

VERNON COLLEGE

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

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Organizational Information

**Vernon College
Organizational Data
August 31, 2019**

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, 2024
Mr. Irl Holt	May 1, 2024
Mrs. Anne Spears	May 1, 2020
Mrs. Ann Wilson	May 1, 2024

Principal Administrative Officers

Dr. Dusty R. Johnston	President
Dr. James P. Nordone	Vice President of Student Services
Mr. Garry David, CPA	Vice President of Administrative Services
Dr. Elizabeth Crandall	Vice President of Instructional Services
Mrs. Kristin Harris	Dean of Student Services
Mrs. Shana Drury	Dean of Instructional Services

Financial Section



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

4110 KELL BLVD., SECOND FLOOR ▪ P.O. Box 750
WICHITA FALLS, TEXAS 76307-0750
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MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA
A. PAUL FLEMING, CPA

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, 2019 and 2018, 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, 2019 and 2018, 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 5 - 10, the Schedule of College's Share of Pension Liability – Teacher Retirement System of Texas, the Schedule of College's Pension Contributions – Teacher Retirement System of Texas, the Schedule of College's Share of OPEB Liability – Employee Retirement System of Texas, and the Schedule of College's OPEB Contributions – Employee Retirement System of Texas on pages 49 - 52 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 17, 2019, 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,

A handwritten signature in cursive script that reads "Edgin, Parkman, Fleming & Fleming, PC".

EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 17, 2019



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

Seymour Learning Center
200 Stadium Drive
Seymour, TX 76380
940.889.3133

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, 2019. 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.

	2019	2018	2017
Current Assets			
Cash and cash equivalents	\$ 4,934,118	\$ 4,453,582	\$ 3,362,397
Short-term investments	-	-	2,285,000
Accounts receivable - net	2,343,247	2,418,620	1,940,229
Inventories	3,870	738,463	681,113
Other assets and prepaid expenses	3,694,498	3,502,241	3,810,763
Total Current Assets	<u>10,975,733</u>	<u>11,112,906</u>	<u>12,079,502</u>
Noncurrent Assets			
Restricted cash and cash equivalents	1,579,522	33,641	338,161
Endowment investments	-	1,375,000	1,530,000
Capital assets - net	20,053,236	21,131,395	21,099,627
Total Noncurrent Assets	<u>21,632,758</u>	<u>22,540,036</u>	<u>22,967,788</u>
Total Assets	<u>32,608,491</u>	<u>33,652,942</u>	<u>35,047,290</u>
Deferred Outflows of Resources	<u>8,820,622</u>	<u>1,906,952</u>	<u>1,828,475</u>
Current Liabilities			
Accounts payable and accrued liabilities	922,146	863,236	813,167
Net OPEB Obligation - current portion	220,019	60,822	-
Unearned revenues	5,747,399	5,682,759	7,596,057
Capital lease and bonds payable	625,000	739,734	753,393
Total Current Liabilities	<u>7,514,564</u>	<u>7,346,551</u>	<u>9,162,617</u>

Noncurrent Liabilities			
Deposits and accrued liabilities	74,005	111,674	100,818
Net Pension Obligation	5,910,144	3,375,366	4,002,670
Net OPEB Obligation	14,737,294	11,926,024	-
Capital lease and bonds payable	7,454,000	8,081,183	8,822,113
Total Noncurrent Liabilities	<u>28,175,443</u>	<u>23,494,247</u>	<u>12,925,601</u>
Total Liabilities	<u>35,690,007</u>	<u>30,840,798</u>	<u>22,088,218</u>
Deferred Inflows Of Resources	<u>6,659,885</u>	<u>4,001,173</u>	<u>1,040,504</u>
Net Position			
Net investment in capital assets	12,401,948	12,788,064	12,051,581
Restricted for student aid	1,419,056	1,470,341	1,465,601
Restricted for debt service	529,042	527,783	527,783
Unrestricted	(15,270,825)	(14,068,265)	(297,922)
Net Position	<u>\$ (920,779)</u>	<u>\$ 717,923</u>	<u>\$ 13,747,043</u>

Current assets decreased by \$137,173 from 2018 to 2019. The decrease is the result of small timing differences.

Current assets decreased by \$966,596 from 2017 to 2018. The decrease is primarily the result of drawing down 2018/2019 PELL later in current year than in the prior year, which reduced cash balance at year-end. This was partially offset by a substantial increase in accounts receivable from the Department of Education and several state and local grants.

Endowment funds, which were invested in CD's in 2018, were moved to interest bearing checking accounts in 2019 resulting in the significant swing between restricted cash and Endowed investments.

Capital assets, net of depreciation, have been gradually decreasing since 2014 because of lower capital spending and an increase in depreciation expense attributed to significant capital investments made during 2012. We experienced a modest increase from 2017 to 2018 due to some significant capital grant expenditures and the purchase of the Bi-Fork Baptist building, which adjoins our campus on the north side.

Due to the implementation of GASB 68 related to recognition of the College's proportionate share of the TRS pension liability, and GASB 75 related to recognition of the College's proportionate share of Other Post-Employment Benefits (OPEB) the College recorded deferred outflows and inflows of resources related to actuarial assumptions and contributions made.

Current liabilities decreased by \$1,816,066 from 2017 to 2018. This was the reversal of the large increase seen from 2016 to 2017, before seeing a modest increase in 2019.

Prior to 2018, noncurrent liabilities had shown a steady decrease due to scheduled payments on capital leases and bonds. In 2018, the College recorded \$11,926,024 of Other Post-Employment Benefits (OPEB) due to the adoption of GASB 75. In 2019, noncurrent liabilities again saw a significant increase of \$5,346,048 because of changes to the GASB 68 and GASB 75 assumptions.

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 has stabilized after several years of declines related to endowed scholarship funds being transferred to the Vernon College Foundation at donors' requests to try to increase earnings.

Unrestricted net position, which shows a negative balance of (\$15,270,825) includes a prior period adjustment of (\$13,922,157) recorded in 2018 related to adoption of GASB 75.

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>2019</u>	<u>2018</u>	<u>2017</u>
REVENUES			
Operating Revenues:			
Tuition and fees (net of discounts of \$6,396,581, \$6,526,917 and \$6,616,975, respectively)	\$ 4,886,531	\$ 5,183,006	\$ 4,919,921
Federal grants and contracts	845,372	943,769	854,921
State grants and contracts	499,058	874,916	425,429
Non-governmental grants and contracts	1,146,695	1,154,111	887,698
Sales and services of educational activities	109,700	113,201	111,462
Investment program (program restricted)	27,422	17,485	13,913
Auxiliary enterprises (net of discounts of \$615,726, \$846,193 and \$814,520, respectively)	815,370	1,030,784	1,315,827
General operating revenues	214,280	210,320	10,848
Total Operating Revenues	<u>8,544,428</u>	<u>9,527,592</u>	<u>8,540,019</u>
EXPENSES			
Operating Expenses:			
Instruction	9,125,578	9,102,826	8,480,422
Public services	768,558	682,872	589,589
Academic support	2,874,057	2,638,383	2,660,825
Student services	2,697,723	2,102,100	2,046,237
Institutional support	3,706,402	3,742,294	3,577,573
Operation of physical plant	2,389,340	2,220,122	2,149,925
Scholarships and fellowships	478,984	743,016	168,017
Auxiliary enterprises	1,881,234	1,945,823	2,245,168
Depreciation	921,100	879,968	870,491
Total Operating Expenses	<u>24,842,977</u>	<u>24,057,404</u>	<u>22,788,247</u>
Operating Loss	<u>(16,298,549)</u>	<u>(14,529,812)</u>	<u>(14,248,228)</u>
Non-Operating Revenue (Expenses):			
State Appropriations	7,313,213	7,344,694	7,068,556
Property taxes for maintenance & operation	2,721,282	2,710,670	2,735,221
Federal Revenue, Non-Operating	5,122,561	5,448,482	5,167,989
Gifts	279,273	230,737	217,359
Investment income	117,334	63,018	29,946
Loss on disposal of assets	(652,551)	(50,582)	(4,381)
Lease income less lease expenses	15,340	26,016	21,839
Amortization of bond issue costs	(47,692)	(47,692)	(47,692)
Interest and fees on capital related debt	(208,913)	(232,494)	(310,808)
Net Non-Operating Revenue (Expenses)	<u>14,659,847</u>	<u>15,492,849</u>	<u>14,878,029</u>
Change in Net Position	<u>\$ (1,638,702)</u>	<u>\$ 963,037</u>	<u>\$ 629,801</u>

Operating revenues are separated into several categories. Student tuition and fees remained a major source of revenue for 2019. Net tuition and fee revenues continue to be flat to declining with a slight increase from 2018 to 2019. State grants and contracts increased by \$449,487 from 2017 to 2018 thanks to a new Skills Development grant and a Nursing Innovations grant, before falling back again in 2019 as a result of those grants winding down. 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 in 2017 and 2018 before moving funds back to our depository bank in 2019 as TexPool rates started to decline.

Net auxiliary enterprises revenue (mainly bookstore sales) declined by \$285,043 from 2017 to 2018. A large part of the decline was due to problems with one of our book vendors not delivering textbooks in a timely manner. Revenues declined again 2019 due to outsourcing of bookstore operations in 2019.

2019 saw an increase in operating costs of \$785,576 compared to 2018. The increase was made up of several factors. A 3% salary increase for all employees and increases in health insurance premiums contributed to increased operating cost while scholarships saw a significant decrease compared to 2018. Auxiliary expenses also decreased due to outsourcing the bookstore operations in July 2019. Operating expenses increased by \$1,269,157 from 2017 to 2018. The significant increase can be attributed to an increase in state and local grants, an increase in scholarships and a 3% pay increase for all employees.

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.

	2019	2018	2017
Cash Flows From:			
Operating activities	\$ (11,632,301)	\$ (13,659,131)	\$ (10,201,676)
Noncapital financing activities	13,645,058	13,913,855	14,502,236
Capital and related financing activities	(1,494,014)	(1,997,093)	(1,689,570)
Investing activities	1,507,674	2,529,034	51,785
Net increase in cash	2,026,417	786,665	2,662,775
Cash and cash equivalents - beginning of year	4,487,223	3,700,558	1,037,783
Cash and cash equivalents - end of year	<u>\$ 6,513,640</u>	<u>\$ 4,487,223</u>	<u>\$ 3,700,558</u>

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. Capital purchases for 2018-2019 included replacing the roof on the big dorm, phase III of the parking lot overlay at Century City, new irrigation wells on the King farms, three new hi-tech simulators for the nursing simulation lab, new welders and a robotic arm. Capital purchases for 2017-2018 included the Bi-Forks Baptist building, continuing investment in our new Enterprise Resource Planning/Student Information System (ERP/SIS), two adult simulators, spray foam and insulate the entry dome and apply

two inch overlay to part of the parking lot at Century City, new scoreboard at the softball field, upgrading ITV equipment in five classrooms, a new van for general travel and a new Tahoe for the police academy. 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.

Principal paid on debt was \$741,917 for 2019, \$754,589 for 2018 and \$678,144 for 2017. Interest and fees paid on capital debt totaled \$232,494 in 2018, \$310,808 in 2017 and \$352,074 in 2016.

Investing activities reported include lease income from the King Farm in excess of the related expenses of \$15,340 for 2019, \$26,016 for 2018 and \$21,839 for 2017. 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 decreased by \$45,629 to \$5,143,313 at the close of 2019. 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 3,055 in the Fall of 2018. 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. Taxable values showed a small increase of \$1,849,450 in 2019. The approved tax rate per \$100 of valuation has decreased from a high of \$.24993 in 2005 to \$.23147 in 2019.

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 \$350,367 from \$12,051,581 in 2017 to \$12,401,948 in 2019. 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 increased from \$12,925,601 to \$28,175,443, or \$15,249,842 from 2017 until 2019. The increase is the result of a prior period adjustment of \$13,992,157 in 2018 to record implementation of GASB 75 to reflect our share of Other Post-Employment Benefits (OPEB) and paying scheduled debt payments. Payments totaling \$810,341, of which \$625,000 is principal, are scheduled to be made in 2020 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 3,055 for fall 2018. Indications are that most rural Community Colleges in Texas have seen similar fluctuations.

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, 2019 and 2018

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,934,118	\$ 4,453,582
Accounts receivable (net)	2,343,247	2,418,620
Deferred charges	3,322,213	3,136,219
Inventories	3,870	738,463
Accrued interest	-	9,927
Prepaid expenses	372,285	356,095
Total Current Assets	10,975,733	11,112,906
Noncurrent Assets		
Restricted cash and cash equivalents	1,579,522	33,641
Endowed Investments	-	1,375,000
Capital assets (net)	20,053,236	21,131,395
Total Noncurrent Assets	21,632,758	22,540,036
Total Assets	32,608,491	33,652,942
Deferred Outflows of Resources		
Refunding loss	427,712	477,586
OPEB related deferred outflows of resources	5,497,414	328,549
Pension plan related deferred outflows of resources	2,895,496	1,100,817
Total Deferred Outflows of Resources	8,820,622	1,906,952
LIABILITIES		
Current Liabilities		
Accounts payable	629,127	583,322
Accrued compensable absences - current portion	272,677	260,572
Net OPEB plan obligation - current	220,019	60,822
Deposits	20,342	19,342
Unearned revenues	5,747,399	5,682,759
Capital leases payable - current portion	-	134,734
Bonds payable - current portion	625,000	605,000
Total Current Liabilities	7,514,564	7,346,551
Noncurrent Liabilities		
Accrued compensable absences	74,005	111,674
Net OPEB plan obligation	14,737,294	11,926,024
Net pension plan obligation	5,910,144	3,375,366
Bonds payable	7,454,000	8,081,183
Total Noncurrent Liabilities	28,175,443	23,494,247
Total Liabilities	35,690,007	30,840,798
Deferred Inflows of Resources		
OPEB related deferred inflows of resources	5,789,437	2,650,348
Pension plan related deferred inflows of resources	870,448	1,350,825
Total Deferred Inflows of Resources	6,659,885	4,001,173
NET POSITION		
Net Investment in capital assets	12,401,948	12,788,064
Restricted for:		
Nonexpendable:		
Student Aid	1,345,153	1,381,586
Expendable:		
Student Aid	73,903	88,755
Debt Service	529,042	527,783
Unrestricted	(15,270,825)	(14,068,265)
Total Net Position	\$ (920,779)	\$ 717,923

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 143,455	\$ 214,715
Investments	<u>4,999,858</u>	<u>5,173,375</u>
Total assets	<u>\$ 5,143,313</u>	<u>\$ 5,388,090</u>
 LIABILITIES		
Accounts payable	<u>\$ -</u>	<u>\$ 199,148</u>
 NET ASSETS		
Unrestricted	527,693	683,715
Permanently restricted	<u>4,615,620</u>	<u>4,505,227</u>
Total net assets	<u>5,143,313</u>	<u>5,188,942</u>
Total liabilities and net assets	<u>\$ 5,143,313</u>	<u>\$ 5,388,090</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUES		
Operating Revenues		
Tuition and fees (net of discounts of \$6,396,581 and \$6,526,917, respectively)	\$ 4,886,531	\$ 5,183,006
Federal grants and contracts	845,372	943,769
State grants and contracts	499,058	874,916
Non-governmental grants and contracts	1,146,695	1,154,111
Sales and services of educational activities	109,700	113,201
Investment income (program restricted)	27,422	17,485
Auxiliary enterprises (net of discounts of \$615,726 and \$846,193, respectively)	815,370	1,030,784
General operating revenues	214,280	210,320
Total Operating Revenues (Sch A)	<u>8,544,428</u>	<u>9,527,592</u>
EXPENSES		
Operating Expenses		
Instruction	9,125,578	9,102,826
Public services	768,558	682,872
Academic support	2,874,057	2,638,383
Student services	2,697,723	2,102,100
Institutional support	3,706,402	3,742,294
Operation and maintenance of plant	2,389,340	2,220,122
Scholarships and fellowships	478,984	743,016
Auxiliary enterprises	1,881,234	1,945,823
Depreciation	921,100	879,968
Total Operating Expenses (Sch B)	<u>24,842,977</u>	<u>24,057,404</u>
Operating Loss	<u>(16,298,549)</u>	<u>(14,529,812)</u>
Non-Operating Revenues (Expenses)		
State appropriations	7,313,213	7,344,694
Property taxes for maintenance & operation	2,721,282	2,710,670
Federal revenue, non-operating	5,122,561	5,448,482
Gifts	279,273	230,737
Investment income	117,334	63,018
Loss on disposal of capital assets	(652,551)	(50,582)
Lease income	17,766	28,977
Operational costs of lease property	(2,426)	(2,961)
Amortization of bond issue cost	(47,692)	(47,692)
Interest and fees on capital related debt	(208,913)	(232,494)
Net Non-Operating Revenues (Expenses) (Sch C)	<u>14,659,847</u>	<u>15,492,849</u>
Change in Net Position	<u>(1,638,702)</u>	<u>963,037</u>
Net Position		
Beginning net position, as previously stated	717,923	13,747,043
Prior Period Adjustments	-	(13,992,157)
Beginning net position, as restated	<u>717,923</u>	<u>(245,114)</u>
Ending net position	<u>\$ (920,779)</u>	<u>\$ 717,923</u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenues and support:		
Gifts and contributions	\$ 243,106	\$ 203,981
Silent auction	5,088	5,123
Investment income	315,037	259,708
Realized gains on investments	10,727	42,897
Unrealized losses on investments	(258,421)	(60,909)
Other income	<u>3,464</u>	<u>2,766</u>
Total revenues and support	<u>319,001</u>	<u>453,566</u>
Expenses:		
Operating expenses	18,526	29,577
Investment advisory fees	42,982	43,844
Departmental Grants	13,830	11,114
Restricted Gifts transfer to Vernon College	1,500	1,525
Scholarship transfer	<u>287,792</u>	<u>287,932</u>
Total expenses	<u>364,630</u>	<u>373,992</u>
Increase (decrease) in net assets	(45,629)	79,574
Net assets at beginning of year	<u>5,188,942</u>	<u>5,109,368</u>
Net assets at end of year	<u><u>\$ 5,143,313</u></u>	<u><u>\$ 5,188,942</u></u>

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, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 5,837,523	\$ 6,128,518
Receipts of appropriations, grants and contracts	2,705,239	1,046,880
Other receipts	199,939	105,763
Payments to or on behalf of employees	(14,451,314)	(14,372,385)
Payments to suppliers for goods and services	(5,180,672)	(5,824,891)
Payments of scholarships	(743,016)	(743,016)
Net cash used by operating activities	(11,632,301)	(13,659,131)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State allocations	5,562,564	5,509,341
Federal Title IV Grants	5,074,663	5,465,546
Property taxes for maintenance and operations	2,728,558	2,708,231
Gifts to endowment	279,273	230,737
Net cash provided by noncapital financing activities	13,645,058	13,913,855
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases and construction of capital assets	(495,492)	(962,318)
Principal paid on capital debt	(741,917)	(754,589)
Amortization of bond issue cost	(47,692)	(47,692)
Interest and fees paid on capital debt	(208,913)	(232,494)
Net cash used by capital and related financing activities	(1,494,014)	(1,997,093)
CASH FLOWS FROM INVESTING ACTIVITIES		
Lease income	17,766	28,977
Operating costs of lease property	(2,426)	(2,961)
Sales of short-term investments	1,375,000	2,440,000
Investment income	117,334	63,018
Net cash provided by investing activities	1,507,674	2,529,034
Increase in cash and cash equivalents	2,026,417	786,665
Cash and cash equivalents - beginning of year	4,487,223	3,700,558
Cash and cash equivalents - end of year	\$ 6,513,640	\$ 4,487,223
Displayed as:		
Cash and cash equivalents	\$ 4,934,118	\$ 4,453,582
Restricted cash and cash equivalents	1,579,522	33,641
	\$ 6,513,640	\$ 4,487,223
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (16,298,549)	\$ (14,529,812)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	921,100	879,968
Pension adjustments	1,200,413	199,703
Payments for benefits made directly by state	1,742,938	1,665,543
(Increase) decrease in current assets:		
Accounts receivable, net (adjusted for non-operating items)	133,633	(333,133)
Inventories	734,593	(57,350)
Deferred charges	(136,120)	303,463
Prepaid expenses	(16,190)	64,860
Increase (decrease) in current liabilities:		
Accounts payable	45,805	24,328
Accrued compensable absences	(25,564)	36,187
Deferred revenues	64,640	(1,913,298)
Deposits	1,000	410
Net cash used by operating activities	\$ (11,632,301)	\$ (13,659,131)

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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts of gifts	\$ 243,106	\$ 203,981
Proceeds from Silent Auction	5,088	5,123
Other income	3,464	2,766
Payments to suppliers for goods and services	(274,486)	(84,535)
Restricted Gifts transferred to Vernon College	(1,500)	(1,525)
Payment of scholarships and grants	(287,792)	(88,784)
Net cash provided (used) by operating activities	(312,120)	37,026
Cash flows from investing activities:		
Sales proceeds on sales of investments	240,729	885,015
Purchase of investments	(314,907)	(1,104,291)
Investment income	315,037	259,708
Net cash provided by investing activities	240,860	40,432
Increase (decrease) in cash and cash equivalents	(71,260)	77,458
Cash and cash equivalents at beginning of year	214,715	137,257
Cash and cash equivalents at end of year	\$ 143,455	\$ 214,715
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (45,629)	\$ 79,574
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Investment income	(315,037)	(259,708)
Realized gain on sale of investments	(10,727)	(42,897)
Unrealized gain (loss) on investments held	258,421	60,909
Increase (decrease) in operating liabilities:		
Accounts payable	(199,148)	199,148
Net cash provided (used) by operating activities	\$ (312,120)	\$ 37,026

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, 2019 AND 2018

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.

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.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2019 AND 2018

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 livestock to be used in the rodeo program in the following year. 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.

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:

**VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2019 AND 2018**

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. Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

M. 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 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.

N. Unearned Revenues

Tuition and fees of \$5,264,188 and \$5,133,901 and federal, state and local grants of \$173,531 and \$215,221 have been reported as unearned revenues at August 31, 2019 and 2018, respectively. Auxiliary enterprise revenues, including meal and dorm rent, and other revenues unearned totaled \$309,680 and \$333,637 at August 31, 2019 and 2018, respectively.

O. 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.

P. 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, 2019 and 2018.

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

Q. 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, 2019 AND 2018

R. 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.

S. 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 the Texas Public Funds Investment Act. The College's 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. The College also utilizes the Texas Local Government Investment Pool (TexPool) which was authorized under and created pursuant to the Act.

**VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2019 AND 2018**

Cash Deposits

At August 31, 2019 and 2018, the carrying amount of the College's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,513,356 and \$686,069, respectively. The bank balance was \$6,509,331 and \$651,377, respectively. The College's cash deposits at August 31, 2019 and 2018 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 that 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, 2019 and 2018 are as follows:

<u>Investment or Investment Type</u>	<u>August 31, 2019</u>		<u>August 31, 2018</u>	
	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
TexPool	1	\$ 86	1	\$5,176,154
Totals		\$ 86		\$5,176,154

The Foundation's investments at August 31, 2019 and 2018 are shown below:

	<u>2019</u>	<u>2018</u>
Mutual funds	\$4,999,858	\$5,173,375
Total aggregate cost	\$4,999,858	\$5,173,375

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. The College participates in the TexPool Investment Pool further described as follows:

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2019 AND 2018

The TexPool Prime Investment Pool (TexPool) is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

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.

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.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2019 AND 2018

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 that 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.

The fair value hierarchy of investments at August 31, 2019 follows:

	August 31, 2019				2018 Total
	Level 1	Level 2	Level 3	Total	
Mutual funds	<u>\$4,999,858</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$4,999,858</u>	<u>\$5,173,375</u>

The College values its TexPool balances at net asset value per unit/share.

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.

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The following are additional disclosures relative to property taxes for the years ended August 31, 2019 and 2018:

Net Assessed Valuation:

Net assessed valuation for year ended August 31:	2019	2018
Gross assessed valuation	\$1,904,965,640	\$1,898,393,160
Less exceptions or abatements	(744,142,420)	(739,419,390)
Net assessed valuation	<u>\$1,160,823,220</u>	<u>\$1,158,973,770</u>

Tax Rate per \$100 Valuation:

	<u>Year Ended August 31, 2019</u>			<u>Year Ended August 31, 2018</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Totals</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Totals</u>
Authorized	\$1.000000	\$.000000	\$1.000000	\$1.000000	\$.000000	\$1.000000
Assessed	\$.231470	\$.000000	\$.231470	\$.232367	\$.000000	\$.232367

Property taxes levied for the years ended August 31, 2019 and 2018 amounted to \$2,687,256 and \$2,691,890, respectively.

Tax Collections:

	<u>Year Ended August 31, 2019</u>			<u>Year Ended August 31, 2018</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	\$2,657,296	\$ --	\$2,657,296	\$2,645,921	\$ --	\$2,645,921
Delinquent taxes	38,056	--	38,056	26,311	--	26,311
Penalties and interest	25,930	--	25,930	22,626	--	22,626
Total collections	<u>\$2,721,282</u>	<u>\$ --</u>	<u>\$2,721,282</u>	<u>\$2,694,858</u>	<u>\$ --</u>	<u>\$2,694,858</u>

Current tax collections for the years ended August 31, 2019 and 2018 were 99.05% and 98.29%, 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, 2019 and 2018 consisted of the following:

August 31, 2019

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$1,684,932	\$1,019,365	\$ 665,567
Federal grants	549,433	--	549,433
State/local grants and contracts	259,332	--	259,332
Property taxes	154,959	73,682	81,277
Others	787,638	--	787,638
Totals	<u>\$3,436,294</u>	<u>\$1,093,047</u>	<u>\$2,343,247</u>

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August 31, 2018

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$1,658,248	\$ 963,389	\$ 694,859
Federal grants	553,949	--	553,949
State/local grants and contracts	290,725	--	290,725
Property taxes	164,479	75,926	88,553
Others	<u>790,534</u>	<u>--</u>	<u>790,534</u>
Totals	<u>\$3,457,935</u>	<u>\$1,039,315</u>	<u>\$2,418,620</u>

8. Capital Assets

Capital assets activity for the years ended August 31, 2019 and 2018 was as follows:

August 31, 2019

	<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	<u>687,567</u>	<u>--</u>	<u>687,567</u>	<u>--</u>
Total capital assets not being depreciated	<u>3,500,358</u>	<u>--</u>	<u>687,567</u>	<u>2,812,791</u>
Capital assets being depreciated:				
Buildings	22,327,815	147,033	--	22,474,848
Land improvements	2,139,805	72,728	--	2,212,533
Furniture, machinery, vehicles and other equipment	4,037,980	287,259	24,136	4,301,103
Telecommunications and computer equipment	1,621,802	19,192	--	1,640,994
Library books	<u>1,204,379</u>	<u>14,010</u>	<u>--</u>	<u>1,218,389</u>
Total capital assets being depreciated	<u>31,331,781</u>	<u>540,222</u>	<u>24,136</u>	<u>31,847,867</u>
Less accumulated depreciation:				
Buildings	8,215,933	466,423		8,682,356
Land improvements	961,903	82,342	--	1,044,245
Furniture, machinery, vehicles and other equipment	2,469,402	296,252	20,568	2,745,086
Telecommunications and computer equipment	1,086,056	66,000	--	1,152,056
Library books	<u>967,450</u>	<u>16,229</u>	<u>--</u>	<u>983,679</u>
Total accumulated depreciation	<u>13,700,744</u>	<u>927,246</u>	<u>20,568</u>	<u>14,607,422</u>
Total capital assets being depreciated, net	<u>17,631,037</u>	<u>(387,024)</u>	<u>3,568</u>	<u>17,240,445</u>
Capital assets, net	<u>\$21,131,395</u>	<u>(\$387,024)</u>	<u>\$691,135</u>	<u>\$20,053,236</u>

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August 31, 2018

	<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	367,644	319,923	--	687,567
Total capital assets not being depreciated	<u>3,180,435</u>	<u>319,923</u>	<u>--</u>	<u>3,500,358</u>
Capital assets being depreciated:				
Buildings	22,286,942	73,133	32,260	22,327,815
Land improvements	2,035,144	104,661	--	2,139,805
Furniture, machinery, vehicles and other equipment	3,795,219	283,019	40,258	4,037,980
Telecommunications and computer equipment	1,682,563	166,395	227,156	1,621,802
Library books	1,189,192	15,187	--	1,204,379
Total capital assets being depreciated	<u>30,989,060</u>	<u>642,395</u>	<u>299,674</u>	<u>31,331,781</u>
Less accumulated depreciation:				
Buildings	7,762,228	462,124	8,419	8,215,933
Land improvements	883,624	78,279	--	961,903
Furniture, machinery, vehicles and other equipment	2,232,265	273,370	36,233	2,469,402
Telecommunications and computer equipment	1,241,052	49,444	204,440	1,086,056
Library books	950,699	16,751	--	967,450
Total accumulated depreciation	<u>13,069,868</u>	<u>879,968</u>	<u>249,092</u>	<u>13,700,744</u>
Total capital assets being depreciated, net	<u>17,919,192</u>	<u>(237,573)</u>	<u>50,582</u>	<u>17,631,037</u>
Capital assets, net	<u>\$21,099,627</u>	<u>\$ 82,350</u>	<u>\$ 50,582</u>	<u>\$21,131,395</u>

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, 2019 and 2018 are as follows:

August 31, 2019

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$ 8,660,000	\$ --	\$ 605,000	\$ 8,055,000	\$ 625,000
Premium on bonds	26,183	--	2,182	24,001	--
Capital leases	134,734	--	134,734	--	--
Compensated absences	372,246	337,417	362,981	346,682	272,677
Totals	<u>\$ 9,193,163</u>	<u>\$337,417</u>	<u>\$1,104,897</u>	<u>\$ 8,425,683</u>	<u>\$ 897,677</u>

August 31, 2018

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$ 9,250,000	\$ --	\$ 590,000	\$ 8,660,000	\$ 605,000
Premium on bonds	28,365	--	2,182	26,183	--
Capital leases	297,141	--	162,407	134,734	134,734
Compensated absences	336,059	335,273	299,086	372,246	260,572
Totals	<u>\$ 9,911,565</u>	<u>\$335,273</u>	<u>\$1,053,675</u>	<u>\$ 9,193,163</u>	<u>\$1,000,306</u>

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B. 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.

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, 2019 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 625,000	\$ 185,342	\$ 810,342
2021	880,000	164,525	1,044,525
2022	665,000	144,868	809,868
2023	680,000	129,199	809,199
2024	700,000	113,122	813,122
2025-29	3,735,000	311,111	4,046,111
2030	<u>770,000</u>	<u>8,971</u>	<u>778,971</u>
Totals	<u>\$8,055,000</u>	<u>\$1,057,138</u>	<u>\$9,112,138</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.

C. Capital Leases

The Public Property Finance Act gives the College authority to enter into capital leases for the acquisition of personal property. At August 31, 2019, the prior year balance of \$134,734 was fully paid. The capital lease carried an interest rate of 3.94%

D. 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 \$346,682 and \$372,246 at August 31, 2019 and 2018, 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.

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10. Employees' Retirement Plans

The State of Texas has joint contributory retirement plans for almost all its employees; the TRS 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 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 (CAFR) 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.

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 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 because 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.

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Employee contribution rates are set in state statute, Texas Government Code 825.402. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

Contribution Rates

	<u>2019</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contribution Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Member Contributions	\$692,030	\$640,227
State of Texas On-behalf Contributions	\$243,428	\$228,750
College Contributions	\$368,540	\$345,309

The College's contributions to the TRS pension plan in 2019 were \$368,539 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 2019 were \$243,428.

- 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.
- 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

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Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return*	7.25%
Municipal Bond Rate*	3.69%*
Last year ending August 31 in the 2016 to 2115 projection period (100 years)	2116
Inflation	2.30%
Salary Increases Including Inflation*	3.05% to 9.05%
Payroll Growth Rate	2.50%
Benefit changes during the year	None
Post-employment benefit changes	None

*Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

The actuarial methods and assumptions were selected by the board of trustees based upon analysis and recommendations by the system's actuary. The board of trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018. 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. Assumptions, methods, and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

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 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. 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 these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments is 7.25%. 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

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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 TRS' target asset allocation as of August 31, 2018, are summarized below:

<u>Asset Class</u>	<u>Target Allocation ⁽¹⁾</u>	<u>Long-term Expected Arithmetic Real Rate of Return ⁽²⁾</u>	<u>Expected Contribution to Long-term Portfolio Returns *</u>
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	-	-
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy and Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	-	-
Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag ⁽³⁾			-0.8%
Total	<u>100.0%</u>		<u>7.2%</u>

⁽¹⁾ Target allocations are based on the FY 2016 policy model.

⁽²⁾ Capital market assumptions come from Aon Hewitt (2017 Q4).

⁽³⁾ The volatility drag results 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 (7.25%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase in Discount Rate <u>(8.25%)</u>
College's proportionate share of the net pension liability	<u>\$8,919,825</u>	<u>\$5,910,144</u>	<u>\$3,473,629</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 \$5,910,144 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:

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College's proportionate share of the collective net pension liability	\$5,910,144
State's proportionate share that is associated with the College	<u>3,716,076</u>
Total	<u>\$9,626,220</u>

The net pension liability was measured as of August 31, 2018 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, 2017 thru August 31, 2018.

At the measurement date of August 31, 2018, the employer's proportion of the collective net pension liability was .0107374%, which was an increase of .000107% from its proportion measured as of August 31, 2017.

For the year ended August 31, 2018, the College recognized pension expense of \$367,792 and revenue of \$227,292 for support provided by the State.

At August 31, 2018, 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	\$ 36,839	\$145,012
Changes in actuarial assumptions	2,130,892	66,590
Difference between projected and actual investment earnings	307,146	419,287
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	52,079	239,559
Contributions paid to TRS subsequent to the measurement date	<u>368,540</u>	<u>-</u>
Total	<u>\$2,895,496</u>	<u>\$870,448</u>

The contributions paid to TRS subsequent to the measurement date of \$368,540 will be recognized as pension expense in the year ending August 31, 2019. The net remaining 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>
2019	\$404,968
2020	168,979
2021	122,514
2022	359,171
2023	361,089
Thereafter	239,787

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B. Teacher Retirement System of Texas – Defined Benefit Plan for the Year Ended August 31, 2018

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.

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 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

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Contribution Rates

	<u>2018</u>	<u>2017</u>
Member	7.7%	7.7%
Non-Employer Contribution Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2017 Member Contributions	\$640,227	
2017 State of Texas On-behalf Contributions	\$228,750	
2017 College Contributions	\$345,309	

The College's contributions to the TRS pension plan in 2018 were \$378,589 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 2018 were \$235,142.

- 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.
- 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%

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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, 2017, are summarized below:

<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.

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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.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
College's proportionate share of the net pension liability	<u>\$5,690,201</u>	<u>\$3,375,366</u>	<u>\$1,447,891</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 \$3,375,366 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	\$3,375,366
State's proportionate share that is associated with the College	<u>2,236,388</u>
Total	<u>\$5,611,754</u>

The net pension liability was measured as of August 31, 2017 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, 2016 thru August 31, 2017.

At the measurement date of August 31, 2017, the employer's proportion of the collective net pension liability was .0105564%, which was a decrease of .000036 from its proportion measured as of August 31, 2016.

For the year ended August 31, 2017, the College recognized pension expense of \$170,583 and revenue of \$228,750 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:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual economic experience	\$ 49,383	\$ 182,029
Changes in actuarial assumptions	153,753	88,020
Difference between projected and actual investment earnings	519,092	765,081
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	315,695
Contributions paid to TRS subsequent to the measurement date	<u>378,589</u>	<u>-</u>
Total	<u>\$1,100,817</u>	<u>\$1,350,825</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:

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<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2018	(\$186,421)
2019	29,037
2020	(202,972)
2021	(248,559)
2022	(14,961)
Thereafter	(4,721)

C. 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.

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 6.6%, 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 \$2,149,747 and \$2,112,436 for the years ended August 31, 2019 and 2018, respectively. The College's employees' contributions to the Program for the years ending August 31, 2019 and 2018 were \$142,958 and \$140,478, respectively, and were equal to the required contributions for the year. Other contributions made from the College for the years ending August 31, 2019 and 2018 were \$28,384 and \$27,785, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2019 and 2018, the amounts contributed by the State on behalf of the College were \$70,942 and \$69,710, respectively.

D. Total Payroll

The total payroll for all College employees was \$12,134,094 and \$11,972,238 for the years ended August 31, 2019 and 2018, 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.

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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 \$625 per month for employee only coverage and ranged from \$865 to \$1,223 for employee and dependent coverage for the year ended August 31, 2019. The state's and the College's contribution per full-time employee was \$622 per month for employee only coverage and ranging from \$860 to \$1,217 for employee and dependent coverage for the year ended August 31, 2018. The total number of employees participating in the plan and contributions were as follows:

	2018-19			2017-18		
	Number of Employees	State Contribution	College Contribution	Number of Employees	State Contribution	College Contribution
Active employees	224	\$ 861,715	\$1,158,009	226	\$ 835,223	\$1,214,625
Retired employees	<u>81</u>	<u>324,064</u>	<u>313,653</u>	<u>77</u>	<u>376,012</u>	<u>303,431</u>
Totals	<u>305</u>	<u>\$1,185,779</u>	<u>\$1,471,662</u>	<u>303</u>	<u>\$1,211,235</u>	<u>\$1,518,056</u>

13. Other Post-Employment Benefits (OPEB)

The following provides information for the OPEB plan for the year ended August 31, 2019:

A. Plan Description

The College participates in a cost-sharing, multiple-employer, other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the ERS. The GBP provides certain post-employment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

B. OPEB Plan Fiduciary Net Position

Detailed information about the GBP fiduciary net position is available in the separately issued ERS CAFR that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377.

C. Benefits Provided

Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

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D. Contributions

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. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (1) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

The following table summarizes the maximum monthly employer contribution toward eligible retirees' health and basic life premium. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

Maximum Monthly Employer Contribution Retiree Health and Basic Life Premium <u>Fiscal Year 2018</u>	
Retiree only	\$ 621.90
Retiree & Spouse	1,334.54
Retiree & Children	1,099.06
Retiree & Family	1,811.70

Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table:

Premium Contributions by Source Group Benefits Program Plan <u>For the Years Ended August 31, 2019 and 2018</u>		
	<u>2019</u>	<u>2018</u>
Employers	\$334,319	\$303,431
Members (Employees)	0	0
Non-employer Contributing Entity (State of Texas)	320,715	323,542

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of August 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Actuarial Assumptions</u> <u>ERS Group Benefits Program Plan</u>	
Valuation date	August 31, 2018
Actuarial cost method	Entry age
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	3.96%
Projected annual salary increase (includes inflation)	2.5% to 9.50%
Annual healthcare trend rate	7.30% for FY 2020, 7.40% for FY 2021, 7.00% for FY 2022, decreasing 0.5% per year to 4.50% for FY 2027 and later years
Inflation assumption rate	2.50%

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Ad hoc post-employment benefit changes	None
Mortality assumptions:	
Service retirees, survivors and other inactive members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018
Disability retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2010 to August 31, 2014 for higher education members.

F. Investment Policy

The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

G. Discount Rate

Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.51%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.96%, which amounted to an increase of .45%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

H. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the College's proportionate share of the collective net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.96%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate <u>(2.96%)</u>	Discount Rate <u>(3.96%)</u>	1% Increase in Discount Rate <u>(4.96%)</u>
College's proportionate share of the net OPEB liability	<u>\$17,757,812</u>	<u>\$14,957,312</u>	<u>\$12,837,652</u>

I. Healthcare Trend Rate Sensitivity Analysis

The initial healthcare trend rate is 8.5% and the ultimate rate is 4.5%. The following schedule shows the impact of the College's proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used (8.5%) in measuring the net OPEB liability.

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	1% Decrease in Discount Rate (6.30% Decreasing to 3.50%)	Discount Rate (7.30% Decreasing to 4.50%)	1% Increase in Discount Rate (8.30% Decreasing to 5.50%)
College's proportionate share of the current healthcare cost trend rate	<u>\$12,666,912</u>	<u>\$14,957,312</u>	<u>\$17,911,938</u>

J. OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

At August 31, 2018, the College reported a liability of \$14,957,312 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College's proportionate share of the collective net OPEB liability	\$14,957,312
State's proportionate share that is associated with the College	<u>12,357,587</u>
Total	<u>\$27,314,899</u>

The net OPEB liability was measured as of August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At the measurement date of August 31, 2018, the employer's proportion of the collective net OPEB liability was .05047% compared to .035179% at August 31, 2017.

For the year ended August 31, 2018, the College recognized OPEB expense of \$394,176 and revenue of \$320,715 for support provided by the State.

K. Changes since the Prior Actuarial Valuation

The following assumptions have been changed since the previous OPEB valuation:

- Demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the Trustees from the Teacher Retirement System of Texas.
- Assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and Expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was increased from 3.51% to 3.96% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Changes of Benefit Terms since Prior Measurement Date

The only benefit revisions adopted since the prior valuation is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect for those HealthSelect retirees and dependents for whom Medicare is not primary. These minor benefit changes have been reflected in the fiscal year 2019 Assumed Per Capital Health Benefit Costs.

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At August 31, 2018, the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ -	\$ 547,987
Changes in actuarial assumptions	-	5,241,450
Difference between projected and actual investment earnings	7,083	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	5,356,251	-
Contributions paid to ERS subsequent to the measurement date	<u>134,080</u>	<u>-</u>
Total	<u>\$5,497,414</u>	<u>\$5,789,437</u>

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

<u>Year ended August 31:</u>	<u>OPEB Expense Amount</u>
2019	(\$308,022)
2020	(308,022)
2021	(308,022)
2022	170,242
2023	327,721
Thereafter	-

The following provides information for the OPEB plan for the year ended August 31, 2018:

A. Plan Description

The College participates in a cost-sharing, multiple-employer, other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain post-employment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

B. OPEB Plan Fiduciary Net Position

Detailed information about the GBP fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377.

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C. Benefits Provided

Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

D. Contributions

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. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (1) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

The following table summarizes the maximum monthly employer contribution toward eligible retirees' health and basic life premium. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

Maximum Monthly Employer Contribution Retiree Health and Basic Life Premium <u>Fiscal Year 2017</u>	
Retiree only	\$ 617.30
Retiree & Spouse	970.98
Retiree & Children	854.10
Retiree & Family	1,207.78

Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table:

Premium Contributions by Source Group Benefits Program Plan <u>For the Years Ended August 31, 2019 and 2018</u>		
	<u>2018</u>	<u>2017</u>
Employers	\$303,431	\$305,452
Members (Employees)	0	0
Non-employer Contributing Entity (State of Texas)	323,542	318,068

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of August 31, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

**VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2019 AND 2018**

Actuarial Assumptions
ERS Group Benefits Program Plan

Valuation date	August 31, 2017
Actuarial cost method	Entry age
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	3.51%
Projected annual salary increase (includes inflation)	2.50% to 9.50%
Annual healthcare trend rate	8.50% for FY 2019, decreasing 0.5% per year to 4.50% for FY 2027 and later years
Inflation assumption rate	2.50%
Ad hoc post-employment benefit changes	None
Mortality assumptions:	
Service retirees, survivors and other inactive members	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014
Disability retirees	Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale BB

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2010 to August 31, 2014 for higher education members.

F. Investment Policy

The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

G. Discount Rate

Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.84%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.51%, which amounted to an increase of .67%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

H. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the College's proportionate share of the collective net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.51%) in measuring the net OPEB liability.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2019 AND 2018

	1% Decrease in Discount Rate (2.51%)	Discount Rate (3.51%)	1% Increase in Discount Rate (4.51%)
College's proportionate share of the net OPEB liability	<u>\$14,308,790</u>	<u>\$11,986,846</u>	<u>\$10,188,291</u>

I. Healthcare Trend Rate Sensitivity Analysis

The initial healthcare trend rate is 8.5% and the ultimate rate is 4.5%. The following schedule shows the impact of the College's proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used (8.5%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (7.50%)	Discount Rate (8.50%)	1% Increase in Discount Rate (9.50%)
College's proportionate share of the current healthcare cost trend rate	<u>\$10,076,980</u>	<u>\$11,986,846</u>	<u>\$14,465,003</u>

J. OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

At August 31, 2017, the College reported a liability of \$11,986,846 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College's proportionate share of the collective net OPEB liability	\$11,986,846
State's proportionate share that is associated with the College	<u>11,563,249</u>
Total	<u>\$23,550,095</u>

The net OPEB liability was measured as of August 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At the measurement date of August 31, 2017, the employer's proportion of the collective net OPEB liability was .035179%, which was the same proportion measured as of August 31, 2016.

For the year ended August 31, 2018, the College recognized OPEB expense of \$618,820 and revenue of \$318,068 for support provided by the State.

K. Changes Since the Prior Actuarial Valuation

Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follows:

- Additional demographic assumptions (aggregate payroll increases and rate of general inflation) to reflect an experience study;
- The percentage of current and future retirees and retirees' spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan who will elect to participate at the earliest date at which coverage can commence has been updated to reflect recent plan experience and expected trends;

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2019 AND 2018

- Assumptions for administrative expenses, assumed per Capita Health Benefit Costs, Health Benefit Cost and Retiree Contribution trends to reflect recent health plan experience;
- Effects in short-term expectations and revised assumed rate of general inflation.

Changes of Benefit Terms Since Prior Measurement Date

The following benefit revisions have been adopted since the prior valuation:

- An increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- An elimination of the copayment for virtual visits;
- A copay reduction for Airrosti and for out-of-state participants;
- Elimination of the deductible for in-network services and application of a copayment rather than coinsurance to certain services like primary care and specialist visits.

These minor benefit changes have been reflected in the fiscal year 2018 Assumed Per Capita Health Benefit Costs.

At August 31, 2018, the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ -	\$ 144,043
Changes in actuarial assumptions	-	2,506,305
Difference between projected and actual investment earnings	3,549	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	-
Contributions paid to ERS subsequent to the measurement date	<u>325,000</u>	<u>-</u>
Total	<u>\$328,549</u>	<u>\$2,650,348</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	(\$596,038)
2019	(596,038)
2020	(596,038)
2021	(596,038)
2022	(262,647)
Thereafter	-

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.

**VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2019 AND 2018**

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 2019, 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 \$8,667 from January 1, 2017 through December 31, 2021 then reducing to \$5,542 per month for January 1, 2022 through December 31, 2026.

Future minimum lease payments under this lease are as follows:

<u>Year Ending August 31,</u>	
2020	\$104,000
2021	104,000
2022	79,000
2023	66,500
2024	66,500
2025-2027	<u>155,168</u>
Total minimum lease payments	<u>\$575,168</u>

The College paid \$104,000 and \$104,000 in rent under this lease agreement during each of the years ended August 31, 2019 and 2018, 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>	
2020	<u>\$ 438,492</u>

The College paid \$379,792 and \$379,792 in service fees under this agreement during the years ended August 31, 2019 and 2018, 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.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2019 AND 2018

17. Concentration – Title IV HEA Funding

For the years ended August 31, 2019 and 2018, the College received approximately 21.2% and 21.5%, respectively, of its total revenues (operating and non-operating) from federal Title IV HEA grants. In addition, \$5,213,384 and \$5,907,213, 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, 2019 and 2018, 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.

18. Tax Abatement

On June 17, 2015, the District's Board of Trustees approved a tax abatement agreement with Electra Wind, LLC pursuant to Chapter 312 of the Texas Tax Code, as amended, i.e., the Texas Economic Development Act.

According to the Agreement, the Company was to invest between \$250,000,000 and \$350,000,000 in renewable electric energy production (a wind farm). The College agreed to abate 100% of applicable taxes for a ten (10) year period beginning January 1 of the year after commencement of commercial operations. In exchange, the Company agreed to make Payments In Lieu of Taxes (PILOT) equal to one thousand dollars (\$1,000) per megawatt of Turbine Nameplate Capacity for the first four (4) years and one thousand five hundred dollars (\$1,500) per megawatt of Turbine Nameplate Capacity for years five (5) through ten (10). For fiscal year 2019, which was the second year of the agreement, the PILOT payment was \$230,000.

Required Supplementary Information

Vernon College

Schedule of College's Share of Pension Liability
Teacher Retirement System of Texas
For the Year Ended August 31, 2019

<u>Fiscal year ending August 31*</u>	<u>2019**</u>	<u>2018**</u>	<u>2017**</u>	<u>2016**</u>	<u>2015**</u>
TRS net position as a percentage of total pension liability	<u>73.74%</u>	<u>83.25%</u>	<u>78.00%</u>	<u>78.43%</u>	<u>83.25%</u>
College's proportionate share of collective net pension liability (%)	<u>0.0107374%</u>	<u>0.0105564%</u>	<u>0.0105923%</u>	<u>0.0107538%</u>	<u>0.0122221%</u>
College's proportionate share of collective net pension liability (\$)	\$ 5,910,144	\$ 3,375,366	\$ 4,002,670	\$ 3,801,335	\$ 3,264,692
Portion of NECE's total proportionate share of NPL associated with College	<u>3,716,076</u>	<u>2,236,388</u>	<u>2,800,729</u>	<u>2,675,276</u>	<u>2,292,336</u>
Total	<u>\$ 9,626,220</u>	<u>\$ 5,611,754</u>	<u>\$ 6,803,399</u>	<u>\$ 6,476,611</u>	<u>\$ 5,557,028</u>
College's covered payroll amount	<u>\$ 8,732,607</u>	<u>\$ 8,314,648</u>	<u>\$ 8,363,407</u>	<u>\$ 7,957,060</u>	<u>\$ 7,716,713</u>
Ratio of: ER proportionate share of collective NPL/ER's covered payroll amount	<u>110%</u>	<u>67%</u>	<u>81%</u>	<u>81%</u>	<u>72%</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 Pension Contributions
Teacher Retirement System of Texas
For the Year Ended August 31, 2019**

<u>Fiscal year ending August 31*</u>	<u>2019**</u>	<u>2018**</u>	<u>2017**</u>	<u>2016**</u>	<u>2015**</u>
Legally required contributions	\$ 368,540	\$ 345,309	\$ 344,940	\$ 329,434	\$ 314,702
Actual Contributions	(368,540)	(345,309)	(344,940)	(329,434)	(314,702)
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll amount	<u>\$ 8,999,503</u>	<u>\$ 8,732,607</u>	<u>\$ 8,314,648</u>	<u>\$ 8,363,407</u>	<u>\$ 7,957,060</u>
Ratio of: Actual contributions / ER covered amount	<u>4.10%</u>	<u>3.95%</u>	<u>4.15%</u>	<u>3.94%</u>	<u>3.96%</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

Schedule of College's Share of Net OPEB Liability
Employee Retirement System of Texas
For the Year Ended August 31, 2019

Fiscal year ending August 31*	2019**	2018**
ERS net position as a percentage of total net OPEB liability	<u>1.27%</u>	<u>2.04%</u>
College's proportionate share of collective net OPEB liability (%)	<u>0.0504671%</u>	<u>0.0351799%</u>
College's proportionate share of collective net OPEB liability (\$)	\$ 14,957,312	\$ 11,986,846
State's proportionate share of Net OPEB liability associated with College	12,357,587	11,563,249
Total	<u>\$ 27,314,899</u>	<u>\$ 23,550,095</u>
College's covered payroll amount	<u>\$ 8,732,607</u>	<u>\$ 8,314,648</u>
Ratio of: ER proportionate share of collective OPEB/ER's covered payroll amount	<u>313%</u>	<u>283%</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
OPEB -- Net Other Post Employment Benefit Liability
ER -- Employer / Institution / Reporting Entity

Vernon College

**Schedule of College's OPEB Contributions
Employee Retirement System of Texas
For the Year Ended August 31, 2019**

Fiscal year ending August 31*	2019**	2018**
Legally required contributions	\$ 134,080	\$ 325,000
Actual Contributions	(134,080)	(325,000)
Contributions deficiency (excess)	\$ -	\$ -
College's covered payroll amount	\$ 8,999,503	\$ 8,732,607
Contributions and percentage of covered payroll	1.49%	3.72%

* 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, 2019

A. Defined Benefit Pension Plan

1. Change of Benefit Terms

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

2. Changes of Assumptions

Assumptions, methods, and plan changes which are specific to the pension trust fund were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

B. OPEB Plan

1. Change of Benefit Terms

The only benefit revisions adopted since the prior valuation is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect for those HealthSelect retirees and dependents for whom Medicare is not primary. These minor benefit changes have been reflected in the fiscal year 2019 Assumed Per Capital Health Benefit Costs.

2. Changes of Assumptions

The following assumptions have been changed since the previous OPEB valuation:

- Demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the Trustees from the Teacher Retirement System of Texas.
- Assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and Expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was increased from 3.51% to 3.96% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Other Supplementary Information

Vernon College
Schedule A
Schedule of Operating Revenues
For the Year Ended August 31, 2019
(With Memorandum Totals for the Year Ended August 31, 2018)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2019 Totals	2018 Totals
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 259,395	\$ -	\$ 259,395	\$ -	\$ 259,395	\$ 283,795
Out-of-district resident tuition	4,353,931	-	4,353,931	-	4,353,931	4,506,876
Non-resident tuition	104,911	-	104,911	-	104,911	98,135
TPEG - credit (set aside)*	-	136,630	136,630	-	136,630	248,005
State funded continuing education	787,202	-	787,202	-	787,202	839,482
TPEG - non-credit (set aside)*	-	38,561	38,561	-	38,561	19,144
Non-state funded continuing education	138,269	-	138,269	-	138,269	156,332
Total Tuition	<u>5,643,708</u>	<u>175,191</u>	<u>5,818,899</u>	<u>-</u>	<u>5,818,899</u>	<u>6,151,769</u>
Fees:						
General fees	4,755,921	-	4,755,921	-	4,755,921	4,810,282
Laboratory fees	708,292	-	708,292	-	708,292	747,872
Total Fees	<u>5,464,213</u>	<u>-</u>	<u>5,464,213</u>	<u>-</u>	<u>5,464,213</u>	<u>5,558,154</u>
Scholarship allowances and discounts:						
Remissions and exemptions - state	(410,374)	-	(410,374)	-	(410,374)	(416,720)
Title IV federal grants	(3,647,932)	-	(3,647,932)	-	(3,647,932)	(3,866,416)
TPEG awards	-	(104,525)	(104,525)	-	(104,525)	(95,760)
Other local awards	(2,233,750)	-	(2,233,750)	-	(2,233,750)	(2,148,021)
Total Scholarship Allowances	<u>(6,292,056)</u>	<u>(104,525)</u>	<u>(6,396,581)</u>	<u>-</u>	<u>(6,396,581)</u>	<u>(6,526,917)</u>
Total Net Tuition and Fees	<u>4,815,865</u>	<u>70,666</u>	<u>4,886,531</u>	<u>-</u>	<u>4,886,531</u>	<u>5,183,006</u>
Other operating revenues:						
Federal grants and contracts	32,282	813,090	845,372	-	845,372	943,769
State grants and contracts	44,756	454,302	499,058	-	499,058	874,916
Non-governmental grants and contracts	-	1,146,695	1,146,695	-	1,146,695	1,154,111
Sales and services of educational activities	109,700	-	109,700	-	109,700	113,201
Investment income (program restricted)	-	27,422	27,422	-	27,422	17,485
General operating revenues	214,280	-	214,280	-	214,280	210,320
Total Other Operating Revenues	<u>401,018</u>	<u>2,441,509</u>	<u>2,842,527</u>	<u>-</u>	<u>2,842,527</u>	<u>3,313,802</u>
Auxiliary Enterprises:						
Residential life	-	-	-	466,886	466,886	513,488
Scholarship allowances and discounts	-	-	-	(186,563)	(186,563)	(222,680)
Net Residential Life	-	-	-	280,323	280,323	290,808
Bookstore	-	-	-	869,659	869,659	1,325,779
Scholarship allowances and discounts	-	-	-	(429,163)	(429,163)	(623,513)
Net Bookstore	-	-	-	440,496	440,496	702,266
Student programs	-	-	-	94,551	94,551	37,710
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>815,370</u>	<u>815,370</u>	<u>1,030,784</u>
Total Operating Revenues (Exhibit 2)	<u>\$ 5,216,883</u>	<u>\$ 2,512,175</u>	<u>\$ 7,729,058</u>	<u>\$ 815,370</u>	<u>\$ 8,544,428</u> (Exhibit 2)	<u>\$ 9,527,592</u> (Exhibit 2)

* In accordance with Education Code 56.033, \$175,191 and \$279,396 for years August 31, 2019 and 2018, 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, 2019
(With Memorandum Totals for the Year Ended August 31, 2018)**

	Operating Expenses				2019 Totals	2018 Totals
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 5,674,815	\$ -	\$ 1,583,667	\$ 458,205	\$ 7,716,687	\$ 7,327,074
Public Service	161,211	-	87,015	22,776	271,002	235,706
Academic Support	1,492,309	-	420,135	696,206	2,608,650	2,382,375
Student Services	1,602,742	-	473,613	242,655	2,319,010	1,794,656
Institutional Support	1,219,830	-	383,088	1,672,301	3,275,219	3,310,867
Operation and Maintenance of Plant	869,169	-	241,948	1,273,343	2,384,460	2,220,122
Scholarships and Fellowships	-	-	-	-	-	-
Total Unrestricted Educational Activities	11,020,076	-	3,189,466	4,365,486	18,575,028	17,270,800
Restricted - Educational Activities						
Instruction	14,308	936,460	-	458,123	1,408,891	1,775,752
Public Service	151,379	51,454	41,704	253,019	497,556	447,165
Academic Support	16,972	248,436	-	-	265,408	256,009
Student Services	98,654	280,059	-	-	378,713	307,444
Institutional Support	156,365	226,529	-	48,289	431,183	431,427
Operation and Maintenance of Plant	-	-	-	4,880	4,880	-
Scholarships and Fellowships	-	-	-	478,984	478,984	743,016
Total Restricted Educational Activities	437,678	1,742,938	41,704	1,243,295	3,465,615	3,960,813
Total Educational Activities	11,457,754	1,742,938	3,231,170	5,608,781	22,040,643	21,231,613
Auxiliary Enterprises	701,274	-	235,965	943,995	1,881,234	1,945,823
Depreciation Expense - Buildings and other real estate improvements	-	-	-	548,766	548,766	540,403
Depreciation Expense - Equipment and furniture	-	-	-	372,334	372,334	339,565
Total Operating Expenses	\$ 12,159,028	\$ 1,742,938	\$ 3,467,135	\$ 7,473,876	\$ 24,842,977 (Exhibit 2)	\$ 24,057,404 (Exhibit 2)

Vernon College
Schedule C
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2019
(With Memorandum Totals for the Year Ended August 31, 2018)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2019 Totals</u>	<u>2018 Totals</u>
NON-OPERATING REVENUES:					
State appropriations:					
Educational and general state support	\$ 5,619,551	\$ -	\$ -	\$ 5,619,551	\$ 5,612,932
State group insurance	-	1,258,524	-	1,258,524	1,501,773
State retirement match	-	435,138	-	435,138	229,989
Total state appropriations	5,619,551	1,693,662	-	7,313,213	7,344,694
Property taxes for maintenance & operation	1,797,398	-	923,884	2,721,282	2,710,670
Federal Revenue, Non-Operating	-	5,122,561	-	5,122,561	5,448,482
Capital contracts, grants and gifts	-	180,125	99,148	279,273	230,737
Gain/(Loss) on Disposal of Assets	(652,551)	-	-	(652,551)	(50,582)
Lease income	-	17,766	-	17,766	28,977
Investment income	104,996	12,338	-	117,334	63,018
Total non-operating revenues	7,521,945	7,026,452	1,023,032	14,918,878	15,775,996
NON-OPERATING EXPENSES:					
Operational costs of lease property	-	2,426	-	2,426	2,961
Amortization of bond issuance costs	-	47,692	-	47,692	47,692
Interest and fees on capital related debt	6,043	202,870	-	208,913	232,494
Total non-operating expenses	6,043	252,988	-	259,031	283,147
Net non-operating revenues	\$ 7,515,902	\$ 6,773,464	\$ 1,023,032	\$ 14,659,847	\$ 15,492,849
				(Exhibit 2)	(Exhibit 2)

Vernon College
Schedule D
Schedule of Net Position By Source and Availability
For the Year Ended August 31, 2019
(With Memorandum Totals for the Year Ended August 31, 2018)

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$(15,270,825)	\$ -	\$ -	\$ -	\$(15,270,825)	\$(15,270,825)	\$ -
Auxiliary	-	-	-	-	-	-	-
Student Aid	-	73,903	-	-	73,903	73,903	-
Endowment:							
Unrestricted:							
Student Aid	-	-	1,345,153	-	1,345,153	-	1,345,153
Plant:							
Debt Service	-	529,042	-	-	529,042	-	529,042
Investment in Plant	-	-	-	12,401,948	12,401,948	-	12,401,948
Total Net Position, August 31, 2019	(15,270,825)	602,945	1,345,153	12,401,948	(920,779)	(15,196,922)	14,276,143
Total Net Position, August 31, 2018	(14,068,265)	616,538	1,381,586	12,788,064	717,923 (Exhibit 1)	(13,979,510)	14,697,432
Change in net position	\$ (1,202,560)	\$ (13,593)	\$ (36,433)	\$ (386,116)	\$ (1,638,702) (Exhibit 2)	\$ (1,217,412)	\$ (421,289)

**Vernon College
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019**

<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	\$ 94,978	\$ -
Federal Workstudy Program (FWS)	84.033	N/A	95,942	-
Federal Pell Grant Program (PELL)	84.063	N/A	4,931,641	-
Federal Direct Student Loans (Direct Loans)	84.268	N/A	5,213,384	-
			<u>10,335,945</u>	<u>-</u>
Title III - Strengthening Institutional Programs	84.031A	N/A	<u>251,491</u>	<u>-</u>
Total Direct Programs			<u>10,587,436</u>	<u>-</u>
<u>Pass-Through From:</u>				
Texas Higher Education Coordinating Board:				
Carl Perkins Vocational Education Annual Grant	84.048	94252	<u>302,429</u>	<u>-</u>
Total U.S. Department of Education			<u>10,889,865</u>	<u>-</u>
<u>U.S. Department of Agriculture</u>				
<u>Direct Programs:</u>				
2016 Farmers Market Promotion Program	10.168	N/A	<u>213,195</u>	<u>-</u>
Total Department of Agriculture			<u>213,195</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	<u>45,975</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>45,975</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,149,035</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, 2019

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: Indirect Cost Rate

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

Note 3: Federal Assistance Reconciliation

Federal Revenues - per Exhibit 2	
Federal Grants and Contracts - per Schedule A	\$ 845,372
Federal Grants and Contracts - per Schedule C	5,122,561
Direct Loans	5,213,384
Administrative Cost Recoveries - U.S. Department of Education	(7,705)
Admin. Allow. - 2016 Farmers Market Promotion Program	(17,667)
ADA Consortium	(4,000)
Veterans Reporting Allowance	<u>(2,910)</u>
 Total Per Schedule E	 <u>\$ 11,149,035</u>

Vernon College
Schedule F
Schedule of Expenditures of State Awards
For Year Ended August 31, 2019

State Grantor/Pass Through Grantor/Program Title	Grant Contract #	Expenditures August 31, 2019
Pass-Through From		
Texas Higher Ed Coordinating Board		
College Workstudy	N/A	\$ 16,972
Texas Education Opportunity Grant	N/A	252,186
Nursing Innovations Grant	N/A	20,305
JET Grant	N/A	144,035
Professional Nursing Grant	N/A	1,000
Subtotal Texas Higher Education Coordinating Board		434,498
Texas Department of Agriculture		
Texans Feeding Texans	N/A	1,221
Subtotal Texas Department of Agriculture		1,221
Texas Comptroller of Public Accounts		
Law Enforcement Grant	N/A	3,571
Subtotal Texas Comptroller of Public Accounts		3,571
Texas Workforce Commission		
Skills Development Fund	0317SDF000	44,756
Skills for Small Business	0317SSD000	15,012
Subtotal Texas Workforce Commission		59,768
Total State Grants and Awards		\$ 499,058

Note 2: 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 2014 to 2019
(Unaudited)**

	For the Years Ended August 31,					
	2019	2018	2017	2016	2015	2014
Net Investment in capital assets	\$ 12,401,948	\$ 12,788,064	\$ 12,051,581	\$ 10,914,983	\$ 10,962,975	\$ 11,147,587
Restricted - nonexpendable	1,345,153	1,381,586	1,390,398	1,526,525	1,542,110	1,688,875
Restricted - expendable	602,945	616,538	602,986	975,289	979,687	984,297
Unrestricted	(15,270,825)	(14,068,265)	(297,922)	(299,555)	(371,319)	3,358,774
Prior Period Adjustment - GASB 68	-	-	-	-	-	(3,695,550)
Prior Period Adjustment - GASB 75	-	-	(13,992,157)	-	-	-
Total primary government net position	<u>\$ (920,779)</u>	<u>\$ 717,923</u>	<u>\$ (245,114)</u>	<u>\$ 13,117,242</u>	<u>\$ 13,113,453</u>	<u>\$ 13,483,983</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2014 to 2019 are reported.

Vernon College
Statistical Supplement 2
Revenue by Source
Fiscal Years 2014 to 2019
(Unaudited)

For the Years Ended August 31,

	2019	2018	2017	2016	2015	2014
Operating Revenues						
Tuition and fees (net of discounts)	\$ 4,886,531	\$ 5,183,006	\$ 4,919,921	\$ 4,589,733	\$ 4,864,086	\$ 4,880,953
Government grants and contracts:						
Federal grants and contracts	845,372	943,769	854,921	761,962	266,912	234,829
State grants and contracts	499,058	874,916	425,429	327,546	732,620	900,845
Non-governmental grants and contracts	1,146,695	1,154,111	887,698	1,005,074	945,811	899,800
Sales and services of educational activities	109,700	113,201	111,462	122,003	114,134	112,937
Investment income (program restricted)	27,422	17,485	13,913	5,587	7,711	7,099
Auxiliary enterprises (net of discounts)	815,370	1,030,784	1,315,827	1,247,495	1,194,766	1,261,227
Other operating revenues	214,280	210,320	10,848	-	-	19,949
Total Operating Revenues	<u>8,544,428</u>	<u>9,527,592</u>	<u>8,540,019</u>	<u>8,059,400</u>	<u>8,126,040</u>	<u>8,317,639</u>
Non-Operating Revenues						
State appropriations	7,313,213	7,344,694	7,068,556	6,935,691	6,791,015	6,709,002
Ad valorem taxes	2,721,282	2,710,670	2,735,221	2,718,006	2,648,716	2,661,134
Federal Revenue, Non-Operating	5,122,561	5,448,482	5,167,989	5,120,750	5,580,294	5,899,152
Other non-operating income	279,273	230,737	217,359	203,655	235,821	188,802
Lease income	17,766	28,977	24,788	24,929	18,516	14,158
Investment income	117,334	63,018	29,946	11,506	24,109	19,721
Total Non-Operating Revenues	<u>15,571,429</u>	<u>15,826,578</u>	<u>15,243,859</u>	<u>15,014,537</u>	<u>15,298,471</u>	<u>15,491,969</u>
Total Revenues	<u>\$ 24,115,857</u>	<u>\$ 25,354,170</u>	<u>\$ 23,783,878</u>	<u>\$ 23,073,937</u>	<u>\$ 23,424,511</u>	<u>\$ 23,809,608</u>

For the Years Ended August 31,

	2019	2018	2017	2016	2015	2014
Operating Revenues						
Tuition and fees (net of discounts)	20.26%	20.44%	20.69%	19.89%	20.76%	20.50%
Government grants and contracts:						
Federal grants and contracts	3.51%	3.72%	3.59%	3.30%	1.14%	0.99%
State grants and contracts	2.07%	3.45%	1.79%	1.42%	3.13%	3.78%
Non-governmental grants and contracts	4.75%	4.55%	3.73%	4.36%	4.04%	3.78%
Sales and services of educational activities	0.45%	0.45%	0.47%	0.53%	0.49%	0.47%
Investment income (program restricted)	0.11%	0.07%	0.06%	0.02%	0.03%	0.03%
Auxiliary enterprises (net of discounts)	3.38%	4.07%	5.53%	5.41%	5.10%	5.30%
Other operating revenues	0.89%	0.83%	0.05%	0.00%	0.00%	0.08%
Total Operating Revenues	<u>35.43%</u>	<u>37.58%</u>	<u>35.91%</u>	<u>34.93%</u>	<u>34.69%</u>	<u>34.93%</u>
Non-Operating Revenues						
State appropriations	30.33%	28.97%	29.72%	30.06%	28.99%	28.18%
Ad valorem taxes	11.28%	10.69%	11.50%	11.78%	11.31%	11.18%
Federal Title IV grant revenue	21.24%	21.49%	21.73%	22.19%	23.82%	24.78%
Capital contracts, grants and gifts	1.16%	0.91%	0.91%	0.88%	1.01%	0.79%
Lease income	0.07%	0.11%	0.10%	0.11%	0.08%	0.06%
Investment income	0.49%	0.25%	0.13%	0.05%	0.10%	0.08%
Total Non-Operating Revenues	<u>64.57%</u>	<u>62.42%</u>	<u>64.09%</u>	<u>65.07%</u>	<u>65.31%</u>	<u>65.07%</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 2014 to 2019 are reported.

Vernon College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2014 to 2019
(Unaudited)

For the Years Ended August 31,

	2019	2018	2017	2016	2015	2014
Operating Expenses						
Instruction	\$ 9,125,578	\$ 9,102,826	\$ 8,480,422	\$ 8,456,979	\$ 8,319,528	\$ 8,080,853
Public service	768,558	682,872	589,589	520,316	524,080	514,862
Academic support	2,874,057	2,638,383	2,660,825	2,687,735	2,688,021	2,769,920
Student services	2,697,723	2,102,100	2,046,237	2,023,111	1,941,001	1,872,380
Institutional support	3,706,402	3,742,294	3,577,573	3,591,913	3,254,711	3,130,823
Operation and maintenance of plant	2,389,340	2,220,122	2,149,925	2,130,759	2,184,101	2,249,417
Scholarship and fellowships	478,984	743,016	168,017	320,362	1,544,790	1,886,033
Auxiliary enterprises	1,881,234	1,945,823	2,245,168	2,111,369	2,001,138	2,034,033
Depreciation	921,100	879,968	870,491	864,837	900,450	905,420
Total Operating Expenses	<u>24,842,977</u>	<u>24,057,404</u>	<u>22,788,247</u>	<u>22,707,381</u>	<u>23,357,820</u>	<u>23,443,741</u>
Non-Operating Expenses						
Operational costs of leased property	2,426	2,961	2,949	7,021	3,498	3,008
Amortization of bond issuance costs	47,692	47,692	47,692	-	-	-
Loss on disposal of assets	652,551	50,582	4,381	3,672	14,198	-
Interest and fees on capital related debt	208,913	232,494	310,808	352,074	419,522	438,772
Total Non-Operating Expenses	<u>911,582</u>	<u>333,729</u>	<u>365,830</u>	<u>362,767</u>	<u>437,218</u>	<u>441,780</u>
Total Expenses	<u>\$ 25,754,559</u>	<u>\$ 24,391,133</u>	<u>\$ 23,154,077</u>	<u>\$ 23,070,148</u>	<u>\$ 23,795,038</u>	<u>\$ 23,885,521</u>

For the Years Ended August 31,

	2019	2018	2017	2016	2015	2014
Operating Expenses						
Instruction	35.43%	37.32%	36.63%	36.66%	34.96%	33.83%
Public service	2.98%	2.80%	2.55%	2.26%	2.20%	2.16%
Academic support	11.16%	10.82%	11.49%	11.65%	11.30%	11.60%
Student services	10.47%	8.62%	8.84%	8.77%	8.16%	7.84%
Institutional support	14.39%	15.34%	15.45%	15.57%	13.68%	13.11%
Operation and maintenance of plant	9.28%	9.10%	9.29%	9.24%	9.18%	9.42%
Scholarship and fellowships	1.86%	3.05%	0.73%	1.39%	6.49%	7.90%
Auxiliary enterprises	7.30%	7.98%	9.70%	9.15%	8.41%	8.52%
Depreciation	3.58%	3.61%	3.76%	3.75%	3.78%	3.79%
Total Operating Expenses	<u>96.46%</u>	<u>98.63%</u>	<u>98.42%</u>	<u>98.43%</u>	<u>98.16%</u>	<u>98.15%</u>
Non-Operating Expenses						
Operational costs of leased property	0.01%	0.01%	0.01%	0.03%	0.01%	0.01%
Amortization of bond issuance costs	0.19%	0.20%	0.21%	0.00%	0.00%	0.00%
Loss on disposal of assets	2.53%	0.21%	0.02%	0.02%	0.06%	0.00%
Interest and fees on capital related debt	0.81%	0.95%	1.34%	1.53%	1.76%	1.84%
Total Non-Operating Expenses	<u>3.54%</u>	<u>1.37%</u>	<u>1.58%</u>	<u>1.57%</u>	<u>1.84%</u>	<u>1.85%</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 2014 to 2019 are reported.

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

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

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
2018	50.00	95.00	44.00	6.00	1,200.00	1,740.00	0.00%	0.00%
2017	50.00	95.00	44.00	6.00	1,200.00	1,740.00	5.26%	3.57%
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%

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
2018	160.00	160.00	44.00	6.00	2,520.00	2,520.00	0.00%	0.00%
2017	160.00	160.00	44.00	6.00	2,520.00	2,520.00	2.44%	2.44%
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%

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)**

<u>Fiscal Year</u>	<u>Assessed Valuation of Property</u>	<u>Less: Exemptions</u>	<u>Taxable Assessed Value (TAV)</u>	<u>Ratio of Taxable Assessed Value to Assessed Value</u>	<u>Maintenance and Operation (a)</u>	<u>Debt Service (a)</u>	<u>Total (a)</u>
2018-19	\$ 1,904,965,640	\$ 744,142,420	\$ 1,160,823,220	60.94%	\$ 0.23147	\$ 0.00000	\$ 0.23147
2017-18	1,898,393,160	739,419,390	1,158,973,770	61.05%	0.23237	0.00000	0.23237
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

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	
2018-19	5,596,011	2,111	2,651	721,504	445,416	1,166,920	4.80
2017-18	5,596,132	1,912	2,927	731,328	554,688	1,286,016	4.35
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

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								
		2019	2018	2017	2016	2015	2014	2013	2012	2011
Electric Transmission of Texas	Electricity Distribution	\$ 174,534,040	\$ 160,198,710	\$ 166,570,770	\$ 164,103,380	\$ 147,972,970	\$ 86,598,110	\$ 43,382,620	\$ 23,236,450	\$ 10,913,990
Blue Summit Wind, LLC	Wind Farm	128,261,060	97,310,980	108,731,000	118,421,030	145,060,550	166,668,370	191,173,200	-	-
AEP Texas North Company	Energy company	101,302,410	127,769,200	135,882,800	147,178,480	161,931,200	168,967,800	174,045,890	184,846,970	175,881,840
Sharyland Utilities	Electricity Distribution	55,068,090	33,199,160	-	-	-	-	-	-	-
AEP Public Service Co of Oklahoma	Energy company	46,512,710	61,374,230	62,421,950	56,405,710	59,139,670	59,481,220	51,041,830	51,378,340	49,330,580
Tyson Foods, Inc	Food processing plant	35,623,320	35,198,870	34,969,900	35,037,410	32,676,840	32,862,470	34,825,270	38,836,140	36,724,230
Solvay (Rhodia), Inc	Guar processing plant	35,175,440	29,046,760	20,841,560	24,315,450	25,225,340	21,923,000	25,243,480	22,484,120	18,935,300
BNSF Railway	Railroad company	28,306,520	27,073,450	24,359,830	23,450,500	21,475,840	21,588,920	21,558,190	19,890,160	17,537,810
Oklahoma Municipal Power Authority	Energy company	26,477,320	35,287,030	35,612,300	35,646,290	33,391,360	34,238,180	35,340,650	33,682,770	32,929,510
WT Waggoner Estate	Farming, ranching, oil & gas	25,953,110	21,766,010	22,620,360	16,144,770	26,874,080	29,790,920	28,159,810	30,417,350	25,172,210
Mahard Egg Farm	Egg farm	18,868,500	18,862,920	18,174,820	14,041,370	16,885,140	17,630,080	18,949,050	18,677,420	18,811,580
Blue Summit Storage, LLC	Electric Storage Batteries	12,917,190	13,473,950	-	-	-	-	-	-	-
Vernon FL, LLC	Automobile Dealerships	10,781,580	10,485,550	10,560,580	9,512,440	20,151,180	14,123,750	-	-	-
Walmart	Retail sales	-	8,198,060	7,516,210	-	-	-	-	-	-
Joseph D & Joan P Rogers	Hotels	-	6,642,330	7,116,020	6,825,670	-	-	-	-	-
Oncor Electric Delivery	Electricity Distribution	-	-	14,848,140	15,274,310	17,145,400	-	13,384,910	8,212,510	-
Totals		\$ 699,781,290	\$ 685,887,210	\$ 670,226,240	\$ 666,356,810	\$ 707,929,570	\$ 653,872,820	\$ 637,104,900	\$ 431,662,230	\$ 386,237,050
Total Assessed Taxable Value		\$ 1,160,823,220	\$ 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

Taxpayer	Type of Business	Percentage Taxable Assessed Valuation (TAV) by Tax Year								
		2019	2018	2017	2016	2015	2014	2013	2012	2011
Electric Transmission of Texas	Electricity Distribution	15.04%	13.66%	13.47%	13.62%	12.52%	8.78%	4.78%	2.62%	1.21%
Blue Summit Wind, LLC	Wind Farm	11.05%	8.29%	8.79%	9.83%	12.27%	16.90%	21.05%	0.00%	0.00%
AEP Texas North Company	Energy company	8.73%	10.89%	10.99%	12.21%	13.70%	17.13%	19.17%	20.83%	19.48%
Sharyland Utilities	Electricity Distribution	4.74%	2.83%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
AEP Public Service Co of Oklahoma	Energy company	4.01%	5.23%	5.05%	4.68%	5.00%	6.03%	5.62%	5.79%	5.46%
Tyson Foods, Inc	Food processing plant	3.07%	3.00%	2.83%	2.91%	2.76%	3.33%	3.84%	4.38%	4.07%
Solvay (Rhodia), Inc	Guar processing plant	3.03%	2.48%	1.68%	2.02%	2.13%	2.22%	2.78%	2.53%	2.10%
BNSF Railway	Railroad company	2.44%	2.31%	1.97%	1.95%	1.82%	2.19%	2.37%	2.24%	1.94%
Oklahoma Municipal Power Authority	Energy company	2.28%	3.01%	2.88%	2.96%	2.82%	3.47%	3.89%	3.80%	3.65%
WT Waggoner Estate	Farming, ranching, oil & gas	2.24%	1.86%	1.83%	1.34%	2.27%	3.02%	3.10%	3.43%	2.79%
Mahard Egg Farm	Egg farm	1.63%	1.61%	1.47%	1.16%	1.43%	1.79%	2.09%	2.11%	2.08%
Blue Summit Storage, LLC	Electric Storage Batteries	1.11%	1.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Vernon FL, LLC	Automobile Dealerships	0.93%	0.89%	0.85%	0.79%	1.70%	1.43%	0.00%	0.00%	0.00%
Walmart	Retail sales	0.00%	0.70%	0.61%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Joseph D & Joan P Rogers	Hotels	0.00%	0.57%	0.58%	0.57%	0.00%	0.00%	0.00%	0.00%	0.00%
Oncor Electric Delivery	Electricity Distribution	0.00%	0.00%	1.20%	1.27%	1.45%	0.00%	1.47%	0.93%	0.00%
Totals		60.28%	58.46%	54.18%	55.29%	59.88%	66.28%	70.16%	48.65%	42.78%

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

<u>Fiscal Year Ended August 31,</u>	<u>Levy (a)</u>	<u>Cumulative Levy Adjustment</u>	<u>Adjusted Tax Levy (b)</u>	<u>Collections Year of Levy (c)</u>	<u>Percentage</u>	<u>Prior Collections of Prior Levies (d)</u>	<u>Current Collections of Prior Levies (e)</u>	<u>Total Collections (c+d+e)</u>	<u>Cumulative Collections of Adjusted Levy</u>
2019	\$ 2,687,256	\$ (29,960)	\$ 2,657,296	\$ 2,622,805	98.70%	\$ -	\$ -	\$ 2,622,805	98.70%
2018	2,691,890	(4,635)	2,687,255	2,645,921	98.46%	-	19,170	2,665,091	99.18%
2017	2,695,988	(7,229)	2,688,759	2,648,263	98.49%	16,093	6,410	2,670,766	99.33%
2016	2,722,455	(34,285)	2,688,170	2,643,759	98.35%	26,951	5,234	2,675,944	99.55%
2015	2,623,156	(10,969)	2,612,187	2,574,026	98.54%	26,548	3,271	2,603,845	99.68%
2014	2,625,712	(5,854)	2,619,858	2,541,707	97.02%	69,672	726	2,612,105	99.70%
2013	2,198,223	(4,282)	2,193,941	2,116,137	96.45%	71,243	591	2,187,971	99.73%
2012	2,028,437	(2,703)	2,025,734	1,986,272	98.05%	32,629	879	2,019,780	99.71%
2011	2,018,225	(5,413)	2,012,811	1,966,566	97.70%	39,088	848	2,006,502	99.69%
2010	2,010,444	(2,036)	2,008,407	1,962,237	97.70%	40,915	598	2,003,750	99.77%

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,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenue bonds	\$ 8,079,000	\$ 8,686,183	\$ 9,278,365	\$ 9,835,547	\$10,285,000	\$10,760,000	\$11,225,000	\$11,680,000	\$12,125,000	\$6,540,000
Capital lease obligations	-	134,734	297,141	418,103	565,880	704,274	833,132	952,991	1,064,363	1,167,734
Total Outstanding Debt	\$ 8,079,000	\$ 8,820,917	\$ 9,575,506	\$10,253,650	\$10,850,880	\$11,464,274	\$12,058,132	\$12,632,991	\$13,189,363	\$7,707,734
Total Outstanding Debt Ratios										
Per Capita	not available	688.06	750.20	785.06	832.95	883.70	918.30	952.86	976.27	562.98
Per FTSE	3,827	4,613	4,653	5,402	5,539	4,825	5,164	5,592	4,849	3,185
As a percentage of Taxable Assessed Value	0.6971%	0.7611%	0.8162%	0.8289%	0.9003%	0.9698%	1.2223%	1.3913%	1.4865%	0.8537%

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,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Taxable Assessed Valuation	\$ 1,160,823,220	\$ 1,158,973,770	\$ 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
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Statutory tax levy limit for debt service	\$ 5,804,116	\$ 5,794,869	\$ 5,865,872	\$ 6,184,764	\$ 6,026,343	\$ 5,910,906	\$ 4,932,378	\$ 4,540,074	\$ 4,436,426	\$ 4,514,561
Less funds restricted for repayment of bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	5,804,116	5,794,869	5,865,872	6,184,764	6,026,343	5,910,906	4,932,378	4,540,074	4,436,426	4,514,561
Current year debt service requirement	-	-	-	-	-	-	-	-	-	-
Excess of statutory limit for debt service over current requirement	\$ 5,804,116	\$ 5,794,869	\$ 5,865,872	\$ 6,184,764	\$ 6,026,343	\$ 5,910,906	\$ 4,932,378	\$ 4,540,074	\$ 4,436,426	\$ 4,514,561
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	
2019	\$ 4,508,781	\$ 717,432	\$ 6,483,710	\$ 17,766	\$ 104,996	\$11,832,685	\$ 605,000	\$ 205,598	\$ 810,598	14.60
2018	4,922,682	758,392	6,028,849	28,977	52,710	11,791,610	590,000	219,322	809,322	14.57
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	142,615	697,615	15.18
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

**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
2019	b	b	b	4.3%
2018	12,820	\$ 538,962	\$ 42,041	5.1%
2017	12,764	504,714	39,542	4.3%
2016	13,061	505,617	38,712	4.8%
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%

Sources:

Bureau of Economic Analysis
Unemployment rate via Google search

Notes:

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

**Vernon College
Statistical Supplement 13
Principal Employers
Fiscal Year 2019
(Unaudited)**

<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment (1)</u>
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	 <u>2450-5686</u>	 <u>63.69%</u>

Source:

Employer search <http://socrates.cdr.state.tx.us/> , November 2018
Labor Force - Socrates County Narrative Profile, November 2018

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,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Faculty										
FT	85	86	90	97	91	88	83	81	81	77
PT	82	81	86	78	68	75	80	76	81	88
Total	167	167	176	175	159	163	163	157	162	165
Percent										
FT	51%	51%	51%	55%	57%	54%	51%	52%	50%	47%
PT	49%	49%	49%	45%	43%	46%	49%	48%	50%	53%
Staff & Adm										
FT	143	142	145	143	145	145	141	140	143	139
PT	2	2	2	3	3	3	4	5	4	9
Total	145	144	147	146	148	148	145	145	147	148
Percent										
FT	99%	99%	99%	98%	98%	98%	97%	97%	97%	94%
PT	1%	1%	1%	2%	2%	2%	3%	3%	3%	6%
FTSE										
FT Faculty	-	1,912	2,058	1,898	1,959	2,376	2,335	2,259	2,720	2,420
FT Staff	-	22.23	22.87	19.57	21.53	27.00	28.13	27.89	33.58	31.43
	-	13.46	14.19	13.27	13.51	16.39	16.56	16.14	19.02	17.41
Fac Sal	\$ 4,562,264	\$ 4,571,565	\$ 4,803,176	\$ 4,712,955	\$ 4,666,619	\$ 4,357,658	\$ 3,809,445	\$ 3,794,882	\$ 3,558,609	\$ 3,373,083
Avg. Fac	\$ 53,674	\$ 53,158	\$ 53,369	\$ 48,587	\$ 51,282	\$ 49,519	\$ 45,897	\$ 46,850	\$ 43,933	\$ 43,806

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

Credit Student Classification	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
0 - 30 hours	2235	73.16%	2320	77.13%	1967	66.16%	2091	72.33%	2044	68.38%
31 - 60 hours	458	14.99%	392	13.03%	567	19.07%	600	20.75%	853	28.54%
> 60 hours	362	11.85%	296	9.84%	439	14.77%	200	6.92%	92	3.08%
Total	3055	100.00%	3008	100.00%	2973	100.00%	2891	100.00%	2989	100.00%

Non-Credit Student Classification	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
CEU Students Only	666	65.10%	1014	65.89%	662	64.21%	1034	68.61%	876	67.70%
0 - 30 hours	268	26.20%	356	23.13%	262	25.41%	309	20.50%	274	21.17%
31 - 60 hours	49	4.79%	100	6.50%	70	6.79%	102	6.77%	96	7.42%
> 60 hours	40	3.91%	25	1.62%	37	3.59%	62	4.11%	48	3.71%
			44							
Total	1023	100.00%	1539	97.14%	1031	100.00%	1507	100.00%	1294	100.00%

Semester Hour Load	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	9	0.29%	7	0.23%	18	0.61%	5	0.17%	17	0.57%
3 - 5 semester hours	587	19.21%	526	17.49%	493	16.58%	513	17.74%	481	16.09%
6 - 8 semester hours	999	32.70%	905	30.09%	908	30.54%	870	30.09%	885	29.61%
9 - 11 semester hours	527	17.25%	510	16.95%	545	18.33%	481	16.64%	533	17.83%
12 - 14 semester hours	704	23.04%	794	26.40%	805	27.08%	830	28.71%	875	29.27%
15 - 17 semester hours	222	7.27%	255	8.48%	192	6.46%	179	6.19%	188	6.29%
18 & over	7	0.23%	11	0.37%	12	0.40%	13	0.45%	10	0.33%
Sub-Total SCH Students	3055	100.00%	3008	100.00%	2973	100.00%	2891	100.00%	2989	100.00%
Average SCH course load	8.62		8.99		8.89		8.92		8.93	
Non-Credit CEU Students	1023		1539		1031		1507		1294	
Total	4078		4547		4004		4398		4283	

Credit Tuition Status	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-district)	280	9.17%	290	9.71%	249	8.38%	272	9.41%	251	8.40%
Texas Resident (out-of-dist)	2745	89.85%	2669	89.38%	2686	90.35%	2566	88.76%	2699	90.30%
Non-Resident Tuition	30	0.98%	27	0.90%	38	1.28%	53	1.83%	39	1.30%
Total	3055	100.00%	2986	100.00%	2973	100.00%	2891	100.00%	2989	100.00%

Non-Credit Tuition Status	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	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	11	1.08%	2	0.13%	0	0.00%	15	1.00%	3	0.23%
CEU Contract Only	637	62.27%	1032	67.06%	842	81.67%	1331	88.32%	856	66.15%
CEU Non-Contract Only	375	36.66%	505	32.81%	189	18.33%	161	10.68%	435	33.62%
Total	1023	100.00%	1539	100.00%	1031	100.00%	1507	100.00%	1294	100.00%

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

	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	2460	60.32%	2574	56.61%	2432	60.74%	2532	57.57%	2573	60.07%
Male	1618	39.68%	1973	43.39%	1572	39.26%	1866	42.43%	1710	39.93%
Total	4078	100.00%	4547	100.00%	4004	100.00%	4398	100.00%	4283	100.00%

	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin										
White	2467	60.50%	2922	64.26%	2554	63.79%	2960	67.30%	2900	67.71%
Hispanic	950	23.30%	987	21.71%	828	20.68%	784	17.83%	765	17.86%
African American	355	8.71%	358	7.87%	353	8.82%	346	7.87%	350	8.17%
Asian	68	1.67%	82	1.80%	67	1.67%	78	1.77%	65	1.52%
Foreign	12	0.29%	0	0.00%	8	0.20%	11	0.25%	4	0.09%
Native American	31	0.76%	35	0.77%	45	1.12%	39	0.89%	36	0.84%
Other	195	4.78%	163	3.58%	149	3.72%	180	4.09%	163	3.81%
Total	4078	100.00%	4547	100.00%	4004	100.00%	4398	100.00%	4283	100.00%

	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Credit Students)										
Under 18	792	25.92%	613	20.38%	584	19.64%	524	18.13%	447	14.95%
18 - 21	1061	34.73%	1150	38.23%	1159	38.98%	1069	36.98%	1073	35.90%
22 - 24	299	9.79%	323	10.74%	325	10.93%	362	12.52%	363	12.14%
25 - 35	633	20.72%	635	21.11%	627	21.09%	647	22.38%	746	24.96%
36 - 50	239	7.82%	243	8.08%	236	7.94%	248	8.58%	301	10.07%
51 & over	31	1.01%	44	1.46%	42	1.41%	41	1.42%	59	1.97%
Total	3055	100.00%	3008	100.00%	2973	100.00%	2891	100.00%	2989	100.00%

Average Age	<u>23</u>	<u>23</u>	<u>23</u>	<u>24.0</u>	<u>25.0</u>
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	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Non-Credit Students)										
Under 18	273	26.69%	353	22.94%	264	25.61%	297	19.71%	279	21.56%
18 - 21	85	8.31%	134	8.71%	132	12.80%	119	7.90%	147	11.36%
22 - 24	80	7.82%	84	5.46%	69	6.69%	107	7.10%	102	7.88%
25 - 35	218	21.31%	327	21.25%	236	22.89%	320	21.23%	262	20.25%
36 - 50	219	21.41%	346	22.48%	176	17.07%	361	23.95%	258	19.94%
51 & over	148	14.47%	295	19.17%	154	14.94%	303	20.11%	246	19.01%
Total	1023	100.00%	1539	100.00%	1031	100.00%	1507	100.00%	1294	100.00%

Average Age	<u>32.0</u>	<u>34.0</u>	<u>31.0</u>	<u>35.0</u>	<u>33.0</u>
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Vernon College
Statistical Supplement 17
Transfers to Senior Institutions
2017-2018 Graduates, Completers and Non-Returners
(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	4	1	5	0.95%
2 Midwestern State University	293	38	331	62.93%
3 Sam Houston State University	4		4	0.76%
4 Stephen F. Austin State University	3		3	0.57%
5 Tarleton State University	19	2	21	3.99%
6 Texas A&M International University	1		1	0.19%
7 Texas A&M University	10	1	11	2.09%
8 Texas A&M University - Commerce	1		1	0.19%
9 Texas A&M University - Corpus Christi	1		1	0.19%
10 Texas A&M University - Kingsville	1		1	0.19%
11 Texas A&M University - Galveston	1		1	0.19%
12 Texas State University - San Marcos	9	1	10	1.90%
13 Texas Tech University	42	1	43	8.17%
14 Texas Woman's University	4	2	6	1.14%
15 The University of Texas at Arlington	17	7	24	4.56%
16 The University of Texas at Austin	7	1	8	1.52%
17 The University of Texas at Dallas	7		7	1.33%
18 The University of Texas at San Antonio	2		2	0.38%
19 The University of Texas at Tyler	3		3	0.57%
20 The University of Texas of the Permian Basin	2	1	3	0.57%
21 University of Houston - Downtown	2		2	0.38%
22 University of Houston - Victoria	3		3	0.57%
23 University of North Texas	19	2	21	3.99%
24 West Texas A&M University	14		14	2.66%
	<u>469</u>	<u>57</u>	<u>526</u>	<u>100.00%</u>

**Vernon College
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2015 to 2019
(Unaudited)**

	Fiscal Years				
	2019	2018	2017	2016	2015
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	29,487	29,487	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	12,800	11,000	11,000	11,000	11,000
Transportation					
Cars	3	3	3	3	3
Light trucks/vans	15	15	14	14	14
Buses	3	3	3	3	3

Overall Compliance, Internal Controls and Federal Awards Section



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA
A. PAUL FLEMING, CPA

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, 2019, 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 17, 2019.

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, 2019, 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 17, 2019



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA
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, 2019. 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 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 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, 2019.

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 program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Respectfully submitted,



EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 17, 2019

VERNON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019

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 and State 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:	<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 federal programs:	\$750,000
Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> No

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, 2019**

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, 2019

There were no findings in the prior year.