

VERNON COLLEGE

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009

VERNON COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009

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Organizational Information

**Vernon College
Organizational Data
August 31, 2010**

Board of Trustees

<u>Officers</u>	<u>Term Expires</u>
Mr. Gene Heatly Chairman	May 1, 2014
Mr. Bob Ferguson Vice-Chairman	May 1, 2012
Mr. Norman Brints Secretary	May 1, 2014

<u>Members</u>	<u>Term Expires</u>
Mr. Curtis Graf	May 1, 2012
Mrs. Sylvia Mahoney	May 1, 2012
Mrs. Vickie Pennington	May 1, 2016
Vacant	May 1, 2016

Principal Administrative Officers

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

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, CFE
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Independent Auditor's Report

Board of Trustees
Vernon College
Vernon, Texas

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, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of Vernon College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vernon College and its discretely presented component unit, Vernon College Foundation, Incorporated, as of August 31, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010 on our consideration of Vernon College's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis identified as Required Supplementary Information in the table of contents is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of Vernon College taken as a whole. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, the accompanying schedule of state awards required by the *State of Texas Single Audit Circular*, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The statistical section as listed in the table of contents has not been audited by us, and we do not express an opinion on it.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 3, 2010



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, 2010. 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 Assets* reports the total net assets available to finance future services. The elements of the statement of net assets are to be classified as current assets, long-term assets, current liabilities, long-term liabilities, and net assets. Net assets are to be classified as invested in capital assets, net of related debt, restricted, and unrestricted.

	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and cash equivalents	\$ 2,256,406	\$ 1,650,599
Short-term investments	3,189,616	3,520,000
Accounts receivable – net	1,595,266	1,790,715
Inventories	542,050	561,911
Deferred charges and prepaid assets	<u>2,468,471</u>	<u>1,593,427</u>
Total Current Assets	<u>10,051,809</u>	<u>9,116,652</u>
Noncurrent Assets		
Restricted cash and cash equivalents	308,792	464,400
Endowment investments	2,600,000	2,600,000
Deferred charges	79,500	75,000
Capital assets-net	<u>15,627,264</u>	<u>15,640,457</u>
Total Noncurrent Assets	<u>18,615,556</u>	<u>18,779,857</u>
Total Assets	<u>28,667,365</u>	<u>27,896,509</u>
Current Liabilities		
Accounts payable and accrued liabilities	696,909	1,089,211
Deferred revenues	4,648,398	4,400,072
Capital lease and bonds payable	<u>437,426</u>	<u>400,295</u>
Total Current Liabilities	<u>5,782,733</u>	<u>5,889,578</u>

Noncurrent Liabilities		
Deposits and accrued liabilities	104,986	82,214
Capital lease and bonds payable	<u>7,270,308</u>	<u>7,707,734</u>
Total Non-Current Liabilities	<u>7,375,294</u>	<u>7,789,948</u>
Total Liabilities	<u>13,158,027</u>	<u>13,679,526</u>
Net Assets		
Invested in capital assets, net of debt	7,999,030	7,532,428
Restricted for student aid	2,636,298	2,598,094
Restricted for debt service	128,278	368,947
Unrestricted	<u>4,745,732</u>	<u>3,717,514</u>
Net Assets	<u>\$15,509,338</u>	<u>\$14,216,983</u>

Cash and cash equivalents increased by \$1,530,675 per Exhibit 3. This was due to the liquidation of investments as noted below and the results of current year operations.

Short-term investments decreased by \$330,384. As discussed in the previous paragraph, this is a result of holding more cash in checking accounts at year end.

Accounts receivable decreased by \$195,449. Receivables include state, non-governmental and federal grants, student notes, and local taxes receivable. A continued effort during the year was made to collect all receivables on a perpetual basis. All reimbursements for grants and contracts were filed on a monthly basis. All student accounts were billed monthly as well.

Inventories consist primarily of bookstore inventory. Inventories decreased by \$19,861 for the year. Although the cost of textbooks continues to increase, registration for the fall semester classes was completed by August 31, and therefore, many books required for fall classes were sold before year end. Bookstore sales have continued to increase over the last several years.

Deferred charges and prepaid assets increased by \$863,690. All student registration fees paid for the fall semester were deferred to the 2010-2011 school year. Fall enrollment for 2010 has increased over the fall of 2009 enrollment. A record enrollment was achieved with the fall 2010 headcount of 3,167. Tuition rates were also increased in the 2009-2010 year from the 2008-2009 year.

Capital assets decreased by \$13,193 during the year. This decrease is mainly due to the charge for depreciation for the year. More discussion on this will follow in the capital asset section.

Accounts payable and accrued liabilities decreased by \$392,301. This is a combination of timing differences and a continued effort to process payables as quickly and efficiently as possible.

Deferred revenues consist of amounts received through grants and contracts over the expenses incurred during the year and student payments for fall tuition and fees. Deferred tuition and fee revenue make up the majority of the recorded increase of \$248,326 from 2010 over 2009. The registration period for the fall semester closed prior to the close of the fiscal year and enrollment was at a record high for the fall.

Current capital lease and bond payables increased by \$37,131. In 2004, student revenue bonds were issued in the amount of \$8,100,000 and a capital lease for energy conservation measures for \$1,644,995 was signed. Payments for both debt issuances and continued payments on all other small debts reduced the amounts outstanding for 2010. Additional detail on debt is found in the footnotes.

Non-current deposits and accrued liabilities increased slightly but not significantly between the years. Deposits consist mainly of residence hall room deposits. Library deposits are also included in this category.

Non-current capital lease and bond payables decreased by \$437,426. This decrease represents the timely scheduled payments on all debt for the year.

Net assets increased by \$1,292,355 or 9.09% for the year. Revenue from student tuition and fees continues to increase. Two factors have affected the increase in student tuition and fees. The Board of Trustees' approved rate for tuition has increased and student enrollment continues to climb. Local ad valorem tax revenue continues to be constant. The College continues to be aggressive in the area of fundraising for student scholarships. The outlook for increased student enrollment is very good. During 2009-2010 the College received \$349,682 from the American Recovery and Reinvestment Act. These funds were used to offset salary expense and to purchase security cameras.

The *Statement of Revenues, Expenses, and Changes in Net Assets* is a statement of activities. Revenues are presented as operating (program) revenue and non-operating (general) revenue. Expenses are reported by function. Functional expenses are defined as the "direct" expense specifically associated with a function and would not include allocations of indirect expenses. The functional categories for expenses are instruction, research, public service, academic support, institutional support, operation and maintenance of plant, scholarships and fellowships, auxiliary enterprises, and depreciation expense. The net asset section of this report has three components, invested in capital assets (net of related debt), restricted (nonexpendable or expendable), and unrestricted.

	<u>2010</u>	<u>2009</u>
REVENUES		
Operating Revenues:		
Tuition and fees (net of discounts of \$5,226,866 and \$3,593,766, respectively)	\$ 3,466,174	\$ 3,330,972
Federal grants and contracts	858,730	644,666
State grants and contracts	686,028	297,328
Non-governmental grants and contracts	1,084,012	1,106,899
Sales and services of educational activities	131,078	125,457
Investment income (program restricted)	44,067	64,712
Auxiliary enterprises (net of discounts of \$926,096 and \$695,900, respectively)	1,461,942	1,518,977
Other operating revenues	<u>34,767</u>	<u>596</u>
Total Operating Revenues	<u>7,766,798</u>	<u>7,089,607</u>
EXPENSES		
Operating Expenses:		
Instruction	7,085,730	6,586,619
Public services	390,615	383,026
Academic support	2,625,566	2,239,096
Student services	1,597,000	1,492,684
Institutional support	2,413,068	2,330,871
Operation of physical plant	2,275,069	2,214,663

Scholarships and fellowships	1,474,636	489,004
Auxiliary enterprises	2,297,289	2,210,484
Depreciation	511,728	522,686
Total Operating Expenses	<u>20,670,701</u>	<u>18,469,133</u>
Operating Loss	<u>(12,903,903)</u>	<u>(11,379,526)</u>
Non-Operating Revenue (Expenses)		
State Appropriations	7,060,253	7,043,388
Federal Revenue, Non-Operating	5,204,669	2,969,655
Property taxes for maintenance & operation	2,023,749	2,020,065
Gifts	56,390	76,703
Investment income	86,336	97,183
Gain/(Loss) on disposal of assets	16,302	(720)
Lease income less lease expenses	140,815	360,292
Interest and fees on capital related debt	<u>(392,256)</u>	<u>(424,232)</u>
Net Non-Operating Revenues	<u>14,196,258</u>	<u>12,142,334</u>
Increase in Net Assets	<u>\$ 1,292,355</u>	<u>\$ 762,808</u>

Operating revenues are separated into several categories. Student tuition and fees remained a major source of revenue for 2010. The tuition revenue totals were assisted by a 2.82% increase for the in-district tuition rate, a 2.54% increase for the out-of-district tuition rate, and a 17.12% increase in the out-of-state tuition rate from 2009 to 2010. The College experienced an overall increase in gross tuition and fees from 2009 to 2010 of 25.54% or \$1,768,302. Scholarship allowances and discounts decreased slightly for the year. Federal, State and Local grants increased by \$579,877 or 3.0%, from 2009 to 2010. Sales and services of educational activities remained constant. Investment income decreased substantially from \$259,078 to \$130,403. The effective earnings rates for investments also decreased as rates across most national markets decreased for the year. Net auxiliary enterprises revenue decreased from 2009 to 2010 by \$57,035. Bookstore revenue is the largest contributor to auxiliary enterprise revenue.

Operating expenses increased by \$2,201,568 or 11.92% for the year. Instructional expenditures increased 3.58% for the year mainly due to a 3.5% salary increase and an increase in enrollment. Public Services expenditures increased slightly, made up primarily of an increase in benefits allocation and additional part-time help for the Congregate Meals program and increased hours of operations at the swimming pool. Academic support expenses increased 7.26% due to a 3.5% salary increase as well as additional staff positions. Student services costs increased by 6.98% consisting mostly of a 3.5% salary increase and additional councilors added. Institutional support costs increased by 3.5% due to a significant increase in technology spending and a 3.5% salary increase. Expenditures for operation of the physical plant increased by 2.70% due to an increase in repair and renovation activities in 2010.

Property tax revenue increased slightly \$3,684. The tax rate of the district remains one of the highest among community colleges in the state. Net assets increased by \$1,292,355 for the year from \$14,216,983 in 2009 to \$15,509,338 for 2010. The increase represents an overall increase in revenue and the management of expenditures for the year.

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 Assets. First, the statement reports the effects during the period of operations, capital financing, noncapital 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.

	<u>2010</u>	<u>2009</u>
Cash Flows From		
Operating activities	\$ (13,095,841)	\$(11,382,249)
Noncapital financing activities	14,207,202	12,109,811
Capital and related financing activities	(1,218,697)	(1,170,273)
Investing activities	<u>557,535</u>	<u>(1,192,797)</u>
Net increase (decrease) in cash	450,199	(1,635,508)
Cash and cash equivalents – beginning of year	<u>2,114,999</u>	<u>3,750,507</u>
Cash and cash equivalents – end of year	<u>\$ 2,565,198</u>	<u>\$ 2,114,999</u>

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

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

The main capital and related financing activities include construction and renovation projects and payments on capital debt. Renovation projects for 2009-2010 consisted of the following. Renovation of auditorium dressing rooms, remodel classrooms in Biggs Arts & Science building and Sumner Applied Arts Center, update ITV room in Wright Library, replace carpet and exterior doors in the Student Residence Center, add additional bleachers and batting cage at Wade Kirk Softball Field, improve road and entry at rodeo arena and repave a portion of the parking lot at the Skills Training Center. Principal paid on debt was \$400,295 for 2010 and \$374,566 for 2009. Interest and fees paid on capital debt totaled \$387,256 in 2010 as compared to \$417,231 for 2009.

Investing activities reported include lease income from the Century City Center and the King Farm in excess of the related expenses of \$140,815 for 2010 and \$360,292 for 2009. The large drop in net lease income is attributable to one of the large tenants moving out at the end of 2009. Investing activities also reflects interest income earned on investments. Investment income reported a significant decrease, which is reflective of the overall market and lower rates offered by our depository bank and TexPool.

Reporting of Component Unit

Reported within this report is Exhibit 1A, 2A, and 3A. Vernon College Foundation, Incorporated was established as a separate nonprofit organization in 1985. The unit raises funds to provide student scholarships and departmental grants. Exhibit 1A reports net assets increased to \$1,487,666 at the close of 2010. Gifts and contributions, realized gains, and unrealized gains or losses on investments are the major sources of revenue. Operating expense, investment advisory fees, and transfers to Vernon College are the expenses. During 2009/2010 the Foundation received a substantial gift that is designated to the renovation of the baseball facilities. These funds will be transferred to the College during 2010/2011 as the renovations are completed.

Analysis of the College's Overall Financial Position

The overall financial position of the College is very good. The *Statistical Supplement Section* of this report reflects many positive changes. Fall credit head count enrollment has grown from 2,095 in 2000 to 3,167 in 2010. Other supplemental schedules report increases in revenue. Student tuition and fee revenue as well as state appropriations increases are reported on statistical supplement 2.

The College taxing district is Wilbarger County, Texas. Ad valorem taxes are assessed and collected by the College based on the valuation of real property and minerals on January 1. The trend from 1993 until 2000 was an annual decline in valuation (\$768,509,627 in 1993 to \$630,645,582 in 2000). The valuation methodology for certain property within the district was changed in 2001 and an increase in valuation was experienced (\$630,645,582 in 2000 to \$786,180,807 in 2001). The tax valuation returned to a downward trend for the year 2002 (\$720,251,745). To offset the reduction in valuation, the College Board of Trustees had gradually increased the tax rate to offset the reduction in valuations. The approved tax rate per \$100 of valuation increased from \$.20011 in 1993 to \$.26195 in 2005. Valuation has been on a slow rise the past few years. In 2010 the valuation decreased to \$902,912,240 and the tax rate was approved with a small increase to \$.2228 per \$100 of taxable valuation.

Significant Capital Assets and Long-term Debt Activity

As mentioned previously in the discussion of the statement of net assets, the College's net capital assets decreased by \$13,193 from \$15,640,457 in 2009 to \$15,627,264 in 2010. This decrease is attributable to the College capitalizing \$657,762 of additions during the year, recording depreciation expense of \$511,728 for that same period and selling several capital assets no longer used. More detail on the College's accounting policies for capital assets and current year activity can be found in the footnotes to the financial statements.

The College's total long-term debt decreased from \$7,707,734 to \$7,270,308, or \$437,426. There were no new issuances of debt during 2010, so all debt activity consisted of scheduled repayments on the College's existing debt. Payments totaling \$819,031, of which \$428,371 is principal, are scheduled to be made in 2011 under the College's revenue bonds and capital lease. The notes to the financial statements contain additional information concerning the debt structures for the College.

Discussion of Current Known Facts, Decisions, or Conditions

Enrollment is continuing to increase. Enrollment for the fall of 2009 was 3,165 and the fall 2010 head count enrollment for the College was at an all time record of 3,167. All indications are that enrollment will continue to increase from distance education courses delivered within our service area. A committee was created several years ago to assist in the planning for technology advancement expenditures. A report of all technology needs from each department and division

has been prepared for the past four years. The report has been integrated into the strategic planning, annual planning and assessment, and budget processing for the college. Technology advances are being addressed and met within all areas of the institution.

On September 23, 2010, the College issued \$11,765,000 of Consolidated Fund Revenue Improvement and Refunding Bonds, Series 2010 dated September 1, 2010. The bonds were issued to refund the entire \$3,335,000 outstanding balance of the Wilbarger County Junior College District Consolidated Fund Revenue Bonds, Series 2004 and \$2,395,000 of the outstanding balance of Taxable Bonds, Series 2004 that had a balance of \$3,205,000 as of August 31, 2010. The bonds also provided the College with approximately \$5,000,000 of additional funds for repairs and improvements to its facilities. The Series 2010 Bonds are payable over 20 years through August 31, 2030 with interest rates ranging from 2.00% to 4.00%.

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 Assets
August 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,256,406	\$ 1,650,599
Short-term investments	3,189,616	3,520,000
Accounts receivable (net)	1,595,266	1,790,715
Inventories	542,050	561,911
Deferred charges	2,256,078	1,520,660
Prepaid assets	212,393	72,767
Total Current Assets	10,051,809	9,116,652
Noncurrent Assets		
Restricted cash and cash equivalents	308,792	464,400
Endowment investments	2,600,000	2,600,000
Deferred charges	79,500	75,000
Capital assets (net)	15,627,264	15,640,457
Total Noncurrent Assets	18,615,556	18,779,857
Total Assets	28,667,365	27,896,509
LIABILITIES		
Current Liabilities		
Accounts payable	500,969	894,459
Accrued compensable absences - current portion	195,940	194,752
Deferred revenues	4,648,398	4,400,072
Capital leases payable - current portion	112,426	95,295
Bonds payable - current portion	325,000	305,000
Total Current Liabilities	5,782,733	5,889,578
Noncurrent Liabilities		
Deposits	17,017	17,297
Capital leases payable	1,055,308	1,167,734
Bonds payable	6,215,000	6,540,000
Accrued compensable absences	87,969	64,917
Total Noncurrent Liabilities	7,375,294	7,789,948
Total Liabilities	13,158,027	13,679,526
NET ASSETS		
Invested in capital assets, net of related debt	7,999,030	7,532,428
Restricted for:		
Nonexpendable:		
Student Aid	2,495,414	2,504,215
Expendable:		
Student Aid	140,884	93,879
Debt Service	128,278	368,947
Unrestricted	4,745,732	3,717,514
Total Net Assets	\$ 15,509,338	\$ 14,216,983

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 791,420	\$ 74,497
Investments	745,053	755,510
Accrued interest receivable	<u>1,697</u>	<u>1,220</u>
 Total assets	 <u>\$ 1,538,170</u>	 <u>\$ 831,227</u>
 LIABILITIES		
Accounts payable	<u>\$ 50,503</u>	<u>\$ 833</u>
 NET ASSETS		
Unrestricted	194,760	180,729
Temporarily restricted	500,000	-
Permanently restricted	<u>792,907</u>	<u>649,665</u>
 Total net assets	 <u>1,487,667</u>	 <u>830,394</u>
 Total liabilities and net assets	 <u>\$ 1,538,170</u>	 <u>\$ 831,227</u>

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

Vernon College
Exhibit 2
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended August 31, 2010 and 2009

	2010	2009
REVENUES		
Operating Revenues		
Tuition and fees (net of discounts of \$5,226,866 and \$3,593,766, respectively)	\$ 3,466,174	\$ 3,330,972
Federal grants and contracts	858,730	644,666
State grants and contracts	686,028	297,328
Non-governmental grants and contracts	1,084,012	1,106,899
Sales and services of educational activities	131,078	125,457
Investment income (program restricted)	44,067	64,712
Auxiliary enterprises (net of discounts of \$926,096 and \$695,900, respectively)	1,461,942	1,518,977
Other operating revenues	34,767	596
Total Operating Revenues (Sch A)	7,766,798	7,089,607
EXPENSES		
Operating Expenses		
Instruction	7,085,730	6,586,619
Public services	390,615	383,026
Academic support	2,625,566	2,239,096
Student services	1,597,000	1,492,684
Institutional support	2,413,068	2,330,871
Operation of physical plant	2,275,069	2,214,663
Scholarships and fellowships	1,474,636	489,004
Auxiliary enterprises	2,297,289	2,210,484
Depreciation	511,728	522,686
Total Operating Expenses (Sch B)	20,670,701	18,469,133
Operating Loss	(12,903,903)	(11,379,526)
Non-Operating Revenues (Expenses)		
State Appropriations	7,060,253	7,043,388
Property taxes for maintenance & operation	2,023,749	2,020,065
Federal Revenue, Non-Operating	5,204,669	2,969,655
Gifts	56,390	76,703
Investment income	86,336	97,183
Gain/(Loss) on Disposal of Assets	16,302	(720)
Lease income	161,189	396,566
Operational costs of lease property	(20,374)	(36,274)
Amortization of bond issuance costs	(5,000)	(5,000)
Interest and fees on capital related debt	(387,256)	(419,232)
Net Non-Operating Revenues (Expenses) (Sch C)	14,196,258	12,142,334
Increase in Net Assets	1,292,355	762,808
Net Assets		
Net assets - beginning of year	14,216,983	13,454,175
Net assets - end of year	\$ 15,509,338	\$ 14,216,983

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues and support:		
Gifts and contributions	\$ 683,275	\$ 105,097
Silent auction	5,599	7,000
Investment income	14,974	14,070
Realized gains (losses) on investments	36,581	(66,042)
Unrealized gains (losses) on investments	<u>(16,600)</u>	<u>(45,950)</u>
Total revenues and support	<u>723,829</u>	<u>14,175</u>
Expenses:		
Operating expenses	3,739	10,416
Investment advisory fees	12,314	10,781
Departmental Grants	13,712	34,831
Scholarship transfer	<u>36,791</u>	<u>47,892</u>
Total expenses	<u>66,556</u>	<u>103,920</u>
Increase (decrease) in net assets	657,273	(89,745)
Net assets at beginning of year	<u>830,394</u>	<u>920,139</u>
Net assets at end of year	<u><u>\$ 1,487,667</u></u>	<u><u>\$ 830,394</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, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 5,677,127	\$ 5,619,293
Receipts from grants and contracts	2,360,088	1,277,881
Other receipts	250,630	307,441
Payments to or on behalf of employees	(12,596,070)	(11,808,961)
Payments to suppliers for goods and services	(8,298,612)	(6,288,899)
Payments of scholarships	(489,004)	(489,004)
Net cash used by operating activities	(13,095,841)	(11,382,249)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State allocations	6,961,634	7,043,388
Federal Title IV Grants	5,242,701	2,969,655
Property taxes for maintenance and operations	1,946,477	2,020,065
Gifts to endowment	56,390	76,703
Net cash provided by noncapital financing activities	14,207,202	12,109,811
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases and construction of capital assets	(657,762)	(378,476)
Sales of capital assets	236,116	-
Principal paid on capital debt	(400,295)	(374,566)
Interest and fees paid on capital debt	(387,256)	(417,231)
Payment of bond issuance costs	(9,500)	-
Net cash used by capital and related financing activities	(1,218,697)	(1,170,273)
CASH FLOWS FROM INVESTING ACTIVITIES		
Lease income	161,189	396,566
Operating costs of lease property	(20,374)	(36,274)
Sales/(purchases) of short-term investments	330,384	(1,650,272)
Investment income	86,336	97,183
Net cash provided (used) by investing activities	557,535	(1,192,797)
Increase (decrease) in cash and cash equivalents	450,199	(1,635,508)
Cash and cash equivalents - beginning of year	2,114,999	3,750,507
Cash and cash equivalents - end of year	\$ 2,565,198	\$ 2,114,999
Displayed as:		
Cash and cash equivalents	\$ 2,256,406	\$ 1,650,599
Restricted cash and cash equivalents	308,792	464,400
	\$ 2,565,198	\$ 2,114,999
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (12,903,903)	\$ (11,379,526)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	511,728	522,686
(Increase) decrease in current assets:		
Accounts receivable, net (adjusted for non-operating items)	272,721	(758,852)
Inventories	19,861	(137,381)
Deferred charges	(735,418)	(415,001)
Prepaid assets	(139,626)	35,835
Increase (decrease) in current liabilities:		
Accounts payable	(393,490)	(145,415)
Accrued compensable absences	24,240	25,614
Deferred revenues	248,326	873,861
Deposits	(280)	(4,070)
Net cash used by operating activities	\$ (13,095,841)	\$ (11,382,249)

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, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Receipts of gifts	\$ 688,874	\$ 80,680
Payments to suppliers for goods and services	(16,886)	(20,364)
Payment of scholarships and grants	-	(51,306)
Net cash provided (used) by operating activities	671,988	9,010
Cash flows from investing activities:		
Sales proceeds on sales of investments	414,092	287,991
Purchase of investments	(383,654)	(296,744)
Investment income	14,497	14,048
Net cash provided (used) by investing activities	44,935	5,295
Increase (decrease) in cash and cash equivalents	716,923	14,305
Cash and cash equivalents at beginning of year	74,497	60,192
Cash and cash equivalents at end of year	\$ 791,420	\$ 74,497
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 657,273	\$ (89,745)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Investment income	(14,974)	(14,070)
(Gain) loss on sale of investments	(36,581)	66,042
(Increase) decrease in fair value of investments	16,600	45,950
Increase (decrease) in operating liabilities:		
Accounts payable	49,670	833
Net cash provided (used) by operating activities	\$ 671,988	\$ 9,010

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, 2010 AND 2009

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", 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 and all applicable Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities.

B. Tuition Discounting

1. Texas Public Education Grants

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

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

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

3. Other Tuition Discounts

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

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2010 AND 2009

C. Basis of Accounting

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

D. Budgetary Data

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

E. Cash and Cash Equivalents

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

F. Investments

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

G. Inventories

Inventories consist of consumable office supplies, physical plant supplies, food service supplies, bookstore stock, and scholarship program books. Inventories are valued at the lower of cost or market value under the first-in, first-out method and are charged to expense as consumed.

H. Prepaid Assets

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

I. Capital Assets

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

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

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2010 AND 2009

J. Deferred Revenues

Tuition, fees, and other revenues received and related to the period after August 31, 2010 and 2009 have been deferred.

K. Income Taxes

The College is exempt from federal income taxes under Internal Revenue Code Section 115, "Income of States, Municipalities, Etc.", although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), "Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations". The College had no unrelated business tax liability for the years ended August 31, 2010 and 2009.

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

L. Estimates

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

M. Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state allocations, property tax collections, and lease income. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The food service operation is not performed by the College.

N. Characterization of Title IV Grant Revenue

In response to guidance provided by the Government Accounting Standards Board (GASB) as question/answer 7.72.10 in the Implementation Guide, revenue received for federal Title IV grant programs (i.e. Pell grants) is now characterized as non-operating revenue as opposed to operating revenue.

3. Deposits and Investments

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

Cash Deposits

At August 31, 2010 and 2009, the carrying amount of the College's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,348,888 and \$8,229,518, respectively, and the bank balance was \$8,897,304 and \$8,645,084, respectively. The College's cash deposits at August 31, 2010 and 2009 were entirely covered by FDIC insurance or by pledged collateral held by the College's agent bank in the College's name.

**VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2010 AND 2009**

Investments

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

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

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

The College's investments at August 31, 2010 and 2009 are as follows:

<u>Investment or Investment Type</u>	<u>August 31, 2010</u>		<u>August 31, 2009</u>	
	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificates of deposit	5.84	\$5,789,616	5.50	\$6,120,000

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.

**VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2010 AND 2009**

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

The Foundation's investments at August 31, 2010 and 2009 are shown below:

	2010	2009
Equity securities	\$372,371	\$387,915
Bonds	292,560	290,578
Mutual funds	80,122	77,017
Totals	\$745,053	\$755,510
Total aggregate cost	\$761,653	\$765,765

Investment Accounting Policy

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

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 State Comptroller of Public Accounts (State Comptroller) exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review investment policy and management fee structure. Finally, TexPool is rated AAA-m by Standard & Pools.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2010 AND 2009

TexPool operates in a manner consistent with Securities Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

4. Property Taxes

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

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

The following are additional disclosures relative to property taxes for the year ended August 31, 2010:

Net assessed valuation is computed as follows:	
Gross assessed valuation	\$1,529,569,880
Less exceptions or abatements	(626,657,640)
Net assessed valuation	<u>\$ 902,912,240</u>

The tax rate per \$100 valuation was as follows:

	<u>Current</u> <u>Operations</u>	<u>Debt</u> <u>Service</u>	<u>Totals</u>
Authorized	\$1.00000	\$.00000	\$1.00000
Assessed	\$.22280	\$.00000	\$.22280

Property taxes levied for the year ended August 31, 2010 amounted to \$2,011,652.

The taxes collected during the year ended August 31, 2010 were as follows:

	<u>Current</u> <u>Operations</u>	<u>Debt</u> <u>Service</u>	<u>Totals</u>
Current taxes	\$1,980,923	\$ --	\$1,980,923
Delinquent taxes	24,845	--	24,845
Penalties and interest	<u>17,981</u>	<u>--</u>	<u>17,981</u>
Total collections	<u>\$2,023,749</u>	<u>\$ --</u>	<u>\$2,023,749</u>

Current tax collections for the year ended August 31, 2010 were 98.47% 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.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2010 AND 2009

5. Disaggregation of Accounts Receivable

Accounts receivable, net of allowances for uncollectibles, at August 31, 2010 and 2009 consisted of the following:

August 31, 2010

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$754,947	\$341,839	\$ 413,108
Federal grants	172,468	--	172,468
State/local grants and contracts	874,888	--	874,888
Property taxes	159,308	63,526	95,782
Others	<u>39,020</u>	<u>--</u>	<u>39,020</u>
Totals	<u>\$2,000,631</u>	<u>\$405,365</u>	<u>\$1,595,266</u>

August 31, 2009

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$ 676,998	\$301,361	\$ 375,637
Federal grants	212,127	--	212,127
State/local grants and contracts	1,112,598	--	1,112,598
Property taxes	141,785	62,689	79,096
Others	<u>11,257</u>	<u>--</u>	<u>11,257</u>
Totals	<u>\$2,154,765</u>	<u>\$364,050</u>	<u>\$1,790,715</u>

6. Capital Assets

Capital assets activity for the years ended August 31, 2010 and 2009 was as follows:

August 31, 2010

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,816,959	\$ --	\$ --	\$ 2,816,959
Construction in progress	<u>82,054</u>	<u>360,133</u>	<u>57,633</u>	<u>384,554</u>
Total capital assets not being depreciated	<u>2,899,013</u>	<u>360,133</u>	<u>57,633</u>	<u>3,201,513</u>
Capital assets being depreciated:				
Buildings	15,482,521	--	67,764	15,414,757
Land improvements	1,003,918	19,650	72,776	950,792
Furniture, machinery, vehicles and other equipment	1,571,289	219,886	364,790	1,426,385
Telecommunications and computer equipment	1,116,090	158,532	--	1,274,622
Library books	<u>1,057,074</u>	<u>17,781</u>	<u>--</u>	<u>1,074,855</u>
Total capital assets being depreciated	<u>20,230,892</u>	<u>415,849</u>	<u>505,330</u>	<u>20,141,411</u>
Less accumulated depreciation:				
Buildings	4,497,493	330,556	46,738	4,781,311
Land improvements	525,439	28,080	64,481	489,038
Furniture, machinery, vehicles and other equipment	827,587	81,789	174,297	735,079
Telecommunications and computer equipment	852,680	48,238	--	900,918
Library books	<u>786,249</u>	<u>23,065</u>	<u>--</u>	<u>809,314</u>
Total accumulated depreciation	<u>7,489,448</u>	<u>511,728</u>	<u>285,516</u>	<u>7,715,660</u>
Total capital assets being depreciated, net	<u>12,741,444</u>	<u>(95,879)</u>	<u>219,814</u>	<u>12,425,751</u>
Capital assets, net	<u>\$15,640,457</u>	<u>\$264,254</u>	<u>\$277,447</u>	<u>\$15,627,264</u>

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2010 AND 2009

August 31, 2009

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,816,959	\$ --	\$ --	\$ 2,816,959
Construction in progress	<u>24,421</u>	<u>57,633</u>	<u>--</u>	<u>82,054</u>
Total capital assets not being depreciated	<u>2,841,380</u>	<u>57,633</u>	<u>--</u>	<u>2,899,013</u>
Capital assets being depreciated:				
Buildings	15,482,521	--	--	15,482,521
Land improvements	1,003,918	--	--	1,003,918
Furniture, machinery, vehicles and other equipment	1,387,803	192,036	8,550	1,571,289
Telecommunications and computer equipment	1,006,521	109,569	--	1,116,090
Library books	<u>1,037,835</u>	<u>19,239</u>	<u>--</u>	<u>1,057,074</u>
Total capital assets being depreciated	<u>19,918,598</u>	<u>320,844</u>	<u>8,550</u>	<u>20,230,892</u>
Less accumulated depreciation:				
Buildings	4,166,203	331,290	--	4,497,493
Land improvements	493,328	32,111	--	525,439
Furniture, machinery, vehicles and other equipment	736,916	98,366	7,695	827,587
Telecommunications and computer equipment	815,581	37,099	--	852,680
Library books	<u>762,429</u>	<u>23,820</u>	<u>--</u>	<u>786,249</u>
Total accumulated depreciation	<u>6,974,457</u>	<u>522,686</u>	<u>7,695</u>	<u>7,489,448</u>
Total capital assets being depreciated, net	<u>12,944,141</u>	<u>(201,842)</u>	<u>855</u>	<u>12,741,444</u>
Capital assets, net	<u>\$15,785,521</u>	<u>(\$144,209)</u>	<u>\$ 855</u>	<u>\$15,640,457</u>

7. 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, 2010 and 2009 are as follows:

August 31, 2010

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$6,845,000	\$ --	\$305,000	\$6,540,000	\$325,000
Capital leases	1,263,028	--	95,294	1,167,734	112,426
Compensated absences	<u>259,669</u>	<u>261,137</u>	<u>236,897</u>	<u>283,909</u>	<u>195,940</u>
Totals	<u>\$8,367,697</u>	<u>\$261,137</u>	<u>\$637,191</u>	<u>\$7,991,643</u>	<u>\$633,366</u>

August 31, 2009

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$7,135,000	\$ --	\$290,000	\$6,845,000	\$305,000
Capital leases	1,347,594	--	84,566	1,263,028	95,295
Compensated absences	<u>234,055</u>	<u>35,782</u>	<u>10,168</u>	<u>259,669</u>	<u>194,752</u>
Totals	<u>\$8,716,649</u>	<u>\$ 35,782</u>	<u>\$384,734</u>	<u>\$8,367,697</u>	<u>\$595,047</u>

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2010 AND 2009

B. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2010 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 428,371	\$ 390,660	\$ 819,031
2012	451,372	368,043	819,415
2013	479,859	344,118	823,977
2014	508,858	318,717	827,575
2015	538,394	291,790	830,184
2016-20	2,915,880	1,005,350	3,921,230
2021-24	<u>2,385,000</u>	<u>260,009</u>	<u>2,645,009</u>
Totals	<u>\$7,707,734</u>	<u>\$2,978,687</u>	<u>\$10,686,421</u>

C. Revenue Bonds Payable

The Wilbarger County Junior College District Consolidated Fund Revenue Bond Series 2004 (\$3,335,000) and Taxable Series 2004 (\$3,205,000) were issued to acquire the Wichita Falls campus; improve, renovate, enlarge and equip the College's Administrative Building; and construct and improve roads on the College's Vernon campus. The combined amount of issues and amounts authorized was \$8,100,000. The sources of revenue for debt service include, as necessary, (1) tuition, (2) building use fees, (3) student service fees, (4) lab fees, (5) other fees, and (6) charges for the use of the components of the Auxiliary Enterprise Fund. The revenue bonds' interest rates range from 4.80% to 5.75%. However, on February 15, 2009, the interest rates were adjusted as follows:

Tax-exempt bonds - interest rate adjusted to 110% of the Bond Buyer Index
 Taxable bonds - interest rate adjusted to Prime Rate plus 1.75%.

Debt service requirements for the revenue bonds at August 31, 2010 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 325,000	\$ 335,831	\$ 660,831
2012	340,000	318,375	658,375
2013	360,000	300,007	660,007
2014	380,000	280,585	660,585
2015	400,000	260,084	660,084
2016-20	2,350,000	951,710	3,301,710
2021-24	<u>2,385,000</u>	<u>260,009</u>	<u>2,645,009</u>
Totals	<u>\$6,540,000</u>	<u>\$2,706,601</u>	<u>\$9,246,601</u>

There are a number of limitations and restrictions contained in the revenue bond indenture. Management has indicated that the College is in compliance with all significant limitations and restrictions. In addition, the entire amount of the Revenue Bonds Series 2004 and approximately 75% of the Taxable Series 2004 Bonds were refunded through a current refunding on September 23, 2010. See Note 15.

D. Capital Leases

The Public Property Finance Act gives the College authority to enter into capital leases for the acquisition of personal property. Through August 31, 2010, the College has acquired \$1,644,995 in equipment through capital leases.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2010 AND 2009

Commitments under capitalized lease agreements provide for minimum future rental payments as of August 31, 2010 as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 103,371	\$ 54,829	\$ 158,200
2012	111,372	49,668	161,040
2013	119,859	44,111	163,970
2014	128,858	38,132	166,990
2015	138,394	31,706	170,100
2016-19	<u>565,880</u>	<u>53,640</u>	<u>619,520</u>
Totals	<u>\$1,167,734</u>	<u>\$272,086</u>	<u>\$1,439,820</u>

The interest rate on the capital leases is 5.40%.

E. **Compensated Absences**

1. **Vacation Leave**

Full-time employees earn annual leave from 8 to 12 hours per month depending on the number of years employed with the College. The College's policy is that an employee may carry his accrued vacation leave forward from one fiscal year to another with a maximum carry forward of 160 hours. Employees with at least one month of service who terminate their employment are entitled to payment of all accumulated annual leave up to the maximum allowed. The College recognized the accrued liability for the unpaid vacation leave of \$283,909 and \$259,669 at August 31, 2010 and 2009, 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.

8. **Employees' Retirement Plans**

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

A. **Teacher Retirement System of Texas**

1. **Plan Description**

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

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2010 AND 2009

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution deductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2010 and 2009 and a state contribution rate of 6.644% for fiscal year 2010 and 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution for fiscal year. Additionally, the College contributes 1.31% of the covered payroll.

Total payroll of employees covered by TRS was \$5,907,680 and \$5,102,448 for the years ended August 31, 2010 and 2009, respectively. The College's employees' contributions to the System for the years ending August 31, 2010 and 2009 were \$378,092 and \$326,556, respectively, and were equal to the required contributions for the year. Other contributions made from federal and private grants and from the College for the years ending August 31, 2010 and 2009 were \$159,325 and \$142,881, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2010 and 2009, the amounts contributed by the state on behalf of the College were \$392,506 and \$335,741, respectively.

B. Optional Retirement Program

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 6.58% and 6.65%, respectively. Additionally, the College contributes 1.31% of the covered payroll. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

Total payroll of employees covered by the Program was \$3,264,344 and \$3,188,171 for the years ended August 31, 2010 and 2009, respectively. The College's employees' contributions to the Program for the years ending August 31, 2010 and 2009 were \$217,076 and \$212,013, respectively, and were equal to the required contributions for the year. Other contributions made from the College for the years ending August 31, 2010 and 2009 were \$425,269 and \$41,765, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2010 and 2009, the amounts contributed by the State on behalf of the College were \$208,925 and \$209,781, respectively. The State has no unfunded liabilities relative to the Program.

C. Total Payroll

The total payroll for all College employees was \$10,095,098 and \$9,530,928 for the years ended August 31, 2010 and 2009, respectively.

**VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2010 AND 2009**

9. 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.

10. Contracts and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For grant awards, funds expended, but not collected, are reported as accounts receivable on Exhibit 1. See Note 5 for disaggregation of amounts included in accounts receivable. 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.

11. 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 2010, 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.

12. Health Care and Life Insurance Benefits

The State of Texas provides health care and life insurance benefits to active and retired employees of the College. The State's contribution per full-time employee was \$385 per month for employee only coverage and ranging from \$533 to \$753 for employee and dependent coverage for the year ended August 31, 2010. The State's contribution per full-time employee was \$361 per month for employee only coverage and ranging from \$498 to \$705 for employee and dependent coverage for the year ended August 31, 2009. The total number of employees participating in the plan and contributions were as follows:

	2009-10		2008-09	
	<u>Number of Employees</u>	<u>Contribution</u>	<u>Number of Employees</u>	<u>Contribution</u>
Active employees	220	\$ 727,614	222	\$ 842,598
Retired employees	60	309,133	59	278,131
Totals	<u>280</u>	<u>\$1,036,747</u>	<u>281</u>	<u>\$1,120,729</u>

13. Commitments and Contingencies

A. 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.

B. Operating Leases

Commitments under operating (non-capitalized) lease agreements for facilities provide for minimum future rental payments as of August 31, 2010 as follows:

**VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2010 AND 2009**

<u>Year Ending August 31:</u>	
2011	\$ 33,000
2012	<u>11,000</u>
Total	<u>\$ 44,000</u>
Rental expenditures in 2009-10	<u>\$ 33,000</u>
Rental expenditures in 2008-09	<u>\$ 33,000</u>

C. Construction Commitments

The College has several repair and renovation projects in process as of August 31, 2010. As of August 31, 2010, the College had completed \$384,554 of the projects, which is reported as construction in progress in Note 6 above. The College was obligated to vendors for \$201,731 for work performed through that date, with \$188,040 of accounts payable and \$13,691 of retainage payable included in accounts payable on Exhibit 1. As of August 31, 2010, the College was also contractually obligated for an additional \$1,626,760 for work yet to be performed to complete the projects that are not reported on the accompanying financial statements since the obligations are not recognizable until the work has been performed.

D. Future Decreases in State Appropriations

During fiscal year 2010, the College received notice from the Texas Higher Education Coordinating Board (THECB) that its fiscal year 2010 and 2011 state appropriations would be reduced 5% and 10%, respectively, compared to the fiscal year 2009 appropriation. In addition, the THECB notified the College that it must reduce its annual appropriations requests by 10% through fiscal year 2013. State appropriations, included in state allocations on the statement of revenues, expenses, and changes in net assets, totaled \$5,521,976 and \$5,453,123 in 2010 and 2009, respectively.

14. Leased Facilities

During 2004, the College purchased the facilities it had historically leased for its Wichita Falls campus. The Wichita Falls facility also included space which was leased to others through long-term lease agreements. At the time of the purchase of the Wichita Falls facility, the College assumed the leases. Originally, there were three leases maturing through December 2009, with options for extensions. As of August 31, 2010, there is one remaining non-cancellable lease maturing September 2011. The net operations of this leased facility for the years ended August 31, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Lease income	\$161,189	\$396,566
Operating costs	<u>20,374</u>	<u>36,274</u>
Net operating profit	<u>\$140,815</u>	<u>\$360,292</u>

As of August 31, 2010, the remaining future minimum rentals on the non-cancellable lease for the year ending August 31 are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 48,000

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2010 AND 2009

15. Subsequent Event – Debt Issuance and Refunding

On September 23, 2010, the College issued \$11,765,000 of Consolidated Fund Revenue Improvement and Refunding Bonds, Series 2010 dated September 1, 2010. The bonds were issued to refund the entire \$3,335,000 outstanding balance of the Wilbarger County Junior College District Consolidated Fund Revenue Bonds, Series 2004 and \$2,395,000 of the outstanding balance of Taxable Bonds, Series 2004 that had a balance of \$3,205,000 as of August 31, 2010. The bonds also provided the College with approximately \$5,000,000 of additional funds for repairs and improvements to its facilities. The Series 2010 Bonds are payable over 20 years through August 31, 2030 with interest rates ranging from 2.00% to 4.00%.

Other Supplementary Information

**Vernon College
Schedule A
Schedule of Operating Revenues
For the Year Ended August 31, 2010
(With Memorandum Totals for the Year Ended August 31, 2009)**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2010 Totals	2009 Totals
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 258,835	\$ -	\$ 258,835	\$ -	\$ 258,835	\$ 206,795
Out-of-district resident tuition	3,928,832	-	3,928,832	-	3,928,832	3,385,436
Non-resident tuition	119,746	-	119,746	-	119,746	96,212
TPEG (set aside)*	-	263,645	263,645	-	263,645	232,495
State funded continuing education	451,437	-	451,437	-	451,437	251,790
Non-state funded continuing education	115,931	-	115,931	-	115,931	99,050
Total Tuition	4,874,781	263,645	5,138,426	-	5,138,426	4,271,778
Fees:						
General fees	2,887,493	-	2,887,493	-	2,887,493	1,653,926
Laboratory fees	667,121	-	667,121	-	667,121	999,035
Total Fees	3,554,614	-	3,554,614	-	3,554,614	2,652,961
Scholarship allowances and discounts:						
Remissions and exemptions - state	(21,660)	-	(21,660)	-	(21,660)	(36,771)
Title IV federal grants	(2,378,090)	-	(2,378,090)	-	(2,378,090)	(1,354,458)
TPEG awards	(66,990)	-	(66,990)	-	(66,990)	(69,720)
Other local awards	(2,760,127)	-	(2,760,127)	-	(2,760,127)	(2,132,818)
Total Scholarship Allowances	(5,226,866)	-	(5,226,866)	-	(5,226,866)	(3,593,767)
Total Net Tuition and Fees	3,202,529	263,645	3,466,174	-	3,466,174	3,330,972
Other operating revenues:						
Federal grants and contracts	19,641	839,089	858,730	-	858,730	644,666
State grants and contracts	-	686,028	686,028	-	686,028	297,328
Non-governmental grants and contracts	-	1,084,012	1,084,012	-	1,084,012	1,106,899
Sales and services of educational activities	131,078	-	131,078	-	131,078	125,457
Investment income (program restricted)	-	44,067	44,067	-	44,067	64,712
General operating revenues	34,767	-	34,767	-	34,767	596
Total Other Operating Revenues	185,486	2,653,196	2,838,682	-	2,838,682	2,239,658
Auxiliary Enterprises:						
Residential life	-	-	-	403,046	403,046	360,384
Scholarship allowances and discounts	-	-	-	(144,816)	(144,816)	(143,565)
Net Residential Life	-	-	-	258,230	258,230	216,819
Bookstore	-	-	-	1,909,330	1,909,330	1,772,232
Scholarship allowances and discounts	-	-	-	(781,280)	(781,280)	(552,335)
Net Bookstore	-	-	-	1,128,050	1,128,050	1,219,897
Student programs	-	-	-	75,661	75,661	82,261
Total Net Auxiliary Enterprises	-	-	-	1,461,942	1,461,942	1,518,977
Total Operating Revenues (Exhibit 2)	\$ 3,388,015	\$ 2,916,841	\$ 6,304,855	\$ 1,461,942	\$ 7,766,797 (Exhibit 2)	\$ 7,089,607 (Exhibit 2)

* In accordance with Education Code 56.033, \$263,645 and \$232,495 for years August 31, 2010 and 2009, 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, 2010
(With Memorandum Totals for the Year Ended August 31, 2009)

	Operating Expenses			2010 Totals	2009 Totals	
	Salaries and Wages	Benefits				Other Expenses
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 4,335,566	\$ -	\$ 383,217	\$ 217,008	\$ 4,935,791	\$ 4,801,932
Public Service	90,310	-	7,982	57,705	155,997	139,427
Academic Support	1,462,083	-	129,232	752,782	2,344,097	1,901,152
Student Services	1,083,491	-	95,769	151,862	1,331,122	1,225,730
Institutional Support	1,212,742	-	107,193	897,074	2,217,009	2,124,045
Operation and Maintenance of Plant	646,483	-	57,142	1,467,036	2,170,661	2,101,555
Scholarships and Fellowships	-	-	-	-	-	-
Total Unrestricted Educational Activities	8,830,675	-	780,535	3,543,467	13,154,677	12,293,841
Restricted - Educational Activities						
Instruction	493,731	779,457	45,728	831,023	2,149,939	1,784,689
Public Service	98,984	30,571	12,189	92,874	234,618	243,599
Academic Support	26,177	240,357	1,223	13,712	281,469	337,943
Student Services	78,254	187,624	-	-	265,878	266,954
Institutional Support	-	195,860	-	199	196,059	206,826
Operation and Maintenance of Plant	-	104,408	-	-	104,408	113,107
Scholarships and Fellowships	-	-	-	1,474,636	1,474,636	489,004
Total Restricted Educational Activities	697,146	1,538,277	59,140	2,412,444	4,707,007	3,442,122
Total Educational Activities	9,527,821	1,538,277	839,675	5,955,911	17,861,684	15,735,963
Auxiliary Enterprises	567,277	-	147,260	1,582,752	2,297,289	2,210,484
Depreciation Expense - Buildings and other real estate improvements	-	-	-	358,637	358,637	363,401
Depreciation Expense - Equipment and furniture	-	-	-	153,091	153,091	159,285
Total Operating Expenses	\$ 10,095,098	\$ 1,538,277	\$ 986,935	\$ 8,050,391	\$ 20,670,701	\$ 18,469,133
				(Exhibit 2)	(Exhibit 2)	

Vernon College
Schedule C
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2010
(With Memorandum Totals for the Year Ended August 31, 2009)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2010 Totals</u>	<u>2009 Totals</u>
NON-OPERATING REVENUES:						
State appropriations:						
Educational and general state support	\$ 5,521,976	\$ -	\$ 5,521,976	\$ -	\$ 5,521,976	\$ 5,453,123
State group insurance	-	1,036,747	1,036,747	-	1,036,747	1,120,729
State retirement match	-	501,530	501,530	-	501,530	469,536
Total state appropriations	5,521,976	1,538,277	7,060,253	-	7,060,253	7,043,388
Property taxes for maintenance & operation	1,182,941	-	1,182,941	840,809	2,023,749	2,020,065
Federal Revenue, Non-Operating	-	5,204,669	5,204,669	-	5,204,669	2,969,655
Capital contracts, grants and gifts	22,350	34,040	56,390	-	56,390	76,703
Gain/(Loss) on Disposal of Assets	-	16,302	16,302	-	16,302	(720)
Lease income	-	161,189	161,189	-	161,189	396,566
Investment income	77,012	9,324	86,336	-	86,336	97,183
Total non-operating revenues	6,804,279	6,963,800	13,768,079	840,809	14,608,888	12,602,840
NON-OPERATING EXPENSES:						
Operational costs of lease property	-	20,374	20,374	-	20,374	36,274
Amortization of bond issuance costs	-	5,000	5,000	-	5,000	5,000
Interest and fees on capital related debt	-	387,256	387,256	-	387,256	419,232
Total non-operating expenses	-	412,630	412,630	-	412,630	460,506
Net non-operating revenues	\$ 6,804,279	\$ 6,551,171	\$ 13,355,449	\$ 840,809	\$ 14,196,258	\$ 12,142,334
					(Exhibit 2)	(Exhibit 2)

Vernon College
Schedule D
Schedule of Net Assets By Source and Availability
For the Year Ended August 31, 2010
(With Memorandum Totals for the Year Ended August 31, 2009)

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 4,697,447	\$ -	\$ -	\$ -	\$ 4,697,447	\$ 4,697,447	\$ -
Auxiliary	48,285	-	-	-	48,285	48,285	-
Student Aid	-	140,884	-	-	140,884	-	140,884
Endowment:							
Unrestricted:							
Student Aid	-	-	2,495,413	-	2,495,413	-	2,495,413
Plant:							
Debt Service	-	128,278	-	519,922	648,200	-	648,200
Investment in Plant	-	-	-	7,479,108	7,479,108	-	7,479,108
Total Net Assets, August 31, 2010	4,745,732	269,163	2,495,413	7,999,030	15,509,338	4,745,732	10,763,605
					(Exhibit 1)		
Total Net Assets, August 31, 2009	3,717,514	462,826	2,504,215	7,532,428	14,216,983	3,717,514	10,499,469
					(Exhibit 1)		
Net Increase (Decrease) in Net Assets	\$ 1,028,218	\$ (193,663)	\$ (8,802)	\$ 466,602	\$ 1,292,355	\$ 1,028,218	\$ 264,136
					(Exhibit 2)		

**Vernon College
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2010**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
<u>U.S. Department of Education:</u>			
<u>Direct Programs:</u>			
Student Financial Aid Cluster:			
Supplemental Educational Opportunity Grant (FSEOG)	84.007	N/A	\$ 36,656
Federal Workstudy Program (FWS)	84.033	N/A	78,254
Federal Pell Grant Program (Pell)	84.063	N/A	4,965,724
Federal Direct Student Loans (Direct Loan)	84.268	N/A	2,023
Federal Academic Competiveness Grants (ACG)	84.375	N/A	124,035
Teacher Educational Assistance for College and Higher Education Grants (TEACH Grants)	84.379	N/A	6,000
Total Direct Programs			<u>5,212,692</u>
<u>Pass-Through From:</u>			
Texas Higher Education Coordinating Board:			
Carl Perkins Vocational Education:			
Annual Grant	84.048	94252	174,731
Tech Prep Regular Grant	84.243	91724	224,695
Federal LEAP	84.069A	N/A	3,825
Federal SLEAP	84.069B	N/A	4,918
State Fiscal Stabilization Fund (SFSF) - Recovery Act:			
Formula Funds - ARRA	84.397A	3630	67,755
Special Funds - ARRA	84.397A	3634	281,927
Total CFDA Number 84.397A			<u>349,682</u>
Midwestern State University:			
Teacher Enhancement Quality Project Begin	84.336C	N/A	<u>19,221</u>
Total U.S. Department of Education			<u>5,989,764</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	1,253
Special Programs for the Aging -Title III, Part C Nutrition	93.045	N/A	<u>52,740</u>
Total U.S. Department of Health and Human Services			<u>53,994</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,043,757</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, 2010

Note 1: Significant Accounting Policies Used in Preparing the Schedule

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

Note 2: Federal Assistance Reconciliation

Federal Revenues - per Exhibit 2	
Federal Grants and Contracts - previous page of Schedule E	\$ 6,043,757
Administrative Cost Recoveries - US Dept Of Education	<u>19,642</u>
 Total Per Exhibit 2	 <u>\$ 6,063,399</u>
 Displayed as:	
Operating revenues - Federal grants and contracts	\$ 858,730
Non-operating revenues - Federal Title IV Grants	<u>5,204,669</u>
Total	<u>\$ 6,063,399</u>

Note 3: Student Loans Processed and Administrative Costs Recovered - Not Included in Schedule

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>New Loans Processed</u>	<u>Administrative Cost Recovered</u>	<u>Total Loans Processed and Administrative Cost Recovered</u>
Department of Education - 84.032 Federal Family Education Loan	<u>\$ 4,529,693</u>	<u>\$ -</u>	<u>\$ 4,529,693</u>

Note 4: Pass-Through Amounts Included in Program Expenditures

CFDA No. 84.243 Carl Perkins Voc. Ed.-Tech Prep expenditures includes \$24,275 passed through to:

Newcastle Independent School District	\$ 1,958
Northside Independent School District	1,000
Paducah Independent School District	2,014
Prairie Valley Independent School District	1,970
Henrietta Independent School District	1,792
Electra Independent School District	1,598
Archer City Independent School District	2,000
Burkburnett Independent School District	1,977
Bowie Independent School District	3,440
Quanah Independent School District	236
Wichita Falls Independent School District	<u>6,290</u>
	<u>\$ 24,275</u>

**Vernon College
Schedule F
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2010**

<u>State Grantor/Pass Through Grantor/Program Title</u>	<u>Grant Contract #</u>	<u>Expenditures August 31, 2010</u>
Pass-Through From:		
Texas Higher Ed Coordinating Board:		
College Workstudy	N/A	\$ 11,179
Texas Grant I	N/A	248,295
Texas Education Opportunity Grant	N/A	54,385
Be on Time Grant	N/A	3,453
Top 10% Scholarship Program	N/A	4,705
P-16 College Readiness Special Advisors Program	277	20,335
Professional Nursing Shortage Reduction Program	N/A	<u>7,234</u>
Total Texas Higher Education Coordinating Board		<u>349,586</u>
Texas Department of Agriculture:		
Texans Feeding Texans	N/A	<u>1,319</u>
Texas Comptroller of Public Accounts:		
Law Enforcement Grant	N/A	199
JET (Jobs & Education for Texans)	3572.51	<u>3,713</u>
Total Texas Comptroller of Public Accounts		<u>3,912</u>
Texas Workforce Commission:		
Skills Development Fund (SDF) Grants:		
SDF Grant Pratt-Whitney	0309SDF000	101,333
SDF Grant WF Consortium	0310SDF000	<u>229,878</u>
Total Texas Workforce Commission		<u>331,211</u>
TOTAL STATE GRANTS AND AWARDS		<u><u>\$ 686,028</u></u>

Note 1: State Assistance Reconciliation

State Revenues per Schedule A	<u><u>\$ 686,028</u></u>
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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 Assets by Component
Fiscal Years 2005 to 2010
(Unaudited)

	For the Years Ended August 31,					
	2010	2009	2008	2007	2006	2005
Invested in capital assets, net of related debt	\$ 7,758,361	\$ 7,532,428	\$ 7,302,927	\$ 7,318,720	\$ 6,851,139	\$ 5,263,055
Restricted - nonexpendable	2,495,414	2,504,215	2,495,579	2,038,618	1,877,070	1,795,826
Restricted - expendable	509,831	462,826	665,508	622,405	1,106,906	1,750,033
Unrestricted	4,745,732	3,717,514	2,990,161	2,976,155	2,626,756	2,522,286
Total primary government net assets	<u>\$15,509,338</u>	<u>\$ 14,216,983</u>	<u>\$ 13,454,175</u>	<u>\$ 12,955,898</u>	<u>\$ 12,461,871</u>	<u>\$ 11,331,200</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2005 to 2010 are reported.

Vernon College
Statistical Supplement 2
Revenue by Source
Fiscal Years 2005 to 2010
(Unaudited)

For the Years Ended August 31,

	2010	2009	2008	2007	2006	2005
Operating Revenues						
Tuition and fees (net of discounts)	\$ 3,466,174	\$ 3,330,972	\$ 1,860,137	\$ 2,198,299	\$ 1,987,464	\$ 1,720,209
Government grants and contracts:						
Federal grants and contracts	858,730	644,667	1,170,242	1,381,841	1,272,232	1,425,961
State grants and contracts	686,028	297,328	261,308	234,504	399,075	291,696
Non-governmental grants and contracts	1,084,012	1,106,899	872,706	627,138	583,976	803,222
Sales and services of educational activities	131,078	125,457	127,783	124,305	134,363	135,549
Investment income (program restricted)	44,067	64,712	117,565	134,949	231,759	58,267
Auxiliary enterprises (net of discounts)	1,461,942	1,518,977	1,557,681	1,582,164	1,458,192	1,468,202
Other operating revenues	34,767	596	40,758	24,321	32,606	21,483
Total Operating Revenues	<u>7,766,798</u>	<u>7,089,608</u>	<u>6,008,180</u>	<u>6,307,521</u>	<u>6,099,667</u>	<u>5,924,589</u>
Non-Operating Revenues						
State appropriations	7,060,253	7,043,388	7,077,351	6,948,017	6,879,466	6,283,061
Ad valorem taxes	2,023,749	2,020,065	2,043,714	2,036,614	2,054,039	2,041,629
Federal Revenue, Non-Operating	5,204,669	2,969,655	2,511,925	2,377,197	2,497,949	2,561,224
Other non-operating income	72,692	75,983	-	37,061	-	35,000
Lease income	161,189	396,566	414,658	407,967	627,092	636,406
Investment income	86,336	97,183	123,301	179,007	48,233	92,358
Total Non-Operating Revenues	<u>14,608,888</u>	<u>12,602,840</u>	<u>12,170,949</u>	<u>11,985,863</u>	<u>12,106,779</u>	<u>11,649,678</u>
Total Revenues	<u>\$ 22,375,686</u>	<u>\$ 19,692,448</u>	<u>\$ 18,179,129</u>	<u>\$ 18,293,384</u>	<u>\$ 18,206,446</u>	<u>\$ 17,574,267</u>

For the Years Ended August 31,

	2010	2009	2008	2007	2006	2005
Operating Revenues						
Tuition and fees (net of discounts)	15.49%	16.91%	10.23%	12.02%	10.92%	9.79%
Government grants and contracts:						
Federal grants and contracts	3.84%	3.27%	6.44%	7.55%	6.99%	8.11%
State grants and contracts	3.07%	1.51%	1.44%	1.28%	2.19%	1.66%
Non-governmental grants and contracts	4.84%	5.62%	4.80%	3.43%	3.21%	4.57%
Sales and services of educational activities	0.59%	0.64%	0.70%	0.68%	0.74%	0.77%
Investment income (program restricted)	0.20%	0.33%	0.65%	0.74%	1.27%	0.33%
Auxiliary enterprises (net of discounts)	6.53%	7.71%	8.57%	8.65%	8.01%	8.35%
Other operating revenues	0.16%	0.00%	0.22%	0.13%	0.18%	0.12%
Total Operating Revenues	<u>34.71%</u>	<u>36.00%</u>	<u>33.05%</u>	<u>34.48%</u>	<u>33.50%</u>	<u>33.71%</u>
Non-Operating Revenues						
State appropriations	31.55%	35.77%	38.93%	37.98%	37.79%	35.75%
Ad valorem taxes	9.04%	10.26%	11.24%	11.13%	11.28%	11.62%
Federal Title IV grant revenue	23.26%	15.08%	13.82%	12.99%	13.72%	14.57%
Capital contracts, grants and gifts	0.32%	0.39%	0.00%	0.20%	0.00%	0.20%
Lease income	0.72%	2.01%	2.28%	2.23%	3.44%	3.62%
Investment income	0.39%	0.49%	0.68%	0.98%	0.26%	0.53%
Total Non-Operating Revenues	<u>65.29%</u>	<u>64.00%</u>	<u>66.95%</u>	<u>65.52%</u>	<u>66.50%</u>	<u>66.29%</u>
Total Revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2005 to 2010 are reported.

**Vernon College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2005 to 2010
(Unaudited)**

For the Years Ended August 31,

	2010	2009	2008	2007	2006	2005
Operating Expenses						
Instruction	\$ 7,085,729	\$ 6,733,646	\$ 6,478,364	\$ 5,834,780	\$ 5,954,887	\$ 5,168,243
Public service	390,616	383,026	344,312	332,191	338,088	555,596
Academic support	2,625,566	2,349,928	2,277,988	2,462,146	2,109,335	2,316,158
Student services	1,596,999	1,492,684	1,414,255	1,743,620	1,453,965	1,337,026
Institutional support	2,413,068	2,412,779	2,138,994	2,030,647	1,904,323	1,854,161
Operation and maintenance of plant	2,275,070	1,874,896	2,043,131	1,720,330	1,363,683	1,422,407
Scholarship and fellowships	1,474,636	489,004	191,434	368,533	635,800	918,081
Auxiliary enterprises	2,297,289	2,210,484	2,246,353	2,168,860	2,143,037	2,046,592
Depreciation	511,728	522,686	515,907	484,454	461,323	466,073
Total Operating Expenses	<u>20,670,701</u>	<u>18,469,133</u>	<u>17,650,738</u>	<u>17,145,561</u>	<u>16,364,441</u>	<u>16,084,337</u>
Non-Operating Expenses						
Operational costs of leased property	20,374	36,274	33,330	239,114	244,320	285,482
Amortization of bond issuance costs	5,000	5,000	5,000	5,000	5,000	5,000
Interest and fees on capital related debt	387,256	419,232	450,371	468,360	486,488	552,992
Total Non-Operating Expenses	<u>412,630</u>	<u>460,506</u>	<u>488,701</u>	<u>712,474</u>	<u>735,808</u>	<u>843,474</u>
Total Expenses	<u>\$ 21,083,331</u>	<u>\$ 18,929,639</u>	<u>\$ 18,139,439</u>	<u>\$ 17,858,035</u>	<u>\$ 17,100,249</u>	<u>\$ 16,927,811</u>

For the Years Ended August 31,

	2010	2009	2008	2007	2006	2005
Operating Expenses						
Instruction	33.61%	35.57%	35.71%	32.67%	34.82%	30.53%
Public service	1.85%	2.02%	1.90%	1.86%	1.98%	3.28%
Academic support	12.45%	12.41%	12.56%	13.79%	12.34%	13.68%
Student services	7.57%	7.89%	7.80%	9.76%	8.50%	7.90%
Institutional support	11.45%	12.75%	11.79%	11.37%	11.14%	10.95%
Operation and maintenance of plant	10.79%	9.90%	11.26%	9.63%	7.97%	8.40%
Scholarship and fellowships	6.99%	2.58%	1.06%	2.06%	3.72%	5.42%
Auxiliary enterprises	10.90%	11.68%	12.38%	12.15%	12.53%	12.09%
Depreciation	2.43%	2.76%	2.84%	2.71%	2.70%	2.75%
Total Operating Expenses	<u>98.04%</u>	<u>97.57%</u>	<u>97.31%</u>	<u>96.01%</u>	<u>95.70%</u>	<u>95.02%</u>
Non-Operating Expenses						
Operational costs of leased property	0.10%	0.19%	0.18%	1.34%	1.43%	1.69%
Amortization of bond issuance costs	0.02%	0.03%	0.03%	0.03%	0.03%	0.03%
Interest and fees on capital related debt	1.84%	2.21%	2.48%	2.62%	2.84%	3.27%
Total Non-Operating Expenses	<u>1.96%</u>	<u>2.43%</u>	<u>2.69%</u>	<u>3.99%</u>	<u>4.30%</u>	<u>4.98%</u>
Total Expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2005 to 2010 are reported.

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

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

Academic Year (Fall)	In-District Tuition	Out-of-District Tuition	Institutional Service Fee	Student Activity Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2009	42.00	70.00	25.00	6.00	876.00	1,212.00	10.61%	8.02%
2008	39.00	66.50	21.00	6.00	792.00	1,122.00	24.53%	20.65%
2007	36.00	60.50	11.00	6.00	636.00	930.00	8.16%	5.44%
2006	32.00	56.50	11.00	6.00	588.00	882.00	6.52%	10.53%
2005	29.00	49.50	11.00	6.00	552.00	798.00	9.52%	13.68%
2004	25.00	41.50	11.00	6.00	504.00	702.00	5.00%	13.59%
2003	23.00	34.50	11.00	6.00	480.00	618.00	14.29%	11.96%
2002	22.00	33.00	7.00	6.00	420.00	552.00	2.94%	3.37%
2001	21.00	31.50	7.00	6.00	408.00	534.00	21.43%	8.54%
2000	17.00	30.00	7.00	4.00	336.00	492.00		

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

Academic Year (Fall)	Non-Resident Tuition Out of State	Non-Resident Tuition International	Institutional Service Fee	Student Activity Fee	Cost for 12 SCH Out-of-State	Cost for 12 SCH International	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2009	120.00	120.00	25.00	6.00	1,812.00	1,812.00	9.42%	9.42%
2008	111.00	111.00	21.00	6.00	1,656.00	1,656.00	15.00%	15.00%
2007	103.00	103.00	11.00	6.00	1,440.00	1,440.00	6.19%	6.19%
2006	96.00	96.00	11.00	6.00	1,356.00	1,356.00	8.65%	8.65%
2005	87.00	87.00	11.00	6.00	1,248.00	1,248.00	8.33%	8.33%
2004	79.00	79.00	11.00	6.00	1,152.00	1,152.00	12.94%	12.94%
2003	68.00	68.00	11.00	6.00	1,020.00	1,020.00	8.97%	8.97%
2002	65.00	65.00	7.00	6.00	936.00	936.00	0.00%	0.00%
2001	65.00	65.00	7.00	6.00	936.00	936.00	0.00%	0.00%
2000	65.00	65.00	7.00	6.00	936.00	936.00		

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

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

<u>Fiscal Year</u>	<u>Assessed Valuation of Property</u>	<u>Less: Exemptions</u>	<u>Taxable Assessed Value (TAV)</u>	<u>Ratio of Taxable Assessed Value to Assessed Value</u>	<u>Maintenance and Operation (a)</u>	<u>Debt Service (a)</u>	<u>Total (a)</u>
2009-10	\$ 1,529,569,880	\$ 626,657,640	\$ 902,912,240	59.03%	\$ 0.22280	\$ 0.00000	\$ 0.22280
2008-09	1,456,143,210	529,537,760	926,605,450	63.63%	0.21737	0.00000	0.21737
2007-08	1,264,925,500	349,950,230	914,975,270	72.33%	0.21869	0.00000	0.21869
2006-07	1,171,062,460	251,862,620	919,199,840	78.49%	0.21869	0.00000	0.21869
2005-06	1,050,763,590	245,190,490	805,573,100	76.67%	0.24993	0.00000	0.24993
2004-05	1,009,481,640	243,684,940	765,796,700	75.86%	0.26195	0.00000	0.26195
2003-04	940,002,038	239,851,874	700,150,164	74.48%	0.28652	0.00000	0.28652
2002-03	969,950,448	262,468,448	707,482,000	72.94%	0.28652	0.00000	0.28652
2001-02	786,180,807	65,929,062	720,251,745	91.61%	0.28382	0.00000	0.28382
2000-01	715,095,693	83,959,057	631,136,636	88.26%	0.26250	0.00000	0.26250

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	
2009-10	5,521,976	2,420	2,282	860,960	826,687	1,687,647	3.27
2008-09	5,453,123	2,106	2,589	756,960	796,234	1,553,194	3.51
2007-08	5,453,123	1,999	2,728	740,544	689,139	1,429,683	3.81
2006-07	5,454,838	1,957	2,788	726,928	698,679	1,425,607	3.83
2005-06	5,453,123	1,961	2,780	694,752	767,656	1,462,408	3.73
2004-05	5,042,849	1,971	2,559	639,936	831,587	1,471,523	3.43
2003-04	5,042,930	2,146	2,350	647,568	868,196	1,515,764	3.33
2002-03	5,224,547	2,219	2,355	640,080	912,959	1,553,039	3.36
2001-02	5,613,313	1,930	2,908	541,984	802,146	1,344,130	4.18
2000-01	5,029,446	1,866	2,695	495,952	859,188	1,355,140	3.71

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								
		2010	2009	2008	2007	2006	2005	2004	2003	2002
AEP Texas North Company	Energy company	\$ 186,347,390	\$ 221,145,570	\$ 259,360,420	\$ 311,522,800	\$ 306,266,190	\$ 247,226,450	\$ 230,656,150	\$ 190,067,390	\$ -
AEP Public Service Co of Oklahoma	Energy company	58,018,740	55,415,220	55,975,710	52,262,440	53,703,940	56,973,910	61,054,130	55,511,340	58,361,460
Oklahoma Municipal Power Authority	Energy company	30,694,140	31,554,780	28,978,660	30,411,870	31,876,920	32,505,830	33,519,560	30,638,140	32,854,150
Tyson Foods, Inc	Food processing plant	27,432,690	28,204,470	30,766,480	29,281,070	30,522,910	28,232,360	27,223,090	26,268,920	24,639,740
WT Waggoner Estate	Farming, ranching, oil & gas	25,087,690	23,450,170	24,037,680	19,659,204	20,541,460	17,689,480	17,427,760	10,507,350	10,806,490
Mahard Egg Farm	Egg farm	19,967,630	21,258,480	9,740,310	9,462,890	8,095,040	6,292,390	-	-	-
Rhodia, Inc	Guar processing plant	17,946,960	22,765,170	22,555,420	25,422,440	23,399,550	21,481,620	22,684,760	16,612,360	16,342,230
BNSF Railway	Railroad company	14,756,370	13,437,470	12,769,020	11,694,320	10,334,230	9,360,030	8,733,150	9,043,140	9,087,200
AEP West Texas Utilities Company	Energy company	13,609,240	12,050,300	11,490,730	11,467,250	11,467,250	11,467,250	11,467,250	7,819,470	214,611,520
Johnson & Ernst Op Co	Oil & gas	6,986,390	5,852,390	8,117,510	-	-	-	-	-	-
Vess Energy Partners	Oil & gas	6,661,210	5,387,360	-	-	-	-	-	-	-
Wal-Mart Stores/Retail Trust 1	Retail sales	5,753,060	5,054,790	4,123,730	-	-	-	-	-	4,704,360
Almos Energy/MIDTEX	Energy company	5,195,240	4,702,660	4,243,260	-	-	-	-	-	-
Southwestern Bell Telephone Co	Telephone company	-	5,810,180	5,389,120	6,109,790	5,778,290	-	6,160,750	7,022,450	7,711,780
Totals		\$ 418,456,640	\$ 456,088,910	\$ 477,548,050	\$ 507,294,074	\$ 501,985,780	\$ 431,229,320	\$ 418,926,600	\$ 353,490,560	\$ 379,118,930
Total Assessed Taxable Value		\$ 902,912,240	\$ 926,605,450	\$ 914,975,270	\$ 919,199,840	\$ 805,573,100	\$ 765,796,700	\$ 700,150,164	\$ 707,482,000	\$ 720,251,745

Taxpayer	Type of Business	Percentage Taxable Assessed Valuation (TAV) by Tax Year								
		2010	2009	2008	2007	2006	2005	2004	2003	2002
AEP Texas North Company	Energy company	20.64%	23.87%	28.35%	33.89%	38.02%	32.28%	32.94%	26.87%	0.00%
AEP Public Service Co of Oklahoma	Energy company	6.43%	5.98%	6.12%	5.69%	6.67%	7.44%	8.72%	7.85%	8.10%
Tyson Foods, Inc	Food processing plant	3.40%	3.41%	3.17%	3.31%	3.96%	4.24%	4.79%	4.33%	4.56%
Oklahoma Municipal Power Authority	Energy company	3.04%	3.04%	3.36%	3.19%	3.79%	3.69%	3.89%	3.71%	3.42%
WT Waggoner Estate	Farming, ranching, oil & gas	2.76%	2.53%	2.63%	2.14%	2.55%	2.31%	2.49%	1.49%	1.50%
Rhodia, Inc	Guar processing plant	2.21%	2.29%	1.06%	1.03%	1.00%	0.82%	0.00%	0.00%	0.00%
BNSF Railway	Railroad company	1.59%	2.46%	2.47%	2.77%	2.90%	2.81%	3.24%	2.35%	2.27%
West Texas Utilities Company	Energy company	1.63%	1.45%	1.40%	1.27%	1.28%	1.22%	1.25%	1.28%	1.26%
Mahard Egg Farm	Egg farm	1.51%	1.30%	1.26%	1.25%	1.42%	1.50%	1.64%	1.11%	29.80%
Johnson & Ernst Op Co	Oil & gas	0.77%	0.63%	0.89%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Southwestern Bell Telephone Co	Telephone company	0.74%	0.58%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Wal-Mart Stores Texas LP	Retail sales	0.58%	0.51%	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Almos Energy/MIDTEX	Energy company	0.00%	0.63%	0.59%	0.66%	0.72%	0.00%	0.88%	0.99%	1.07%
Totals		45.71%	48.68%	51.74%	55.19%	62.31%	56.31%	59.83%	49.96%	51.98%

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

Fiscal Year Ended August 31,	Levy (a)	Cumulative Levy Adjustment	Adjusted Tax Levy (b)	Collections Year of Levy (c)	Percentage	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (c+d+e)	Cumulative Collections of Adjusted Levy
2010	\$ 2,010,444	\$ (538)	\$ 2,009,906	\$ 1,962,237	97.63%	\$ -	-	\$ 1,962,237	97.63%
2009	2,014,162	(6,080)	2,008,082	1,961,432	97.68%	-	18,620	1,980,052	98.60%
2008	2,001,065	4,042	2,005,107	1,973,462	98.42%	12,835	4,174	1,990,471	99.27%
2007	2,010,198	(7,479)	2,002,719	1,975,506	98.64%	15,662	1,140	1,992,308	99.48%
2006	2,020,665	(6,490)	2,014,175	1,974,744	98.04%	28,218	1,218	2,004,180	99.50%
2005	2,006,004	4,377	2,010,381	1,969,076	97.95%	33,328	760	2,003,164	99.64%
2004	2,006,070	2,216	2,008,286	1,959,415	97.57%	41,244	767	2,001,426	99.66%
2003	2,027,077	(870)	2,026,207	1,979,074	97.67%	41,525	677	2,021,276	99.76%
2002	2,063,665	1,776	2,065,441	2,027,122	98.14%	34,156	488	2,061,766	99.82%
2001	1,791,292	28,563	1,819,855	1,786,199	98.15%	27,634	288	1,814,121	99.68%

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,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenue bonds	\$ 6,540,000	\$ 6,845,000	\$ 7,135,000	\$ 7,415,000	\$ 7,675,000	\$ 7,925,000	\$ 8,100,000	\$ 100,000	\$ 200,000	\$ 295,000
Notes	-	-	-	-	-	-	-	-	-	-
Capital lease obligations	1,167,734	1,263,029	1,347,594	1,423,863	1,500,393	1,600,705	1,698,491	108,339	195,663	265,466
Total Outstanding Debt	\$ 7,707,734	\$ 8,108,029	\$ 8,482,594	\$ 8,838,863	\$ 9,175,393	\$ 9,525,705	\$ 9,798,491	\$ 208,339	\$ 395,663	\$ 560,466

Total Outstanding Debt Ratios

Per Capita	not available	250.66	283.79	310.17	348.66	370.33	397.70	8.80	17.17	25.36
Per FTSE	3,185	3,850	4,243	4,517	4,679	4,833	4,566	94	205	300
As a percentage of Taxable Assessed Value	0.8750%	0.8750%	0.9271%	0.9616%	1.0132%	1.2439%	1.3995%	0.0294%	0.0549%	0.0889%

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,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Taxable Assessed Valuation	\$ 902,912,240	\$ 926,605,450	\$ 914,975,270	\$ 919,199,840	\$ 805,573,100	\$ 765,796,700	\$ 700,150,164	\$ 707,482,000	\$ 720,251,745	\$ 631,136,636
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Statutory tax levy limit for debt service	\$ 4,514,561	\$ 4,633,027	\$ 4,574,876	\$ 4,595,999	\$ 4,027,866	\$ 3,828,984	\$ 3,500,751	\$ 3,537,410	\$ 3,601,259	\$ 3,155,683
Less funds restricted for repayment of bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	4,514,561	4,633,027	4,574,876	4,595,999	4,027,866	3,828,984	3,500,751	3,537,410	3,601,259	3,155,683
Current year debt service requirement	-	-	-	-	-	-	-	-	-	-
Excess of statutory limit for debt service over current requirement	\$ 4,514,561	\$ 4,633,027	\$ 4,574,876	\$ 4,595,999	\$ 4,027,866	\$ 3,828,984	\$ 3,500,751	\$ 3,537,410	\$ 3,601,259	\$ 3,155,683
Net current requirement as a percentage of statutory limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

Revenue Bonds Fiscal Year Ended August 31	Pledged Revenues						Debt Service Requirements			Coverage Ratio	
	Tuition	Laboratory/ Special Fee	General Registration Fees	General Use Fee	Facility Lease Revenue	Investment Income	Total	Principal	Interest		Total
2010	\$ 4,737,506	\$ 681,811	\$ 2,888,778	\$ -	\$ 168,044	\$ 79,481	\$ 8,555,620	\$ 305,000	\$ 327,650	\$ 632,650	13.52
2009	4,271,778	1,011,005	1,656,588	-	410,698	97,183	7,447,252	290,000	355,297	645,297	11.54
2008	4,042,027	577,058	1,136,510	-	414,658	123,301	6,293,554	280,000	382,925	662,925	9.49
2007	3,977,289	628,510	1,173,656	-	407,967	179,007	6,366,429	260,000	396,997	656,997	9.69
2006	3,137,859	484,364	1,150,590	-	627,092	48,233	5,448,138	250,000	410,465	660,465	8.25
2005	2,705,330	431,066	1,139,657	-	636,306	43,233	4,955,592	175,000	473,638	648,638	7.64
2004	2,272,559	362,450	974,186	30,180	207,891	3,982	3,851,248	100,000	6,500	106,500	36.16
2003	114,945	-	-	46,748	199,921	6,339	367,953	100,000	13,000	113,000	3.26
2002	101,918	-	-	45,286	174,570	6,905	328,679	95,000	19,175	114,175	2.88
2001	91,005	-	-	41,832	106,141	7,722	246,700	85,000	24,700	109,700	2.25

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

Calendar Year	District Population	District Personal Income (a) (thousands of dollars)	District Personal Income Per Capita	District Unemployment Rate
2009	13,691	b	b	7.0%
2008	13,782	\$ 437,000	\$ 32,347	3.7%
2007	14,037	414,220	29,890	3.4%
2006	14,218	405,173	28,497	3.4%
2005	13,896	371,154	26,316	4.0%
2004	13,934	358,406	25,722	4.5%
2003	14,142	348,432	24,638	5.0%
2002	14,278	337,968	23,671	4.7%
2001	14,397	331,851	23,050	3.7%
2000	14,676	324,390	22,103	3.7%

Sources:

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

Notes:

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

**Vernon College
Statistical Supplement 13
Principal Employers
Fiscal Year 2010
(Unaudited)**

Employer	Number of Employees	Percentage of Total Employment (1, 2)
North Texas State Hospital	1000+	12.57%
Tyson Foods, Inc	500 - 999	9.40%
Hospital Home Health	100 - 499	3.10%
Vernon City Hall	100 - 499	3.10%
Vernon College	100 - 499	3.10%
Vernon Public Schools	100 - 499	3.10%
United Supermarket	100 - 499	3.10%
Walmart	100 - 499	3.10%
Wilbarger General Hospital	100 - 499	3.10%
Covenant Care of Vernon	50 - 99	0.94%
Herring Bank	50 - 99	0.94%
McDonalds	50 - 99	0.94%
Rhodia	50 - 99	0.94%
Vernon Care Center	50 - 99	0.94%
Waggoner National Bank	50 - 99	0.94%
Total	2450-5686	49.31%

Source:

Employer search <http://socrates.cdr.state.tx.us/> , October 2010
cross referenced with Vernon Business Development Corporation, Fall 2007
Labor Force - Socrates County Narrative Profile, September 2010

Note:

1. Total employment: 8,011
2. Percentages are calculated using the midpoints of the ranges.

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

	Fiscal Year Ended August 31,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Faculty										
FT	77	74	74	73	73	72	69	71	68	61
PT	88	75	77	83	112	101	98	94	88	88
Total	165	149	151	156	185	173	167	165	156	149
Percent										
FT	47%	50%	49%	47%	39%	42%	41%	43%	44%	41%
PT	53%	50%	51%	53%	61%	58%	59%	57%	56%	59%
Staff & Adm										
FT	139	136	138	145	145	120	125	131	124	123
PT	9	-	-	-	-	9	-	-	-	-
Total	148	136	138	145	145	129	125	131	124	123
Percent										
FT	94%	100%	100%	100%	100%	93%	100%	100%	100%	100%
PT	6%	0%	0%	0%	0%	7%	0%	0%	0%	0%
FTSE										
FT Faculty	2,420	2,106	1,999	1,957	1,961	1,971	2,146	2,219	1,930	1,866
FT Staff	31.43	28.46	27.01	26.81	26.86	27.38	31.10	31.25	28.38	30.59
FT Staff	17.41	15.49	14.49	13.50	13.52	16.43	17.17	16.94	15.56	15.17
Fac Sal	\$ 3,558,609	\$ 3,373,083	\$ 3,235,850	\$ 3,110,721	\$ 2,909,602	\$ 2,753,724	\$ 2,545,488	\$ 2,622,151	\$ 2,506,888	\$ 2,278,117
Avg. Fac	\$ 46,216	\$ 45,582	\$ 43,728	\$ 42,613	\$ 39,858	\$ 38,246	\$ 36,891	\$ 36,932	\$ 36,866	\$ 37,346

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

Credit Student Classification	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
0 - 30 hours	2,170	68.52%	2,131	72.02%	2,228	79.18%	1,918	68.67%	1,984	71.24%
31 - 60 hours	694	21.91%	670	22.64%	412	14.64%	696	24.92%	595	21.36%
> 60 hours	303	9.57%	158	5.34%	174	6.18%	179	6.41%	206	7.40%
Total	3,167	100.00%	2,959	100.00%	2,814	100.00%	2,793	100.00%	2,785	100.00%

Non-Credit Student Classification	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
CEU Students Only	720	78.01%	702	75.48%	641	78.65%	813	74.38%	1,122	80.09%
0 - 30 hours	120	13.00%	130	13.98%	108	13.25%	160	14.64%	163	11.63%
31 - 60 hours	54	5.85%	56	6.02%	36	4.42%	86	7.87%	54	3.85%
> 60 hours	29	3.14%	42	4.52%	30	3.68%	34	3.11%	62	4.43%
Total	923	100.00%	930	100.00%	815	100.00%	1,093	100.00%	1,401	100.00%

Semester Hour Load	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	48	1.52%	42	1.42%	11	0.39%	17	0.61%	14	0.50%
3 - 5 semester hours	736	23.24%	757	25.58%	709	25.20%	675	24.17%	812	29.16%
6 - 8 semester hours	784	24.76%	775	26.19%	750	26.65%	672	24.06%	548	19.68%
9 - 11 semester hours	605	19.10%	585	19.77%	385	13.68%	386	13.82%	398	14.29%
12 - 14 semester hours	782	24.69%	636	21.49%	743	26.40%	761	27.25%	673	24.17%
15 - 17 semester hours	204	6.44%	150	5.07%	198	7.04%	264	9.45%	238	8.55%
18 & over	8	0.25%	14	0.47%	18	0.64%	18	0.64%	102	3.66%

Sub-Total SCH Students	3,167	100.00%	2,959	100.00%	2,814	100.00%	2,793	100.00%	2,785	100.00%
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Average SCH course load	8.49		8.11		8.46		9.06		9.06	
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Non-Credit CEU Students	923		930		815		1,093		1,401	
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Total	4,090		3,889		3,629		3,886		4,186	
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Credit Tuition Status	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-district)	300	9.47%	267	9.02%	297	10.55%	294	10.53%	316	11.35%
Texas Resident (out-of-dist)	2,828	89.30%	2,658	89.83%	2,480	88.13%	2,461	88.11%	2,438	87.54%
Non-Resident Tuition	39	1.23%	34	1.15%	37	1.31%	38	1.36%	31	1.11%
Total	3,167	100.00%	2,959	100.00%	2,814	100.00%	2,793	100.00%	2,785	100.00%

Non-Credit Tuition Status	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
CEU Students Only	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
CEU Contract & Non-Contract	5	0.54%	1	0.11%	1	0.12%	2	0.18%	27	1.93%
CEU Contract Only	609	65.98%	542	58.28%	335	41.10%	559	51.14%	712	50.82%
CEU Non-Contract Only	309	33.48%	387	41.61%	479	58.77%	532	48.67%	662	47.25%
Total	923	100.00%	930	100.00%	815	100.00%	1,093	100.00%	1,401	100.00%

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

	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	2,452	59.95%	2,285	58.76%	2,166	59.69%	2,355	60.60%	2,558	61.11%
Male	1,638	40.05%	1,604	41.24%	1,463	40.31%	1,531	39.40%	1,628	38.89%
Total	4,090	100.00%	3,889	100.00%	3,629	100.00%	3,886	100.00%	4,186	100.00%

	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin										
White	2,984	72.96%	2,900	74.57%	2,732	75.28%	2,969	76.40%	3,259	77.85%
Hispanic	568	13.89%	511	13.14%	482	13.28%	489	12.58%	490	11.71%
African American	370	9.05%	331	8.51%	294	8.10%	313	8.05%	324	7.74%
Asian	104	2.54%	86	2.21%	70	1.93%	60	1.54%	58	1.39%
Foreign	4	0.10%	9	0.23%	11	0.30%	11	0.28%	14	0.33%
Native American	43	1.05%	43	1.11%	38	1.05%	41	1.06%	38	0.91%
Other	17	0.42%	9	0.23%	2	0.06%	3	0.08%	3	0.07%
Total	4,090	100.00%	3,889	100.00%	3,629	100.00%	3,886	100.00%	4,186	100.00%

	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Credit Students)										
Under 18	627	19.80%	592	20.01%	624	22.17%	517	18.51%	464	16.66%
18 - 21	1,095	34.58%	1,024	34.61%	1,029	36.57%	1,005	35.98%	1,048	37.63%
22 - 24	336	10.61%	326	11.02%	280	9.95%	306	10.96%	298	10.70%
25 - 35	637	20.11%	594	20.07%	546	19.40%	622	22.27%	612	21.97%
36 - 50	372	11.75%	353	11.93%	286	10.16%	297	10.63%	308	11.06%
51 & over	100	3.16%	70	2.37%	49	1.74%	46	1.65%	55	1.97%
Total	3,167	100.00%	2,959	100.00%	2,814	100.00%	2,793	100.00%	2,785	100.00%

Average Age	25.0	25.0	23.8	24.3	24.5
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	Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Non-Credit Students)										
Under 18	141	15.28%	49	5.27%	51	6.26%	12	1.10%	16	1.14%
18 - 21	75	8.13%	103	11.08%	85	10.43%	102	9.33%	63	4.50%
22 - 24	61	6.61%	68	7.31%	56	6.87%	76	6.95%	98	7.00%
25 - 35	154	16.68%	199	21.40%	154	18.90%	262	23.97%	324	23.13%
36 - 50	251	27.19%	286	30.75%	243	29.82%	370	33.85%	474	33.83%
51 & over	241	26.11%	225	24.19%	226	27.73%	271	24.79%	426	30.41%
Total	923	100.00%	930	100.00%	815	100.00%	1,093	100.00%	1,401	100.00%

Average Age	38.0	39.0	39.9	40.1	42.6
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**Vernon College
Statistical Supplement 17
Transfers to Senior Institutions
2008 Fall Students as of Fall 2009
(Includes only public senior colleges in Texas)
(Unaudited)**

	Transfer Student Count <u>Academic</u>	Transfer Student Count <u>Technical</u>	Transfer Student Count <u>Tech-Prep</u>	Total of all Sample Transfer Students	% of all Sample Transfer Students
1 Angelo State University	5			5	0.85%
2 Midwestern State University	342	25	17	384	65.20%
3 Sam Houston State University	8		1	9	1.53%
4 Stephen F. Austin State University	2			2	0.34%
5 Tarleton State University	31	3		34	5.77%
6 Texas A&M University	26		1	27	4.58%
7 Texas A&M University - Commerce	1			1	0.17%
8 Texas A&M University - Corpus Christi	1			1	0.17%
9 Texas State University	6	1		7	1.19%
10 Texas Tech University	50		1	51	8.66%
11 Texas Woman's University	3	1		4	0.68%
12 The University of Texas - Pan American	1			1	0.17%
13 The University of Texas at Arlington	6		1	7	1.19%
14 The University of Texas at Austin	13	1		14	2.38%
15 The University of Texas at Dallas	1		1	2	0.34%
16 The University of Texas at El Paso	1			1	0.17%
17 The University of Texas at San Antonio	1			1	0.17%
18 University of Houston	1			1	0.17%
19 University of Houston at Clear Lake	1			1	0.17%
20 University of North Texas	15			15	2.55%
21 West Texas A&M University	19	2		21	3.57%
	<u>534</u>	<u>33</u>	<u>22</u>	<u>589</u>	<u>100.00%</u>

Vernon College
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2006 to 2010
(Unaudited)

	Fiscal Years				
	2010	2009	2008	2007	2006
Academic Buildings	6	6	6	6	6
Square footage	164,029	164,029	164,029	164,029	152,029
Libraries	1	1	1	1	1
Square footage	16,276	16,276	16,276	16,276	16,276
Number of volumes	33,815	33,370	13,296	13,296	13,296
Administrative and support buildings	1	1	1	1	1
Square footage	28,287	28,287	28,287	28,287	28,287
Dormitories	2	2	2	2	2
Square footage	27,214	27,214	27,214	27,214	27,214
Number of beds	156	156	156	156	156
Dining Facilities	1	1	1	1	1
Square footage	10,170	10,170	10,170	10,170	10,170
Average daily customers	250	250	250	250	250
Athletic Facilities	6	6	6	6	6
Square footage	31,472	31,472	31,472	31,472	31,472
Stadiums	3	3	3	3	3
Gymnasiums	1	1	1	1	1
Fitness Centers	1	1	1	1	1
Tennis Courts	6	6	6	6	6
Plant Facilities	1	1	1	1	1
Square footage	11,000	11,000	11,000	11,000	11,000
Transportation					
Cars	1	1	1	1	1
Light trucks/vans	13	11	8	8	8
Buses	2	2	2	2	2

Overall Compliance, Internal Controls and Federal Awards Section



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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A. PAUL FLEMING, CPA
J. MARK FLEMING, CPA

Independent Auditor's Report

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

Members of the Board of Trustees:

We have audited the financial statements of Vernon College, as well as its discretely presented component unit, Vernon College Foundation, Incorporated, as of and for the year ended August 31, 2010, and have issued our report thereon dated December 3, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Vernon College's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Vernon College's internal control over financial reporting.

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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vernon College's financial statements are free of 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*.

We noted certain matters that we have reported to management of Vernon College in a separate letter dated December 3, 2010.

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, 2010, no instances of noncompliance were noted.

This report is intended solely for the information and use of management, others within the organization, the Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 3, 2010



EDGIN, PARKMAN, FLEMING & FLEMING, PC

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Independent Auditor's Report

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Trustees
Vernon College
Vernon, Texas

Members of the Board of Trustees:

Compliance

We have audited the compliance of Vernon College with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Vernon College's management. Our responsibility is to express an opinion on Vernon College's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on Vernon College's compliance with those requirements.

In our opinion, Vernon College, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as finding 2010-1.

Internal Control Over Compliance

Management of Vernon College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Vernon College's internal control over compliance with the 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 OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2010-1 to be a material weakness.

Vernon College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Vernon College's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, others within the organization, the Board of Trustees, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 3, 2010

VERNON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2010

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unqualified
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?	Yes
Control deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133, and the State of Texas Single Audit Circular?	Yes
Identification of major programs:	
Federal Programs:	<u>CFDA Number</u>
Student Financial Aid Cluster:	
Supplemental Educational Opportunity Grant	84.007
Federal Family Education Loan	84.032
Federal Workstudy Program	84.033
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Academic Competitiveness Grant	84.375
State Fiscal Stabilization Fund	84.397A
State Program:	
Skills Development Fund (SDF) Grants	(State)
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

VERNON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D.)
FOR THE YEAR ENDED AUGUST 31, 2010

B. Financial Statement Findings

None

C. Federal and State Award Findings and Questioned Costs

Finding 2010-1 – Exit Counseling Notification Letters

Federal Program: Federal Family Education Loan (CFDA # 84.032)

Type: Disbursements To or On Behalf of Students – Material Weakness in Internal Control / Material Noncompliance with Grant Requirement

Criteria: Per 34 CFR 682.604 and 685.303, institutions are required to ensure that students that have received Federal Family Education Loans (FFEL) conduct exit counseling upon withdrawal from an eligible program and document the performance thereof.

Condition Found: Of 50 student files sampled for testing that were subject to exit counseling requirements, 12 included no documentation of the student performing exit counseling or the College notifying the student of the requirement to do so, normally documented by a scan of the letter mailed to the student. As a result, holds were not placed on student accounts and transcripts for those that didn't complete exit counseling to encourage them to do so. Upon further investigation by the Director of Financial Aid, it was discovered that notification of mandatory exit counseling had not been documented for numerous students with FFEL that withdrew during the year and that holds were not placed on accounts for those that didn't complete exit counseling.

Questioned Costs: None

Cause: The financial aid staff responsible for scanning the notification letters failed to do so before mailing.

Effect: The notification of mandatory exit counseling mailed to students with FFEL that withdrew during the year was not documented and holds were not placed on accounts and transcripts to encourage completion of exit counseling.

Recommendation: Implement procedures to ensure that exit counseling notification letters are appropriately mailed to withdrawn students with FFEL and documented so that holds are placed on those accounts until the satisfactory completion of exit counseling.

Views of Responsible Officials: See corrective action plan.

**VERNON COLLEGE
SCHEDULE OF CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2010**

Finding 2010-1

Exit materials were mailed within the timeframe specified in the regulations to each student who failed to complete the requirement before ceasing to being enrolled at least half-time. This is evidenced by the completion of exit counseling by several students after their status change. After discovering that documentation verifying that exit materials were sent was not contained in some students' files, in an effort to be proactive, the Financial Aid Office mailed the appropriate letters and materials again to the identified students. This finding was a result of exit letters not being scanned into our document imaging system prior to being mailed. We have implemented new procedures to ensure that this documentation is retained in all student files.

Contacts: Joe Hite, Dean of Admissions and Financial Aid/Registrar, and Melissa Elliot, Director of Financial Aid

VERNON COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2010

There were no findings or questioned costs reported in the prior year.