

VERNON COLLEGE

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

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ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

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Organizational Information

**Vernon College
Organizational Data
August 31, 2011**

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
Dr. Todd Smith	May 1, 2016

Principal Administrative Officers

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

Financial Section



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2011 and 2010, 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, 2011 and 2010, 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 5, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified as required supplementary information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Vernon College taken as a whole. The other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State of Texas Single Audit Circular, respectively, and are also not a required part of the financial statements. The other supplementary information, schedule of expenditures of federal awards, and schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 5, 2011



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, 2011. 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>2011</u>	<u>2010</u>
Current Assets		
Cash and cash equivalents	\$ 2,108,416	\$ 2,256,406
Short-term investments	8,910,500	3,189,616
Accounts receivable – net	1,334,612	1,595,266
Inventories	588,768	542,050
Deferred charges and prepaid assets	<u>3,080,484</u>	<u>2,468,471</u>
Total Current Assets	<u>16,022,779</u>	<u>10,051,809</u>
Noncurrent Assets		
Restricted cash and cash equivalents	140,125	308,792
Endowment investments	2,600,000	2,600,000
Deferred charges	353,517	79,500
Capital assets-net	<u>16,982,202</u>	<u>15,627,264</u>
Total Noncurrent Assets	<u>20,075,844</u>	<u>18,615,556</u>
Total Assets	<u>36,098,623</u>	<u>28,667,365</u>
Current Liabilities		
Accounts payable and accrued liabilities	601,813	713,926
Deferred revenues	5,140,216	4,648,398
Capital lease and bonds payable	<u>556,372</u>	<u>437,426</u>
Total Current Liabilities	<u>6,298,401</u>	<u>5,799,750</u>

Noncurrent Liabilities		
Deposits and accrued liabilities	89,781	87,969
Capital lease and bonds payable	<u>12,798,815</u>	<u>7,270,308</u>
Total Non-Current Liabilities	<u>12,888,596</u>	<u>7,358,277</u>
Total Liabilities	<u>19,186,997</u>	<u>13,158,027</u>
Net Assets		
Invested in capital assets, net of debt	7,907,301	7,479,108
Restricted for student aid	2,349,161	2,636,298
Restricted for debt service	1,546,239	648,200
Unrestricted	<u>5,108,925</u>	<u>4,745,732</u>
Net Assets	<u>\$16,911,626</u>	<u>\$15,509,338</u>

Cash and cash equivalents decreased by \$316,657 per Exhibit 3. This was due to the results of current year operations.

Short-term investments increased by \$5,720,884. The increase is mainly from the proceeds of the new bond issue.

Accounts receivable decreased by \$260,654. 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 increased by \$46,718 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 \$886,030. All student registration fees paid for the fall semester were deferred to the 2011-2012 school year. Fall enrollment for 2011 has increased over the fall of 2010 enrollment. A record enrollment was achieved with the fall 2011 headcount of 3,266. Tuition rates were also increased in the 2010-2011 year from the 2009-2010 year.

Capital assets increased by \$1,354,938 during the year. This increase is mainly due to the completion of the Baseball field house and concession stand as well as the Skills Center remodeling. More discussion on this will follow in the capital asset section.

Accounts payable and accrued liabilities decreased by \$112,113. 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 \$491,818 from 2011 over 2010. 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 \$118,946. 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. In September, 2011 the College issued new bonds totaling \$11,765,000. The proceeds of the new bond issue were used to retire the majority of the 2004

bond issue and to provide approximately \$5,000,000 capital for the renovation of the Century City Center. 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 increased by \$5,528,507. This increase is the result of the new bond issue as noted above.

Net assets increased by \$1,402,288 or 9% 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 2010-2011 the College received \$241,129 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>2011</u>	<u>2010</u>
REVENUES		
Operating Revenues:		
Tuition and fees (net of discounts of \$5,662,929 and \$5,226,866, respectively)	\$ 3,639,368	\$ 3,466,174
Federal grants and contracts	700,049	858,730
State grants and contracts	1,169,238	686,028
Non-governmental grants and contracts	951,657	1,084,012
Sales and services of educational activities	111,860	131,078
Investment income (program restricted)	43,949	44,067
Auxiliary enterprises (net of discounts of \$1,127,775 and \$926,096, respectively)	1,482,844	1,461,942
General operating revenues	<u>22,361</u>	<u>34,767</u>
Total Operating Revenues	<u>8,121,326</u>	<u>7,766,798</u>
EXPENSES		
Operating Expenses:		
Instruction	8,007,493	7,085,730
Public services	409,776	390,615
Academic support	2,341,237	2,625,566
Student services	1,661,351	1,597,000
Institutional support	2,629,477	2,413,068
Operation of physical plant	1,969,637	2,275,069

Scholarships and fellowships	2,093,857	1,474,636
Auxiliary enterprises	2,223,892	2,297,289
Depreciation	575,216	511,728
Total Operating Expenses	<u>21,911,936</u>	<u>20,670,701</u>
Operating Loss	<u>(13,790,610)</u>	<u>(12,903,903)</u>
Non-Operating Revenue (Expenses)		
State Appropriations	7,000,865	7,060,253
Federal Revenue, Non-Operating	6,133,753	5,204,669
Property taxes for maintenance & operation	2,038,823	2,023,749
Gifts	542,772	56,390
Investment income	109,542	86,336
Gain/(Loss) on disposal of assets	(190,353)	16,302
Lease income less lease expenses	41,994	140,815
Interest and fees on capital related debt	<u>(484,498)</u>	<u>(392,256)</u>
Net Non-Operating Revenues	<u>15,192,898</u>	<u>14,196,258</u>
Increase in Net Assets	<u>\$ 1,402,288</u>	<u>\$ 1,292,355</u>

Operating revenues are separated into several categories. Student tuition and fees remained a major source of revenue for 2011. The tuition revenue totals were assisted by a 7.1% increase for the in-district tuition rate, a 7.1% increase for the out-of-district tuition rate, and an 8.3% increase in the out-of-state tuition rate from 2010 to 2011. The College experienced an overall increase in gross tuition and fees from 2010 to 2011 of 5% or \$173,194. Scholarship allowances and discounts increased by \$619,222 for the year. Federal, State and Local grants increased by \$192,144 or 7.3%, from 2010 to 2011. Sales and services of educational activities remained constant. Investment income increased by \$23,088 due to holding the bond funds most of the year. The effective earnings rate for investments also continues to decrease as rates across most national markets decreased for the year. Net auxiliary enterprises revenue increased from 2010 to 2011 by \$20,902. Bookstore revenue is the largest contributor to auxiliary enterprise revenue.

Operating expenses increased by \$1,241,235 or 6% for the year. Instructional expenditures increased 13% for the year. The increase is mainly due to the three large Workforce Development Grant programs that got under way during the year, three additional full time faculty that were added and a 3% salary increase for all employees. Public Services expenditures increased slightly. Academic support expenses decreased 10.8% due to reduced technology spending. Student services costs increased by 4% consisting mostly of a 3% salary increase. Institutional support costs increased by 8.9% largely due to a significant reduction in the State's contribution for employee health insurance. Expenditures for operation of the physical plant decreased by 13.4% due to a significant decrease in repair and renovation activities in 2011.

Property tax revenue increased slightly by \$15,074. The tax rate of the district remains one of the highest among community colleges in the state.

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

	<u>2011</u>	<u>2010</u>
Cash Flows From		
Operating activities	\$ (13,094,046)	\$(13,095,841)
Noncapital financing activities	15,253,687	14,207,202
Capital and related financing activities	3,180,937	(1,218,697)
Investing activities	<u>(5,657,235)</u>	<u>557,535</u>
Net increase (decrease) in cash	(316,657)	450,199
Cash and cash equivalents – beginning of year	<u>2,565,198</u>	<u>2,114,999</u>
Cash and cash equivalents – end of year	<u>\$ 2,248,541</u>	<u>\$ 2,565,198</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 the new bond issuance, as discussed in the notes to the financial statements, construction and renovation projects and payments on capital debt. Renovation projects for 2010-2011 consisted of the following: Completion of the Bob and Anna Wright Chaparral Baseball Field, renovation of the former aviation maintenance area at Skills Center, new roof on the former Carmike Cinemas area of Century City, acoustic sound dampening clouds in the Colley Student Center, extension of the Vernon maintenance barn, and texturing sidewalks in the quad area. Principal paid on debt was \$553,371 for 2011 and \$400,295 for 2010. Interest and fees paid on capital debt totaled \$472,826 in 2011 as compared to \$387,256 for 2010.

Investing activities reported include lease income from the Century City Center and the King Farm in excess of the related expenses of \$41,994 for 2011 and \$140,815 for 2010. Investing activities also reflects interest income earned on investments. Investment income reported a modest increase due to holding the bond funds all year but also saw significantly lower yields due to the continuing decline in interest rates.

Reporting of Component Unit

Reported within this report is Exhibit 1A, 2A, and 3A. Vernon College Foundation, Incorporated was established as a separate nonprofit organization in 1985. The unit raises funds to provide student scholarships and departmental grants. Exhibit 1A reports net assets decreased to \$1,334,159 at the close of 2011. 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.

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 3,266 in 2011. 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 has 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 had been on a slow rise the past few years before dropping again in 2010 and 2011. In 2011 the net taxable valuation decreased to \$887,285,260 and the tax rate was approved with a small increase to \$.22672 per \$100 of taxable valuation which is the effective tax rate.

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 increased by \$1,354,938 from \$15,627,264 in 2010 to \$16,982,202 in 2011. This increase is attributable to the College capitalizing \$2,190,277 of additions during the year, recording depreciation expense of \$575,216 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 increased from \$7,707,734 to \$13,355,187, or \$5,647,453 as a result of new bonds issued in September 2010. Payments totaling \$1,026,015, of which \$556,372 is principal, are scheduled to be made in 2012 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 2010 was 3,167 and the fall 2011 head count enrollment for the College was at an all time record of 3,266. 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, 2011 and 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,108,416	\$ 2,256,406
Short-term investments	8,910,500	3,189,616
Accounts receivable (net)	1,334,612	1,595,266
Deferred charges	3,025,957	2,256,078
Inventories	588,767	542,050
Prepaid expenses	54,527	212,393
Total Current Assets	16,022,779	10,051,809
Noncurrent Assets		
Restricted cash and cash equivalents	140,125	308,792
Endowed Investments	2,600,000	2,600,000
Deferred charges	353,517	79,500
Capital assets (net)	16,982,202	15,627,264
Total Noncurrent Assets	20,075,844	18,615,556
Total Assets	36,098,623	28,667,365
LIABILITIES		
Current Liabilities		
Accounts payable	385,390	500,969
Accrued compensable absences - current portion	199,976	195,940
Deposits	16,447	17,017
Deferred revenues	5,140,216	4,648,398
Capital leases payable - current portion	111,372	112,426
Bonds payable - current portion	445,000	325,000
Total Current Liabilities	6,298,401	5,799,750
Noncurrent Liabilities		
Accrued compensable absences	89,781	87,969
Capital leases payable	952,991	1,055,308
Bonds payable	11,845,824	6,215,000
Total Noncurrent Liabilities	12,888,596	7,358,277
Total Liabilities	19,186,997	13,158,027
NET ASSETS		
Invested in capital assets, net of related debt	7,907,301	7,479,108
Restricted for:		
Nonexpendable:		
Student Aid	2,349,161	2,495,414
Expendable:		
Student Aid	-	140,884
Debt Service	1,546,239	648,200
Unrestricted	5,108,925	4,745,732
Total Net Assets	\$ 16,911,626	\$ 15,509,338

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 76,804	\$ 791,420
Investments	1,257,355	745,053
Accrued interest receivable	-	1,697
	<u>\$ 1,334,159</u>	<u>\$ 1,538,170</u>
LIABILITIES		
Accounts payable	\$ -	\$ 50,503
NET ASSETS		
Unrestricted	247,667	194,760
Temporarily restricted	-	500,000
Permanently restricted	1,086,492	792,907
	<u>1,334,159</u>	<u>1,487,667</u>
Total net assets	<u>\$ 1,334,159</u>	<u>\$ 1,538,170</u>
Total liabilities and net assets	<u>\$ 1,334,159</u>	<u>\$ 1,538,170</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, 2011 and 2010

	2011	2010
REVENUES		
Operating Revenues		
Tuition and fees (net of discounts of \$5,662,929 and \$5,226,866, respectively)	\$ 3,639,368	\$ 3,466,174
Federal grants and contracts	700,049	858,730
State grants and contracts	1,169,238	686,028
Non-governmental grants and contracts	951,657	1,084,012
Sales and services of educational activities	111,860	131,078
Investment income (program restricted)	43,949	44,067
Auxiliary enterprises (net of discounts of \$1,127,775 and \$926,096, respectively)	1,482,844	1,461,942
General operating revenues	22,361	34,767
Total Operating Revenues (Sch A)	8,121,326	7,766,798
EXPENSES		
Operating Expenses		
Instruction	8,007,493	7,085,730
Public services	409,776	390,615
Academic support	2,341,237	2,625,566
Student services	1,661,351	1,597,000
Institutional support	2,629,477	2,413,068
Operation and maintenance of plant	1,969,637	2,275,069
Scholarships and fellowships	2,093,857	1,474,636
Auxiliary enterprises	2,223,892	2,297,289
Depreciation	575,216	511,728
Total Operating Expenses (Sch B)	21,911,936	20,670,701
Operating Loss	(13,790,610)	(12,903,903)
Non-Operating Revenues (Expenses)		
State appropriations	7,000,865	7,060,253
Property taxes for maintenance & operations	2,038,823	2,023,749
Federal revenue, non-operating	6,133,753	5,204,669
Gifts	542,772	56,390
Investment income	109,542	86,336
Gain/(Loss) on disposal of assets	(190,353)	16,302
Lease income	65,825	161,189
Operational costs of lease property	(23,831)	(20,374)
Amortization of bond issuance costs	(11,672)	(5,000)
Interest and fees on capital related debt	(472,826)	(387,256)
Net Non-Operating Revenues (Expenses) (Sch C)	15,192,898	14,196,258
Increase in Net Assets	1,402,288	1,292,355
Net Assets		
Net assets - beginning of year	15,509,338	14,216,983
Net assets - end of year	\$ 16,911,626	\$ 15,509,338

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues and support:		
Gifts and contributions	\$ 345,767	\$ 683,275
Silent auction	5,710	5,599
Investment income	30,718	14,974
Realized gains on investments	83,478	36,581
Unrealized losses on investments	<u>(49,865)</u>	<u>(16,600)</u>
Total revenues and support	<u>415,808</u>	<u>723,829</u>
Expenses:		
Operating expenses	6,101	3,739
Investment advisory fees	9,562	12,314
Departmental grants to Vernon College	17,755	13,712
Restricted gift transfer to Vernon College	500,000	-
Scholarship transfer to Vernon College	<u>35,898</u>	<u>36,791</u>
Total expenses	<u>569,316</u>	<u>66,556</u>
Increase (decrease) in net assets	(153,508)	657,273
Net assets at beginning of year	<u>1,487,667</u>	<u>830,394</u>
Net assets at end of year	<u><u>\$ 1,334,159</u></u>	<u><u>\$ 1,487,667</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, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 6,119,402	\$ 5,677,127
Receipts of appropriations, grants and contracts	2,649,149	2,360,088
Other receipts	155,660	250,630
Payments to or on behalf of employees	(13,479,572)	(12,596,070)
Payments to suppliers for goods and services	(8,049,681)	(8,298,612)
Payments of scholarships	(489,004)	(489,004)
Net cash used by operating activities	(13,094,046)	(13,095,841)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State allocations	7,068,432	6,961,634
Federal Title IV Grants	6,102,377	5,242,701
Property taxes for maintenance and operations	2,040,106	1,946,477
Gifts to endowment	42,772	56,390
Net cash provided by noncapital financing activities	15,253,687	14,207,202
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Gifts restricted for construction of capital assets	500,000	-
Purchases and construction of capital assets	(2,185,489)	(657,762)
Proceeds from sales of capital assets	-	236,116
Principal paid on capital debt	(553,371)	(400,295)
Proceeds from issuance of capital debt	5,892,623	-
Interest and fees paid on capital debt	(472,826)	(387,256)
Payment of bond issuance costs	-	(9,500)
Net cash provided (used) by capital and related financing activities	3,180,937	(1,218,697)
CASH FLOWS FROM INVESTING ACTIVITIES		
Lease income	65,825	161,189
Operating costs of lease property	(23,831)	(20,374)
Sales/(purchases) of short-term investments	(5,720,884)	330,384
Investment income	21,655	86,336
Net cash provided (used) by investing activities	(5,657,235)	557,535
Increase (decrease) in cash and cash equivalents	(316,657)	450,199
Cash and cash equivalents - beginning of year	2,565,198	2,114,999
Cash and cash equivalents - end of year	\$ 2,248,541	\$ 2,565,198
Displayed as:		
Cash and cash equivalents	\$ 2,108,416	\$ 2,256,406
Restricted cash and cash equivalents	140,125	308,792
	\$ 2,248,541	\$ 2,565,198
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (13,790,610)	\$ (12,903,903)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	575,216	511,728
(Increase) decrease in current assets:		
Accounts receivable, net (adjusted for non-operating items)	311,067	272,721
Inventories	(46,718)	19,861
Deferred charges	(769,879)	(735,418)
Prepaid assets	157,866	(139,626)
Increase (decrease) in current liabilities:		
Accounts payable (adjusted for non-operating items)	(28,085)	(393,490)
Accrued compensable absences	5,849	24,240
Deferred revenues	491,818	248,326
Deposits	(570)	(280)
Net cash used by operating activities	\$ (13,094,046)	\$ (13,095,841)
Noncash Financing and Investing Activities:		
Retirement of bonds payable through current refunding	\$ 5,759,537	\$ -
Incurrence of bond issuance costs through current refunding	311,513	-

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, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Receipts of gifts	\$ 345,767	\$ 683,275
Proceeds from Silent Auction	5,710	5,599
Payments to suppliers for goods and services	(15,663)	(16,886)
Restricted gift transferred to Vernon College	(500,000)	-
Payment of scholarships and grants to Vernon College	(104,156)	-
Net cash provided (used) by operating activities	(268,342)	671,988
Cash flows from investing activities:		
Proceeds from sales of investments	1,061,372	414,092
Purchases of investments	(1,540,061)	(383,654)
Investment income	32,415	14,497
Net cash provided (used) by investing activities	(446,274)	44,935
Increase (decrease) in cash and cash equivalents	(714,616)	716,923
Cash and cash equivalents at beginning of year	791,420	74,497
Cash and cash equivalents at end of year	\$ 76,804	\$ 791,420
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (153,508)	\$ 657,273
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Investment income	(30,718)	(14,974)
Realized gain on sale of investments	(83,478)	(36,581)
Unrealized loss on investments held	49,865	16,600
Increase (decrease) in operating liabilities:		
Accounts payable	(50,503)	49,670
Net cash provided (used) by operating activities	\$ (268,342)	\$ 671,988

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, 2011 AND 2010

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, 2011 AND 2010

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, 2011 AND 2010

J. Deferred Revenues

Tuition, fees, and other revenues received and related to the period after August 31, 2011 and 2010 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, 2011 and 2010.

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, 2011 and 2010, the carrying amount of the College's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$13,753,119 and \$8,348,888, respectively, and the bank balance was \$14,670,031 and \$8,897,304, respectively. The College's cash deposits at August 31, 2011 and 2010 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, 2011 AND 2010**

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, 2011 and 2010 are as follows:

<u>Investment or Investment Type</u>	<u>August 31, 2011</u>		<u>August 31, 2010</u>	
	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificates of deposit	3.83	\$11,510,500	5.84	\$5,789,616

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, 2011 AND 2010**

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, 2011 and 2010 are shown below:

	<u>2011</u>	<u>2010</u>
Equity securities	\$ --	\$372,371
Bonds	--	292,560
Mutual funds	<u>1,257,355</u>	<u>80,122</u>
Totals	<u>\$1,257,355</u>	<u>\$745,053</u>
Total aggregate cost	<u>\$1,307,220</u>	<u>\$761,653</u>

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, 2011 AND 2010

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, 2011:

Net assessed valuation is computed as follows:

Gross assessed valuation	\$1,523,966,580
Less exceptions or abatements	(636,681,320)
Net assessed valuation	<u>\$ 887,285,260</u>

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

	Current Operations	Debt Service	Totals
Authorized	\$1.00000	\$.00000	\$1.00000
Assessed	\$.22672	\$.00000	\$.22672

Property taxes levied for the year ended August 31, 2011 amounted to \$2,018,225.

The taxes collected during the year ended August 31, 2011 were as follows:

	Current Operations	Debt Service	Totals
Current taxes	\$1,966,566	\$ --	\$1,966,566
Delinquent taxes	46,587	--	46,587
Penalties and interest	<u>25,670</u>	<u>--</u>	<u>25,670</u>
Total collections	<u>\$2,038,823</u>	<u>\$ --</u>	<u>\$2,038,823</u>

Current tax collections for the year ended August 31, 2011 were 97.56% 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, 2011 AND 2010

5. Disaggregation of Accounts Receivable

Accounts receivable, net of allowances for uncollectibles, at August 31, 2011 and 2010 consisted of the following:

August 31, 2011

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$ 728,237	\$398,040	\$ 330,197
Federal grants	156,820	--	156,820
State/local grants and contracts	620,190	--	620,190
Property taxes	158,802	64,304	94,498
Others	<u>132,907</u>	<u>--</u>	<u>132,907</u>
Totals	<u>\$1,796,956</u>	<u>\$462,344</u>	<u>\$1,334,612</u>

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>

6. Capital Assets

Capital assets activity for the years ended August 31, 2011 and 2010 was as follows:

August 31, 2011

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,816,959	\$ --	\$ 4,168	\$ 2,812,791
Construction in progress	<u>384,554</u>	<u>1,775,722</u>	<u>1,791,110</u>	<u>369,166</u>
Total capital assets not being depreciated	<u>3,201,513</u>	<u>1,775,722</u>	<u>1,795,278</u>	<u>3,181,957</u>
Capital assets being depreciated:				
Buildings	15,414,757	1,769,110	278,594	16,905,273
Land improvements	950,792	32,789		983,581
Furniture, machinery, vehicles and other equipment	1,426,385	289,284	--	1,715,669
Telecommunications and computer equipment	1,274,622	82,832	--	1,357,454
Library books	<u>1,074,855</u>	<u>16,262</u>	<u>--</u>	<u>1,091,117</u>
Total capital assets being depreciated	<u>20,141,411</u>	<u>2,190,277</u>	<u>278,594</u>	<u>22,053,094</u>
Less accumulated depreciation:				
Buildings	4,781,311	341,729	38,028	5,085,012
Land improvements	489,038	29,389	--	518,427
Furniture, machinery, vehicles and other equipment	735,079	102,053	--	837,132
Telecommunications and computer equipment	900,918	79,714	--	980,632
Library books	<u>809,314</u>	<u>22,332</u>	<u>--</u>	<u>831,646</u>
Total accumulated depreciation	<u>7,715,660</u>	<u>575,217</u>	<u>38,028</u>	<u>8,252,849</u>
Total capital assets being depreciated, net	<u>12,425,751</u>	<u>1,615,060</u>	<u>240,566</u>	<u>13,800,245</u>
Capital assets, net	<u>\$15,627,264</u>	<u>\$3,390,782</u>	<u>\$2,035,844</u>	<u>\$16,982,202</u>

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2011 AND 2010

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>

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, 2011 and 2010 are as follows:

August 31, 2011

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$6,540,000	\$11,765,000	\$6,180,000	\$12,125,000	\$445,000
Premium on bonds	--	174,552	8,728	165,824	--
Capital leases	1,167,734	--	103,371	1,064,363	111,372
Compensated absences	<u>283,909</u>	<u>281,095</u>	<u>275,247</u>	<u>289,757</u>	<u>199,976</u>
Totals	<u>\$7,991,643</u>	<u>\$12,220,647</u>	<u>\$6,567,346</u>	<u>\$13,644,944</u>	<u>\$756,348</u>

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>

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2011 AND 2010

B. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2011 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 556,372	\$ 469,643	\$ 1,026,015
2013	574,860	453,811	1,028,671
2014	593,858	437,282	1,031,140
2015	613,393	420,032	1,033,425
2016	632,777	401,494	1,034,271
2017-21	3,078,103	1,686,158	4,764,261
2022-26	3,195,000	1,122,200	4,317,200
2027-30	<u>3,945,000</u>	<u>374,700</u>	<u>4,319,700</u>
Totals	<u>\$13,189,363</u>	<u>\$5,365,320</u>	<u>\$18,554,683</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 Series 2004 and Taxable Series 2004 revenue bonds' interest rates are set at 110% of the Bond Buyer Index and Prime Rate plus 1.75%, respectively.

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. Both refundings were current refundings where proceeds of the new debt directly repaid principle of the old debt. As a result of the refunding, the College increased its total debt service requirements by \$1,084,238 while increasing its repayment term six years, resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$395,212.

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

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2011 AND 2010

Debt service requirements for the College's outstanding bonds at August 31, 2011 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 445,000	\$ 419,975	\$ 864,975
2013	455,000	409,700	864,700
2014	465,000	399,150	864,150
2015	475,000	388,325	863,325
2016	485,000	376,681	861,681
2017-21	2,660,000	1,657,331	4,317,331
2022-26	3,195,000	1,122,200	4,317,200
2027-30	<u>3,945,000</u>	<u>374,700</u>	<u>4,319,700</u>
Totals	<u>\$12,125,000</u>	<u>\$5,148,062</u>	<u>\$17,273,062</u>

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

D. Capital Leases

The Public Property Finance Act gives the College authority to enter into capital leases for the acquisition of personal property. Through August 31, 2011, the College has acquired \$1,644,995 in equipment through capital leases.

Commitments under capitalized lease agreements provide for minimum future rental payments as of August 31, 2011 as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	147,777	24,813	172,590
2017-19	<u>418,103</u>	<u>28,827</u>	<u>446,930</u>
Totals	<u>\$1,064,363</u>	<u>\$217,257</u>	<u>\$1,281,620</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 vacation leave up to the maximum allowed. The College recognized the accrued liability for the unpaid vacation leave of \$289,757 and \$283,909 at August 31, 2011 and 2010, respectively.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2011 AND 2010

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.

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 \$6,572,658 and \$5,907,680 for the years ended August 31, 2011 and 2010, respectively. The College's employees' contributions to the System for the years ending August 31, 2011 and 2010 were \$420,650 and \$378,092, 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, 2011 and 2010 were \$83,233 and \$81,935, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2011 and 2010, the amounts contributed by the state on behalf of the College were \$436,687 and \$392,506, 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.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2011 AND 2010

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 6.40% 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 \$2,957,870 and \$3,264,344 for the years ended August 31, 2011 and 2010, respectively. The College's employees' contributions to the Program for the years ending August 31, 2011 and 2010 were \$196,698 and \$217,076, respectively, and were equal to the required contributions for the year. Other contributions made from the College for the years ending August 31, 2011 and 2010 were \$38,748 and \$25,269, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2011 and 2010, the amounts contributed by the State on behalf of the College were \$189,306 and \$208,925, respectively. The State has no unfunded liabilities relative to the Program.

C. Total Payroll

The total payroll for all College employees was \$10,758,662 and \$10,095,098 for the years ended August 31, 2011 and 2010, respectively.

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 2011, 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 \$413 per month for employee only coverage and ranging from \$571 to \$808 for employee and dependent coverage for the year ended August 31, 2011. 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 total number of employees participating in the plan and contributions were as follows:

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2011 AND 2010

	<u>2010-11</u>		<u>2009-10</u>	
	<u>Number of Employees</u>	<u>Contribution</u>	<u>Number of Employees</u>	<u>Contribution</u>
Active employees	220	\$ 691,894	220	\$ 727,614
Retired employees	<u>64</u>	<u>308,170</u>	<u>60</u>	<u>309,133</u>
Totals	<u>284</u>	<u>\$1,000,064</u>	<u>280</u>	<u>\$1,036,747</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. Construction Commitments

The College has a project for the renovation of its Wichita Falls campus in process as of August 31, 2011. As of that date the College had completed \$369,166 of the project, which is reported as construction in progress in Note 6 above. The College was obligated to vendors for \$100,545 for work performed through that date as reflected in accounts payable on Exhibit 1. As of August 31, 2011, the College was also contractually obligated for an additional \$163,050 for architectural and construction management work related to completion of the project.

14. Concentration – Title IV HEA Funding

For the years ended August 31, 2011 and 2010, the College received 28% and 23% of its total revenues (operating and non-operating) from federal Title IV HEA grants. In addition, \$6,387,480 and \$4,529,693 of Title IV student loans were used by students to pay for tuition, fees and other costs included in the College's revenues for the years ending August 31, 2011 and 2010, respectively. Altogether these grants and loans directly contribute to more than 50% of the College's total annual revenue. A loss or significant reduction in these grants and loans would have a material adverse effect on the College's operations and financial position.

15. Subsequent Event – Construction/Renovation of Facilities

On October 8, 2011, the College entered into multiple contracts totaling \$6,146,500 for the renovation and addition to its Century City campus in Wichita Falls, Texas. The project commenced in October 2011 and the College anticipates completion of the project in July 2012.

Other Supplementary Information

Vernon College
Schedule A
Schedule of Operating Revenues
For the Year Ended August 31, 2011
(With Memorandum Totals for the Year Ended August 31, 2010)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2011 Totals	2010 Totals
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 265,202	\$ -	\$ 265,202	\$ -	\$ 265,202	\$ 258,835
Out-of-district resident tuition	3,962,917	-	3,962,917	-	3,962,917	3,928,832
Non-resident tuition	200,042	-	200,042	-	200,042	119,746
TPEG (set aside)*	-	274,222	274,222	-	274,222	263,645
State funded continuing education	540,035	-	540,035	-	540,035	451,437
Non-state funded continuing education	133,380	-	133,380	-	133,380	115,931
Total Tuition	5,101,576	274,222	5,375,798	-	5,375,798	5,138,426
Fees:						
General fees	3,248,673	-	3,248,673	-	3,248,673	2,887,493
Laboratory fees	677,826	-	677,826	-	677,826	667,121
Total Fees	3,926,499	-	3,926,499	-	3,926,499	3,554,614
Scholarship allowances and discounts:						
Remissions and exemptions - state	(96,527)	-	(96,527)	-	(96,527)	(21,660)
Title IV federal grants	(3,030,080)	-	(3,030,080)	-	(3,030,080)	(2,378,090)
TPEG awards	(274,222)	-	(274,222)	-	(274,222)	(66,990)
Other local awards	(2,262,100)	-	(2,262,100)	-	(2,262,100)	(2,760,127)
Total Scholarship Allowances	(5,662,929)	-	(5,662,929)	-	(5,662,929)	(5,226,866)
Total Net Tuition and Fees	3,365,146	274,222	3,639,368	-	3,639,368	3,466,174
Other operating revenues:						
Federal grants and contracts	26,387	673,662	700,049	-	700,049	858,730
State grants and contracts	-	1,169,238	1,169,238	-	1,169,238	686,028
Non-governmental grants and contracts	-	951,657	951,657	-	951,657	1,084,012
Sales and services of educational activities	111,860	-	111,860	-	111,860	131,078
Investment income (program restricted)	-	43,949	43,949	-	43,949	44,067
General operating revenues	22,361	-	22,361	-	22,361	34,767
Total Other Operating Revenues	160,608	2,838,506	2,999,114	-	2,999,114	2,838,682
Auxiliary Enterprises:						
Residential life	-	-	-	440,123	440,123	403,046
Scholarship allowances and discounts	-	-	-	(168,953)	(168,953)	(144,816)
Net Residential Life	-	-	-	271,170	271,170	258,230
Bookstore	-	-	-	2,091,945	2,091,945	1,909,330
Scholarship allowances and discounts	-	-	-	(958,822)	(958,822)	(781,280)
Net Bookstore	-	-	-	1,133,123	1,133,123	1,128,050
Student programs	-	-	-	78,551	78,551	75,661
Total Net Auxiliary Enterprises	-	-	-	1,482,844	1,482,844	1,461,941
Total Operating Revenues (Exhibit 2)	\$ 3,525,754	\$ 3,112,728	\$ 6,638,482	\$ 1,482,844	\$ 8,121,326 (Exhibit 2)	\$ 7,766,798 (Exhibit 2)

* In accordance with Education Code 56.033, \$274,222 and \$263,645 for years August 31, 2011 and 2010, 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, 2011
(With Memorandum Totals for the Year Ended August 31, 2010)

	Operating Expenses				2011 Totals	2010 Totals
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 4,834,621	\$ -	\$ 499,529	\$ 393,147	\$ 5,727,297	\$ 4,935,790
Public Service	91,251	-	18,085	49,033	158,369	155,997
Academic Support	1,518,592	-	145,768	422,621	2,086,981	2,344,097
Student Services	1,151,001	-	116,144	140,968	1,408,113	1,331,121
Institutional Support	1,285,545	-	122,467	1,026,308	2,434,320	2,217,009
Operation and Maintenance of Plant	692,066	-	65,929	1,106,591	1,864,586	2,170,663
Scholarships and Fellowships	-	-	-	-	-	-
Total Unrestricted Educational Activities	<u>9,573,076</u>	<u>-</u>	<u>967,922</u>	<u>3,138,668</u>	<u>13,679,666</u>	<u>13,154,677</u>
Restricted - Educational Activities						
Instruction	408,970	795,944	43,463	1,031,819	2,280,196	2,149,939
Public Service	98,585	28,816	10,128	113,878	251,407	234,619
Academic Support	11,540	232,264	-	10,452	254,256	281,469
Student Services	68,175	185,063	-	-	253,238	265,878
Institutional Support	-	195,137	-	20	195,157	196,059
Operation and Maintenance of Plant	-	105,051	-	-	105,051	104,408
Scholarships and Fellowships	-	-	-	2,093,857	2,093,857	1,474,635
Total Restricted Educational Activities	<u>587,270</u>	<u>1,542,275</u>	<u>53,591</u>	<u>3,250,026</u>	<u>5,433,162</u>	<u>4,707,007</u>
Total Educational Activities	<u>10,160,346</u>	<u>1,542,275</u>	<u>1,021,513</u>	<u>6,388,694</u>	<u>19,112,828</u>	<u>17,861,684</u>
Auxiliary Enterprises	<u>598,316</u>	<u>-</u>	<u>162,970</u>	<u>1,462,606</u>	<u>2,223,892</u>	<u>2,297,289</u>
Depreciation Expense - Buildings and other real estate improvements	-	-	-	371,117	371,117	358,637
Depreciation Expense - Equipment and furniture	-	-	-	204,099	204,099	153,091
Total Operating Expenses	<u>\$ 10,758,662</u>	<u>\$ 1,542,275</u>	<u>\$ 1,184,483</u>	<u>\$ 8,426,516</u>	<u>\$ 21,911,936</u> (Exhibit 2)	<u>\$ 20,670,701</u> (Exhibit 2)

Vernon College
Schedule C
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2011
(With Memorandum Totals for the Year Ended August 31, 2010)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2011 Totals</u>	<u>2010 Totals</u>
NON-OPERATING REVENUES:						
State appropriations:						
Educational and general state support	\$ 5,458,589	\$ -	\$ 5,458,589	\$ -	\$ 5,458,589	\$ 5,521,976
State group insurance	-	1,000,064	1,000,064	-	1,000,064	1,036,747
State retirement match	-	542,212	542,212	-	542,212	501,530
Total state appropriations	5,458,589	1,542,276	7,000,865	-	7,000,865	7,060,253
Property taxes for maintenance & operation	1,262,683	-	1,262,683	776,140	2,038,823	2,023,749
Federal Revenue, Non-Operating	-	6,133,753	6,133,753	-	6,133,753	5,204,669
Capital contracts, grants and gifts	5,930	536,842	542,772	-	542,772	56,390
Gain/(Loss) on Disposal of Assets	-	(190,353)	(190,353)	-	(190,353)	16,302
Lease income	-	65,825	65,825	-	65,825	161,189
Investment income	94,907	14,635	109,542	-	109,542	86,336
Total non-operating revenues	6,822,109	8,102,978	14,925,087	776,140	15,701,227	14,608,888
NON-OPERATING EXPENSES:						
Operational costs of lease property	-	23,831	23,831	-	23,831	20,374
Amortization of bond issuance costs	-	11,672	11,672	-	11,672	5,000
Interest and fees on capital related debt	54,829	417,997	472,826	-	472,826	387,256
Total non-operating expenses	54,829	453,500	508,329	-	508,329	412,630
Net non-operating revenues	\$ 6,767,280	\$ 7,649,478	\$ 14,416,758	\$ 776,140	\$ 15,192,898	\$ 14,196,258
					(Exhibit 2)	(Exhibit 2)

Vernon College
Schedule D
Schedule of Net Assets By Source and Availability
For the Year Ended August 31, 2011
(With Memorandum Totals for the Year Ended August 31, 2010)

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 5,086,374	\$ -	\$ -	\$ -	\$ 5,086,374	\$ 5,086,374	\$ -
Auxiliary	48,548	-	-	-	48,548	48,548	-
Student Aid	(25,997)	-	-	-	(25,997)	(25,997)	-
Endowment:							
Student Aid	-	-	2,349,161	-	2,349,161	-	2,349,161
Plant:							
Debt Service	-	1,546,239	-	-	1,546,239	-	1,546,239
Investment in Plant	-	-	-	7,907,301	7,907,301	-	7,907,301
Total Net Assets, August 31, 2011	5,108,925	1,546,239	2,349,161	7,907,301	16,911,626 (Exhibit 1)	5,108,925	11,802,701
Total Net Assets, August 31, 2010	4,745,732	789,084	2,495,413	7,479,108	15,509,338 (Exhibit 1)	4,745,732	10,763,605
Net Increase (Decrease) in Net Assets	\$ 363,193	\$ 757,155	\$ (146,252)	\$ 428,193	\$ 1,402,288 (Exhibit 2)	\$ 363,193	\$ 1,039,095

Vernon College
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2011

<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	\$ 37,046
Federal Workstudy Program (FWS)	84.033	N/A	68,174
Federal Pell Grant Program (Pell)	84.063	N/A	5,875,948
Federal Academic Competiveness Grants (ACG)	84.375	N/A	141,085
Teacher Educational Assistance for College and Higher Education Grants (TEACH Grants)	84.379	N/A	11,500
Total Direct Programs			<u>6,133,753</u>
<u>Pass-Through From:</u>			
Texas Higher Education Coordinating Board:			
Carl Perkins Vocational Education:			
Annual Grant	84.048	94252	155,681
Tech Prep Regular Grant	84.243	91724	222,786
Federal LEAP	84.069A	N/A	3,995
Federal SLEAP	84.069B	N/A	5,448
State Fiscal Stabilization Fund (SFSF) - Recovery Act:			
Formula Funds - ARRA	84.397A	3630	23,056
Special Funds - ARRA	84.397A	3634	218,073
Total CFDA Number 84.397A			<u>241,129</u>
Total U.S. Department of Education			<u>6,762,792</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	1,737
Special Programs for the Aging -Title III, Part C Nutrition	93.045	N/A	42,886
Total U.S. Department of Health and Human Services			<u>44,623</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,807,415</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, 2011**

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	\$ 6,807,415
Administrative Cost Recoveries - US Dept. of Education	<u>26,387</u>
 Total Per Exhibit 2	 <u>\$ 6,833,802</u>
 Displayed as:	
Operating revenues - Federal grants and contracts	\$ 700,049
Non-operating revenues - Federal Title IV Grants	<u>6,133,753</u>
Total	<u>\$ 6,833,802</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>\$ 6,387,480</u>	<u>\$ -</u>	<u>\$ 6,387,480</u>

Note 4: Pass-Through Amounts Included in Program Expenditures

CFDA No. 84.243 Carl Perkins Voc. Ed.-Tech Prep expenditures includes \$19,541 passed through to:

Archer City Independent School District	\$ 2,000
Bowie Independent School District	1,997
Burkburnett Independent School District	2,000
Midway Independent School District	1,540
Munday Independent School District	1,938
Newcastle Independent School District	3,923
Northside Independent School District	936
Paducah Independent School District	2,678
Quanah Independent School District	529
Wichita Falls Independent School District	<u>2,000</u>
	<u>\$ 19,541</u>

Vernon College
Schedule F
Schedule of Expenditures of State Awards
For Year Ended August 31, 2011

State Grantor/Pass Through Grantor/Program Title	Grant Contract #	Expenditures August 31, 2011
Pass-Through From		
Texas Higher Ed Coordinating Board		
College Workstudy	N/A	\$ 11,261
Texas Grant	N/A	294,093
Top 10% Scholarship Program	N/A	10,000
Professional Nursing Shortage Reduction Program	N/A	60,123
Subtotal Texas Higher Education Coordinating Board		375,477
Texas Department of Agriculture		
Texans Feeding Texans	N/A	8,137
Subtotal Texas Department of Agriculture		8,137
Texas Comptroller of Public Accounts		
Law Enforcement Grant	N/A	20
JET (Jobs & Education for Texans)	3572.51	55,423
Subtotal Texas Comptroller of Public Account		55,443
Texas Workforce Commission		
SDF Grant WF Consortium	0310SDF000	418,718
SDF Grant Natura World	0310SDF001	142,306
SDF Grant WDS Global	0310SDF002	142,854
TWC-LEP Grant	N/A	26,303
Subtotal Texas Workforce Awards		730,182
Total State Grants and Awards		\$ 1,169,238

Note 1: 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 2006 to 2011
(Unaudited)

	For the Years Ended August 31,					
	2011	2010	2009	2008	2007	2006
Invested in capital assets, net of related debt	\$ 7,907,301	\$ 7,758,361	\$ 7,532,428	\$ 7,302,927	\$ 7,318,720	\$ 6,851,139
Restricted - nonexpendable	2,349,161	2,495,414	2,504,215	2,495,579	2,038,618	1,877,070
Restricted - expendable	1,546,239	509,831	462,826	665,508	622,405	1,106,906
Unrestricted	5,108,925	4,745,732	3,717,514	2,990,161	2,976,155	2,626,756
Total primary government net assets	<u>\$16,911,626</u>	<u>\$ 15,509,338</u>	<u>\$ 14,216,983</u>	<u>\$ 13,454,175</u>	<u>\$ 12,955,898</u>	<u>\$ 12,461,871</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2006 to 2011 are reported.

Vernon College
Statistical Supplement 2
Revenue by Source
Fiscal Years 2006 to 2011
(Unaudited)

For the Years Ended August 31,

	2011	2010	2009	2008	2007	2006
Operating Revenues						
Tuition and fees (net of discounts)	\$ 3,639,368	\$ 3,466,174	\$ 3,330,972	\$ 1,860,137	\$ 2,198,299	\$ 1,987,464
Government grants and contracts:						
Federal grants and contracts	700,049	856,730	644,667	1,170,242	1,381,841	1,272,232
State grants and contracts	1,169,238	804,416	297,328	261,308	234,504	399,075
Non-governmental grants and contracts	951,657	967,624	1,106,899	872,706	627,138	583,976
Sales and services of educational activities	111,860	131,078	125,457	127,783	124,305	134,363
Investment income (program restricted)	43,949	44,067	64,712	117,565	134,949	231,759
Auxiliary enterprises (net of discounts)	1,482,844	1,461,942	1,518,977	1,557,681	1,582,164	1,458,192
General operating revenues	22,361	34,767	596	40,758	24,321	32,606
Total Operating Revenues	<u>8,121,326</u>	<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>
Non-Operating Revenues						
State appropriations	7,000,865	7,060,253	7,043,388	7,077,351	6,948,017	6,879,466
Ad valorem taxes	2,038,823	2,023,749	2,020,065	2,043,714	2,036,614	2,054,039
Federal Revenue, Non-Operating	6,133,753	5,204,669	2,969,655	2,511,925	2,377,197	2,497,949
Other non-operating income	(147,581)	72,692	75,983	-	37,061	-
Lease income	65,825	161,189	396,566	414,658	407,967	627,092
Investment income	109,542	86,336	97,183	123,301	179,007	48,233
Total Non-Operating Revenues	<u>15,201,227</u>	<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>
Total Revenues	<u>\$ 23,322,553</u>	<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>

For the Years Ended August 31,

	2011	2010	2009	2008	2007	2006
Operating Revenues						
Tuition and fees (net of discounts)	15.60%	15.49%	16.91%	10.23%	12.02%	10.92%
Government grants and contracts:						
Federal grants and contracts	3.00%	3.83%	3.27%	6.44%	7.55%	6.99%
State grants and contracts	5.01%	3.60%	1.51%	1.44%	1.28%	2.19%
Non-governmental grants and contracts	4.08%	4.32%	5.62%	4.80%	3.43%	3.21%
Sales and services of educational activities	0.48%	0.59%	0.64%	0.70%	0.68%	0.74%
Investment income (program restricted)	0.19%	0.20%	0.33%	0.65%	0.74%	1.27%
Auxiliary enterprises (net of discounts)	6.36%	6.53%	7.71%	8.57%	8.65%	8.01%
Other operating revenues	0.10%	0.16%	0.00%	0.22%	0.13%	0.18%
Total Operating Revenues	<u>34.82%</u>	<u>34.71%</u>	<u>36.00%</u>	<u>33.05%</u>	<u>34.48%</u>	<u>33.50%</u>
Non-Operating Revenues						
State appropriations	30.02%	31.55%	35.77%	38.93%	37.98%	37.79%
Ad valorem taxes	8.74%	9.04%	10.26%	11.24%	11.13%	11.28%
Federal Title IV grant revenue	26.30%	23.26%	15.08%	13.82%	12.99%	13.72%
Capital contracts, grants and gifts	-0.63%	0.32%	0.39%	0.00%	0.20%	0.00%
Lease income	0.28%	0.72%	2.01%	2.28%	2.23%	3.44%
Investment income	0.47%	0.39%	0.49%	0.68%	0.98%	0.26%
Total Non-Operating Revenues	<u>65.18%</u>	<u>65.29%</u>	<u>64.00%</u>	<u>66.95%</u>	<u>65.52%</u>	<u>66.50%</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 2006 to 2011 are reported.

Vernon College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2006 to 2011
(Unaudited)

For the Years Ended August 31,

	2011	2010	2009	2008	2007	2006
Operating Expenses						
Instruction	\$ 8,007,493	\$ 7,085,729	\$ 6,733,646	\$ 6,478,364	\$ 5,834,780	\$ 5,954,887
Public service	409,776	390,616	383,026	344,312	332,191	338,088
Academic support	2,341,237	2,625,566	2,349,928	2,277,988	2,462,146	2,109,335
Student services	1,661,351	1,596,999	1,492,684	1,414,255	1,743,620	1,453,965
Institutional support	2,629,477	2,413,068	2,412,779	2,138,994	2,030,647	1,904,323
Operation and maintenance of plant	1,969,637	2,275,070	1,874,896	2,043,131	1,720,330	1,363,683
Scholarship and fellowships	2,093,857	1,474,636	489,004	191,434	368,533	635,800
Auxiliary enterprises	2,223,892	2,297,289	2,210,484	2,246,353	2,168,860	2,143,037
Depreciation	575,216	511,728	522,686	515,907	484,454	461,323
Total Operating Expenses	21,911,936	20,670,701	18,469,133	17,650,738	17,145,561	16,364,441
Non-Operating Expenses						
Operational costs of leased property	23,831	20,374	36,274	33,330	239,114	244,320
Amortization of bond issuance costs	11,672	5,000	5,000	5,000	5,000	5,000
Interest and fees on capital related debt	472,826	387,256	419,232	450,371	468,360	486,488
Total Non-Operating Expenses	508,329	412,630	460,506	488,701	712,474	735,808
Total Expenses	\$ 22,420,265	\$ 21,083,331	\$ 18,929,639	\$ 18,139,439	\$ 17,858,035	\$ 17,100,249

For the Years Ended August 31,

	2011	2009	2008	2007	2006	2005
Operating Expenses						
Instruction	35.72%	33.61%	35.57%	35.71%	32.67%	34.82%
Public service	1.83%	1.85%	2.02%	1.90%	1.86%	1.98%
Academic support	10.44%	12.45%	12.41%	12.56%	13.79%	12.34%
Student services	7.41%	7.57%	7.89%	7.80%	9.76%	8.50%
Institutional support	11.73%	11.45%	12.75%	11.79%	11.37%	11.14%
Operation and maintenance of plant	8.79%	10.79%	9.90%	11.26%	9.63%	7.97%
Scholarship and fellowships	9.34%	6.99%	2.58%	1.06%	2.06%	3.72%
Auxiliary enterprises	9.92%	10.90%	11.68%	12.38%	12.15%	12.53%
Depreciation	2.57%	2.43%	2.76%	2.84%	2.71%	2.70%
Total Operating Expenses	97.73%	98.04%	97.57%	97.31%	96.01%	95.70%
Non-Operating Expenses						
Operational costs of leased property	0.11%	0.10%	0.19%	0.18%	1.34%	1.43%
Amortization of bond issuance costs	0.05%	0.02%	0.03%	0.03%	0.03%	0.03%
Interest and fees on capital related debt	2.11%	1.84%	2.21%	2.48%	2.62%	2.84%
Total Non-Operating Expenses	2.27%	1.96%	2.43%	2.69%	3.99%	4.30%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2006 to 2011 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
2010	44.00	75.00	27.00	6.00	924.00	1,296.00	5.48%	6.93%
2009	42.00	70.00	25.00	6.00	876.00	1,212.00	10.61%	8.02%
2008	39.00	66.50	21.00	6.00	792.00	1,122.00	24.53%	20.65%
2007	36.00	60.50	11.00	6.00	636.00	930.00	8.16%	5.44%
2006	32.00	56.50	11.00	6.00	588.00	882.00	6.52%	10.53%
2005	29.00	49.50	11.00	6.00	552.00	798.00	9.52%	13.68%
2004	25.00	41.50	11.00	6.00	504.00	702.00	5.00%	13.59%
2003	23.00	34.50	11.00	6.00	480.00	618.00	14.29%	11.96%
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		

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
2010	130.00	130.00	27.00	6.00	1,956.00	1,956.00	7.95%	7.95%
2009	120.00	120.00	25.00	6.00	1,812.00	1,812.00	9.42%	9.42%
2008	111.00	111.00	21.00	6.00	1,656.00	1,656.00	15.00%	15.00%
2007	103.00	103.00	11.00	6.00	1,440.00	1,440.00	6.19%	6.19%
2006	96.00	96.00	11.00	6.00	1,356.00	1,356.00	8.65%	8.65%
2005	87.00	87.00	11.00	6.00	1,248.00	1,248.00	8.33%	8.33%
2004	79.00	79.00	11.00	6.00	1,152.00	1,152.00	12.94%	12.94%
2003	68.00	68.00	11.00	6.00	1,020.00	1,020.00	8.97%	8.97%
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		

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>
2010-11	\$ 1,523,966,580	\$ 636,681,320	\$ 887,285,260	58.22%	\$ 0.22672	\$ 0.00000	\$ 0.22672
2009-10	1,529,569,880	626,657,640	902,912,240	59.03%	0.22280	0.00000	0.22280
2008-09	1,456,143,210	529,537,760	926,605,450	63.63%	0.21737	0.00000	0.21737
2007-08	1,264,925,500	349,950,230	914,975,270	72.33%	0.21869	0.00000	0.21869
2006-07	1,171,062,460	251,862,620	919,199,840	78.49%	0.21869	0.00000	0.21869
2005-06	1,050,763,590	245,190,490	805,573,100	76.67%	0.24993	0.00000	0.24993
2004-05	1,009,481,640	243,684,940	765,796,700	75.86%	0.26195	0.00000	0.26195
2003-04	940,002,038	239,851,874	700,150,164	74.48%	0.28652	0.00000	0.28652
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

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	
2010-11	5,454,584	2,720	2,005	874,720	1,071,662	1,946,382	2.80
2009-10	5,521,976	2,420	2,282	860,960	826,687	1,687,647	3.27
2008-09	5,453,123	2,106	2,589	756,960	796,234	1,553,194	3.51
2007-08	5,453,123	1,999	2,728	740,544	689,139	1,429,683	3.81
2006-07	5,454,838	1,957	2,788	726,928	698,679	1,425,607	3.83
2005-06	5,453,123	1,961	2,780	694,752	767,656	1,462,408	3.73
2004-05	5,042,849	1,971	2,559	639,936	831,587	1,471,523	3.43
2003-04	5,042,930	2,146	2,350	647,568	868,196	1,515,764	3.33
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

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								
		2011	2010	2009	2008	2007	2006	2005	2004	2003
AEP Texas North Company	Energy company	\$ 175,881,840	\$ 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	49,330,580	58,018,740	55,415,220	55,975,710	52,262,440	53,703,940	56,973,910	61,054,130	55,511,340
Tyson Foods, Inc	Food processing plant	36,724,230	27,432,690	28,204,470	30,766,480	29,281,070	30,522,910	28,232,360	27,223,090	26,268,920
Oklahoma Municipal Power Authority	Energy company	32,929,510	30,694,140	31,554,780	28,978,660	30,411,870	31,876,920	32,505,830	33,519,560	30,638,140
WT Waggoner Estate	Farming, ranching, oil & gas	25,172,210	25,087,580	23,450,170	24,037,680	19,659,204	20,541,460	17,689,480	17,427,760	10,507,350
Rhodia, Inc	Guar processing plant	18,935,300	17,946,960	22,765,170	22,555,420	25,422,440	23,399,550	21,481,620	22,684,760	16,612,360
Mahard Egg Farm	Egg farm	18,811,580	19,967,630	21,258,480	9,740,310	9,462,890	8,085,040	6,292,390	-	-
BNSF Railway	Railroad company	17,537,810	14,756,370	13,437,470	12,769,020	11,694,320	10,334,230	9,360,030	8,733,150	9,043,140
AEP West Texas Utilities Company	Energy company	13,339,240	13,609,240	12,050,300	11,490,730	11,467,250	11,467,250	11,467,250	11,467,250	7,819,470
Wal-Mart Stores/Retail Trust 1	Retail sales	11,063,650	5,753,060	5,054,790	4,123,730	-	-	-	-	-
Electric Transmission of Texas	Electricity Distribution	10,913,990	6,986,390	5,852,390	8,117,510	-	-	-	-	-
Johnson & Ernst Op Co	Oil & gas	9,481,960	6,661,210	5,387,360	4,243,260	-	-	-	-	-
Vess Energy Partners	Oil & gas	7,040,400	5,195,240	5,810,180	5,389,120	6,109,790	5,778,290	-	6,160,750	7,022,450
Atmos Energy/MIDTEX	Energy company	-	-	-	-	6,109,790	-	-	-	-
Southwestern Bell Telephone Co	Telephone company	-	-	-	-	-	-	-	-	-
Totals		\$ 427,162,300	\$ 418,456,640	\$ 456,088,910	\$ 477,548,050	\$ 507,294,074	\$ 501,985,780	\$ 431,229,320	\$ 418,926,600	\$ 353,490,560

Taxpayer	Type of Business	Percentage Taxable Assessed Valuation (TAV) by Tax Year								
		2011	2010	2009	2008	2007	2006	2005	2004	2003
AEP Texas North Company	Energy company	19.82%	20.64%	23.87%	28.35%	33.89%	38.02%	32.28%	32.94%	26.87%
AEP Public Service Co of Oklahoma	Energy company	5.56%	6.43%	5.98%	6.12%	5.69%	6.67%	7.44%	8.72%	7.85%
Tyson Foods, Inc	Food processing plant	4.14%	3.04%	3.04%	3.36%	3.19%	3.79%	4.24%	3.89%	3.71%
Oklahoma Municipal Power Authority	Energy company	3.71%	3.40%	3.41%	3.17%	3.31%	3.96%	4.24%	4.79%	4.33%
WT Waggoner Estate	Farming, ranching, oil & gas	2.84%	2.78%	2.53%	2.63%	2.14%	2.55%	2.31%	2.49%	1.49%
Rhodia, Inc	Guar processing plant	2.13%	1.99%	2.46%	2.47%	2.77%	2.90%	2.81%	3.24%	2.35%
Mahard Egg Farm	Egg farm	2.12%	2.21%	2.29%	1.06%	1.03%	1.00%	0.82%	0.00%	0.00%
BNSF Railway	Railroad company	1.98%	1.63%	1.45%	1.40%	1.27%	1.28%	1.22%	1.25%	1.28%
AEP West Texas Utilities Company	Energy company	1.50%	1.51%	1.30%	1.26%	1.25%	1.42%	1.50%	1.64%	1.11%
Wal-Mart Stores/Retail Trust 1	Retail sales	1.25%	0.64%	0.55%	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%
Electric Transmission of Texas	Electricity Distribution	1.23%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Johnson & Ernst Op Co	Oil & gas	1.07%	0.77%	0.63%	0.89%	0.00%	0.00%	0.00%	0.00%	0.00%
Vess Energy Partners	Oil & gas	0.79%	0.74%	0.58%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Atmos Energy/MIDTEX	Energy company	0.00%	0.00%	0.51%	0.46%	0.00%	0.00%	0.00%	0.00%	0.00%
Southwestern Bell Telephone Co	Telephone company	0.00%	0.00%	0.63%	0.59%	0.66%	0.72%	0.00%	0.88%	0.99%
Totals		48.14%	46.35%	49.22%	52.19%	55.19%	62.31%	56.31%	59.83%	49.96%

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
2011	\$ 2,018,225	\$ (2,432)	\$ 2,015,792	\$ 1,966,566	97.56%	\$ -	\$ -	\$ 1,966,566	97.56%
2010	2,010,444	(789)	2,009,655	1,962,237	97.64%	-	23,675	1,985,912	98.82%
2009	2,014,162	(3,956)	2,010,206	1,961,432	97.57%	18,620	12,304	1,992,356	99.11%
2008	2,001,065	3,809	2,004,874	1,973,462	98.43%	17,009	3,335	1,993,806	99.45%
2007	2,010,198	(8,216)	2,001,982	1,975,506	98.68%	16,802	1,214	1,993,522	99.58%
2006	2,020,665	(6,680)	2,013,985	1,974,744	98.05%	29,436	835	2,005,015	99.55%
2005	2,006,004	4,176	2,010,181	1,969,076	97.96%	34,088	1,092	2,004,256	99.71%
2004	2,006,070	2,066	2,008,136	1,959,415	97.57%	42,011	2,678	2,004,104	99.80%
2003	2,027,077	(980)	2,026,097	1,979,074	97.68%	42,202	1,111	2,022,387	99.82%
2002	2,063,665	1,645	2,065,310	2,027,122	98.15%	34,644	343	2,062,109	99.84%

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,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenue bonds	\$ 12,125,000	\$ 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
Notes	-	-	-	-	-	-	-	-	-	-
Capital lease obligations	1,064,363	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
Total Outstanding Debt	\$ 13,189,363	\$ 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

Total Outstanding Debt Ratios

Per Capita	not available	not available	250.66	283.79	310.17	348.66	370.33	397.70	8.80	17.17
Per FTSE	4,849	3,185	3,850	4,243	4,517	4,679	4,833	4,566	94	205
As a percentage of Taxable Assessed Value	1.4865%	0.8537%	0.8750%	0.9271%	0.9616%	1.0132%	1.2439%	1.3995%	0.0294%	0.0549%

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,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Taxable Assessed Valuation	\$ 887,285,260	\$ 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
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Statutory tax levy limit for debt service	\$ 4,436,426	\$ 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
Less funds restricted for repayment of bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	4,436,426	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
Current year debt service requirement	-	-	-	-	-	-	-	-	-	-
Excess of statutory limit for debt service over current requirement	\$ 4,436,426	\$ 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
Net current requirement as a percentage of statutory limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

Revenue Bonds Fiscal Year Ended August 31	Pledged Revenues					Debt Service Requirements			Coverage Ratio	
	Tuition	Laboratory/ Special Fee	General Registration Fees	General Use Fee	Facility/Farm Lease Revenue	Investment Income	Principal	Interest		Total
2011	\$ 5,091,415	\$ 689,749	\$ 3,246,912	\$ -	\$ 65,825	\$ 80,272	\$ 450,000	\$ 417,997	\$ 867,997	10.57
2010	4,737,506	681,811	2,888,778	-	168,044	79,481	305,000	327,650	632,650	13.52
2009	4,271,778	1,011,005	1,656,588	-	410,698	97,183	290,000	355,297	645,297	11.54
2008	4,042,027	577,058	1,136,510	-	414,658	123,301	280,000	382,925	662,925	9.49
2007	3,977,289	628,510	1,173,656	-	407,967	179,007	260,000	396,997	656,997	9.69
2006	3,137,859	484,364	1,150,590	-	627,092	48,233	250,000	410,465	660,465	8.25
2005	2,705,330	431,066	1,139,657	-	636,306	43,233	175,000	473,638	648,638	7.64
2004	2,272,559	362,450	974,186	30,180	207,891	3,982	100,000	6,500	106,500	36.16
2003	114,945	-	-	46,748	199,921	6,339	100,000	13,000	113,000	3.26
2002	101,918	-	-	45,286	174,570	6,905	95,000	19,175	114,175	2.88

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
2010	13,636	b	b	7.0%
2009	13,691	\$ 441,218	\$ 32,227	7.0%
2008	13,782	437,000	31,708	3.7%
2007	14,037	414,220	29,890	3.4%
2006	14,218	405,173	28,497	3.4%
2005	13,896	371,154	26,316	4.0%
2004	13,934	358,406	25,722	4.5%
2003	14,142	348,432	24,638	5.0%
2002	14,278	337,968	23,671	4.7%
2001	14,397	331,851	23,050	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 2011
(Unaudited)**

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

Source:

Employer search <http://socrates.cdr.state.tx.us/> , November 2011
Labor Force - Socrates County Narrative Profile, November 2011

Note:

1. Total employment: 7,810
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,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Faculty										
FT	81	77	74	74	73	73	72	69	71	68
PT	81	88	75	77	83	112	101	98	94	88
Total	162	165	149	151	156	185	173	167	165	156
Percent										
FT	50%	47%	50%	49%	47%	39%	42%	41%	43%	44%
PT	50%	53%	50%	51%	53%	61%	58%	59%	57%	56%
Staff & Adm										
FT	143	139	136	138	145	145	120	125	131	124
PT	4	9	-	-	-	-	9	-	-	-
Total	147	148	136	138	145	145	129	125	131	124
Percent										
FT	97%	94%	100%	100%	100%	100%	93%	100%	100%	100%
PT	3%	6%	0%	0%	0%	0%	7%	0%	0%	0%
FTSE										
FT Faculty	2,720	2,420	2,106	1,999	1,957	1,961	1,971	2,146	2,219	1,930
FT Staff	33.58	31.43	28.46	27.01	26.81	26.86	27.38	31.10	31.25	28.38
Avg. Fac	19.02	17.41	15.49	14.49	13.50	13.52	16.43	17.17	16.94	15.56
Fac Sal	\$ 3,794,882	\$ 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
Avg. Fac	\$ 46,850	\$ 46,216	\$ 45,582	\$ 43,728	\$ 42,613	\$ 39,858	\$ 38,246	\$ 36,891	\$ 36,932	\$ 36,866

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

Credit	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Student Classification										
0 - 30 hours	2097	66.21%	2170	68.52%	2131	72.02%	2,228	79.18%	1,918	68.67%
31 - 60 hours	849	26.81%	694	21.91%	670	22.64%	412	14.64%	696	24.92%
> 60 hours	221	6.98%	303	9.57%	158	5.34%	174	6.18%	179	6.41%
Total	3167	100.00%	3167	100.00%	2959	100.00%	2,814	100.00%	2,793	100.00%

Non-Credit	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Student Classification										
CEU Students Only	1355	75.66%	720	78.01%	702	75.48%	641	78.65%	813	74.38%
0 - 30 hours	276	15.41%	120	13.00%	130	13.98%	108	13.25%	160	14.64%
31 - 60 hours	101	5.64%	54	5.85%	56	6.02%	36	4.42%	86	7.87%
> 60 hours	59	3.29%	29	3.14%	42	4.52%	30	3.68%	34	3.11%
Total	1791	100.00%	923	100.00%	930	100.00%	815	100.00%	1,093	100.00%

Semester Hour Load	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	30	0.95%	48	1.52%	42	1.42%	11	0.39%	17	0.61%
3 - 5 semester hours	682	21.53%	736	23.24%	757	25.58%	709	25.20%	675	24.17%
6 - 8 semester hours	765	24.16%	784	24.76%	775	26.19%	750	26.65%	672	24.06%
9 - 11 semester hours	700	22.10%	605	19.10%	585	19.77%	385	13.68%	386	13.82%
12 - 14 semester hours	789	24.91%	782	24.69%	636	21.49%	743	26.40%	761	27.25%
15 - 17 semester hours	188	5.94%	204	6.44%	150	5.07%	198	7.04%	264	9.45%
18 & over	13	0.41%	8	0.25%	14	0.47%	18	0.64%	18	0.64%
Sub-Total SCH Students	3167	100.00%	3167	100.00%	2959	100.00%	2,814	100.00%	2,793	100.00%

Average SCH course load	8.66		8.49		8.11		8.46		9.06	
Non-Credit CEU Students	1791		923		930		815		1,093	
Total	4958		4090		3889		3,629		3,886	

Credit	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Tuition Status										
Texas Resident (in-district)	281	8.87%	300	9.47%	267	9.02%	297	10.55%	294	10.53%
Texas Resident (out-of-dist)	2833	89.45%	2828	89.30%	2658	89.83%	2,480	88.13%	2,461	88.11%
Non-Resident Tuition	53	1.67%	39	1.23%	34	1.15%	37	1.31%	38	1.36%
Total	3167	100.00%	3167	100.00%	2959	100.00%	2,814	100.00%	2,793	100.00%

Non-Credit	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Tuition Status										
CEU Students Only	0	0.00%	0	0.00%	0	0.00%	-	0.00%	-	0.00%
CEU Contract & Non-Contract	34	1.90%	5	0.54%	1	0.11%	1	0.12%	2	0.18%
CEU Contract Only	1463	81.69%	609	65.98%	542	58.28%	335	41.10%	559	51.14%
CEU Non-Contract Only	294	16.42%	309	33.48%	387	41.61%	479	58.77%	532	48.67%
Total	1791	100.00%	923	100.00%	930	100.00%	815	100.00%	1,093	100.00%

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

	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	3012	60.75%	2452	59.95%	2285	58.76%	2,166	59.69%	2,355	60.60%
Male	1946	39.25%	1638	40.05%	1604	41.24%	1,463	40.31%	1,531	39.40%
Total	4958	100.00%	4090	100.00%	3889	100.00%	3,629	100.00%	3,886	100.00%

	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin										
White	3271	65.97%	2984	72.96%	2900	74.57%	2,732	75.28%	2,969	76.40%
Hispanic	632	12.75%	568	13.89%	511	13.14%	482	13.28%	489	12.58%
African American	429	8.65%	370	9.05%	331	8.51%	294	8.10%	313	8.05%
Asian	91	1.84%	104	2.54%	86	2.21%	70	1.93%	60	1.54%
Foreign	2	0.04%	4	0.10%	9	0.23%	11	0.30%	11	0.28%
Native American	49	0.99%	43	1.05%	43	1.11%	38	1.05%	41	1.06%
Other	484	9.76%	17	0.42%	9	0.23%	2	0.06%	3	0.08%
Total	4958	100.00%	4090	100.00%	3889	100.00%	3,629	100.00%	3,886	100.00%

	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Credit Students)										
Under 18	543	17.15%	627	19.80%	592	20.01%	624	22.17%	517	18.51%
18 - 21	1134	35.81%	1095	34.58%	1024	34.61%	1,029	36.57%	1,005	35.98%
22 - 24	346	10.93%	336	10.61%	326	11.02%	280	9.95%	306	10.96%
25 - 35	695	21.95%	637	20.11%	594	20.07%	546	19.40%	622	22.27%
36 - 50	346	10.93%	372	11.75%	353	11.93%	286	10.16%	297	10.63%
51 & over	103	3.25%	100	3.16%	70	2.37%	49	1.74%	46	1.65%
Total	3167	100.00%	3167	100.00%	2959	100.00%	2,814	100.00%	2,793	100.00%

Average Age	25.0	25.0	25.0	23.8	24.3
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	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Non-Credit Students)										
Under 18	152	8.49%	141	15.28%	49	5.27%	51	6.26%	12	1.10%
18 - 21	277	15.47%	75	8.13%	103	11.08%	85	10.43%	102	9.33%
22 - 24	177	9.88%	61	6.61%	68	7.31%	56	6.87%	76	6.95%
25 - 35	431	24.06%	154	16.68%	199	21.40%	154	18.90%	262	23.97%
36 - 50	423	23.62%	251	27.19%	286	30.75%	243	29.82%	370	33.85%
51 & over	331	18.48%	241	26.11%	225	24.19%	226	27.73%	271	24.79%
Total	1791	100.00%	923	100.00%	930	100.00%	815	100.00%	1,093	100.00%

Average Age	35.0	38.0	39.0	39.9	40.1
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Vernon College
Statistical Supplement 17
Transfers to Senior Institutions
2009 Fall Students as of Fall 2010
(Includes only public senior colleges in Texas)
(Unaudited)

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total of all Sample Transfer Students	% of all Sample Transfer Students
	<u>Academic</u>	<u>Technical</u>	<u>Tech-Prep</u>		
1 Angelo State University	10			10	1.74%
2 Lamar University	2			2	0.35%
3 Midwestern State University	320	39	3	362	62.96%
4 Prairie View A&M University	1			1	0.17%
5 Sam Houston State University	2			2	0.35%
6 Stephen F. Austin State University	3	1		4	0.70%
7 Tarleton State University	19	5		24	4.17%
8 Texas A&M University	13			13	2.26%
9 Texas A&M University - Commerce	1			1	0.17%
10 Texas A&M University - Corpus Christi	1			1	0.17%
11 Texas A&M University - Galveston	1	1		2	0.35%
12 Texas A&M University System Health Science Center	1			1	0.17%
13 Texas State University	6			6	1.04%
14 Texas Tech University	52	4		56	9.74%
15 Texas Tech University Health Science Center	1			1	0.17%
16 Texas Woman's University	6			6	1.04%
17 The University of Texas at Arlington	12	3		15	2.61%
18 The University of Texas at Austin	14			14	2.43%
19 The University of Texas at El Paso	1			1	0.17%
20 The University of Texas at San Antonio	1		1	2	0.35%
21 The University of Texas at Tyler	4			4	0.70%
22 The University of Texas of the Permian Basin		1		1	0.17%
23 University of Houston	1	1		2	0.35%
24 University of North Texas	20	3		23	4.00%
25 West Texas A&M University	18	2	1	21	3.65%
	<u>510</u>	<u>60</u>	<u>5</u>	<u>575</u>	<u>100.00%</u>

**Vernon College
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2007 to 2011
(Unaudited)**

	Fiscal Years				
	2011	2010	2009	2008	2007
Academic Buildings	6	6	6	6	6
Square footage	242,029	242,029	164,029	164,029	164,029
Libraries	1	1	1	1	1
Square footage	16,276	16,276	16,276	16,276	16,276
Number of volumes	33,810	33,815	33,370	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	39,987	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	14	13	11	8	8
Buses	3	2	2	2	2

Overall Compliance, Internal Controls and Federal Awards Section



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA, CFE
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, 2011, and have issued our report thereon dated December 5, 2011. 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 14, 2011.

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, 2011, 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 5, 2011



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, 2011. 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, 2011. 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 2011-1.

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 2011-1 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 5, 2011

VERNON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011

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:	
Federal Supplemental Educational Opportunity Grant	84.007
Federal Work-Study Program	84.033
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Academic Competitiveness Grant	84.375
Teacher Education Assistance for College and Higher Education Grants	84.379
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?	No

VERNON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D.)
FOR THE YEAR ENDED AUGUST 31, 2011

B. Financial Statement Findings

None

C. Federal and State Award Findings and Questioned Costs

Finding 2011-1 – Borrower Data Transmission (Direct Loan)

Federal Program: Federal Direct Student Loans (CFDA # 84.268)

Type: Borrower Data Transmission and Reconciliation (Direct Loan) – Material Weakness in Internal Control / Material Noncompliance with Grant Requirement

Criteria: Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days of disbursement.

Condition Found: Per inquiry of the Director of Student Financial Aid, the College did not report a large number of loan disbursements to the DLSS until March 2011 due to errors with the College's software that creates those reports. Per the Director, numerous attempts were made to report the data but many of those were rejected by the DLSS because they didn't match the required format. In March 2011 the Director and staff caught up with reporting all of the loan disbursement data through that date via COD by logging into the website and manually keying in that data. That process was repeated periodically thereafter until the College's software was updated in August 2011 and automated reports could be successfully submitted. The disbursement data reported was reconciled to the College's records.

Questioned Costs: None

Cause: The College's software did not create properly formatted reports for submission to DLSS and College staff did not completely catch up by manually reporting the data until March 2011.

Effect: A large number of the College's Direct Loan disbursements through January and into February 2011 were not reported to DLSS via the COD within 30 days of disbursement.

Recommendation: Since the College's software has been updated to correct this problem we recommend that the College continue to submit its Direct Loan disbursements to DLSS on a regular and timely basis.

Views of Responsible Officials: See corrective action plan.

VERNON COLLEGE
SCHEDULE OF CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2011

Finding 2011-1

Due to the elimination of the Federal Family Education Loan Program, Vernon College first participated in the Direct Loan (DL) program during the 2010-11 school year. Even though DL is not a new program, it was new to Vernon College and also to our software provider. Our software provider created an enhancement which they believed would automate the reporting of disbursements; unfortunately, there were numerous problems and errors with the batch. We repeatedly attempted to submit disbursements in a timely manner with little success. Finally in March, we manually reported via COD each disbursement that had not been reported. For the remainder of the 2010-11 school year, disbursements were manually reported. Our software provider updated the program and installed it on the College's system in August 2011. Since installing the new version, this issue has been fully resolved. We are fully aware of the timely reporting requirements and make every attempt to ensure compliance with this regulation.

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, 2011

Finding 2010-1

In the prior year there was a finding for the College failing to properly notify withdrawn students of exit counseling responsibilities for the Federal Family Education Loan (FFEL) program. The College stated in its corrective action plan that it would implement additional controls to ensure that all withdrawn students with FFEL are notified of exit counseling responsibilities in the future.

Status

Implemented