

**VERNON COLLEGE**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013**

**VERNON COLLEGE**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEARS ENDED AUGUST 31, 2014 AND 2013**

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*Organizational Information*

**Vernon College  
Organizational Data  
August 31, 2014**

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Board of Trustees

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<u>Officers</u>	<u>Term Expires</u>
Dr. Todd Smith      Chairman	May 1, 2016
Mr. Norman Brints      Vice-Chairman	May 1, 2017
Mrs. Vicki Pennington      Secretary	May 1, 2016

<u>Members</u>	<u>Term Expires</u>
Mr. Bob Ferguson	May 1, 2018
Mrs. Anne Spears	May 1, 2017
Mrs. Joanie Rogers	May 1, 2018
Mr. Irl Holt	May 1, 2018

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Principal Administrative Officers

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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  
PH. (940) 766-5550 • FAX (940) 766-5778

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

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

We have audited the accompanying financial statements of Vernon College, as well as its discretely presented component unit, Vernon College Foundation, Incorporated, as of and for the years ended August 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Vernon College and its discretely presented component unit, Vernon College Foundation, Inc., as of August 31, 2014 and 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Vernon College's basic financial statements. The other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of expenditures of state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State of Texas Single Audit Circular, respectively, and are also not a required part of the financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014, on our consideration of Vernon College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vernon College's internal control over financial reporting and compliance.

Respectfully submitted,

*Edgin, Parkman, Fleming & Fleming, PC*

EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 5, 2014





### 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, 2014. Please read it in conjunction with the College's basic financial statements and notes, which follow this section. Responsibility for the completeness and fairness of the information in this section rests with the College's management.

#### Overview of the Financial Statements

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

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 1,401,212	\$ 945,487	\$ 996,560
Short-term investments	2,915,000	3,915,000	3,410,500
Accounts receivable - net	1,490,726	1,546,792	1,360,415
Inventories	869,394	770,369	891,861
Other assets and prepaid assets	3,347,690	3,151,275	3,215,955
<b>Total Current Assets</b>	<u>10,024,022</u>	<u>10,328,923</u>	<u>9,875,291</u>
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents	192,940	2,169,890	310,745
Endowment investments	1,852,100	-	2,200,000
Other assets	43,807	48,188	333,118
Capital assets - net	22,707,695	23,310,230	23,520,983
<b>Total Noncurrent Assets</b>	<u>24,796,542</u>	<u>25,528,308</u>	<u>26,364,846</u>
<b>Total Assets</b>	<u>34,820,564</u>	<u>35,857,231</u>	<u>36,240,137</u>
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	513,952	769,868	506,254
Unearned revenues	5,437,707	5,537,114	5,319,989
Capital lease and bonds payable	613,393	593,858	574,859
<b>Total Current Liabilities</b>	<u>6,565,052</u>	<u>6,900,840</u>	<u>6,401,102</u>

<b>Noncurrent Liabilities</b>			
Deposits and accrued liabilities	85,457	88,303	94,550
Capital lease and bonds payable	10,990,522	11,612,643	12,215,229
Total Noncurrent Liabilities	<u>11,075,979</u>	<u>11,700,946</u>	<u>12,309,779</u>
Total Liabilities	<u>17,641,031</u>	<u>18,601,786</u>	<u>18,710,881</u>
<b>Net Position</b>			
Net investment in capital assets	10,563,352	10,562,477	9,927,995
Restricted for student aid	1,697,344	2,046,587	2,092,113
Restricted for debt service	975,828	979,623	1,546,422
Unrestricted	3,943,009	3,666,758	3,962,726
Net Position	<u>\$ 17,179,533</u>	<u>\$ 17,255,445</u>	<u>\$ 17,529,256</u>

Current assets showed a modest decrease in 2014 after showing a slight increase in 2013. The fluctuations are generally attributable to timing differences related to enrollment.

Restricted cash showed a large decrease from 2013 to 2014 due to the timing of reinvestment of matured CD's to maximize interest earnings.

Capital assets, net of depreciation, decreased slightly in 2014 as a result of lower capital spending and an increase in depreciation expense attributed to significant capital investments made during 2012.

Current liabilities tend to fluctuate modestly year to year due to timing of enrollment, similar to the fluctuations in current assets.

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

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

Unrestricted net position increased by \$276,251 during 2014 after suffering significant decreases in 2012 and 2013 as a result of the major expansion and remodeling of our Century City Center.

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

	2014	2013	2012
<b>REVENUES</b>			
Operating Revenues:			
Tuition and fees (net of discounts of \$5,954,257, \$5,791,039 and \$6,458,159, respectively)	\$ 4,880,953	\$ 4,662,544	\$ 3,486,551
Federal grants and contracts	234,829	239,482	235,093
State grants and contracts	900,845	1,166,010	610,456
Non-governmental grants and contracts	899,800	1,084,070	1,035,962
Sales and services of educational activities	112,937	108,782	99,473
Investment program (program restricted)	7,099	16,502	26,978
Auxiliary enterprises (net of discounts of \$1,067,531, \$1,109,209 and \$1,238,770, respectively)	1,261,227	1,309,842	1,268,081
General operating revenues	<u>19,949</u>	<u>63,316</u>	<u>14,011</u>
Total Operating Revenues	<u>8,317,639</u>	<u>8,650,548</u>	<u>6,776,605</u>
<b>EXPENSES</b>			
Operating Expenses:			
Instruction	8,080,853	7,985,753	7,060,743
Public services	514,862	471,654	418,091
Academic support	2,769,920	2,656,292	2,682,118
Student services	1,872,380	1,885,203	1,712,991
Institutional support	3,130,822	3,007,644	2,804,470
Operation of physical plant	2,249,417	2,456,195	2,328,966
Scholarships and fellowships	1,886,033	1,730,853	1,428,280
Auxiliary enterprises	2,034,033	2,108,546	2,040,150
Depreciation	<u>905,420</u>	<u>874,987</u>	<u>623,367</u>
Total Operating Expenses	<u>23,443,740</u>	<u>23,177,127</u>	<u>21,099,176</u>
Operating Loss	<u>(15,126,101)</u>	<u>(14,526,579)</u>	<u>(14,322,571)</u>
Non-Operating Revenue (Expenses)			
State Appropriations	6,709,002	6,731,780	6,799,752
Federal Revenue, Non-Operating	5,899,152	5,872,046	6,193,085
Property taxes for maintenance & operation	2,661,134	2,229,786	2,167,943
Gifts	188,802	251,772	100,700
Investment income	19,721	42,379	62,608
Gain (loss) on disposal of assets	-	(9,110)	50,000
Lease income less lease expenses	11,150	7,903	50,884
Interest and fees on capital related debt	<u>(438,772)</u>	<u>(453,220)</u>	<u>(484,771)</u>
Net Non-Operating Revenue (Expenses)	<u>15,050,189</u>	<u>14,673,336</u>	<u>14,940,201</u>
Increase (decrease) in Net Position	<u>\$ (75,912)</u>	<u>\$ 146,757</u>	<u>\$ 617,630</u>

Operating revenues are separated into several categories. Student tuition and fees remained a major source of revenue for 2014. The tuition revenue totals were assisted by a 5.3% increase in the Vernon campus institutional fee, a \$5 increase in the institutional fee for all Wichita Falls learning centers from 2013 to 2014. The College experienced an overall increase in gross tuition and fees from 2013 to 2014 of 4.7% or \$218,409. Scholarship allowances and discounts decreased by \$121,540 for 2014 vs. 2013. State and Local grants decreased by \$265,165 or 22.7%, from 2013 to 2014 due to Skills Development Grants winding down during the year. The effective earnings rate for investments continues to decrease as rates across most national markets decreased for the year. Net auxiliary enterprises revenue

decreased from 2013 to 2014 by \$48,615. Bookstore revenue is the largest contributor to auxiliary enterprise revenue.

Operating expenses increased by \$266,613 or 1.2% compared to 2013. The increase was made up of several factors. A 3% salary increase for all employees and increases in health insurance premiums was offset by operating expense reductions throughout the College.

Property tax revenue increased by \$431,348 compared to 2013. This was attributable to a significant increase in the total appraised taxable value of property, primarily a new wind energy farm, in the District. Even though we reduced our tax rate slightly compared to 2013, the tax rate of the district remains one of the highest among community colleges in the state.

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

	2014	2013	2012
Cash Flows From:			
Operating activities	\$ (13,885,822)	\$ (11,997,986)	\$ (13,139,548)
Noncapital financing activities	14,252,385	13,543,028	14,314,507
Capital and related financing activities	(1,073,658)	(1,514,772)	(8,201,959)
Investing activities	(814,130)	1,777,802	6,085,764
Net increase (decrease) in cash	(1,521,225)	1,808,072	(941,236)
Cash and cash equivalents - beginning of year	3,115,377	1,307,305	2,248,541
Cash and cash equivalents - end of year	<u>\$ 1,594,152</u>	<u>\$ 3,115,377</u>	<u>\$ 1,307,305</u>

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

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

The main capital and related financing activities include construction and renovation projects and payments on capital debt. Significant purchases for 2013-2014 included a new parking lot at Congregate Meals, Seal Coat dorm parking lot, new robotics teaching equipment and an expansion of the rodeo facilities. Major projects for 2012-13 included three new entryway canopies, and a new VoIP phone system for Century City, upgrading network switches and servers, a new Dodge Charger for use by the police training program and additional high-tech mannequins for the EMS program. Renovation projects for 2011-2012 consisted of the following: Demolition and remodeling of 60,000SF and remodeling and repurposing 18,000SF of existing space at the Century City Center, reconstruction of driveways and

addition of sidewalks at CCC, purchase of high-tech mannequins for the EMS program, upgrade of information technology infrastructure and texturing sidewalks in the quad area. Principal paid on debt was \$602,586 for 2014, \$583,587 for 2013 and \$556,372 for 2012. Interest and fees paid on capital debt totaled \$438,772 in 2014, \$453,220 in 2013 and \$473,099 in 2012.

Investing activities reported include lease income from the the King Farm in excess of the related expenses of \$11,150 for 2014, \$7,903 for 2013 and \$50,884 for 2012. Investing activities also reflects interest income earned on investments.

### **Reporting of Component Unit**

Reported within this report is Exhibit 1A, 2A, and 3A. Vernon College Foundation, Incorporated was established as a separate nonprofit organization in 1985. The unit raises funds to provide student scholarships and departmental grants. Exhibit 1A reports net assets increased by \$695,839 to \$3,230,437 at the close of 2014. Gifts and contributions including transfers from the College Endowment Fund, realized gains, and unrealized gains or losses on investments are the major sources of revenue. Operating expense, investment advisory fees, and transfers to Vernon College are the expenses.

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

The overall financial position of the College is very good. The *Statistical Supplement Section* of this report reflects many positive changes. Fall credit head count enrollment has grown from 2,095 in 2000 to a high of 3,118 in 2012 before decreasing slightly in 2013 and 2014. Trends in student tuition and fee revenue as well as state appropriations are reported on statistical supplement 2.

The College taxing district is Wilbarger County, Texas. Ad valorem taxes are assessed and collected by the Wilbarger County Tax Assessor/Collector for the College based on the valuation of real property and minerals on January 1. Taxable values are determined by the Wilbarger County Appraisal District. Taxable values have been gradually trending upward with an increase from 2003 to 2013 of \$474,611,035 or 67.08%. This increase has allowed us to gradually decrease our tax rate. The approved tax rate per \$100 of valuation decreased from \$.28652 in 2003 to \$.22212 in 2014.

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

As mentioned previously in the discussion of the statement of net position, the College's net capital assets increased by \$2,656,050 from \$7,907,302 in 2011 to \$10,563,352 in 2014. This increase is a combination of capitalizing additions purchased from current funds during the year, recording depreciation expense and payment of long term debts. During 2012 the College completed a \$7.5 million remodel and expansion project at our Century City Center. More details on the College's accounting policies for capital assets and current year activity can be found in the footnotes to the financial statements.

The College's total long-term debt decreased from \$12,215,229 to \$10,990,522, or \$1,220,707 from 2012 until 2014 as a result of paying scheduled debt payments. Payments totaling \$1,033,425, of which \$613,393 is principal, are scheduled to be made in 2015 under the College's revenue bonds and capital lease. The notes to the financial statements contain additional information concerning the debt structures for the College.

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

Enrollment for the fall of 2011 was at an all time record of 3,247. Enrollment for fall 2014 decreased to 2,990. Indications are that most Community Colleges in Texas are seeing similar declines. A committee was created several years ago to assist in the planning for technology advancement expenditures. A report of all technology needs from each department and division has been prepared for the past four years. The report has been integrated into the strategic planning, annual planning and assessment, and

budget processing for the College. Technology advances are being addressed and met within all areas of the institution.

**Contacting the College's Financial Management**

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

*Basic Financial Statements*

**Vernon College**  
**Exhibit 1**  
**Statements of Net Position**  
**August 31, 2014 and 2013**

	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,401,212	\$ 945,487
Short-term investments	2,915,000	3,915,000
Accounts receivable (net)	1,490,726	1,546,792
Other assets - current	3,094,777	3,086,083
Inventories	869,394	770,369
Prepaid expenses	252,913	65,192
<b>Total Current Assets</b>	<b>10,024,022</b>	<b>10,328,923</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	192,940	2,169,890
Endowed investments	1,852,100	-
Other assets - noncurrent	43,807	48,188
Capital assets (net)	22,707,695	23,310,230
<b>Total Noncurrent Assets</b>	<b>24,796,542</b>	<b>25,528,308</b>
<b>Total Assets</b>	<b>34,820,564</b>	<b>35,857,231</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	296,376	547,581
Accrued compensable absences - current portion	199,399	206,040
Deposits	18,177	16,247
Unearned revenues	5,437,707	5,537,114
Capital leases payable - current portion	138,393	128,858
Bonds payable - current portion	475,000	465,000
<b>Total Current Liabilities</b>	<b>6,565,052</b>	<b>6,900,841</b>
<b>Noncurrent Liabilities</b>		
Accrued compensable absences	85,457	88,303
Capital leases payable	565,881	704,274
Bonds payable	10,424,641	10,908,369
<b>Total Noncurrent Liabilities</b>	<b>11,075,979</b>	<b>11,700,945</b>
<b>Total Liabilities</b>	<b>17,641,031</b>	<b>18,601,786</b>
<b>NET POSITION</b>		
Net investment in capital assets	10,563,352	10,562,477
Restricted for:		
Nonexpendable:		
Student Aid	1,688,875	1,892,062
Expendable:		
Student Aid	8,469	154,525
Debt Service	975,828	979,623
Unrestricted	3,943,009	3,666,758
<b>Total Net Position</b>	<b>\$ 17,179,533</b>	<b>\$ 17,255,445</b>

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



**Vernon College**  
**Exhibit 1A**  
**Vernon College Foundation, Incorporated**  
**Statements of Financial Position**  
**August 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 125,039	\$ 570,803
Investments	3,015,398	2,185,629
Accounts receivable	-	4,166
Pledges receivable	<u>90,000</u>	<u>124,000</u>
 Total assets	 <u><u>\$ 3,230,437</u></u>	 <u><u>\$ 2,884,598</u></u>
 <b>LIABILITIES</b>		
Accounts payable - restricted grant funds	<u>\$ -</u>	<u>\$ 350,000</u>
 <b>NET ASSETS</b>		
Unrestricted	600,227	378,586
Permanently restricted	<u>2,630,210</u>	<u>2,156,012</u>
 Total net assets	 <u><u>3,230,437</u></u>	 <u><u>2,534,598</u></u>
 Total liabilities and net assets	 <u><u>\$ 3,230,437</u></u>	 <u><u>\$ 2,884,598</u></u>

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

**Vernon College**  
**Exhibit 2**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended August 31, 2014 and 2013**

	2014	2013
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Tuition and fees (net of discounts of \$5,954,257 and \$5,791,039, respectively)	\$ 4,880,953	\$ 4,662,544
Federal grants and contracts	234,829	239,482
State grants and contracts	900,845	1,166,010
Non-governmental grants and contracts	899,800	1,084,070
Sales and services of educational activities	112,937	108,782
Investment income (program restricted)	7,099	16,502
Auxiliary enterprises (net of discounts of \$1,067,531 and \$1,109,209, respectively)	1,261,227	1,309,842
General operating revenues	19,949	63,316
<b>Total Operating Revenues (Sch A)</b>	<b>8,317,639</b>	<b>8,650,548</b>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Instruction	8,080,853	7,985,753
Public services	514,862	471,654
Academic support	2,769,920	2,656,292
Student services	1,872,380	1,885,203
Institutional support	3,130,822	3,007,644
Operation and maintenance of plant	2,249,417	2,456,195
Scholarships and fellowships	1,886,033	1,730,853
Auxiliary enterprises	2,034,033	2,108,546
Depreciation	905,420	874,987
<b>Total Operating Expenses (Sch B)</b>	<b>23,443,740</b>	<b>23,177,127</b>
<b>Operating Loss</b>	<b>(15,126,101)</b>	<b>(14,526,579)</b>
<b>Non-Operating Revenues (Expenses)</b>		
State appropriations	6,709,002	6,731,780
Property taxes for maintenance & operation	2,661,134	2,229,786
Federal revenue, non-operating	5,899,152	5,872,046
Gifts	188,802	251,772
Investment income	19,721	42,379
Gain/(Loss) on disposal of assets	-	(9,110)
Lease income	14,158	17,161
Operational costs of lease property	(3,008)	(9,258)
Interest and fees on capital related debt	(438,772)	(453,220)
<b>Net Non-Operating Revenues (Expenses) (Sch C)</b>	<b>15,050,189</b>	<b>14,673,336</b>
<b>Change in Net Position</b>	<b>(75,912)</b>	<b>146,757</b>
<b>Net Position</b>		
Beginning net position	17,255,445	17,108,688
Ending net position	<b>\$ 17,179,533</b>	<b>\$ 17,255,445</b>

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

**Vernon College**  
**Exhibit 2A**  
**Vernon College Foundation, Incorporated**  
**Statements of Activities**  
**For the Years Ended August 31, 2014 and 2013**

	2014	2013
<b>Revenues and support:</b>		
Gifts and contributions	\$ 581,835	\$ 892,894
Silent auction	4,868	7,507
Investment income	85,445	48,265
Realized gains (losses) on investments	117,505	16,724
Unrealized gains (losses) on investments	150,836	104,961
Total revenues and support	940,489	1,070,352
<b>Expenses:</b>		
Operating expenses	7,747	13,081
Investment advisory fees	27,128	21,674
Departmental grants	14,929	19,893
Restricted gifts transfer to Vernon College	35,000	245,536
Scholarship transfer	159,846	140,429
Total expenses	244,650	440,613
<b>Increase (decrease) in net assets</b>	695,839	629,739
Net assets at beginning of year	2,534,598	1,904,860
Net assets at end of year	\$ 3,230,437	\$ 2,534,598

*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, 2014 and 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 6,042,811	\$ 5,902,127
Receipts of appropriations, grants and contracts	1,898,895	2,566,818
Other receipts	69,458	179,797
Payments to or on behalf of employees	(13,516,413)	(13,036,541)
Payments to suppliers for goods and services	(6,649,720)	(5,879,334)
Payments of scholarships	(1,730,853)	(1,730,853)
<b>Net cash used by operating activities</b>	<b>(13,885,822)</b>	<b>(11,997,986)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State allocations	5,513,466	5,405,869
Federal Title IV Grants	5,927,505	5,927,004
Property taxes for maintenance and operations	2,657,662	2,193,969
Gifts to endowment	153,752	16,186
<b>Net cash provided by noncapital financing activities</b>	<b>14,252,385</b>	<b>13,543,028</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Gifts restricted for construction of capital assets	270,586	235,586
Purchases and construction of capital assets	(302,886)	(715,051)
Proceeds from sale of capital assets	-	1,500
Principal paid on capital debt	(602,586)	(583,587)
Interest and fees paid on capital debt	(438,772)	(453,220)
<b>Net cash used by capital and related financing activities</b>	<b>(1,073,658)</b>	<b>(1,514,772)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Lease income	14,158	17,161
Operating costs of lease property	(3,008)	(9,258)
Sales of short-term investments	3,915,000	2,200,000
Purchases of short-term investments	(4,767,100)	(504,500)
Investment income	26,820	74,399
<b>Net cash provided (used) by investing activities</b>	<b>(814,130)</b>	<b>1,777,802</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,521,225)</b>	<b>1,808,072</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>3,115,377</b>	<b>1,307,305</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 1,594,152</b>	<b>\$ 3,115,377</b>
<b>Displayed as:</b>		
Cash and cash equivalents	\$ 1,401,212	\$ 945,487
Restricted cash and cash equivalents	192,940	2,169,890
	<b>\$ 1,594,152</b>	<b>\$ 3,115,377</b>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (15,126,101)	\$ (14,526,578)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	905,420	874,988
Payments for benefits made directly by state	1,195,536	1,171,663
(Increase) decrease in current assets:		
Accounts receivable, net (adjusted for non-operating items)	(207,068)	(218,929)
Inventories	(99,025)	121,492
Deferred charges	(8,694)	47,628
Prepaid expenses	(187,721)	17,052
Increase (decrease) in current liabilities:		
Accounts payable	(251,205)	320,495
Accrued compensable absences	(9,487)	(20,822)
Deferred revenues	(99,407)	217,125
Deposits	1,930	(2,100)
<b>Net cash used by operating activities</b>	<b>\$ (13,885,822)</b>	<b>\$ (11,997,986)</b>

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

**Vernon College**  
**Exhibit 3A**  
**Vernon College Foundation, Incorporated**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2014 and 2013**

	2014	2013
<b>Cash flows from operating activities:</b>		
Receipts of gifts	\$ 615,835	\$ 919,192
Proceeds from Silent Auction	4,868	7,507
Payments to suppliers for goods and services	(34,875)	(34,755)
Restricted gifts transferred to Vernon College	(266,370)	-
Return of unspent grant funds to grantor	(114,464)	-
Payment of scholarships and grants	(174,775)	(160,322)
Net cash provided (used) by operating activities	30,219	731,622
<b>Cash flows from investing activities:</b>		
Sales proceeds on sales of investments	998,709	211,390
Purchase of investments	(1,560,137)	(489,075)
Investment income	85,445	48,265
Net cash provided (used) by investing activities	(475,983)	(229,420)
<b>Increase (decrease) in cash and cash equivalents</b>	(445,764)	502,202
<b>Cash and cash equivalents at beginning of year</b>	570,803	68,601
<b>Cash and cash equivalents at end of year</b>	\$ 125,039	\$ 570,803
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 695,839	\$ 629,739
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Investment income	(85,445)	(48,265)
Realized gain on sale of investments	(117,505)	(16,725)
Unrealized gain on investments held	(150,836)	(104,961)
(Increase) decrease in operating assets:		
Accounts receivable	4,166	(4,166)
Pledges receivable	34,000	(74,000)
Increase (decrease) in operating liabilities:		
Accounts payable	(350,000)	350,000
Net cash provided (used) by operating activities	\$ 30,219	\$ 731,622

*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, 2014 AND 2013**

1. Reporting Entity

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

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

2. Summary of Significant Accounting Policies

A. Reporting Guidelines

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

B. Tuition Discounting

1. Texas Public Education Grants

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

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

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

3. Other Tuition Discounts

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

C. Basis of Accounting

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

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2014 AND 2013**

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. Other Assets

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

H. 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.

I. Prepaid Expenses

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

J. Capital Assets

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

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, 2014 AND 2013**

**K. Unearned Revenues**

Tuition and fees of \$4,710,082 and \$4,730,470 and federal, state and local grants of \$432,109 and \$527,298 have been reported as unearned revenues at August 31, 2014 and 2013, respectively. Auxiliary enterprise revenues, including meal and dorm rent, and other revenues unearned totaled \$295,516 and \$279,346 at August 31, 2014 and 2013, respectively.

**L. 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, 2014 and 2013.

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

**M. 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.

**N. 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, but has been contracted out to a company under an annual agreement. The College pays the contractor a per-meal rate with no guarantee or commitment and the contractor uses the College's cafeteria and dining hall to conduct its operations.

**O. Net Position Policy**

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

**P. New Pronouncements**

In June 2012 the GASB issued GASB Statement No. 68 to amend GASB Statements 27 and 50. The statement is effective for fiscal years beginning after June 15, 2014, and addresses accounting and financial reporting for pensions that are provided to the employees of state and local government employers. This statement will affect the College's financial statements, specifically its liabilities, expenses and unrestricted net position, as of and for the year ended August 31, 2015, although the amount of that effect is not known as of the date of the auditor's opinion.

**3. Authorized Investments**

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



**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2014 AND 2013**

4. Deposits and Investments

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

Cash Deposits

At August 31, 2014 and 2013, the carrying amount of the College's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,361,252 and \$7,030,377, respectively, and the bank balance was \$6,257,378 and \$7,584,087, respectively. The College's cash deposits at August 31, 2014 and 2013 were entirely covered by FDIC insurance or by pledged collateral held by the College's agent bank in the College's name.

Investments

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

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

The Act determines the types of investments 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, 2014 and 2013 are as follows:

<u>Investment or Investment Type</u>	<u>August 31, 2014</u>		<u>August 31, 2013</u>	
	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificates of deposit	6.13	\$4,767,100	10.50	\$3,915,000

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2014 AND 2013**

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

The Foundation's investments at August 31, 2014 and 2013 are shown below:

	<u>2014</u>	<u>2013</u>
Mutual funds	<u>\$ 3,015,398</u>	<u>\$ 2,185,629</u>
Total aggregate cost	<u>\$ 2,730,371</u>	<u>\$ 2,048,764</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.

5. Permanent Endowment

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

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2014 AND 2013**

6. Property Taxes

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

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

The following are additional disclosures relative to property taxes for the years ended August 31, 2014 and 2013:

Net Assessed Valuation:

Net assessed valuation for year ended August 31:	<u>2014</u>	<u>2013</u>
Gross assessed valuation	\$ 1,818,956,660	\$ 1,595,309,430
Less exceptions or abatements	( 636,775,446)	( 608,833,820)
Net assessed valuation	<u>\$ 1,182,181,214</u>	<u>\$ 986,475,610</u>

Tax Rate Per \$100 Valuation:

	<u>Year Ended August 31, 2014</u>			<u>Year Ended August 31, 2013</u>		
	<u>Current</u> <u>Operations</u>	<u>Debt</u> <u>Service</u>	<u>Totals</u>	<u>Current</u> <u>Operations</u>	<u>Debt</u> <u>Service</u>	<u>Totals</u>
Authorized	\$1.00000	\$ .00000	\$1.00000	\$1.00000	\$ .00000	\$1.00000
Assessed	\$ .22212	\$ .00000	\$ .22212	\$ .22285	\$ .00000	\$ .22285

Property taxes levied for the years ended August 31, 2014 and 2013 amounted to \$2,625,712 and \$2,198,223, respectively.

Tax Collections:

	<u>Year Ended August 31, 2014</u>			<u>Year Ended August 31, 2013</u>		
	<u>Current</u> <u>Operations</u>	<u>Debt</u> <u>Service</u>	<u>Totals</u>	<u>Current</u> <u>Operations</u>	<u>Debt</u> <u>Service</u>	<u>Totals</u>
Current taxes	\$2,541,707	\$ --	\$2,541,707	\$2,129,363	\$ --	\$2,129,363
Delinquent taxes	72,242	--	72,242	50,601	--	50,601
Penalties and interest	<u>31,375</u>	--	<u>31,375</u>	<u>27,962</u>	--	<u>27,962</u>
Total collections	<u>\$2,645,324</u>	<u>\$ --</u>	<u>\$2,645,324</u>	<u>\$2,207,926</u>	<u>\$ --</u>	<u>\$2,207,926</u>

Current tax collections for the years ended August 31, 2014 and 2013 were 96.89% and 96.90%, respectively, of the current year levy. Allowances for uncollectible taxes are based on historical experience in collecting property taxes. The use of property taxes is restricted to either maintenance and operations or general obligation debt service.

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2014 AND 2013**

7. Disaggregation of Accounts Receivable

Accounts receivable, net of allowances for uncollectibles, at August 31, 2014 and 2013 consisted of the following:

<u>August 31, 2014</u>			
	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$1,366,420	\$696,438	\$ 669,982
Federal grants	236,916	--	236,916
State/local grants and contracts	86,176	--	86,176
Property taxes	188,192	68,100	120,092
Others	<u>377,560</u>	<u>--</u>	<u>377,560</u>
Totals	<u>\$2,255,264</u>	<u>\$764,538</u>	<u>\$1,490,726</u>
<u>August 31, 2013</u>			
	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$1,165,774	\$590,943	\$ 574,831
Federal grants	218,571	--	218,571
State/local grants and contracts	326,854	--	326,854
Property taxes	183,313	64,026	119,287
Others	<u>307,249</u>	<u>--</u>	<u>307,249</u>
Totals	<u>\$2,201,761</u>	<u>\$654,969</u>	<u>\$1,546,792</u>

8. Capital Assets

Capital assets activity for the years ended August 31, 2014 and 2013 was as follows:

<u>August 31, 2014</u>				
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,812,791	\$ --	\$ --	\$ 2,812,791
Total capital assets not being depreciated	<u>2,812,791</u>	<u>--</u>	<u>--</u>	<u>2,812,791</u>
Capital assets being depreciated:				
Buildings	22,288,814	--	--	22,288,814
Land improvements	1,735,729	202,796	--	1,938,525
Furniture, machinery, vehicles and other equipment	3,540,812	84,548	--	3,625,360
Telecommunications and computer equipment	1,516,345	--	--	1,516,345
Library books	<u>1,126,925</u>	<u>15,541</u>	<u>--</u>	<u>1,142,466</u>
Total capital assets being depreciated	<u>30,208,625</u>	<u>302,885</u>	<u>--</u>	<u>30,511,510</u>
Less accumulated depreciation:				
Buildings	5,918,964	462,722	--	6,381,686
Land improvements	599,866	66,459	--	666,325
Furniture, machinery, vehicles and other equipment	1,203,609	260,816	--	1,464,425
Telecommunications and computer equipment	1,114,800	95,118	--	1,209,918
Library books	<u>873,947</u>	<u>20,305</u>	<u>--</u>	<u>894,252</u>
Total accumulated depreciation	<u>9,711,186</u>	<u>905,420</u>	<u>--</u>	<u>10,616,606</u>
Total capital assets being depreciated, net	<u>20,497,439</u>	<u>( 602,535)</u>	<u>--</u>	<u>19,894,904</u>
Capital assets, net	<u>\$23,310,230</u>	<u>(\$ 602,535)</u>	<u>\$ --</u>	<u>\$22,707,695</u>

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2014 AND 2013**

August 31, 2013

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

9. Long-term Obligations

A. Long-term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2014 and 2013 are as follows:

August 31, 2014

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$11,225,000	\$ --	\$ 465,000	\$10,760,000	\$ 475,000
Premium on bonds	148,369	--	8,728	139,641	--
Capital leases	833,132	--	128,858	704,274	138,393
Compensated absences	294,342	319,316	328,802	284,856	199,399
Totals	<u>\$12,500,843</u>	<u>\$ 319,316</u>	<u>\$ 931,388</u>	<u>\$11,888,771</u>	<u>\$ 812,792</u>

August 31, 2013

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$11,680,000	\$ --	\$ 455,000	\$11,225,000	\$ 465,000
Premium on bonds	157,097	--	8,728	148,369	--
Capital leases	952,991	--	119,859	833,132	128,858
Compensated absences	315,165	276,278	297,101	294,342	206,039
Totals	<u>\$13,105,253</u>	<u>\$ 276,278</u>	<u>\$ 880,688</u>	<u>\$12,500,843</u>	<u>\$ 799,897</u>

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2014 AND 2013**

**B. Debt Service Requirements**

Debt service requirements on long-term debt at August 31, 2014 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 613,393	\$ 420,032	\$ 1,033,425
2016	632,777	401,494	1,034,271
2017	658,424	381,247	1,039,671
2018	685,447	358,459	1,043,906
2019	619,233	334,227	953,460
2020-24	2,955,000	1,364,125	4,319,125
2025-29	3,605,000	711,100	4,316,100
2030	<u>1,695,000</u>	<u>33,900</u>	<u>1,728,900</u>
Totals	<u>\$11,464,274</u>	<u>\$4,004,584</u>	<u>\$15,468,858</u>

**C. Revenue Bonds Payable**

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

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

Debt service requirements for the College's outstanding bonds at August 31, 2014 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 475,000	\$ 388,325	\$ 863,325
2016	485,000	376,681	861,681
2017	500,000	363,600	863,600
2018	515,000	348,906	863,906
2019	530,000	332,600	862,600
2020-24	2,955,000	1,364,125	4,319,125
2025-29	3,605,000	711,100	4,316,100
2030	<u>1,695,000</u>	<u>33,900</u>	<u>1,728,900</u>
Totals	<u>\$10,760,000</u>	<u>\$3,919,237</u>	<u>\$14,679,237</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.

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2014 AND 2013**

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, 2014, 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, 2014 as follows:

<u>Year Ending August 31,</u>	
2015	\$ 170,100
2016	172,590
2017	176,070
2018	180,000
2019	<u>90,860</u>
Total minimum lease payments	789,620
Less amount representing interest	<u>( 85,346)</u>
Present value of minimum lease payments	<u>\$ 704,274</u>

The interest rate on the capital leases is 4.67%.

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 \$284,856 and \$294,342 at August 31, 2014 and 2013, respectively.

2. Sick Leave

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

10. Employees' Retirement Plans

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

A. Teacher Retirement System of Texas – Defined Benefit Plan

1. Plan Description

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

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2014 AND 2013**

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 2014, 2013 and 2012 and a state contribution rate of 6.8% for fiscal year 2014, 6.4% for 2013 and 6.0% for fiscal year 2012. Senate Bill (S.B.) 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of those rates, however.

Total payroll of employees covered by TRS was \$7,559,213 and \$6,988,902 for the years ended August 31, 2014 and 2013, respectively. The College's employees' contributions to the System for the years ending August 31, 2014 and 2013 were \$484,467 and \$447,289, 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, 2014 and 2013 were \$54,959 and \$69,460, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2014 and 2013, the amounts contributed by the state on behalf of the College were \$214,754 and \$377,829 respectively.

B. Optional Retirement Program – Defined Contribution Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.4% and 6.4%, respectively. Additionally, the College contributes 1.31% of the covered payroll. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of the state contribution rates noted above.

Total payroll of employees covered by the Program was \$2,741,873 and \$2,854,511 for the years ended August 31, 2014 and 2013, respectively. The College's employees' contributions to the Program for the years ending August 31, 2014 and 2013 were \$182,335 and \$188,877, respectively, and were equal to the required contributions for the year. Other contributions made from the College for the years ending August 31, 2014 and 2013 were \$40,995 and \$44,472, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2014 and 2013, the amounts contributed by the State on behalf of the College were \$169,470 and \$157,473, respectively.

C. Total Payroll

The total payroll for all College employees was \$11,485,877 and \$10,993,220 for the years ended August 31, 2014 and 2013, respectively.



**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2014 AND 2013**

11. Deferred Compensation Plan

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

12. Health Care and Life Insurance Benefits

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

The state's and the College's contribution per full-time employee was \$503 per month for employee only coverage and ranged from \$696 to \$984 for employee and dependent coverage for the year ended August 31, 2014. The state's and the College's contribution per full-time employee was \$470 per month for employee only coverage and ranging from \$651 to \$920 for employee and dependent coverage for the year ended August 31, 2013. The total number of employees participating in the plan and contributions were as follows:

	2013-14			2012-13		
	<u>Number of Employees</u>	<u>State Contribution</u>	<u>College Contribution</u>	<u>Number of Employees</u>	<u>State Contribution</u>	<u>College Contribution</u>
Active employees	227	\$451,489	\$1,355,949	232	\$235,223	\$1,415,525
Retired employees	66	444,558	42,509	65	401,498	41,077
Totals	293	\$896,047	\$1,398,458	297	\$636,721	\$1,456,602

13. Postemployment Benefits Other Than Pensions

1. Plan Description

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

2. Funding Policy

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

The College's contributions to SRHP for the years ended August 31, 2014, 2013 and 2012 were \$8,651, \$9,076 and \$38,541, respectively, which equaled the required contributions each year.

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2014 AND 2013**

14. Contracts and Grant Awards

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

15. Risk Management

The College is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2014, the College purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

16. Commitments and Contingencies

A. Facilities Lease

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

<u>Year Ending August 31,</u>	
2015	\$ 54,000
2016	54,000
2017	54,000
2018	<u>18,000</u>
Total minimum lease payments	<u>\$180,000</u>

The College paid \$54,000 in rent under this lease agreement during each of the years ended August 31, 2014 and 2013, respectively.

B. Long-Term Service Contract

The College contracts with an outside information technology firm for maintenance of its hardware, software and network. The College's contract with the company is for a term of three years through August 31, 2017, with a minimum base fee of \$310,000 per year paid in monthly installments of \$25,833 and additional annual license fees of \$36 per computer paid October 1<sup>st</sup> of each year. Future minimum payments under this agreement with the current inventory of computers are as follows:

<u>Year Ending August 31,</u>	
2015	\$ 379,852
2016	379,852
2017	<u>379,852</u>
Total future minimum payments	<u>\$1,139,556</u>

The College paid \$362,568 and \$362,280 in service fees under this agreement during the years ended August 31, 2014 and 2013, respectively.

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2014 AND 2013**

C. Grants

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

17. Concentration – Title IV HEA Funding

For the years ended August 31, 2014 and 2013, the College received approximately 26% and 26%, respectively, of its total revenues (operating and non-operating) from federal Title IV HEA grants. In addition, \$6,581,222 and \$6,747,169 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, 2014 and 2013, respectively. Altogether these grants and loans directly contribute to more than 50% of the College's total annual revenue. A loss or significant reduction in these grants and loans would have a material adverse effect on the College's operations and financial position.

*Other Supplementary Information*

**Vernon College**  
**Schedule A**  
**Schedule of Operating Revenues**  
**For the Year Ended August 31, 2014**  
**(With Memorandum Totals for the Year Ended August 31, 2013)**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2014 Totals	2013 Totals
<b>Tuition:</b>						
State funded credit courses:						
In-district resident tuition	\$ 267,214	\$ -	\$ 267,214	\$ -	\$ 267,214	\$ 291,626
Out-of-district resident tuition	4,708,162	-	4,708,162	-	4,708,162	4,709,258
Non-resident tuition	131,809	-	131,809	-	131,809	181,039
TPEG - credit (set aside)*	-	303,648	303,648	-	303,648	305,858
State funded continuing education	808,230	-	808,230	-	808,230	610,643
TPEG - non-credit (set aside)*	-	32,372	32,372	-	32,372	36,002
Non-state funded continuing education	154,734	-	154,734	-	154,734	145,263
<b>Total Tuition</b>	<b>6,070,149</b>	<b>336,020</b>	<b>6,406,169</b>	<b>-</b>	<b>6,406,169</b>	<b>6,279,689</b>
<b>Fees:</b>						
General fees	3,771,494	-	3,771,494	-	3,771,494	3,528,499
Laboratory fees	657,547	-	657,547	-	657,547	645,395
<b>Total Fees</b>	<b>4,429,041</b>	<b>-</b>	<b>4,429,041</b>	<b>-</b>	<b>4,429,041</b>	<b>4,173,894</b>
<b>Scholarship allowances and discounts:</b>						
Remissions and exemptions - state	(315,821)	-	(315,821)	-	(315,821)	(319,336)
Title IV federal grants	(3,735,498)	-	(3,735,498)	-	(3,735,498)	(3,726,570)
TPEG awards	-	(109,099)	(109,099)	-	(109,099)	(30,951)
Other local awards	(1,793,839)	-	(1,793,839)	-	(1,793,839)	(1,714,182)
<b>Total Scholarship Allowances</b>	<b>(5,845,158)</b>	<b>(109,099)</b>	<b>(5,954,257)</b>	<b>-</b>	<b>(5,954,257)</b>	<b>(5,791,039)</b>
<b>Total Net Tuition and Fees</b>	<b>4,654,032</b>	<b>226,921</b>	<b>4,880,953</b>	<b>-</b>	<b>4,880,953</b>	<b>4,662,544</b>
<b>Other operating revenues:</b>						
Federal grants and contracts	11,190	223,639	234,829	-	234,829	239,482
State grants and contracts	-	900,845	900,845	-	900,845	1,166,010
Non-governmental grants and contracts	-	899,800	899,800	-	899,800	1,084,070
Sales and services of educational activities	112,937	-	112,937	-	112,937	108,782
Investment income (program restricted)	-	7,099	7,099	-	7,099	16,502
General operating revenues	19,949	-	19,949	-	19,949	63,316
<b>Total Other Operating Revenues</b>	<b>144,076</b>	<b>2,031,383</b>	<b>2,175,459</b>	<b>-</b>	<b>2,175,459</b>	<b>2,678,162</b>
<b>Auxiliary Enterprises:</b>						
Residential life	-	-	-	437,460	437,460	440,254
Scholarship allowances and discounts	-	-	-	(149,693)	(149,693)	(147,584)
Net Residential Life	-	-	-	287,767	287,767	292,670
Bookstore	-	-	-	1,800,484	1,800,484	1,898,731
Scholarship allowances and discounts	-	-	-	(917,838)	(917,838)	(961,625)
Net Bookstore	-	-	-	882,646	882,646	937,106
Student programs	-	-	-	90,814	90,814	80,066
<b>Total Net Auxiliary Enterprises</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,261,227</b>	<b>1,261,227</b>	<b>1,309,842</b>
<b>Total Operating Revenues (Exhibit 2)</b>	<b>\$ 4,798,108</b>	<b>\$ 2,258,304</b>	<b>\$ 7,056,412</b>	<b>\$ 1,261,227</b>	<b>\$ 8,317,639</b> (Exhibit 2)	<b>\$ 8,650,548</b> (Exhibit 2)

\* In accordance with Education Code 56.033, \$336,020 and \$341,860 for years August 31, 2014 and 2013, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

Note: The College has contracted with an outside company to operate and manage the College's food service operation under an annual agreement that may be renewed for successive one-year periods upon mutual agreement of the parties.

**Vernon College  
Schedule B  
Schedule of Operating Expenses by Object  
For the Year Ended August 31, 2014  
(With Memorandum Totals for the Year Ended August 31, 2013)**

	Operating Expenses			2014 Totals	2013 Totals	
	Salaries and Wages	Benefits				Other Expenses
		State	Local			
<b>Unrestricted - Educational Activities</b>						
Instruction	\$ 5,449,424	\$ -	\$ 939,958	\$ 380,266	\$ 6,769,648	\$ 6,482,500
Public Service	163,845	-	44,443	40,243	248,531	207,104
Academic Support	1,592,254	-	265,456	703,054	2,560,764	2,441,362
Student Services	1,259,828	-	219,013	179,440	1,658,281	1,657,936
Institutional Support	1,129,463	-	186,286	1,690,855	3,006,604	2,886,410
Operation and Maintenance of Plant	835,191	-	137,751	1,184,621	2,157,563	2,364,230
Scholarships and Fellowships	-	-	-	-	-	-
<b>Total Unrestricted Educational Activities</b>	<u>10,430,005</u>	<u>-</u>	<u>1,792,907</u>	<u>4,178,479</u>	<u>16,401,391</u>	<u>16,039,542</u>
<b>Restricted - Educational Activities</b>						
Instruction	249,592	626,778	8,842	425,993	1,311,205	1,503,253
Public Service	105,614	29,635	11,433	119,649	266,331	264,550
Academic Support	17,217	177,010	-	14,929	209,156	214,930
Student Services	68,058	146,041	-	-	214,099	227,267
Institutional Support	-	124,218	-	-	124,218	121,234
Operation and Maintenance of Plant	-	91,854	-	-	91,854	91,965
Scholarships and Fellowships	-	-	-	1,886,033	1,886,033	1,730,853
<b>Total Restricted Educational Activities</b>	<u>440,481</u>	<u>1,195,536</u>	<u>20,275</u>	<u>2,446,604</u>	<u>4,102,896</u>	<u>4,154,052</u>
<b>Total Educational Activities</b>	<u>10,870,486</u>	<u>1,195,536</u>	<u>1,813,182</u>	<u>6,625,083</u>	<u>20,504,287</u>	<u>20,193,594</u>
<b>Auxiliary Enterprises</b>	<u>626,284</u>	<u>-</u>	<u>196,974</u>	<u>1,210,775</u>	<u>2,034,033</u>	<u>2,108,546</u>
<b>Depreciation Expense - Buildings and other real estate improvements</b>	-	-	-	529,181	529,181	515,190
<b>Depreciation Expense - Equipment and furniture</b>	-	-	-	376,239	376,239	359,797
<b>Total Operating Expenses</b>	<u>\$ 11,496,770</u>	<u>\$ 1,195,536</u>	<u>\$ 2,010,156</u>	<u>\$ 8,741,278</u>	<u>\$ 23,443,740</u> (Exhibit 2)	<u>\$ 23,177,127</u> (Exhibit 2)

**Vernon College**  
**Schedule C**  
**Schedule of Non-Operating Revenues and Expenses**  
**For the Year Ended August 31, 2014**  
**(With Memorandum Totals for the Year Ended August 31, 2013)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2014 Totals</u>	<u>2013 Totals</u>
<b>NON-OPERATING REVENUES:</b>					
State appropriations:					
Educational and general state support	\$ 5,513,466	\$ -	\$ -	\$ 5,513,466	\$ 5,560,117
State group insurance	-	896,047	-	896,047	636,721
State retirement match	-	299,489	-	299,489	534,942
<b>Total state appropriations</b>	<b>5,513,466</b>	<b>1,195,536</b>	<b>-</b>	<b>6,709,002</b>	<b>6,731,780</b>
Property taxes for maintenance & operation	1,901,855	-	759,279	2,661,134	2,229,786
Federal Revenue, Non-Operating	-	5,899,152	-	5,899,152	5,872,046
Capital contracts, grants and gifts	-	168,787	20,015	188,802	251,772
Gain/(Loss) on Disposal of Assets	-	-	-	-	(9,110)
Lease income	-	14,158	-	14,158	17,161
Investment income	18,507	1,214	-	19,721	42,379
<b>Total non-operating revenues</b>	<b>7,433,828</b>	<b>7,278,847</b>	<b>779,294</b>	<b>15,491,969</b>	<b>15,135,814</b>
<b>NON-OPERATING EXPENSES:</b>					
Operational costs of lease property	-	3,008	-	3,008	9,258
Interest and fees on capital related debt	44,000	394,772	-	438,772	453,220
<b>Total non-operating expenses</b>	<b>44,000</b>	<b>397,780</b>	<b>-</b>	<b>441,780</b>	<b>462,478</b>
<b>Net non-operating revenues</b>	<b>\$ 7,389,828</b>	<b>\$ 6,881,067</b>	<b>\$ 779,294</b>	<b>\$ 15,050,189</b>	<b>\$ 14,673,336</b>
				(Exhibit 2)	(Exhibit 2)

**Vernon College**  
**Schedule D**  
**Schedule of Net Position By Source and Availability**  
**For the Year Ended August 31, 2014**  
**(With Memorandum Totals for the Year Ended August 31, 2013)**

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 3,927,849	\$ -	\$ -	\$ -	\$ 3,927,849	\$ 3,927,849	\$ -
Auxiliary	15,160	-	-	-	15,160	15,160	-
Student Aid	-	8,469	-	-	8,469	8,469	-
Endowment:							
Restricted:							
Student Aid	-	-	1,688,875	-	1,688,875	-	1,688,875
Plant:							
Debt Service	-	975,828	-	-	975,828	-	975,828
Investment in Plant	-	-	-	10,563,352	10,563,352	-	10,563,352
<b>Total Net Position, August 31, 2014</b>	<b>3,943,009</b>	<b>984,297</b>	<b>1,688,875</b>	<b>10,563,352</b>	<b>17,179,533</b>	<b>3,951,478</b>	<b>13,228,055</b>
<b>Total Net Position, August 31, 2013</b>	<b>3,666,758</b>	<b>1,134,148</b>	<b>1,892,062</b>	<b>10,562,477</b>	<b>17,255,445</b>	<b>3,821,283</b>	<b>13,434,162</b>
<b>Net Increase (Decrease) in Net Position</b>	<b>\$ 276,251</b>	<b>\$ (149,851)</b>	<b>\$ (203,187)</b>	<b>\$ 875</b>	<b>\$ (75,912)</b>	<b>\$ 130,195</b>	<b>\$ (206,107)</b>
					(Exhibit 2)		



**Vernon College  
Schedule E  
Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2014**

<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	\$ 62,000
Federal Workstudy Program (FWS)	84.033	N/A	68,058
Federal Pell Grant Program (Pell)	84.063	N/A	5,769,094
Federal Direct Student Loans (Direct Loan)	84.268	N/A	<u>6,581,222</u>
Total Direct Programs			<u>12,480,374</u>
<u>Pass-Through From:</u>			
Texas Higher Education Coordinating Board:			
Carl Perkins Vocational Education Annual Grant	84.048	94252	<u>181,390</u>
Total U.S. Department of Education			<u>12,661,764</u>
<u>U.S. Department of Health and Human Services:</u>			
<u>Pass-Through From:</u>			
Nortex Regional Planning Commission:			
Special Programs for the Aging - Title VII	93.041	N/A	1,958
Special Programs for the Aging - Title III, Part C Nutrition	93.045	N/A	<u>40,291</u>
Total U.S. Department of Health and Human Services			<u>42,249</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 12,704,013</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, 2014**

Note 1: Significant Accounting Policies Used in Preparing the Schedule

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

Note 2: Federal Assistance Reconciliation

Federal Revenues - per Exhibit 2	
Federal Grants and Contracts - per Schedule A	\$ 234,829
Federal Grants and Contracts - per Schedule C	5,899,152
Direct Loans	6,581,222
Administrative Cost Recoveries - U.S. Department of Education	(8,481)
Veterans Reporting Allowance	<u>(2,709)</u>
 Total Per Schedule E	 <u>\$ 12,704,013</u>

**Vernon College  
Schedule F  
Schedule of Expenditures of State Awards  
For Year Ended August 31, 2014**

<b>State Grantor/Pass Through Grantor/Program Title</b>	<b>Grant Contract #</b>	<b>Expenditures August 31, 2014</b>
<b>Pass-Through From</b>		
<b>Texas Higher Education Coordinating Board</b>		
College Workstudy	N/A	\$ 17,187
Texas Grant	N/A	386,017
Texas Education Opportunity Grant	N/A	65,315
Top 10% Scholarship Program	NA	1,500
Professional Nursing (Over 70) Grant	N/A	213,689
<b>Subtotal Texas Higher Education Coordinating Board</b>		<b>683,708</b>
<b>Texas Department of Agriculture</b>		
Texans Feeding Texans	N/A	4,419
<b>Subtotal Texas Department of Agriculture</b>		<b>4,419</b>
<b>Texas Workforce Commission</b>		
SDF Grant Tranter/Pratt-Whitney	0312SDF000	34,110
SDF Grant WF Consortium	0310SDF000	(2,484)
S-3 Math Grant	10901	181,092
<b>Subtotal Texas Workforce Awards</b>		<b>212,718</b>
<b>Total State Grants and Awards</b>		<b>\$ 900,845</b>

**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 Position by Component  
Fiscal Years 2005 to 2014  
(Unaudited)**

	For the Years Ended August 31,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net investment in capital assets	\$ 10,563,352	\$ 10,562,477	\$ 9,927,996	\$ 7,907,301	\$ 7,758,361	\$ 7,532,428	\$ 7,302,927	\$ 7,318,720	\$ 5,263,055	\$ 7,532,428
Restricted - nonexpendable	1,688,875	1,892,062	2,092,113	2,349,161	2,495,414	2,504,215	2,495,579	2,038,618	1,795,826	2,504,215
Restricted - expendable	984,297	1,134,148	1,546,422	1,546,239	509,831	462,826	665,508	622,405	1,750,033	462,826
Unrestricted	3,943,009	3,666,758	3,962,726	5,108,925	4,745,732	3,717,514	2,990,161	2,976,155	2,522,286	3,717,514
<b>Total primary government net position</b>	<b>\$ 17,179,533</b>	<b>\$ 17,255,445</b>	<b>\$ 17,529,256</b>	<b>\$ 16,911,626</b>	<b>\$ 15,509,338</b>	<b>\$ 14,216,983</b>	<b>\$ 13,454,175</b>	<b>\$ 12,955,898</b>	<b>\$ 11,331,200</b>	<b>\$ 14,216,983</b>

**Vernon College  
Statistical Supplement 2  
Revenue by Source  
Fiscal Years 2005 to 2014  
(Unaudited)**

For the Years Ended August 31,

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Operating Revenues</b>										
Tuition and fees (net of discounts)	\$ 4,880,953	\$ 4,662,544	\$ 3,486,552	\$ 3,639,368	\$ 3,466,174	\$ 3,330,972	\$ 1,860,137	\$ 2,198,299	\$ 1,987,464	\$ 1,720,209
Government grants and contracts:										
Federal grants and contracts	234,829	239,482	235,093	700,049	856,730	644,667	1,170,242	1,381,841	1,272,232	1,425,961
State grants and contracts	900,845	1,166,010	639,271	1,169,238	804,416	297,328	261,308	234,504	399,075	291,696
Non-governmental grants and contracts	899,800	1,084,070	1,035,961	951,657	967,624	1,106,899	872,706	627,138	583,976	803,222
Sales and services of educational activities	112,937	108,782	99,473	111,860	131,078	125,457	127,783	124,305	134,363	135,549
Investment income (program restricted)	7,099	16,502	26,978	43,949	44,067	64,712	117,565	134,949	231,759	58,267
Auxiliary enterprises (net of discounts)	1,261,227	1,309,841	1,268,080	1,482,844	1,461,942	1,518,977	1,557,681	1,582,164	1,458,192	1,468,202
Other operating revenues	19,949	63,316	14,011	22,362	34,767	596	40,758	24,321	32,606	21,483
<b>Total Operating Revenues</b>	<b>8,317,639</b>	<b>8,650,547</b>	<b>6,805,419</b>	<b>8,121,327</b>	<b>7,766,798</b>	<b>7,089,608</b>	<b>6,008,180</b>	<b>6,307,521</b>	<b>6,099,667</b>	<b>5,924,589</b>
<b>Non-Operating Revenues</b>										
State appropriations	6,709,002	6,731,780	6,941,563	7,000,865	7,060,253	7,043,388	7,077,351	6,948,017	6,879,466	6,283,061
Ad valorem taxes	2,661,134	2,229,786	2,167,943	2,038,823	2,023,749	2,020,065	2,043,714	2,036,614	2,054,039	2,041,629
Federal revenue, non-operating	5,899,152	5,872,046	6,193,085	6,133,753	5,204,669	2,969,655	2,511,925	2,377,197	2,497,949	2,561,224
Other non-operating income	188,802	251,772	150,700	352,419	72,692	75,983	-	37,061	-	35,000
Lease income	14,158	17,161	60,461	65,825	161,189	396,566	414,658	407,967	627,092	636,406
Investment income	19,721	42,379	62,608	109,542	86,336	97,183	123,301	179,007	48,233	92,358
<b>Total Non-Operating Revenues</b>	<b>15,491,969</b>	<b>15,144,924</b>	<b>15,576,360</b>	<b>15,701,227</b>	<b>14,608,888</b>	<b>12,602,840</b>	<b>12,170,949</b>	<b>11,985,863</b>	<b>12,106,779</b>	<b>11,649,678</b>
<b>Total Revenues</b>	<b>\$ 23,809,608</b>	<b>\$ 23,795,471</b>	<b>\$ 22,381,779</b>	<b>\$ 23,822,554</b>	<b>\$ 22,375,686</b>	<b>\$ 19,692,448</b>	<b>\$ 18,179,129</b>	<b>\$ 18,293,384</b>	<b>\$ 18,206,446</b>	<b>\$ 17,574,267</b>

For the Years Ended August 31,

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Operating Revenues</b>										
Tuition and fees (net of discounts)	20.50%	19.59%	15.58%	15.28%	15.49%	16.91%	10.23%	12.02%	10.92%	9.79%
Government grants and contracts:										
Federal grants and contracts	0.99%	1.01%	1.05%	2.94%	3.83%	3.27%	6.44%	7.55%	6.99%	8.11%
State grants and contracts	3.78%	4.90%	2.86%	4.91%	3.60%	1.51%	1.44%	1.28%	2.19%	1.66%
Non-governmental grants and contracts	3.78%	4.56%	4.63%	3.99%	4.32%	5.62%	4.80%	3.43%	3.21%	4.57%
Sales and services of educational activities	0.47%	0.46%	0.44%	0.47%	0.59%	0.64%	0.70%	0.68%	0.74%	0.77%
Investment income (program restricted)	0.03%	0.07%	0.12%	0.18%	0.20%	0.33%	0.65%	0.74%	1.27%	0.33%
Auxiliary enterprises (net of discounts)	5.30%	5.50%	5.67%	6.22%	6.53%	7.71%	8.57%	8.65%	8.01%	8.35%
Other operating revenues	0.08%	0.27%	0.06%	0.09%	0.16%	0.00%	0.22%	0.13%	0.18%	0.12%
<b>Total Operating Revenues</b>	<b>34.93%</b>	<b>36.35%</b>	<b>30.41%</b>	<b>34.09%</b>	<b>34.71%</b>	<b>36.00%</b>	<b>33.05%</b>	<b>34.48%</b>	<b>33.50%</b>	<b>33.71%</b>
<b>Non-Operating Revenues</b>										
State appropriations	28.18%	28.29%	31.01%	29.39%	31.55%	35.77%	38.93%	37.98%	37.79%	35.75%
Ad valorem taxes	11.18%	9.37%	9.69%	8.56%	9.04%	10.26%	11.24%	11.13%	11.28%	11.62%
Federal revenue, non-operating	24.78%	24.68%	27.67%	25.75%	23.26%	15.08%	13.82%	12.99%	13.72%	14.57%
Other non-operating income	0.79%	1.06%	0.67%	1.48%	0.32%	0.39%	0.00%	0.20%	0.00%	0.20%
Lease income	0.06%	0.07%	0.27%	0.28%	0.72%	2.01%	2.28%	2.23%	3.44%	3.62%
Investment income	0.08%	0.18%	0.28%	0.46%	0.39%	0.49%	0.68%	0.98%	0.26%	0.53%
<b>Total Non-Operating Revenues</b>	<b>65.07%</b>	<b>63.65%</b>	<b>69.59%</b>	<b>65.91%</b>	<b>65.29%</b>	<b>64.00%</b>	<b>66.95%</b>	<b>65.52%</b>	<b>66.50%</b>	<b>66.29%</b>
<b>Total Revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**Vernon College**  
**Statistical Supplement 3**  
**Program Expenses by Function**  
**Fiscal Years 2005 to 2014**  
**(Unaudited)**

For the Years Ended August 31,

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Operating Expenses</b>										
Instruction	\$ 8,080,853	\$ 7,985,753	\$ 7,162,309	\$ 8,007,493	\$ 7,085,729	\$ 6,733,646	\$ 6,478,364	\$ 5,834,780	\$ 5,954,887	\$ 5,168,243
Public service	514,862	471,654	420,836	409,775	390,616	383,026	344,312	332,191	338,088	555,596
Academic support	2,769,920	2,656,292	2,703,740	2,341,236	2,625,566	2,349,928	2,277,988	2,462,146	2,109,335	2,316,158
Student services	1,872,380	1,885,203	1,730,718	1,661,351	1,596,999	1,492,684	1,414,255	1,743,620	1,453,965	1,337,026
Institutional support	3,130,823	3,007,644	2,820,922	2,629,477	2,413,068	2,412,779	2,138,994	2,030,647	1,904,323	1,854,161
Operation and maintenance of plant	2,249,417	2,456,195	2,339,480	1,969,638	2,275,070	1,874,896	2,043,131	1,720,330	1,363,683	1,422,407
Scholarship and fellowships	1,886,033	1,730,853	189,510	966,082	1,474,636	489,004	191,434	368,533	635,800	918,081
Auxiliary enterprises	2,034,033	2,108,546	3,278,919	3,351,668	2,297,289	2,210,484	2,246,353	2,168,860	2,143,037	2,046,592
Depreciation	905,420	874,987	623,367	575,217	511,728	522,686	515,907	484,454	461,323	466,073
<b>Total Operating Expenses</b>	<b>23,443,741</b>	<b>23,177,127</b>	<b>21,269,801</b>	<b>21,911,937</b>	<b>20,670,701</b>	<b>18,469,133</b>	<b>17,650,738</b>	<b>17,145,561</b>	<b>16,364,441</b>	<b>16,084,337</b>
<b>Non-Operating Expenses</b>										
Loss on disposal of assets	-	9,110	-	-	-	-	-	-	-	-
Operational costs of leased property	3,008	9,258	9,577	23,831	20,374	36,274	33,330	239,114	244,320	285,482
Amortization of bond issuance costs	-	-	11,672	11,672	5,000	5,000	5,000	5,000	5,000	5,000
Interest and fees on capital related debt	438,772	453,220	473,099	472,826	387,256	419,232	450,371	468,360	486,488	552,992
<b>Total Non-Operating Expenses</b>	<b>441,780</b>	<b>471,588</b>	<b>494,348</b>	<b>508,329</b>	<b>412,630</b>	<b>460,506</b>	<b>488,701</b>	<b>712,474</b>	<b>735,808</b>	<b>843,474</b>
<b>Total Expenses</b>	<b>\$ 23,885,521</b>	<b>\$ 23,648,715</b>	<b>\$ 21,764,149</b>	<b>\$ 22,420,266</b>	<b>\$ 21,083,331</b>	<b>\$ 18,929,639</b>	<b>\$ 18,139,439</b>	<b>\$ 17,858,035</b>	<b>\$ 17,100,249</b>	<b>\$ 16,927,811</b>

For the Years Ended August 31,

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Operating Expenses</b>										
Instruction	33.83%	33.77%	32.91%	35.72%	33.61%	35.57%	35.71%	32.67%	34.82%	30.53%
Public service	2.16%	1.99%	1.93%	1.83%	1.85%	2.02%	1.90%	1.86%	1.98%	3.28%
Academic support	11.60%	11.23%	12.42%	10.44%	12.45%	12.41%	12.56%	13.79%	12.34%	13.68%
Student services	7.84%	7.97%	7.95%	7.41%	7.57%	7.89%	7.80%	9.76%	8.50%	7.90%
Institutional support	13.11%	12.72%	12.96%	11.73%	11.45%	12.75%	11.79%	11.37%	11.14%	10.95%
Operation and maintenance of plant	9.42%	10.39%	10.75%	8.79%	10.79%	9.90%	11.26%	9.63%	7.97%	8.40%
Scholarship and fellowships	7.90%	7.32%	0.87%	4.31%	6.99%	2.58%	1.06%	2.06%	3.72%	5.42%
Auxiliary enterprises	8.52%	8.92%	15.07%	14.95%	10.90%	11.68%	12.38%	12.15%	12.53%	12.09%
Depreciation	3.79%	3.70%	2.86%	2.57%	2.43%	2.76%	2.84%	2.71%	2.70%	2.75%
<b>Total Operating Expenses</b>	<b>98.15%</b>	<b>98.01%</b>	<b>97.73%</b>	<b>97.73%</b>	<b>98.04%</b>	<b>97.57%</b>	<b>97.31%</b>	<b>96.01%</b>	<b>95.70%</b>	<b>95.02%</b>
<b>Non-Operating Expenses</b>										
Loss on disposal of assets	0.00%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operational costs of leased property	0.01%	0.04%	0.04%	0.11%	0.10%	0.19%	0.18%	1.34%	1.43%	1.69%
Amortization of bond issuance costs	0.00%	0.00%	0.05%	0.05%	0.02%	0.03%	0.03%	0.03%	0.03%	0.03%
Interest and fees on capital related debt	1.84%	1.92%	2.17%	2.11%	1.84%	2.21%	2.48%	2.62%	2.84%	3.27%
<b>Total Non-Operating Expenses</b>	<b>1.85%</b>	<b>1.99%</b>	<b>2.27%</b>	<b>2.27%</b>	<b>1.96%</b>	<b>2.43%</b>	<b>2.69%</b>	<b>3.99%</b>	<b>4.30%</b>	<b>4.98%</b>
<b>Total Expenses</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

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

Resident Vernon Campus Fees per Semester Credit Hour (SCH)
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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
2013	48.00	90.00	34.00	6.00	1,056.00	1,560.00	2.33%	1.56%
2012	48.00	90.00	32.00	6.00	1,032.00	1,536.00	6.17%	6.67%
2011	46.00	85.00	29.00	6.00	972.00	1,440.00	5.19%	11.11%
2010	44.00	75.00	27.00	6.00	924.00	1,296.00	5.48%	6.93%
2009	42.00	70.00	25.00	6.00	876.00	1,212.00	10.61%	8.02%
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		

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
2013	160.00	160.00	34.00	6.00	2,400.00	2,400.00	1.01%	1.01%
2012	160.00	160.00	32.00	6.00	2,376.00	2,376.00	7.03%	7.03%
2011	150.00	150.00	29.00	6.00	2,220.00	2,220.00	13.50%	13.50%
2010	130.00	130.00	27.00	6.00	1,956.00	1,956.00	7.95%	7.95%
2009	120.00	120.00	25.00	6.00	1,812.00	1,812.00	9.42%	9.42%
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		

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>
2013-14	\$ 1,818,956,660	\$ 636,775,446	\$ 1,182,181,214	64.99%	\$ 0.22212	\$ 0.00000	\$ 0.22212
2012-13	1,595,309,430	608,833,820	986,475,610	61.84%	0.22285	0.00000	0.22285
2011-12	1,523,966,580	615,951,780	908,014,800	59.58%	0.22343	0.00000	0.22343
2010-11	1,498,674,530	611,389,270	887,285,260	59.20%	0.22672	0.00000	0.22672
2009-10	1,529,569,880	626,657,640	902,912,240	59.03%	0.22280	0.00000	0.22280
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

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	
2013-14	5,511,466	2,376	2,319	822,400	821,542	1,643,942	3.35
2012-13	5,525,348	2,335	2,366	838,848	799,548	1,638,396	3.37
2011-12	5,852,020	2,259	2,591	858,800	796,761	1,655,561	3.53
2010-11	5,454,584	2,720	2,006	874,720	1,071,662	1,946,382	2.80
2009-10	5,521,976	2,420	2,282	860,960	826,687	1,687,647	3.27
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

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

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

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

Taxpayer	Type of Business	Taxable Assessed Valuation (TAV) by Tax Year									
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
AEP Texas North Company	Energy company	\$ 168,967,800	\$ 174,045,890	\$ 184,846,970	\$ 175,881,840	\$ 186,347,390	\$ 221,145,570	\$ 259,360,420	\$ 311,522,800	\$ 306,266,190	\$ 247,226,450
Blue Summit Wind, LLC	Wind Farm	166,668,370	191,173,200	-	-	-	-	-	-	-	-
Electric Transmission of Texas	Electricity Distribution	86,598,110	43,382,620	23,236,450	10,913,990	-	-	-	-	-	-
AEP Public Service Co of Oklahoma	Energy company	59,481,220	51,041,830	51,378,340	49,330,580	58,018,740	55,415,220	55,975,710	52,262,440	53,703,940	56,973,910
Oklahoma Municipal Power Authority	Energy company	34,238,180	35,340,650	33,682,770	32,929,510	30,694,140	31,554,780	28,978,660	30,411,870	31,876,920	32,505,830
Tyson Foods, Inc	Food processing plant	32,862,470	34,825,270	38,836,140	36,724,230	27,432,690	28,204,470	30,766,480	29,281,070	30,522,910	28,232,360
WT Waggoner Estate	Farming, ranching, oil & gas	29,790,920	28,159,810	30,417,350	25,172,210	25,087,580	23,450,170	24,037,680	19,659,204	20,541,460	17,689,480
Solvay (Rhodia), Inc	Guar processing plant	21,923,000	25,243,480	22,484,120	18,935,300	17,946,960	22,765,170	22,555,420	25,422,440	23,399,550	21,481,620
BNSF Railway	Railroad company	21,588,920	21,558,190	19,890,160	17,537,810	14,756,370	13,437,470	12,769,020	11,694,320	10,334,230	9,360,030
Mahard Egg Farm	Egg farm	17,630,080	18,949,050	18,677,420	18,811,580	19,967,630	21,258,480	9,740,310	-	8,095,040	6,292,390
Tradition Resources, LLC	Energy company	16,539,260	11,033,130	11,140,290	-	-	-	-	-	-	-
Vernon Auto Group	Automobile Dealerships	14,123,750	-	-	-	-	-	-	-	-	-
Johnson & Ernst Op Co	Oil & gas	-	14,221,800	14,295,800	9,481,960	6,986,390	5,852,390	8,117,510	-	-	-
Oncor Electric Delivery	Electricity Distribution	-	13,384,910	8,212,510	-	-	-	-	-	-	-
Energy Production Corp	Energy company	-	-	10,398,220	-	-	-	-	-	-	-
AEP West Texas Utilities Company	Energy company	-	-	-	13,339,240	13,609,240	12,050,300	-	11,467,250	-	11,467,250
Wal-Mart Stores/Retail Trust 1	Retail sales	-	-	-	11,063,650	5,753,060	5,054,790	4,123,730	-	-	-
<b>Totals</b>		<b>\$ 670,412,080</b>	<b>\$ 662,359,830</b>	<b>\$ 467,496,540</b>	<b>\$ 420,121,900</b>	<b>\$ 406,600,190</b>	<b>\$ 440,188,810</b>	<b>\$ 467,915,670</b>	<b>\$ 501,184,284</b>	<b>\$ 496,207,490</b>	<b>\$ 431,229,320</b>
<b>Total Assessed Taxable Value</b>		<b>\$ 1,182,181,214</b>	<b>\$ 986,475,610</b>	<b>\$ 908,014,800</b>	<b>\$ 887,285,260</b>	<b>\$ 902,912,240</b>	<b>\$ 926,605,450</b>	<b>\$ 914,975,270</b>	<b>\$ 919,199,840</b>	<b>\$ 805,573,100</b>	<b>\$ 765,796,700</b>

Taxpayer	Type of Business	Percentage Taxable Assessed Valuation (TAV) by Tax Year									
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
AEP Texas North Company	Energy company	14.29%	17.64%	20.36%	19.82%	20.64%	23.87%	28.35%	33.89%	38.02%	32.28%
Blue Summit Wind, LLC	Wind Farm	14.10%	19.38%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electric Transmission of Texas	Electricity Distribution	7.33%	4.40%	2.56%	1.23%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
AEP Public Service Co of Oklahoma	Energy company	5.03%	5.17%	5.66%	5.56%	6.43%	5.98%	6.12%	5.69%	6.67%	7.44%
Oklahoma Municipal Power Authority	Energy company	2.90%	3.58%	3.71%	3.71%	3.40%	3.41%	3.17%	3.31%	3.40%	4.24%
Tyson Foods, Inc	Food processing plant	2.78%	3.53%	4.28%	4.14%	3.04%	3.04%	3.36%	3.19%	3.79%	3.69%
WT Waggoner Estate	Farming, ranching, oil & gas	2.52%	2.85%	3.35%	2.84%	2.78%	2.53%	2.63%	2.14%	2.55%	2.31%
Solvay (Rhodia), Inc	Guar processing plant	1.85%	2.56%	2.48%	2.13%	1.99%	2.46%	2.47%	2.77%	2.90%	2.81%
BNSF Railway	Railroad company	1.83%	2.19%	2.19%	1.98%	1.63%	1.45%	1.40%	1.27%	1.28%	1.22%
Mahard Egg Farm	Egg farm	1.49%	1.92%	2.06%	2.12%	2.21%	2.29%	1.06%	1.03%	1.00%	0.82%
Tradition Resources, LLC	Energy company	1.40%	1.12%	1.23%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Vernon Auto Group	Automobile Dealerships	1.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Johnson & Ernst Op Co	Oil & gas	0.00%	1.44%	1.57%	1.07%	0.77%	0.63%	0.89%	0.00%	0.00%	0.00%
Oncor Electric Delivery	Electricity Distribution	0.00%	1.36%	0.90%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Energy Production Corp	Energy company	0.00%	0.00%	1.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
AEP West Texas Utilities Company	Energy company	0.00%	0.00%	0.00%	1.50%	1.51%	1.30%	1.26%	1.25%	1.42%	1.50%
Wal-Mart Stores/Retail Trust 1	Retail sales	0.00%	0.00%	0.00%	1.25%	0.64%	0.55%	0.45%	0.00%	0.00%	0.00%
<b>Totals</b>		<b>56.71%</b>	<b>67.14%</b>	<b>51.49%</b>	<b>47.35%</b>	<b>45.03%</b>	<b>47.51%</b>	<b>51.14%</b>	<b>54.52%</b>	<b>61.60%</b>	<b>56.31%</b>

**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
2014	\$ 2,625,712	\$ (2,430)	\$ 2,623,282	\$ 2,541,707	96.89%	\$ -	\$ -	\$ 2,541,707	96.89%
2013	2,198,223	(2,957)	2,195,266	2,116,137	96.40%	-	58,077	2,174,214	99.04%
2012	2,028,437	(854)	2,027,583	1,986,272	97.96%	18,700	7,108	2,012,080	99.24%
2011	2,018,225	(2,795)	2,015,429	1,966,566	97.58%	32,211	3,892	2,002,669	99.37%
2010	2,010,444	(973)	2,009,470	1,962,237	97.65%	38,097	1,138	2,001,472	99.60%
2009	2,014,162	(4,265)	2,009,897	1,961,432	97.59%	39,214	464	2,001,110	99.56%
2008	2,001,065	3,549	2,004,614	1,973,462	98.45%	23,401	263	1,997,126	99.63%
2007	2,010,198	(8,437)	2,001,761	1,975,506	98.69%	19,375	111	1,994,992	99.66%
2006	2,020,665	(6,827)	2,013,838	1,974,744	98.06%	32,309	792	2,007,845	99.70%
2005	2,006,004	4,026	2,010,030	1,969,076	97.96%	37,364	73	2,006,513	99.83%

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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenue bonds	\$ 10,760,000	\$ 11,225,000	\$ 11,680,000	\$ 12,125,000	\$ 6,540,000	\$ 6,845,000	\$ 7,135,000	\$ 7,415,000	\$ 7,675,000	\$ 7,925,000
Notes	-	-	-	-	-	-	-	-	-	-
Capital lease obligations	704,274	833,132	952,991	1,064,363	1,167,734	1,263,029	1,347,594	1,423,863	1,500,393	1,600,705
<b>Total Outstanding Debt</b>	<b>\$ 11,464,274</b>	<b>\$ 12,058,132</b>	<b>\$ 12,632,991</b>	<b>\$ 13,189,363</b>	<b>\$ 7,707,734</b>	<b>\$ 8,108,029</b>	<b>\$ 8,482,594</b>	<b>\$ 8,838,863</b>	<b>\$ 9,175,393</b>	<b>\$ 9,525,705</b>
<b>Total Outstanding Debt Ratios</b>										
Per Capita	not available	not available	952.86	976.27	562.98	588.31	604.30	621.67	685.50	703.21
Per FTSE	4,825	5,164	5,592	4,849	3,185	3,850	4,243	4,517	4,679	4,833
As a percentage of Taxable Assessed Value	1.2626%	1.3280%	1.4238%	1.4608%	0.8750%	0.9271%	0.9616%	1.0132%	1.2439%	1.3995%

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

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

	For the Years Ended August 31,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Taxable Assessed Valuation	\$ 1,182,181,214	\$ 986,475,610	\$ 908,014,800	\$ 887,285,260	\$ 902,912,240	\$ 926,605,450	\$ 914,975,270	\$ 919,199,840	\$ 805,573,100	\$ 765,796,700
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Statutory tax levy limit for debt service	\$ 5,910,906	\$ 4,932,378	\$ 4,540,074	\$ 4,436,426	\$ 4,514,561	\$ 4,633,027	\$ 4,574,876	\$ 4,595,999	\$ 4,027,866	\$ 3,828,984
Less funds restricted for repayment of bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	5,910,906	4,932,378	4,540,074	4,436,426	4,514,561	4,633,027	4,574,876	4,595,999	4,027,866	3,828,984
Current year debt service requirement	-	-	-	-	-	-	-	-	-	-
Excess of statutory limit for debt service over current requirement	\$ 5,910,906	\$ 4,932,378	\$ 4,540,074	\$ 4,436,426	\$ 4,514,561	\$ 4,633,027	\$ 4,574,876	\$ 4,595,999	\$ 4,027,866	\$ 3,828,984
Net current requirement as a percentage of statutory limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

**Revenue Bonds**

Fiscal Year 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	Total	Principal	Interest	Total	
2014	\$ 6,070,149	\$ 657,547	\$ 3,771,494	\$ -	\$ 14,158	\$ 19,721	\$10,533,069	\$ 465,000	\$ 399,119	\$ 864,119	12.19
2013	5,749,880	659,514	3,702,329	-	17,161	42,379	10,171,262	455,000	409,700	864,700	11.76
2012	5,431,705	678,138	3,506,215	-	60,461	29,086	9,705,605	445,000	419,931	864,931	11.22
2011	5,091,415	689,749	3,246,912	-	65,825	80,272	9,174,172	450,000	417,997	867,997	10.57
2010	4,737,506	681,811	2,888,778	-	168,044	79,481	8,555,620	305,000	327,650	632,650	13.52
2009	4,271,778	1,011,005	1,656,588	-	410,698	97,183	7,447,252	290,000	355,297	645,297	11.54
2008	4,042,027	577,058	1,136,510	-	414,658	123,301	6,293,554	280,000	382,925	662,925	9.49
2007	3,977,289	628,510	1,173,656	-	407,967	179,007	6,366,429	260,000	396,997	656,997	9.69
2006	3,137,859	484,364	1,150,590	-	627,092	48,233	5,448,138	250,000	410,465	660,465	8.25
2005	2,705,330	431,066	1,139,657	-	636,306	43,233	4,955,592	175,000	473,638	648,638	7.64

**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
2013	b	b	b	5.5%
2012	13,258	\$ 505,562	\$ 38,133	5.8%
2011	13,258	472,359	35,015	6.2%
2010	13,510	463,963	34,342	6.1%
2009	13,691	441,218	32,227	7.0%
2008	13,782	437,000	31,708	3.7%
2007	14,037	414,220	29,890	3.4%
2006	14,218	405,173	28,497	3.4%
2005	13,896	371,154	26,316	4.0%
2004	13,934	358,406	25,722	4.5%

**Sources:**

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

**Notes:**

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



**Vernon College  
Statistical Supplement 13  
Principal Employers  
Fiscal Year 2014  
(Unaudited)**

Employer	Number of Employees	Percentage of Total Employment (1, 2)
North Texas State Hospital	1000+	17.49%
Tyson Foods, Inc	500 - 999	10.50%
Hospital Home Health	100 - 499	4.20%
Vernon City Hall	100 - 499	4.20%
Vernon College	100 - 499	4.20%
Vernon Public Schools	100 - 499	4.20%
United Supermarket	100 - 499	4.20%
Walmart	100 - 499	4.20%
Wilbarger General Hospital	100 - 499	4.20%
Covenant Care of Vernon	50 - 99	1.05%
Herring Bank	50 - 99	1.05%
McDonalds	50 - 99	1.05%
Rhodia	50 - 99	1.05%
Vernon Care Center	50 - 99	1.05%
Waggoner National Bank	50 - 99	1.05%
<b>Total</b>	<b>2450-5686</b>	<b>63.69%</b>

**Source:**

Employer search <http://socrates.cdr.state.tx.us/> , November 2014  
Labor Force - Socrates County Narrative Profile, November 2014

**Note:**

1. Total employment: 7,145
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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Faculty</b>										
FT	88	83	81	81	77	74	74	73	73	72
PT	75	80	76	81	88	75	77	83	112	101
<b>Total</b>	<b>163</b>	<b>163</b>	<b>157</b>	<b>162</b>	<b>165</b>	<b>149</b>	<b>151</b>	<b>156</b>	<b>185</b>	<b>173</b>
<b>Percent</b>										
FT	54%	51%	52%	50%	47%	50%	49%	47%	39%	42%
PT	46%	49%	48%	50%	53%	50%	51%	53%	61%	58%
<b>Staff &amp; Adm</b>										
FT	145	141	140	143	139	136	138	145	145	120
PT	3	4	5	4	9	-	-	-	-	9
<b>Total</b>	<b>148</b>	<b>145</b>	<b>145</b>	<b>147</b>	<b>148</b>	<b>136</b>	<b>138</b>	<b>145</b>	<b>145</b>	<b>129</b>
<b>Percent</b>										
FT	98%	97%	97%	97%	94%	100%	100%	100%	100%	93%
PT	2%	3%	3%	3%	6%	0%	0%	0%	0%	7%
<b>FTSE</b>	2,376	2,335	2,259	2,720	2,420	2,106	1,999	1,957	1,961	1,971
FT Faculty	27.00	28.13	27.89	33.58	31.43	28.46	27.01	26.81	26.86	27.38
FT Staff	16.39	16.56	16.14	19.02	17.41	15.49	14.49	13.50	13.52	16.43
<b>Fac Sal</b>	<b>\$ 4,357,658</b>	<b>\$ 3,809,445</b>	<b>\$ 3,794,882</b>	<b>\$ 3,558,609</b>	<b>\$ 3,373,083</b>	<b>\$ 3,235,850</b>	<b>\$ 3,110,721</b>	<b>\$ 2,909,602</b>	<b>\$ 2,753,724</b>	<b>\$ 2,545,488</b>
<b>Avg. Fac</b>	<b>\$ 49,519</b>	<b>\$ 45,897</b>	<b>\$ 46,850</b>	<b>\$ 43,933</b>	<b>\$ 43,806</b>	<b>\$ 43,728</b>	<b>\$ 42,037</b>	<b>\$ 39,858</b>	<b>\$ 37,722</b>	<b>\$ 35,354</b>

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

Credit Student Classification	Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
0 - 30 hours	2105	68.26%	2116	67.86%	2320	71.45%	2097	66.21%	2170	68.52%
31 - 60 hours	884	28.66%	890	28.54%	816	25.13%	849	26.81%	694	21.91%
> 60 hours	95	3.08%	112	3.59%	111	3.42%	221	6.98%	303	9.57%
<b>Total</b>	<b>3084</b>	<b>100.00%</b>	<b>3118</b>	<b>100.00%</b>	<b>3247</b>	<b>100.00%</b>	<b>3167</b>	<b>100.00%</b>	<b>3167</b>	<b>100.00%</b>

Non-Credit Student Classification	Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
CEU Students Only	1089	71.04%	858	70.62%	757	72.58%	1355	75.66%	720	78.01%
0 - 30 hours	280	18.26%	203	16.71%	190	18.22%	276	15.41%	120	13.00%
31 - 60 hours	109	7.11%	97	7.98%	63	6.04%	101	5.64%	54	5.85%
> 60 hours	55	3.59%	57	4.69%	33	3.16%	59	3.29%	29	3.14%
<b>Total</b>	<b>1533</b>	<b>100.00%</b>	<b>1215</b>	<b>100.00%</b>	<b>1043</b>	<b>100.00%</b>	<b>1791</b>	<b>100.00%</b>	<b>923</b>	<b>100.00%</b>

Semester Hour Load	Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	15	0.49%	35	1.12%	40	1.23%	30	0.95%	48	1.52%
3 - 5 semester hours	550	17.83%	592	18.99%	660	20.33%	682	21.53%	736	23.24%
6 - 8 semester hours	843	27.33%	821	26.33%	838	25.81%	765	24.16%	784	24.76%
9 - 11 semester hours	577	18.71%	721	23.12%	714	21.99%	700	22.10%	605	19.10%
12 - 14 semester hours	905	29.35%	799	25.63%	812	25.01%	789	24.91%	782	24.69%
15 - 17 semester hours	185	6.00%	142	4.55%	178	5.48%	188	5.94%	204	6.44%
18 & over	9	0.29%	8	0.26%	5	0.15%	13	0.41%	8	0.25%
<b>Sub-Total SCH Students</b>	<b>3084</b>	<b>100.00%</b>	<b>3118</b>	<b>100.00%</b>	<b>3247</b>	<b>100.00%</b>	<b>3167</b>	<b>100.00%</b>	<b>3167</b>	<b>100.00%</b>
<b>Average SCH course load</b>	<b>8.84</b>		<b>8.66</b>		<b>8.57</b>		<b>8.66</b>		<b>8.49</b>	
<b>Non-Credit CEU Students</b>	<b>1533</b>		<b>1215</b>		<b>1043</b>		<b>1791</b>		<b>923</b>	
<b>Total</b>	<b>4617</b>		<b>4333</b>		<b>4290</b>		<b>4958</b>		<b>4090</b>	

Credit Tuition Status	Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-district)	243	7.88%	295	9.46%	306	9.42%	281	8.87%	300	9.47%
Texas Resident (out-of-dist)	2805	90.95%	2781	89.19%	2887	88.91%	2833	89.45%	2828	89.30%
Non-Resident Tuition	36	1.17%	42	1.35%	54	1.66%	53	1.67%	39	1.23%
<b>Total</b>	<b>3084</b>	<b>100.00%</b>	<b>3118</b>	<b>100.00%</b>	<b>3247</b>	<b>100.00%</b>	<b>3167</b>	<b>100.00%</b>	<b>3167</b>	<b>100.00%</b>

Non-Credit Tuition Status	Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
CEU Students Only	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
CEU Contract & Non-Contract	16	1.04%	3	0.25%	1	0.10%	34	1.90%	5	0.33%
CEU Contract Only	1189	77.56%	964	79.34%	736	70.57%	1463	81.69%	609	39.62%
CEU Non-Contract Only	328	21.40%	248	20.41%	306	29.34%	294	16.42%	923	60.05%
<b>Total</b>	<b>1533</b>	<b>100.00%</b>	<b>1215</b>	<b>100.00%</b>	<b>1043</b>	<b>100.00%</b>	<b>1791</b>	<b>100.00%</b>	<b>1537</b>	<b>100.00%</b>

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

	Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	2829	61.27%	2682	61.90%	2664	62.10%	3012	60.75%	2452	59.95%
Male	1788	38.73%	1651	38.10%	1626	37.90%	1946	39.25%	1638	40.05%
Total	4617	100.00%	4333	100.00%	4290	100.00%	4958	100.00%	4090	100.00%

	Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin										
White	3100	67.14%	2920	67.39%	2933	68.37%	3271	65.97%	2984	72.96%
Hispanic	712	15.42%	659	15.21%	647	15.08%	632	12.75%	568	13.89%
African American	439	9.51%	362	8.35%	377	8.79%	429	8.65%	370	9.05%
Asian	82	1.78%	70	1.62%	62	1.45%	91	1.84%	104	2.54%
Foreign	0	0.00%	1	0.02%	1	0.02%	2	0.04%	4	0.10%
Native American	53	1.15%	56	1.29%	50	1.17%	49	0.99%	43	1.05%
Other	231	5.00%	265	6.12%	220	5.13%	484	9.76%	17	0.42%
Total	4617	100.00%	4333	100.00%	4290	100.00%	4958	100.00%	4090	100.00%

	Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Credit Students)										
Under 18	506	16.41%	545	17.48%	565	17.40%	543	17.15%	627	19.80%
18 - 21	1097	35.57%	1120	35.92%	1175	36.19%	1134	35.81%	1095	34.58%
22 - 24	398	12.91%	372	11.93%	355	10.93%	346	10.93%	336	10.61%
25 - 35	682	22.11%	699	22.42%	768	23.65%	695	21.95%	637	20.11%
36 - 50	320	10.38%	318	10.20%	315	9.70%	346	10.93%	372	11.75%
51 & over	81	2.63%	64	2.05%	69	2.13%	103	3.25%	100	3.16%
Total	3084	100.00%	3118	100.00%	3247	100.00%	3167	100.00%	3167	100.00%

Average Age	25.0	24.0	24.0	25.0	25.0
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	Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Non-Credit Students)										
Under 18	308	20.09%	178	14.65%	230	22.05%	152	8.49%	141	15.28%
18 - 21	146	9.52%	108	8.89%	99	9.49%	277	15.47%	75	8.13%
22 - 24	115	7.50%	76	6.26%	64	6.14%	177	9.88%	61	6.61%
25 - 35	277	18.07%	264	21.73%	204	19.56%	431	24.06%	154	16.68%
36 - 50	342	22.31%	311	25.60%	223	21.38%	423	23.62%	251	27.19%
51 & over	345	22.50%	278	22.88%	223	21.38%	331	18.48%	241	26.11%
Total	1533	100.00%	1215	100.00%	1043	100.00%	1791	100.00%	923	100.00%

Average Age	35.0	37.0	35.0	35.0	38.0
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**Vernon College**  
**Statistical Supplement 17**  
**Transfers to Senior Institutions**  
**2012 Fall Students as of Fall 2013**  
**(Includes only public senior colleges in Texas)**  
**(Unaudited)**

	Transfer Student Count <u>Academic</u>	Transfer Student Count <u>Technical</u>	Total of all Sample Transfer Students	% of all Sample Transfer Students
1 Angelo State University	6	2	8	1.54%
2 Midwestern State University	267	56	323	62.36%
3 Prairie View A&M University	3		3	0.58%
4 Sam Houston State University	4		4	0.77%
5 Stephen F. Austin State University	2		2	0.39%
6 Tarleton State University	22	3	25	4.83%
7 Texas A&M University	14		14	2.70%
8 Texas A&M University - Commerce	2		2	0.39%
9 Texas A&M University - Corpus Christi	1		1	0.19%
10 Texas A&M University - Galveston	1		1	0.19%
11 Texas A&M University - San Marcos	8		8	1.54%
12 Texas Tech University	56	3	59	11.39%
13 Texas Woman's University	8		8	1.54%
14 The University of Texas at Arlington	9	4	13	2.51%
15 The University of Texas at Austin	10	1	11	2.12%
16 The University of Texas at Dallas	2	1	3	0.58%
17 University of North Texas	16		16	3.09%
18 West Texas A&M University	13	4	17	3.28%
	<u>444</u>	<u>74</u>	<u>518</u>	<u>100.00%</u>

**Vernon College  
Statistical Supplement 18  
Capital Asset Information  
Fiscal Years 2010 to 2014  
(Unaudited)**

	Fiscal Years				
	2014	2013	2012	2011	2010
Academic Buildings	6	6	6	6	6
Square footage	298,529	298,529	298,529	242,029	242,029
Libraries	1	1	1	1	1
Square footage	26,776	23,276	19,776	16,276	16,276
Number of volumes	33,719	33,719	33,719	33,810	33,815
Administrative and support buildings	1	1	1	1	1
Square footage	28,287	28,287	28,287	28,287	28,287
Dormitories	2	2	2	2	2
Square footage	27,214	27,214	27,214	27,214	27,214
Number of beds	156	156	156	156	156
Dining Facilities	1	1	1	1	1
Square footage	10,170	10,170	10,170	10,170	10,170
Average daily customers	250	250	250	250	250
Athletic Facilities	6	6	6	6	6
Square footage	39,987	39,987	39,987	39,987	31,472
Stadiums	3	3	3	3	3
Gymnasiums	1	1	1	1	1
Fitness Centers	1	1	1	1	1
Tennis Courts	6	6	6	6	6
Plant Facilities	1	1	1	1	1
Square footage	11,000	11,000	11,000	11,000	11,000
Transportation					
Cars	1	1	1	1	1
Light trucks/vans	14	14	14	14	13
Buses	3	3	3	3	2

*Overall Compliance, Internal Controls and Federal Awards Section*



## EDGIN, PARKMAN, FLEMING & FLEMING, PC

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

Board of Trustees  
Vernon College  
Vernon, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Vernon College and its discretely presented component unit, Vernon College Foundation, Incorporated, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise Vernon College's basic financial statements, and have issued our report thereon dated December 5, 2014.

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

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

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

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



## **Compliance and Other Matters**

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

### Public Funds Investment Act

We have performed tests designed to verify Vernon College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2014, no instances of noncompliance were noted.

### **Purpose of this Report**

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

Respectfully submitted,

*Edgin, Parkman, Fleming & Fleming, PC*

EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 5, 2014



## EDGIN, PARKMAN, FLEMING & FLEMING, PC

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

Board of Trustees  
Vernon College  
Vernon, Texas

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

We have audited Vernon College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of Vernon College's major federal and state programs for the year ended August 31, 2014. Vernon College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Our responsibility is to express an opinion on compliance for each of Vernon College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133 and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about Vernon College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Vernon College complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2014.

## **Report on Internal Control Over Compliance**

Management of Vernon College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Vernon College's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Vernon College's internal control over compliance.

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

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

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

Respectfully submitted,

*Edgin, Parkman, Fleming & Fleming, PC*

EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 5, 2014

**VERNON COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

**A. Summary of Auditor's Results**

**1. Financial Statements**

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

**2. Federal and State Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Control deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133, and the State of Texas Single Audit Circular?	No

Identification of major programs:	
Federal Programs:	<u>CFDA Number</u>
Student Financial Aid Cluster:	
Supplemental Educational Opportunity Grant (FSEOG)	84.007
Federal Work-Study Program (FWS)	84.033
Federal Pell Grant Program (Pell)	84.063
Federal Direct Student Loans (Direct Loan)	84.268
State Programs:	
Texas Grant	(State)
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**VERNON COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D.)**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

B. Financial Statement Findings

None

C. Federal and State Award Findings and Questioned Costs

None

**VERNON COLLEGE  
SCHEDULE OF CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2014**

There are no findings in the current year.

**VERNON COLLEGE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

There were no findings in the prior year.