

VERNON COLLEGE

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

VERNON COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

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Organizational Information

**Vernon College
Organizational Data
August 31, 2017**

Board of Trustees

<u>Officers</u>	<u>Term Expires</u>
Dr. Todd Smith Chairman	May 1, 2022
Mr. Norman Brints Vice-Chairman	May 1, 2020
Mrs. Vicki Pennington Secretary	May 1, 2022

<u>Members</u>	<u>Term Expires</u>
Mr. Bob Ferguson	May 1, 2018
Mrs. Joanie Rogers	May 1, 2018
Mr. Irl Holt	May 1, 2018
Mrs. Anne Spears	May 1, 2020

Principal Administrative Officers

Dr. Dusty R. Johnston	President
Mr. James P. Nordone	Dean of Student Services
Mr. Garry David, CPA	Dean of Administrative Services
Vacant	Dean of Instructional Services
Mr. Joe Hite	Dean of Admissions and Financial Aid/Registrar
Mrs. Kristin Harris	Associate Dean of Student Services
Mrs. Shana Drury	Associate Dean of Instructional Services

Financial Section



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA
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Independent Auditor's Report

Board of Trustees
Vernon College
Vernon, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Vernon College, as well as its discretely presented component unit, Vernon College Foundation, Incorporated, as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College'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 Vernon College and its discretely presented component unit, Vernon College Foundation, Inc., as of August 31, 2017 and 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–9, the Schedule of College's Share of Pension Liability – Teacher Retirement System of Texas and the Schedule of College's Contributions – Teacher Retirement System of Texas on pages 36-37 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Vernon College's basic financial statements. The other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information, schedule of expenditures of federal awards, and schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, schedule of expenditures of federal awards and schedule of expenditures of state awards are fairly stated in all material respects in relation to the financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017, on our consideration of Vernon College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Vernon College's internal control over financial reporting and compliance.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 4, 2017



Business Office

www.vernoncollege.edu

Vernon Campus 4400 College Drive Vernon, TX 76384 940.552.6291	Century City Center 4105 Maplewood Ave. Wichita Falls, TX 76308 940.696.8752	Skills Training Center 2813 Central Expressway E Wichita Falls, TX 76302 940.766.3369	Sheppard Learning Center 426 5th Avenue, Suite 8 Sheppard AFB, TX 76311 940.855.2203	Seymour Learning Center 200 Stadium Drive Seymour, TX 76380 940.889.3133
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Management's Discussion and Analysis

This section of Vernon College's annual financial report presents a discussion and analysis of the College's financial performance during the fiscal year ended August 31, 2017. Please read it in conjunction with the College's basic financial statements and notes, which follow this section. Responsibility for the completeness and fairness of the information in this section rests with the College's management.

Overview of the Financial Statements

The financial statement presentation is mandated by Governmental Accounting Standards Board (GASB) Statement No. 34. For financial statement purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements of the College are presented using the economic measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized as obligations are incurred. Discussion of the College's basic financial statement follows.

The *Statement of Net Position* presents information on the College's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the College's financial position is improving or deteriorating.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current Assets			
Cash and cash equivalents	\$ 3,362,397	\$ 943,212	\$ 1,845,088
Short-term investments	2,285,000	2,285,000	2,915,000
Accounts receivable - net	1,940,229	2,689,212	1,509,269
Inventories	681,113	641,400	686,751
Other assets and prepaid expenses	3,810,763	3,163,052	3,169,082
Total Current Assets	<u>12,079,502</u>	<u>9,721,876</u>	<u>10,125,190</u>
Noncurrent Assets			
Restricted cash and cash equivalents	338,161	94,571	68,790
Endowment investments	1,530,000	1,530,000	1,675,000
Capital assets - net	21,099,627	21,321,573	21,905,342
Total Noncurrent Assets	<u>22,967,788</u>	<u>22,946,144</u>	<u>23,649,132</u>
Total Assets	<u>35,047,290</u>	<u>32,668,020</u>	<u>33,774,322</u>
 Deferred Outflows of Resources	 <u>1,828,475</u>	 <u>2,069,397</u>	 <u>616,828</u>
 Current Liabilities			
Accounts payable and accrued liabilities	813,167	593,504	587,966
Unearned revenues	7,596,057	5,529,685	5,357,955
Capital lease and bonds payable	753,393	713,423	632,777
Total Current Liabilities	<u>9,162,617</u>	<u>6,836,612</u>	<u>6,578,698</u>

Noncurrent Liabilities			
Deposits and accrued liabilities	100,818	75,570	86,611
Net Pension Obligation	4,002,670	3,801,335	3,264,692
Capital lease and bonds payable	8,822,113	9,540,227	10,349,017
Total Noncurrent Liabilities	<u>12,925,601</u>	<u>13,417,132</u>	<u>13,700,320</u>
Total Liabilities	<u>22,088,218</u>	<u>20,253,744</u>	<u>20,279,018</u>
Deferred Inflows Of Resources	<u>1,040,504</u>	<u>1,366,431</u>	<u>998,679</u>
Net Position			
Net investment in capital assets	12,051,581	11,653,226	10,962,975
Restricted for student aid	1,465,601	1,526,525	1,542,110
Restricted for debt service	527,783	975,289	979,687
Unrestricted	(297,922)	(1,037,798)	(371,319)
Net Position	<u>\$ 13,747,043</u>	<u>\$ 13,117,242</u>	<u>\$ 13,113,453</u>

Current assets increased by \$2,357,626 from 2016 to 2017. The increase is largely due to drawing down 2017/2018 PELL funds from the Department of Education earlier and a significant increase in prepaid expenses compared to prior years. Our new accounting system makes it easier to prepay expenses rather than holding invoices and paying them in early September. The decrease from 2015 to 2016 is a result of cash and investments used as a part of the bond refinancing and a significant increase in accounts receivable from the Department of Education.

Capital assets, net of depreciation, have been gradually decreasing since 2014 as a result of lower capital spending and an increase in depreciation expense attributed to significant capital investments made during 2012.

Due to the implementation of GASB 68 related to recognition of the College's proportionate share of the TRS pension liability, the College recorded deferred outflows and inflows of resources related to actuarial assumptions and contributions made subsequent to the pension liability measurement date.

Current liabilities increased by \$2,326,005 compared to 2016. This is due to the early draw down of PELL funds mentioned earlier. The draw down is classified as deferred revenue. In earlier years, the trend has been for current liabilities to fluctuate modestly year to year due to timing of enrollment, similar to the fluctuations in current assets.

Prior to 2015, noncurrent liabilities had shown a steady decrease due to scheduled payments on capital leases and bonds. In 2015, the College recognized \$3,264,692 of Net Pension Obligation due to the adoption of GASB 68. In 2016 and 2017, we again recognized a significant decrease due to scheduled payments of capital leases and bonds.

The net position section of this report has three components, net investment in capital assets, restricted (nonexpendable or expendable), and unrestricted. Net position restricted for student aid continues a steady decrease as more and more endowed scholarship funds are transferred to the Vernon College Foundation at donors' requests to try to increase earnings.

Unrestricted net position showed an improvement of \$739,876 compared to 2016. This was a result of increased enrollment and ongoing efforts to hold the line on expenses. FY 2015 included a prior period adjustment, which reduced beginning net position for 2016 by \$3,695,550 due to implementation of GASB 68, which requires reporting of certain pension liabilities.

The *Statement of Revenues, Expenses, and Changes in Net Position* is a statement of activities. Revenues are presented as operating (program) revenue and non-operating (general) revenue. Expenses are reported by function. Functional expenses are defined as the "direct" expense specifically associated with a function and would not include allocations of indirect expenses. The functional

categories for expenses are instruction, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships, auxiliary enterprises, and depreciation expense.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
REVENUES			
Operating Revenues:			
Tuition and fees (net of discounts of \$6,616,975, \$6,241,565 and \$5,956,619, respectively)	\$ 4,919,921	\$ 4,589,733	\$ 4,864,086
Federal grants and contracts	854,921	761,962	266,912
State grants and contracts	425,429	327,546	732,620
Non-governmental grants and contracts	887,698	1,005,074	945,811
Sales and services of educational activities	111,462	122,003	114,134
Investment program (program restricted)	13,913	5,587	7,711
Auxiliary enterprises (net of discounts of \$814,520, \$821,043 and \$1,011,010, respectively)	1,315,827	1,247,495	1,194,767
General operating revenues	<u>10,848</u>	<u>-</u>	<u>-</u>
Total Operating Revenues	<u>8,540,019</u>	<u>8,059,400</u>	<u>8,126,041</u>
EXPENSES			
Operating Expenses:			
Instruction	8,480,422	8,456,979	8,319,528
Public services	589,589	520,316	524,081
Academic support	2,660,825	2,687,735	2,688,021
Student services	2,046,237	2,023,111	1,941,002
Institutional support	3,577,573	3,591,913	3,254,711
Operation of physical plant	2,149,925	2,130,759	2,184,102
Scholarships and fellowships	168,017	320,362	1,544,790
Auxiliary enterprises	2,245,168	2,111,369	2,001,137
Depreciation	870,491	864,837	900,450
Total Operating Expenses	<u>22,788,247</u>	<u>22,707,381</u>	<u>23,357,822</u>
Operating Loss	<u>(14,248,228)</u>	<u>(14,647,981)</u>	<u>(15,231,781)</u>
Non-Operating Revenue (Expenses)			
State Appropriations	7,068,556	6,935,691	6,791,015
Property taxes for maintenance & operation	2,735,221	2,718,006	2,648,716
Federal Revenue, Non-Operating	5,167,989	5,120,750	5,580,294
Gifts	217,359	203,655	235,821
Investment income	29,946	11,506	24,109
Gain (loss) on disposal of assets	(4,381)	(3,672)	(14,198)
Lease income less lease expenses	21,839	17,908	15,018
Amortization of bond issue costs	(47,692)	-	-
Interest and fees on capital related debt	(310,808)	(352,074)	(419,524)
Net Non-Operating Revenue (Expenses)	<u>14,878,029</u>	<u>14,651,770</u>	<u>14,861,251</u>
Change in Net Position	<u>\$ 629,801</u>	<u>\$ 3,789</u>	<u>\$ (370,530)</u>

Operating revenues are separated into several categories. Student tuition and fees remained a major source of revenue for 2017. Net tuition and fee revenues had been in a slow decline the past few years as a result of decreasing enrollment before rebounding to show an increase of \$330,188 compared to 2016. State grants and contracts have steadily decreased since 2014 due to Skills Development Grants winding down and not being replaced. The effective earnings rate for investments has increased substantially as the College has been able to take advantage of much higher interest rates through TexPool. Net auxiliary enterprises revenue (mainly bookstore sales) reflected a modest increase the last two years after several years of declines.

Operating expenses increased by \$80,866 compared to 2016. The increase was made up of several factors. A 1.50% salary increase for all employees and increases in health insurance premiums contributed to increased operating cost while scholarships, those not credited directly to tuition and fees, saw a significant decrease compared to 2016 as Pell awards were reduced significantly.

Property tax revenue remained steady as the Board of Trustees continues to hold the line at the effective rate. The tax rate of the district remains one of the highest among community colleges in the state.

The primary purpose of the *Statement of Cash Flows* is to provide relevant information about the cash receipts and cash payments of an entity during the fiscal period. The statement explains the changes during the period in cash and cash equivalents regardless of whether there are restrictions on their use. The total amount of cash and cash equivalents at the beginning and end of the period shown in the statement are easily traceable to similarly titled items or subtotals shown on the Statement of Net Position. First, the statement reports the effects during the period of operations, capital financing, non-capital financing, and investing transactions. Secondly, related information reports the investing, capital, and financing transactions that affect financial position but do not directly affect cash flows during the period. Finally, a reconciliation of operating income to net cash from operating activities is provided.

	2017	2016	2015
Cash Flows From:			
Operating activities	\$ (10,201,676)	\$ (12,884,600)	\$ (12,767,129)
Noncapital financing activities	14,502,236	12,569,049	13,964,566
Capital and related financing activities	(1,689,570)	(1,364,958)	(1,093,938)
Investing activities	51,785	804,414	216,227
Net increase (decrease) in cash	2,662,775	(876,095)	319,726
Cash and cash equivalents - beginning of year	1,037,783	1,913,878	1,594,152
Cash and cash equivalents - end of year	\$ 3,700,558	\$ 1,037,783	\$ 1,913,878

The primary cash receipts from operating activities consist of tuition, fees, grants and contracts. Cash outlays include payment of wages, benefits, supplies, and scholarships.

State allocations, Federal Title IV Grants, and property taxes are the main sources of noncapital financing activities. This source of revenue is categorized as non-operating even though the College's budget depends on these sources to continue the current level of operations of the physical plant and educational and administrative departments.

The main capital and related financing activities include construction and renovation projects and payments on capital debt. Some of the capital purchases during the 2016-2017 school year include a new heater for the pool in the King Center, a new zero turn mower for the Vernon campus, continuing investments in our new Enterprise Resource Planning/Student Information System (ERP/SIS), upgrading equipment in two of our ITV classrooms, additional security cameras at the dorm, repaving a portion of the Century City Center parking lot and several Perkins funded training machines. Capital purchases for 2015-2016 included initial payments on our new ERP/SIS, a new van for the Century City maintenance department, upgrading the sprinkler system for the baseball field, a new A/C unit at the Skills Center and several new Perkins funded training machines. Major purchases during 2014-2015 included a wheel alignment system, four Compact Logic trainers, and other lab and specialty equipment, mainly through Perkins funds. Principal paid on debt was \$678,144 for 2017, \$728,144 for 2016 and \$622,121 for 2015. Interest and fees paid on capital debt totaled \$310,808 in 2017, \$352,074 in 2016 and \$419,522 in 2015.

Investing activities reported include lease income from the King Farm in excess of the related expenses of \$21,839 for 2017, \$17,908 for 2016 and \$15,018 for 2015. Investing activities also reflects interest income earned on investments.

Reporting of Component Unit

Reported within this report is Exhibit 1A, 2A, and 3A. Vernon College Foundation, Incorporated was established as a separate nonprofit organization in 1985. The unit raises funds to provide student scholarships and departmental grants. Exhibit 1A reports net assets increased by \$521,111 to \$5,109,368 at the close of 2017. Gifts and contributions including transfers from the College Endowment Fund, realized gains, and unrealized gains or losses on investments are the major sources of revenue. Operating expense, investment advisory fees, and transfers to Vernon College are the main expenses.

Analysis of the College's Overall Financial Position

The overall financial position of the College is very good. The *Statistical Supplement Section* of this report reflects many positive changes. Fall credit head count enrollment had grown from 2,095 in 2000 to a high of 3,247 in 2011 but had slowly declined to 2,891 in the Fall of 2015 before rebounding to 2,973 in the Fall of 2016. Trends in student tuition and fee revenue as well as state appropriations are reported on statistical supplement 2.

The College taxing district is Wilbarger County, Texas. Ad valorem taxes are assessed and collected by the Wilbarger County Tax Assessor/Collector for the College based on the valuation of real property and minerals on January 1. Taxable values are determined by the Wilbarger County Appraisal District. Taxable values have been gradually trending upward with an increase from 2007 to 2015 of \$321,977,600 or 35.19% before taking a downward turn in 2016, falling \$63,778,480. The approved tax rate per \$100 of valuation decreased from \$.24993 in 2005 to \$.22965 in 2017.

Significant Capital Assets and Long-term Debt Activity

As mentioned previously in the discussion of the statement of net position, the College's investment in capital assets, net of related debt increased by \$1,088,606 from \$10,962,975 in 2015 to \$12,051,581 in 2017. This increase is a combination of capitalizing additions purchased from current funds during the year, recording depreciation expense and payment of long-term debts. More details on the College's accounting policies for capital assets and current year activity can be found in the footnotes to the financial statements.

The College's total long-term debt decreased from \$13,700,320 to \$12,925,601, or \$774,719 from 2015 until 2017 as a result of paying scheduled debt payments and increases to our Net Pension Obligation as required by GASB 68. Payments totaling \$981,941, of which \$753,393 is principal, are scheduled to be made in 2018 under the College's revenue bonds and capital lease. Moody's rates the College as A-3 stable. The notes to the financial statements contain additional information concerning the debt structures for the College.

Discussion of Current Known Facts, Decisions, or Conditions

Enrollment for the fall of 2011 was at an all-time record of 3,247. Since then we have experienced a gradual decline with enrollment for fall 2015 totaling 2,891 before rebounding somewhat to 2,973 for fall 2016. Indications are that most Community Colleges in Texas have seen similar declines.

Contacting the College's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the College's Business Office.

Basic Financial Statements

Vernon College
Exhibit 1
Statements of Net Position
August 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,362,397	\$ 943,212
Short-term investments	2,285,000	2,285,000
Accounts receivable (net)	1,940,229	2,689,212
Other assets - current	3,389,808	3,054,267
Inventories	681,113	641,400
Prepaid expenses	420,955	108,785
Total Current Assets	12,079,502	9,721,876
Noncurrent Assets		
Restricted cash and cash equivalents	338,161	94,571
Endowed Investments	1,530,000	1,530,000
Capital assets (net)	21,099,627	21,321,573
Total Noncurrent Assets	22,967,788	22,946,144
Total Assets	35,047,290	32,668,020
Deferred Outflows of Resources		
Refunding loss	527,460	585,303
Pension plan related deferred outflows of resources	1,301,015	1,484,094
Total Deferred Outflows of Resources	1,828,475	2,069,397
LIABILITIES		
Current Liabilities		
Accounts payable	558,994	349,081
Accrued compensable absences - current portion	235,241	226,711
Deposits	18,932	17,712
Unearned revenues	7,596,057	5,529,685
Capital leases payable - current portion	163,393	158,423
Bonds payable - current portion	590,000	555,000
Total Current Liabilities	9,162,617	6,836,612
Noncurrent Liabilities		
Accrued compensable absences	100,818	75,570
Net pension obligation	4,002,670	3,801,335
Capital leases payable	133,748	259,680
Bonds payable	8,688,365	9,280,547
Total Noncurrent Liabilities	12,925,601	13,417,132
Total Liabilities	22,088,218	20,253,744
Deferred Inflows of Resources		
Pension plan related deferred inflows of resources	1,040,504	1,366,431
NET POSITION		
Net investment in capital assets	12,051,581	11,653,226
Restricted for:		
Nonexpendable:		
Student Aid	1,390,398	1,526,525
Expendable:		
Student Aid	75,203	-
Debt Service	527,783	975,289
Unrestricted	(297,922)	(1,037,798)
Total Net Position	\$ 13,747,043	\$ 13,117,242

The Notes to the Financial Statements are an integral part of the financial statements.

Vernon College
Exhibit 1A
Vernon College Foundation, Incorporated
Statements of Financial Position
August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 137,257	\$ 115,248
Investments	4,972,111	4,448,439
Pledges receivable	<u>-</u>	<u>30,000</u>
Total assets	<u>\$ 5,109,368</u>	<u>\$ 4,593,687</u>
LIABILITIES		
Accounts payable	<u>\$ -</u>	<u>\$ 5,430</u>
NET ASSETS		
Unrestricted	677,410	391,420
Permanently restricted	<u>4,431,958</u>	<u>4,196,837</u>
Total net assets	<u>5,109,368</u>	<u>4,588,257</u>
Total liabilities and net assets	<u>\$ 5,109,368</u>	<u>\$ 4,593,687</u>

The Notes to the Financial Statements are an integral part of the financial statements.

Vernon College
Exhibit 2
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2017 and 2016

	2017	2016
REVENUES		
Operating Revenues		
Tuition and fees (net of discounts of \$6,616,975 and \$6,241,565, respectively)	\$ 4,919,921	\$ 4,589,733
Federal grants and contracts	854,921	761,962
State grants and contracts	425,429	327,546
Non-governmental grants and contracts	887,698	1,005,074
Sales and services of educational activities	111,462	122,003
Investment income (program restricted)	13,913	5,587
Auxiliary enterprises (net of discounts of \$814,520 and \$821,043, respectively)	1,315,827	1,247,495
General operating revenues	10,848	-
Total Operating Revenues (Sch A)	8,540,019	8,059,400
EXPENSES		
Operating Expenses		
Instruction	8,480,422	8,456,979
Public services	589,589	520,316
Academic support	2,660,825	2,687,735
Student services	2,046,237	2,023,111
Institutional support	3,577,573	3,591,913
Operation and maintenance of plant	2,149,925	2,130,759
Scholarships and fellowships	168,017	320,362
Auxiliary enterprises	2,245,168	2,111,369
Depreciation	870,491	864,837
Total Operating Expenses (Sch B)	22,788,247	22,707,381
Operating Loss	(14,248,228)	(14,647,981)
Non-Operating Revenues (Expenses)		
State Appropriations	7,068,556	6,935,691
Property taxes for maintenance & operation	2,735,221	2,718,006
Federal Revenue, Non-Operating	5,167,989	5,120,750
Gifts	217,359	203,655
Investment income	29,946	11,506
Gain/(Loss) on Disposal of Assets	(4,381)	(3,672)
Lease income	24,788	24,929
Operational costs of lease property	(2,949)	(7,021)
Amortization of bond issue cost	(47,692)	-
Interest and fees on capital related debt	(310,808)	(352,074)
Net Non-Operating Revenues (Expenses) (Sch C)	14,878,029	14,651,770
Change in Net Position	629,801	3,789
Net Position		
Beginning net position	13,117,242	13,113,453
Ending net position	\$ 13,747,043	\$ 13,117,242

The Notes to the Financial Statements are an integral part of the financial statements.

Vernon College
Exhibit 2A
Vernon College Foundation, Incorporated
Statements of Activities
For the Years Ended August 31, 2017 and 2016

	2017	2016
Revenues and support:		
Gifts and contributions	\$ 332,257	\$ 457,309
Silent auction	5,137	6,108
Investment income	187,761	194,175
Realized gains (losses) on investments	4,456	(70,047)
Unrealized gains (losses) on investments	265,500	146,259
Other income	6,507	7,215
Total revenues and support	801,618	741,019
Expenses:		
Operating expenses	29,030	16,324
Investment advisory fees	40,503	36,876
Departmental Grants	11,322	15,137
Restricted Gifts transfer to Vernon College	-	199,960
Scholarship transfer	199,652	166,663
Total expenses	280,507	434,960
Increase in net assets	521,111	306,059
Net assets at beginning of year	4,588,257	4,282,198
Net assets at end of year	\$ 5,109,368	\$ 4,588,257

The Notes to the Financial Statements are an integral part of the financial statements.

Vernon College
Exhibit 3
Statements of Cash Flows
For the Years Ended August 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 6,503,648	\$ 6,066,994
Receipts of appropriations, grants and contracts	3,975,088	1,857,668
Other receipts	111,260	207,588
Payments to or on behalf of employees	(14,022,528)	(14,127,554)
Payments to suppliers for goods and services	(6,601,127)	(6,568,934)
Payments of scholarships	(168,017)	(320,362)
Net cash used by operating activities	(10,201,676)	(12,884,600)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State allocations	5,616,289	5,607,701
Federal Title IV Grants	5,926,827	4,048,636
Property taxes for maintenance and operations	2,741,761	2,709,057
Gifts to endowment	217,359	203,655
Net cash provided by noncapital financing activities	14,502,236	12,569,049
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases and construction of capital assets	(652,926)	(284,740)
Principal paid on capital debt	(678,144)	(728,144)
Amortization of bond issue cost	(47,692)	-
Interest and fees paid on capital debt	(310,808)	(352,074)
Net cash used by capital and related financing activities	(1,689,570)	(1,364,958)
CASH FLOWS FROM INVESTING ACTIVITIES		
Lease income	24,788	24,929
Operating costs of lease property	(2,949)	(7,021)
Sales of short-term investments	-	775,000
Investment income	29,946	11,506
Net cash provided by investing activities	51,785	804,414
Increase (decrease) in cash and cash equivalents	2,662,775	(876,095)
Cash and cash equivalents - beginning of year	1,037,783	1,913,878
Cash and cash equivalents - end of year	\$ 3,700,558	\$ 1,037,783
Displayed as:		
Cash and cash equivalents	\$ 3,362,397	\$ 943,212
Restricted cash and cash equivalents	338,161	94,571
	\$ 3,700,558	\$ 1,037,783
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (14,248,228)	\$ (14,647,981)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	870,491	864,837
Pension adjustments	58,487	(2,297)
Payments for benefits made directly by state	1,452,267	1,327,990
(Increase) decrease in current assets:		
Accounts receivable, net (adjusted for non-operating items)	(16,395)	(98,881)
Inventories	(39,713)	45,351
Deferred charges	(277,698)	(636,319)
Prepaid expenses	(312,170)	96,473
Increase (decrease) in current liabilities:		
Accounts payable	209,913	(19,177)
Accrued compensable absences	33,778	13,579
Deferred revenues	2,066,372	171,730
Deposits	1,220	95
Net cash used by operating activities	\$ (10,201,676)	\$ (12,884,600)

The Notes to the Financial Statements are an integral part of the financial statements.

Vernon College
Exhibit 3A
Vernon College Foundation, Incorporated
Statements of Cash Flows
For the Years Ended August 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Receipts of gifts	\$ 362,257	\$ 487,309
Proceeds from Silent Auction	5,137	6,108
Other income	6,507	7,215
Payments to suppliers for goods and services	(86,285)	(47,770)
Restricted Gifts transferred to Vernon College	-	(199,960)
Payment of scholarships and grants	(199,652)	(181,800)
Net cash provided by operating activities	87,964	71,102
Cash flows from investing activities:		
Sales proceeds on sales of investments	814,421	597,060
Purchase of investments	(1,068,137)	(925,212)
Investment income	187,761	194,175
Net cash used by investing activities	(65,955)	(133,977)
Increase (decrease) in cash and cash equivalents	22,009	(62,875)
Cash and cash equivalents at beginning of year	115,248	178,123
Cash and cash equivalents at end of year	\$ 137,257	\$ 115,248
Cash flows from operating activities:		
Increase in net assets	\$ 521,111	\$ 306,059
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Investment income	(187,761)	(194,175)
Realized (gain) loss on sale of investments	(4,456)	70,047
Unrealized (gain) loss on investments held	(265,500)	(146,259)
(Increase) decrease in operating assets:		
Pledges receivable	30,000	30,000
Increase (decrease) in operating liabilities:		
Accounts payable	(5,430)	5,430
Net cash provided by operating activities	\$ 87,964	\$ 71,102

The Notes to the Financial Statements are an integral part of the financial statements.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2017 AND 2016

1. Reporting Entity

The Wilbarger County Junior College District (Vernon College) was established in 1970, in accordance with the laws of the State of Texas, to serve the educational needs of the public of Wilbarger County and surrounding communities. Vernon College (College) is considered a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity". While the College receives funding from local, state and federal sources, and must comply with spending, reporting, and recordkeeping requirements of these entities, it is not a component unit of any governmental entity.

Vernon College Foundation, Incorporated (Foundation) was established as a separate nonprofit organization in 1985 to raise funds to provide student scholarships and assistance in the development and growth of the College. Under GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" as amended by GASB Statement No. 61, "The Financial Reporting Entity: Omnibus", an organization should be reported as a discretely presented component unit if those entities raise and hold economic resources for the direct benefit of a government unit. Accordingly, the Foundation's financial statements are included in the College's Annual Financial Report as a discretely presented component unit.

2. Summary of Significant Accounting Policies

A. Reporting Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The College applies all applicable GASB pronouncements. The College is reported as a special-purpose government engaged in business-type activities.

B. Tuition Discounting

1. Texas Public Education Grants

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside amount, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code §56.0333). When the award for tuition is used by the student, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

2. Title IV, Higher Education Act (HEA) Program Funds

Certain Title IV HEA Program Funds are received by the College to pass through to the student. These funds are initially received by the College and recorded as restricted revenue. When the student is awarded and uses these funds for tuition and fees, the amounts are recorded as revenue and a corresponding amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

3. Other Tuition Discounts

The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amounts are recorded as tuition and fee revenue and a corresponding amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2017 AND 2016

C. Basis of Accounting

The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

D. Budgetary Data

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

E. Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

F. Deferred Outflows

In addition to assets, the College is aware that the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. A typical deferred outflow for community colleges is a deferred charge on refunding debt.

G. Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at the time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

H. Other Assets

Other assets include expenses paid in advance that pertain to the subsequent fiscal year. An example is Pell grants disbursed to students in August for fall classes.

I. Inventories

Inventories consist of bookstore stock. Inventories are valued at the lower of cost or market value under the first-in, first-out method and are charged to expense as consumed.

J. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets.

**VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2017 AND 2016**

K. Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The College's capitalization policy includes real or personal property with a value equal to or greater than \$5,000 and has an estimated useful life of greater than one year. The College reports depreciation under a single line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following lives are used:

Buildings	20-50 years
Land Improvements	20 years
Furniture, Machinery, Vehicles and Other Equipment	10 years
Telecommunications and Computer Equipment	5 years
Library Books	15 years

L. Pensions

The College participates in the Teacher Retirement System of Texas (TRS) Pension Plan, a multiple-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined on the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Unearned Revenues

Tuition and fees of \$5,300,995 and \$4,967,034 and federal, state and local grants of \$1,966,830 and \$266,906 have been reported as unearned revenues at August 31, 2017 and 2016, respectively. Auxiliary enterprise revenues, including meal and dorm rent, and other revenues unearned totaled \$328,232 and \$295,745 at August 31, 2017 and 2016, respectively.

N. Deferred Inflows

In addition to liabilities, the College is aware that the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by the GASB.

O. Income Taxes

The College is exempt from federal income taxes under Internal Revenue Code Section 115, "Income of States, Municipalities, Etc.", although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), "Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations". The College had no unrelated business tax liability for the years ended August 31, 2017 and 2016.

The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

P. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2017 AND 2016

Q. Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state allocations, federal revenues, property tax collections, and lease income. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The food service operation is not performed by the College, but has been contracted out to a company under an annual agreement. The College pays the contractor a per-meal rate with no guarantee or commitment and the contractor uses the College's cafeteria and dining hall to conduct its operations.

R. Net Position

1. Net Investment in Capital Assets

This item consists of capital assets, including restricted capital assets net of accumulated depreciation that are reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted Nonexpendable

These are net position that are required to be retained in perpetuity, such as permanent endowments or permanent fund principal amounts. Some examples of nonexpendable assets are scholarships, fellowships, and research.

3. Restricted Expendable

These are net position that are restricted due to constraints placed on the assets either by external creditors such as debt covenants, grantors, or imposed by laws or regulations of other governments. This does not include net position restricted by the College's governing board. Some examples are scholarships and fellowships, research, instructional department uses, loans, capital projects, and debt service.

4. Unrestricted Net Position

This item consists of net position not meeting the definition of "restricted" or "net investment in capital assets." The distribution of this net position must not be presented on the face of the financial statement, but may be presented in the notes. When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

3. Authorized Investments

The College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

4. Deposits and Investments

The College's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the College's agent bank approved pledged securities in an amount sufficient to protect College funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2017 AND 2016

Cash Deposits

At August 31, 2017 and 2016, the carrying amount of the College's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$7,515,558 and \$4,852,783, respectively, and the bank balance was \$8,310,401 and \$5,104,099, respectively. The College's cash deposits at August 31, 2017 and 2016 were entirely covered by FDIC insurance or by pledged collateral held by the College's agent bank in the College's name.

Investments

The College is required by Government Code Chapter 2256, The Public Funds Investment Act (Act) to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the College adhered to the requirements of the Act. Additionally, investment practices of the College were in accordance with local policies.

The Act determines the types of investments which are allowable for the College. These include, with certain restrictions, (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

The College's investments at August 31, 2017 and 2016 are as follows:

<u>Investment or Investment Type</u>	<u>August 31, 2017</u>		<u>August 31, 2016</u>	
	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificates of deposit	<u>9.37</u>	<u>\$3,815,000</u>	<u>9.37</u>	<u>\$3,815,000</u>

The Foundation's investments at August 31, 2017 and 2016 are shown below:

	<u>2017</u>	<u>2016</u>
Mutual funds	<u>\$ 4,972,111</u>	<u>\$ 4,448,439</u>
Total aggregate cost	<u>\$ 4,972,111</u>	<u>\$ 4,448,439</u>

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the College was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the College was not significantly exposed to credit risk.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2017 AND 2016

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the College's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the College's name.

At year end, the College was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the College was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the College was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the College was not exposed to foreign currency risk.

Investment Accounting Policy

The College's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Fair Value of Financial Instruments

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to their fair value measurement of the instrument.

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2017 AND 2016

The fair value hierarchy of investments at August 31, 2017 follows:

	August 31, 2017				2016
	Level 1	Level 2	Level 3	Total	Total
Mutual funds	\$ 4,972,111	\$ -0-	\$ -0-	\$ 4,972,111	\$4,448,439

5. Permanent Endowment

The College maintains a permanent endowment fund for funding scholarships to the College's students. The endowment consists of numerous individual gifts from various individuals and groups and all proceeds are held as cash and cash equivalents or invested in certificates of deposit. All interest income earned on the investments is available for awarding scholarships to eligible Vernon College students. These amounts are included in restricted cash and cash equivalents and endowed investments on the statement of net position.

6. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the College is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The following are additional disclosures relative to property taxes for the years ended August 31, 2017 and 2016:

Net Assessed Valuation:

Net assessed valuation for year ended August 31:	2017	2016
Gross assessed valuation	\$1,910,924,250	\$1,982,985,410
Less exceptions or abatements	(737,749,860)	(746,032,540)
Net assessed valuation	\$1,173,174,390	\$1,236,952,870

Tax Rate Per \$100 Valuation:

	Year Ended August 31, 2017			Year Ended August 31, 2016		
	Current Operations	Debt Service	Totals	Current Operations	Debt Service	Totals
Authorized	\$1.000000	\$.00000	\$1.000000	\$1.00000	\$.00000	\$1.00000
Assessed	\$.229652	\$.00000	\$.229652	\$.22000	\$.00000	\$.22000

Property taxes levied for the years ended August 31, 2017 and 2016 amounted to \$2,695,988 and \$2,721,296, respectively.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2017 AND 2016

Tax Collections:

	<u>Year Ended August 31, 2017</u>			<u>Year Ended August 31, 2016</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Totals</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Totals</u>
Current taxes	\$2,648,263	\$ --	\$2,648,263	\$2,643,759	\$ --	\$2,643,759
Delinquent taxes	38,849	--	38,849	32,131	--	32,131
Penalties and interest	<u>15,005</u>	<u>--</u>	<u>15,005</u>	<u>27,846</u>	<u>--</u>	<u>27,846</u>
Total collections	<u>\$2,702,117</u>	<u>\$ --</u>	<u>\$2,702,117</u>	<u>\$2,703,736</u>	<u>\$ --</u>	<u>\$2,703,736</u>

Current tax collections for the years ended August 31, 2017 and 2016 were 98.23% and 98.11%, respectively, of the current year levy. Allowances for uncollectible taxes are based on historical experience in collecting property taxes. The use of property taxes is restricted to either maintenance and operations or general obligation debt service.

7. Disaggregation of Accounts Receivable

Accounts receivable, net of allowances for uncollectibles, at August 31, 2017 and 2016 consisted of the following:

August 31, 2017

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$1,651,999	\$ 880,723	\$ 771,276
Federal grants	565,033	--	565,033
State/local grants and contracts	116,874	--	116,874
Property taxes	155,629	69,515	86,114
Others	<u>400,932</u>	<u>--</u>	<u>400,932</u>
Totals	<u>\$ 2,890,467</u>	<u>\$ 950,238</u>	<u>\$ 1,940,229</u>

August 31, 2016

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$ 1,482,896	\$ 810,167	\$ 672,729
Federal grants	1,412,279	--	1,412,279
State/local grants and contracts	135,581	--	135,581
Property taxes	163,351	70,697	92,654
Others	<u>375,969</u>	<u>--</u>	<u>375,969</u>
Totals	<u>\$ 3,570,076</u>	<u>\$ 880,864</u>	<u>\$ 2,689,212</u>

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8. Capital Assets

Capital assets activity for the years ended August 31, 2017 and 2016 was as follows:

August 31, 2017

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,812,791	\$ --	\$ --	\$ 2,812,791
Construction in progress	175,505	367,644	175,505	367,644
Total capital assets not being depreciated	<u>2,988,296</u>	<u>367,644</u>	<u>175,505</u>	<u>3,180,435</u>
Capital assets being depreciated:				
Buildings	22,285,013	5,723	3,794	22,286,942
Land improvements	1,938,525	96,619	--	2,035,144
Furniture, machinery, vehicles and other equipment	3,773,396	44,088	22,265	3,795,219
Telecommunications and computer equipment	1,383,130	299,433	--	1,682,563
Library books	1,174,268	14,924	--	1,189,192
Total capital assets being depreciated	<u>30,554,332</u>	<u>460,787</u>	<u>26,059</u>	<u>30,989,060</u>
Less accumulated depreciation:				
Buildings	7,302,303	461,564	1,639	7,762,228
Land improvements	810,636	72,988	--	883,624
Furniture, machinery, vehicles and other equipment	1,978,082	274,221	20,038	2,232,265
Telecommunications and computer equipment	1,197,025	44,027	--	1,241,052
Library books	933,009	17,690	--	950,699
Total accumulated depreciation	<u>12,221,055</u>	<u>870,490</u>	<u>21,677</u>	<u>13,069,868</u>
Total capital assets being depreciated, net	<u>18,333,277</u>	<u>(409,703)</u>	<u>4,382</u>	<u>17,919,192</u>
Capital assets, net	<u>\$21,321,573</u>	<u>\$ (42,059)</u>	<u>\$ 179,887</u>	<u>\$21,099,627</u>

August 31, 2016

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,812,791	\$ --	\$ --	\$ 2,812,791
Construction in progress	--	175,505	--	175,505
Total capital assets not being depreciated	<u>2,812,791</u>	<u>175,505</u>	<u>--</u>	<u>2,988,296</u>
Capital assets being depreciated:				
Buildings	22,288,813	--	3,800	22,285,013
Land improvements	1,938,525	--	--	1,938,525
Furniture, machinery, vehicles and other equipment	3,700,143	94,374	21,121	3,773,396
Telecommunications and computer equipment	1,394,934	--	11,804	1,383,130
Library books	1,159,406	14,862	--	1,174,268
Total capital assets being depreciated	<u>30,481,821</u>	<u>109,236</u>	<u>36,725</u>	<u>30,554,332</u>
Less accumulated depreciation:				
Buildings	6,844,083	461,640	3,420	7,302,303
Land improvements	739,612	71,024	--	810,636
Furniture, machinery, vehicles and other equipment	1,720,430	276,661	19,009	1,978,082
Telecommunications and computer equipment	1,171,032	36,617	10,624	1,197,025
Library books	914,113	18,896	--	933,009
Total accumulated depreciation	<u>11,389,270</u>	<u>864,838</u>	<u>33,053</u>	<u>12,221,055</u>
Total capital assets being depreciated, net	<u>19,092,551</u>	<u>(755,602)</u>	<u>3,672</u>	<u>18,333,277</u>
Capital assets, net	<u>\$21,905,342</u>	<u>\$ (580,097)</u>	<u>\$ 3,672</u>	<u>\$21,321,573</u>

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9. Long-term Obligations

A. Long-term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2017 and 2016 are as follows:

August 31, 2017

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$ 9,805,000	\$ --	\$ 555,000	\$ 9,250,000	\$ 590,000
Premium on bonds	30,547	--	2,182	28,365	--
Capital leases	418,103	--	120,962	297,141	163,393
Compensated absences	<u>302,281</u>	<u>312,980</u>	<u>279,202</u>	<u>336,059</u>	<u>235,241</u>
Totals	<u>\$10,555,931</u>	<u>\$ 312,980</u>	<u>\$ 957,346</u>	<u>\$ 9,911,565</u>	<u>\$ 988,634</u>

August 31, 2016

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$10,285,000	\$7,455,000	\$7,935,000	\$ 9,805,000	\$ 555,000
Premium on bonds	130,913	--	100,366	30,547	--
Capital leases	565,880	--	147,777	418,103	158,423
Compensated absences	<u>288,702</u>	<u>312,267</u>	<u>298,688</u>	<u>302,281</u>	<u>226,711</u>
Totals	<u>\$11,270,495</u>	<u>\$7,767,267</u>	<u>\$8,481,831</u>	<u>\$10,555,931</u>	<u>\$ 940,134</u>

B. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2017 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 753,393	\$ 228,548	\$ 981,941
2019	738,748	205,598	944,346
2020	625,000	185,342	810,342
2021	880,000	164,525	1,044,525
2022	665,000	144,868	809,868
2023-27	3,570,000	481,377	4,051,377
2028-30	<u>2,315,000</u>	<u>81,026</u>	<u>2,396,026</u>
Totals	<u>\$9,547,141</u>	<u>\$1,491,284</u>	<u>\$11,038,425</u>

C. Revenue Bonds Payable

The Wilbarger County Junior College District Consolidated Fund Revenue Improvement and Refunding Bonds, Series 2010 were issued to refund outstanding bonds and provide the College with approximately \$5,000,000 of additional funds to renovate the College's Century City Center in Wichita Falls, Texas. The bonds are payable over 20 years through August 31, 2030 with interest rates ranging from 2.00% to 4.00%. The sources of revenue for debt service include, as necessary, (1) tuition, (2) building use fees, (3) student service fees, (4) other fees (5) gross revenues of the Auxiliary Enterprise Fund and (6) all investment earnings of the College lawfully available for such purpose.

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The Wilbarger County Junior College District Consolidated Fund Revenue Refunding Bond Series 2016 were issued to pay off the remaining balance of the 2004 Taxable Series and refinance the callable portion of the 2010 Refunding Series. The bonds are payable over 20 years through August 31, 2030 and shall bear interest at a rate of 2.33%. The sources of revenue for debt service include, as necessary, (1) tuition, (2) building use fees, (3) student service fees, (4) other fees (5) gross revenues of the Auxiliary Enterprise Fund and (6) all investment earnings of the College lawfully available for such purpose.

Debt service requirements for the College's outstanding bonds at August 31, 2017 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 590,000	\$ 219,322	\$ 809,322
2019	605,000	202,870	807,870
2020	625,000	185,342	810,342
2021	880,000	164,525	1,044,525
2022	665,000	144,868	809,868
2023-27	3,570,000	481,378	4,051,378
2028-30	<u>2,315,000</u>	<u>81,026</u>	<u>2,396,026</u>
Totals	<u>\$9,250,000</u>	<u>\$1,479,331</u>	<u>\$10,729,331</u>

There are a number of limitations and restrictions contained in the bond indentures. Management has indicated that the College is in compliance with all significant limitations and restrictions.

D. Capital Leases

The Public Property Finance Act gives the College authority to enter into capital leases for the acquisition of personal property. Through August 31, 2017, the College has acquired \$1,644,995 in equipment through capital leases.

Commitments under capitalized lease agreements provide for minimum future rental payments as of August 31, 2017 as follows:

<u>Year Ending August 31,</u>	
2018	\$172,620
2019	<u>136,475</u>
Total minimum lease payments	309,095
Less amount representing interest	<u>(11,954)</u>
Present value of minimum lease payments	<u>\$297,141</u>

The interest rate on the capital leases is 3.94%.

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E. Compensated Absences

1. Vacation Leave

Full-time employees earn annual leave from 8 to 12 hours per month depending on the number of years employed with the College. The College's policy is that an employee may carry his accrued vacation leave forward from one fiscal year to another with a maximum carry forward of 160 hours. Employees with at least one month of service who terminate their employment are entitled to payment of all accumulated vacation leave up to the maximum allowed. The College recognized the accrued liability for the unpaid vacation leave of \$336,059 and \$302,281 at August 31, 2017 and 2016, respectively.

2. Sick Leave

Sick leave, which can be accumulated up to 480 hours, is typically earned at the rate of 8 hours per month. It is paid to an employee who misses work due to illness. The liability is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal and accrued balances are not payable to an employee who terminates employment.

F. Defeased Bonds Outstanding

The College's defeased bonds outstanding as of August 31, 2017 are as follows:

<u>Bond Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Revenue Bonds, Series 2010	2016	<u>\$6,910,000</u>

10. Employees' Retirement Plans

The State of Texas has joint contributory retirement plans for almost all its employees; the Teacher Retirement System of Texas and the Optional Retirement Program. A description of each follows.

A. Teacher Retirement System of Texas – Defined Benefit Plan

1. Plan Description

The College participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

2. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512) 542-6592.

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3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	<u>2017</u>	<u>2016</u>
Member	7.7%	7.2%
Non-Employer Contribution Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2017 Member Contributions	\$648,058	
2017 State of Texas On-behalf Contributions	\$232,163	
2017 College Contributions	\$344,940	

The College's contributions to the TRS pension plan in 2017 were \$344,940 as reported in the Schedule of College Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2017 were \$232,163.

- As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Public junior college or junior college districts are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

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- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

5. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Inflation	2.5%
Salary Increases Including Inflation*	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

*Includes Inflation of 2.5%

Actuarial methods and assumptions were updated based on a study of actual experience for the four year period ending August 31, 2014, and adopted on September 24, 2015, by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

6. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016, are summarized below:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-Term Portfolio Returns *</u>
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-.02%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha	<u>0.0%</u>	0.0%	<u>1.0%</u>
Total	<u>100.0%</u>		<u>8.70%</u>

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
College's proportionate share of the net pension liability	<u>\$6,194,789</u>	<u>\$4,002,670</u>	<u>\$2,143,315</u>

8. Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At August 31, 2017, the College reported a liability of \$4,002,670 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

College's proportionate share of the collective net pension liability	\$4,002,670
State's proportionate share that is associated with the College	<u>2,800,729</u>
Total	<u>\$6,803,399</u>

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The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At the measurement date of August 31, 2016, the employer's proportion of the collective net pension liability was .0105923%, which was a decrease of .0001615 from its proportion measured as of August 31, 2015.

For the year ended August 31, 2017, the College recognized pension expense of \$290,649 and revenue of \$235,953 for support provided by the State.

At August 31, 2017, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ 62,761	\$ 119,517
Changes in actuarial assumptions	121,994	110,949
Difference between projected and actual investment earnings	771,320	432,382
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	377,656
Contributions paid to TRS subsequent to the measurement date	<u>344,940</u>	<u>-</u>
Total	<u>\$1,301,015</u>	<u>\$1,040,504</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2018	(\$ 42,601)
2019	(\$ 42,601)
2020	\$173,590
2021	(\$ 59,209)
2022	(\$104,969)
Thereafter	(\$ 8,639)

B. Optional Retirement Program – Defined Contribution Plan

1. Plan Description

The State has also established an optional retirement program for institutions of higher education. Participation in the Optional Retirement Program, a defined contribution plan, is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

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2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.6% and 6.65%, respectively. Additionally, the College contributes 1.31% of the covered payroll. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of the state contribution rates noted above.

Total payroll of employees covered by the Program was \$2,260,441 and \$2,438,307 for the years ended August 31, 2017 and 2016, respectively. The College's employees' contributions to the Program for the years ending August 31, 2017 and 2016 were \$150,327 and \$159,814, respectively, and were equal to the required contributions for the year. Other contributions made from the College for the years ending August 31, 2017 and 2016 were \$28,518 and \$32,784, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2017 and 2016, the amounts contributed by the State on behalf of the College were \$71,097 and \$72,784, respectively.

C. Total Payroll

The total payroll for all College employees was \$11,741,093 and \$11,740,239 for the years ended August 31, 2017 and 2016, respectively.

11. Deferred Compensation Plan

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001.

12. Health Care and Life Insurance Benefits

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums.

The state's and the College's contribution per full-time employee was \$617 per month for employee only coverage and ranged from \$854 to \$1,208 for employee and dependent coverage for the year ended August 31, 2017. The state's and the College's contribution per full-time employee was \$577 per month for employee only coverage and ranging from \$798 to \$1,128 for employee and dependent coverage for the year ended August 31, 2016. The total number of employees participating in the plan and contributions were as follows:

	2016-17			2015-16		
	Number of Employees	State Contribution	College Contribution	Number of Employees	State Contribution	College Contribution
Active employees	228	\$ 816,482	\$1,287,976	229	\$ 740,964	\$1,235,033
Retired employees	<u>69</u>	<u>268,352</u>	<u>305,453</u>	<u>71</u>	<u>281,951</u>	<u>273,192</u>
Totals	<u>297</u>	<u>\$1,084,834</u>	<u>\$1,593,429</u>	<u>300</u>	<u>\$1,022,915</u>	<u>\$1,508,225</u>

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13. Postemployment Benefits Other Than Pensions

1. Plan Description

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the state. The College contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Texas Legislature. ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at <http://www.ers.state.tx.us/>.

2. Funding Policy

Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS board of trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution. The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS board of trustees sets the employer contribution rate based on the implicit rate subsidy which is actuarially determined in accordance with the parameters of GASB Statement 45. The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years.

The College's contributions to SRHP for the years ended August 31, 2017, 2016 and 2015 were \$305,453, \$273,192 and \$231,895, respectively, which equaled the required contributions each year.

14. Contracts and Grant Awards

Contracts and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For grant awards, funds expended, but not collected, are reported as accounts receivable on Exhibit 1. See Note 7 for disaggregation of amounts included in accounts receivable. Grant awards received but not expended are included in deferred revenues on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements.

15. Risk Management

The College is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, the College purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

16. Commitments and Contingencies

A. Facilities Lease

The College rents facilities from Wichita County for its Skills Training Center. The lease agreement with Wichita County is for a term of ten years and calls for a monthly rental payment of \$8,666.67 from January 1, 2017 through December 31, 2021 then reducing to \$5,541.67 per month for January 1, 2022 through December 31, 2026.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2017 AND 2016

Future minimum lease payments under this lease are as follows:

<u>Year Ending August 31,</u>	
2018	\$104,000
2019	104,000
2020	104,000
2021	104,000
2022	79,000
2023-2027	<u>288,167</u>
Total minimum lease payments	<u>\$783,167</u>

The College paid \$87,333 and \$54,000 in rent under this lease agreement and the previous lease agreement during each of the years ended August 31, 2017 and 2016, respectively.

B. Long-Term Service Contract

The College contracts with an outside information technology firm for maintenance of its hardware, software and network. The College's contract with the company is currently a one-year extension of the original contract which was for a term of three years through August 31, 2017, with a minimum base fee of \$310,000 per year paid in monthly installments of \$32,124 and additional annual license fees of \$36 per computer paid October 1st of each year. Future minimum payments under this agreement with the current inventory of computers are as follows:

<u>Year Ending August 31,</u>	
2018	<u>\$ 385,492</u>

The College paid \$379,852 and \$379,852 in service fees under this agreement during the years ended August 31, 2017 and 2016, respectively.

C. Grants

The College participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the College, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

17. Concentration – Title IV HEA Funding

For the years ended August 31, 2017 and 2016, the College received approximately 25% and 25%, respectively, of its total revenues (operating and non-operating) from federal Title IV HEA grants. In addition, \$5,979,455 and \$5,812,658, of Title IV student loans were used by students to pay for tuition, fees and other costs included in the College's revenues for the years ending August 31, 2017 and 2016, respectively. Altogether, these grants and loans directly contribute to more than 50% of the College's total annual revenue. A loss or significant reduction in these grants and loans would have a material adverse effect on the College's operations and financial position.

Required Supplementary Information

Vernon College

**Schedule of College's Share of Pension Liability
Teacher Retirement System of Texas
For the Year Ended August 31, 2017**

<u>Fiscal year ending August 31*</u>	<u>2015**</u>	<u>2016**</u>	<u>2017**</u>
TRS net position as a percentage of total pension liability	<u>83.25%</u>	<u>78.43%</u>	<u>78.00%</u>
College's proportionate share of collective net pension liability (%)	<u>0.0122221%</u>	<u>0.0107538%</u>	<u>0.0105923%</u>
College's proportionate share of collective net pension liability (\$)	\$ 3,264,692	\$ 3,801,335	\$ 4,002,670
Portion of NECE's total proportionate share of NPL associated with College	2,292,336	2,675,276	2,800,729
Total	<u>\$ 5,557,028</u>	<u>\$ 6,476,611</u>	<u>\$ 6,803,399</u>
College's covered payroll amount	<u>\$ 7,716,713</u>	<u>\$ 7,957,060</u>	<u>\$ 8,363,407</u>
Ratio of: ER proportionate share of collective NPL/ER's covered payroll amount	<u>72%</u>	<u>81%</u>	<u>81%</u>

* The amounts presented above are as of the measurement date of the collective net pension liability

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

NECE -- Non-Employer Contributing Entity
NPL -- Net Pension Liability
ER -- Employer / Institution / Reporting Entity

Vernon College

**Schedule of College's Contributions
Teacher Retirement System of Texas
For the Year Ended August 31, 2017**

<u>Fiscal year ending August 31*</u>	<u>2015**</u>	<u>2016**</u>	<u>2017**</u>
Legally required contributions	\$ 314,702	\$ 329,434	\$ 344,940
Actual Contributions	(314,702)	(329,434)	(344,940)
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 College's covered employee payroll amount	 <u>\$ 7,957,060</u>	 <u>\$ 8,363,407</u>	 <u>\$ 8,314,648</u>
Ration of: Actual contributions / ER covered payroll amount	<u>3.96%</u>	<u>3.94%</u>	<u>4.15%</u>

* The amounts presented above are as of the College's most recent fiscal year-end.

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

VERNON COLLEGE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2017

Defined Benefit Pension Plan

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions

There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

Other Supplementary Information

Vernon College
Schedule A
Schedule of Operating Revenues
For the Year Ended August 31, 2017
(With Memorandum Totals for the Year Ended August 31, 2016)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2017 Totals	2016 Totals
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 264,958	\$ -	\$ 264,958	\$ -	\$ 264,958	\$ 258,556
Out-of-district resident tuition	4,676,641	-	4,676,641	-	4,676,641	4,555,338
Non-resident tuition	124,264	-	124,264	-	124,264	165,590
TPEG - credit (set aside)*	-	249,701	249,701	-	249,701	239,998
State funded continuing education	866,289	-	866,289	-	866,289	801,277
TPEG - non-credit (set aside)*	-	29,695	29,695	-	29,695	36,118
Non-state funded continuing education	144,895	-	144,895	-	144,895	181,105
Total Tuition	6,077,047	279,396	6,356,443	-	6,356,443	6,237,982
Fees:						
General fees	4,495,761	-	4,495,761	-	4,495,761	3,922,923
Laboratory fees	684,692	-	684,692	-	684,692	670,393
Total Fees	5,180,453	-	5,180,453	-	5,180,453	4,593,316
Scholarship allowances and discounts:						
Remissions and exemptions - state	(827,769)	-	(827,769)	-	(827,769)	(734,457)
Title IV federal grants	(3,623,460)	-	(3,623,460)	-	(3,623,460)	(3,498,479)
TPEG awards	-	(79,565)	(79,565)	-	(79,565)	(80,804)
Other local awards	(2,086,181)	-	(2,086,181)	-	(2,086,181)	(1,927,825)
Total Scholarship Allowances	(6,537,410)	(79,565)	(6,616,975)	-	(6,616,975)	(6,241,565)
Total Net Tuition and Fees	4,720,090	199,831	4,919,921	-	4,919,921	4,589,733
Other operating revenues:						
Federal grants and contracts	8,971	845,950	854,921	-	854,921	761,962
State grants and contracts	-	425,429	425,429	-	425,429	327,546
Non-governmental grants and contracts	-	887,698	887,698	-	887,698	1,005,074
Sales and services of educational activities	111,462	-	111,462	-	111,462	122,003
Investment income (program restricted)	-	13,913	13,913	-	13,913	5,587
General operating revenues	10,848	-	10,848	-	10,848	-
Total Other Operating Revenues	131,281	2,172,990	2,304,271	-	2,304,271	2,222,172
Auxiliary Enterprises:						
Residential life	-	-	-	482,658	482,658	478,219
Scholarship allowances and discounts	-	-	-	(195,278)	(195,278)	(163,628)
Net Residential Life	-	-	-	287,380	287,380	314,591
Bookstore	-	-	-	1,559,782	1,559,782	1,509,939
Scholarship allowances and discounts	-	-	-	(619,242)	(619,242)	(657,415)
Net Bookstore	-	-	-	940,540	940,540	852,524
Student programs	-	-	-	87,907	87,907	80,380
Total Net Auxiliary Enterprises	-	-	-	1,315,827	1,315,827	1,247,495
Total Operating Revenues (Exhibit 2)	\$ 4,851,371	\$ 2,372,821	\$ 7,224,192	\$ 1,315,827	\$ 8,540,019	\$ 8,059,400
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$279,396 and \$276,116 for years August 31, 2017 and 2016, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

Vernon College
Schedule B
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2017
(With Memorandum Totals for the Year Ended August 31, 2016)

	Operating Expenses			2017 Totals	2016 Totals	
	Salaries and Wages	Benefits				Other Expenses
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 5,652,375	\$ -	\$ 1,071,603	\$ 422,906	\$ 7,146,884	\$ 7,238,246
Public Service	164,095	-	57,173	25,264	246,532	242,898
Academic Support	1,449,468	-	276,437	707,745	2,433,650	2,447,383
Student Services	1,321,880	-	263,490	184,635	1,770,005	1,767,829
Institutional Support	1,227,091	-	257,163	1,745,459	3,229,713	3,178,898
Operation and Maintenance of Plant	847,892	-	159,645	1,142,388	2,149,925	2,130,759
Total Unrestricted Educational Activities	<u>10,662,801</u>	<u>-</u>	<u>2,085,511</u>	<u>4,228,397</u>	<u>16,976,709</u>	<u>17,006,012</u>
Restricted - Educational Activities						
Instruction	39,010	808,080	-	486,448	1,333,538	1,218,733
Public Service	139,555	43,113	33,976	126,413	343,057	277,418
Academic Support	18,717	208,457	-	-	227,174	240,353
Student Services	77,539	198,694	-	-	276,233	255,282
Institutional Support	138,727	193,923	-	15,210	347,860	413,015
Scholarships and Fellowships	-	-	-	168,017	168,017	320,362
Total Restricted Educational Activities	<u>413,548</u>	<u>1,452,267</u>	<u>33,976</u>	<u>796,088</u>	<u>2,695,879</u>	<u>2,725,163</u>
Total Educational Activities	<u>11,076,349</u>	<u>1,452,267</u>	<u>2,119,487</u>	<u>5,024,485</u>	<u>19,672,588</u>	<u>19,731,175</u>
Auxiliary Enterprises	<u>690,631</u>	<u>-</u>	<u>228,326</u>	<u>1,326,211</u>	<u>2,245,168</u>	<u>2,111,369</u>
Depreciation Expense - Buildings and other real estate improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>534,552</u>	<u>534,552</u>	<u>532,664</u>
Depreciation Expense - Equipment and furniture	<u>-</u>	<u>-</u>	<u>-</u>	<u>335,939</u>	<u>335,939</u>	<u>332,173</u>
Total Operating Expenses	<u>\$ 11,766,980</u>	<u>\$ 1,452,267</u>	<u>\$ 2,347,813</u>	<u>\$ 7,221,187</u>	<u>\$ 22,788,247</u> (Exhibit 2)	<u>\$ 22,707,381</u> (Exhibit 2)

Vernon College
Schedule C
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2017
(With Memorandum Totals for the Year Ended August 31, 2016)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
NON-OPERATING REVENUES:					
State appropriations:					
Educational and general state support	\$ 5,616,289	\$ -	\$ -	\$ 5,616,289	\$ 5,607,701
State group insurance	-	1,091,892	-	1,091,892	1,022,915
State retirement match	-	360,375	-	360,375	305,075
	<u>5,616,289</u>	<u>1,452,267</u>	<u>-</u>	<u>7,068,556</u>	<u>6,935,691</u>
Total state appropriations					
Property taxes for maintenance & operation	1,805,524	-	929,697	2,735,221	2,718,006
Federal Revenue, Non-Operating	-	5,167,989	-	5,167,989	5,120,750
Capital contracts, grants and gifts	-	193,890	23,469	217,359	203,655
Gain/(Loss) on Disposal of Assets	(4,381)	-	-	(4,381)	(3,672)
Lease income	-	24,788	-	24,788	24,929
Investment income	25,788	4,158	-	29,946	11,506
	<u>7,447,601</u>	<u>6,843,092</u>	<u>953,166</u>	<u>15,239,478</u>	<u>15,010,865</u>
Total non-operating revenues					
NON-OPERATING EXPENSES:					
Operational costs of lease property	-	2,949	-	2,949	7,021
Amortization of bond issuance costs	-	47,692	-	47,692	-
Interest and fees on capital related debt	54,618	256,190	-	310,808	352,074
	<u>54,618</u>	<u>306,831</u>	<u>-</u>	<u>361,449</u>	<u>359,095</u>
Total non-operating expenses					
Net non-operating revenues	<u>\$ 7,392,983</u>	<u>\$ 6,536,261</u>	<u>\$ 953,166</u>	<u>\$ 14,878,029</u>	<u>\$ 14,651,770</u>
				(Exhibit 2)	(Exhibit 2)

Vernon College
Schedule D
Schedule of Net Position By Source and Availability
For the Year Ended August 31, 2017
(With Memorandum Totals for the Year Ended August 31, 2016)

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ (299,983)	\$ -	\$ -	\$ -	\$ (299,983)	\$ (299,983)	\$ -
Auxiliary	2,061	-	-	-	2,061	2,061	-
Student Aid	-	75,203	-	-	75,203	75,203	-
Endowment:							
Unrestricted:							
Student Aid	-	-	1,390,398	-	1,390,398	-	1,390,398
Plant:							
Debt Service	-	527,783	-	-	527,783	-	527,783
Investment in Plant	-	-	-	12,051,581	12,051,581	-	12,051,581
Total Net Position, August 31, 2017	(297,922)	602,986	1,390,398	12,051,581	13,747,043	(222,719)	13,969,762
Total Net Position, August 31, 2016	(1,037,798)	975,289	1,526,525	11,653,226	13,117,242 (Exhibit 1)	(1,037,798)	14,155,040
Net Increase (Decrease) in Net Assets	\$ 739,876	\$ (372,303)	\$ (136,127)	\$ 398,355	\$ 629,801 (Exhibit 2)	\$ 815,079	\$ (185,278)

**Vernon College
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2017**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Pass-Through Disbursements and Expenditures</u>	<u>Pass-Through to Subrecipients</u>
<u>U.S. Department of Education:</u>				
<u>Direct Programs:</u>				
Student Financial Aid Cluster:				
Supplemental Educational Opportunity Grant (FSEOG)	84.007	N/A	\$ 71,125	\$ -
Federal Workstudy Program (FWS)	84.033	N/A	77,539	-
Federal Pell Grant Program (PELL)	84.063	N/A	5,019,325	-
Federal Direct Student Loans (Direct Loans)	84.268	N/A	5,979,455	-
			<u>11,147,444</u>	<u>-</u>
Title III - Strengthening Institutional Programs	84.031A	N/A	473,047	-
Total Direct Programs			<u>11,620,491</u>	<u>-</u>
<u>Pass-Through From:</u>				
Texas Higher Education Coordinating Board:				
Carl Perkins Vocational Education Annual Grant	84.048	94252	247,951	-
Total U.S. Department of Education			<u>11,868,442</u>	<u>-</u>
<u>U.S. Department of Agriculture</u>				
2016 Farmers Market Promotion Program	10.168	N/A	76,129	-
Total Department of Agriculture			<u>76,129</u>	<u>-</u>
<u>U.S. Department of Health and Human Services:</u>				
<u>Pass-Through From:</u>				
Nortex Regional Planning Commission:				
Special Programs for the Aging - Title VII	93.041	N/A	48,823	-
Total U.S. Department of Health and Human Services			<u>48,823</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,993,394</u>	<u>\$ -</u>

The accompanying Notes are an integral part of this statement.

**Vernon College
Schedule E
Schedule of Expenditures of Federal Awards (Cont'd)
For the Year Ended August 31, 2017**

Note 1: Significant Accounting Policies Used in Preparing the Schedule

The expenditures included in this schedule are reported on the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 2: Federal Assistance Reconciliation

Federal Revenues - per Exhibit 2	
Federal Grants and Contracts - per Schedule A	\$ 854,921
Federal Grants and Contracts - per Schedule C	5,167,989
Direct Loans	5,979,455
Administrative Cost Recoveries - U.S. Department of Education	(7,465)
Veterans Reporting Allowance	<u>(1,506)</u>
 Total Per Schedule E	 <u>\$ 11,993,394</u>

Note 3: Indirect Cost Rate

The College did not elect to use the 10% de minimis indirect cost rate.

**Vernon College
Schedule F
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2017**

State Grantor/Pass Through Grantor/Program Title	Grant Contract #	Expenditures August 31, 2017
Pass-Through From		
Texas Higher Ed Coordinating Board		
College Workstudy	N/A	\$ 18,717
Texas Education Opportunity Grant	NA	281,325
Professional Nursing (Over 70) Grant	NA	27,390
Subtotal Texas Higher Education Coordinating Board		327,432
Texas Department of Agriculture		
Texans Feeding Texans	N/A	1,721
Subtotal Texas Department of Agriculture		1,721
Texas Comptroller of Public Accounts		
Law Enforcement Grant	N/A	3,655
Subtotal Texas Comptroller of Public Account		3,655
Texas Workforce Commission		
Skills for Small Businesses	0317SSD000	35,035
Skills Development Fund	0317SDF000	57,586
Subtotal Texas Workforce Awards		92,621
Total State Grants and Awards		\$ 425,429

Note 1: Significant Accounting Policies Used in Preparing the Schedule

The accompanying schedule is presented using the accrual basis. See Notes to the financial statements for the College's significant accounting policies. These expenditures are reported on the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

Statistical Section

**Vernon College
Statistical Supplement 1
Net Position by Component
Fiscal Years 2012 to 2017
(Unaudited)**

	For the Years Ended August 31,					
	2017	2016	2015	2014	2013	2012
Net investment in capital assets	\$ 12,051,581	\$ 11,653,226	\$ 10,962,975	\$ 11,147,587	\$ 10,562,477	\$ 9,927,996
Restricted - nonexpendable	1,390,398	1,526,525	1,542,110	1,688,875	1,892,062	2,092,113
Restricted - expendable	602,986	975,289	979,687	984,297	1,134,148	1,546,422
Unrestricted	(297,922)	(1,037,798)	(371,319)	3,358,774	3,666,758	3,962,726
Prior Period Adjustment - GASB 68	-	-	-	(3,695,550)	-	-
Total primary government net position	<u>\$ 13,747,043</u>	<u>\$ 13,117,242</u>	<u>\$ 13,113,453</u>	<u>\$ 13,483,983</u>	<u>\$ 17,255,445</u>	<u>\$ 17,529,256</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2012 to 2017 are reported.

Vernon College
Statistical Supplement 2
Revenue by Source
Fiscal Years 2012 to 2017
(Unaudited)

For the Years Ended August 31,

	2017	2016	2015	2014	2013	2012
Operating Revenues						
Tuition and fees (net of discounts)	\$ 4,919,921	\$ 4,589,733	\$ 4,864,086	\$ 4,880,953	\$ 4,662,544	\$ 3,486,552
Government grants and contracts:						
Federal grants and contracts	854,921	761,962	266,912	234,829	239,482	235,093
State grants and contracts	425,429	327,546	732,620	900,845	1,166,010	639,271
Non-governmental grants and contracts	887,698	1,005,074	945,811	899,800	1,084,070	1,035,961
Sales and services of educational activities	111,462	122,003	114,134	112,937	108,782	99,473
Investment income (program restricted)	13,913	5,587	7,711	7,099	16,502	26,978
Auxiliary enterprises (net of discounts)	1,315,827	1,247,495	1,194,766	1,261,227	1,309,841	1,268,080
Other operating revenues	10,848	-	-	19,949	63,316	14,011
Total Operating Revenues	<u>8,540,019</u>	<u>8,059,400</u>	<u>8,126,040</u>	<u>8,317,639</u>	<u>8,650,547</u>	<u>6,805,419</u>
Non-Operating Revenues						
State appropriations	7,068,556	6,935,691	6,791,015	6,709,002	6,731,780	6,941,563
Ad valorem taxes	2,735,221	2,718,006	2,648,716	2,661,134	2,229,786	2,167,943
Federal Revenue, Non-Operating	5,167,989	5,120,750	5,580,294	5,899,152	5,872,046	6,193,085
Other non-operating income	217,359	203,655	235,821	188,802	242,662	150,700
Lease income	24,788	24,929	18,516	14,158	17,161	60,461
Investment income	29,946	11,506	24,109	19,721	42,379	62,608
Total Non-Operating Revenues	<u>15,243,859</u>	<u>15,014,537</u>	<u>15,298,471</u>	<u>15,491,969</u>	<u>15,135,814</u>	<u>15,576,360</u>
Total Revenues	<u>\$ 23,783,878</u>	<u>\$ 23,073,937</u>	<u>\$ 23,424,511</u>	<u>\$ 23,809,608</u>	<u>\$ 23,786,361</u>	<u>\$ 22,381,779</u>

For the Years Ended August 31,

	2017	2016	2015	2014	2013	2012
Operating Revenues						
Tuition and fees (net of discounts)	20.69%	19.89%	20.76%	20.50%	19.60%	15.58%
Government grants and contracts:						
Federal grants and contracts	3.59%	3.30%	1.14%	0.99%	1.01%	1.05%
State grants and contracts	1.79%	1.42%	3.13%	3.78%	4.90%	2.86%
Non-governmental grants and contracts	3.73%	4.36%	4.04%	3.78%	4.56%	4.63%
Sales and services of educational activities	0.47%	0.53%	0.49%	0.47%	0.46%	0.44%
Investment income (program restricted)	0.06%	0.02%	0.03%	0.03%	0.07%	0.12%
Auxiliary enterprises (net of discounts)	5.53%	5.41%	5.10%	5.30%	5.51%	5.67%
Other operating revenues	0.05%	0.00%	0.00%	0.08%	0.27%	0.06%
Total Operating Revenues	<u>35.91%</u>	<u>34.93%</u>	<u>34.69%</u>	<u>34.93%</u>	<u>36.37%</u>	<u>30.41%</u>
Non-Operating Revenues						
State appropriations	29.72%	30.06%	28.99%	28.18%	28.30%	31.01%
Ad valorem taxes	11.50%	11.78%	11.31%	11.18%	9.37%	9.69%
Federal Revenue, Non-Operating	21.73%	22.19%	23.82%	24.78%	24.69%	27.67%
Other non-operating income	0.91%	0.88%	1.01%	0.79%	1.02%	0.67%
Lease income	0.10%	0.11%	0.08%	0.06%	0.07%	0.27%
Investment income	0.13%	0.05%	0.10%	0.08%	0.18%	0.28%
Total Non-Operating Revenues	<u>64.09%</u>	<u>65.07%</u>	<u>65.31%</u>	<u>65.07%</u>	<u>63.63%</u>	<u>69.59%</u>
Total Revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2012 to 2017 are reported.

Vernon College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2012 to 2017
(Unaudited)

For the Years Ended August 31,

	2017	2016	2015	2014	2013	2012
Operating Expenses						
Instruction	\$ 8,480,422	\$ 8,456,979	\$ 8,319,528	\$ 8,080,853	\$ 7,985,750	\$ 7,162,309
Public service	589,589	520,316	524,080	514,862	471,654	420,836
Academic support	2,660,825	2,687,735	2,688,021	2,769,920	2,656,291	2,703,740
Student services	2,046,237	2,023,111	1,941,001	1,872,380	1,885,205	1,730,718
Institutional support	3,577,573	3,591,913	3,254,711	3,130,823	3,007,643	2,820,922
Operation and maintenance of plant	2,149,925	2,130,759	2,184,101	2,249,417	2,456,195	2,339,480
Scholarship and fellowships	168,017	320,362	1,544,790	1,886,033	1,730,853	189,510
Auxiliary enterprises	2,245,168	2,111,369	2,001,138	2,034,033	2,108,545	3,278,919
Depreciation	870,491	864,837	900,450	905,420	874,988	623,367
Total Operating Expenses	<u>22,788,247</u>	<u>22,707,381</u>	<u>23,357,820</u>	<u>23,443,741</u>	<u>23,177,124</u>	<u>21,269,801</u>
Non-Operating Expenses						
Operational costs of leased property	2,949	7,021	3,498	3,008	9,258	9,577
Amortization of bond issuance costs	47,692	-	-	-	-	11,672
Loss on disposal of assets	4,381	3,672	14,198	-	-	-
Interest and fees on capital related debt	310,808	352,074	419,522	438,772	453,220	473,099
Total Non-Operating Expenses	<u>365,830</u>	<u>362,767</u>	<u>437,218</u>	<u>441,780</u>	<u>462,478</u>	<u>494,348</u>
Total Expenses	<u>\$ 23,154,077</u>	<u>\$ 23,070,148</u>	<u>\$ 23,795,038</u>	<u>\$ 23,885,521</u>	<u>\$ 23,639,602</u>	<u>\$ 21,764,149</u>

For the Years Ended August 31,

	2017	2016	2015	2014	2013	2012
Operating Expenses						
Instruction	36.63%	36.66%	34.96%	33.83%	33.78%	32.91%
Public service	2.55%	2.26%	2.20%	2.16%	2.00%	1.93%
Academic support	11.49%	11.65%	11.30%	11.60%	11.24%	12.42%
Student services	8.84%	8.77%	8.16%	7.84%	7.97%	7.95%
Institutional support	15.45%	15.57%	13.68%	13.11%	12.72%	12.96%
Operation and maintenance of plant	9.29%	9.24%	9.18%	9.42%	10.39%	10.75%
Scholarship and fellowships	0.73%	1.39%	6.49%	7.90%	7.32%	0.87%
Auxiliary enterprises	9.70%	9.15%	8.41%	8.52%	8.92%	15.07%
Depreciation	3.76%	3.75%	3.78%	3.79%	3.70%	2.86%
Total Operating Expenses	<u>98.42%</u>	<u>98.43%</u>	<u>98.16%</u>	<u>98.15%</u>	<u>98.04%</u>	<u>97.73%</u>
Non-Operating Expenses						
Operational costs of leased property	0.01%	0.03%	0.01%	0.01%	0.04%	0.04%
Amortization of bond issuance costs	0.21%	0.00%	0.00%	0.00%	0.00%	0.05%
Loss on disposal of assets	0.02%	0.02%	0.06%	0.00%	0.00%	0.00%
Interest and fees on capital related debt	1.34%	1.53%	1.76%	1.84%	1.92%	2.17%
Total Non-Operating Expenses	<u>1.58%</u>	<u>1.57%</u>	<u>1.84%</u>	<u>1.85%</u>	<u>1.96%</u>	<u>2.27%</u>
Total Expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2012 to 2017 are reported.

**Vernon College
Statistical Supplement 4
Tuition and Fees
Last Ten Academic Years
(Unaudited)**

Resident Vernon Campus Fees per Semester Credit Hour (SCH)
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Academic Year (Fall)	In-District Tuition	Out-of- District Tuition	Institutional Service Fee	Student Activity Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2016	50.00	95.00	39.00	6.00	1,140.00	1,680.00	7.95%	3.70%
2015	48.00	95.00	34.00	6.00	1,056.00	1,620.00	0.00%	3.85%
2014	48.00	90.00	34.00	6.00	1,056.00	1,560.00	0.00%	0.00%
2013	48.00	90.00	34.00	6.00	1,056.00	1,560.00	2.33%	1.56%
2012	48.00	90.00	32.00	6.00	1,032.00	1,536.00	6.17%	6.67%
2011	46.00	85.00	29.00	6.00	972.00	1,440.00	5.19%	11.11%
2010	44.00	75.00	27.00	6.00	924.00	1,296.00	5.48%	6.93%
2009	42.00	70.00	25.00	6.00	876.00	1,212.00	10.61%	8.02%
2008	39.00	66.50	21.00	6.00	792.00	1,122.00	24.53%	20.65%
2007	36.00	60.50	11.00	6.00	636.00	930.00	N/A	N/A

Non-Resident Vernon Campus Fees per Semester Credit Hour (SCH)
--

Academic Year (Fall)	Non-Resident Tuition Out of State	Non-Resident Tuition International	Institutional Service Fee	Student Activity Fee	Cost for 12 SCH Out-of-State	Cost for 12 SCH International	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2016	160.00	160.00	39.00	6.00	2,460.00	2,460.00	2.50%	2.50%
2015	160.00	160.00	34.00	6.00	2,400.00	2,400.00	0.00%	0.00%
2014	160.00	160.00	34.00	6.00	2,400.00	2,400.00	0.00%	0.00%
2013	160.00	160.00	34.00	6.00	2,400.00	2,400.00	1.01%	1.01%
2012	160.00	160.00	32.00	6.00	2,376.00	2,376.00	7.03%	7.03%
2011	150.00	150.00	29.00	6.00	2,220.00	2,220.00	13.50%	13.50%
2010	130.00	130.00	27.00	6.00	1,956.00	1,956.00	7.95%	7.95%
2009	120.00	120.00	25.00	6.00	1,812.00	1,812.00	9.42%	9.42%
2008	111.00	111.00	21.00	6.00	1,656.00	1,656.00	15.00%	15.00%
2007	103.00	103.00	11.00	6.00	1,440.00	1,440.00	N/A	N/A

Note: Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fees, and certification fees.

**Vernon College
Statistical Supplement 5
Assessed Value and Taxable Assessed Value of Property
Last Ten Years
(Unaudited)**

Fiscal Year	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Maintenance and Operation (a)	Debt Service (a)	Total (a)
2016-17	\$ 1,910,924,250	\$ 737,749,860	\$ 1,173,174,390	61.39%	\$ 0.22965	\$ 0.00000	\$ 0.22965
2015-16	1,982,985,410	746,032,540	1,236,952,870	62.38%	0.22000	0.00000	0.22000
2014-15	1,859,401,310	654,132,720	1,205,268,590	64.82%	0.21767	0.00000	0.21767
2013-14	1,818,956,660	636,775,446	1,182,181,214	64.99%	0.22212	0.00000	0.22212
2012-13	1,595,309,430	608,833,820	986,475,610	61.84%	0.22285	0.00000	0.22285
2011-12	1,523,966,580	615,951,780	908,014,800	59.58%	0.22343	0.00000	0.22343
2010-11	1,498,674,530	611,389,270	887,285,260	59.20%	0.22672	0.00000	0.22672
2009-10	1,529,569,880	626,657,640	902,912,240	59.03%	0.22280	0.00000	0.22280
2008-09	1,456,143,210	529,537,760	926,605,450	63.63%	0.21737	0.00000	0.21737
2007-08	1,264,925,500	349,950,230	914,975,270	72.33%	0.21869	0.00000	0.21869

Source: Wilbarger County Appraisal District

Notes: Property is assessed at full market value.
(a) per \$100 Taxable Assessed Valuation

**Vernon College
Statistical Supplement 6
State Appropriations Per FTSE and Contact Hour
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	State Appropriations	Appropriation per FTSE		Appropriation per Contact Hour			State Appropriation Per Contact Hour
		FTSE	State Appropriations Per FTSE	Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	
2016-17	5,592,000	2,058	2,717	760,326	781,565	1,541,891	3.63
2015-16	5,586,382	1,898	2,944	750,651	807,321	1,557,972	3.59
2014-15	5,511,466	1,959	2,814	756,262	815,331	1,571,593	3.51
2013-14	5,511,466	2,376	2,319	822,400	821,542	1,643,942	3.35
2012-13	5,525,348	2,335	2,366	838,848	799,548	1,638,396	3.37
2011-12	5,852,020	2,259	2,591	858,800	796,761	1,655,561	3.53
2010-11	5,454,584	2,720	2,006	874,720	1,071,662	1,946,382	2.80
2009-10	5,521,976	2,420	2,282	860,960	826,687	1,687,647	3.27
2008-09	5,453,123	2,106	2,589	756,960	796,234	1,553,194	3.51
2007-08	5,453,123	1,999	2,728	740,544	689,139	1,429,683	3.81

Notes: FTSE is calculated by dividing the SCH by 30 and non semester length technical contact hours by 900.

State Appropriations include only the formula produced amounts for Academic and Voc Tech Programs.

**Vernon College
Statistical Supplement 7
Principal Taxpayers
Last Nine Tax Years
(Unaudited)**

Taxpayer	Type of Business	Taxable Assessed Valuation (TAV) by Tax Year								
		2017	2016	2015	2014	2013	2012	2011	2010	2009
Electric Transmission of Texas	Electricity Distribution	\$ 166,570,770	\$ 164,103,380	\$ 147,972,970	\$ 86,598,110	\$ 43,382,620	\$ 23,236,450	\$ 10,913,990		
AEP Texas North Company	Energy company	135,882,800	147,178,480	161,931,200	168,967,800	174,045,890	184,846,970	175,881,840	\$ 186,347,390	\$ 221,145,570
Blue Summit Wind, LLC	Wind Farm	108,731,000	118,421,030	145,060,550	166,668,370	191,173,200				
AEP Public Service Co of Oklahoma	Energy company	62,421,950	56,405,710	59,139,670	59,481,220	51,041,830	51,378,340	49,330,580	58,018,740	55,415,220
Oklahoma Municipal Power Authority	Energy company	35,612,300	35,646,290	33,391,360	34,238,180	35,340,650	33,682,770	32,929,510	30,694,140	31,554,780
Tyson Foods, Inc	Food processing plant	34,969,900	35,037,410	32,676,840	32,862,470	34,825,270	38,836,140	36,724,230	27,432,690	28,204,470
BNSF Railway	Railroad company	24,359,830	23,450,500	21,475,840	21,588,920	21,558,190	19,890,160	17,537,810	14,756,370	13,437,470
WT Waggoner Estate	Farming, ranching, oil & gas	22,620,360	16,144,770	26,874,080	29,790,920	28,159,810	30,417,350	25,172,210	25,087,580	23,450,170
Solvay (Rhodia), Inc	Guar processing plant	20,841,560	24,315,450	25,225,340	21,923,000	25,243,480	22,484,120	18,935,300	17,946,960	22,765,170
Mahard Egg Farm	Egg farm	18,174,820	14,041,370	16,885,140	17,630,080	18,949,050	18,677,420	18,811,580	19,967,630	21,258,480
Oncor Electric Delivery	Electricity Distribution	14,848,140	15,274,310	17,145,400		13,384,910	8,212,510			
Vernon FL, LLC	Automobile Dealerships	10,560,580	9,512,440	20,151,180	14,123,750					
Walmart	Retail sales	7,516,210								
Joseph D & Joan P Rogers	Hotels	7,116,020	6,825,670							
Totals		\$ 670,226,240	\$ 666,356,810	\$ 707,929,570	\$ 653,872,820	\$ 637,104,900	\$ 431,662,230	\$ 386,237,050	\$ 380,251,500	\$ 417,231,330
Total Assessed Taxable Value		\$ 1,173,174,390	\$ 1,236,952,870	\$ 1,205,268,590	\$ 1,182,181,214	\$ 986,475,610	\$ 908,014,800	\$ 887,285,260	\$ 902,912,240	\$ 926,605,450

Taxpayer	Type of Business	Percentage Taxable Assessed Valuation (TAV) by Tax Year								
		2017	2016	2015	2014	2013	2012	2011	2010	2009
Electric Transmission of Texas	Electricity Distribution	14.20%	13.27%	12.28%	7.33%	4.40%	2.56%	1.23%	0.00%	0.00%
AEP Texas North Company	Energy company	11.58%	11.90%	13.44%	14.29%	17.64%	20.36%	19.82%	20.64%	23.87%
Blue Summit Wind, LLC	Wind Farm	9.27%	9.57%	12.04%	14.10%	19.38%	0.00%	0.00%	0.00%	0.00%
AEP Public Service Co of Oklahoma	Energy company	5.32%	4.56%	4.91%	5.03%	5.17%	5.66%	5.56%	6.43%	5.98%
Oklahoma Municipal Power Authority	Energy company	3.04%	2.88%	2.77%	2.90%	3.58%	3.71%	3.71%	3.40%	3.41%
Tyson Foods, Inc	Food processing plant	2.98%	2.83%	2.71%	2.78%	3.53%	4.28%	4.14%	3.04%	3.04%
BNSF Railway	Railroad company	2.08%	1.90%	1.78%	1.83%	2.19%	2.19%	1.98%	1.63%	1.45%
WT Waggoner Estate	Farming, ranching, oil & gas	1.93%	1.31%	2.23%	2.52%	2.85%	3.35%	2.84%	2.78%	2.53%
Solvay (Rhodia), Inc	Guar processing plant	1.78%	1.97%	2.09%	1.85%	2.56%	2.48%	2.13%	1.99%	2.46%
Mahard Egg Farm	Egg farm	1.55%	1.14%	1.40%	1.49%	1.92%	2.06%	2.12%	2.21%	2.29%
Oncor Electric Delivery	Electricity Distribution	1.27%	1.23%	1.42%	0.00%	1.36%	0.90%	0.00%	0.00%	0.00%
Vernon FL, LLC	Automobile Dealerships	0.90%	0.77%	1.67%	1.19%	0.00%	0.00%	0.00%	0.00%	0.00%
Walmart	Retail sales	0.64%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Joseph D & Joan P Rogers	Hotels	0.61%	0.55%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Totals		57.13%	53.87%	58.74%	55.31%	64.58%	47.54%	43.53%	42.11%	45.03%

**Vernon College
Statistical Supplement 8
Property Tax Levies and Collections
Last Ten Years
(Unaudited)**

Fiscal Year Ended August 31,	Levy (a)	Cumulative Levy Adjustment	Adjusted Tax Levy (b)	Collections Year of Levy (c)		Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (c+d+e)	Cumulative Collections of Adjusted Levy
					Percentage				
2017	\$ 2,695,988	\$ (3,322)	\$ 2,692,666	\$ 2,648,263	98.35%	\$ -	\$ -	\$ 2,648,263	98.35%
2016	2,722,455	(33,494)	2,688,961	2,643,759	98.32%	-	21,420	2,665,179	99.12%
2015	2,623,156	(10,596)	2,612,560	2,574,026	98.53%	18,446	6,624	2,599,096	99.48%
2014	2,625,712	(5,728)	2,619,984	2,541,707	97.01%	64,616	4,180	2,610,503	99.64%
2013	2,198,223	(4,210)	2,194,013	2,116,137	96.45%	68,137	2,617	2,186,891	99.68%
2012	2,028,437	(2,616)	2,025,821	1,986,272	98.05%	31,386	947	2,018,605	99.64%
2011	2,018,225	(5,361)	2,012,863	1,966,566	97.70%	37,945	768	2,005,279	99.62%
2010	2,010,444	(1,965)	2,008,478	1,962,237	97.70%	40,014	690	2,002,941	99.72%
2009	2,014,162	(5,345)	2,008,817	1,961,432	97.64%	40,177	618	2,002,227	99.67%
2008	2,001,065	2,545	2,003,610	1,973,462	98.50%	23,980	158	1,997,600	99.70%

Source: Local Tax Assessor /Collector and District Records

(a) As reported in notes to the financial statements for the year of the levy

(b) As of August 31st of the current reporting year

(c) Property tax only - does not include penalties and interest

(d) Represents cumulative collections of prior years not collected in the current year or the year of the tax levy

(e) Represents current year collections of prior year levies

**Vernon College
Statistical Supplement 9
Ratios of Outstanding Debt
Last Ten Years
(Unaudited)**

	For the Years Ended August 31,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenue bonds	\$ 9,278,365	\$ 9,835,547	\$ 10,285,000	\$ 10,760,000	\$ 11,225,000	\$ 11,680,000	\$ 12,125,000	\$ 6,540,000	\$ 6,845,000	\$ 7,135,000
Capital lease obligations	297,141	418,103	565,880	704,274	833,132	952,991	1,064,363	1,167,734	1,263,029	1,347,594
Total Outstanding Debt	\$ 9,575,506	\$ 10,253,650	\$ 10,850,880	\$ 11,464,274	\$ 12,058,132	\$ 12,632,991	\$ 13,189,363	\$ 7,707,734	\$ 8,108,029	\$ 8,482,594
Total Outstanding Debt Ratios										
Per Capita	not available	not available	832.95	883.70	918.30	952.86	976.27	562.98	588.31	604.30
Per FTSE	4,653	5,402	5,539	4,825	5,164	5,592	4,849	3,185	3,850	4,243
As a percentage of Taxable Assessed Value	1.0546%	1.1292%	1.1950%	1.2626%	1.3280%	1.4238%	1.4608%	0.8750%	0.9271%	0.9616%

Notes: Ratios calculated using population and TAV from current year. Debt per student using full-time equivalent enrollment.

**Vernon College
Statistical Supplement 10
Legal Debt Margin Information
Last Ten Years
(Unaudited)**

	For the Years Ended August 31,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Taxable Assessed Valuation	\$ 1,173,174,390	\$ 1,236,952,870	\$ 1,205,268,590	\$ 1,182,181,214	\$ 986,475,610	\$ 908,014,800	\$ 887,285,260	\$ 902,912,240	\$ 926,605,450	\$ 914,975,270
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Statutory tax levy limit for debt service	\$ 5,865,872	\$ 6,184,764	\$ 6,026,343	\$ 5,910,906	\$ 4,932,378	\$ 4,540,074	\$ 4,436,426	\$ 4,514,561	\$ 4,633,027	\$ 4,574,876
Less funds restricted for repayment of bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	5,865,872	6,184,764	6,026,343	5,910,906	4,932,378	4,540,074	4,436,426	4,514,561	4,633,027	4,574,876
Current year debt service requirement	-	-	-	-	-	-	-	-	-	-
Excess of statutory limit for debt service over current requirement	\$ 5,865,872	\$ 6,184,764	\$ 6,026,343	\$ 5,910,906	\$ 4,932,378	\$ 4,540,074	\$ 4,436,426	\$ 4,514,561	\$ 4,633,027	\$ 4,574,876
Net current requirement as a percentage of statutory limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Vernon College has had no outstanding General Obligation Bond Debt for over ten years

**Vernon College
Statistical Supplement 11
Pledged Revenue Coverage
Last Ten Years
(Unaudited)**

Revenue Bonds

Fiscal Year Ended August 31	Pledged Revenues						Debt Service Requirements			Coverage Ratio
	Tuition	Laboratory/ Special Fee	General Registration Fees	Facility/Farm Lease Revenue	Investment Income	Total	Principal	Interest	Total	
2017	\$ 5,224,450	\$ 696,102	\$ 5,336,948	\$ 24,788	\$ 11,875	\$11,294,163	\$ 590,000	\$ 219,322	\$ 809,322	13.96
2016	5,142,037	680,853	4,732,292	24,929	11,506	10,591,617	555,000	249,794	804,794	13.16
2015	5,530,916	650,171	4,358,436	18,516	18,732	10,576,771	475,000	388,325	863,325	12.25
2014	6,070,149	657,547	3,771,494	14,158	19,721	10,533,069	465,000	399,119	864,119	12.19
2013	5,749,880	659,514	3,702,329	17,161	42,379	10,171,262	455,000	409,700	864,700	11.76
2012	5,431,705	678,138	3,506,215	60,461	29,086	9,705,605	445,000	419,931	864,931	11.22
2011	5,091,415	689,749	3,246,912	65,825	80,272	9,174,172	450,000	417,997	867,997	10.57
2010	4,737,506	681,811	2,888,778	168,044	79,481	8,555,620	305,000	327,650	632,650	13.52
2009	4,271,778	1,011,005	1,656,588	410,698	97,183	7,447,252	290,000	355,297	645,297	11.54
2008	4,042,027	577,058	1,136,510	414,658	123,301	6,293,554	280,000	382,925	662,925	9.49

Vernon College
Statistical Supplement 12
Demographic and Economic Statistics - Taxing District (Wilbarger County)
Last Ten Fiscal Years
(Unaudited)

Calendar Year	District Population	District Personal Income (a) (thousands of dollars)	District Personal Income Per Capita	District Unemployment Rate
2017	Not Available	b	b	5.1%
2016	Not Available	b	b	5.7%
2015	13,027	493,319	37,869	5.5%
2014	12,973	506,917	39,075	5.5%
2013	13,131	533,490	40,628	4.9%
2012	13,258	505,562	38,133	5.8%
2011	13,258	472,359	35,628	6.2%
2010	13,510	463,963	34,342	6.1%
2009	13,691	441,218	32,227	7.0%
2008	13,782	437,000	31,708	3.7%

Sources:

Personal income from U.S. Bureau of Economic Analysis
Population - U.S. Census Bureau
Unemployment rate via Google search

Notes:

- a. Taxing District = Wilbarger County
- b. Not yet available

**Vernon College
Statistical Supplement 13
Principal Employers
Fiscal Year 2017
(Unaudited)**

Employer	Number of Employees	Percentage of Total Employment (1)
North Texas State Hospital	1000+	17.49%
Tyson Foods, Inc	500 - 999	10.50%
Hospital Home Health	100 - 499	4.20%
Vernon City Hall	100 - 499	4.20%
Vernon College	100 - 499	4.20%
Vernon Public Schools	100 - 499	4.20%
United Supermarket	100 - 499	4.20%
Walmart	100 - 499	4.20%
Wilbarger General Hospital	100 - 499	4.20%
Covenant Care of Vernon	50 - 99	1.05%
Eagle Flats Village	50 - 99	1.05%
Herring Bank	50 - 99	1.05%
McDonalds	50 - 99	1.05%
Rhodia	50 - 99	1.05%
Waggoner National Bank	50 - 99	1.05%
Total	2450-5686	63.69%

Source:

Employer search <http://socrates.cdr.state.tx.us/> , November 2016
Labor Force - Socrates County Narrative Profile, November 2016

Note:

1. Percentages are calculated using the midpoints of the ranges.

Vernon College
Statistical Supplement 14
Faculty, Staff, and Administrators Statistics
Last Ten Years
(Unaudited)

	Fiscal Year Ended August 31,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Faculty										
FT	90	97	91	88	83	81	81	77	74	74
PT	86	78	68	75	80	76	81	88	75	77
Total	176	175	159	163	163	157	162	165	149	151
Percent										
FT	51%	55%	57%	54%	51%	52%	50%	47%	50%	49%
PT	49%	45%	43%	46%	49%	48%	50%	53%	50%	51%
Staff & Adm										
FT	145	143	145	145	141	140	143	139	136	138
PT	2	3	3	3	4	5	4	9	-	-
Total	147	146	148	148	145	145	147	148	136	138
Percent										
FT	99%	98%	98%	98%	97%	97%	97%	94%	100%	100%
PT	1%	2%	2%	2%	3%	3%	3%	6%	0%	0%
FTSE	2,058	1,898	1,959	2,376	2,335	2,259	2,720	2,420	2,106	1,999
FT Faculty	22.87	19.57	21.53	27.00	28.13	27.89	33.58	31.43	28.46	27.01
FT Staff	14.19	13.27	13.51	16.39	16.56	16.14	19.02	17.41	15.49	14.49
Fac Sal	\$ 4,803,176	\$ 4,712,955	\$ 4,666,619	\$ 4,357,658	\$ 3,809,445	\$ 3,794,882	\$ 3,558,609	\$ 3,373,083	\$ 3,235,850	\$ 3,110,721
Avg. Fac	\$ 53,369	\$ 48,587	\$ 51,282	\$ 49,519	\$ 45,897	\$ 46,850	\$ 43,933	\$ 43,806	\$ 43,728	\$ 42,037

**Vernon College
Statistical Supplement 15
Enrollment Details
Last Five Fiscal Years
(Unaudited)**

Credit Student Classification	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
0 - 30 hours	1967	66.16%	2091	72.33%	2044	68.38%	2105	68.26%	2116	67.86%
31 - 60 hours	567	19.07%	600	20.75%	853	28.54%	884	28.66%	890	28.54%
> 60 hours	439	14.77%	200	6.92%	92	3.08%	95	3.08%	112	3.59%
Total	2973	100.00%	2891	100.00%	2989	100.00%	3084	100.00%	3118	100.00%

Non-Credit Student Classification	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
CEU Students Only	662	64.21%	1034	68.61%	876	67.70%	1089	71.04%	858	70.62%
0 - 30 hours	262	25.41%	309	20.50%	274	21.17%	280	18.26%	203	16.71%
31 - 60 hours	70	6.79%	102	6.77%	96	7.42%	109	7.11%	97	7.98%
> 60 hours	37	3.59%	62	4.11%	48	3.71%	55	3.59%	57	4.69%
Total	1031	100.00%	1507	100.00%	1294	100.00%	1533	100.00%	1215	100.00%

Semester Hour Load	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	18	0.61%	5	0.17%	17	0.57%	15	0.49%	35	1.12%
3 - 5 semester hours	493	16.58%	513	17.74%	481	16.09%	550	17.83%	592	18.99%
6 - 8 semester hours	908	30.54%	870	30.09%	885	29.61%	843	27.33%	821	26.33%
9 - 11 semester hours	545	18.33%	481	16.64%	533	17.83%	577	18.71%	721	23.12%
12 - 14 semester hours	805	27.08%	830	28.71%	875	29.27%	905	29.35%	799	25.63%
15 - 17 semester hours	192	6.46%	179	6.19%	188	6.29%	185	6.00%	142	4.55%
18 & over	12	0.40%	13	0.45%	10	0.33%	9	0.29%	8	0.26%
Sub-Total SCH Students	2973	100.00%	2891	100.00%	2989	100.00%	3084	100.00%	3118	100.00%

Average SCH course load	8.89		8.92		8.93		8.84		8.66	
Non-Credit CEU Students	1031		1507		1294		1533		1215	
Total	4004		4398		4283		4617		4333	

Credit Tuition Status	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-district)	249	8.38%	272	9.41%	251	8.40%	243	7.88%	295	9.46%
Texas Resident (out-of-dist)	2686	90.35%	2566	88.76%	2699	90.30%	2805	90.95%	2781	89.19%
Non-Resident Tuition	38	1.28%	53	1.83%	39	1.30%	36	1.17%	42	1.35%
Total	2973	100.00%	2891	100.00%	2989	100.00%	3084	100.00%	3118	100.00%

Non-Credit Tuition Status	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
CEU Students Only	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
CEU Contract & Non-Contract	0	0.00%	15	1.00%	3	0.23%	16	1.04%	3	0.25%
CEU Contract Only	842	81.67%	1331	88.32%	856	66.15%	1189	77.56%	964	79.34%
CEU Non-Contract Only	189	18.33%	161	10.68%	435	33.62%	328	21.40%	248	20.41%
Total	1031	100.00%	1507	100.00%	1294	100.00%	1533	100.00%	1215	100.00%

**Vernon College
Statistical Supplement 16
Student Profile
Last Five Fiscal Years
(Unaudited)**

	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	2432	60.74%	2532	57.57%	2573	60.07%	2829	61.27%	2682	61.90%
Male	1572	39.26%	1866	42.43%	1710	39.93%	1788	38.73%	1651	38.10%
Total	4004	100.00%	4398	100.00%	4283	100.00%	4617	100.00%	4333	100.00%

	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin										
White	2554	63.79%	2960	67.30%	2900	67.71%	3100	67.14%	2920	67.39%
Hispanic	828	20.68%	784	17.83%	765	17.86%	712	15.42%	659	15.21%
African American	353	8.82%	346	7.87%	350	8.17%	439	9.51%	362	8.35%
Asian	67	1.67%	78	1.77%	65	1.52%	82	1.78%	70	1.62%
Foreign	8	0.20%	11	0.25%	4	0.09%	0	0.00%	1	0.02%
Native American	45	1.12%	39	0.89%	36	0.84%	53	1.15%	56	1.29%
Other	149	3.72%	180	4.09%	163	3.81%	231	5.00%	265	6.12%
Total	4004	100.00%	4398	100.00%	4283	100.00%	4617	100.00%	4333	100.00%

	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Credit Students)										
Under 18	584	19.64%	524	18.13%	447	14.95%	506	16.41%	545	17.48%
18 - 21	1159	38.98%	1069	36.98%	1073	35.90%	1097	35.57%	1120	35.92%
22 - 24	325	10.93%	362	12.52%	363	12.14%	398	12.91%	372	11.93%
25 - 35	627	21.09%	647	22.38%	746	24.96%	682	22.11%	699	22.42%
36 - 50	236	7.94%	248	8.58%	301	10.07%	320	10.38%	318	10.20%
51 & over	42	1.41%	41	1.42%	59	1.97%	81	2.63%	64	2.05%
Total	2973	100.00%	2891	100.00%	2989	100.00%	3084	100.00%	3118	100.00%

Average Age	23	24.0	25.0	25.0	24.0
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	Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Non-Credit Students)										
Under 18	264	25.61%	297	19.71%	279	21.56%	308	20.09%	178	14.65%
18 - 21	132	12.80%	119	7.90%	147	11.36%	146	9.52%	108	8.89%
22 - 24	69	6.69%	107	7.10%	102	7.88%	115	7.50%	76	6.26%
25 - 35	236	22.89%	320	21.23%	262	20.25%	277	18.07%	264	21.73%
36 - 50	176	17.07%	361	23.95%	258	19.94%	342	22.31%	311	25.60%
51 & over	154	14.94%	303	20.11%	246	19.01%	345	22.50%	278	22.88%
Total	1031	100.00%	1507	100.00%	1294	100.00%	1533	100.00%	1215	100.00%

Average Age	31.0	35.0	33.0	35.0	37.0
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**Vernon College
Statistical Supplement 17
Transfers to Senior Institutions
2015 Fall Students as of Fall 2016
(Includes only public senior colleges in Texas)
(Unaudited)**

	Transfer Student Count <u>Academic</u>	Transfer Student Count <u>Technical</u>	Total of all Sample Transfer Students	% of all Sample Transfer Students	
1	Angelo State University	1	1	0.19%	
2	Lamar University	1	1	0.19%	
3	Midwestern State University	291	34	325	63.35%
4	Prairie View A&M University		-	0.00%	
5	Sam Houston State University	2	2	0.39%	
6	Stephen F. Austin State University	4	4	0.78%	
7	Sul Ross State University		-	0.00%	
8	Tarleton State University	25	2	27	5.26%
9	Texas A&M University	15		15	2.92%
10	Texas A&M University - Commerce	1		1	0.19%
11	Texas A&M University - Corpus Christi	4		4	0.78%
12	Texas Southern University			-	0.00%
13	Texas State University - San Marcos	3		3	0.58%
14	Texas Tech University	44	4	48	9.36%
15	Texas Woman's University	9		9	1.75%
16	The University of Texas at Arlington	13	8	21	4.09%
17	The University of Texas at Austin	8	2	10	1.95%
18	The University of Texas at Dallas	3		3	0.58%
19	The University of Texas at El Paso	1		1	0.19%
20	The University of Texas at Tyler	1		1	0.19%
21	The University of Texas of the Permian Basin	1		1	0.19%
22	University of Houston	1		1	0.19%
23	University of Houston - Clear Lake	1		1	0.19%
24	University of North Texas	12	1	13	2.53%
25	West Texas A&M University	17	4	21	4.09%
	<u>458</u>	<u>55</u>	<u>513</u>	<u>100.00%</u>	

**Vernon College
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2013 to 2017
(Unaudited)**

	Fiscal Years				
	2017	2016	2015	2014	2013
Academic Buildings	6	6	6	6	6
Square footage	298,529	298,529	298,529	298,529	298,529
Libraries	1	1	1	1	1
Square footage	3,500	3,500	3,500	3,500	3,500
Number of volumes	33,719	33,719	33,719	33,719	33,719
Administrative and support buildings	1	1	1	1	1
Square footage	28,287	28,287	28,287	28,287	28,287
Dormitories	2	2	2	2	2
Square footage	27,214	27,214	27,214	27,214	27,214
Number of beds	156	156	156	156	156
Dining Facilities	1	1	1	1	1
Square footage	10,170	10,170	10,170	10,170	10,170
Average daily customers	250	250	250	250	250
Athletic Facilities	6	6	6	6	6
Square footage	39,987	39,987	39,987	39,987	39,987
Stadiums	3	3	3	3	3
Gymnasiums	1	1	1	1	1
Fitness Centers	2	2	2	2	2
Tennis Courts	6	6	6	6	6
Plant Facilities	1	1	1	1	1
Square footage	11,000	11,000	11,000	11,000	11,000
Transportation					
Cars	3	3	3	3	3
Light trucks/vans	14	14	14	14	14
Buses	3	3	3	3	3

Overall Compliance, Internal Controls and Federal Awards Section



EDGIN, PARKMAN, FLEMING & FLEMING, PC

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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*

Board of Trustees
Vernon College
Vernon, Texas

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 Vernon College and its discretely presented component unit, Vernon College Foundation, Incorporated, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Vernon College's basic financial statements, and have issued our report thereon dated December 4, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vernon College'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 Vernon College's internal control. Accordingly, we do not express an opinion on the effectiveness of Vernon College'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 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 over financial reporting 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 financial reporting 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 Vernon College'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*.

Public Funds Investment Act

We have performed tests designed to verify Vernon College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2017, no instances of noncompliance were noted.

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.

Respectfully submitted,



EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 4, 2017



EDGIN, PARKMAN, FLEMING & FLEMING, PC

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A. PAUL FLEMING, CPA

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Trustees
Vernon College
Vernon, Texas

Report on Compliance for Each Major Federal Program

We have audited Vernon College's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on Vernon College's major federal programs for the year ended August 31, 2017. Vernon College's major federal programs are identified in the summary of auditor's 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 and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Vernon College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 Vernon College's 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 the major federal programs. However, our audit does not provide a legal determination on Vernon College's compliance.

Opinion on Each Major Federal Program

In our opinion, Vernon College complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended August 31, 2017.

Report on Internal Control Over Compliance

Management of Vernon College 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 Vernon College's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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 Vernon College's 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 or state 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 or state 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 4, 2017

VERNON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Control deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

2. Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Control deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported under CFR Section 200.516(a) of Uniform Guidance?	No
Identification of major programs:	
Federal Programs:	<u>CFDA Number</u>
Student Financial Aid Cluster:	
Supplemental Educational Opportunity Grant (FSEOG)	84.007
Federal Work-Study Program (FWS)	84.033
Federal Pell Grant Program (Pell)	84.063
Federal Direct Student Loans (Direct Loan)	84.268
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

VERNON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D.)
FOR THE YEAR ENDED AUGUST 31, 2017

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

**VERNON COLLEGE
SCHEDULE OF CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2017**

There are no findings in the current year.

VERNON COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

There were no findings in the prior year.