*ANNUAL FINANCIAL REPORT*

**AUGUST 31, 2023 and 2022**

VERNON COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022
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VERNON COLLEGE
ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2022-2023

## Board of Trustees

| | Officers | Term Expires |
|---|---|---|
| Mr. Bob Ferguson | Chairman | May 1, 2024 |
| Mrs. Ann Wilson | Vice-Chairman | May 1, 2024 |
| Mrs. Betsy Smith | Secretary | May 1, 2026 |

### Members

| | | |
|---|---|---|
| Mr. Irl Holt | | May 1, 2024 |
| Mr. James Brock | | May 1, 2026 |
| Mrs. Jamie Chapman | | May 1, 2028 |
| Mrs. Meg Heatley | | May 1, 2028 |

## Executive Administration

Dr. Dusty R. Johnston – President
Mrs. Mindi Flynn – Vice President of Administrative Services
Mrs. Shana Drury – Vice President of Instructional Services
Dr. Criquett Scott-Chapman – Vice President of Student Services
Mr. Kristin Harris – Dean of Student Services
Mrs. Bettye Hutchins – Dean of Instructional Services

# Financial Section

Condley AND COMPANY, LLP
Certified Public Accountants and Business Advisors

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Abilene, Texas 79604-2993
Phone 325-677-6251
Fax 325-677-0006
www.condley.cpa

December 13, 2023

**To the Board of Trustees**
**Vernon College**
**Vernon, Texas**

## ***INDEPENDENT AUDITOR'S REPORT***

### Report on the Audit of the Financial Statements

### Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of Vernon College (the "College"), as of and for the years ended August 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of August 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Change in Accounting Principle

As described in **Note 25** to the financial statements, in the fiscal year ending August 31, 2023, the College adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* Our opinion is not modified with respect to this matter.

### Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5-10, Schedule of College's Proportionate Share of the Net Pension Liability, Schedule of College's Contributions for Pensions, Schedule of College's Proportionate Share of Net OPEB Liability and Schedule of College's Contributions for OPEB on pages 50-53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supporting schedules (Schedules A-F), including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory (organizational data) and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the College's internal control over financial reporting and compliance.

Condley and Company, L.L.P.

Certified Public Accountants

**Management's Discussion and Analysis**
**Required Supplementary Information**

## 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, 2023. 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 statements follows.

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

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Current Assets | | | |
| Cash and cash equivalents | **$ 11,721,374** | $ 11,843,165 | $ 9,689,363 |
| Accounts receivable – net | **2,768,691** | 1,295,017 | 1,222,522 |
| Lease receivable | **14,258** | 14,257 | - |
| Inventories | **15,657** | 18,260 | 3,870 |
| Other assets and prepaid expenses | **184,377** | 438,714 | 3,093,596 |
| Total Current Assets | **14,704,357** | 13,609,413 | 14,009,351 |
| Noncurrent Assets | | | |
| Restricted cash and cash equivalents | **83,800** | 136,979 | 1,534,358 |
| Endowment investments | **119,488** | 133,743 | - |
| Capital assets – net | **21,445,478** | 22,350,111 | 19,109,197 |
| Total Noncurrent Assets | **21,648,766** | 22,620,833 | 20,643,555 |
| Total Assets | **36,353,123** | 36,230,246 | 34,652,906 |
| Deferred Outflows of Resources | **6,917,847** | 6,576,508 | 8,311,747 |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | **423,860** | 386,890 | 594,468 |
| Accrued expenses | **389,056** | 391,355 | 368,077 |
| Deposits | **15,822** | 30,722 | 25,762 |
| Unearned revenues | **3,522,941** | 2,499,220 | 5,237,369 |
| Lease and subscription liabilities – current | **636,930** | 579,079 | - |
| Capital lease and bonds payable - current | **700,000** | 680,000 | 665,000 |
| Total Current Liabilities | **5,688,609** | 4,567,266 | 6,890,676 |

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Noncurrent Liabilities | | | |
| Net Pension Obligation | **14,455,406** | 18,989,480 | 5,592,992 |
| Net OPEB Obligation | **5,730,822** | 2,485,807 | 17,741,505 |
| Lease and subscription liabilities – noncurrent | **2,355,227** | 2,730,816 | - |
| Bonds payable - noncurrent | **4,520,273** | 5,222,455 | 5,904,637 |
| Total Noncurrent Liabilities | **27,061,728** | 29,428,558 | 29,239,134 |
| Total Liabilities | **32,750,337** | 33,995,824 | 36,129,810 |
| Deferred Inflows of Resources | **8,827,596** | 6,782,591 | 6,135,016 |
| Net Position | | | |
| Net investment in capital assets | **13,233,048** | 13,137,761 | 12,332,642 |
| Restricted for student aid | **1,320,221** | 1,291,868 | 1,312,346 |
| Unrestricted | **(12,860,232)** | (12,401,290) | (12,945,162) |
| Net Position | **$ 1,693,037** | $ 2,028,339 | $ 699,826 |

Current assets increased by $1,097,944 from 2022 to 2023, while cash and equivalents fell slightly.

Capital assets, net of depreciation, have been gradually decreasing since 2014 because of lower capital spending and an increase in depreciation expense attributed to significant capital investments made during 2012. We had a modest decrease of less than 1% from 2022 to 2023.

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

Current liabilities increased by $1,121,343 from 2022 to 2023, caused by an increase of unearned revenues recorded at year end.

Prior to 2018, noncurrent liabilities had shown a steady decrease due to scheduled payments on capital leases and bonds. In 2018, the College recorded $11,926,024 of Other Post-Employment Benefits (OPEB) due to the adoption of GASB 75. In 2023, noncurrent liabilities saw a decrease of $2,366,830 because of changes to the GASB 68 and GASB 75 assumptions less reduction in bond debt.

The net position section of this report has three components, net investment in capital assets, restricted (nonexpendable or expendable), and unrestricted. Net position restricted for student aid has stabilized after several years of declines related to endowed scholarship funds being transferred to the Vernon College Foundation at donors' requests to try to increase earnings.

The *Statement of Revenues, Expenses, and Changes in Net Position* is a statement of activities. Revenues are presented as operating (program) revenue and non-operating (general) revenue. Expenses are reported by function. Functional expenses are defined as the "direct" expense specifically associated with a function and would not include allocations of indirect expenses. The functional categories for expenses are instruction, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships, auxiliary enterprises, and depreciation expense.

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| OPERATING REVENUES AND EXPENSES | | | |
| Revenues: | | | |
| Tuition and fees (net of discounts) | **$ 688,356** | $ 383,880 | $ 4,562,063 |
| Federal grants and contracts | **1,054,880** | 6,118,587 | 5,193,207 |
| State grants and contracts | **428,086** | 692,937 | 239,349 |
| Nongovernmental grants and contracts | **1,622,868** | 1,210,089 | 1,275,234 |
| Sales and services of educational activities | **63,161** | 60,273 | 59,502 |
| Investment income - program restricted | **35,351** | 2 | 33,904 |
| Auxiliary enterprises | **630,902** | 610,667 | 457,281 |
| General operating revenues (net of discounts) | **-** | 332,303 | 360,530 |
| Total Operating Revenues | **4,523,604** | 9,408,738 | 12,181,070 |
| Expenses: | | | |
| Instruction | **8,181,586** | 8,673,954 | 6,122,398 |
| Public service | **497,920** | 496,072 | 481,174 |
| Academic support | **2,872,924** | 2,678,448 | 2,343,332 |
| Student services | **1,888,271** | 1,952,581 | 2,290,553 |
| Institutional support | **5,083,597** | 5,572,426 | 7,922,636 |
| Operation and maintenance of plant | **1,973,256** | 2,226,139 | 2,077,771 |
| Scholarships and fellowships | **450,808** | 3,495,834 | 1,012,230 |
| Auxiliary enterprises | **1,465,919** | 1,511,496 | 1,359,808 |
| Depreciation | **1,405,398** | 913,981 | 945,477 |
| Total Operating Expenses | **23,819,679** | 27,520,931 | 24,555,379 |
| Operating Loss | **(19,296,075)** | (18,112,193) | (12,374,309) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| State appropriations | **6,869,745** | 7,131,914 | 6,823,796 |
| Maintenance ad valorem taxes | **3,733,967** | 3,572,601 | 3,189,828 |
| Federal revenue, non-operating | **8,012,311** | 8,333,799 | 4,648,066 |
| Gifts | **272,133** | 291,436 | 235,413 |
| Investment income | **287,622** | 245,770 | 176,082 |
| Gain/Loss on disposal of assets | **(28,813)** | (67,064) | (6,800) |
| Lease income | **19,607** | 20,431 | 22,158 |
| Operational costs of lease property | **(3,270)** | (2,885) | (2,739) |
| Amortization of bond issue costs | **(34,259)** | (34,259) | (47,692) |
| Interest and fees on capital related debt | **(168,270)** | (145,279) | (164,975) |
| Net Non-Operating Revenues (Schedule C) | **18,960,773** | 19,346,464 | 14,873,137 |
| Change in Net Position | **$ (335,302)** | $ 1,234,271 | $ 2,498,828 |

Operating revenues are separated into several categories. Student tuition and fees remained a major source of revenue for 2023, with a modest increase of $304,476 from the prior year.

Federal grant revenue decreased in 2023 by $5,063,707 as HERRF funds were no longer available.

Auxiliary revenues have continued a steady decline since 2019 when we outsourced our bookstore operations to a third-party vendor. For the first time in several years, there was a slight increase in auxiliary revenues for 2023 of $20,235.

Operating expenses in 2023 saw a decrease of $3,701,252 compared to 2022, even while providing our employees with a 3% salary increase. We continue to cut costs, where possible, to offset the decline in enrollment. Auxiliary expenses decreased as well by $45,577 from 2022 to 2023.

Property tax revenue remained steady as the Board of Trustees continues to hold the line at the effective rate, now named the no new revenue rate. The tax rate of the district remains one of the highest among community colleges in the state.

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

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Cash Flows From: | | | |
| Operating activities | **$ (17,704,074)** | $ (17,098,878) | $ (8,017,964) |
| Noncapital financing activities | **18,939,368** | 19,329,750 | 13,765,045 |
| Capital and related financing activities | **(1,697,886)** | (1,720,219) | (1,762,649) |
| Investing activities | **287,622** | 245,770 | 195,501 |
| Net increase (decrease) in Cash | **(174,970)** | 756,423 | 4,179,933 |
| Cash and cash equivalents – beginning of year | **11,980,144** | 11,223,721 | 7,043,788 |
| Cash and cash equivalents – end of year | **11,805,174** | 11,980,144 | 11,223,721 |

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

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

The main capital and related financing activities include construction and renovation projects and payments on capital debt. Capital purchases in 2022-23 included new HVAC units, roof replacement and a new ERP/SIS system. Purchases in 2021-22 included new bleachers in the King Gym, a new 37 passenger bus and a new roof on the Osborne Administration building. Capital purchases for 2020-21 included replacing the roofs at the King gym, improving the rodeo stalls, a new van for employee use and a surveillance cameras.

Principal paid on debt was $680,000 in 2022 and 2023, $880,000 in 2021, $627,181 in 2020, and $741,917 for 2019 Interest and fees paid on capital debt totaled $168,270 in 2023, $145,279 in 2022, $164,525 in 2021, $189,241 in 2020, $208,913 in 2019, and $232,494 in 2018.

Investing activities reported include lease income from the King Farm in excess of the related expenses of $16,337 in 2023, $17,545 for 2022, $19,419 for 2021, and $5,767 for 2020. Investing activities also reflects interest income earned on investments of $287,622 in 2023 and $245,770 in 2022.

### Reporting of Component Unit

Reported within this report is Exhibit 1.1, 2.1 and 3.1. 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 1.1 reports net assets increased by $305,737 bringing the total assets to $5,483,335 at the close of 2023. Gifts and contributions including transfers from the College Endowment Fund, realized gains, and unrealized gains or losses on investments are the major sources of revenue. Operating expense, investment advisory fees, and transfers to Vernon College are the main expenses.

### Analysis of the College's Overall Financial Position

The overall financial position of the College is good. The *Statistical Supplement Section* of this report reflects many changes. Trends in student tuition and fee revenue as well as state appropriations are reported on statistical supplement 1.

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 increased by $227,599,564 in 2023. The approved tax rate per $100 of valuation was $.22776 in 2022-23.

### Significant Capital Assets and Long-term Debt Activity

As mentioned previously in the discussion of the statement of net position, the College's investment in capital assets, net of related debt decreased by $904,6331 from $22,350,111 in 2022 to $21,445,478 in 2023. This decrease is a result of recording depreciation expense and payment of long-term debts. More details on the College's accounting policies for capital assets and current year activity can be found in the footnotes to the financial statements.

The College's total long-term debt decreased from $27,349,144 in 2022 to 27,061,728 in 2023. The decrease is the result of decreases of GASB 75 to reflect our share of Other Post-Employment Benefits (OPEB) less scheduled debt payments on existing debt. Debt payments, of which $680,000 is principal, were made in 2023 under the College's revenue bonds program. Moody's rates the College as A-3 stable. The notes to the financial statements contain additional information concerning the debt structures for the College.

### Discussion of Current Known Facts, Decisions, or Conditions

Enrollment for the Fall of 2011 was at an all-time record of 3,247. Since then we have experienced a gradual decline with enrollment for Fall 2015 totaling 2,891 before rebounding somewhat to 3,055 for Fall 2018. 2020 showed another small decrease with enrollment at 2,930. Indications are that most rural Community Colleges in Texas have seen similar fluctuations. We had hoped to see enrollment rebound post-Covid, but that has not been the case as of 2023.

## 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
STATEMENTS OF NET POSITION
AUGUST 31, 2023 AND 2022
EXHIBIT 1

| | 2023 | 2022 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | **$ 11,721,374** | $ 11,843,165 |
| Accounts receivable (net) | **2,768,691** | 1,295,017 |
| Lease receivable | **14,258** | 14,257 |
| Inventories | **15,657** | 18,260 |
| Prepaid expenses | **184,377** | 438,714 |
| Total Current Assets | **14,704,357** | 13,609,413 |
| | | |
| Noncurrent Assets: | | |
| Restricted cash and cash equivalents | **83,800** | 136,979 |
| Lease receivable | **119,488** | 133,743 |
| Capital assets (net) | **21,445,478** | 22,350,111 |
| Total Noncurrent Assets | **21,648,766** | 22,620,833 |
| TOTAL ASSETS | **36,353,123** | 36,230,246 |
| | | |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Refunding loss | **255,084** | 291,524 |
| Deferred outflows of resources related to OPEB | **2,828,154** | 4,800,688 |
| Deferred outflows of resources related to pensions | **3,834,609** | 1,484,296 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | **6,917,847** | 6,576,508 |
| | | |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable | **423,860** | 386,890 |
| Accrued expenses | **389,056** | 391,355 |
| Deposits | **15,822** | 30,722 |
| Unearned revenues | **3,522,941** | 2,499,220 |
| Lease and subscription liabilities - current portion | **636,930** | 579,079 |
| Bonds payable - current portion | **700,000** | 680,000 |
| Total Current Liabilities | **5,688,609** | 4,567,266 |
| | | |
| Noncurrent Liabilities: | | |
| Net OPEB liability | **14,455,406** | 18,989,480 |
| Net pension liability | **5,730,822** | 2,485,807 |
| Lease and subscription liabilities - noncurrent portion | **2,355,227** | 2,730,816 |
| Bonds payable - noncurrent portion | **4,520,273** | 5,222,455 |
| Total Noncurrent Liabilities | **27,061,728** | 29,428,558 |
| TOTAL LIABILITIES | **32,750,337** | 33,995,824 |
| | | |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows of resources related to leases | **133,746** | 148,000 |
| Deferred inflows of resources related to OPEB | **6,318,285** | 3,465,802 |
| Deferred inflows of resources related to pensions | **2,375,565** | 3,168,789 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | **8,827,596** | 6,782,591 |
| | | |
| NET POSITION | | |
| Net investment in capital assets | **13,233,048** | 13,137,761 |
| Restricted: | | |
| Nonexpendable for: | | |
| Student aid | **1,320,221** | 1,291,868 |
| Expendable for: | | |
| Student aid | **-** | - |
| Debt service | **-** | - |
| Unrestricted | **(12,860,232)** | (12,401,290) |
| TOTAL NET POSITION | **$ 1,693,037** | $ 2,028,339 |

*The accompanying notes are an integral part of the financial statements.*

VERNON COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION - COMPONENT UNIT
AUGUST 31, 2023 AND 2022
EXHIBIT 1.1

| | 2023 | 2022 |
|---|---|---|
| ASSETS | | |
| ASSETS | | |
| Cash and cash equivalents | **$ 128,548** | $ 191,641 |
| Investments | **5,354,787** | 4,985,957 |
| TOTAL ASSETS | **5,483,335** | 5,177,598 |
| LIABILITIES AND NET ASSETS | | |
| TOTAL LIABILITIES | **-** | - |
| NET ASSETS | | |
| Without donor restrictions | **225,225** | 135,572 |
| With donor restrictions | **5,258,110** | 5,042,026 |
| TOTAL NET ASSETS | **5,483,335** | 5,177,598 |
| TOTAL LIABILITIES AND NET ASSETS | **$ 5,483,335** | $ 5,177,598 |

*The accompanying notes are an integral part of the financial statements.*

VERNON COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022
EXHIBIT 2

| | 2023 | 2022 |
|---|---|---|
| OPERATING REVENUES AND EXPENSES | | |
| Operating Revenues: | | |
| Tuition and fees (net of discounts of $10,762,046 and $11,464,508, respectively) | $ 688,356 | $ 383,880 |
| Federal grants and contracts | 1,054,880 | 6,118,587 |
| State grants and contracts | 428,086 | 692,937 |
| Non-governmental grants and contracts | 1,622,868 | 1,210,089 |
| Sales and services of educational activities | 63,161 | 60,273 |
| Investment income - program restricted | 35,351 | 2 |
| Auxiliary enterprises | 630,902 | 610,667 |
| General operating revenues (net of discounts of $0, both years) | - | 332,303 |
| Total Operating Revenues (Schedule A) | 4,523,604 | 9,408,738 |
| Operating Expenses: | | |
| Instruction | 8,181,586 | 8,673,954 |
| Public service | 497,920 | 496,072 |
| Academic support | 2,872,924 | 2,678,448 |
| Student services | 1,888,271 | 1,952,581 |
| Institutional support | 5,083,597 | 5,572,426 |
| Operation and maintenance of plant | 1,973,256 | 2,226,139 |
| Scholarships and fellowships | 450,808 | 3,495,834 |
| Auxiliary enterprises | 1,465,919 | 1,511,496 |
| Depreciation | 1,405,398 | 913,981 |
| Total Operating Expenses (Schedule B) | 23,819,679 | 27,520,931 |
| Operating Loss | (19,296,075) | (18,112,193) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| State appropriations | 6,869,745 | 7,131,914 |
| Maintenance ad valorem taxes | 3,733,967 | 3,572,601 |
| Federal revenue, non-operating | 8,012,311 | 8,333,799 |
| Gifts | 272,133 | 291,436 |
| Investment income | 287,622 | 245,770 |
| Loss on disposal of assets | (28,813) | (67,064) |
| Lease income | 19,607 | 20,431 |
| Operational costs of lease property | (3,270) | (2,885) |
| Amortization of bond issue costs | (34,259) | (34,259) |
| Interest and fees on capital related debt | (168,270) | (145,279) |
| Net Non-Operating Revenues (Schedule C) | 18,960,773 | 19,346,464 |
| Increase (Decrease) in Net Position | (335,302) | 1,234,271 |
| NET POSITION | | |
| Net position - beginning of year (as originally stated) | 2,028,339 | 699,826 |
| Prior period adjustment | - | 94,242 |
| Net position - end of year (as restated) | $ 1,693,037 | $ 2,028,339 |

*The accompanying notes are an integral part of the financial statements.*

VERNON COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES - COMPONENT UNIT
FOR THE YEAR ENDED AUGUST 31, 2023
EXHIBIT 2.1

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|---|---|---|---|
| REVENUE | | | |
| Contributions | $ 122,880 | $ 162,879 | $ 285,759 |
| Silent auction | 4,912 | | 4,912 |
| Other income | 14 | | 14 |
| Investment income | | 367,759 | 367,759 |
| Net assets released from restriction | 314,554 | (314,554) | - |
| TOTAL REVENUE | 442,360 | 216,084 | 658,444 |
| EXPENSE | | | |
| Scholarships | 314,554 | | 314,554 |
| Departmental grant | 16,052 | | 16,052 |
| Other expenses | 22,101 | | 22,101 |
| TOTAL EXPENSE | 352,707 | - | 352,707 |
| INCREASE IN NET ASSETS | 89,653 | 216,084 | 305,737 |
| NET ASSETS AT BEGINNING OF YEAR | 135,572 | 5,042,026 | 5,177,598 |
| NET ASSETS AT END OF YEAR | $ 225,225 | $ 5,258,110 | $ 5,483,335 |

*The accompanying notes are an integral part of the financial statements.*

VERNON COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES - COMPONENT UNIT
FOR THE YEAR ENDED AUGUST 31, 2022
EXHIBIT 2.2

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|---|---|---|---|
| REVENUE | | | |
| Contributions | $ 52,311 | $ 265,675 | $ 317,986 |
| Silent auction | 3,175 | | 3,175 |
| Investment income (loss) | | (977,658) | (977,658) |
| Net assets released from restriction | 363,436 | (363,436) | - |
| TOTAL REVENUE | 418,922 | (1,075,419) | (656,497) |
| EXPENSE | | | |
| Scholarships | 363,436 | | 363,436 |
| Departmental grant | 51 | | 51 |
| Other expenses | 20,758 | | 20,758 |
| TOTAL EXPENSE | 384,245 | - | 384,245 |
| Transfers | (1,341,094) | 1,341,094 | - |
| INCREASE (DECREASE) IN NET ASSETS | (1,306,417) | 265,675 | (1,040,742) |
| NET ASSETS AT BEGINNING OF YEAR | 1,441,989 | 4,776,351 | 6,218,340 |
| NET ASSETS AT END OF YEAR | $ 135,572 | $ 5,042,026 | $ 5,177,598 |

*The accompanying notes are an integral part of the financial statements.*

VERNON COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022
EXHIBIT 3

| | | 2023 | | 2022 |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from students and other customers | **$** | **657,609** | $ | 415,048 |
| Receipts of appropriations, grants, and contracts | | **3,020,637** | | 5,283,464 |
| Other receipts | | **369,996** | | 522,514 |
| Payments to or on behalf of employees | | **(14,636,706)** | | (14,848,816) |
| Payments to suppliers for goods or services | | **(6,664,802)** | | (4,884,467) |
| Payments of scholarships | | **(450,808)** | | (3,586,621) |
| Net cash used in operating activities | | **(17,704,074)** | | (17,098,878) |
| | | | | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| State appropriations | | **6,869,745** | | 7,131,914 |
| Federal Title IV Grants | | **8,012,311** | | 8,333,799 |
| Property taxes for maintenance and operations | | **3,785,179** | | 3,572,601 |
| Gifts to endowment | | **272,133** | | 291,436 |
| Net cash provided by non-capital financing activities | | **18,939,368** | | 19,329,750 |
| | | | | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchases and construction of capital assets | | **(529,578)** | | (789,995) |
| Principal paid on capital debt | | **(963,480)** | | (768,232) |
| Amortization of bond issue cost and premiums | | **(2,182)** | | (16,713) |
| Interest and fees paid on capital debt | | **(202,646)** | | (145,279) |
| Net cash used in capital and related financing activities | | **(1,697,886)** | | (1,720,219) |
| | | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment earnings | | **287,622** | | 245,770 |
| Net cash provided by investing activities | | **287,622** | | 245,770 |
| | | | | |
| Increase (Decrease) in cash and cash equivalents | | **(174,970)** | | 756,423 |
| | | | | |
| Cash and cash equivalents - September 1 | | **11,980,144** | | 11,223,721 |
| | | | | |
| Cash and cash equivalents - August 31 | **$** | **11,805,174** | $ | 11,980,144 |
| | | | | |
| Displayed as: | | | | |
| Cash and cash equivalents | **$** | **11,721,374** | $ | 11,843,165 |
| Restricted cash and cash equivalents | | **83,800** | | 136,979 |
| | **$** | **11,805,174** | $ | 11,980,144 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | | | | |
| Operating loss | **$** | **(19,296,075)** | $ | (18,112,193) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | | | |
| Depreciation/amortization expense | | **1,405,398** | | 1,055,203 |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | | | | |
| Accounts receivable, net (adjusted for non-operating items) | | **(1,510,633)** | | (220,495) |
| Inventory | | **2,603** | | (14,390) |
| Deferred outflows of resources | | **(377,779)** | | 1,698,798 |
| Deferred inflows of resources | | **2,061,343** | | 591,171 |
| Prepaid expenses | | **254,337** | | 2,654,882 |
| Accounts payable | | **36,970** | | (202,618) |
| Deposits | | **(14,900)** | | (4,960) |
| Unearned revenues | | **1,023,721** | | (2,738,149) |
| Net pension liability | | **3,245,015** | | 1,297,975 |
| Net OPEB liability | | **(4,534,074)** | | (3,104,102) |
| | | | | |
| Net cash used in operating activities | **$** | **(17,704,074)** | $ | (17,098,878) |

*The accompanying notes are an integral part of the financial statements.*

VERNON COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS - COMPONENT UNIT
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022
EXHIBIT 3.1

| | 2023 | 2022 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from contributions | $ 285,759 | $ 317,986 |
| Receipts from silent auction | 4,912 | 3,175 |
| Payments to suppliers for goods or services | (52,959) | (42,118) |
| Payments of scholarships and grants | (314,554) | (363,436) |
| Net cash used in operating activities | (76,842) | (84,393) |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 43 | 420,155 |
| Investment earnings | 14,993 | 76,170 |
| Purchase of investments | (1,287) | (256,189) |
| Net cash provided by investing activities | 13,749 | 240,136 |
| | | |
| Increase (Decrease) in cash and cash equivalents | (63,093) | 155,743 |
| | | |
| Cash and cash equivalents - September 1 | 191,641 | 35,898 |
| | | |
| Cash and cash equivalents - August 31 | $ 128,548 | $ 191,641 |
| | | |
| RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES: | | |
| Increase (Decrease) in net assets | $ 305,737 | $ (1,040,742) |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Unrealized and realized (gains) losses on investments | (382,579) | (21,309) |
| Investment income reinvested | - | 977,658 |
| | | |
| Net cash provided by operating activities | $ (76,842) | $ (84,393) |

*The accompanying notes are an integral part of the financial statements.*

## Note 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 (the "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.

<u>Component Unit</u>
Vernon College Foundation Incorporated (the "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 Governmental Standards Board Statement 39*, Determining Whether Certain Organizations are Component Units*, the Foundation is a component unit of the College because:

- The College provides financial support to the Foundation and the economic resources received or held by the Foundation are entirely or almost entirely for the direct benefit of the College,
- The college is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the Foundation, and
- The economic resources held by the Foundation that the College is entitled to or can otherwise access, are significant to the College.

Accordingly, the Foundation's financial statements are included in the College's annual report as a discrete component unit.

## Note 2: Summary of Significant Accounting Policies

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 Colleges. The College applies all applicable GASB pronouncements. The College is reported as a special-purpose government engaged in business-type activities.

<u>Tuition Discounting</u>

<u>Texas Public Education Grants</u>
Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set-aside 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.

<u>Title IV, Higher Education Act Program Funds</u>
Certain Title IV HEA Program funds are received by the College to pass through to students. These funds are initially received by the College and recorded as revenue. 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.

<u>Other Tuition Discounts</u>
The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used 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.

Basis of Accounting

The financial statements of the College have been prepared on an 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.

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.

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. Restricted cash and cash equivalents are held for federal programs and endowment purposes.

Receivables

Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal, state, and local governments. Receivables are recorded net of estimated uncollectible amounts. The allowance for estimated uncollectible amounts totaled $1,164,443 and $1,237,879 as of August 31, 2023 and 2022, respectively.

Deferred Outflows

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

Investments

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, 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.

The Foundation investments are carried at fair value. Realized and unrealized gains and losses on marketable equity securities are recorded monthly and are added to or subtracted from the applicable category of net assets.

Inventories

Inventories consist of livestock to be used in the rodeo program in the following year. Inventories are valued at the lower of cost or net realizable value under the first-in, first-out method and are charged to expense as consumed.

Prepaid Expenses

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life in excess of one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged to operating expenses 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:

| Asset Type | Years |
|---|---|
| Buildings | 20-50 |
| Land improvements | 20 |
| Furniture, machinery, vehicles, and other equipment | 10 |
| Telecommunications and peripheral equipment | 5 |
| Library books | 15 |

Right-of-use lease assets resulting from public-private and/or public-public partnership (PPP) arrangements that qualify as leases are amortized over the shorter of the lease term or the useful life of the underlying asset.

Right-of-use subscription assets resulting from qualifying subscription-based information technology arrangements (SBITAs) are amortized over the subscription term.

Other Postemployment Benefits (OPEB)

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

Pensions

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

Unearned Revenues

Tuition and fees of $2,317,221 and $1,716,866 and federal, state, and local grants of $890,384 and $493,741 have been reported as unearned revenues as of August 31, 2023 and 2022, respectively. Auxiliary enterprise revenues, including meal and dorm rent, and other revenues reported as unearned revenues totaled $315,336 and $288,613 as of August 31, 2023 and 2022, respectively.

Deferred Inflows

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

Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities include bonds payable, lease liabilities, and any premiums or discounts associated with these debts that will not be paid within the next fiscal year.

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, 2023 and 2022.

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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 appropriations and property tax collections. 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.

When the College incurs an expense for which both restricted and unrestricted resources may be used, it is the College's policy to use restricted resources first, then unrestricted resources.

Net Position

The College's Net Position includes the following:

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

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

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

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

It is the College's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Net Assets – Foundation

The Foundation reports information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

*Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities. It is the Foundation's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

## Note 3: Authorized Investments

The College is authorized to invest in obligations and instruments as defined in the Public Funds 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 rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

The College is required 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 for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits. The Public Funds Investment Act requires an annual audit of investment practices.

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, 2023, no instances of noncompliance were found.

## Note 4: Deposits and Investments

The College's funds are required to be deposited and invested under the terms of the Texas Public Funds Investment Act. The College's depository bank deposits for safekeeping and trust with the College's agent bank approved pledged securities in an amount sufficient to protect College funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The College also utilizes the Texas Local Government Investment Pool which was authorized under and created pursuant to the Act.

Cash and Deposits

At August 31, 2023 and 2022, the carrying amount of the College's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was $11,805,174 and $11,980,144, respectively. The bank balance was $11,875,751 and $12,603,124, respectively. The College's cash deposits at August 31, 2023 and 2022 were entirely covered by FDIC insurance or by pledged collateral held by the College's agent bank in the College's name.

The College Cash and Deposits included in Exhibit 1 and Exhibit 1.1, Statement of Net Position and Statement of Financial Position, consist of the items reported below:

| | Primary Institution | | Component Unit | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Bank Deposits | | | | |
| Demand deposits | **$ 11,804,124** | $ 11,978,294 | **$ 69,653** | $ 131,502 |
| Money market | **-** | - | **58,895** | 60,139 |
| Total Bank Deposits | **11,804,124** | 11,978,294 | **128,548** | 191,641 |
| Cash and Cash Equivalents | | | | |
| Petty cash on hand | **1,050** | 1,850 | **-** | - |
| Total Cash and Cash Equivalents | **1,050** | 1,850 | **-** | - |
| Total Cash and Deposits | **$ 11,805,174** | $ 11,980,144 | **$ 128,548** | $ 191,641 |

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

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

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

The College held no investments as of August 31, 2023 and 2022.

The Foundation's investments at August 31, 2023 and 2022 are shown below:

| | **2023** | 2022 |
|---|---|---|
| Equities | **$ 607,844** | $ 578,509 |
| Mutual funds | **4,746,943** | 4,407,448 |
| Total fair market value | **$ 5,354,787** | $ 4,985,957 |

Reconciliation of Investments to Exhibit 1 and Exhibit 1.1:

| | Primary Institution | | Component Unit | |
|---|---|---|---|---|
| | **August 31, 2023** | August 31, 2022 | **August 31, 2023** | August 31, 2022 |
| Type of Security: | | | | |
| Equities | **$ -** | $ - | **$ 607,844** | $ 578,509 |
| Mutual funds | **-** | - | **4,746,943** | 4,407,448 |
| Total Investments | **$ -** | $ - | **$ 5,354,787** | $ 4,985,957 |
| Per Exhibit 1 and Exhibit 1.1: | | | | |
| Investments | **$ -** | $ - | **$ 5,354,787** | $ 4,985,957 |
| Total | **$ -** | $ - | **$ 5,354,787** | $ 4,985,957 |

As of August 31, 2023, the Foundation had the following investments and maturities:

| | | Investment in Maturities (in Years) | | |
|---|---|---|---|---|
| Investment Type | Fair Value | Less than 1 | 1 to 2 | 2 to 3 |
| Equities | $ 607,844 | $ N/A | $ N/A | $ N/A |
| Mutual funds | 4,746,943 | N/A | N/A | N/A |
| Total Fair Value | $ 5,354,787 | $ N/A | $ N/A | $ N/A |

The Foundation held the following investments with a continuous unrealized loss position at August 31, 2023:

| | Less than 12 months | | 12 months or longer | |
|---|---|---|---|---|
| Investment Type | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| Mutual funds | $ - | $ - | $ 3,880,769 | $ (420,042) |
| Total Fair Value | $ - | $ - | $ 3,880,769 | $ (420,042) |

The unrealized losses are considered temporary and are generally caused by market fluctuations. The Foundation has the intent and ability to hold the investments until recovery of fair value.

Public Funds Investment Pools

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

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

Analysis of Specific Deposit and Investment Risks

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

Credit Risk

This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. In accordance with state law and the College's investment policy, investment in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations other than states, municipalities, counties, etc. must be rated at least A as well.

The College did not carry any investments as of August 31, 2023 or 2022 and as such was not exposed to credit risk.

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.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College did not invest in repurchase agreements.

As of August 31, 2023, the carrying amount of the College's bank balances was $11,875,751. Bank balances of $250,000 were covered by Federal Depository Insurance. Bank balances in the amount of $8,454,151 were covered by securities held by the bank in the College's name. The remainder of the bank balance was covered under a *Deposit Insurance Program* that allocates the deposits between different financial institutions at all times such that all deposits are in effect covered by Federal Depository Insurance.

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

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the College's investment in a single issuer (i.e., lack of diversification). The College does not place a limit on the amount the College may invest in any one issuer. Concentration risk is defined as positions of 5 percent (5%) or more in the securities of a single issuer. At year end, the College was not exposed to a concentration of credit risk.

More than 5% of the Foundation's investments are in Vanguard Star (50.2%).

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the College does not purchase any investments with maturities greater than 10 years.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. The College is not exposed to foreign currency risk.

Investment Accounting Policy

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

Fair Value of Financial Instruments

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

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

*Level 1* inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.

*Level 2* inputs are inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly.

*Level 3* inputs are unobservable inputs for the asset or liability.

The application of valuation techniques applied to similar assets has been consistent and there were no transfers between levels during the year. The following is a description of the valuation methodologies used for instruments measured at fair value:

*Equities*: valued at the closing price reported on the active market on which the individual securities are traded. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

*Mutual funds*: valued at the net asset value of shares held at year end at the closing price reported on the active market.

The fair value hierarchy of Foundation investments at August 31, 2023 follows:

| | Fair Value Measurements at Reporting Date Using | | | | |
|---|---|---|---|---|---|
| Investment Type | (Level 1) | (Level 2) | (Level 3) | Total | FY 22 |
| Equities | $ 607,844 | $ - | $ - | $ 607,844 | $ 578,509 |
| Mutual funds | 4,746,943 | - | - | 4,746,943 | 4,407,448 |
| Total | $ 5,354,787 | $ - | $ - | $ 5,354,787 | $ 4,985,957 |

Permanent Endowment

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

A roll forward of the College endowment fund for the years ended August 31,:

| | **2023** | 2022 |
|---|---|---|
| Endowment net assets, beginning of year | **$ 1,291,868** | $ 1,312,346 |
| Contributions | **50** | 15 |
| Investment earnings | **35,351** | 31,445 |
| Transfers to Foundation | **-** | (25,095) |
| Scholarships | **(7,048)** | (26,843) |
| Endowment net assets, end of year | **$ 1,320,221** | $ 1,291,868 |

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.

**Note 5: Ad Valorem Tax**

The following are additional disclosures relative to property taxes for the years ended August 31 ,2023 and 2022:

The College's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College.

| Fiscal Year Ending August 31, | | **2023** | | 2022 |
|---|---|---|---|---|
| Assessed Valuation of the College | **$** | **2,535,105,500** | $ | 2,312,466,460 |
| Less: Exemptions | | **(1,025,543,710)** | | (1,028,075,320) |
| Net Assessed Value of the College | **$** | **1,509,561,790** | $ | 1,284,391,140 |

| Fiscal Year Ending August 31, | **2023** | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Current Operations** | **Debt Service** | **Total** | Current Operations | Debt Service | Total |
| Authorized tax rate per $100 valuation | **$ 1.000000** | **$ .00000** | **$ 1.000000** | $ 1.000000 | $ .00000 | $ 1.000000 |
| Assessed tax rate per $100 valuation | **$ .232436** | **$ .00000** | **$ .232436** | $ .248389 | $ .00000 | $ .248389 |

Taxes levied for the year ended August 31, 2023 and 2022 totaled $3,385,122 and $3,188,837, respectively.

Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year in which imposed.

| Taxes Collected | | **2023 Current Operations** | | 2022 Current Operations |
|---|---|---|---|---|
| Current taxes collected | **$** | **3,347,515** | $ | 3,144,449 |
| Delinquent taxes collected | | **52,315** | | 41,052 |
| Penalties and interest collected | | **36,197** | | 29,601 |
| Total Collections | **$** | **3,436,027** | $ | 3,215,102 |

Tax collections for the year ended August 31, 2023 and 2022 were 98.89% and 98.61% of the actual tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations, or general obligation debt service.

### Note 6: Disaggregation of Receivables and Payables Balances

Receivables as of August 31, 2023 and 2022 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Students | $ 2,505,704 | $ 627,159 |
| Federal grants | 65,632 | 328,213 |
| State/local grants and contracts | 28,261 | 80,689 |
| Property taxes | 92,179 | 143,392 |
| Lease receivable | 133,746 | 148,000 |
| Others | 76,915 | 115,564 |
| Total | $ 2,902,437 | $ 1,443,017 |

Payables and accrued expenses as of August 31, 2023 and 2022 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Vendor payables | $ 423,860 | $ 386,890 |
| Salaries and benefits payable | 368,077 | 368,077 |
| Interest payable | 20,979 | 23,278 |
| Deposits | 15,822 | 30,722 |
| Total | $ 828,738 | $ 808,967 |

### Note 7: Capital Assets

Capital asset activity for the year ended August 31, 2023, was as follows:

| Business-type activities | Beginning Balances | Increases | Decreases | Ending Balances |
|---|---|---|---|---|
| **Capital assets not being depreciated:** | | | | |
| Land | $ 2,805,991 | $ - | $ - | $ 2,805,991 |
| **Total capital assets not being depreciated** | 2,805,991 | - | - | 2,805,991 |
| **Capital assets being depreciated:** | | | | |
| Buildings | 22,815,392 | - | - | 22,815,392 |
| Improvements | 2,351,733 | 169,531 | - | 2,521,264 |
| Right-of-use assets leases | 931,543 | 116,665 | (59,053) | 989,155 |
| Right-of-use assets subscriptions | 2,978,679 | 145,370 | - | 3,124,049 |
| Furniture, machinery, vehicles and other equipment | 4,612,307 | 81,928 | (24,205) | 4,670,030 |
| Telecommunications and peripheral equipment | 1,910,463 | 16,084 | (263,916) | 1,662,631 |
| Library books | 1,235,302 | - | - | 1,235,302 |
| **Total capital assets being depreciated** | 36,835,419 | 529,578 | (347,174) | 37,017,823 |

| **Business-type activities** | **Beginning Balances** | **Increases** | **Decreases** | **Ending Balances** |
|---|---|---|---|---|
| **Less accumulated depreciation for:** | | | | |
| **Buildings** | **(10,017,208)** | **(414,192)** | **-** | **(10,431,400)** |
| **Improvements** | **(1,250,080)** | **(86,462)** | **-** | **(1,336,542)** |
| **Right-of-use assets leases** | **(141,223)** | **(148,520)** | **59,053** | **(230,690)** |
| **Right-of-use assets subscriptions** | **(341,996)** | **(483,005)** | **-** | **(825,001)** |
| **Furniture, machinery, vehicles and other equipment** | **(3,140,792)** | **(174,779)** | **21,784** | **(3,293,787)** |
| **Telecommunications and peripheral equipment** | **(1,370,312)** | **(85,596)** | **237,524** | **(1,218,384)** |
| **Library books** | **(1,029,688)** | **(12,844)** | **-** | **(1,042,532)** |
| **Total accumulated depreciation** | **(17,291,299)** | **(1,405,398)** | **318,361** | **(18,378,336)** |
| **Net other capital assets** | **19,544,120** | **(875,820)** | **(28,813)** | **18,639,487** |
| **Capital assets, net** | **$ 22,350,111** | **$ (875,820)** | **$ (28,813)** | **$ 21,445,478** |

Capital asset activity for the year ended August 31, 2022, was as follows:

| Business-type activities | Beginning Balances | Increases | Decreases | Ending Balances |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 2,805,991 | $ - | $ - | $ 2,805,991 |
| Total capital assets not being depreciated | 2,805,991 | - | - | 2,805,991 |
| | | | | |
| Capital assets being depreciated: | | | | |
| Buildings | 22,692,696 | 122,696 | - | 22,815,392 |
| Improvements | 2,235,210 | 139,720 | (23,197) | 2,351,733 |
| Right-of-use assets leases | - | 931,543 | - | 931,543 |
| Right-of-use assets subscriptions | - | 2,978,679 | - | 2,978,679 |
| Furniture, machinery, vehicles and other equipment | 4,867,804 | 299,050 | (554,547) | 4,612,307 |
| Telecommunications and peripheral equipment | 1,693,620 | 233,489 | (16,646) | 1,910,463 |
| Library books | 1,235,302 | - | - | 1,235,302 |
| Total capital assets being depreciated | 32,724,632 | 4,705,177 | (594,390) | 36,835,419 |
| | | | | |
| Less accumulated depreciation for: | | | | |
| Buildings | (9,610,664) | (406,544) | - | (10,017,208) |
| Improvements | (1,179,749) | (88,007) | 17,676 | (1,250,080) |
| Right-of-use assets leases | - | (141,223) | - | (141,223) |
| Right-of-use assets subscriptions | - | (341,996) | - | (341,996) |
| Furniture, machinery, vehicles and other equipment | (3,320,140) | (315,323) | 494,671 | (3,140,792) |
| Telecommunications and peripheral equipment | (1,295,552) | (89,740) | 14,980 | (1,370,312) |
| Library books | (1,015,321) | (14,367) | - | (1,029,688) |
| Total accumulated depreciation | (16,421,426) | (1,397,200) | 527,327 | (17,291,299) |
| Net other capital assets | 16,303,206 | 3,307,977 | (67,063) | 19,544,120 |
| Capital assets, net | $ 19,109,197 | $ 3,307,977 | $ (67,063) | $ 22,350,111 |

**Note 8: Long-Term Obligations**

Long-term liability activity for the year ended August 31, 2023, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| **Revenue bonds** | **$ 5,885,000** | **$ -** | **$ (680,000)** | **$ 5,205,000** | **$ 700,000** |
| **Bond premium** | **17,455** | **-** | **(2,182)** | **15,273** | **-** |
| **Leases and subscriptions** | **3,309,895** | **261,593** | **(579,331)** | **2,992,157** | **636,930** |
| **Net pension liability** | **2,485,807** | **3,695,459** | **(450,444)** | **5,730,822** | **-** |
| **Net OPEB liability** | **18,989,480** | **-** | **(4,534,074)** | **14,455,406** | **-** |
| **Totals** | **$ 30,687,637** | **$ 3,957,052** | **$ (6,246,031)** | **$ 28,398,658** | **$ 1,336,930** |

Long-term liability activity for the year ended August 31, 2022, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| Revenue bonds | $ 6,550,000 | $ - | $ (665,000) | $ 5,885,000 | $ 680,000 |
| Bond premium | 19,637 | - | (2,182) | 17,455 | - |
| Leases and subscriptions | - | 3,309,895 | - | 3,309,895 | 579,079 |
| Net pension liability | 5,592,992 | - | (3,107,185) | 2,485,807 | - |
| Net OPEB liability | 17,741,505 | 1,247,975 | - | 18,989,480 | - |
| Totals | $ 29,904,134 | $ 4,557,870 | $ (3,774,367) | $ 30,687,637 | $ 1,259,079 |

**Note 9: Debt and Lease Obligations**

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

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

Debt service requirements for the College's outstanding bonds at August 31, 2023 are as follows:

| Fiscal Year Ending August 31, | Principal | Interest | Total Requirement |
|---|---|---|---|
| **2024** | **$ 700,000** | **$ 113,122** | **$ 813,122** |
| 2025 | 715,000 | 96,637 | 811,637 |
| 2026 | 730,000 | 79,802 | 809,802 |
| 2027 | 745,000 | 62,619 | 807,619 |
| 2028 | 765,000 | 45,027 | 810,027 |
| 2029-2030 | 1,550,000 | 35,999 | 1,585,999 |
| Totals | $ 5,205,000 | $ 433,207 | $ 5,638,207 |

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.

Obligations under leases as of August 31, 2023 were as follows:

| Fiscal Year Ending August 31, | Principal | Interest | Total Requirement |
|---|---|---|---|
| **2024** | **$ 135,474** | **$ 9,378** | **$ 144,852** |
| 2025 | 137,297 | 7,555 | 144,852 |
| 2026 | 132,150 | 5,696 | 137,846 |
| 2027 | 124,109 | 3,834 | 127,943 |
| 2028 | 114,204 | 2,040 | 116,244 |
| 2029-2033 | 135,713 | 954 | 136,667 |
| | $ 778,947 | $ 29,457 | $ 808,404 |

Lease obligations consisted of the following as of August 31, 2023:

- Monthly (60 months) copier lease maturing in December 2027; monthly payments of $300; discount rate of 3.72%.
- Monthly (60 months) copier lease maturing in August 2027; monthly payments of $63; discount rate of 3.99%.
- Monthly (60 months) copier lease maturing in June 2026; monthly payments of $990; discount rate of 0.13%.
- Monthly (60 months) copier lease maturing in August 2025; monthly payments of $419; discount rate of 0.47%.
- Monthly (60 months) copier lease maturing in August 2028; monthly payments of $1,700; discount rate of 3.52%.
- Monthly (60 months) copier lease maturing in March 2028; monthly payments of $56; discount rate of 4.04%.
- Annual (7 years) facility lease maturing in December 2029; annual payments of $102,500; discount rate of 0.99%.

The College does not capitalize any lease obligations with an original term of less than one year.

Obligations under subscription-based information technology arrangements as of August 31, 2023 were as follows:

| Fiscal Year Ending August 31, | | Principal | | Interest | | Total Requirement |
|---|---|---|---|---|---|---|
| **2024** | **$** | **501,456** | **$** | **32,501** | **$** | **533,957** |
| 2025 | | 440,097 | | 24,881 | | 464,978 |
| 2026 | | 437,178 | | 18,107 | | 455,285 |
| 2027 | | 408,239 | | 11,082 | | 419,321 |
| 2028 | | 426,240 | | 5,661 | | 431,901 |
| | $ | 2,213,210 | $ | 92,232 | $ | 2,305,442 |

Subscription-based leases consisted of the following as of August 31, 2023:

- Annual (3 years) software lease maturing in December 2024; annual payments of $14,995; discount rate of 1.14%.
- Monthly (46 months) software lease maturing in June 2025; monthly payments ranging from $31,827 to $33,764; discount rate of 0.18%.
- Annual (5 years) software lease maturing in August 2026; annual payments of $21,550; discount rate of 0.19%.
- Annual (3 years) software lease maturing in July 2025; annual payments ranging from $29,746 to $31,733; discount rate of 2.88%.
- Annual (7 years) software lease maturing in November 2028; annual payments ranging from $361,710 to $431,901; discount rate of 1.32%.
- Annual (4 years) software lease maturing in August 2026; annual payments ranging from $12,044 to $48,177; discount rate of 3.89%.

The College does not capitalize any subscription-based leases with an original term of less than one year.

As of August 31, 2023 and 2022, the College was in compliance with all material aspects of the bond indentures and other debt covenants.

## Note 10: Lease Receivable

Vernon College leases land to two ranches with agreements for 10 years with interest rates equal to the market rate at the time of the lease renewals. Vernon College recognized lease revenues of $14,262 in fiscal year 2023. Leases payments receivable from leases where the college is the lessor include the following:

| Fiscal Year Ending August 31, | | Principal | | Interest | | Total Requirement |
|---|---|---|---|---|---|---|
| 2024 | $ | 14,258 | $ | 4 | $ | 14,262 |
| 2025 | | 14,258 | | 4 | | 14,262 |
| 2026 | | 14,259 | | 3 | | 14,262 |
| 2027 | | 14,260 | | 2 | | 14,262 |
| 2028 | | 14,260 | | 2 | | 14,262 |
| 2029-2033 | | 62,456 | | 4 | | 62,460 |
| Total minimum lease payments | $ | 133,751 | $ | 19 | $ | 133,770 |

**Note 11: Compensated Absences**

The College has adopted a “use it or lose it” policy and does not compensate for unused vacation or sick leave.

Vacation Leave

Fulltime 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 $368,077 and $368,077 at August 31, 2023 and 2022, respectively.

Sick Leave

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

**Note 12: Employee’s Retirement Plan**

The State of Texas has joint contributory retirement plans for almost all its employees. The District requires all full-time employees to participate in either the Teacher Retirement System of Texas (TRS) or the Optional Retirement Plan (ORP). Faculty, administrators, counselors, and librarians may enroll in either the TRS or the ORP. Secretarial, clerical, and professional employees are limited to participation in the TRS. Employees who are eligible to participate in the ORP have ninety days from the date of their employment to select the optional retirement program. Employees who previously had the opportunity to participate in the ORP but declined must remain with the TRS for the duration of their employment in the Texas education system.

The State of Texas has joint contributory retirement plans for almost all of its employees. TRS issues suggested footnote disclosures for pension plans resulting from the implementation of GASB Statement No. 68. The TRS sample footnotes are displayed below and can also be obtained from the TRS website. Certain revisions, including additions and deletions, have been made to the TRS suggested footnote disclosures below to achieve appropriate disclosure for community colleges.

Teacher Retirement System of Texas

*Plan Description*

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

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

*Pension Plan Fiduciary Net Pension*

Detailed information about the TRS's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at:

https://www.trs.texas.gov/TRS%20Documents/acfr_2022.pdf or by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512) 542-6592.

*Benefits Provided*

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

Texas Government Code section 821.006 prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS's 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.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) which provides for gradual contribution increases from the state, participating employers, and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members who retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or $2,000, whichever was less.

*Contributions*

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution, which requires the Texas legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2022 through 2026.

| Contribution Rates | | 2023 | 2022 |
|---|---|---|---|
| Member | | **8.00%** | 8.0% |
| Non-employer contributing entity (State) | | **8.00%** | 7.75% |
| Employers | | **8.00%** | 7.75% |
| | | | |
| FY2022 District or member contributions | $ | **760,280** | |
| FY2022 State of Texas on-behalf contributions | $ | **323,098** | |
| FY2022 District or college contributions | $ | **422,600** | |

College contributions to the TRS pension plan in 2023 were $441,777 as reported in the Schedule of College's Contributions for Pensions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2023 were $335,207.

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

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

- On the portion of the member's salary that exceeds the statutory minimum members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

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

Net Pension Liability (Asset)

*Actuarial Assumptions*

The total Pension Liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation date | August 31, 2022 |
| Actuarial cost method | Individual Entry Age Normal |
| Asset valuation method | Fair Value |
| Actuarial assumptions: | |
| Single discount rate | 7.00% |
| Long-term expected investment rate of return* | 7.00% |
| Municipal bond rate* | 3.91% |
| Last year ending August 31 in the 2016 to 2116 projection period (100 years) | 2121 |
| Inflation | 2.30% |
| Salary increases including inflation | 2.95% to 8.95% |
| Payroll growth rate | 2.90% |
| Benefit changes during the year | None |
| Ad hoc post-employment benefit changes | None |

**The municipal bond rate used is 3.91% as of August 2022 (i.e. the rate closest to but not later than the Measurement Date). Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

The actuarial methods and assumptions were selected by the Board of Trustees based on analysis and recommendations by the system's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the four years ending August 31, 2021 and were adopted in July 2022.

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for FY2022, are provided for in the FY2022 Assumed Per Capita Health Benefit Costs. There were no benefit changes for HealthSelect retirees and the dependents for whom Medicare is primary.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.00. The projection of cash flows used to determine the single discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the TRS' target asset allocation as of August 31, 2022, is summarized below:

| Asset Class | Target Allocation | Long-Term Expected Geometric Real Rate of Return | Expected Contribution to Long-Term Portfolio Returns |
|---|---|---|---|
| **Global Equity** | | | |
| U.S | 18.00% | 4.60% | 1.12% |
| Non-U.S. developed | 13.00% | 4.90% | 0.90% |
| Emerging markets | 9.00% | 5.40% | 0.75% |
| Private equity | 14.00% | 7.70% | 1.55% |
| **Stable Value** | | | |
| Government bonds | 16.00% | 1.00% | 0.22% |
| Absolute return | 0.00% | 3.70% | 0.00% |
| Stable value hedge funds | 5.00% | 3.40% | 0.18% |
| **Real Return** | | | |
| Real assets | 15.00% | 4.10% | 0.94% |
| Energy and natural resources | 6.00% | 5.10% | 0.37% |
| Commodities | 0.00% | 3.60% | 0.00% |
| **Risk Parity** | | | |
| Risk parity | 8.00% | 4.60% | 0.43% |
| **Asset Allocation Leverage** | | | |
| Cash | 2.00% | 3.00% | 0.01% |
| Inflation Expectation | 0.00% | 0.00% | 2.70% |
| Volatility Drag | 0.00% | 0.00% | (0.93%) |
| Asset allocation leverage | (6.00%) | 3.60% | (0.05%) |
| **Total** | 100% | 54.70% | 8.19% |

*Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the 2022 Net Pension Liability.

| | 1% Decrease (6.00%) | Current Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| College's proportionate share of the net pension liability (asset) | $ 8,914,986 | $ 5,730,822 | $ 3,149,907 |

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

As of August 31, 2023, the College reported a liability of $5,730,822 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction in State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

| | |
|---|---|
| College's proportionate share of the collective net pension liability | $ 5,730,822 |
| State's proportionate share that is associated with the College | 3,621,607 |
| Total | $ 9,352,429 |

The net pension liability was measured as of August 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At the measurement date of August 31, 2022, the employer's proportion of the collective net pension liability was 0.009653144%, which was a decrease of 0.000001079587% from its proportion measured of as of August 31, 2021.

For the year ended August 31, 2023, the College recognized pension expense of $346,185 and revenue of $346,185 for support provided by the State. For the year ended August 31, 2022, the College recognized pension expense of $6,566 and revenue of $6,556 for support provided by the State.

As of August 31, 2023, the College reported its proportion share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual economic experience | $ 83,096 | $ 124,943 |
| Changes in actuarial assumptions | 1,067,839 | 266,135 |
| Difference between projected and actual investment earnings | 2,226,654 | 1,660,467 |
| Changes in proportion and difference between the employer's contribution and the proportionate share of contributions | 15,243 | 324,020 |
| Contributions paid to TRS subsequent to the measurement date | 441,777 | - |
| Total | $ 3,834,609 | $ 2,375,565 |

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

| Year ended August 31: | Pension Expense Amount |
|---|---|
| 2023 | $ 726,176 |
| 2024 | 109,875 |
| 2025 | (29,804) |
| 2026 | 586,965 |
| 2027 | 65,832 |
| Thereafter | - |
| Total | $ 1,459,044 |

<u>Optional Retirement Plan – Defined Contribution Plan</u>

*Plan Description*

Participation in the Optional Retirement Program 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.

*Funding Policy*

Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.60% and 6.60% for 2022 and 2021. The College does not contribute for employees who were participating in the Optional Retirement Program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting College.

The retirement expense to the state for the College was $339,862 and $344,924 for the fiscal years ended August 31, 2023 and 2022, respectively.

The total payroll for all College employees was $11,444,086 and $11,819,847 for fiscal years 2023 and 2022, respectively. The total payroll for employees covered by the Teacher Retirement System was $9,242,644 and $9,504,161, and the total payroll for employees covered by the Optional Retirement Program was $1,457,819 and $1,724,753 for fiscal years 2023 and 2022, respectively.

## Note 13: Deferred Compensation Program

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.

## Note 14: Health Care and Life Insurance Benefits

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's total contributions for the years ended August 31, 2023 and 2022 were $1,185,720 and $1,021,017, respectively. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees.

## Note 15: Other Post-Employment Benefits (OPEB)

State Retiree Health Plan – Defined Benefit Plan

*Plan Description*

The State Retiree Health Plan (SRHP) is a cost-sharing multiple-employer post-employment health care plan with a special funding situation. This plan covers retired employees of the state, and other entities as specified by State legislature in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the State Retiree Health Plan are authorized by state law and may be amended by the Texas legislature.

*OPEB Plan Fiduciary Net Position*

Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Annual Comprehensive Financial Report (ACFR) that includes financial statements, notes to the financial statements, and required supplementary information.

That report may be obtained on the internet at: https://www.ers.texas.gov/About-ERS/reports-and-studies/reports-on-overall-ers-operations-and-financial-ma/2022-acfr or by writing to ERS at: 200 East 18th Street, Austin, Texas 78701; or by calling (877) 275-4377.

*Benefits Provided*

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

*Contributions*

Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits pro-vided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

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

Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
Fiscal Years Ended August 31, 2023 and 2022

| | **2023** | 2022 |
|---|---|---|
| Retiree only | **$ 624.82** | $ 624.82 |
| Retiree & spouse | **$ 1,339.90** | $ 1,339.90 |
| Retiree & children | **$ 1,103.58** | $ 1,103.58 |
| Retiree & family | **$ 1,818.66** | $ 1,818.66 |

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

Premium Contributions by Source
Group Benefits Program Plan
For the Years Ended August 31, 2023 and 2022

| | **2023** | 2022 |
|---|---|---|
| Employers | **$ 699,999,453** | $ 766,689,167 |
| Members (Employees) | **$ 190,659,955** | $ 192,426,941 |
| Nonemployer contributing entity (State of Texas) | **$ 36,750,724** | $ 39,188,518 |

*Source: ERS 2022 Annual Comprehensive Financial Report*

*Actuarial Assumptions*

The total OPEB Liability was determined by an actuarial valuation as of August 31, 2022 using the following actuarial assumptions:

| | |
|---|---|
| Valuation date | August 31, 2022 |
| Actuarial cost method | Entry Age |
| Amortization method | Level Percent of payroll, open |
| Remaining amortization period | 30 years |
| Asset valuation method | N/A |
| Discount rate | 3.59% |
| Projected annual salary increase (includes inflation) | 2.30% to 8.95% |
| Annual healthcare trend rate | |
| HealthSelect | 5.60% for 2024, 5.30% for 2025, 5% for 2026, 4.75% for 2027, 4.6% for 2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for 2031 and later years |
| HealthSelect Medicare Advantage | 66.67% for 2024, 24.00% for 2025, 5% for 2026, 4.75% for 2027, 4.6% for 2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for 2031 and later years |
| Pharmacy | 10% for 2024 and 2025, decreasing 100 basis points per year to an ultimate rate of 5% for 2030 and 4.3% for 2031 and later years |
| Inflation assumption rate | 2.30% |
| Ad hoc postemployment benefit changes | None |
| | |
| Mortality assumptions: | |
| Service retirees, survivors and other inactive members | Tables based on TRS experience Ultimate MP Projection Scale from year 2021. |
| Disability retirees | Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members. |
| Active members | Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP Projection Scale from the year 2010. |

*Source: ERS 2022 Annual Comprehensive Financial Report*

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS retirement plan actuary as of August 31, 2019 and the TRS retirement plan actuary as of August 31, 2021.

*Changes Since the Prior Actuarial Valuation* – Changes to the actuarial assumptions or other inputs that affected the measurement of the total OPEB liability since the prior measurement period were as follows:

- The percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The proportion of future retirees assumed to cover dependent children.
- The proportion of future retirees assumed to elect health coverage at retirement and proportions of future retirees expected to receive the Opt-Out Credit at retirement.

- Demographic assumptions for Higher Education members, including pre-retirement mortality and post-retirement mortality assumptions, termination, disability, retirement rate assumptions, and assumed salary increases.
- Annual rate of increase in the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.
- The discount rate assumption was changed from 2.14% to 3.59% as a result of requirements by GASB No. 75 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

*Investment Policy*

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

*Discount Rate*

Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.20%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 2.14%, which amounted to a decrease of 0.06%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating.

*Discount Rate Sensitivity Analysis*

The following schedules shows the impact of the College's proportionate share of the collective net OPEB liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.59%) in measuring the net OPEB liability.

| | 1% Decrease (2.59%) | Current Rate (3.59%) | 1% Increase (4.59%) |
|---|---|---|---|
| College's proportionate share of the net OPEB liability (asset) | $ 16,859,371 | $ 14,455,406 | $ 12,532,811 |

*Healthcare Trend Rate Sensitivity Analysis*

The initial healthcare trend rate is 5.60% and the ultimate rate is 4.30%. The following schedule shows the impact of the college's proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1 percent less than 1 percent greater than the healthcare cost trend rate that was used (5.60%) in measuring the net OPEB liability.

| | 1% Decrease in Healthcare Cost Trend Rates 4.60% decreasing to 3.30% | Current Healthcare Cost Trend Rates 5.60% decreasing to 4.30% | 1% Increase in Healthcare Cost Trend Rates 6.60% decreasing to 5.30% |
|---|---|---|---|
| College's proportionate share of the net OPEB liability (asset) | $ 12,379,069 | $ 14,455,406 | $ 17,106,328 |

*OPEB Liabilities, OPEB Expense, and Deferred outflows of Resources and Deferred Inflows of Resourced Related to OPEB*

As of August 31, 2023, the College reported a liability of $14,455,406 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College as its proportion-ate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

| | |
|---|---|
| College's Proportionate share of the collective net OPEB liability | $ 14,455,406 |
| State's proportionate share that is associated with the college | 11,455,548 |
| Total | $ 25,910,954 |

The net OPEB liability was measured as of August 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At the measurement date of August 31, 2022, the College's proportion of the collective net OPEB liability was .05074393%, which is a decrease of .00218767% from its proportion measured as of August 31, 2021.

For the year ended August 31, 2023, the College recognized OPEB expense of $1,500,998 and revenue of $417,267 for the support provided by the State.

As of August 31, 2023, the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual economic experience | $ - | $ 456,085 |
| Changes in actuarial assumptions | 849,313 | 4,468,303 |
| Difference between projected and actual investment earnings | 2,493 | - |
| Effect of change in proportion and contribution difference | 1,688,551 | 1,393,897 |
| Contributions paid subsequent to the measurement date | 287,797 | - |
| Total | $ 2,828,154 | $ 6,318,285 |

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

| Year ended August 31: | | OPEB Expense Amount |
|---|---|---|
| 2023 | $ | (198,942) |
| 2024 | | (845,310) |
| 2025 | | (927,495) |
| 2026 | | (984,301) |
| 2027 | | (534,083) |
| Thereafter | | - |
| Total | $ | (3,490,131) |

**Note 16: Contract and Grant Awards**

Contracts and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, Audits of Colleges and Universities. Revenues are recognized on Exhibit 2 and Schedule A. For grant awards, funds expended, but not collected, are reported as accounts receivable on Exhibit 1. See **Note 6** for disaggregation of amounts included in accounts receivable. Grant awards received but not expended are included in deferred revenues on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements.

Contract and grant awards are accounted for in accordance with requirements of the AICPA Industry Audit Guide, Audits of Colleges and Universities. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contracts and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable 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. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2023 and 2022 for which monies have not been received nor funds expended totaled $0 and $0.

**Note 17: 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 2023, 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.

The College is exposed to various risks of loss related to liability, property, and errors and omissions. These exposures to loss are handled by commercial insurance. The College has self-insured arrangements for coverage in the areas of unemployment compensation and workers’ compensation. Unemployment compensation is on a pay-as-you-go basis and workers’ compensation is handled by a risk management fund which specializes in handling colleges and school College workers’ compensation claims. Accrued liabilities are generally based on actuarial valuation and represent the present value of unpaid expected claims. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage.

**Note 18: Commitment and Contingencies**

*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.

**Note 19: Concentration - Title IV HEA Funding**

For the years ended August 31, 2023 and 2022, the College received approximately 20.1% and 15.3%, respectively, of its total revenues (operating and non-operating) from federal Title IV HEA grants. In addition, $3,740,016 and $4,117,767, 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, 2023 and 2022, respectively. Altogether, these grants and loans directly contribute to more than 40% 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.

**Note 20: Tax Abatement**

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

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

In November 2020, the District's Board of Trustees approved a tax abatement agreement with Adams Creek Solar Project, LLC pursuant to Chapter 312 of the Texas Tax Code, as amended, i.e., the Texas Economic Development Act. The tax abatement agreement is expected to begin for the 2023 tax year when the project has become commercially operational. The capacity of the solar project is expected to be 250 megawatts but the Certified Appraised Value has not been determined. The expected abatement will be 100% of the to be determined appraised value for 10 years with annual PILOT payments of $560 per MW of nameplate Capacity starting when operational.

In February 2021, the District's Board of Trustees approved a tax abatement agreement with Tyson pursuant to Chapter 312 of the Texas Tax Code, as amended, i.e., the Texas Economic Development Act. The tax abatement agreement is expected to begin for the 2022 tax year. The expected investments of $211,712,252 will be 100% abated with anticipated PILOT payments starting when investment is completed.

In January 2023, the College’s Board of Trustees approved a tax abatement agreement with Hasanour Investments, LLC pursuant to Chapter 312 of the Texas Tax Code, as amended, i.e., the Texas Economic Development Act. The College agreed to abate applicable taxes over a five (5) year period beginning February 1, 2023.

### Note 21: Liquidity and Availability – Foundation

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of August 31:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Financial assets: | | | | |
| Cash and cash equivalents | $ | **128,548** | $ | 191,641 |
| Investments | | **5,354,787** | | 4,985,957 |
| Total Financial assets | | **5,483,335** | | 5,177,598 |
| Less: | | | | |
| Donor restricted net assets | | **(5,204,905)** | | (5,042,026) |
| Financial assets available within one year to meet cash needs for general expenditures | $ | **278,430** | $ | 135,572 |

The Foundation's liquidity goal is to maintain financial assets at a sufficient level to cover operating expenses (other than scholarships) for a full year.

### Note 22: Endowments and Other Donor Restricted Net Assets – Foundation

The Foundation's Board of Directors has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of August 31, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity: (a) the original value of initial and subsequent gift amounts donated to the Endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund,
2. The purposes of the Foundation and the donor-restricted endowment fund,
3. General economic conditions,
4. The possible effect of inflation and deflation,
5. The expected total return from income and appreciation of the investments,
6. Other resources of the Foundation, and
7. The investment policies of the Foundation.

Changes in endowment net assets consist of the following as of August 31:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ | **5,042,026** | $ | 4,776,351 |
| Contributions | | **162,879** | | 265,675 |
| Endowment net assets, end of year | $ | **5,204,905** | $ | 5,042,026 |

The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Funds with Deficiencies: From time to time, certain donor-restricted and quasi-endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

There were no endowments considered to be underwater as of August 31, 2023 and 2022.

The remaining net assets with restrictions balance totaling $53,205 as of August 31, 2023, represents amounts restricted for a specific purpose.

**Note 23: Expenses by Nature and Function – Foundation**

The table below presents expenses by both their nature and their function for the year ended August 31, 2023.

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| **Scholarships** | **$ 314,554** | **$ -** | **$ -** | **$ 314,554** |
| **Departmental grant** | **16,052** | **-** | **-** | **16,052** |
| **Other expenses** | **-** | **22,101** | **-** | **22,101** |
| | **$ 330,606** | **$ 22,101** | **$ -** | **$ 352,707** |

The table below presents expenses by both their nature and their function for the year ended August 31, 2022.

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Scholarships | $ 363,436 | $ - | $ - | $ 363,436 |
| Departmental grant | 51 | - | - | 51 |
| Other expenses | - | 20,758 | - | 20,758 |
| | $ 363,487 | $ 20,758 | $ - | $ 384,245 |

**Note 24: Pending Lawsuits and Claims**

None as of report date.

**Note 25: New Pronouncements**

*Accounting pronouncements adopted*

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements, which improves accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The College has adopted this standard for fiscal year 2023. The effect to net position was not considered material but an adjustment was recorded as of August 31, 2022 totaling $94,242 in order to present the financial statements on a comparative basis.

*Not adopted*

In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62, which enhances accounting and financial reporting requirements and accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued Statement No. 101, Compensated Absences, which updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

The College is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption of these statements.

**Note 26: Subsequent Events**

Management has evaluated subsequent events through December 13, 2023; the date on which the financial statement were available for distribution.

# Required Supplementary Information

VERNON COLLEGE
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED AUGUST 31, 2023 *
EXHIBIT 4

| **Fiscal Year Ending August 31, *** | **2022**** | **2021**** | **2020**** | **2019**** | **2018**** | **2017**** | **2016**** | **2015**** |
|---|---|---|---|---|---|---|---|---|
| College's proportionate share of collective net pension liability (%) | 0.0097611 | 0.0010443 | 0.0010443 | 0.0107365 | 0.0107374 | 0.0105564 | 0.0105923 | 0.0107538 |
| College's proportionate share of collective net pension liability ($) | $ 5,730,822 | $ 2,485,807 | $ 5,592,992 | $ 5,581,162 | $ 5,910,144 | $ 3,375,366 | $ 4,002,670 | $ 3,801,335 |
| State's proportional share of net pension liability associated with College | 3,621,607 | 1,639,750 | 3,484,680 | 3,400,502 | 3,716,076 | 2,236,388 | 2,800,729 | 2,675,276 |
| Total | $ 9,352,429 | $ 4,125,557 | $ 9,077,672 | $ 8,981,664 | $ 9,626,220 | $ 5,611,754 | $ 6,803,399 | $ 6,476,611 |
| College's covered payroll | $ 9,504,161 | $ 9,216,307 | $ 9,340,320 | $ 8,999,503 | $ 8,732,607 | $ 8,314,648 | $ 8,363,407 | $ 7,957,060 |
| College's proportionate share of collective net pension liability as a percentage of covered payroll | 60.30% | 26.97% | 59.88% | 62.02% | 67.68% | 40.60% | 47.86% | 47.77% |
| Plan fiduciary net position as percentage of total pension liability | 75.62% | 88.79% | 75.54% | 75.24% | 73.74% | 82.17% | 78.00% | 78.43% |

*The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

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

VERNON COLLEGE
SCHEDULE OF COLLEGE'S CONTRIBUTIONS FOR PENSIONS
LAST NINE FISCAL YEARS
EXHIBIT 5

| **Fiscal Year Ending August 31, *** | **2023**** | **2022**** | **2021**** | **2020**** | **2019**** | **2018**** | **2017**** | **2016**** | **2015**** |
|---|---|---|---|---|---|---|---|---|---|
| Legally required contributions | $ 441,777 | $ 422,600 | $ 414,014 | $ 421,110 | $ 368,540 | $ 345,309 | $ 344,940 | $ 329,434 | $ 314,702 |
| Actual contributions | 441,777 | 422,600 | 414,014 | 421,110 | 368,540 | 345,309 | 344,940 | 329,434 | 314,702 |
| Contributions deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| College's covered payroll amount | $ 9,323,724 | $ 9,504,161 | $ 9,216,307 | $ 9,340,320 | $ 8,999,503 | $ 8,732,607 | $ 8,314,648 | $ 8,363,407 | $ 7,957,060 |
| Contributions as a percentage of covered payroll | 4.74% | 4.45% | 4.49% | 4.51% | 4.10% | 3.95% | 4.15% | 3.94% | 3.96% |

*The amounts presented above are as of the College's respective fiscal year-end.
**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

VERNON COLLEGE
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
FOR THE YEAR ENDED AUGUST 31, 2023
EXHIBIT 6

| **Fiscal Year Ending August 31, *** | **2022**** | **2021**** | **2020**** | **2019**** | **2018**** |
|---|---|---|---|---|---|
| College's proportionate share of collective net OPEB liability (%) | 0.05074393 | 0.0529316 | 0.0536895 | 0.0478955 | 0.0504671 |
| College's proportionate share of collective net OPEB liability ($) | $ 14,455,406 | $ 18,989,480 | $ 17,741,504 | $ 16,553,952 | $ 14,957,312 |
| State's proportional share of net OPEB liability associated with College ($) | 11,455,548 | 13,499,307 | 12,431,324 | 14,713,835 | 12,357,587 |
| Total | $ 25,910,954 | $ 32,488,787 | $ 30,172,828 | $ 31,267,787 | $ 27,314,899 |
| College's covered payroll | $ 10,582,382 | $ 9,216,307 | $ 9,340,320 | $ 8,999,503 | $ 8,732,607 |
| College's proportionate share of collective net OPEB liability as a percentage of covered payroll | 136.60% | 206.04% | 189.95% | 183.94% | 171.28% |
| Plan fiduciary net position as percentage of total OPEB liability | 0.57% | 0.38% | 0.32% | 1.27% | 2.04% |

*The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

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

VERNON COLLEGE
SCHEDULE OF COLLEGE'S CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED AUGUST 31, 2023
EXHIBIT 7

| **Fiscal Year Ending August 31, *** | **2023**** | **2022**** | **2021**** | **2020**** | **2019**** | **2018**** |
|---|---|---|---|---|---|---|
| Legally required contributions | **$ 287,797** | **$ 241,873** | $ 260,326 | $ 260,326 | $ 134,080 | $ 325,000 |
| Actual contributions | **287,797** | **241,873** | 260,326 | 260,326 | 134,080 | 325,000 |
| Contributions deficiency (excess) | **$ -** | **$ -** | $ - | $ - | $ - | $ - |
| College's covered payroll amount | **$ 10,700,463** | **$ 10,582,382** | $ 9,216,307 | $ 9,340,320 | $ 8,999,503 | $ 8,732,607 |
| Contributions as a percentage of covered payroll | **2.69%** | **2.29%** | 2.82% | 2.79% | 1.49% | 3.72% |

*The amounts presented above are as of the College's respective fiscal year-end.
**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

## Supplemental Schedules

VERNON COLLEGE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2023
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2022)
SCHEDULE A

| | Unrestricted | Restricted | Total Educational Activities | Auxiliary Enterprises | Totals Fiscal Year 2023 | Totals Fiscal Year 2022 |
|---|---|---|---|---|---|---|
| Tuition | | | | | | |
| State-funded courses | | | | | | |
| In-district resident tuition | $ 281,726 | $ - | $ 281,726 | $ - | $ 281,726 | $ 249,319 |
| Out-of-district resident tuition | 3,625,535 | - | 3,625,535 | - | 3,625,535 | 3,674,185 |
| Non-resident tuition | 76,637 | - | 76,637 | - | 76,637 | 102,569 |
| TPEG - credit (set aside)* | - | 68,522 | 68,522 | - | 68,522 | 75,289 |
| State funded continuing education | 795,926 | - | 795,926 | - | 795,926 | 943,257 |
| TPEG - non-credit (set aside)* | - | - | - | - | - | - |
| Non-state funded educational programs | 112,105 | - | 112,105 | - | 112,105 | 97,391 |
| Total Tuition | 4,891,929 | 68,522 | 4,960,451 | - | 4,960,451 | 5,142,010 |
| Fees | | | | | | |
| General fee | 5,736,955 | - | 5,736,955 | - | 5,736,955 | 5,952,361 |
| Laboratory fees | 752,996 | - | 752,996 | - | 752,996 | 754,017 |
| Total Fees | 6,489,951 | - | 6,489,951 | - | 6,489,951 | 6,706,378 |
| Scholarship Allowances and Discounts | | | | | | |
| Remissions and exemptions - state | (1,330,517) | - | (1,330,517) | - | (1,330,517) | (1,385,518) |
| Title IV federal grants | (7,561,537) | - | (7,561,537) | - | (7,561,537) | (7,300,841) |
| TPEG awards | - | (68,522) | (68,522) | - | (68,522) | (69,376) |
| Other local awards | (1,801,470) | - | (1,801,470) | - | (1,801,470) | (2,708,773) |
| Total Scholarship Allowances and Discounts | (10,693,524) | (68,522) | (10,762,046) | - | (10,762,046) | (11,464,508) |
| Total Net Tuition and Fees | 688,356 | - | 688,356 | - | 688,356 | 383,880 |
| Other Operating Revenues | | | | | | |
| Federal grants and contracts | 85,197 | 969,683 | 1,054,880 | - | 1,054,880 | 6,118,587 |
| State grants and contracts | - | 428,086 | 428,086 | - | 428,086 | 692,937 |
| Non-governmental grants and contracts | - | 1,622,868 | 1,622,868 | - | 1,622,868 | 1,210,089 |
| Sales and services of educational activities | 63,161 | - | 63,161 | - | 63,161 | 60,273 |
| Investment income (program restricted) | - | 35,351 | 35,351 | - | 35,351 | 2 |
| General operating revenues | - | - | - | - | - | 332,303 |
| Total Other Operating Revenues | 148,358 | 3,055,988 | 3,204,346 | - | 3,204,346 | 8,414,191 |
| Auxiliary Enterprises | | | | | | |
| Residential life | - | - | - | 485,860 | 485,860 | 452,242 |
| Bookstore | - | - | - | 73,365 | 73,365 | 80,554 |
| Student programs | - | - | - | 71,677 | 71,677 | 77,871 |
| Total Net Auxiliary Enterprises | - | - | - | 630,902 | 630,902 | 610,667 |
| Total Operating Revenues | $ 836,714 | $ 3,055,988 | $ 3,892,702 | $ 630,902 | $ 4,523,604 | $ 9,408,738 |
| | | | | | (Exhibit 2) | (Exhibit 2) |

* - In accordance with Education Code 56.033, $68,522 and $75,289 for years August 31, 2023 and 2022, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

*The accompanying notes are an integral part of the financial statements.*

VERNON COLLEGE
STATEMENT OF OPERATING EXPENSES BY OBJECT
FOR THE YEAR ENDED AUGUST 31, 2023
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2022)
SCHEDULE B

| | Operating Expenses | | | | Totals | |
|---|---|---|---|---|---|---|
| | Salaries And Wages | Benefits State | Benefits Local | Other Expenses | **Fiscal Year 2023** | Fiscal Year 2022 |
| Unrestricted - Educational and General | | | | | | |
| Instruction | **$ 5,366,125** | **$ -** | **$ 343,749** | **$ 661,144** | **$ 6,371,018** | $ 6,488,449 |
| Public service | **168,741** | **-** | **10,809** | **12,380** | **191,930** | 180,274 |
| Academic support | **1,633,143** | **-** | **104,618** | **731,781** | **2,469,542** | 2,301,822 |
| Student services | **1,230,815** | **-** | **78,845** | **291,093** | **1,600,753** | 1,573,931 |
| Institutional support | **1,618,659** | **-** | **103,690** | **2,594,243** | **4,316,592** | 3,950,095 |
| Operation and maintenance of plant | **823,241** | **-** | **129,848** | **1,020,167** | **1,973,256** | 2,226,139 |
| Total Unrestricted | **10,840,724** | **-** | **771,559** | **5,310,808** | **16,923,091** | 16,720,710 |
| Restricted - Educational and General | | | | | | |
| Instruction | **1,000** | **1,325,494** | **-** | **484,074** | **1,810,568** | 2,185,505 |
| Public service | **121,815** | **51,014** | **21,959** | **111,202** | **305,990** | 315,798 |
| Academic support | **-** | **403,382** | **-** | **-** | **403,382** | 376,626 |
| Student services | **-** | **287,518** | **-** | **-** | **287,518** | 378,650 |
| Institutional support | **-** | **550,425** | **-** | **216,580** | **767,005** | 1,622,331 |
| Operation and maintenance of plant | **-** | **-** | **-** | **-** | **-** | - |
| Scholarships and fellowships | **-** | **-** | **-** | **450,808** | **450,808** | 3,495,834 |
| Total Restricted | **122,815** | **2,617,833** | **21,959** | **1,262,664** | **4,025,271** | 8,374,744 |
| Total Educational and General | **10,963,539** | **2,617,833** | **793,518** | **6,573,472** | **20,948,362** | 25,095,454 |
| Auxiliary Enterprises | **480,547** | **-** | **149,324** | **836,048** | **1,465,919** | 1,511,496 |
| Depreciation expense - buildings and other real estate | **-** | **-** | **-** | **608,881** | **608,881** | 494,551 |
| Depreciation expense - equipment and furniture | **-** | **-** | **-** | **796,517** | **796,517** | 419,430 |
| Total Operating Expenses | **$ 11,444,086** | **$ 2,617,833** | **$ 942,842** | **$ 8,814,918** | **$ 23,819,679** | $ 27,520,931 |
| | | | | | (Exhibit 2) | (Exhibit 2) |

*The accompanying notes are an integral part of the financial statements.*

VERNON COLLEGE
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2023
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2022)
SCHEDULE C

| | | | | Totals | |
|---|---|---|---|---|---|
| | Unrestricted | Restricted | Auxiliary Enterprises | **Fiscal Year 2023** | Fiscal Year 2022 |
| NON-OPERATING REVENUES: | | | | | |
| State Appropriations | | | | | |
| Education and general state support | **$ 5,758,854** | **$ -** | **$ -** | **$ 5,758,854** | $ 5,765,973 |
| State group insurance | **-** | **771,029** | **-** | **771,029** | 1,021,017 |
| State retirement matching | **-** | **339,862** | **-** | **339,862** | 344,924 |
| Total State Appropriations | **5,758,854** | **1,110,891** | **-** | **6,869,745** | 7,131,914 |
| Maintenance ad valorem taxes | **2,464,772** | **-** | **1,269,195** | **3,733,967** | 3,572,601 |
| Federal revenue, non-operating | **-** | **8,012,311** | **-** | **8,012,311** | 8,333,799 |
| Capital contracts, grants and gifts | **-** | **269,670** | **2,463** | **272,133** | 291,436 |
| Gain on disposal of capital assets | **(28,813)** | **-** | **-** | **(28,813)** | (67,064) |
| Lease Income | **-** | **19,607** | **-** | **19,607** | 20,431 |
| Investment income | **273,733** | **13,889** | **-** | **287,622** | 245,770 |
| Total Non-Operating Revenues | **8,468,546** | **9,426,368** | **1,271,658** | **19,166,572** | 19,528,887 |
| NON-OPERATING EXPENSES: | | | | | |
| Operational costs of lease property | **-** | **3,270** | **-** | **3,270** | 2,885 |
| Amortization of bond issuance costs | **-** | **34,259** | **-** | **34,259** | 34,259 |
| Interest on capital related debt | **-** | **168,270** | **-** | **168,270** | 145,279 |
| Total Non-Operating Expenses | **-** | **205,799** | **-** | **205,799** | 182,423 |
| NET NON-OPERATING REVENUES | **$ 8,468,546** | **$ 9,220,569** | **$ 1,271,658** | **$ 18,960,773** | $ 19,346,464 |
| | | | | (Exhibit 2) | (Exhibit 2) |

*The accompanying notes are an integral part of the financial statements.*

VERNON COLLEGE
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
FOR THE YEAR ENDED AUGUST 31, 2023
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2022)
SCHEDULE D

| | Detail by Source | | | | | Available for Current Operations | |
|---|---|---|---|---|---|---|---|
| | | Restricted | | Capital Assets | | | |
| | Unrestricted | Expendable | Non-Expendable | Net of Depreciation and Related Debt | Total | Yes | No |
| Current: | | | | | | | |
| Unrestricted | **$ (12,860,232)** | **$** | **$** | **$** | **$ (12,860,232)** | **$ (12,860,232)** | **$** |
| Endowment: | | | | | | | |
| Restricted: | | | | | | | |
| Student Aid - True | **-** | **-** | **1,320,221** | | **1,320,221** | | **1,320,221** |
| Plant: | | | | | | | |
| Investment in Plant | **-** | **-** | | **13,233,048** | **13,233,048** | | **13,233,048** |
| **Total Net Position, August 31, 2023** | **(12,860,232)** | **-** | **1,320,221** | **13,233,048** | **1,693,037** | **(12,860,232)** | **14,553,269** |
| Total Net Position, August 31, 2022 | (12,401,290) | - | 1,291,868 | 13,137,761 | 2,028,339 | (12,401,290) | 14,429,629 |
| Net Increase (Decrease) in Net Position | $ (458,942) | $ - | $ 28,353 | $ 95,287 | $ (335,302) | $ (458,942) | $ 123,640 |
| | | | | | (Exhibit 2) | | |

*The accompanying notes are an integral part of the financial statements.*

VERNON COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023
Schedule E

| Federal Grantor/Pass Through Grantor/ Program Title | Assistance Listing Number | Pass-Through Grantor's Number | Expenditures Direct Awards | Expenditures Pass-Through Awards | Total Expenditures |
|---|---|---|---|---|---|
| **U.S. Department of Education** | | | | | |
| Direct Programs: | | | | | |
| Student Financial Assistance Cluster | | | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | N/A | $ 145,905 | $ - | $ 145,905 |
| Federal Work-Study Program | 84.033 | N/A | 38,185 | - | 38,185 |
| Federal Pell Grant Program | 84.063 | N/A | 4,088,205 | - | 4,088,205 |
| Federal Direct Student Loans | 84.268 | N/A | 3,740,016 | - | 3,740,016 |
| Total Student Financial Aid Cluster | | | 8,012,311 | - | 8,012,311 |
| Education Stabilization Fund CARES Act - Institutional Portion | 84.425F | | 673,034 | - | 673,034 |
| Total CARES Act | | | 673,034 | - | 673,034 |
| Total Direct Programs | | | 8,685,345 | - | 8,685,345 |
| Passed Through From: | | | | | |
| Texas Higher Education Coordinating Board | | | | | |
| Carl Perkins Vocational Education Annual Grant | 84.048 | 94252 | | 295,985 | 295,985 |
| | | | | | 295,985 |
| **Total U.S. Department of Education** | | | | | 8,981,330 |
| **U.S. Department of Health and Human Services** | | | | | |
| Passed Through From: | | | | | |
| Nortex Regional Planning Commission | | | | | |
| Special Programs for the Aging - Title VII | 93.041 | N/A | | 85,861 | 85,861 |
| **Total U.S. Department of Health and Human Services** | | | | | 85,861 |
| **Total Federal Financial Assistance** | | | | | $ 9,067,191 |

Note 1: Federal Assistance Reconciliation

| | |
|---|---|
| Federal Grants and Contracts From Schedule A | $ 1,054,880 |
| Federal Grants, Non-Operating From Schedule C | 8,012,311 |
| Total Federal Revenues Per Schedule A and C | 9,067,191 |
| Direct Student Loans | - |
| Total Federal Revenues per Schedule of Expenditures of Federal Awards | $ 9,067,191 |

Note 2: Significant accounting policies used in preparing the schedule.
The expenditures included in the schedule are reported for 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 general purpose 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. Since the College has an agency-approved Indirect Recovery Rate it has elected to not use the 10% de minimis cost rate as permitted in the UG, section 200.414.

Note 3: Student Loans Processed and Administrative Cost Recovery

| Federal Grantor CFDA Number/Program Name | Total Loans Processed |
|---|---|
| U.S Department of Education CFDA 84.268 Federal Direct Student Loans | $ 3,740,016 |
| Total U.S. Department of Education | $ 3,740,016 |
| (There were no administrative costs recovered and included in above amount) | |

Note 4: Pass through amounts included in program expenditures:
None.

VERNON COLLEGE
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2023
Schedule F

| Grantor Agency/Program Title | Grant Contract Number | | Expenditures |
|---|---|---|---|
| **Texas Higher Education Coordinating Board** | | | |
| College Workstudy | N/A | $ | 12,201 |
| Texas Education Opportunities Grant | N/A | | 237,006 |
| Texas Modernization Grant | | | 25,000 |
| TRUE Grant | | | 53,172 |
| Jet Grant | | | (7,731) |
| Texas Completion Repayment Grant | 84.425C | | 24,787 |
| Greater Texas Foundation Grant | N/A | | 59,247 |
| Nursing Grant (Regular) | | | 12,582 |
| **Total Texas Higher Education Coordinating Board** | | | 416,264 |
| **Texas Department of Argiculture** | | | |
| Texans Feeding Texans | N/A | | 842 |
| Subtotal Texas Department of Argiculture | | | 842 |
| **Texas Comptroller of Public Accounts** | | | |
| Law Enforcement Grant | N/A | | 10,980 |
| **Subtotal Texas Comptroller of Public Account** | | | 10,980 |
| **Total State Financial Assistance** | | $ | 428,086 |

Note 1: State Assistance Reconciliation

| | | |
|---|---|---|
| State Revenues - per Schedule A: | $ | 428,086 |
| State Financial Assistance per Schedule of Expenditures of State Awards | $ | 428,086 |

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 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.

# Overall Compliance and Internal Control Section

Condley
AND COMPANY, LLP
Certified Public Accountants and Business Advisors

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December 13, 2023

**To the Board of Trustees**
**Vernon College**
**Vernon, Texas**

*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*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Vernon College, as of and for the year ended August 31, 2023, 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 13, 2023.

**Report on 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) as a basis for designing 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Report on 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 (including the Public Funds Investment Act Chapter 2256, Texas Government Code), noncompliance with which could have a direct and material effect on the financial statements. 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* or the Public Funds Investment Act.

**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.

Condley and Company, L.L.P.

Certified Public Accountants

# Federal Awards Section

Condley
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December 13, 2023

**To the Board of Trustees**
**Vernon College**
**Vernon, Texas**

*INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE*

## Report on Compliance for Each Major Federal Program

### Opinion on Each Major Federal Program

We have audited Vernon College's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Vernon College's major federal programs for the year ended August 31, 2023. Vernon College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Vernon College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

### Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Vernon College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Vernon College's compliance with the compliance requirements referred to above.

### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Vernon College's federal programs.

### Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Vernon College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Vernon College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we

- Exercise reasonable judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Vernon College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Vernon College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Vernon College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Vernon College's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Vernon College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express on opinion on the response.

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

Condley and Company, L.L.P.

Certified Public Accountants

## SECTION I – SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

| | |
|---|---|
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: | |
| • Material weakness identified? | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements? | No |

*Federal Awards*

| | |
|---|---|
| Internal controls over major program: | |
| • Material weakness identified? | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| Type of auditor's report issued on compliance for major program: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |

Identification of major program:

| Assistance Listing Number (s) | Name of Federal Program or Cluster |
|---|---|
| 84.007, 84.033, 84.063, 84.268 | Student Financial Aid Cluster |
| 84.425F | Education Stabilization Fund CARES Act |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $750,000 (Federal) |
| Auditee qualified as low-risk auditee? | Yes |

## SECTION II – FINANCIAL STATEMENT FINDINGS

The results of our audit procedures disclosed no findings to be reported for the year ended August 31, 2023.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

A. Compliance Findings

2023-001

| | |
|---|---|
| Program Name: | Student Financial Aid Cluster |
| Assistance Listing Numbers/Names: | 84.007 Federal SEOG<br>84.033 Federal Work Study<br>84.063 Federal Pell Grant<br>84.268 Federal Direct Loans |
| Federal Agency: | U.S. Department of Education |
| Compliance Requirement: | Enrollment Reporting |
| Questioned Costs: | Not applicable |

Criteria: In accordance with CFR sections 674.19(f), 685.309(b), and 690,83(b)(2), "upon receipt of an enrollment report from the Secretary (U.S. Department of Education, Secretary of Education), a school must update all information included in the report and return the report to the Secretary, in the manner and format prescribed by the Secretary and within the timeframe prescribed by the Secretary. Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that a loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a halftime basis for the period for which the loan was intended."

Condition: We reviewed a sample of 40 students who received financial aid and had enrollment status changes during the fiscal year. Of the 40 students tested, two students had no enrollment history reported to the NSLDS despite being enrolled continuously since Fall 2022.

Population and Sample Size:

| | Number | Dollars | Questioned Cost |
|---|---|---|---|
| Population | 40 | $ N/A | $ N/A |
| Sample | 40 | N/A | N/A |
| Not in compliance | 2 | N/A | None |

Effect: A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies all of which are negatively impacted by inaccurate and late reporting.

Cause: Both students were initially included in the enrollment data batch transmitted to the NSLDS but were rejected due to a social security number or name mismatch. The College did not review the NSLDS Enrollment Errors Report and therefore did not ascertain that the students were rejected. Because of this lack of review, no correction was made to each student error within 10 days, resulting in an inaccurate and untimely status in the NSLDS database.

Recommendation: We recommend the College implement a process to review the NSLDS Enrollment Errors Report each time an enrollment file is submitted to identify any rejected students and correct errors within the required 10 days after submission.

Views of responsible official and planned corrective actions:

Management has reviewed the draft Schedule of Findings and Questioned Costs for FY 2023. We agree with the finding and are actively working to improve processes to ensure student files are uploaded timely and accurately. The Vice Presidents of Administrative and Student Services have discussed the issue with the Director of Enrollment Management and the Assistant Registrar. We have reached out to the Clearinghouse for resolution help and have already received data from them. Vernon College will follow the recommended procedures of the Clearinghouse moving forward to ensure the accuracy of data reported to the NSLDS.

Identifying number: 2022-001

Status: Management has implemented additional training measures and is in the process of strengthening their system as it relates to enrollment reporting.

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# CORRECTIVE ACTION PLAN
# YEAR ENDED AUGUST 31, 2023

Management has reviewed the draft Schedule of Findings and Questioned Costs for FY 2023. We agree with the finding and are actively working to improve processes to ensure student files are uploaded timely and accurately. The Vice Presidents of Administrative and Student Services have discussed the issue with the Director of Enrollment Management and the Assistant Registrar. We have reached out to the Clearinghouse for resolution help and have already received data from them. Vernon College will follow the recommended procedures of the Clearinghouse moving forward to ensure the accuracy of data reported to the NSLDS.

# Statistical Section

# Vernon College
## Statistical Supplement 1
## Revenue by Source
## Fiscal Years 2019 to 2023
## (Unaudited)

| | For the Years Ended August 31, | | | | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| **Operating Revenues** | | | | | |
| Tuition and fees (net of discounts) | $ 688,356 | $ 383,880 | $ 4,562,063 | $ 4,479,034 | $ 4,886,531 |
| Government grants and contracts: | | | | | |
| Federal grants and contracts | 1,054,880 | 6,118,587 | 5,193,207 | 1,913,552 | 845,372 |
| State grants and contracts | 428,086 | 692,937 | 239,349 | 277,455 | 499,058 |
| Non-governmental grants and contracts | 1,622,868 | 1,210,089 | 1,275,234 | 1,242,411 | 1,146,695 |
| Sales and services of educational activities | 63,161 | 60,273 | 59,502 | 65,149 | 109,700 |
| Investment income (program restricted) | 35,351 | 2 | 33,904 | 34,182 | 27,422 |
| Auxiliary enterprises (net of discounts) | 630,902 | 610,667 | 457,281 | 489,320 | 815,370 |
| Other operating revenues | 267,888 | 677,303 | 360,530 | 211,372 | 214,280 |
| **Total Operating Revenues** | $ 4,791,492 | 9,753,738 | 12,181,070 | 8,712,475 | 8,544,428 |
| **Non-Operating Revenues** | | | | | |
| State appropriations | 6,869,744 | 7,131,914 | 6,823,796 | 6,944,773 | 7,313,213 |
| Ad valorem taxes | 3,388,967 | 3,227,601 | 3,189,828 | 2,707,220 | 2,721,282 |
| Federal Revenue, Non-Operating | 8,012,311 | 8,333,799 | 4,648,066 | 5,353,768 | 5,122,561 |
| Other non-operating income | 272,133 | 291,436 | 235,413 | 265,448 | 279,273 |
| Lease income | 19,607 | 20,431 | 22,158 | 8,234 | 17,766 |
| Investment income | 287,622 | 245,770 | 176,082 | 133,520 | 117,334 |
| **Total Non-Operating Revenues** | 18,850,384 | 19,250,951 | 15,095,343 | 15,412,963 | 15,571,429 |
| **Total Revenues** | $ 23,641,876 | $ 29,004,689 | $ 27,276,413 | $ 24,125,438 | $ 24,115,857 |

| | For the Years Ended August 31, | | | | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| **Operating Revenues** | | | | | |
| Tuition and fees (net of discounts) | 2.91% | 1.32% | 16.73% | 18.57% | 20.26% |
| Government grants and contracts: | | | | | |
| Federal grants and contracts | 4.46% | 21.10% | 19.04% | 7.93% | 3.51% |
| State grants and contracts | 1.81% | 2.39% | 0.88% | 1.15% | 2.07% |
| Non-governmental grants and contracts | 6.86% | 4.17% | 4.68% | 5.15% | 4.75% |
| Sales and services of educational activities | 0.27% | 0.21% | 0.22% | 0.27% | 0.45% |
| Investment income (program restricted) | 0.15% | 0.00% | 0.12% | 0.14% | 0.11% |
| Auxiliary enterprises (net of discounts) | 2.67% | 2.11% | 1.68% | 2.03% | 3.38% |
| Other operating revenues | 1.13% | 2.34% | 1.32% | 0.88% | 0.89% |
| **Total Operating Revenues** | 20.27% | 33.63% | 44.66% | 36.11% | 35.43% |
| **Non-Operating Revenues** | | | | | |
| State appropriations | 29.06% | 24.59% | 25.02% | 28.79% | 30.33% |
| Ad valorem taxes | 14.33% | 11.13% | 11.69% | 11.22% | 11.28% |
| Federal Title IV grant revenue | 33.89% | 28.73% | 17.04% | 22.19% | 21.24% |
| Capital contracts, grants and gifts | 1.15% | 1.00% | 0.86% | 1.10% | 1.16% |
| Lease income | 0.08% | 0.07% | 0.08% | 0.03% | 0.07% |
| Investment income | 1.22% | 0.85% | 0.65% | 0.55% | 0.49% |
| **Total Non-Operating Revenues** | 79.73% | 66.37% | 55.34% | 63.89% | 64.57% |
| **Total Revenues** | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

# Vernon College
## Statistical Supplement 2
## Program Expenses by Function
## Fiscal Years 2019 to 2023
## (Unaudited)

| | For the Years Ended August 31, | | | | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| **Operating Expenses** | | | | | |
| Instruction | $ 8,181,586 | $ 8,673,954 | $ 6,122,398 | $ 9,170,479 | $ 9,125,578 |
| Public service | 497,920 | 496,072 | 481,174 | 519,018 | 768,558 |
| Academic support | 2,872,924 | 2,678,448 | 2,343,332 | 2,692,290 | 2,874,057 |
| Student services | 1,888,271 | 1,952,581 | 2,290,553 | 2,677,401 | 2,697,723 |
| Institutional support | 5,083,597 | 5,572,426 | 7,922,636 | 4,533,192 | 3,706,402 |
| Operation and maintenance of plant | 1,896,144 | 2,226,139 | 2,077,771 | 2,211,221 | 2,389,340 |
| Scholarship and fellowships | 450,808 | 3,495,834 | 1,012,230 | 801,450 | (136,742) |
| Auxiliary enterprises | 1,465,919 | 1,511,496 | 1,359,808 | 1,226,928 | 2,496,960 |
| Depreciation | 1,405,398 | 913,981 | 945,477 | 939,265 | 921,100 |
| **Total Operating Expenses** | 23,742,567 | 27,520,931 | 24,555,379 | 24,771,244 | 24,842,976 |
| **Non-Operating Expenses** | | | | | |
| Operational costs of leased property | 3,270 | 2,885 | 2,739 | 2,467 | 2,426 |
| Amortization of bond issuance costs | 34,259 | 34,259 | 47,692 | 47,692 | 47,692 |
| Loss on disposal of assets | 28,812 | 67,064 | 6,800 | 13,016 | 652,551 |
| Interest and fees on capital related debt | 168,270 | 145,279 | 164,975 | 189,241 | 208,913 |
| **Total Non-Operating Expenses** | 234,611 | 249,487 | 222,206 | 252,416 | 911,582 |
| **Total Expenses** | $ 23,977,178 | $ 27,770,418 | $ 24,777,585 | $ 25,023,660 | $ 25,754,558 |

| | For the Years Ended August 31, | | | | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| **Operating Expenses** | | | | | |
| Instruction | 34.12% | 31.23% | 24.71% | 36.65% | 35.43% |
| Public service | 2.08% | 1.79% | 1.94% | 2.07% | 2.98% |
| Academic support | 11.98% | 9.64% | 9.46% | 10.76% | 11.16% |
| Student services | 7.88% | 7.03% | 9.24% | 10.70% | 10.47% |
| Institutional support | 21.20% | 20.07% | 31.98% | 18.12% | 14.39% |
| Operation and maintenance of plant | 7.91% | 8.02% | 8.39% | 8.84% | 9.28% |
| Scholarship and fellowships | 1.88% | 12.59% | 4.09% | 3.20% | -0.53% |
| Auxiliary enterprises | 6.11% | 5.44% | 5.49% | 4.90% | 9.70% |
| Depreciation | 5.86% | 3.29% | 3.82% | 3.75% | 3.58% |
| **Total Operating Expenses** | 99.02% | 99.10% | 99.10% | 98.99% | 96.46% |
| **Non-Operating Expenses** | | | | | |
| Operational costs of leased property | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% |
| Amortization of bond issuance costs | 0.14% | 0.12% | 0.19% | 0.19% | 0.19% |
| Loss on disposal of assets | | | 0.03% | | |
| Interest and fees on capital related debt | 0.70% | 0.52% | 0.67% | 0.76% | 0.81% |
| **Total Non-Operating Expenses** | 0.86% | 0.66% | 0.90% | 0.96% | 1.01% |
| **Total Expenses** | 99.88% | 99.76% | 100.00% | 99.95% | 97.47% |

# Vernon College
# Statistical Supplement 3
# 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 |
| 2022 | $ 60.00 | $ 100.00 | $ 44.00 | $ 6.00 | $ 1,320.00 | $ 1,800.00 | 0.00% | 0.00% |
| 2021 | 60.00 | 100.00 | 44.00 | 6.00 | 1,320.00 | 1,800.00 | 0.00% | 0.00% |
| 2020 | 60.00 | 100.00 | 44.00 | 6.00 | 1,320.00 | 1,800.00 | 10.00% | 3.45% |
| 2019 | 50.00 | 95.00 | 44.00 | 6.00 | 1,200.00 | 1,740.00 | 0.00% | 0.00% |
| 2018 | 50.00 | 95.00 | 44.00 | 6.00 | 1,200.00 | 1,740.00 | 0.00% | 0.00% |
| 2017 | 50.00 | 95.00 | 44.00 | 6.00 | 1,200.00 | 1,740.00 | 5.26% | 3.57% |
| 2016 | 50.00 | 95.00 | 39.00 | 6.00 | 1,140.00 | 1,680.00 | 7.95% | 3.70% |
| 2015 | 48.00 | 95.00 | 34.00 | 6.00 | 1,056.00 | 1,620.00 | 0.00% | 3.85% |
| 2014 | 48.00 | 90.00 | 34.00 | 6.00 | 1,056.00 | 1,560.00 | 0.00% | 0.00% |
| 2013 | 48.00 | 90.00 | 34.00 | 6.00 | 1,056.00 | 1,560.00 | 2.33% | 1.56% |

| | 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 |
| 2022 | $ 200.00 | $ 200.00 | $ 44.00 | $ 6.00 | $ 2,520.00 | $ 2,520.00 | 0.00% | 0.00% |
| 2021 | 200.00 | 200.00 | 44.00 | 6.00 | 2,520.00 | 2,520.00 | 0.00% | 0.00% |
| 2020 | 200.00 | 200.00 | 44.00 | 6.00 | 2,520.00 | 2,520.00 | 0.00% | 0.00% |
| 2019 | 160.00 | 160.00 | 44.00 | 6.00 | 2,520.00 | 2,520.00 | 0.00% | 0.00% |
| 2018 | 160.00 | 160.00 | 44.00 | 6.00 | 2,520.00 | 2,520.00 | 0.00% | 0.00% |
| 2017 | 160.00 | 160.00 | 44.00 | 6.00 | 2,520.00 | 2,520.00 | 2.44% | 2.44% |
| 2016 | 160.00 | 160.00 | 39.00 | 6.00 | 2,460.00 | 2,460.00 | 2.50% | 2.50% |
| 2015 | 160.00 | 160.00 | 34.00 | 6.00 | 2,400.00 | 2,400.00 | 0.00% | 0.00% |
| 2014 | 160.00 | 160.00 | 34.00 | 6.00 | 2,400.00 | 2,400.00 | 0.00% | 0.00% |
| 2013 | 160.00 | 160.00 | 34.00 | 6.00 | 2,400.00 | 2,400.00 | 1.01% | 1.01% |

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 4
## Assessed Value and Taxable Assessed Value of Property
## Last Ten Years
## (Unaudited)

| Fiscal Year | Assessed Valuation of Property | Less: Exemptions | Taxable Assessed Value (TAV) | Ratio of Taxable Assessed Value to Assessed Value | Maintenance and Operation (a) | Debt Service (a) | Total (a) |
|---|---|---|---|---|---|---|---|
| 2022-23 | 2,861,268,916 | 1,353,101,982 | 1,508,166,934 | 52.71% | 0.2245 | 0.00000 | 0.22450 |
| 2021-22 | 2,312,466,460 | 1,028,075,320 | 1,284,391,140 | 55.54% | 0.2483 | 0.00000 | 0.24830 |
| 2020-21 | 2,322,802,377 | 954,339,930 | 1,368,462,447 | 58.91% | 0.23244 | 0.00000 | 0.23244 |
| 2019-20 | 2,177,006,547 | 959,630,695 | 1,217,375,852 | 55.92% | 0.23147 | 0.00000 | $ 0.23147 |
| 2018-19 | 1,904,965,640 | 744,142,420 | 1,160,823,220 | 60.94% | 0.23237 | 0.00000 | 0.23237 |
| 2017-18 | 1,898,393,160 | 739,419,390 | 1,158,973,770 | 61.05% | 0.22965 | 0.00000 | 0.22965 |
| 2016-17 | 1,910,924,250 | 737,749,860 | 1,173,174,390 | 61.39% | 0.22000 | 0.00000 | 0.22000 |
| 2015-16 | 1,982,985,410 | 746,032,540 | 1,236,952,870 | 62.38% | 0.21767 | 0.00000 | 0.21767 |
| 2014-15 | 1,859,401,310 | 654,132,720 | 1,205,268,590 | 64.82% | 0.22212 | 0.00000 | 0.22212 |
| 2013-14 | 1,818,956,660 | 636,775,446 | 1,182,181,214 | 64.99% | 0.22285 | 0.00000 | 0.22285 |

Source: Wilbarger County Appraisal District

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

# Vernon College
# Statistical Supplement 5
# Principal Taxpayers
# Last Five Tax Years
# (Unaudited)

| Taxpayer | Type of Business | Taxable Assessed Valuation (TAV) by Tax Year 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|
| AEP Electric Transmission of Texas | Electricity Distribution | $ 244,377,216 | $ 180,474,121 | 198,179,240 | 193,618,390 | 174,534,040 |
| Western Trail Wind | Wind Farm | $ 186,686,183 | $ 201,199,329 | 7,409,070 | | |
| Lockett Wind Farm | Wind Farm | $ 154,719,089 | $ 162,961,103 | | | |
| Blue Summit Wind, LLC | Wind Farm | $ 102,499,621 | $ 51,638,991 | 36,271,320 | 113,809,250 | 128,261,060 |
| AEP Texas North Company | Energy company | $ 68,015,255 | $ 49,475,729 | 41,146,640 | 71,278,080 | 101,302,410 |
| BNSF Railway | Railroad company | $ 39,005,047 | $ 34,863,120 | 32,036,840 | 30,924,610 | 28,306,520 |
| AEP Public Service Co of Oklahoma | Energy company | $ 38,456,466 | $ 28,975,147 | 26,538,370 | 40,632,390 | 46,512,710 |
| WT Waggoner Estate | Farming, ranching, oil & gas | $ 34,600,910 | $ 416,377,382 | 20,081,180 | 275,701,000 | 25,953,110 |
| Blue Summit II Wind LLC | Wind Farm | $ 31,099,503 | $ 31,099,503 | | | |
| Oncor Electric Delivery | Electricity Distribution | $ 28,774,016 | $ 27,280,616 | 34,674,010 | | |
| Burk Royalty Co Ltd | Oil &N Gas | $ 27,817,453 | $ 21,685,136 | | | |
| Tyson Foods, Inc | Food processing plant | $ 24,983,371 | $ 53,368,962 | 37,329,700 | 49,658,900 | 35,623,320 |
| Cal-Maine-Mahard Egg Farm | Egg farm | $ 23,324,359 | $ 34,583,247 | 19,662,090 | 17,588,360 | 18,868,500 |
| Solvay (Rhodia), Inc | Guar processing plant | $ 20,008,085 | $ 25,500,457 | 23,008,030 | 32,891,170 | 35,175,440 |
| Atmos Energy | Energy company | | $ 11,361,075 | 12,692,260 | | |
| Vernon FL, LLC | Automobile Dealerships | | $ 11,293,410 | 13,198,980 | 12,649,000 | 10,781,580 |
| Joseph D & Joan P Rogers | Hotels | | $ 8,891,830 | 8,074,870 | | |
| Blue Summit Storage, LLC | Electric Storage Batteries | | $ 8,091,032 | 9,869,180 | 11,008,520 | 12,917,190 |
| Totals | | 1,024,366,574 | 1,178,646,069 | $ 520,171,780 | $ 656,141,280 | $ 618,235,880 |
| Total Assessed Taxable Value | | $ 1,508,166,934 | $ 1,510,076,954 | $ 1,283,546,810 | $ 1,217,375,852 | $ 1,160,823,220 |

**Vernon College**
**Statistical Supplement 6**
**Legal Debt Margin Information**
**Last Nine Years**
**(Unaudited)**

| | For the Years Ended August 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Taxable Assessed Valuation | 1,508,166,934 | $ 1,284,391,140 | $ 1,368,462,447 | $ 1,217,375,852 | $ 1,160,823,220 | $ 1,158,973,770 | $ 1,173,174,390 | $ 1,236,952,870 | $ 1,205,268,590 |
| General Obligation Bonds | | - | - | - | - | - | - | - | - |
| Statutory tax levy limit for debt service | $ 7,540,835 | $ 6,421,956 | $ 6,842,312 | $ 6,086,879 | $ 5,804,116 | $ 5,865,872 | $ 6,184,764 | $ 6,026,343 | $ 5,910,906 |
| Less funds restricted for repayment of bonds | 0 | - | - | - | - | - | - | - | - |
| Total Net General Obligation Debt | 7,540,835 | 6,421,956 | 6,842,312 | 6,086,879 | 5,804,116 | 5,865,872 | 6,184,764 | 6,026,343 | 5,910,906 |
| Current year debt service requirement | 0 | - | - | - | - | - | - | - | - |
| Excess of statutory limit for debt service over current requirement | $ 7,540,835 | $ 6,421,956 | $ 6,842,312 | $ 6,086,879 | $ 5,804,116 | $ 5,865,872 | $ 6,184,764 | $ 6,026,343 | $ 5,910,906 |
| 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% |

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

# Vernon College
# Statistical Supplement 7
# Pledged Revenue Coverage
# Last Ten Years
# (Unaudited)

**Revenue Bonds**

| | Pledged Revenues | | | | | | Debt Service Requirements | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year Ended August 31 | Tuition | Laboratory/ Special Fee | General Registration Fees | Facility/Farm Lease Revenue | Investment Income | Total | Principal | Interest | Total | Coverage Ratio |
| 2023 | 3,983,898 | 752,996 | 6,713,508 | 19,607 | 287,622 | 11,757,631 | 680,000 | 129,199 | 809,199 | 14.53 |
| 2022 | 3,997,035 | 810,299 | 6,456,317 | 20,431 | 233,229 | 11,517,311 | 1,330,000 | 221,175 | 1,551,175 | 7.42 |
| 2021 | 3,926,633 | 811,285 | 6,292,587 | 22,158 | 162,633 | 11,215,296 | 880,000 | 164,525 | 1,044,525 | 10.74 |
| 2020 | 4,135,680 | 844,592 | 6,296,661 | 8,234 | 115,664 | 11,400,831 | 625,000 | 185,342 | 810,342 | 14.07 |
| 2019 | 4,508,781 | 717,432 | 6,483,710 | 17,766 | 104,996 | 11,832,685 | 605,000 | 205,598 | 810,598 | 14.60 |
| 2018 | 4,922,682 | 758,392 | 6,028,849 | 28,977 | 52,710 | 11,791,610 | 590,000 | 219,322 | 809,322 | 14.57 |
| 2017 | 5,224,450 | 696,102 | 5,336,948 | 24,788 | 11,875 | 11,294,163 | 590,000 | 219,322 | 809,322 | 13.96 |
| 2016 | 5,142,037 | 680,853 | 4,732,292 | 24,929 | 11,506 | 10,591,617 | 555,000 | 142,615 | 697,615 | 15.18 |
| 2015 | 5,530,916 | 650,171 | 4,358,436 | 18,516 | 18,732 | 10,576,771 | 475,000 | 388,325 | 863,325 | 12.25 |
| 2014 | 6,070,149 | 657,547 | 3,771,494 | 14,158 | 19,721 | 10,533,069 | 465,000 | 399,119 | 864,119 | 12.19 |

**Vernon College**
**Statistical Supplement 8**
**Principal Employers**
**Fiscal Year 2023**
**(Unaudited)**

| Employer | Number of Employees |
|---|---|
| Tyson Foods, Inc | 500 - 999 |
| Walmart | 250 - 499 |
| Vernon Public Schools | 250 - 499 |
| North Texas State Hospital | 100 - 249 |
| Vernon College | 100 - 249 |
| AEP Oklaunion Power Station | 100 - 249 |
| United Supermarket | 100 - 249 |
| Wilbarger General Hospital | 100 - 249 |
| Western Union Agent Location | 100 - 249 |
| Advanced Healthcare Vernon | 50 - 99 |
| Santa Rosa Telephone Co Op | 50 - 99 |
| UPS of Vernon | 50 - 99 |
| Vernon Auto Group | 50 - 99 |
| City of Vernon | 50 - 99 |
| Northside ISD | 50 - 99 |
| Waggoner National Bank | 50 - 99 |
| Total | 1950 - 4184 |

**Source:**
Employer search https://texaslmi.com/Home/EmployerContact

**Note:**

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

# Vernon College
## Statistical Supplement 9
## Faculty, Staff, and Administrators Statistics
## Last Ten Years
## (Unaudited)

| | Fiscal Year Ended August 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| **Faculty** | | | | | | | | | | |
| FT | 79 | 85 | 90 | 85 | 85 | 86 | 90 | 97 | 91 | 88 |
| PT | 58 | 66 | 81 | 65 | 82 | 81 | 86 | 78 | 68 | 75 |
| Total | 137 | 151 | 171 | 150 | 167 | 167 | 176 | 175 | 159 | 163 |
| **Percent** | | | | | | | | | | |
| FT | 58% | 56% | 53% | 57% | 51% | 51% | 51% | 55% | 57% | 54% |
| PT | 42% | 44% | 47% | 43% | 49% | 49% | 49% | 45% | 43% | 46% |
| **Staff & Adm** | | | | | | | | | | |
| FT | 132 | 138 | 135 | 128 | 143 | 142 | 145 | 143 | 145 | 145 |
| PT | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 |
| Total | 133 | 140 | 137 | 130 | 145 | 144 | 147 | 146 | 148 | 148 |
| **Percent** | | | | | | | | | | |
| FT | 99% | 99% | 99% | 98% | 99% | 99% | 99% | 98% | 98% | 98% |
| PT | 1% | 1% | 1% | 2% | 1% | 1% | 1% | 2% | 2% | 2% |
| **FTSE** | 2,335 | 1,879 | 1,879 | 2,113 | 2,111 | 1,912 | 2,058 | 1,898 | 1,959 | 2,376 |
| FT Faculty | 29.56 | 22.11 | 20.88 | 24.86 | 24.84 | 22.23 | 22.87 | 19.57 | 21.53 | 27.00 |
| FT Staff | 17.69 | 13.62 | 13.92 | 16.51 | 14.76 | 13.46 | 14.19 | 13.27 | 13.51 | 16.39 |
| **Fac Sal** | $ 3,809,445 | $ 4,246,506 | $ 4,954,452 | $ 4,049,499 | $ 4,562,264 | $ 4,571,565 | $ 4,803,176 | $ 4,712,955 | $ 4,666,619 | $ 4,357,658 |
| **Avg. Fac** | $ 48,221 | $ 49,959 | $ 55,049 | $ 47,641 | $ 53,674 | $ 53,158 | $ 53,369 | $ 48,587 | $ 51,282 | $ 49,519 |