

VERNON COLLEGE

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

VERNON COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

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Organizational Information

**Vernon College
Organizational Data
August 31, 2013**

Board of Trustees

<u>Officers</u>	<u>Term Expires</u>
Dr. Todd Smith Chairman	May 1, 2016
Mr. Gene Heatly Vice-Chairman	May 1, 2014
Mrs. Vicki Pennington Secretary	May 1, 2016

<u>Members</u>	<u>Term Expires</u>
Mr. Bob Ferguson	May 1, 2018
Mr. Norman Brints	May 1, 2014
Mrs. Joanie Rogers	May 1, 2018
Mr. Irl Holt	May 1, 2018

Principal Administrative Officers

Dr. Dusty R. Johnston	President
Mr. John Hardin III	Dean of Student Services
Mr. Garry David, CPA	Dean of Administrative Services
Dr. Gary Don Harkey	Dean of Instructional Services
Mr. Joe Hite	Dean of Admissions and Financial Aid/Registrar
Mrs. Kristin Harris	Associate Dean of Student Services
Mrs. Shana Munson	Associate Dean of Workforce Education & Training

Financial Section



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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MICHAEL D. EDGIN, CPA
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Independent Auditor's Report

Board of Trustees
Vernon College
Vernon, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Vernon College, as well as its discretely presented component unit, Vernon College Foundation, Incorporated, as of and for the years ended August 31, 2013 and 2012, 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, 2013 and 2012, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–9 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 and schedule of expenditures of state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State of Texas Single Audit Circular, respectively, and are also not a required part of the 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 10, 2013, on our consideration of Vernon College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vernon College's internal control over financial reporting and compliance.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 10, 2013



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, 2013. 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* reports the total net assets available to finance future services. The elements of the statement of net position are to be classified as current assets, long-term assets, current liabilities, long-term liabilities, and net position. Net position is to be classified as net investment in capital assets, restricted, and unrestricted.

	2013	2012	2011
Current Assets			
Cash and cash equivalents	\$ 945,487	\$ 996,560	\$ 2,108,416
Short-term investments	3,915,000	3,410,500	8,910,500
Accounts receivable - net	1,546,792	1,360,415	1,334,612
Inventories	770,369	891,861	588,768
Deferred charges and prepaid assets	3,151,275	3,215,955	3,080,484
Total Current Assets	<u>10,328,923</u>	<u>9,875,291</u>	<u>16,022,780</u>
Noncurrent Assets			
Restricted cash and cash equivalents	2,169,890	310,745	140,125
Endowment investments	-	2,200,000	2,600,000
Deferred charges	48,188	333,118	353,517
Capital assets - net	23,310,230	23,520,983	16,982,202
Total Noncurrent Assets	<u>25,528,308</u>	<u>26,364,846</u>	<u>20,075,844</u>
Total Assets	<u>35,857,231</u>	<u>36,240,137</u>	<u>36,098,624</u>
Current Liabilities			
Accounts payable and accrued liabilities	769,868	506,254	601,813
Deferred revenues	5,537,114	5,319,989	5,140,216
Capital lease and bonds payable	593,858	574,859	556,372
Total Current Liabilities	<u>6,900,840</u>	<u>6,401,102</u>	<u>6,298,401</u>

Noncurrent Liabilities			
Deposits and accrued liabilities	88,303	94,550	89,781
Capital lease and bonds payable	<u>11,612,643</u>	<u>12,215,229</u>	<u>12,798,815</u>
Total Noncurrent Liabilities	<u>11,700,946</u>	<u>12,309,779</u>	<u>12,888,596</u>
Total Liabilities	<u>18,601,786</u>	<u>18,710,881</u>	<u>19,186,997</u>
Net Position			
Net investment in capital assets	10,562,477	9,927,995	7,907,301
Restricted for student aid	2,046,587	2,092,113	2,349,161
Restricted for debt service	979,623	1,546,422	1,546,239
Unrestricted	<u>3,666,758</u>	<u>3,962,726</u>	<u>5,108,925</u>
Net Position	<u>\$ 17,255,445</u>	<u>\$ 17,529,256</u>	<u>\$ 16,911,626</u>

Current assets showed a modest increase in 2013 after showing a significant drop in 2012. The large drop in 2012 was due primarily to the drawdown of bond funds as we paid for the Century City expansion and remodeling project.

Restricted cash showed a large increase from 2012 to 2013 due to the timing of reinvestment of matured CD's to maximize interest earnings.

Capital assets, net of depreciation, decreased slightly in 2013 as a result of lower capital spending and an increase in depreciation expense attributed to significant capital investments made during 2012. Net capital assets increased by \$6,538,781 during 2012. This increase is mainly due to the remodeling of 68,000 square feet of space in the Century City Center. More discussion on this will follow in the capital asset section.

Current liabilities have shown a modest steady increase the last 2 years. This is largely attributable to an increase in tuition and fee rates which increases the deferred revenue at the end of the year.

Non-current liabilities have shown a steady decrease due to scheduled payments on capital leases and bonds.

Net position restricted for student aid continues a steady decrease as more and more endowed scholarship funds are transferred to the Vernon College Foundation at donors' requests to try to increase earnings.

Unrestricted net position decreased by \$1,146,199 from 2011 to 2012 as a result of unrestricted funds invested in capital assets as a part of the major expansion and renovation of the Century City Center. 2013 saw a further reduction of \$295,968 as we finalized the expansion.

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, research, public service, academic support, institutional support, operation and maintenance of plant, scholarships and fellowships, auxiliary enterprises, and depreciation expense. The net asset section of this report has three components, invested in capital assets (net of related debt), restricted (nonexpendable or expendable), and unrestricted.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
REVENUES			
Operating Revenues:			
Tuition and fees (net of discounts of \$5,791,039, \$6,458,159 and \$5,662,929, respectively)	\$ 4,662,544	\$ 3,486,551	\$ 3,639,368
Federal grants and contracts	239,482	235,093	700,049
State grants and contracts	1,166,010	610,456	1,169,238
Non-governmental grants and contracts	1,084,070	1,035,962	951,657
Sales and services of educational activities	108,782	99,473	111,860
Investment program (program restricted)	16,502	26,978	43,949
Auxiliary enterprises (net of discounts of \$1,109,209, \$1,238,770 and \$1,127,775, respectively)	1,309,842	1,268,081	1,482,844
General operating revenues	<u>63,316</u>	<u>14,011</u>	<u>22,361</u>
Total Operating Revenues	<u>8,650,548</u>	<u>6,776,605</u>	<u>8,121,326</u>
EXPENSES			
Operating Expenses:			
Instruction	7,985,753	7,060,743	8,007,493
Public services	471,654	418,091	409,776
Academic support	2,656,292	2,682,118	2,341,237
Student services	1,885,203	1,712,991	1,661,351
Institutional support	3,007,644	2,804,470	2,629,477
Operation of physical plant	2,456,195	2,328,966	1,969,637
Scholarships and fellowships	1,730,853	1,428,280	2,093,857
Auxiliary enterprises	2,108,546	2,040,150	2,223,892
Depreciation	<u>874,987</u>	<u>623,367</u>	<u>575,216</u>
Total Operating Expenses	<u>23,177,127</u>	<u>21,099,176</u>	<u>21,911,936</u>
Operating Loss	<u>(14,526,579)</u>	<u>(14,322,571)</u>	<u>(13,790,610)</u>
Non-Operating Revenue (Expenses)			
State Appropriations	6,731,780	6,799,752	7,000,865
Federal Revenue, Non-Operating	5,872,046	6,193,085	6,133,753
Property taxes for maintenance & operation	2,229,786	2,167,943	2,038,823
Gifts	251,772	100,700	542,772
Investment income	42,379	62,608	109,542
Gain (loss) on disposal of assets	(9,110)	50,000	(190,353)
Lease income less lease expenses	7,903	50,884	41,994
Interest and fees on capital related debt	<u>(453,220)</u>	<u>(484,771)</u>	<u>(484,498)</u>
Net Non-Operating Revenue (Expenses)	<u>14,673,336</u>	<u>14,940,201</u>	<u>15,192,898</u>
Increase in Net Position	<u>\$ 146,757</u>	<u>\$ 617,630</u>	<u>\$ 1,402,288</u>

Operating revenues are separated into several categories. Student tuition and fees remained a major source of revenue for 2013. The tuition revenue totals were assisted by a 4.3% increase for the in-district tuition rate, a 5.9% increase for the out-of-district tuition rate, and a 6.7% increase in the out-of-state tuition rate from 2012 to 2013. The College experienced an overall increase in gross tuition and fees from 2012 to 2013 of 5.1% or \$508,873. Scholarship allowances and discounts decreased by \$667,120 for 2013 vs. 2012. State and Local grants increased by \$555,554 or 91%, from 2012 to 2013 due to two new Skills Development Grants during the year. The effective earnings rate for investments continues to

decrease as rates across most national markets decreased for the year. Net auxiliary enterprises revenue increased from 2012 to 2013 by \$41,761. Bookstore revenue is the largest contributor to auxiliary enterprise revenue.

Operating expenses increased by \$2,077,951 or 9.8% compared to 2012. The increase was made up of several factors. Employee benefits increased by \$424,430 as a result of the State reduction in the amount of health insurance and retirement benefits they now cover for the College. Salaries increased by \$559,480 due to 3% salary increase and addition of several new positions. A significant new Skills Development Fund grant as well as a new S-3 grant pushed instructional expenses up by \$925,010. Scholarship allowances increased by \$302,573 and depreciation increased by \$251,620 due to the significant capital investments we made at Century City last year.

Property tax revenue increased by \$61,843 compared to 2012. This was attributable to a significant increase in the total appraised taxable value of property in the District. Even though we reduced our tax rate slightly compared to 2012, 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.

	2013	2012	2011
Cash Flows From:			
Operating activities	\$ (11,997,986)	\$ (13,139,548)	\$ (11,551,770)
Noncapital financing activities	13,543,028	14,314,507	13,711,411
Capital and related financing activities	(1,514,772)	(8,201,959)	3,180,937
Investing activities	1,777,802	6,085,764	(5,657,235)
Net increase (decrease) in cash	1,808,072	(941,236)	(316,657)
Cash and cash equivalents - beginning of year	1,307,305	2,248,541	2,565,198
Cash and cash equivalents - end of year	\$ 3,115,377	\$ 1,307,305	\$ 2,248,541

The primary cash receipts from operating activities consist of tuition and 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. Major projects for 2012-13 included three new entryway canopies, and a new VoIP phone system for Century City, upgrading network switches and servers, a new Dodge Charger for

use by the police training program and additional high-tech mannequins for the EMS program. Renovation projects for 2011-2012 consisted of the following: Demolition and remodeling of 60,000SF and remodeling and repurposing 18,000SF of existing space at the Century City Center, reconstruction of driveways and addition of sidewalks at CCC, purchase of high-tech mannequins for the EMS program, upgrade of information technology infrastructure and texturing sidewalks in the quad area. Principal paid on debt was \$583,587 for 2013, \$556,372 for 2012 and \$553,371 for 2011. Interest and fees paid on capital debt totaled \$453,220 in 2013, \$473,099 in 2012 and \$472,826 in 2011.

Investing activities reported include lease income from the Century City Center and the King Farm in excess of the related expenses of \$7,903 for 2013 and \$50,884 for 2012. Investing activities also reflects interest income earned on investments. Investment income reported a significant decrease due to no longer having the bond funds invested and significantly lower yields due to the continuing decline in interest rates.

Reporting of Component Unit

Reported within this report is Exhibit 1A, 2A, and 3A. Vernon College Foundation, Incorporated was established as a separate nonprofit organization in 1985. The unit raises funds to provide student scholarships and departmental grants. Exhibit 1A reports net assets increased to \$2,534,598 at the close of 2013. 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 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 has grown from 2,095 in 2000 to 3,118 in 2012. 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 2003 to 2012 of \$286,325,446 or 40.89%. This increase has allowed us to gradually decrease our tax rate. The approved tax rate per \$100 of valuation decreased from \$.28652 in 2003 to \$.22285 in 2013.

Significant Capital Assets and Long-term Debt Activity

As mentioned previously in the discussion of the statement of net position, the College's net capital assets increased by \$2,020,694 from \$7,907,302 in 2011 to \$9,927,996 in 2012. This increase is a combination of capitalizing additions purchased from current funds during the year, recording depreciation expense and payment of long term debts. During 2012 the College completed a \$7.5 million remodel and expansion project at our Century City Center. More details on the College's accounting policies for capital assets and current year activity can be found in the footnotes to the financial statements.

The College's total long-term debt decreased from \$12,215,229 to \$11,612,642, or \$602,587 as a result of paying scheduled debt payments. Payments totaling \$1,031,140, of which \$593,858 is principal, are scheduled to be made in 2014 under the College's revenue bonds and capital lease. 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. Enrollment for Fall 2013 decreased to 3,086. Indications are that most Community Colleges in Texas are seeing similar declines. A committee was created several years ago to assist in the planning for technology advancement expenditures. A report of all technology needs from each department and division has been prepared for the past four years. The report has been integrated into the strategic planning, annual planning and assessment, and budget processing for the College. Technology advances are being addressed and met within all areas of the institution.

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, 2013 and 2012

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 945,487	\$ 996,560
Short-term investments	3,915,000	3,410,500
Accounts receivable (net)	1,546,792	1,360,415
Deferred charges	3,086,083	3,133,711
Inventories	770,369	891,861
Prepaid assets	65,192	82,244
Total Current Assets	10,328,923	9,875,291
Noncurrent Assets		
Restricted cash and cash equivalents	2,169,890	310,745
Endowed Investments	-	2,200,000
Deferred charges	48,188	333,118
Capital assets (net)	23,310,230	23,520,983
Total Noncurrent Assets	25,528,308	26,364,846
Total Assets	35,857,231	36,240,137
LIABILITIES		
Current Liabilities		
Accounts payable	547,581	267,292
Accrued compensable absences - current portion	206,040	220,615
Deposits	16,247	18,347
Unearned revenues	5,537,114	5,319,989
Capital leases payable - current portion	128,858	119,859
Bonds payable - current portion	465,000	455,000
Total Current Liabilities	6,900,840	6,401,102
Noncurrent Liabilities		
Accrued compensable absences	88,303	94,550
Capital leases payable	704,274	833,132
Bonds payable	10,908,369	11,382,097
Total Noncurrent Liabilities	11,700,946	12,309,779
Total Liabilities	18,601,786	18,710,881
NET POSITION		
Net investment in capital assets	10,562,477	9,927,995
Restricted for:		
Nonexpendable:		
Student Aid	1,892,062	2,092,113
Expendable:		
Student Aid	154,525	-
Debt Service	979,623	1,546,422
Unrestricted	3,666,758	3,962,726
Total Net Position	\$ 17,255,445	\$ 17,529,256

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 570,803	\$ 68,601
Investments	2,185,629	1,786,259
Accounts receivable	4,166	-
Pledges receivable	<u>124,000</u>	<u>50,000</u>
Total assets	<u>\$ 2,884,598</u>	<u>\$ 1,904,860</u>
LIABILITIES		
Accounts payable - Restricted Grant Funds	<u>\$ 350,000</u>	<u>\$ -</u>
NET ASSETS		
Unrestricted	378,586	334,111
Permanently restricted	<u>2,156,012</u>	<u>1,570,749</u>
Total net assets	<u>2,534,598</u>	<u>1,904,860</u>
Total liabilities and net assets	<u>\$ 2,884,598</u>	<u>\$ 1,904,860</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, 2013 and 2012

	2013	2012
REVENUES		
Operating Revenues		
Tuition and fees (net of discounts of \$5,791,039 and \$6,458,159, respectively)	\$ 4,662,544	\$ 3,486,551
Federal grants and contracts	239,482	235,093
State grants and contracts	1,166,010	610,456
Non-governmental grants and contracts	1,084,070	1,035,962
Sales and services of educational activities	108,782	99,473
Investment income (program restricted)	16,502	26,978
Auxiliary enterprises (net of discounts of \$1,109,209 and \$1,238,770, respectively)	1,309,842	1,268,081
General operating revenues	63,316	14,011
Total Operating Revenues (Sch A)	8,650,548	6,776,605
EXPENSES		
Operating Expenses		
Instruction	7,985,753	7,060,743
Public services	471,654	418,091
Academic support	2,656,292	2,682,118
Student services	1,885,203	1,712,991
Institutional support	3,007,644	2,804,470
Operation and maintenance of plant	2,456,195	2,328,966
Scholarships and fellowships	1,730,853	1,428,280
Auxiliary enterprises	2,108,546	2,040,150
Depreciation	874,987	623,367
Total Operating Expenses (Sch B)	23,177,127	21,099,176
Operating Loss	(14,526,579)	(14,322,571)
Non-Operating Revenues (Expenses)		
State Appropriations	6,731,780	6,799,752
Property taxes for maintenance & operation	2,229,786	2,167,943
Federal Revenue, Non-Operating	5,872,046	6,193,085
Gifts	251,772	100,700
Investment income	42,379	62,608
Gain/(Loss) on Disposal of Assets	(9,110)	50,000
Lease income	17,161	60,461
Operational costs of lease property	(9,258)	(9,577)
Amortization of bond issuance costs	-	(11,672)
Interest and fees on capital related debt	(453,220)	(473,099)
Net Non-Operating Revenues (Expenses) (Sch C)	14,673,336	14,940,201
Increase in Net Position	146,757	617,630
Net Position		
Beginning net position, as previously stated	17,529,256	16,911,626
Prior period adjustments	(420,568)	-
Beginning net position, as restated	17,108,688	16,911,626
Ending net position	\$ 17,255,445	\$ 17,529,256

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues and support:		
Gifts and contributions	\$ 892,894	\$ 583,385
Gifts and contributions - Non-cash	-	68,912
Silent auction	7,507	12,646
Investment income	48,265	35,753
Realized gains (losses) on investments	16,724	101,846
Unrealized gains (losses) on investments	104,961	(32,362)
	<u>1,070,351</u>	<u>770,180</u>
Total revenues and support		
Expenses:		
Operating expenses	13,081	7,118
Investment advisory fees	21,674	17,237
Departmental Grants	19,893	12,003
Restricted Gifts transfer to Vernon College	245,536	93,912
Scholarship transfer	140,429	69,209
	<u>440,613</u>	<u>199,479</u>
Total expenses		
Increase in net assets	629,738	570,701
Net assets at beginning of year	<u>1,904,860</u>	<u>1,334,159</u>
Net assets at end of year	<u>\$ 2,534,598</u>	<u>\$ 1,904,860</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 5,902,127	\$ 4,810,330
Receipts of appropriations, grants and contracts	2,566,818	1,887,889
Other receipts	179,797	159,325
Payments to or on behalf of employees	(13,036,541)	(12,150,186)
Payments to suppliers for goods and services	(5,879,334)	(6,418,626)
Payments of scholarships	(1,730,853)	(1,428,280)
Net cash used by operating activities	<u>(11,997,986)</u>	<u>(13,139,548)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State allocations	5,405,869	5,887,753
Federal Title IV Grants	5,927,004	6,147,082
Property taxes for maintenance and operations	2,193,969	2,178,972
Gifts to endowment	16,186	100,700
Net cash provided by noncapital financing activities	<u>13,543,028</u>	<u>14,314,507</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Gifts restricted for construction of capital assets	235,586	-
Purchases and construction of capital assets	(715,051)	(7,222,488)
Proceeds from sale of capital assets	1,500	50,000
Principal paid on capital debt	(583,587)	(556,372)
Interest and fees paid on capital debt	(453,220)	(473,099)
Net cash used by capital and related financing activities	<u>(1,514,772)</u>	<u>(8,201,959)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Lease income	17,161	60,461
Operating costs of lease property	(9,258)	(9,577)
Sales of short-term investments	2,200,000	5,900,000
Purchases of short-term investments	(504,500)	-
Investment income	74,399	134,880
Net cash provided by investing activities	<u>1,777,802</u>	<u>6,085,764</u>
Increase (decrease) in cash and cash equivalents	1,808,072	(941,236)
Cash and cash equivalents - beginning of year	1,307,305	2,248,541
Cash and cash equivalents - end of year	<u>\$ 3,115,377</u>	<u>\$ 1,307,305</u>
Displayed as:		
Cash and cash equivalents	\$ 945,487	\$ 996,560
Restricted cash and cash equivalents	2,169,890	310,745
	<u>\$ 3,115,377</u>	<u>\$ 1,307,305</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (14,526,578)	\$ (14,322,571)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	874,988	623,367
Payments for benefits made directly by state	1,171,663	947,732
(Increase) decrease in current assets:		
Accounts receivable, net (adjusted for non-operating items)	(218,929)	(98,834)
Inventories	121,492	(303,094)
Deferred charges	47,628	(107,754)
Prepaid assets	17,052	(27,717)
Increase (decrease) in current liabilities:		
Accounts payable	320,495	(57,758)
Accrued compensable absences	(20,822)	25,408
Deferred revenues	217,125	179,773
Deposits	(2,100)	1,900
Net cash used by operating activities	<u>\$ (11,997,986)</u>	<u>\$ (13,139,548)</u>

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, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Receipts of gifts	\$ 919,192	\$ 533,385
Proceeds from Silent Auction	7,507	12,646
Payments to suppliers for goods and services	(34,755)	(24,355)
Restricted Gifts transferred to Vernon College	-	(25,000)
Payment of scholarships and grants	(160,322)	(81,212)
Net cash provided by operating activities	731,622	415,464
Cash flows from investing activities:		
Sales proceeds on sales of investments	211,390	414,453
Purchase of investments	(489,075)	(873,873)
Investment income	48,265	35,753
Net cash used by investing activities	(229,420)	(423,667)
Increase (decrease) in cash and cash equivalents	502,202	(8,203)
Cash and cash equivalents at beginning of year	68,601	76,804
Cash and cash equivalents at end of year	\$ 570,803	\$ 68,601
Cash flows from operating activities:		
Increase in net assets	\$ 629,739	\$ 570,701
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Investment income	(48,265)	(35,753)
Realized gain on sale of investments	(16,725)	(101,846)
Unrealized gain (loss) on investments held	(104,961)	32,362
(Increase) decrease in operating assets:		
Accounts receivable	(4,166)	-
Pledges receivable	(74,000)	(50,000)
Increase (decrease) in operating liabilities:		
Accounts payable	350,000	-
Net cash provided by operating activities	\$ 731,622	\$ 415,464

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, 2013 AND 2012

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. 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 §56.033). When the award is used by the student for tuition and fees, the 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 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, 2013 AND 2012**

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. 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.

G. Inventories

Inventories consist of consumable office supplies, physical plant supplies, food service supplies, bookstore stock, and scholarship program books. 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.

H. Prepaid Assets

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

I. 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 costs of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are charged to expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following lives are used:

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

J. Unearned Revenues

Tuition and fees of \$4,730,470 and \$4,560,211 and federal, state and local grants of \$527,298 and \$491,767 have been reported as unearned revenues at August 31, 2013 and 2012, respectively. Auxiliary enterprise revenues, including meal and dorm rent, and other revenues unearned totaled \$279,346 and \$268,011 at August 31, 2013 and 2012, respectively.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2013 AND 2012

K. 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, 2013 and 2012.

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

L. 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.

M. Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a business-type activity and as a single proprietary fund. 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, 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.

N. Net Position Policy

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.

O. Prior Year Restatements

1. Change in Accounting Principle – New Pronouncements

In June 2011, The Governmental Accounting Standards Board (GASB) issued Statement No. 63 to provide a new statement of net position to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position (which is the net residual amount of the other elements). The Statement is effective for periods beginning after December 15, 2011, and requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. The Statement also amends certain provisions of GASB Statement No. 34 and related pronouncements to reflect the residual measure in the statement of financial position as net position rather than net assets. The GASB also issued Statement No. 65 in April 2012 (effective for periods beginning after December 15, 2012) to limit the recognition of deferred outflows and deferred inflows of resources to those instances specifically identified in authoritative GASB pronouncements. Vernon College implemented this Statement early before the required implementation date as encouraged by the GASB. The implementation of this Statement required that \$280,549 of bond issuance costs capitalized on the August 31, 2012 statement of net position be written off in the current year through a prior period adjustment, reducing August 31, 2012 unrestricted net position by that amount.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2013 AND 2012

2. Change in Estimate - Prior Year Liability for Teacher Retirement System Required Contributions

For the year ended August 31, 2012, the State of Texas legislature's community college appropriations restricted the State's contribution to the Teacher Retirement System (TRS) and Optional Retirement Program (ORP) to six percent of each district's unrestricted general revenue appropriation instead of six percent of the aggregate compensation paid to individuals participating in the system. During the year ended August 31, 2013, the College paid \$140,019 to the TRS to make up the shortfall of the State contributions. Since this liability was related to the prior fiscal year, management made a prior period adjustment in the current year, decreasing the August 31, 2012 unrestricted net position and change in net position for the year then ended by \$140,019.

3. Authorized Investments

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

4. Deposits and Investments

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

Cash Deposits

At August 31, 2013 and 2012, the carrying amount of the College's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$7,030,377 and \$6,917,805, respectively, and the bank balance was \$7,584,087 and \$7,988,652, respectively. The College's cash deposits at August 31, 2013 and 2012 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 2256.001, 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.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2013 AND 2012

The College's investments at August 31, 2013 and 2012 are as follows:

<u>Investment or Investment Type</u>	<u>August 31, 2013</u>		<u>August 31, 2012</u>	
	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificates of deposit	10.50	\$3,915,000	6.39	\$5,610,500

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.

The Foundation's investments at August 31, 2013 and 2012 are shown below:

	<u>2013</u>	<u>2012</u>
Mutual funds	<u>\$ 2,185,629</u>	<u>\$ 1,786,259</u>
Total aggregate cost	<u>\$ 2,048,764</u>	<u>\$ 1,818,620</u>

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2013 AND 2012

Investment Accounting Policy

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

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 as scholarships to eligible Vernon College students. These amounts are included in restricted cash and cash equivalents and endowed investments on the statement of net position.

6. Property Taxes

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

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

The following are additional disclosures relative to property taxes for the years ended August 31, 2013 and 2012:

Net Assessed Valuation:

Net assessed valuation for year ended August 31:	<u>2013</u>	<u>2012</u>
Gross assessed valuation	\$1,595,309,430	\$1,523,966,580
Less exceptions or abatements	(608,833,820)	(615,951,780)
Net assessed valuation	<u>\$ 986,475,610</u>	<u>\$ 908,014,800</u>

Tax Rate Per \$100 Valuation:

	<u>Year Ended August 31, 2013</u>			<u>Year Ended August 31, 2012</u>		
	<u>Current</u> <u>Operations</u>	<u>Debt</u> <u>Service</u>	<u>Totals</u>	<u>Current</u> <u>Operations</u>	<u>Debt</u> <u>Service</u>	<u>Totals</u>
Authorized	\$1.00000	\$.00000	\$1.00000	\$1.00000	\$.00000	\$1.00000
Assessed	\$.22285	\$.00000	\$.22285	\$.22343	\$.00000	\$.22343

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2013 AND 2012

Property taxes levied for the years ended August 31, 2013 and 2012 amounted to \$2,197,427 and \$2,028,437, respectively.

Tax Collections:

	<u>Year Ended August 31, 2013</u>			<u>Year Ended August 31, 2012</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	\$2,129,363	\$ --	\$2,116,735	\$2,001,375	\$ --	\$2,001,375
Delinquent taxes	50,601	--	35,267	69,128	--	69,128
Penalties and interest	<u>27,962</u>	<u>--</u>	<u>27,962</u>	<u>34,585</u>	<u>--</u>	<u>34,585</u>
Total collections	<u>\$2,207,926</u>	<u>\$ --</u>	<u>\$2,179,964</u>	<u>\$2,105,088</u>	<u>\$ --</u>	<u>\$2,105,088</u>

Current tax collections for the years ended August 31, 2013 and 2012 were 96.90% and 98.67%, 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, 2013 and 2012 consisted of the following:

August 31, 2013

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$1,165,774	\$590,943	\$ 574,831
Federal grants	218,571	--	218,571
State/local grants and contracts	326,854	--	326,854
Property taxes	183,313	64,026	119,287
Others	<u>307,249</u>	<u>--</u>	<u>307,249</u>
Totals	<u>\$2,201,761</u>	<u>\$654,969</u>	<u>\$1,546,792</u>

August 31, 2012

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$ 811,961	\$488,982	\$ 322,979
Federal grants	500,804	--	500,804
State/local grants and contracts	154,458	--	154,458
Property taxes	144,513	61,044	83,469
Others	<u>298,705</u>	<u>--</u>	<u>298,705</u>
Totals	<u>\$1,910,441</u>	<u>\$550,026</u>	<u>\$1,360,415</u>

8. Capital Assets

Capital assets activity for the years ended August 31, 2013 and 2012 was as follows:

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2013 AND 2012

August 31, 2013

	<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>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total capital assets not being depreciated	<u>2,812,791</u>	<u>--</u>	<u>--</u>	<u>2,812,791</u>
Capital assets being depreciated:				
Buildings	22,288,814	--	--	22,288,814
Land improvements	1,466,186	277,588	8,045	1,735,729
Furniture, machinery, vehicles and other equipment	3,312,286	236,648	8,122	3,540,812
Telecommunications and computer equipment	1,409,515	141,291	34,461	1,516,345
Library books	<u>1,107,607</u>	<u>19,318</u>	<u>--</u>	<u>1,126,925</u>
Total capital assets being depreciated	<u>29,584,408</u>	<u>674,845</u>	<u>50,628</u>	<u>30,208,625</u>
Less accumulated depreciation:				
Buildings	5,456,243	462,721	--	5,918,964
Land improvements	553,842	52,469	6,445	599,866
Furniture, machinery, vehicles and other equipment	953,056	253,111	2,558	1,203,609
Telecommunications and computer equipment	1,059,895	85,920	31,015	1,114,800
Library books	<u>853,180</u>	<u>20,767</u>	<u>--</u>	<u>873,947</u>
Total accumulated depreciation	<u>8,876,216</u>	<u>874,988</u>	<u>40,018</u>	<u>9,711,186</u>
Total capital assets being depreciated, net	<u>20,708,192</u>	<u>(200,143)</u>	<u>10,610</u>	<u>20,497,439</u>
Capital assets, net	<u>\$23,520,983</u>	<u>\$ (200,143)</u>	<u>\$ 10,610</u>	<u>\$23,310,230</u>

August 31, 2012

	<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>369,166</u>	<u>--</u>	<u>369,166</u>	<u>--</u>
Total capital assets not being depreciated	<u>3,181,957</u>	<u>--</u>	<u>369,166</u>	<u>2,812,791</u>
Capital assets being depreciated:				
Buildings	16,905,273	5,383,541	--	22,288,814
Land improvements	983,581	482,605	--	1,466,186
Furniture, machinery, vehicles and other equipment	1,715,669	1,596,617	--	3,312,286
Telecommunications and computer equipment	1,357,454	52,061	--	1,409,515
Library books	<u>1,091,117</u>	<u>16,490</u>	<u>--</u>	<u>1,107,607</u>
Total capital assets being depreciated	<u>22,053,094</u>	<u>7,531,314</u>	<u>--</u>	<u>29,584,408</u>
Less accumulated depreciation:				
Buildings	5,085,012	371,231	--	5,456,243
Land improvements	518,427	35,415	--	553,842
Furniture, machinery, vehicles and other equipment	837,132	115,924	--	953,056
Telecommunications and computer equipment	980,632	79,263	--	1,059,895
Library books	<u>831,646</u>	<u>21,534</u>	<u>--</u>	<u>853,180</u>
Total accumulated depreciation	<u>8,252,849</u>	<u>623,367</u>	<u>--</u>	<u>8,876,216</u>
Total capital assets being depreciated, net	<u>13,800,245</u>	<u>6,907,947</u>	<u>--</u>	<u>20,708,192</u>
Capital assets, net	<u>\$16,982,202</u>	<u>\$6,907,947</u>	<u>\$ 369,166</u>	<u>\$23,520,983</u>

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2013 AND 2012

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, 2013 and 2012 are as follows:

August 31, 2013

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Revenue bonds	\$11,680,000	\$ --	\$ 455,000	\$11,225,000	\$465,000
Premium on bonds	157,097	--	8,728	148,369	--
Capital leases	952,991	--	119,859	833,132	128,858
Compensated absences	<u>315,165</u>	<u>--</u>	<u>20,823</u>	<u>294,342</u>	<u>206,039</u>
Totals	<u>\$13,105,253</u>	<u>\$ --</u>	<u>\$ 604,410</u>	<u>\$12,500,843</u>	<u>\$799,897</u>

August 31, 2012

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Revenue bonds	\$12,125,000	\$ --	\$ 445,000	\$11,680,000	\$455,000
Premium on bonds	165,824	--	8,727	157,097	--
Capital leases	1,064,363	--	111,372	952,991	119,859
Compensated absences	<u>289,757</u>	<u>301,371</u>	<u>275,963</u>	<u>315,165</u>	<u>220,615</u>
Totals	<u>\$13,644,944</u>	<u>\$ 301,371</u>	<u>\$ 841,062</u>	<u>\$13,105,253</u>	<u>\$795,474</u>

B. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2013 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 593,858	\$ 437,282	\$ 1,031,140
2015	613,393	420,032	1,033,425
2016	632,777	401,494	1,034,271
2017	658,424	381,247	1,039,671
2018	685,447	358,459	1,043,906
2019-23	2,934,233	1,473,152	4,407,385
2024-28	3,465,000	852,900	4,317,900
2029-30	<u>2,475,000</u>	<u>117,300</u>	<u>2,592,300</u>
Totals	<u>\$12,058,132</u>	<u>\$4,441,866</u>	<u>\$16,499,998</u>

C. Revenue Bonds Payable

The Wilbarger County Junior College District Consolidated Fund Revenue Bonds Taxable Series 2004 were issued to acquire the Wichita Falls campus; improve, renovate, enlarge and equip the College's Administrative Building; and construct and improve roads on the College's Vernon campus. The amount of the issue and amount authorized was \$3,205,000. The sources of revenue for debt service include, as necessary, (1) tuition, (2) building use fees, (3) student service fees, (4) lab fees, (5) other fees, and (6) charges for the use of the components of the Auxiliary Enterprise Fund. The Taxable Series 2004 revenue bonds' interest rates are set at Prime Rate plus 1.75%.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2013 AND 2012

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.

Debt service requirements for the College's outstanding bonds at August 31, 2013 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 465,000	\$ 399,150	\$ 864,150
2015	475,000	388,325	863,325
2016	485,000	376,681	861,681
2017	500,000	363,600	863,600
2018	515,000	348,906	863,906
2019-23	2,845,000	1,471,525	4,316,525
2024-28	3,465,000	852,900	4,317,900
2029-30	<u>2,475,000</u>	<u>117,300</u>	<u>2,592,300</u>
Totals	<u>\$11,225,000</u>	<u>\$4,318,387</u>	<u>\$15,543,387</u>

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

D. Capital Leases

The Public Property Finance Act gives the College authority to enter into capital leases for the acquisition of personal property. Through August 31, 2013, the College has acquired \$1,644,995 in equipment through capital leases.

Commitments under capitalized lease agreements provide for minimum future rental payments as of August 31, 2013 as follows:

<u>Year Ending August 31,</u>	
2014	\$ 166,990
2015	170,100
2016	172,590
2017	176,070
2018	180,000
2019	<u>90,860</u>
Total minimum lease payments	956,610
Less amount representing interest	(123,478)
Present value of minimum lease payments	<u>\$ 833,132</u>

The interest rate on the capital leases is 4.67%.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2013 AND 2012

E. Compensated Absences

1. Vacation Leave

Full-time employees earn annual leave from 8 to 12 hours per month depending on the number of years employed with the College. The College's policy is that an employee may carry his accrued vacation leave forward from one fiscal year to another with a maximum carry forward of 160 hours. Employees with at least one month of service who terminate their employment are entitled to payment of all accumulated vacation leave up to the maximum allowed. The College recognized the accrued liability for the unpaid vacation leave of \$294,342 and \$315,165 at August 31, 2013 and 2012, 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.

10. Employees' Retirement Plans

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

A. Teacher Retirement System of Texas

1. Plan Description

The College contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan. TRS issues a publicly available financial report with required supplementary information which can be obtained from www.trs.state.tx.us, under the TRS Publications heading.

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution deductions if, as a result of a 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. State law provides for a member contribution rate of 6.4% for fiscal years 2013 and 2012 and a state contribution rate of 6.4% for fiscal year 2013 and 6.0% for fiscal year 2012. In certain instances the reporting district is required to make all or a portion of the state's contribution for a fiscal year. Additionally, the College contributes 1.31% of the covered payroll.

Total payroll of employees covered by TRS was \$6,988,902 and \$6,536,579 for the years ended August 31, 2013 and 2012, respectively. The College's employees' contributions to the System for the years ending August 31, 2013 and 2012 were \$447,289 and \$418,341, respectively, and were equal to the required contributions for the year. Other contributions made from federal and private grants and from the College for the years ending August 31, 2013 and 2012 were \$69,460 and \$81,518, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2013 and 2012, the amounts contributed by the state on behalf of the College were \$377,829 and \$333,468 respectively.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2013 AND 2012

B. Optional Retirement Program

1. Plan Description

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 6.4% and 6.4%, 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.

Total payroll of employees covered by the Program was \$2,854,511 and \$2,903,749 for the years ended August 31, 2013 and 2012, respectively. The College's employees' contributions to the Program for the years ending August 31, 2013 and 2012 were \$188,877 and \$192,919, respectively, and were equal to the required contributions for the year. Other contributions made from the College for the years ending August 31, 2013 and 2012 were \$44,472 and \$45,828, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2013 and 2012, the amounts contributed by the State on behalf of the College were \$157,473 and \$159,425, respectively. The State has no unfunded liabilities relative to the Program.

C. Total Payroll

The total payroll for all College employees was \$11,049,795 and \$10,490,315 for the years ended August 31, 2013 and 2012, respectively.

11. Deferred Compensation Plan

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

12. Post-Employment Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State provides certain healthcare and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar 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 contribution per full-time employee was \$470 per month for employee only coverage and ranging from \$651 to \$920 for employee and dependent coverage for the year ended August 31, 2013. The State's contribution per full-time employee was \$438 per month for employee only coverage and ranging from \$606 to \$856 for employee and dependent coverage for the year ended August 31, 2012. The total number of employees participating in the plan and contributions were as follows:

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2013 AND 2012

	2012-13		2011-12	
	<u>Number of Employees</u>	<u>Contribution</u>	<u>Number of Employees</u>	<u>Contribution</u>
Active employees	232	\$ 235,223	217	\$ 208,750
Retired employees	65	401,498	64	387,861
Totals	297	\$ 636,721	281	\$ 596,611

13. Postemployment Benefits Other Than Pensions

1. Plan Description

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

2. Funding Policy

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

The College's contributions to SRHP for the years ended August 31, 2013, 2012 and 2011 were \$9,076, \$38,541 and \$42,215, respectively, which equaled the required contributions each year.

14. Contracts and Grant Awards

Contract 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 contract and grant awards, funds expended, but not collected, are reported as accounts receivable on Exhibit 1. See Note 5 for disaggregation of amounts included in accounts receivable. Contract and grant awards received but not expended are included in deferred revenues on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements.

15. Risk Management

The College is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2013, 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.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2013 AND 2012

16. Commitments and Contingencies

A. Facilities Lease

The College rents facilities from Wichita County for its Skills Development Center. The lease agreement with Wichita County is for a term of six years and calls for monthly rental payment of \$4,500 due the first of each month through December 1, 2017. Future minimum lease payments under this lease are as follows:

<u>Year Ending August 31,</u>	
2014	\$ 54,000
2015	54,000
2016	54,000
2017	54,000
2018-19	<u>18,000</u>
Total minimum lease payments	<u>\$234,000</u>

The College paid \$54,000 and \$36,250 in rent under this and the previous lease agreement during the years ended August 31, 2013 and 2012, 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 for a term of three years through August 31, 2014 with a minimum base fee of \$310,000 per year paid in monthly installments of \$25,833 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>	
2014	<u>\$ 333,400</u>
Total future minimum payments	<u>\$ 333,400</u>

The College paid \$362,280 in service fees under this agreement during the year ended August 31, 2013.

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, 2013 AND 2012

D. Teacher Retirement System Contributions

Texas Constitution Article 16, Section 67(b)(3) provides that the State of Texas must contribute "not less than six percent nor more than ten percent of the aggregate compensation paid to individuals participating in the system," referring to the State's Teacher Retirement System (TRS) including the related faculty Optional Retirement Program (ORP). During the 2011 legislative session, the Texas Legislature appropriated retirement funds for various types of educational institutions other than community and junior colleges in satisfaction of this requirement, but the community college appropriations restricted the State's contribution to TRS/ORP on behalf of community colleges to only six percent of each district's unrestricted general revenue appropriation for each year of the biennium state budget.

As a result, TRS requested the College remit the difference between the required state funding policy amount, and the amount appropriated and funded by the state. For 2013 and 2012, these shortfalls paid by the College, at the request of TRS, were \$195,602 and \$140,019, respectively.

17. Concentration – Title IV HEA Funding

For the years ended August 31, 2013 and 2012, the College received approximately 26% and 29%, respectively, of its total revenues (operating and non-operating) from federal Title IV HEA grants. In addition, \$6,747,169 and \$6,562,210 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, 2013 and 2012, 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.

Other Supplementary Information

**Vernon College
Schedule A
Schedule of Operating Revenues
For the Year Ended August 31, 2013
(With Memorandum Totals for the Year Ended August 31, 2012)**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2013 Totals	2012 Totals
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 291,626	\$ -	\$ 291,626	\$ -	\$ 291,626	\$ 295,063
Out-of-district resident tuition	4,709,258	-	4,709,258	-	4,709,258	4,592,223
Non-resident tuition	181,039	-	181,039	-	181,039	176,637
TPEG - credit (set aside)*	-	305,858	305,858	-	305,858	302,537
State funded continuing education	610,643	-	610,643	-	610,643	521,863
TPEG - non-credit (set aside)*	-	36,002	36,002	-	36,002	26,115
Non-state funded continuing education	145,263	-	145,263	-	145,263	128,830
Total Tuition	5,937,829	341,860	6,279,689	-	6,279,689	6,043,268
Fees:						
General fees	3,528,499	-	3,528,499	-	3,528,499	3,234,979
Laboratory fees	645,395	-	645,395	-	645,395	666,463
Total Fees	4,173,894	-	4,173,894	-	4,173,894	3,901,442
Scholarship allowances and discounts:						
Remissions and exemptions - state	(319,336)	-	(319,336)	-	(319,336)	(179,718)
Title IV federal grants	(3,726,570)	-	(3,726,570)	-	(3,726,570)	(3,703,510)
TPEG awards	-	(30,951)	(30,951)	-	(30,951)	(302,537)
Other local awards	(1,714,182)	-	(1,714,182)	-	(1,714,182)	(2,272,394)
Total Scholarship Allowances	(5,760,088)	(30,951)	(5,791,039)	-	(5,791,039)	(6,458,159)
Total Net Tuition and Fees	4,351,635	310,909	4,662,544	-	4,662,544	3,486,551
Other operating revenues:						
Federal grants and contracts	15,028	224,454	239,482	-	239,482	235,093
State grants and contracts	-	1,166,010	1,166,010	-	1,166,010	610,456
Non-governmental grants and contracts	-	1,084,070	1,084,070	-	1,084,070	1,035,962
Sales and services of educational activities	108,782	-	108,782	-	108,782	99,473
Investment income (program restricted)	-	16,502	16,502	-	16,502	26,978
General operating revenues	47,963	-	47,963	15,353	63,316	14,011
Total Other Operating Revenues	171,773	2,491,036	2,662,809	15,353	2,678,162	2,021,973
Auxiliary Enterprises:						
Residential life	-	-	-	440,254	440,254	429,050
Scholarship allowances and discounts	-	-	-	(147,584)	(147,584)	(152,241)
Net Residential Life	-	-	-	292,670	292,670	276,809
Bookstore	-	-	-	1,898,731	1,898,731	1,995,932
Scholarship allowances and discounts	-	-	-	(961,625)	(961,625)	(1,086,529)
Net Bookstore	-	-	-	937,106	937,106	909,403
Student programs	-	-	-	80,066	80,066	81,869
Total Net Auxiliary Enterprises	-	-	-	1,309,842	1,309,842	1,268,081
Total Operating Revenues (Exhibit 2)	\$ 4,523,408	\$ 2,801,945	\$ 7,325,353	\$ 1,325,195	\$ 8,650,548 (Exhibit 2)	\$ 6,776,605 (Exhibit 2)

* In accordance with Education Code 56.033, \$341,860 and \$328,652 for years August 31, 2013 and 2012, 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, 2013
(With Memorandum Totals for the Year Ended August 31, 2012)

	Operating Expenses				2013 Totals	2012 Totals
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 5,231,980	\$ -	\$ 935,503	\$ 315,017	\$ 6,482,500	\$ 6,066,599
Public Service	125,120	-	39,564	42,420	207,104	172,144
Academic Support	1,568,711	-	275,238	597,413	2,441,362	2,510,157
Student Services	1,245,209	-	230,328	182,399	1,657,936	1,518,454
Institutional Support	1,076,047	-	187,282	1,623,081	2,886,410	2,693,721
Operation and Maintenance of Plant	816,268	-	142,068	1,405,894	2,364,230	2,258,702
Scholarships and Fellowships	-	-	-	-	-	-
Total Unrestricted Educational Activities	10,063,335	-	1,809,983	4,166,224	16,039,542	15,219,777
Restricted - Educational Activities						
Instruction	143,058	605,583	-	754,612	1,503,253	994,144
Public Service	102,200	25,611	11,293	125,446	264,550	245,947
Academic Support	12,700	178,171	-	24,059	214,930	171,961
Student Services	78,168	149,099	-	-	227,267	194,537
Institutional Support	-	121,234	-	-	121,234	110,749
Operation and Maintenance of Plant	-	91,965	-	-	91,965	70,264
Scholarships and Fellowships	-	-	-	1,730,853	1,730,853	1,428,280
Total Restricted Educational Activities	336,126	1,171,663	11,293	2,634,970	4,154,052	3,215,882
Total Educational Activities	10,399,461	1,171,663	1,821,276	6,801,194	20,193,594	18,435,659
Auxiliary Enterprises	609,098	-	185,884	1,313,564	2,108,546	2,040,150
Depreciation Expense - Buildings and other real estate improvements	-	-	-	515,190	515,190	406,645
Depreciation Expense - Equipment and furniture	-	-	-	359,797	359,797	216,722
Total Operating Expenses	\$ 11,008,559	\$ 1,171,663	\$ 2,007,160	\$ 8,989,745	\$ 23,177,127 (Exhibit 2)	\$ 21,099,176 (Exhibit 2)

Vernon College
Schedule C
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2013
(With Memorandum Totals for the Year Ended August 31, 2012)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2013 Totals</u>	<u>2012 Totals</u>
NON-OPERATING REVENUES:					
State appropriations:					
Educational and general state support	\$ 5,560,117	\$ -	\$ -	\$ 5,560,117	\$ 5,852,020
State group insurance	-	636,721	-	636,721	596,611
State retirement match	-	534,942	-	534,942	351,121
	<u>5,560,117</u>	<u>1,171,663</u>	<u>-</u>	<u>6,731,780</u>	<u>6,799,752</u>
Total state appropriations					
Property taxes for maintenance & operation	1,438,239	-	791,547	2,229,786	2,167,943
Federal Revenue, Non-Operating	-	5,872,046	-	5,872,046	6,193,085
Capital contracts, grants and gifts	-	251,772	-	251,772	100,700
Gain/(Loss) on Disposal of Assets	-	(9,110)	-	(9,110)	50,000
Lease income	-	17,161	-	17,161	60,461
Investment income	33,857	8,522	-	42,379	62,608
	<u>7,032,213</u>	<u>7,312,054</u>	<u>791,547</u>	<u>15,135,814</u>	<u>15,434,549</u>
Total non-operating revenues					
NON-OPERATING EXPENSES:					
Operational costs of lease property	-	9,258	-	9,258	9,577
Amortization of bond issuance costs	-	-	-	-	11,672
Interest and fees on capital related debt	47,911	405,309	-	453,220	473,099
	<u>47,911</u>	<u>414,567</u>	<u>-</u>	<u>462,478</u>	<u>494,348</u>
Total non-operating expenses					
Net non-operating revenues	<u>\$ 6,984,302</u>	<u>\$ 6,897,487</u>	<u>\$ 791,547</u>	<u>\$ 14,673,336</u>	<u>\$ 14,940,201</u>
				(Exhibit 2)	(Exhibit 2)

Vernon College
Schedule D
Schedule of Net Position By Source and Availability
For the Year Ended August 31, 2013
(With Memorandum Totals for the Year Ended August 31, 2012)

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 3,648,804	\$ -	\$ -	\$ -	\$ 3,648,804	\$ 3,648,804	\$ -
Auxiliary	17,954	-	-	-	17,954	17,954	-
Student Aid	-	154,525	-	-	154,525	154,525	-
Endowment:							
Unrestricted:							
Student Aid	-	-	1,892,062	-	1,892,062	-	1,892,062
Plant:							
Debt Service	-	979,623	-	-	979,623	-	979,623
Investment in Plant	-	-	-	10,562,477	10,562,477	-	10,562,477
Total Net Position, August 31, 2013	<u>3,666,758</u>	<u>1,134,148</u>	<u>1,892,062</u>	<u>10,562,477</u>	<u>17,255,445</u>	<u>3,821,283</u>	<u>13,434,162</u>
Total Net Position, August 31, 2012, originally	3,962,726	1,546,422	2,092,113	9,927,995	17,529,256	3,962,726	13,566,530
Prior Period Adjustments	<u>(420,568)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(420,568)</u>	<u>(420,568)</u>	<u>-</u>
Total Net Position, August 31, 2012, restated	<u>3,542,158</u>	<u>1,546,422</u>	<u>2,092,113</u>	<u>9,927,995</u>	<u>17,108,688</u>	<u>3,542,158</u>	<u>13,566,530</u>
Net Increase (Decrease) in Net Position	<u>\$ 124,600</u>	<u>\$ (412,274)</u>	<u>\$ (200,051)</u>	<u>\$ 634,482</u>	<u>\$ 146,757</u>	<u>\$ 279,125</u>	<u>\$ (132,368)</u>
					(Exhibit 2)		

**Vernon College
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2013**

<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>U.S. Department of Education:</u>			
<u>Direct Programs:</u>			
Student Financial Aid Cluster:			
Supplemental Educational Opportunity Grant (FSEOG)	84.007	N/A	\$ 54,587
Federal Workstudy Program (FWS)	84.033	N/A	78,168
Federal Pell Grant Program (Pell)	84.063	N/A	5,739,291
Federal Direct Student Loans (Direct Loan)	84.268	N/A	<u>6,747,169</u>
Total Direct Programs			<u>12,619,215</u>
<u>Pass-Through From:</u>			
Texas Higher Education Coordinating Board:			
Carl Perkins Vocational Education Annual Grant	84.048	94252	<u>182,556</u>
Total U.S. Department of Education			<u>12,801,771</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	877
Special Programs for the Aging - Title III, Part C Nutrition	93.045	N/A	<u>41,020</u>
Total U.S. Department of Health and Human Services			<u>41,898</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 12,843,669</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, 2013**

Note 1: Significant Accounting Policies Used in Preparing the Schedule

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

Note 2: Federal Assistance Reconciliation

Federal Revenues - per Exhibit 2	
Federal Grants and Contracts - per Schedule A	\$ 239,482
Federal Grants and Contracts - per Schedule C	5,872,046
Direct Loans	6,747,169
Administrative Cost Recoveries - U.S. Department of Education	<u>(15,028)</u>
 Total Per Schedule E	 <u>\$ 12,843,669</u>

**Vernon College
Schedule F
Schedule of Expenditures of State Awards
For Year Ended August 31, 2013**

State Grantor/Pass Through Grantor/Program Title	Grant Contract #	Expenditures August 31, 2013
Pass-Through From		
Texas Higher Education Coordinating Board		
College Workstudy	N/A	\$ 12,700
Texas Grant	N/A	331,057
Texas Education Opportunity Grant	N/A	53,455
Top 10% Scholarship Program	NA	8,000
Professional Nursing (Over 70) Grant	N/A	190,137
S-3 Math Grant	10901	92,692
Subtotal Texas Higher Education Coordinating Board		688,041
Texas Department of Agriculture		
Texans Feeding Texans	N/A	5,149
Subtotal Texas Department of Agriculture		5,149
Texas Comptroller of Public Accounts		
JET EMS SimLab Grant	5112-4	160,903
Subtotal Texas Comptroller of Public Accounts		160,903
Texas Workforce Commission		
SDF Grant Tranter/Pratt-Whitney	0312SDF000	305,308
SDF Grant WF Consortium	0310SDF000	6,609
Subtotal Texas Workforce Commission		311,917
Total State Grants and Awards		\$ 1,166,010

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 2004 to 2013
(Unaudited)

For the Years Ended August 31.

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net investment in capital assets	\$ 10,562,477	\$ 9,927,996	\$ 7,907,301	\$ 7,758,361	\$ 7,532,428	\$ 7,302,927	\$ 7,318,720	\$ 6,851,139	\$ 5,263,055	\$ 6,590,592
Restricted - nonexpendable	1,892,062	2,092,113	2,349,161	2,495,414	2,504,215	2,495,579	2,038,618	1,877,070	1,795,826	1,673,310
Restricted - expendable	1,134,148	1,546,422	1,546,239	509,831	462,826	665,508	622,405	1,106,906	1,750,033	390,057
Unrestricted	3,666,758	3,962,726	5,108,925	4,745,732	3,717,514	2,990,161	2,976,155	2,626,756	2,522,286	2,491,700
Total primary government net position	<u>\$ 17,255,445</u>	<u>\$ 17,529,256</u>	<u>\$ 16,911,626</u>	<u>\$ 15,509,338</u>	<u>\$ 14,216,983</u>	<u>\$ 13,454,175</u>	<u>\$ 12,955,898</u>	<u>\$ 12,461,871</u>	<u>\$ 11,331,200</u>	<u>\$ 11,145,659</u>

Vernon College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2004 to 2013
(Unaudited)

For the Years Ended August 31,

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating Expenses										
Instruction	\$ 7,985,753	\$ 7,162,309	\$ 8,007,493	\$ 7,085,729	\$ 6,733,646	\$ 6,478,364	\$ 5,834,780	\$ 5,954,887	\$ 5,168,243	\$ 4,943,120
Public service	471,654	420,836	409,775	390,616	383,026	344,312	332,191	338,088	555,596	470,146
Academic support	2,656,292	2,703,740	2,341,236	2,625,566	2,349,928	2,277,988	2,462,146	2,109,335	2,316,158	2,295,564
Student services	1,885,203	1,730,718	1,661,351	1,596,999	1,492,684	1,414,255	1,743,620	1,453,965	1,337,026	1,147,701
Institutional support	3,007,644	2,820,922	2,629,477	2,413,068	2,412,779	2,138,994	2,030,647	1,904,323	1,854,161	1,675,034
Operation and maintenance of plant	2,456,195	2,339,480	1,969,638	2,275,070	1,874,896	2,043,131	1,720,330	1,363,683	1,422,407	1,915,677
Scholarship and fellowships	1,730,853	189,510	966,082	1,474,636	489,004	191,434	368,553	635,800	918,081	2,303,717
Auxiliary enterprises	2,108,546	3,278,919	3,351,668	2,297,289	2,210,484	2,246,353	2,168,860	2,143,037	2,046,592	1,825,699
Depreciation	874,987	623,367	575,217	511,728	522,686	515,907	484,454	461,323	466,073	346,467
Total Operating Expenses	23,177,127	21,269,801	21,911,937	20,670,701	18,469,133	17,650,738	17,145,561	16,364,441	16,084,337	16,923,125
Non-Operating Expenses										
Loss on disposal of assets	9,110	-	-	-	36,274	33,330	239,114	244,320	285,482	-
Operational costs of leased property	9,258	9,577	23,831	20,374	5,000	5,000	5,000	5,000	5,000	-
Amortization of bond issuance costs	-	11,672	11,672	5,000	419,232	450,371	468,360	486,488	552,992	71,765
Interest and fees on capital related debt	453,220	473,099	472,826	387,256	419,232	450,371	468,360	486,488	552,992	71,765
Total Non-Operating Expenses	471,588	494,348	508,329	412,630	460,506	488,701	712,474	735,808	843,474	71,765
Total Expenses	\$ 23,648,715	\$ 21,764,149	\$ 22,420,266	\$ 21,083,331	\$ 18,929,639	\$ 18,139,439	\$ 17,858,035	\$ 17,100,249	\$ 16,927,811	\$ 16,994,890

For the Years Ended August 31,

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating Expenses										
Instruction	33.77%	32.91%	35.72%	33.61%	35.57%	35.71%	32.67%	34.82%	30.53%	29.09%
Public service	1.99%	1.93%	1.83%	1.85%	2.02%	1.90%	1.86%	1.98%	3.28%	2.77%
Academic support	11.23%	12.42%	10.44%	12.45%	12.41%	12.56%	13.79%	12.34%	13.68%	13.51%
Student services	7.97%	7.95%	7.41%	7.57%	7.89%	7.80%	9.76%	8.50%	7.90%	6.75%
Institutional support	12.72%	12.96%	11.73%	11.45%	12.75%	11.79%	11.37%	11.14%	10.95%	9.86%
Operation and maintenance of plant	10.39%	10.75%	8.79%	10.79%	9.90%	11.26%	9.63%	7.97%	8.40%	11.27%
Scholarship and fellowships	7.32%	0.87%	4.31%	6.99%	2.56%	1.06%	2.06%	3.72%	5.42%	13.56%
Auxiliary enterprises	8.92%	15.07%	14.95%	10.90%	11.68%	12.38%	12.15%	12.53%	12.09%	10.74%
Depreciation	3.70%	2.86%	2.57%	2.43%	2.76%	2.84%	2.71%	2.70%	2.75%	2.04%
Total Operating Expenses	98.01%	97.73%	97.73%	98.04%	97.57%	97.31%	96.01%	95.70%	95.02%	99.58%
Non-Operating Expenses										
Loss on disposal of assets	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operational costs of leased property	0.04%	0.04%	0.11%	0.10%	0.19%	0.18%	1.34%	1.43%	1.69%	0.00%
Amortization of bond issuance costs	0.00%	0.05%	0.05%	0.02%	0.03%	0.03%	0.03%	0.03%	0.03%	0.00%
Interest and fees on capital related debt	1.99%	2.17%	2.11%	1.84%	2.21%	2.48%	2.62%	2.84%	3.27%	0.42%
Total Non-Operating Expenses	1.99%	2.27%	2.27%	1.96%	2.43%	2.69%	3.95%	4.30%	4.98%	0.42%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**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
2012	48.00	90.00	59.00	6.00	1,356.00	1,860.00	39.51%	29.17%
2011	46.00	85.00	29.00	6.00	972.00	1,440.00	5.19%	11.11%
2010	44.00	75.00	27.00	6.00	924.00	1,296.00	5.48%	6.93%
2009	42.00	70.00	25.00	6.00	876.00	1,212.00	10.61%	8.02%
2008	39.00	66.50	21.00	6.00	792.00	1,122.00	24.53%	20.65%
2007	36.00	60.50	11.00	6.00	636.00	930.00	8.16%	5.44%
2006	32.00	56.50	11.00	6.00	588.00	882.00	6.52%	10.53%
2005	29.00	49.50	11.00	6.00	552.00	798.00	9.52%	13.68%
2004	25.00	41.50	11.00	6.00	504.00	702.00	5.00%	13.59%
2003	23.00	34.50	11.00	6.00	480.00	618.00	14.29%	11.96%

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
2012	160.00	160.00	59.00	6.00	2,700.00	2,700.00	21.62%	21.62%
2011	150.00	150.00	29.00	6.00	2,220.00	2,220.00	13.50%	13.50%
2010	130.00	130.00	27.00	6.00	1,956.00	1,956.00	7.95%	7.95%
2009	120.00	120.00	25.00	6.00	1,812.00	1,812.00	9.42%	9.42%
2008	111.00	111.00	21.00	6.00	1,656.00	1,656.00	15.00%	15.00%
2007	103.00	103.00	11.00	6.00	1,440.00	1,440.00	6.19%	6.19%
2006	96.00	96.00	11.00	6.00	1,356.00	1,356.00	8.65%	8.65%
2005	87.00	87.00	11.00	6.00	1,248.00	1,248.00	8.33%	8.33%
2004	79.00	79.00	11.00	6.00	1,152.00	1,152.00	12.94%	12.94%
2003	68.00	68.00	11.00	6.00	1,020.00	1,020.00	8.97%	8.97%

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>
2012-13	\$ 1,595,309,430	\$ 608,833,820	\$ 986,475,610	61.84%	\$ 0.22285	\$ 0.00000	\$ 0.22285
2011-12	1,523,966,580	615,951,780	908,014,800	59.58%	0.22343	0.00000	0.22343
2010-11	1,498,674,530	611,389,270	887,285,260	59.20%	0.22672	0.00000	0.22672
2009-10	1,529,569,880	626,657,640	902,912,240	59.03%	0.22280	0.00000	0.22280
2008-09	1,456,143,210	529,537,760	926,605,450	63.63%	0.21737	0.00000	0.21737
2007-08	1,264,925,500	349,950,230	914,975,270	72.33%	0.21869	0.00000	0.21869
2006-07	1,171,062,460	251,862,620	919,199,840	78.49%	0.21869	0.00000	0.21869
2005-06	1,050,763,590	245,190,490	805,573,100	76.67%	0.24993	0.00000	0.24993
2004-05	1,009,481,640	243,684,940	765,796,700	75.86%	0.26195	0.00000	0.26195
2003-04	940,002,038	239,851,874	700,150,164	74.48%	0.28652	0.00000	0.28652

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	
2012-13	5,525,348	2,335	2,366	838,848	799,548	1,638,396	3.37
2011-12	5,852,020	2,259	2,591	858,800	796,761	1,655,561	3.53
2010-11	5,454,584	2,720	2,006	874,720	1,071,662	1,946,382	2.80
2009-10	5,521,976	2,420	2,282	860,960	826,687	1,687,647	3.27
2008-09	5,453,123	2,106	2,589	756,960	796,234	1,553,194	3.51
2007-08	5,453,123	1,999	2,728	740,544	689,139	1,429,683	3.81
2006-07	5,454,838	1,957	2,788	726,928	698,679	1,425,607	3.83
2005-06	5,453,123	1,961	2,780	694,752	767,656	1,462,408	3.73
2004-05	5,042,849	1,971	2,559	639,936	831,587	1,471,523	3.43
2003-04	5,042,930	2,146	2,350	647,568	868,196	1,515,764	3.33

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 Ten Tax Years
(Unaudited)**

		Taxable Assessed Valuation (TAV) by Tax Year									
		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Blue Summit Wind, LLC	Wind Farm	\$ 191,173,200		\$ 175,881,840	\$ 186,347,390	\$ 221,145,570	\$ 259,360,420	\$ 311,522,800	\$ 306,266,190	\$ 247,226,450	\$ 230,656,150
AEP Texas North Company	Energy company	174,045,890	\$ 184,846,970	49,330,560	58,018,740	55,415,220	55,975,710	52,262,440	53,703,940	56,973,910	61,054,130
AEP Public Service Co of Oklahoma	Energy company	51,041,830	51,378,340	10,913,990							
Electric Transmission of Texas	Electricity Distribution	43,382,620	23,236,450	32,929,510	30,694,140	31,554,780	28,978,660	30,411,870	31,876,920	32,505,830	33,519,560
Oklahoma Municipal Power Authority	Energy company	35,340,650	33,682,770	36,172,230	27,432,690	28,204,470	30,766,480	29,281,070	30,522,910	28,232,360	27,223,090
Tyson Foods, Inc	Food processing plant	34,825,270	38,836,140	35,724,210	25,087,580	23,450,170	24,037,680	19,659,204	20,541,460	17,689,480	17,427,760
WT Waggoner Estate	Farming, ranching, oil & gas	28,159,810	30,417,350	18,935,300	17,946,960	22,765,170	22,555,420	25,422,440	23,399,550	21,481,620	22,684,760
Rhodia, Inc	Guar processing plant	25,243,480	22,484,120	17,537,810	14,756,370	13,437,470	12,769,020	11,694,320	10,334,230	9,360,030	8,733,150
BNSF Railway	Railroad company	21,558,190	19,890,160	18,967,630	19,967,630	19,967,630	19,967,630	19,967,630	19,967,630	19,967,630	19,967,630
Mahard Egg Farm	Egg farm	18,949,050	18,677,420	18,811,580	18,811,580	18,811,580	18,811,580	18,811,580	18,811,580	18,811,580	18,811,580
Johnson & Ernst Op Co	Oil & gas	14,221,800	14,295,800	9,481,960	6,988,390	5,852,390	8,117,510				
Oncor Electric Delivery	Electricity Distribution	13,384,910	8,212,510								
Tradition Resources, LLC	Energy company	11,033,130	11,140,290								
Energy Production Corp	Energy company		10,398,220								
AEP West Texas Utilities Company	Energy company			13,339,240	13,609,240	12,050,300	11,490,730	11,467,250	11,467,250	11,467,250	11,467,250
Wal-Mart Stores/Retail Trust 1	Retail sales			11,063,650	5,753,060	5,054,790	4,123,730				
Vess Energy Partners	Oil & gas			7,040,400	6,661,210	5,387,360	4,243,260				
Almos Energy/MIDTEX	Energy company			5,195,240	5,195,240	5,195,240	5,389,120	6,109,790	5,776,290		6,160,750
Southwestern Bell Telephone Co	Telephone company					5,810,180					
Totals		\$ 662,359,830	\$ 467,496,540	\$ 427,162,300	\$ 418,456,640	\$ 456,088,910	\$ 477,548,050	\$ 507,294,074	\$ 501,985,780	\$ 431,229,320	\$ 418,926,600
Total Assessed Taxable Value		\$ 986,475,610	\$ 986,475,610	\$ 887,285,260	\$ 902,912,240	\$ 926,605,450	\$ 914,975,270	\$ 919,199,840	\$ 805,573,100	\$ 765,796,700	\$ 700,150,164

		Percentage Taxable Assessed Valuation (TAV) by Tax Year									
		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Blue Summit Wind, LLC	Wind Farm	19.38%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
AEP Texas North Company	Energy company	17.64%	18.74%	19.82%	20.64%	23.87%	28.35%	33.89%	38.02%	32.28%	32.94%
AEP Public Service Co of Oklahoma	Energy company	5.17%	5.21%	5.56%	6.43%	5.98%	6.12%	5.69%	6.67%	7.44%	8.72%
Electric Transmission of Texas	Electricity Distribution	4.40%	2.36%	1.23%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Oklahoma Municipal Power Authority	Energy company	3.58%	3.41%	3.71%	3.40%	3.41%	3.17%	3.31%	3.96%	4.24%	4.79%
Tyson Foods, Inc	Food processing plant	3.53%	3.94%	4.14%	3.04%	3.04%	3.36%	3.19%	3.79%	3.69%	3.89%
WT Waggoner Estate	Farming, ranching, oil & gas	2.85%	3.08%	2.84%	2.78%	2.53%	2.63%	2.14%	2.55%	2.81%	2.49%
Rhodia, Inc	Guar processing plant	2.56%	2.28%	2.13%	1.99%	2.46%	2.47%	2.77%	2.90%	2.81%	3.24%
BNSF Railway	Railroad company	2.19%	2.02%	1.98%	1.63%	1.45%	1.40%	1.27%	1.28%	1.22%	1.25%
Mahard Egg Farm	Egg farm	1.92%	1.89%	2.12%	2.21%	2.29%	1.06%	1.03%	1.00%	0.82%	0.00%
Johnson & Ernst Op Co	Oil & gas	1.44%	1.45%	1.07%	0.77%	0.63%	0.89%	0.00%	0.00%	0.00%	0.00%
Oncor Electric Delivery	Electricity Distribution	1.36%	0.83%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Tradition Resources, LLC	Energy company	1.12%	1.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Energy Production Corp	Energy company	0.00%	1.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
AEP West Texas Utilities Company	Energy company	0.00%	0.00%	1.51%	1.51%	1.30%	1.26%	1.25%	1.42%	1.42%	1.64%
Wal-Mart Stores/Retail Trust 1	Retail sales	0.00%	0.00%	0.79%	0.64%	0.55%	0.45%	0.00%	0.00%	0.00%	0.00%
Vess Energy Partners	Oil & gas	0.00%	0.00%	0.79%	0.74%	0.58%	0.00%	0.00%	0.00%	0.00%	0.00%
Almos Energy/MIDTEX	Energy company	0.00%	0.00%	0.58%	0.58%	0.51%	0.46%	0.00%	0.00%	0.00%	0.00%
Southwestern Bell Telephone Co	Telephone company	0.00%	0.00%	0.00%	0.00%	0.63%	0.59%	0.66%	0.72%	0.00%	0.88%
Totals		67.14%	47.39%	48.14%	46.35%	49.22%	52.19%	55.19%	62.31%	56.31%	59.83%

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

Fiscal Year Ended August 31,	Levy (a)	Cumulative Levy Adjustment	Adjusted Tax Levy (b)	Collections Year of Levy (c)	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (c+d+e)	Cumulative Collections of Adjusted Levy
	\$	\$	\$	\$	\$	\$	\$	%
2013	2,198,223	(796)	2,197,427	2,116,735	-	-	2,116,735	96.33%
2012	2,028,437	(854)	2,027,583	2,001,376	-	18,700	2,020,076	99.63%
2011	2,018,225	(2,795)	2,015,429	1,966,566	25,682	6,529	1,998,777	99.17%
2010	2,010,444	(973)	2,009,470	1,962,237	34,629	3,468	2,000,334	99.55%
2009	2,014,162	(4,265)	2,009,897	1,961,432	38,022	1,192	2,000,646	99.54%
2008	2,001,065	3,549	2,004,614	1,973,462	22,675	726	1,996,863	99.61%
2007	2,010,198	(8,437)	2,001,761	1,975,506	18,816	559	1,994,881	99.66%
2006	2,020,665	(6,827)	2,013,838	1,974,744	30,751	1,558	2,007,053	99.66%
2005	2,006,004	4,026	2,010,030	1,969,076	36,687	677	2,006,440	99.82%
2004	2,006,070	1,649	2,007,719	1,959,415	45,023	245	2,004,683	99.85%

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,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue bonds	\$ 11,225,000	\$ 11,680,000	\$ 12,125,000	\$ 6,540,000	\$ 6,845,000	\$ 7,135,000	\$ 7,415,000	\$ 7,675,000	\$ 7,925,000	\$ 8,100,000
Notes	-	-	-	-	-	-	-	-	-	-
Capital lease obligations	833,132	952,991	1,064,363	1,167,734	1,263,029	1,347,594	1,423,863	1,500,393	1,600,705	1,698,491
Total Outstanding Debt	\$ 12,058,132	\$ 12,632,991	\$ 13,189,363	\$ 7,707,734	\$ 8,108,029	\$ 8,482,594	\$ 8,838,863	\$ 9,175,393	\$ 9,525,705	\$ 9,798,491

Total Outstanding Debt Ratios

Per Capita	not available	not available	994.82	570.52	592.22	615.48	629.68	645.34	685.50	703.21
Per FTSE	5,096	4,876	4,849	3,185	3,850	4,243	4,517	4,679	4,833	4,566
As a percentage of Taxable Assessed Value	1.3280%	1.3913%	1.4865%	0.8537%	0.8750%	0.9271%	0.9616%	1.0132%	1.2439%	1.3995%

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,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Taxable Assessed Valuation	\$ 986,475,610	\$ 908,014,800	\$ 887,285,260	\$ 902,912,240	\$ 926,605,450	\$ 914,975,270	\$ 919,199,840	\$ 805,573,100	\$ 765,796,700	\$ 700,150,164
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Statutory tax levy limit for debt service	\$ 4,932,378	\$ 4,540,074	\$ 4,436,426	\$ 4,514,561	\$ 4,633,027	\$ 4,574,876	\$ 4,595,999	\$ 4,027,866	\$ 3,828,984	\$ 3,500,751
Less funds restricted for repayment of bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	4,932,378	4,540,074	4,436,426	4,514,561	4,633,027	4,574,876	4,595,999	4,027,866	3,828,984	3,500,751
Current year debt service requirement	-	-	-	-	-	-	-	-	-	-
Excess of statutory limit for debt service over current requirement	\$ 4,932,378	\$ 4,540,074	\$ 4,436,426	\$ 4,514,561	\$ 4,633,027	\$ 4,574,876	\$ 4,595,999	\$ 4,027,866	\$ 3,828,984	\$ 3,500,751
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 the last 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	General Use Fee	Facility/Farm Lease Revenue	Investment Income	Principal	Interest		Total
2013	\$ 5,749,880	\$ 659,514	\$ 3,702,329	\$ -	\$ 17,161	\$ 42,379	\$ 455,000	\$ 409,700	\$ 864,700	11.76
2012	5,431,705	678,138	3,506,215	-	60,461	29,086	445,000	419,931	864,931	11.22
2011	5,091,415	689,749	3,246,912	-	65,825	80,272	450,000	417,997	867,997	10.57
2010	4,737,506	681,811	2,888,778	-	168,044	79,481	305,000	327,650	632,650	13.52
2009	4,271,778	1,011,005	1,656,588	-	410,698	97,183	290,000	355,297	645,297	11.54
2008	4,042,027	577,058	1,136,510	-	414,658	123,301	280,000	382,925	662,925	9.49
2007	3,977,289	628,510	1,173,656	-	407,967	179,007	260,000	396,997	656,997	9.69
2006	3,137,859	484,364	1,150,590	-	627,092	48,233	250,000	410,465	660,465	8.25
2005	2,705,330	431,066	1,139,657	-	636,306	43,233	175,000	473,638	648,638	7.64
2004	2,272,559	362,450	974,186	30,180	207,891	3,982	100,000	6,500	106,500	36.16

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
2012	b	b	b	5.8%
2011	13,258	\$ 472,359	\$ 35,015	6.2%
2010	13,510	463,963	34,342	6.1%
2009	13,691	441,218	32,227	7.0%
2008	13,782	437,000	31,708	3.7%
2007	14,037	414,220	29,890	3.4%
2006	14,218	405,173	28,497	3.4%
2005	13,896	371,154	26,316	4.0%
2004	13,934	358,406	25,722	4.5%
2003	14,142	348,432	24,638	5.0%

Sources:

Population and personal income from U.S. Bureau of Economic Analysis
Unemployment rate from Texas Workforce Commission
Texas LMI Tracer <http://www.tracer2.com>

Notes:

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

**Vernon College
Statistical Supplement 13
Principal Employers
Fiscal Year 2013
(Unaudited)**

Employer	Number of Employees	Percentage of Total Employment (1, 2)
North Texas State Hospital	1000+	17.67%
Tyson Foods, Inc	500 - 999	11.05%
Hospital Home Health	100 - 499	4.42%
Vernon City Hall	100 - 499	4.42%
Vernon College	100 - 499	4.42%
Vernon Public Schools	100 - 499	4.42%
United Supermarket	100 - 499	4.42%
Walmart	100 - 499	4.42%
Wilbarger General Hospital	100 - 499	4.42%
Covenant Care of Vernon	50 - 99	1.10%
Herring Bank	50 - 99	1.10%
McDonalds	50 - 99	1.10%
Rhodia	50 - 99	1.10%
Vernon Care Center	50 - 99	1.10%
Waggoner National Bank	50 - 99	1.10%
Total	2450-5686	66.26%

Source:

Employer search <http://socrates.cdr.state.tx.us/> , November 2013
Labor Force - Socrates County Narrative Profile, November 2013

Note:

1. Total employment: 7,955
2. 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,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Faculty										
FT	83	81	81	77	74	74	73	73	72	69
PT	80	76	81	88	75	77	83	112	101	98
Total	163	157	162	165	149	151	156	185	173	167
Percent										
FT	51%	52%	50%	47%	50%	49%	47%	39%	42%	41%
PT	49%	48%	50%	53%	50%	51%	53%	61%	58%	59%
Staff & Adm										
FT	141	140	143	139	136	138	145	145	120	125
PT	4	5	4	9	-	-	-	-	9	-
Total	145	145	147	148	136	138	145	145	129	125
Percent										
FT	97%	97%	97%	94%	100%	100%	100%	100%	93%	100%
PT	3%	3%	3%	6%	0%	0%	0%	0%	7%	0%
FTSE										
FT Faculty	2,335	2,259	2,720	2,420	2,106	1,999	1,957	1,961	1,971	2,146
FT Staff	28.13	27.89	33.58	31.43	28.46	27.01	26.81	26.86	27.38	31.10
Avg. Fac	16.56	16.14	19.02	17.41	15.49	14.49	13.50	13.52	16.43	17.17
Fac Sal	\$ 3,961,823	\$ 3,809,445	\$ 3,794,882	\$ 3,558,609	\$ 3,373,083	\$ 3,235,850	\$ 3,110,721	\$ 2,909,602	\$ 2,753,724	\$ 2,545,488
Avg. Fac	\$ 47,733	\$ 47,030	\$ 46,850	\$ 46,216	\$ 45,582	\$ 43,728	\$ 42,613	\$ 39,858	\$ 38,246	\$ 36,891

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

Credit Student Classification	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
0 - 30 hours	2116	67.86%	2320	71.45%	2097	66.21%	2170	68.52%	2131	72.02%
31 - 60 hours	890	28.54%	816	25.13%	849	26.81%	694	21.91%	670	22.64%
> 60 hours	112	3.59%	111	3.42%	221	6.98%	303	9.57%	158	5.34%
Total	3118	100.00%	3247	100.00%	3167	100.00%	3167	100.00%	2959	100.00%

Non-Credit Student Classification	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
CEU Students Only	858	70.62%	757	72.58%	1355	75.66%	720	78.01%	702	75.48%
0 - 30 hours	203	16.71%	190	18.22%	276	15.41%	120	13.00%	130	13.98%
31 - 60 hours	97	7.98%	63	6.04%	101	5.64%	54	5.85%	56	6.02%
> 60 hours	57	4.69%	33	3.16%	59	3.29%	29	3.14%	42	4.52%
Total	1215	100.00%	1043	100.00%	1791	100.00%	923	100.00%	930	100.00%

Semester Hour Load	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	35	1.12%	40	1.23%	30	0.95%	48	1.52%	42	1.42%
3 - 5 semester hours	592	18.99%	660	20.33%	682	21.53%	736	23.24%	757	25.58%
6 - 8 semester hours	821	26.33%	838	25.81%	765	24.16%	784	24.76%	775	26.19%
9 - 11 semester hours	721	23.12%	714	21.99%	700	22.10%	605	19.10%	585	19.77%
12 - 14 semester hours	799	25.63%	812	25.01%	789	24.91%	782	24.69%	636	21.49%
15 - 17 semester hours	142	4.55%	178	5.48%	188	5.94%	204	6.44%	150	5.07%
18 & over	8	0.26%	5	0.15%	13	0.41%	8	0.25%	14	0.47%

Sub-Total SCH Students	3118	100.00%	3247	100.00%	3167	100.00%	3167	100.00%	2959	100.00%
Average SCH course load	8.66		8.57		8.66		8.49		8.11	
Non-Credit CEU Students	1215		1043		1791		923		930	
Total	4333		4290		4958		4090		3889	

Credit Tuition Status	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-district)	295	9.46%	306	9.42%	281	8.87%	300	9.47%	267	9.02%
Texas Resident (out-of-dist)	2781	89.19%	2887	88.91%	2833	89.45%	2828	89.30%	2658	89.83%
Non-Resident Tuition	42	1.35%	54	1.66%	53	1.67%	39	1.23%	34	1.15%
Total	3118	100.00%	3247	100.00%	3167	100.00%	3167	100.00%	2959	100.00%

Non-Credit Tuition Status	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	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	3	0.25%	1	0.10%	34	1.90%	5	0.33%	1	0.11%
CEU Contract Only	964	79.34%	736	70.57%	1463	81.69%	609	39.62%	542	58.28%
CEU Non-Contract Only	248	20.41%	306	29.34%	294	16.42%	923	60.05%	387	41.61%
Total	1215	100.00%	1043	100.00%	1791	100.00%	1537	100.00%	930	100.00%

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

	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	2682	61.90%	2664	62.10%	3012	60.75%	2452	59.95%	2285	58.76%
Male	1651	38.10%	1626	37.90%	1946	39.25%	1638	40.05%	1604	41.24%
Total	4333	100.00%	4290	100.00%	4958	100.00%	4090	100.00%	3889	100.00%

	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin										
White	2920	67.39%	2933	68.37%	3271	65.97%	2984	72.96%	2900	74.57%
Hispanic	659	15.21%	647	15.08%	632	12.75%	568	13.89%	511	13.14%
African American	362	8.35%	377	8.79%	429	8.65%	370	9.05%	331	8.51%
Asian	70	1.62%	62	1.45%	91	1.84%	104	2.54%	86	2.21%
Foreign	1	0.02%	1	0.02%	2	0.04%	4	0.10%	9	0.23%
Native American	56	1.29%	50	1.17%	49	0.99%	43	1.05%	43	1.11%
Other	265	6.12%	220	5.13%	484	9.76%	17	0.42%	9	0.23%
Total	4333	100.00%	4290	100.00%	4958	100.00%	4090	100.00%	3889	100.00%

	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Credit Students)										
Under 18	545	17.48%	565	17.40%	543	17.15%	627	19.80%	592	20.01%
18 - 21	1120	35.92%	1175	36.19%	1134	35.81%	1095	34.58%	1024	34.61%
22 - 24	372	11.93%	355	10.93%	346	10.93%	336	10.61%	326	11.02%
25 - 35	699	22.42%	768	23.65%	695	21.95%	637	20.11%	594	20.07%
36 - 50	318	10.20%	315	9.70%	346	10.93%	372	11.75%	353	11.93%
51 & over	64	2.05%	69	2.13%	103	3.25%	100	3.16%	70	2.37%
Total	3118	100.00%	3247	100.00%	3167	100.00%	3167	100.00%	2959	100.00%

Average Age	<u>24.0</u>	<u>24.0</u>	<u>25.0</u>	<u>25.0</u>	<u>25.0</u>
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	Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Non-Credit Students)										
Under 18	178	14.65%	230	22.05%	152	8.49%	141	15.28%	49	5.27%
18 - 21	108	8.89%	99	9.49%	277	15.47%	75	8.13%	103	11.08%
22 - 24	76	6.26%	64	6.14%	177	9.88%	61	6.61%	68	7.31%
25 - 35	264	21.73%	204	19.56%	431	24.06%	154	16.68%	199	21.40%
36 - 50	311	25.60%	223	21.38%	423	23.62%	251	27.19%	286	30.75%
51 & over	278	22.88%	223	21.38%	331	18.48%	241	26.11%	225	24.19%
Total	1215	100.00%	1043	100.00%	1791	100.00%	923	100.00%	930	100.00%

Average Age	<u>37.0</u>	<u>35.0</u>	<u>35.0</u>	<u>38.0</u>	<u>39.0</u>
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Vernon College
Statistical Supplement 17
Transfers to Senior Institutions
2011 Fall Students as of Fall 2012
(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	10		10	2.27%
2 Lamar University	1		1	0.23%
3 Midwestern State University	226	42	268	60.77%
4 Prairie View A&M University	1		1	0.23%
5 Sam Houston State University	3		3	0.68%
6 Stephen F. Austin State University	1		1	0.23%
7 Sul Ross	1		1	0.23%
8 Tarleton State University	25	3	28	6.35%
9 Texas A&M University	16		16	3.63%
10 Texas A&M University - Commerce	2	1	3	0.68%
11 Texas A&M University - Corpus Christi	2		2	0.45%
12 Texas A&M University - Galveston	2		2	0.45%
13 Texas A&M University - San Marcos	4	2	6	1.36%
14 Texas Tech University	44	1	45	10.20%
15 Texas Woman's University	6		6	1.36%
16 The University of Texas at Arlington	5	1	6	1.36%
17 The University of Texas at Austin	8	1	9	2.04%
18 The University of Texas at Dallas	4		4	0.91%
19 The University of Texas of the Permian Basin	1		1	0.23%
20 University of North Texas	15	1	16	3.63%
21 West Texas A&M University	12		12	2.72%
	<u>389</u>	<u>52</u>	<u>441</u>	<u>100.00%</u>

**Vernon College
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2009 to 2013
(Unaudited)**

	Fiscal Years				
	2013	2012	2011	2010	2009
Academic Buildings	6	6	6	6	6
Square footage	298,529	298,529	242,029	242,029	164,029
Libraries	1	1	1	1	1
Square footage	23,276	19,776	16,276	16,276	16,276
Number of volumes	33,719	33,719	33,810	33,815	33,370
Administrative and support buildings	1	1	1	1	1
Square footage	28,287	28,287	28,287	28,287	28,287
Dormitories	2	2	2	2	2
Square footage	27,214	27,214	27,214	27,214	27,214
Number of beds	156	156	156	156	156
Dining Facilities	1	1	1	1	1
Square footage	10,170	10,170	10,170	10,170	10,170
Average daily customers	250	250	250	250	250
Athletic Facilities	6	6	6	6	6
Square footage	39,987	39,987	39,987	31,472	31,472
Stadiums	3	3	3	3	3
Gymnasiums	1	1	1	1	1
Fitness Centers	1	1	1	1	1
Tennis Courts	6	6	6	6	6
Plant Facilities	1	1	1	1	1
Square footage	11,000	11,000	11,000	11,000	11,000
Transportation					
Cars	1	1	1	1	1
Light trucks/vans	14	14	14	13	11
Buses	3	3	3	2	2

Overall Compliance, Internal Controls and Federal Awards Section



EDGIN, PARKMAN, FLEMING & FLEMING, PC

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DAVID L. PARKMAN, CPA, CFE
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Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed In Accordance With *Government Auditing Standards*

Board of Trustees
Vernon College
Vernon, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Vernon College and its discretely presented component unit, Vernon College Foundation, Incorporated, as of and for the year ended August 31, 2013, 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 10, 2013.

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, 2013, 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

EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 10, 2013



EDGIN, PARKMAN, FLEMING & FLEMING, PC

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Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control Over Compliance Required by
OMB Circular A-133 and the State of Texas Single Audit Circular

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 Circular A-133 Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of Vernon College's major federal and state programs for the year ended August 31, 2013. Vernon College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Vernon College's major federal and state 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; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133 and the State of Texas Single Audit Circular 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 and state 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 each major federal and state program. However, our audit does not provide a legal determination on Vernon College's compliance.

Opinion on Each Major Federal and State 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 each of its major federal and state programs for the year ended August 31, 2013.

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 or state 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 OMB Circular A-133 and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Vernon College's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 10, 2013

VERNON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013

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 in accordance with section 510(a) of Circular A-133, and the State of Texas Single Audit Circular?	No
Identification of major programs:	
Federal Programs:	<u>CFDA Number</u>
Student Financial Aid Cluster:	
Supplemental Educational Opportunity Grant (FSEOG)	84.007
Federal Work-Study Program (FWS)	84.033
Federal Pell Grant Program (Pell)	84.063
Federal Direct Student Loans (Direct Loan)	84.268
State Programs:	
Texas Grant	(State)
Skills Development Fund (SDF) Grants	(State)
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

VERNON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D.)
FOR THE YEAR ENDED AUGUST 31, 2013

B. Financial Statement Findings

None

C. Federal and State Award Findings and Questioned Costs

None

**VERNON COLLEGE
SCHEDULE OF CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2013**

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, 2013

There were no findings in the prior year.