the classification of the individual's enrollment change was a medical withdrawal. This fell outside the normal path of enrollment change communication. Therefore, moving forward, all departments involved understand that determinations resulting in enrollment changes need to be communicated to the Registrar.

Timeline for Implementation of Corrective Action Plan:

Corrective solutions were implemented for the final Spring 2019 Clearinghouse Reporting on 5/13/19, and a communication plan was initiated immediately.

Contact Person

Sheilah Evans, System Controller

WWW.VSC.EDU
INFO@VSC.EDU

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JOHNSON STATE COLLEGE
LYNDON STATE COLLEGE
VERMONT TECHNICAL COLLEGE

VERMONT
STATE COLLEGES SYSTEM

OFFICE OF THE CHANCELLOR
PO BOX 7
MONTPELIER, VT 05601
P (802) 224-3000
F (802) 224-3035

Management's Corrective Action Plan - Continued

Finding number:	2019-002
Federal agency:	U.S. Department of Education
Programs:	Federal Pell Grants
CFDA #:	84.063
Award year:	2019

Corrective Action Plan:

Several steps have been done to correct this. First, the report to verify acceptance by COD was modified to ensure the correct fields are on the report that will give us the proper information we need to verify. We will make sure that we are not just reviewing the field indicating whether it was accepted or not but also an additional field called Doc ID, which has a date that indicates when it was last sent to COD. We have also added fields called "Last Sent Date," which indicates the last date the award was send to COD, and "Award Change Date," which indicates the date the Pell award was last changed in Colleague. We will also be reviewing communication with our VSCS finance team to ensure that the proper communication channels are in place when checking G5 and questioning records.

Timeline for Implementation of Corrective Action Plan:

Corrective steps above were implemented in June 2019.

Contact Person

Sheilah Evans, System Controller

WWW.VSC.EDU
INFO@VSC.EDU

OFFICE OF THE CHANCELLOR
PO BOX 7
MONTPELIER, VT 05601
P (802) 224-3000
F (802) 224-3035

Management's Corrective Action Plan - Continued

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

Corrective Action Plan:

NVU built a verification step into the withdrawal calculation process to ensure accuracy of the Title IV return and consistency with the student's account statement.

Timeline for Implementation of Corrective Action Plan:

June 2019

Contact Person

Sheilah Evans, System Controller

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Vermont Bond Bank
Vermont State Colleges System Bonds
2020 Series A
(the "Bonds")

Continuing Disclosure Undertaking

Prior to the issuance of the Bonds, the Vermont Municipal Bond Bank (d/b/a the Vermont Bond Bank) (the "Bond Bank"), the Vermont State Colleges, also known as the Vermont State Colleges System ("VSCS"), and U.S. Bank National Association, as dissemination agent (the "Dissemination Agent") will enter into a continuing disclosure agreement (the "Disclosure Agreement") setting forth the undertakings of the Bond Bank and VSCS regarding continuing disclosure with respect to the Bonds.

In the Disclosure Agreement, the Bond Bank will undertake for the benefit of the registered owners and Beneficial Owners (the "owners") of the Bonds to provide to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access system ("EMMA") pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), within the meaning of the Rule, not later than September 1 of each year, (a) the year-end audited financial statements of the Bond Bank for the preceding fiscal year and report of independent auditor similar in form and scope to the statements, information and reports included in Appendix D-1 to this Official Statement if audited financial statements are then available, provided, however, that if audited financial statements of the Bond Bank are not then available, such audited financial statements shall be delivered to EMMA when they become available (but in no event later than December 1 of each year) or (b) notice of the Bond Bank's failure, if any, to provide any such information.

In the Disclosure Agreement, VSCS will undertake for the benefit of the owners of the Bonds to provide to EMMA pursuant to the Rule, within the meaning of the Rule, not later than February 1 of each year, (a) (i) the year-end audited financial statements of VSCS for the preceding fiscal year and report of independent auditors similar in form and scope to the statements, information and reports included in Appendix D-2 to this Official Statement if audited financial statements are then available, provided, however, that if audited financial statements of VSCS are not then available, such audited financial statements shall be delivered to EMMA when they become available (but in no event later than May 1 of each year) and (ii) (1) information, updated through the last day of the fiscal year of such Annual Report unless otherwise noted, relating to VSCS, substantially in the same level of detail as is found in Appendix A to this Official Statement under the headings "***Operating Information – Admissions and Student Enrollment***," "***Operating Information – Student Tuition Charges***," "***Student Financial Aid***" and "***State Appropriations***" and (2) the budget of VSCS for the current fiscal year, to the extent not included in the audited financial statements referred to in (a) (i) above or (b) notice of VSCS's failure, if any, to provide any such information.

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issues with respect to which the Bond Bank or VSCS, as applicable, is an "obligated person" (as defined in the Rule), that are available to the public on EMMA. The annual financial statements referred to above shall have been prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by a firm of certified public accountants appointed by the Bond Bank or VSCS, as applicable.

In the Disclosure Agreement, the Bond Bank also will undertake for the benefit of the owners of the Bonds to provide to EMMA in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) modifications to rights of security holders, if material;

(viii) bonds calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the securities, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Bond Bank or VSCS;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Bond Bank or VSCS or the sale of all or substantially all of the assets of the Bond Bank or VSCS, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) the incurrence of a financial obligation of the Bond Bank or VSCS, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Bond Bank or VSCS, any of which affect security holders, if material; and

(xvi) the default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of an the Bond Bank or VSCS, any of which reflect financial difficulties.

For the purposes of the event identified in subparagraph (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Bond Bank or VSCS in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Bond Bank or VSCS, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Bond Bank or VSCS.

For purposes of the events identified in subparagraphs (xv) and (xvi), "Financial Obligation" means a (x) debt obligation; (y) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligations; or (z) guarantee of (x) or (y). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Nothing in the Disclosure Agreement shall preclude the Bond Bank or VSCS from disseminating any information in addition to that required under the Disclosure Agreement. If the Bond Bank or VSCS disseminates any such additional information, nothing in the Disclosure Agreement shall obligate the Bond Bank or VSCS to update such information or include it in any future materials disseminated.

To the extent permitted by law, the provisions of the Disclosure Agreement shall be enforceable against the Bond Bank and VSCS in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Bond Bank). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of the Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Bond Bank or VSCS and to compel the Bond Bank or VSCS and any of their officers, agents or employees to perform and carry out their duties under the foregoing provisions as aforesaid, provided, however, that the sole remedy in connection with such undertakings shall be limited to an action to compel specific performance of the obligations of the Bond Bank or VSCS in connection with such undertakings and shall not include any rights to monetary damages. The obligations of the Bond Bank and VSCS in respect of the Disclosure Agreement shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer effective, whichever occurs first. The provisions of the Disclosure Agreement may be amended by the Bond Bank, VSCS and the Dissemination Agent, without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Bond Bank or VSCS for the benefit of the owners of the Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Bond Bank or VSCS (such as bond counsel to the Bond Bank) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

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VERMONT BOND BANK • VERMONT STATE COLLEGES SYSTEM BONDS, 2020 SERIES A

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