

**VERNON COLLEGE**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

**VERNON COLLEGE**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**

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## *Organizational Information*

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

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Board of Trustees

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

| <u>Members</u>   |             |
|------------------|-------------|
| Mr. Bob Ferguson | May 1, 2024 |
| Mr. Irl Holt     | May 1, 2024 |
| Mrs. Anne Spears | May 1, 2020 |
| Mrs. Ann Wilson  | May 1, 2024 |

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Principal Administrative Officers

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

*Financial Section*



# EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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WICHITA FALLS, TEXAS 76307-0750  
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MICHAEL D. EDGIN, CPA  
DAVID L. PARKMAN, CPA  
A. PAUL FLEMING, CPA

## Independent Auditor's Report

Board of Trustees  
Vernon College  
Vernon, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Vernon College, as well as its discretely presented component unit, Vernon College Foundation, Incorporated, as of and for the years ended August 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Vernon College and its discretely presented component unit, Vernon College Foundation, Inc., as of August 31, 2019 and 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 10, the Schedule of College's Share of Pension Liability – Teacher Retirement System of Texas, the Schedule of College's Pension Contributions – Teacher Retirement System of Texas, the Schedule of College's Share of OPEB Liability – Employee Retirement System of Texas, and the Schedule of College's OPEB Contributions – Employee Retirement System of Texas on pages 49 - 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019, on our consideration of Vernon College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vernon College's internal control over financial reporting and compliance.

Respectfully submitted,

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

EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 17, 2019



Vernon Campus  
4400 College Drive  
Vernon, TX 76384  
940.552.6291

Century City Center  
4105 Maplewood Ave.  
Wichita Falls, TX 76308  
940.696.8752

Skills Training Center  
2813 Central Expressway E  
Wichita Falls, TX 76302 940.766.3369

Seymour Learning Center  
200 Stadium Drive  
Seymour, TX 76380  
940.889.3133

**Management's Discussion and Analysis**

This section of Vernon College's annual financial report presents a discussion and analysis of the College's financial performance during the fiscal year ended August 31, 2019. Please read it in conjunction with the College's basic financial statements and notes, which follow this section. Responsibility for the completeness and fairness of the information in this section rests with the College's management.

**Overview of the Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Operating revenues are separated into several categories. Student tuition and fees remained a major source of revenue for 2019. Net tuition and fee revenues continue to be flat to declining with a slight increase from 2018 to 2019. State grants and contracts increased by \$449,487 from 2017 to 2018 thanks to a new Skills Development grant and a Nursing Innovations grant, before falling back again in 2019 as a result of those grants winding down. The effective earnings rate for investments has increased substantially

as the College has been able to take advantage of much higher interest rates through TexPool in 2017 and 2018 before moving funds back to our depository bank in 2019 as TexPool rates started to decline.

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

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

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

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

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

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

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

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



two inch overlay to part of the parking lot at Century City, new scoreboard at the softball field, upgrading ITV equipment in five classrooms, a new van for general travel and a new Tahoe for the police academy. Some of the capital purchases during the 2016-2017 school year include a new heater for the pool in the King Center, a new zero turn mower for the Vernon campus, continuing investments in our new Enterprise Resource Planning/Student Information System (ERP/SIS), upgrading equipment in two of our ITV classrooms, additional security cameras at the dorm, repaving a portion of the Century City Center parking lot and several Perkins funded training machines.

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

Investing activities reported include lease income from the King Farm in excess of the related expenses of \$15,340 for 2019, \$26,016 for 2018 and \$21,839 for 2017. Investing activities also reflects interest income earned on investments.

### **Reporting of Component Unit**

Reported within this report is Exhibit 1A, 2A, and 3A. Vernon College Foundation, Incorporated was established as a separate nonprofit organization in 1985. The unit raises funds to provide student scholarships and departmental grants. Exhibit 1A reports net assets decreased by \$45,629 to \$5,143,313 at the close of 2019. Gifts and contributions including transfers from the College Endowment Fund, realized gains, and unrealized gains or losses on investments are the major sources of revenue. Operating expense, investment advisory fees, and transfers to Vernon College are the main expenses.

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

The overall financial position of the College is very good. The *Statistical Supplement Section* of this report reflects many positive changes. Fall credit head count enrollment had grown from 2,095 in 2000 to a high of 3,247 in 2011 but had slowly declined to 2,891 in the Fall of 2015 before rebounding to 3,055 in the Fall of 2018. Trends in student tuition and fee revenue as well as state appropriations are reported on statistical supplement 2.

The College taxing district is Wilbarger County, Texas. Ad valorem taxes are assessed and collected by the Wilbarger County Tax Assessor/Collector for the College based on the valuation of real property and minerals on January 1. Taxable values are determined by the Wilbarger County Appraisal District. Taxable values have been gradually trending upward with an increase from 2007 to 2015 of \$321,977,600 or 35.19% before taking a downward turn in 2016, falling \$63,778,480. Taxable values showed a small increase of \$1,849,450 in 2019. The approved tax rate per \$100 of valuation has decreased from a high of \$.24993 in 2005 to \$.23147 in 2019.

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

As mentioned previously in the discussion of the statement of net position, the College's investment in capital assets, net of related debt increased by \$350,367 from \$12,051,581 in 2017 to \$12,401,948 in 2019. This increase is a combination of capitalizing additions purchased from current funds during the year, recording depreciation expense and payment of long-term debts. More details on the College's accounting policies for capital assets and current year activity can be found in the footnotes to the financial statements.

The College's total long-term debt increased from \$12,925,601 to \$28,175,443, or \$15,249,842 from 2017 until 2019. The increase is the result of a prior period adjustment of \$13,992,157 in 2018 to record implementation of GASB 75 to reflect our share of Other Post-Employment Benefits (OPEB) and paying scheduled debt payments. Payments totaling \$810,341, of which \$625,000 is principal, are scheduled to be made in 2020 under the College's revenue bonds and capital lease. Moody's rates the College as A-3

stable. The notes to the financial statements contain additional information concerning the debt structures for the College.

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

Enrollment for the fall of 2011 was at an all-time record of 3,247. Since then we have experienced a gradual decline with enrollment for fall 2015 totaling 2,891 before rebounding somewhat to 3,055 for fall 2018. Indications are that most rural Community Colleges in Texas have seen similar fluctuations.

### **Contacting the College's Financial Management**

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

*Basic Financial Statements*



**Vernon College**  
**Exhibit 1**  
**Statements of Net Position**  
**August 31, 2019 and 2018**

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

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

**Vernon College**  
**Exhibit 1A**  
**Vernon College Foundation, Incorporated**  
**Statements of Financial Position**  
**August 31, 2019 and 2018**

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

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

**Vernon College**  
**Exhibit 2**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended August 31, 2019 and 2018**

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

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

**Vernon College**  
**Exhibit 2A**  
**Vernon College Foundation, Incorporated**  
**Statements of Activities**  
**For the Years Ended August 31, 2019 and 2018**

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

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

**Vernon College**  
**Exhibit 3**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2019 and 2018**

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

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

**Vernon College**  
**Exhibit 3A**  
**Vernon College Foundation, Incorporated**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2019 and 2018**

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

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

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

1. Reporting Entity

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

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

2. Summary of Significant Accounting Policies

A. Reporting Guidelines

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

B. Tuition Discounting

1. Texas Public Education Grants

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

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

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

3. Other Tuition Discounts

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

C. Basis of Accounting

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

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

D. Budgetary Data

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

E. Cash and Cash Equivalents

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

F. Deferred Outflows

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

G. Investments

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

H. Other Assets

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

I. Inventories

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

J. Prepaid Expenses

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

K. Capital Assets

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



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

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

**L. Other Post-Employment Benefits (OPEB)**

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

**M. Pensions**

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

**N. Unearned Revenues**

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

**O. Deferred Inflows**

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

**P. Income Taxes**

The College is exempt from federal income taxes under Internal Revenue Code Section 115, "Income of States, Municipalities, Etc.", although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), "Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations". The College had no unrelated business tax liability for the years ended August 31, 2019 and 2018.

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

**Q. Estimates**

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

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R. Operating and Non-Operating Revenue and Expense Policy

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

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

S. Net Position

1. Net Investment in Capital Assets

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

2. Restricted Nonexpendable

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

3. Restricted Expendable

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

4. Unrestricted Net Position

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

3. Authorized Investments

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

4. Deposits and Investments

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

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Cash Deposits

At August 31, 2019 and 2018, the carrying amount of the College's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,513,356 and \$686,069, respectively. The bank balance was \$6,509,331 and \$651,377, respectively. The College's cash deposits at August 31, 2019 and 2018 were entirely covered by FDIC insurance or by pledged collateral held by the College's agent bank in the College's name.

Investments

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

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

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

The College's investments at August 31, 2019 and 2018 are as follows:

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

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

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

Public Funds Investment Pools

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

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

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

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Investment Accounting Policy

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

Fair Value of Financial Instruments

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

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

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

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

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

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

5. Permanent Endowment

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

6. Property Taxes

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

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

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

Net Assessed Valuation:

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

Tax Rate per \$100 Valuation:

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

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

Tax Collections:

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

Current tax collections for the years ended August 31, 2019 and 2018 were 99.05% and 98.29%, respectively, of the current year levy. Allowances for uncollectible taxes are based on historical experience in collecting property taxes. The use of property taxes is restricted to either maintenance and operations or general obligation debt service.

7. Disaggregation of Accounts Receivable

Accounts receivable, net of allowances for uncollectibles, at August 31, 2019 and 2018 consisted of the following:

August 31, 2019

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



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August 31, 2018

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

8. Capital Assets

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

August 31, 2019

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

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August 31, 2018

|   | <u>Beginning<br/>Balances</u> | <u>Increases</u>  | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|---|-------------------------------|-------------------|------------------|----------------------------|
| Capital assets not being depreciated:                 |                               |                   |                  |                            |
| Land  | \$ 2,812,791                  | \$ --             | \$ --            | \$ 2,812,791               |
| Construction in progress                              | 367,644                       | 319,923           | --               | 687,567                    |
| Total capital assets not being depreciated            | <u>3,180,435</u>              | <u>319,923</u>    | <u>--</u>        | <u>3,500,358</u>           |
| Capital assets being depreciated:                     |                               |                   |                  |                            |
| Buildings   | 22,286,942                    | 73,133            | 32,260           | 22,327,815                 |
| Land improvements                                     | 2,035,144                     | 104,661           | --               | 2,139,805                  |
| Furniture, machinery, vehicles and<br>other equipment | 3,795,219                     | 283,019           | 40,258           | 4,037,980                  |
| Telecommunications and computer equipment             | 1,682,563                     | 166,395           | 227,156          | 1,621,802                  |
| Library books   | 1,189,192                     | 15,187            | --               | 1,204,379                  |
| Total capital assets being depreciated                | <u>30,989,060</u>             | <u>642,395</u>    | <u>299,674</u>   | <u>31,331,781</u>          |
| Less accumulated depreciation:                        |                               |                   |                  |                            |
| Buildings   | 7,762,228                     | 462,124           | 8,419            | 8,215,933                  |
| Land improvements                                     | 883,624                       | 78,279            | --               | 961,903                    |
| Furniture, machinery, vehicles and<br>other equipment | 2,232,265                     | 273,370           | 36,233           | 2,469,402                  |
| Telecommunications and computer equipment             | 1,241,052                     | 49,444            | 204,440          | 1,086,056                  |
| Library books   | 950,699                       | 16,751            | --               | 967,450                    |
| Total accumulated depreciation                        | <u>13,069,868</u>             | <u>879,968</u>    | <u>249,092</u>   | <u>13,700,744</u>          |
| Total capital assets being depreciated, net           | <u>17,919,192</u>             | <u>( 237,573)</u> | <u>50,582</u>    | <u>17,631,037</u>          |
| Capital assets, net                                   | <u>\$21,099,627</u>           | <u>\$ 82,350</u>  | <u>\$ 50,582</u> | <u>\$21,131,395</u>        |

9. Long-term Obligations

A. Long-term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2019 and 2018 are as follows:

August 31, 2019

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

August 31, 2018

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



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**B. Revenue Bonds Payable**

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

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

Debt service requirements for the College's outstanding bonds at August 31, 2019 are as follows:

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

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

**C. Capital Leases**

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

**D. Compensated Absences**

**1. Vacation Leave**

Full-time employees earn annual leave from 8 to 12 hours per month depending on the number of years employed with the College. The College's policy is that an employee may carry his accrued vacation leave forward from one fiscal year to another with a maximum carry forward of 160 hours. Employees with at least one month of service who terminate their employment are entitled to payment of all accumulated vacation leave up to the maximum allowed. The College recognized the accrued liability for the unpaid vacation leave of \$346,682 and \$372,246 at August 31, 2019 and 2018, respectively.

**2. Sick Leave**

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

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10. Employees' Retirement Plans

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

A. Teacher Retirement System of Texas – Defined Benefit Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

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

4. Contributions

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

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

**Contribution Rates**

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

The College's contributions to the TRS pension plan in 2019 were \$368,539 as reported in the Schedule of College Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2019 were \$243,428.

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

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

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

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

**5. Actuarial Assumptions**

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

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

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

The actuarial methods and assumptions were selected by the board of trustees based upon analysis and recommendations by the system's actuary. The board of trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period. Assumptions, methods, and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

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

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

6. Discount Rate

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future

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real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2018, are summarized below:

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

<sup>(1)</sup> Target allocations are based on the FY 2016 policy model.

<sup>(2)</sup> Capital market assumptions come from Aon Hewitt (2017 Q4).

<sup>(3)</sup> The volatility drag results from the conversion between arithmetic and geometric mean returns.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2018 Net Pension Liability.

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

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

At August 31, 2017, the College reported a liability of \$5,910,144 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

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

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

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

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

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

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

The contributions paid to TRS subsequent to the measurement date of \$368,540 will be recognized as pension expense in the year ending August 31, 2019. The net remaining amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended August 31:</u> | <u>Pension Expense Amount</u> |
|------------------------------|-------------------------------|
| 2019                         | \$404,968                     |
| 2020                         | 168,979                       |
| 2021                         | 122,514                       |
| 2022                         | 359,171                       |
| 2023                         | 361,089                       |
| Thereafter                   | 239,787                       |



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

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

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

4. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

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**Contribution Rates**

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

The College's contributions to the TRS pension plan in 2018 were \$378,589 as reported in the Schedule of College Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2018 were \$235,142.

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

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

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

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

**5. Actuarial Assumptions**

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

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

\*Includes Inflation of 2.5%



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

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017, are summarized below:

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

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

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7. Discount Rate Sensitivity Analysis

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

|   | 1% Decrease in<br>Discount Rate<br>(7.0%) | Discount Rate<br>(8.0%) | 1% Increase in<br>Discount Rate<br>(9.0%) |
|---|---|-------------------------|---|
| College's proportionate share<br>of the net pension liability | <u>\$5,690,201</u>                        | <u>\$3,375,366</u>      | <u>\$1,447,891</u>                        |

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

At August 31, 2017, the College reported a liability of \$3,375,366 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

|   |                    |
|---|--------------------|
| College's proportionate share of the collective net pension liability | \$3,375,366        |
| State's proportionate share that is associated with the College       | <u>2,236,388</u>   |
| Total   | <u>\$5,611,754</u> |

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

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

For the year ended August 31, 2017, the College recognized pension expense of \$170,583 and revenue of \$228,750 for support provided by the State.

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

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

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

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

C. Optional Retirement Program – Defined Contribution Plan

1. Plan Description

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

2. Funding Policy

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

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

D. Total Payroll

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

11. Deferred Compensation Plan

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

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12. Health Care and Life Insurance Benefits

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

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

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

13. Other Post-Employment Benefits (OPEB)

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

A. Plan Description

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

B. OPEB Plan Fiduciary Net Position

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

C. Benefits Provided

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

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D. Contributions

Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (1) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

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

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

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

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

E. Actuarial Assumptions

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

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

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

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

**F. Investment Policy**

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

**G. Discount Rate**

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

**H. Discount Rate Sensitivity Analysis**

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

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

**I. Healthcare Trend Rate Sensitivity Analysis**

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



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

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

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

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

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

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

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

**K. Changes since the Prior Actuarial Valuation**

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

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

**Changes of Benefit Terms since Prior Measurement Date**

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

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

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

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

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

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

**A. Plan Description**

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

**B. OPEB Plan Fiduciary Net Position**

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



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C. Benefits Provided

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

D. Contributions

Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (1) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

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

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

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

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

E. Actuarial Assumptions

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

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Actuarial Assumptions  
ERS Group Benefits Program Plan

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

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

F. Investment Policy

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

G. Discount Rate

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

H. Discount Rate Sensitivity Analysis

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

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

I. Healthcare Trend Rate Sensitivity Analysis

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

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

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

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

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

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

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

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

K. Changes Since the Prior Actuarial Valuation

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

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

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

Changes of Benefit Terms Since Prior Measurement Date

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

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

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

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

|  | Deferred<br>Outflows | Deferred<br>Inflows |
|--|----------------------|---------------------|
| Differences between expected and actual economic experience  | \$ -                 | \$ 144,043          |
| Changes in actuarial assumptions   | -                    | 2,506,305           |
| Difference between projected and actual investment earnings  | 3,549                | -                   |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | -                    | -                   |
| Contributions paid to ERS subsequent to the measurement date   | 325,000              | -                   |
| <b>Total</b>   | <b>\$328,549</b>     | <b>\$2,650,348</b>  |

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

| Year ended August 31: | Pension Expense Amount |
|-----------------------|------------------------|
| 2018                  | (\$596,038)            |
| 2019                  | ( 596,038)             |
| 2020                  | ( 596,038)             |
| 2021                  | ( 596,038)             |
| 2022                  | ( 262,647)             |
| Thereafter            | -                      |

**14. Contracts and Grant Awards**

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

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

15. Risk Management

The College is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the College purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

16. Commitments and Contingencies

A. Facilities Lease

The College rents facilities from Wichita County for its Skills Training Center. The lease agreement with Wichita County is for a term of ten years and calls for a monthly rental payment of \$8,667 from January 1, 2017 through December 31, 2021 then reducing to \$5,542 per month for January 1, 2022 through December 31, 2026.

Future minimum lease payments under this lease are as follows:

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

The College paid \$104,000 and \$104,000 in rent under this lease agreement during each of the years ended August 31, 2019 and 2018, respectively.

B. Long-Term Service Contract

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

| <u>Year Ending August 31,</u> |                   |
|-------------------------------|-------------------|
| 2020                          | <u>\$ 438,492</u> |

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

C. Grants

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

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

17. Concentration – Title IV HEA Funding

For the years ended August 31, 2019 and 2018, the College received approximately 21.2% and 21.5%, respectively, of its total revenues (operating and non-operating) from federal Title IV HEA grants. In addition, \$5,213,384 and \$5,907,213, of Title IV student loans were used by students to pay for tuition, fees and other costs included in the College's revenues for the years ending August 31, 2019 and 2018, respectively. Altogether, these grants and loans directly contribute to more than 50% of the College's total annual revenue. A loss or significant reduction in these grants and loans would have a material adverse effect on the College's operations and financial position.

18. Tax Abatement

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

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

*Required Supplementary Information*

Vernon College

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

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

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

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

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



**Vernon College**

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

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

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

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

Vernon College

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

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

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

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

NECE -- Non-Employer Contributing Entity  
OPEB -- Net Other Post Employment Benefit Liability  
ER -- Employer / Institution / Reporting Entity

**Vernon College**

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

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

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

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

**VERNON COLLEGE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

A. Defined Benefit Pension Plan

1. Change of Benefit Terms

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

2. Changes of Assumptions

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

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

B. OPEB Plan

1. Change of Benefit Terms

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

2. Changes of Assumptions

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

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

*Other Supplementary Information*

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

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

\* In accordance with Education Code 56.033, \$175,191 and \$279,396 for years August 31, 2019 and 2018, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

**Vernon College**  
**Schedule B**  
**Schedule of Operating Expenses by Object**  
**For the Year Ended August 31, 2019**  
**(With Memorandum Totals for the Year Ended August 31, 2018)**

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



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

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

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

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

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

| <u>Federal Grantor/Pass Through Grantor/Program Title</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Grantors<br/>Number</u> | <u>Pass-Through<br/>Disbursements<br/>and<br/>Expenditures</u> | <u>Pass-Through<br/>to Subrecipients</u> |
|---|------------------------------------|---|--|--|
| <u>U.S. Department of Education:</u>                      |                                    |   |  |  |
| <u>Direct Programs:</u>                                   |                                    |   |  |  |
| Student Financial Aid Cluster:                            |                                    |   |  |  |
| Supplemental Educational Opportunity Grant (FSEOG)        | 84.007                             | N/A   | \$ 94,978  | \$ -                                     |
| Federal Workstudy Program (FWS)                           | 84.033                             | N/A   | 95,942   | -  |
| Federal Pell Grant Program (PELL)                         | 84.063                             | N/A   | 4,931,641  | -  |
| Federal Direct Student Loans (Direct Loans)               | 84.268                             | N/A   | 5,213,384  | -  |
|   |                                    |   | <u>10,335,945</u>  | <u>-</u>                                 |
| Title III - Strengthening Institutional Programs          | 84.031A                            | N/A   | <u>251,491</u>   | <u>-</u>                                 |
| Total Direct Programs                                     |                                    |   | <u>10,587,436</u>  | <u>-</u>                                 |
| <u>Pass-Through From:</u>                                 |                                    |   |  |  |
| Texas Higher Education Coordinating Board:                |                                    |   |  |  |
| Carl Perkins Vocational Education Annual Grant            | 84.048                             | 94252                                       | <u>302,429</u>   | <u>-</u>                                 |
| Total U.S. Department of Education                        |                                    |   | <u>10,889,865</u>  | <u>-</u>                                 |
| <u>U.S. Department of Agriculture</u>                     |                                    |   |  |  |
| <u>Direct Programs:</u>                                   |                                    |   |  |  |
| 2016 Farmers Market Promotion Program                     | 10.168                             | N/A   | <u>213,195</u>   | <u>-</u>                                 |
| Total Department of Agriculture                           |                                    |   | <u>213,195</u>   | <u>-</u>                                 |
| <u>U.S. Department of Health and Human Services:</u>      |                                    |   |  |  |
| <u>Pass-Through From:</u>                                 |                                    |   |  |  |
| Nortex Regional Planning Commission:                      |                                    |   |  |  |
| Special Programs for the Aging - Title VII                | 93.041                             | N/A   | <u>45,975</u>  | <u>-</u>                                 |
| Total U.S. Department of Health and Human Services        |                                    |   | <u>45,975</u>  | <u>-</u>                                 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS                      |                                    |   | <u>\$ 11,149,035</u>   | <u>\$ -</u>                              |

*The accompanying Notes are an integral part of this statement.*

**Vernon College**  
**Schedule E**  
**Schedule of Expenditures of Federal Awards (Cont'd)**  
**For the Year Ended August 31, 2019**

Note 1: Significant Accounting Policies Used in Preparing the Schedule

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

Note 2: Indirect Cost Rate

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

Note 3: Federal Assistance Reconciliation

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

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

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

**Note 2: Significant Accounting Policies Used in Preparing the Schedule**

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

*Statistical Section*

**Vernon College  
Statistical Supplement 1  
Net Position by Component  
Fiscal Years 2014 to 2019  
(Unaudited)**

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

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



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

For the Years Ended August 31,

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

For the Years Ended August 31,

|  | 2019           | 2018           | 2017           | 2016           | 2015           | 2014           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Operating Revenues</b>                    |                |                |                |                |                |                |
| Tuition and fees (net of discounts)          | 20.26%         | 20.44%         | 20.69%         | 19.89%         | 20.76%         | 20.50%         |
| Government grants and contracts:             |                |                |                |                |                |                |
| Federal grants and contracts                 | 3.51%          | 3.72%          | 3.59%          | 3.30%          | 1.14%          | 0.99%          |
| State grants and contracts                   | 2.07%          | 3.45%          | 1.79%          | 1.42%          | 3.13%          | 3.78%          |
| Non-governmental grants and contracts        | 4.75%          | 4.55%          | 3.73%          | 4.36%          | 4.04%          | 3.78%          |
| Sales and services of educational activities | 0.45%          | 0.45%          | 0.47%          | 0.53%          | 0.49%          | 0.47%          |
| Investment income (program restricted)       | 0.11%          | 0.07%          | 0.06%          | 0.02%          | 0.03%          | 0.03%          |
| Auxiliary enterprises (net of discounts)     | 3.38%          | 4.07%          | 5.53%          | 5.41%          | 5.10%          | 5.30%          |
| Other operating revenues                     | 0.89%          | 0.83%          | 0.05%          | 0.00%          | 0.00%          | 0.08%          |
| <b>Total Operating Revenues</b>              | <u>35.43%</u>  | <u>37.58%</u>  | <u>35.91%</u>  | <u>34.93%</u>  | <u>34.69%</u>  | <u>34.93%</u>  |
| <b>Non-Operating Revenues</b>                |                |                |                |                |                |                |
| State appropriations                         | 30.33%         | 28.97%         | 29.72%         | 30.06%         | 28.99%         | 28.18%         |
| Ad valorem taxes                             | 11.28%         | 10.69%         | 11.50%         | 11.78%         | 11.31%         | 11.18%         |
| Federal Title IV grant revenue               | 21.24%         | 21.49%         | 21.73%         | 22.19%         | 23.82%         | 24.78%         |
| Capital contracts, grants and gifts          | 1.16%          | 0.91%          | 0.91%          | 0.88%          | 1.01%          | 0.79%          |
| Lease income                                 | 0.07%          | 0.11%          | 0.10%          | 0.11%          | 0.08%          | 0.06%          |
| Investment income                            | 0.49%          | 0.25%          | 0.13%          | 0.05%          | 0.10%          | 0.08%          |
| <b>Total Non-Operating Revenues</b>          | <u>64.57%</u>  | <u>62.42%</u>  | <u>64.09%</u>  | <u>65.07%</u>  | <u>65.31%</u>  | <u>65.07%</u>  |
| <b>Total Revenues</b>                        | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

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

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

For the Years Ended August 31,

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

For the Years Ended August 31,

|   | 2019           | 2018           | 2017           | 2016           | 2015           | 2014           |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Operating Expenses</b>                 |                |                |                |                |                |                |
| Instruction                               | 35.43%         | 37.32%         | 36.63%         | 36.66%         | 34.96%         | 33.83%         |
| Public service                            | 2.98%          | 2.80%          | 2.55%          | 2.26%          | 2.20%          | 2.16%          |
| Academic support                          | 11.16%         | 10.82%         | 11.49%         | 11.65%         | 11.30%         | 11.60%         |
| Student services                          | 10.47%         | 8.62%          | 8.84%          | 8.77%          | 8.16%          | 7.84%          |
| Institutional support                     | 14.39%         | 15.34%         | 15.45%         | 15.57%         | 13.68%         | 13.11%         |
| Operation and maintenance of plant        | 9.28%          | 9.10%          | 9.29%          | 9.24%          | 9.18%          | 9.42%          |
| Scholarship and fellowships               | 1.86%          | 3.05%          | 0.73%          | 1.39%          | 6.49%          | 7.90%          |
| Auxiliary enterprises                     | 7.30%          | 7.98%          | 9.70%          | 9.15%          | 8.41%          | 8.52%          |
| Depreciation                              | 3.58%          | 3.61%          | 3.76%          | 3.75%          | 3.78%          | 3.79%          |
| <b>Total Operating Expenses</b>           | <u>96.46%</u>  | <u>98.63%</u>  | <u>98.42%</u>  | <u>98.43%</u>  | <u>98.16%</u>  | <u>98.15%</u>  |
| <b>Non-Operating Expenses</b>             |                |                |                |                |                |                |
| Operational costs of leased property      | 0.01%          | 0.01%          | 0.01%          | 0.03%          | 0.01%          | 0.01%          |
| Amortization of bond issuance costs       | 0.19%          | 0.20%          | 0.21%          | 0.00%          | 0.00%          | 0.00%          |
| Loss on disposal of assets                | 2.53%          | 0.21%          | 0.02%          | 0.02%          | 0.06%          | 0.00%          |
| Interest and fees on capital related debt | 0.81%          | 0.95%          | 1.34%          | 1.53%          | 1.76%          | 1.84%          |
| <b>Total Non-Operating Expenses</b>       | <u>3.54%</u>   | <u>1.37%</u>   | <u>1.58%</u>   | <u>1.57%</u>   | <u>1.84%</u>   | <u>1.85%</u>   |
| <b>Total Expenses</b>                     | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

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

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

|  |
|--|
| Resident<br>Vernon Campus<br>Fees per Semester Credit Hour (SCH) |
|--|

| Academic Year (Fall) | In-District Tuition | Out-of-District Tuition | Institutional Service Fee | Student Activity Fee | Cost for 12 SCH In-District | Cost for 12 SCH Out-of-District | Increase from Prior Year In-District | Increase from Prior Year Out-of-District |
|----------------------|---------------------|-------------------------|---------------------------|----------------------|-----------------------------|---------------------------------|--------------------------------------|--|
| 2018                 | 50.00               | 95.00                   | 44.00                     | 6.00                 | 1,200.00                    | 1,740.00                        | 0.00%                                | 0.00%                                    |
| 2017                 | 50.00               | 95.00                   | 44.00                     | 6.00                 | 1,200.00                    | 1,740.00                        | 5.26%                                | 3.57%                                    |
| 2016                 | 50.00               | 95.00                   | 39.00                     | 6.00                 | 1,140.00                    | 1,680.00                        | 7.95%                                | 3.70%                                    |
| 2015                 | 48.00               | 95.00                   | 34.00                     | 6.00                 | 1,056.00                    | 1,620.00                        | 0.00%                                | 3.85%                                    |
| 2014                 | 48.00               | 90.00                   | 34.00                     | 6.00                 | 1,056.00                    | 1,560.00                        | 0.00%                                | 0.00%                                    |
| 2013                 | 48.00               | 90.00                   | 34.00                     | 6.00                 | 1,056.00                    | 1,560.00                        | 2.33%                                | 1.56%                                    |
| 2012                 | 48.00               | 90.00                   | 32.00                     | 6.00                 | 1,032.00                    | 1,536.00                        | 6.17%                                | 6.67%                                    |
| 2011                 | 46.00               | 85.00                   | 29.00                     | 6.00                 | 972.00                      | 1,440.00                        | 5.19%                                | 11.11%                                   |
| 2010                 | 44.00               | 75.00                   | 27.00                     | 6.00                 | 924.00                      | 1,296.00                        | 5.48%                                | 6.93%                                    |
| 2009                 | 42.00               | 70.00                   | 25.00                     | 6.00                 | 876.00                      | 1,212.00                        | 10.61%                               | 8.02%                                    |

|  |
|--|
| Non-Resident<br>Vernon Campus<br>Fees per Semester Credit Hour (SCH) |
|--|

| Academic Year (Fall) | Non-Resident Tuition Out of State | Non-Resident Tuition International | Institutional Service Fee | Student Activity Fee | Cost for 12 SCH Out-of-State | Cost for 12 SCH International | Increase from Prior Year In-District | Increase from Prior Year Out-of-District |
|----------------------|-----------------------------------|------------------------------------|---------------------------|----------------------|------------------------------|-------------------------------|--------------------------------------|--|
| 2018                 | 160.00                            | 160.00                             | 44.00                     | 6.00                 | 2,520.00                     | 2,520.00                      | 0.00%                                | 0.00%                                    |
| 2017                 | 160.00                            | 160.00                             | 44.00                     | 6.00                 | 2,520.00                     | 2,520.00                      | 2.44%                                | 2.44%                                    |
| 2016                 | 160.00                            | 160.00                             | 39.00                     | 6.00                 | 2,460.00                     | 2,460.00                      | 2.50%                                | 2.50%                                    |
| 2015                 | 160.00                            | 160.00                             | 34.00                     | 6.00                 | 2,400.00                     | 2,400.00                      | 0.00%                                | 0.00%                                    |
| 2014                 | 160.00                            | 160.00                             | 34.00                     | 6.00                 | 2,400.00                     | 2,400.00                      | 0.00%                                | 0.00%                                    |
| 2013                 | 160.00                            | 160.00                             | 34.00                     | 6.00                 | 2,400.00                     | 2,400.00                      | 1.01%                                | 1.01%                                    |
| 2012                 | 160.00                            | 160.00                             | 32.00                     | 6.00                 | 2,376.00                     | 2,376.00                      | 7.03%                                | 7.03%                                    |
| 2011                 | 150.00                            | 150.00                             | 29.00                     | 6.00                 | 2,220.00                     | 2,220.00                      | 13.50%                               | 13.50%                                   |
| 2010                 | 130.00                            | 130.00                             | 27.00                     | 6.00                 | 1,956.00                     | 1,956.00                      | 7.95%                                | 7.95%                                    |
| 2009                 | 120.00                            | 120.00                             | 25.00                     | 6.00                 | 1,812.00                     | 1,812.00                      | 9.42%                                | 9.42%                                    |

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

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

| <u>Fiscal Year</u> | <u>Assessed<br/>Valuation of<br/>Property</u> | <u>Less:<br/>Exemptions</u> | <u>Taxable<br/>Assessed<br/>Value (TAV)</u> | <u>Ratio of Taxable<br/>Assessed Value<br/>to Assessed<br/>Value</u> | <u>Maintenance<br/>and<br/>Operation<br/>(a)</u> | <u>Debt<br/>Service<br/>(a)</u> | <u>Total<br/>(a)</u> |
|--------------------|---|-----------------------------|---|--|--|---------------------------------|----------------------|
| 2018-19            | \$ 1,904,965,640                              | \$ 744,142,420              | \$ 1,160,823,220                            | 60.94%   | \$ 0.23147                                       | \$ 0.00000                      | \$ 0.23147           |
| 2017-18            | 1,898,393,160                                 | 739,419,390                 | 1,158,973,770                               | 61.05%   | 0.23237  | 0.00000                         | 0.23237              |
| 2016-17            | 1,910,924,250                                 | 737,749,860                 | 1,173,174,390                               | 61.39%   | 0.22965  | 0.00000                         | 0.22965              |
| 2015-16            | 1,982,985,410                                 | 746,032,540                 | 1,236,952,870                               | 62.38%   | 0.22000  | 0.00000                         | 0.22000              |
| 2014-15            | 1,859,401,310                                 | 654,132,720                 | 1,205,268,590                               | 64.82%   | 0.21767  | 0.00000                         | 0.21767              |
| 2013-14            | 1,818,956,660                                 | 636,775,446                 | 1,182,181,214                               | 64.99%   | 0.22212  | 0.00000                         | 0.22212              |
| 2012-13            | 1,595,309,430                                 | 608,833,820                 | 986,475,610                                 | 61.84%   | 0.22285  | 0.00000                         | 0.22285              |
| 2011-12            | 1,523,966,580                                 | 615,951,780                 | 908,014,800                                 | 59.58%   | 0.22343  | 0.00000                         | 0.22343              |
| 2010-11            | 1,498,674,530                                 | 611,389,270                 | 887,285,260                                 | 59.20%   | 0.22672  | 0.00000                         | 0.22672              |
| 2009-10            | 1,529,569,880                                 | 626,657,640                 | 902,912,240                                 | 59.03%   | 0.22280  | 0.00000                         | 0.22280              |

Source: Wilbarger County Appraisal District

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

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

| Fiscal Year | State Appropriations | Appropriation per FTSE |                               | Appropriation per Contact Hour |                        |                     | State Appropriation Per Contact Hour |
|-------------|----------------------|------------------------|-------------------------------|--------------------------------|------------------------|---------------------|--------------------------------------|
|             |                      | FTSE                   | State Appropriations Per FTSE | Academic Contact Hours         | Voc/Tech Contact Hours | Total Contact Hours |                                      |
| 2018-19     | 5,596,011            | 2,111                  | 2,651                         | 721,504                        | 445,416                | 1,166,920           | 4.80                                 |
| 2017-18     | 5,596,132            | 1,912                  | 2,927                         | 731,328                        | 554,688                | 1,286,016           | 4.35                                 |
| 2016-17     | 5,592,000            | 2,058                  | 2,717                         | 760,326                        | 781,565                | 1,541,891           | 3.63                                 |
| 2015-16     | 5,586,382            | 1,898                  | 2,944                         | 750,651                        | 807,321                | 1,557,972           | 3.59                                 |
| 2014-15     | 5,511,466            | 1,959                  | 2,814                         | 756,262                        | 815,331                | 1,571,593           | 3.51                                 |
| 2013-14     | 5,511,466            | 2,376                  | 2,319                         | 822,400                        | 821,542                | 1,643,942           | 3.35                                 |
| 2012-13     | 5,525,348            | 2,335                  | 2,366                         | 838,848                        | 799,548                | 1,638,396           | 3.37                                 |
| 2011-12     | 5,852,020            | 2,259                  | 2,591                         | 858,800                        | 796,761                | 1,655,561           | 3.53                                 |
| 2010-11     | 5,454,584            | 2,720                  | 2,006                         | 874,720                        | 1,071,662              | 1,946,382           | 2.80                                 |
| 2009-10     | 5,521,976            | 2,420                  | 2,282                         | 860,960                        | 826,687                | 1,687,647           | 3.27                                 |

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

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

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

| Taxpayer                            | Type of Business             | Taxable Assessed Valuation (TAV) by Tax Year |                         |                         |                         |                         |                       |                       |                       |                       |
|-------------------------------------|------------------------------|--|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                     |                              | 2019   | 2018                    | 2017                    | 2016                    | 2015                    | 2014                  | 2013                  | 2012                  | 2011                  |
| Electric Transmission of Texas      | Electricity Distribution     | \$ 174,534,040                               | \$ 160,198,710          | \$ 166,570,770          | \$ 164,103,380          | \$ 147,972,970          | \$ 86,598,110         | \$ 43,382,620         | \$ 23,236,450         | \$ 10,913,990         |
| Blue Summit Wind, LLC               | Wind Farm                    | 128,261,060                                  | 97,310,980              | 108,731,000             | 118,421,030             | 145,060,550             | 166,668,370           | 191,173,200           | -                     | -                     |
| AEP Texas North Company             | Energy company               | 101,302,410                                  | 127,769,200             | 135,882,800             | 147,178,480             | 161,931,200             | 168,967,800           | 174,045,890           | 184,846,970           | 175,881,840           |
| Sharyland Utilities                 | Electricity Distribution     | 55,068,090                                   | 33,199,160              | -                       | -                       | -                       | -                     | -                     | -                     | -                     |
| AEP Public Service Co of Oklahoma   | Energy company               | 46,512,710                                   | 61,374,230              | 62,421,950              | 56,405,710              | 59,139,670              | 59,481,220            | 51,041,830            | 51,378,340            | 49,330,580            |
| Tyson Foods, Inc                    | Food processing plant        | 35,623,320                                   | 35,198,870              | 34,969,900              | 35,037,410              | 32,676,840              | 32,862,470            | 34,825,270            | 38,836,140            | 36,724,230            |
| Solvay (Rhodia), Inc                | Guar processing plant        | 35,175,440                                   | 29,046,760              | 20,841,560              | 24,315,450              | 25,225,340              | 21,923,000            | 25,243,480            | 22,484,120            | 18,935,300            |
| BNSF Railway                        | Railroad company             | 28,306,520                                   | 27,073,450              | 24,359,830              | 23,450,500              | 21,475,840              | 21,588,920            | 21,558,190            | 19,890,160            | 17,537,810            |
| Oklahoma Municipal Power Authority  | Energy company               | 26,477,320                                   | 35,287,030              | 35,612,300              | 35,646,290              | 33,391,360              | 34,238,180            | 35,340,650            | 33,682,770            | 32,929,510            |
| WT Waggoner Estate                  | Farming, ranching, oil & gas | 25,953,110                                   | 21,766,010              | 22,620,360              | 16,144,770              | 26,874,080              | 29,790,920            | 28,159,810            | 30,417,350            | 25,172,210            |
| Mahard Egg Farm                     | Egg farm                     | 18,868,500                                   | 18,862,920              | 18,174,820              | 14,041,370              | 16,885,140              | 17,630,080            | 18,949,050            | 18,677,420            | 18,811,580            |
| Blue Summit Storage, LLC            | Electric Storage Batteries   | 12,917,190                                   | 13,473,950              | -                       | -                       | -                       | -                     | -                     | -                     | -                     |
| Vernon FL, LLC                      | Automobile Dealerships       | 10,781,580                                   | 10,485,550              | 10,560,580              | 9,512,440               | 20,151,180              | 14,123,750            | -                     | -                     | -                     |
| Walmart                             | Retail sales                 | -  | 8,198,060               | 7,516,210               | -                       | -                       | -                     | -                     | -                     | -                     |
| Joseph D & Joan P Rogers            | Hotels                       | -  | 6,642,330               | 7,116,020               | 6,825,670               | -                       | -                     | -                     | -                     | -                     |
| Oncor Electric Delivery             | Electricity Distribution     | -  | -                       | 14,848,140              | 15,274,310              | 17,145,400              | -                     | 13,384,910            | 8,212,510             | -                     |
| <b>Totals</b>                       |                              | <b>\$ 699,781,290</b>                        | <b>\$ 685,887,210</b>   | <b>\$ 670,226,240</b>   | <b>\$ 666,356,810</b>   | <b>\$ 707,929,570</b>   | <b>\$ 653,872,820</b> | <b>\$ 637,104,900</b> | <b>\$ 431,662,230</b> | <b>\$ 386,237,050</b> |
| <b>Total Assessed Taxable Value</b> |                              | <b>\$ 1,160,823,220</b>                      | <b>\$ 1,173,174,390</b> | <b>\$ 1,236,952,870</b> | <b>\$ 1,205,268,590</b> | <b>\$ 1,182,181,214</b> | <b>\$ 986,475,610</b> | <b>\$ 908,014,800</b> | <b>\$ 887,285,260</b> | <b>\$ 902,912,240</b> |

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

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

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

Source: Local Tax Assessor /Collector and District Records

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

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

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

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

(e) Represents current year collections of prior year levies

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

|   | For the Years Ended August 31, |                     |                     |                     |                     |                     |                     |                     |                     |                    |
|---|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|
|   | 2019                           | 2018                | 2017                | 2016                | 2015                | 2014                | 2013                | 2012                | 2011                | 2010               |
| Revenue bonds                             | \$ 8,079,000                   | \$ 8,686,183        | \$ 9,278,365        | \$ 9,835,547        | \$10,285,000        | \$10,760,000        | \$11,225,000        | \$11,680,000        | \$12,125,000        | \$6,540,000        |
| Capital lease obligations                 | -                              | 134,734             | 297,141             | 418,103             | 565,880             | 704,274             | 833,132             | 952,991             | 1,064,363           | 1,167,734          |
| <b>Total Outstanding Debt</b>             | <b>\$ 8,079,000</b>            | <b>\$ 8,820,917</b> | <b>\$ 9,575,506</b> | <b>\$10,253,650</b> | <b>\$10,850,880</b> | <b>\$11,464,274</b> | <b>\$12,058,132</b> | <b>\$12,632,991</b> | <b>\$13,189,363</b> | <b>\$7,707,734</b> |
| <b>Total Outstanding Debt Ratios</b>      |                                |                     |                     |                     |                     |                     |                     |                     |                     |                    |
| Per Capita                                | not available                  | 688.06              | 750.20              | 785.06              | 832.95              | 883.70              | 918.30              | 952.86              | 976.27              | 562.98             |
| Per FTSE                                  | 3,827                          | 4,613               | 4,653               | 5,402               | 5,539               | 4,825               | 5,164               | 5,592               | 4,849               | 3,185              |
| As a percentage of Taxable Assessed Value | 0.6971%                        | 0.7611%             | 0.8162%             | 0.8289%             | 0.9003%             | 0.9698%             | 1.2223%             | 1.3913%             | 1.4865%             | 0.8537%            |

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



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

|   | For the Years Ended August 31, |                  |                  |                  |                  |                  |                |                |                |                |
|---|--------------------------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|----------------|----------------|
|   | 2019                           | 2018             | 2017             | 2016             | 2015             | 2014             | 2013           | 2012           | 2011           | 2010           |
| Taxable Assessed Valuation  | \$ 1,160,823,220               | \$ 1,158,973,770 | \$ 1,173,174,390 | \$ 1,236,952,870 | \$ 1,205,268,590 | \$ 1,182,181,214 | \$ 986,475,610 | \$ 908,014,800 | \$ 887,285,260 | \$ 902,912,240 |
| General Obligation Bonds  | -                              | -                | -                | -                | -                | -                | -              | -              | -              | -              |
| Statutory tax levy limit for debt service                           | \$ 5,804,116                   | \$ 5,794,869     | \$ 5,865,872     | \$ 6,184,764     | \$ 6,026,343     | \$ 5,910,906     | \$ 4,932,378   | \$ 4,540,074   | \$ 4,436,426   | \$ 4,514,561   |
| Less funds restricted for repayment of bonds                        | -                              | -                | -                | -                | -                | -                | -              | -              | -              | -              |
| Total Net General Obligation Debt                                   | 5,804,116                      | 5,794,869        | 5,865,872        | 6,184,764        | 6,026,343        | 5,910,906        | 4,932,378      | 4,540,074      | 4,436,426      | 4,514,561      |
| Current year debt service requirement                               | -                              | -                | -                | -                | -                | -                | -              | -              | -              | -              |
| Excess of statutory limit for debt service over current requirement | \$ 5,804,116                   | \$ 5,794,869     | \$ 5,865,872     | \$ 6,184,764     | \$ 6,026,343     | \$ 5,910,906     | \$ 4,932,378   | \$ 4,540,074   | \$ 4,436,426   | \$ 4,514,561   |
| Net current requirement as a percentage of statutory limit          | 0.00%                          | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%            | 0.00%          | 0.00%          | 0.00%          | 0.00%          |

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

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

**Revenue Bonds**

| Fiscal Year<br>Ended August 31 | Pledged Revenues |                            |                              |                                |                      |              | Debt Service Requirements |            |            | Coverage<br>Ratio |
|--------------------------------|------------------|----------------------------|------------------------------|--------------------------------|----------------------|--------------|---------------------------|------------|------------|-------------------|
|                                | Tuition          | Laboratory/<br>Special Fee | General<br>Registration Fees | Facility/Farm<br>Lease Revenue | Investment<br>Income | Total        | Principal                 | Interest   | Total      |                   |
| 2019                           | \$ 4,508,781     | \$ 717,432                 | \$ 6,483,710                 | \$ 17,766                      | \$ 104,996           | \$11,832,685 | \$ 605,000                | \$ 205,598 | \$ 810,598 | 14.60             |
| 2018                           | 4,922,682        | 758,392                    | 6,028,849                    | 28,977                         | 52,710               | 11,791,610   | 590,000                   | 219,322    | 809,322    | 14.57             |
| 2017                           | 5,224,450        | 696,102                    | 5,336,948                    | 24,788                         | 11,875               | 11,294,163   | 590,000                   | 219,322    | 809,322    | 13.96             |
| 2016                           | 5,142,037        | 680,853                    | 4,732,292                    | 24,929                         | 11,506               | 10,591,617   | 555,000                   | 142,615    | 697,615    | 15.18             |
| 2015                           | 5,530,916        | 650,171                    | 4,358,436                    | 18,516                         | 18,732               | 10,576,771   | 475,000                   | 388,325    | 863,325    | 12.25             |
| 2014                           | 6,070,149        | 657,547                    | 3,771,494                    | 14,158                         | 19,721               | 10,533,069   | 465,000                   | 399,119    | 864,119    | 12.19             |
| 2013                           | 5,749,880        | 659,514                    | 3,702,329                    | 17,161                         | 42,379               | 10,171,262   | 455,000                   | 409,700    | 864,700    | 11.76             |
| 2012                           | 5,431,705        | 678,138                    | 3,506,215                    | 60,461                         | 29,086               | 9,705,605    | 445,000                   | 419,931    | 864,931    | 11.22             |
| 2011                           | 5,091,415        | 689,749                    | 3,246,912                    | 65,825                         | 80,272               | 9,174,172    | 450,000                   | 417,997    | 867,997    | 10.57             |
| 2010                           | 4,737,506        | 681,811                    | 2,888,778                    | 168,044                        | 79,481               | 8,555,620    | 305,000                   | 327,650    | 632,650    | 13.52             |

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

| Calendar<br>Year | District<br>Population | District<br>Personal<br>Income (a)<br>(thousands<br>of dollars) | District<br>Personal<br>Income<br>Per<br>Capita | District<br>Unemployment<br>Rate |
|------------------|------------------------|---|---|----------------------------------|
| 2019             | b                      | b   | b   | 4.3%                             |
| 2018             | 12,820                 | \$ 538,962  | \$ 42,041                                       | 5.1%                             |
| 2017             | 12,764                 | 504,714   | 39,542  | 4.3%                             |
| 2016             | 13,061                 | 505,617   | 38,712  | 4.8%                             |
| 2015             | 13,027                 | 493,319   | 37,869  | 5.5%                             |
| 2014             | 12,973                 | 506,917   | 39,075  | 5.5%                             |
| 2013             | 13,131                 | 533,490   | 40,628  | 4.9%                             |
| 2012             | 13,258                 | 505,562   | 38,133  | 5.8%                             |
| 2011             | 13,258                 | 472,359   | 35,628  | 6.2%                             |
| 2010             | 13,510                 | 463,963   | 34,342  | 6.1%                             |

**Sources:**

Bureau of Economic Analysis  
Unemployment rate via Google search

**Notes:**

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

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

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

**Source:**

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

**Note:**

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

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

|                        | Fiscal Year Ended August 31, |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|------------------------|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                        | 2019                         | 2018                | 2017                | 2016                | 2015                | 2014                | 2013                | 2012                | 2011                | 2010                |
| <b>Faculty</b>         |                              |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| FT                     | 85                           | 86                  | 90                  | 97                  | 91                  | 88                  | 83                  | 81                  | 81                  | 77                  |
| PT                     | 82                           | 81                  | 86                  | 78                  | 68                  | 75                  | 80                  | 76                  | 81                  | 88                  |
| <b>Total</b>           | <b>167</b>                   | <b>167</b>          | <b>176</b>          | <b>175</b>          | <b>159</b>          | <b>163</b>          | <b>163</b>          | <b>157</b>          | <b>162</b>          | <b>165</b>          |
| <b>Percent</b>         |                              |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| FT                     | 51%                          | 51%                 | 51%                 | 55%                 | 57%                 | 54%                 | 51%                 | 52%                 | 50%                 | 47%                 |
| PT                     | 49%                          | 49%                 | 49%                 | 45%                 | 43%                 | 46%                 | 49%                 | 48%                 | 50%                 | 53%                 |
| <b>Staff &amp; Adm</b> |                              |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| FT                     | 143                          | 142                 | 145                 | 143                 | 145                 | 145                 | 141                 | 140                 | 143                 | 139                 |
| PT                     | 2                            | 2                   | 2                   | 3                   | 3                   | 3                   | 4                   | 5                   | 4                   | 9                   |
| <b>Total</b>           | <b>145</b>                   | <b>144</b>          | <b>147</b>          | <b>146</b>          | <b>148</b>          | <b>148</b>          | <b>145</b>          | <b>145</b>          | <b>147</b>          | <b>148</b>          |
| <b>Percent</b>         |                              |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| FT                     | 99%                          | 99%                 | 99%                 | 98%                 | 98%                 | 98%                 | 97%                 | 97%                 | 97%                 | 94%                 |
| PT                     | 1%                           | 1%                  | 1%                  | 2%                  | 2%                  | 2%                  | 3%                  | 3%                  | 3%                  | 6%                  |
| <b>FTSE</b>            |                              |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| FT Faculty             | -                            | 1,912               | 2,058               | 1,898               | 1,959               | 2,376               | 2,335               | 2,259               | 2,720               | 2,420               |
| FT Staff               | -                            | 22.23               | 22.87               | 19.57               | 21.53               | 27.00               | 28.13               | 27.89               | 33.58               | 31.43               |
|                        | -                            | 13.46               | 14.19               | 13.27               | 13.51               | 16.39               | 16.56               | 16.14               | 19.02               | 17.41               |
| <b>Fac Sal</b>         | <b>\$ 4,562,264</b>          | <b>\$ 4,571,565</b> | <b>\$ 4,803,176</b> | <b>\$ 4,712,955</b> | <b>\$ 4,666,619</b> | <b>\$ 4,357,658</b> | <b>\$ 3,809,445</b> | <b>\$ 3,794,882</b> | <b>\$ 3,558,609</b> | <b>\$ 3,373,083</b> |
| <b>Avg. Fac</b>        | <b>\$ 53,674</b>             | <b>\$ 53,158</b>    | <b>\$ 53,369</b>    | <b>\$ 48,587</b>    | <b>\$ 51,282</b>    | <b>\$ 49,519</b>    | <b>\$ 45,897</b>    | <b>\$ 46,850</b>    | <b>\$ 43,933</b>    | <b>\$ 43,806</b>    |

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

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

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

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

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

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

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

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

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

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

|             |           |           |           |             |             |
|-------------|-----------|-----------|-----------|-------------|-------------|
| Average Age | <u>23</u> | <u>23</u> | <u>23</u> | <u>24.0</u> | <u>25.0</u> |
|-------------|-----------|-----------|-----------|-------------|-------------|

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

|             |             |             |             |             |             |
|-------------|-------------|-------------|-------------|-------------|-------------|
| Average Age | <u>32.0</u> | <u>34.0</u> | <u>31.0</u> | <u>35.0</u> | <u>33.0</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|

**Vernon College**  
**Statistical Supplement 17**  
**Transfers to Senior Institutions**  
**2017-2018 Graduates, Completers and Non-Returners**  
**(Includes only public senior colleges in Texas)**  
**(Unaudited)**

|   | Transfer<br>Student<br>Count<br><u>Academic</u> | Transfer<br>Student<br>Count<br><u>Technical</u> | Total of<br>all Sample<br>Transfer<br>Students | % of<br>all Sample<br>Transfer<br>Students |
|---|---|--|--|--|
| 1 Angelo State University                       | 4   | 1  | 5  | 0.95%                                      |
| 2 Midwestern State University                   | 293   | 38   | 331  | 62.93%                                     |
| 3 Sam Houston State University                  | 4   |  | 4  | 0.76%                                      |
| 4 Stephen F. Austin State University            | 3   |  | 3  | 0.57%                                      |
| 5 Tarleton State University                     | 19  | 2  | 21   | 3.99%                                      |
| 6 Texas A&M International University            | 1   |  | 1  | 0.19%                                      |
| 7 Texas A&M University                          | 10  | 1  | 11   | 2.09%                                      |
| 8 Texas A&M University - Commerce               | 1   |  | 1  | 0.19%                                      |
| 9 Texas A&M University - Corpus Christi         | 1   |  | 1  | 0.19%                                      |
| 10 Texas A&M University - Kingsville            | 1   |  | 1  | 0.19%                                      |
| 11 Texas A&M University - Galveston             | 1   |  | 1  | 0.19%                                      |
| 12 Texas State University - San Marcos          | 9   | 1  | 10   | 1.90%                                      |
| 13 Texas Tech University                        | 42  | 1  | 43   | 8.17%                                      |
| 14 Texas Woman's University                     | 4   | 2  | 6  | 1.14%                                      |
| 15 The University of Texas at Arlington         | 17  | 7  | 24   | 4.56%                                      |
| 16 The University of Texas at Austin            | 7   | 1  | 8  | 1.52%                                      |
| 17 The University of Texas at Dallas            | 7   |  | 7  | 1.33%                                      |
| 18 The University of Texas at San Antonio       | 2   |  | 2  | 0.38%                                      |
| 19 The University of Texas at Tyler             | 3   |  | 3  | 0.57%                                      |
| 20 The University of Texas of the Permian Basin | 2   | 1  | 3  | 0.57%                                      |
| 21 University of Houston - Downtown             | 2   |  | 2  | 0.38%                                      |
| 22 University of Houston - Victoria             | 3   |  | 3  | 0.57%                                      |
| 23 University of North Texas                    | 19  | 2  | 21   | 3.99%                                      |
| 24 West Texas A&M University                    | 14  |  | 14   | 2.66%                                      |
|   | <u>469</u>                                      | <u>57</u>  | <u>526</u>                                     | <u>100.00%</u>                             |



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

|                                      | Fiscal Years |         |         |         |         |
|--------------------------------------|--------------|---------|---------|---------|---------|
|                                      | 2019         | 2018    | 2017    | 2016    | 2015    |
| Academic Buildings                   | 6            | 6       | 6       | 6       | 6       |
| Square footage                       | 298,529      | 298,529 | 298,529 | 298,529 | 298,529 |
| Libraries                            | 1            | 1       | 1       | 1       | 1       |
| Square footage                       | 3,500        | 3,500   | 3,500   | 3,500   | 3,500   |
| Number of volumes                    | 33,719       | 33,719  | 33,719  | 33,719  | 33,719  |
| Administrative and support buildings | 1            | 1       | 1       | 1       | 1       |
| Square footage                       | 29,487       | 29,487  | 28,287  | 28,287  | 28,287  |
| Dormitories                          | 2            | 2       | 2       | 2       | 2       |
| Square footage                       | 27,214       | 27,214  | 27,214  | 27,214  | 27,214  |
| Number of beds                       | 156          | 156     | 156     | 156     | 156     |
| Dining Facilities                    | 1            | 1       | 1       | 1       | 1       |
| Square footage                       | 10,170       | 10,170  | 10,170  | 10,170  | 10,170  |
| Average daily customers              | 250          | 250     | 250     | 250     | 250     |
| Athletic Facilities                  | 6            | 6       | 6       | 6       | 6       |
| Square footage                       | 39,987       | 39,987  | 39,987  | 39,987  | 39,987  |
| Stadiums                             | 3            | 3       | 3       | 3       | 3       |
| Gymnasiums                           | 1            | 1       | 1       | 1       | 1       |
| Fitness Centers                      | 2            | 2       | 2       | 2       | 2       |
| Tennis Courts                        | 6            | 6       | 6       | 6       | 6       |
| Plant Facilities                     | 1            | 1       | 1       | 1       | 1       |
| Square footage                       | 12,800       | 11,000  | 11,000  | 11,000  | 11,000  |
| Transportation                       |              |         |         |         |         |
| Cars                                 | 3            | 3       | 3       | 3       | 3       |
| Light trucks/vans                    | 15           | 15      | 14      | 14      | 14      |
| Buses                                | 3            | 3       | 3       | 3       | 3       |

*Overall Compliance, Internal Controls and Federal Awards Section*



## EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Board of Trustees  
Vernon College  
Vernon, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Vernon College and its discretely presented component unit, Vernon College Foundation, Incorporated, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Vernon College's basic financial statements, and have issued our report thereon dated December 17, 2019.

### **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Vernon College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Public Funds Investment Act**

We have performed tests designed to verify Vernon College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2019, no instances of noncompliance were noted.

## **Purpose of this Report**

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

Respectfully submitted,



EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 17, 2019



## **EDGIN, PARKMAN, FLEMING & FLEMING, PC**

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Board of Trustees  
Vernon College  
Vernon, Texas

#### **Report on Compliance for Each Major Federal Program**

We have audited Vernon College's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on Vernon College's major federal programs for the year ended August 31, 2019. Vernon College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Vernon College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vernon College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination on Vernon College's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, Vernon College complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended August 31, 2019.

## Report on Internal Control Over Compliance

Management of Vernon College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Vernon College's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Vernon College's internal control over compliance.

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

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

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

Respectfully submitted,



EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 17, 2019

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

A. Summary of Auditor's Results

1. Financial Statements

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

2. Federal and State Awards

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

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

**VERNON COLLEGE  
SCHEDULE OF CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2019**

There are no findings in the current year.



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

There were no findings in the prior year.