



ANNUAL FINANCIAL REPORT

AUGUST 31, 2025 and 2024

VERNON COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024
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VERNON COLLEGE
ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2024-2025

Board of Trustees

	<u>Officers</u>	<u>Term Expires</u>
Mr. Bob Ferguson	Chairman	May 1, 2030
Mrs. Ann Wilson	Vice-Chairman	May 1, 2030
Mrs. Betsy Smith	Secretary	May 1, 2026

Members

Mr. Daryl Wolf	May 1, 2030
Mr. James Brock	May 1, 2026
Mrs. Jamie Chapman	May 1, 2028
Mrs. Meg Heatley	May 1, 2028

Executive Administration

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

Financial Section



December 10, 2025

To the Board of Trustees
Vernon College
Vernon, Texas

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of Vernon College (the "College"), as of and for the years ended August 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of August 31, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5-10, Schedule of College's Proportionate Share of the Net Pension Liability, Schedule of College's Contributions for Pensions, Schedule of College's Proportionate Share of Net OPEB Liability and Schedule of College's Contributions for OPEB on pages 52-55 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2025, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Condly and Company, L.L.P.".

Certified Public Accountants

Management's Discussion and Analysis
Required Supplementary Information

Management's Discussion and Analysis

This section of Vernon College's annual financial report presents a discussion and analysis of the College's financial performance during the fiscal years ended August 31, 2024 and 2025. Please read it in conjunction with the College's basic financial statements and notes, which follow this section. The College endeavors to present an objective and easily readable analysis of the overall financial activities to students and the public. Responsibility for the completeness and fairness of the information in this section rests with the College's management.

Overview of the Financial Statements

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

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current Assets			
Cash and cash equivalents	\$ 10,243,458	\$ 11,458,900	\$ 11,721,374
Accounts receivable – net	1,187,336	749,570	402,600
Lease receivable	14,259	14,258	14,258
Inventories	14,098	12,379	15,657
Other assets and prepaid expenses	783,207	661,671	184,377
Total Current Assets	<u>12,242,358</u>	<u>12,896,778</u>	<u>12,338,266</u>
Noncurrent Assets			
Restricted cash and cash equivalents	1,079,884	1,062,351	83,800
Endowment investments	90,964	105,227	119,488
Capital assets – net	21,675,948	20,802,988	21,445,478
Total Noncurrent Assets	<u>22,846,796</u>	<u>21,970,566</u>	<u>21,648,766</u>
Total Assets	<u>35,089,154</u>	<u>34,867,344</u>	<u>33,987,032</u>
Deferred Outflows of Resources	3,777,429	4,704,941	6,917,847
Current Liabilities			
Accounts payable and accrued liabilities	532,706	91,040	423,860
Accrued expenses	419,038	406,925	389,056
Deposits	20,022	20,122	15,822
Book overdrafts	727,118	-	-
Unearned revenues	1,296,454	1,383,378	1,006,190
Lease and subscription liabilities – current	613,778	619,565	636,930
Capital lease and bonds payable - current	730,000	715,000	700,000
Total Current Liabilities	<u>4,339,116</u>	<u>3,236,030</u>	<u>3,171,858</u>

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Noncurrent Liabilities			
Net OPEB Obligation	13,946,154	12,707,942	14,455,406
Net pension Obligation	5,324,260	6,165,217	5,730,822
Lease and subscription liabilities – noncurrent	1,304,672	1,918,443	2,355,227
Bonds payable - noncurrent	3,070,909	3,803,091	4,520,273
Total Noncurrent Liabilities	23,645,995	24,594,693	27,061,728
Total Liabilities	27,985,111	27,830,723	30,233,586
Deferred Inflows of Resources	6,387,303	8,145,459	8,827,596
Net Position			
Net investment in capital assets	15,956,589	13,746,889	13,233,048
Restricted for student aid	1,379,829	1,352,707	1,320,221
Unrestricted	(12,842,249)	(11,503,493)	(12,709,572)
Net Position	\$ 4,494,169	\$ 3,596,103	\$ 1,843,697

Current assets decreased by \$654,420 from 2024 to 2025. Cash and equivalents decreased by \$1,215,442, which was a direct result of a nearly \$2 million renovation in the dorms.

Capital assets, net of depreciation, have been gradually decreasing since 2014 because of lower capital spending and an increase in depreciation expense attributed to significant capital investments made during 2012; however, we had an increase in 2025 due to the dorm remodel project.

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

Current liabilities increased by \$64,172 from 2023 to 2024 and by \$1,103,086 from 2024 to 2025. These fluctuations are primarily caused by changes in accounts payable at year end.

Prior to 2018, noncurrent liabilities had shown a steady decrease due to scheduled payments on capital leases and bonds. In 2018, the College recorded \$11,926,024 of Other Post-Employment Benefits (OPEB) after the adoption of GASB 75. In 2025, noncurrent liabilities saw another slight decrease of \$948,698 based on changes to the GASB 68 and GASB 75 assumptions less reduction in bond debt.

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

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

	2025	2024	2023
OPERATING REVENUES AND EXPENSES			
Revenues:			
Tuition and fees (net of discounts)	\$ 353,357	\$ 818,953	\$ 688,356
Federal grants and contracts	239,072	225,405	1,054,880
State grants and contracts	923,928	573,157	428,086
Nongovernmental grants and contracts	807,192	1,203,356	1,773,528
Sales and services of educational activities	61,572	59,607	63,161
Investment income - program restricted	63,801	59,189	35,351
Auxiliary enterprises	708,332	666,054	630,902
General operating revenues (net of discounts)	126,412	6,609	-
Total Operating Revenues	<u>3,283,666</u>	<u>3,612,330</u>	<u>4,674,264</u>
Expenses:			
Instruction	8,493,194	8,248,165	8,181,586
Public service	738,940	526,304	497,920
Academic support	2,693,193	2,844,003	2,872,924
Student services	2,036,251	1,969,434	1,888,271
Institutional support	3,968,853	4,017,517	5,083,597
Operation and maintenance of plant	2,824,267	2,497,258	1,973,256
Scholarships and fellowships	496,205	494,782	450,808
Auxiliary enterprises	1,845,375	1,623,348	1,465,919
Depreciation	1,488,818	1,439,617	1,405,398
Total Operating Expenses	<u>24,585,096</u>	<u>23,660,428</u>	<u>23,819,679</u>
Operating Loss	<u>(21,301,430)</u>	<u>(20,048,098)</u>	<u>(19,145,415)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	9,737,165	9,571,158	6,869,745
Maintenance ad valorem taxes	3,751,699	3,667,390	3,733,967
Federal revenue, non-operating	7,908,945	7,905,547	8,012,311
Gifts	495,971	359,895	272,133
Investment income	558,616	514,187	287,622
Loss on disposal of assets	(97,002)	(37,321)	(28,813)
Lease income	14,064	14,064	19,607
Operational costs of lease property	(2,743)	(2,113)	(3,270)
Amortization of bond issue costs	(34,259)	(34,259)	(34,259)
Interest and fees on capital related debt	(132,960)	(158,044)	(168,270)
Net Non-Operating Revenues (Schedule C)	<u>22,199,496</u>	<u>21,800,504</u>	<u>18,960,773</u>
Change in Net Position	\$ <u>898,066</u>	\$ <u>1,752,406</u>	\$ <u>(184,642)</u>

Operating revenues are separated into several categories. Student tuition and fees remained a major source of revenue for 2025, yet showed a decrease of \$465,596 from the prior year, reflecting a significant increase on TEOG scholarships awarded to students.

Auxiliary revenues have continued a steady decline since 2019 when we outsourced our bookstore operations to a third-party vendor; however, we saw a slight increase in auxiliary revenues for the third year in a row. For 2024 that increase was \$35,152 and another \$42,278 increase in 2025. These increases are correlated to the increase in our NIRA Rodeo events and also to the dorms being full again post-Covid 19.

Operating expenses in 2025 rose by \$924,668 compared to 2024. We continue to cut costs where possible, yet the cost of doing business continues to rise. Cyber security is one of the fastest growing segments in the nation. Auxiliary expenses increased by \$157,429 from 2023 to 2024 and rose another \$222,027 in 2025. This is primarily due to rising food costs in our student cafeteria.

Property tax revenue remained steady as the Board of Trustees continues to hold the line at the no new revenue rate. The tax rate of the district remains one of the highest among community colleges in the state, while leaning on one of the lowest tax bases 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 is 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.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Cash Flows From:			
Operating activities	\$ (19,734,834)	\$ (19,189,902)	\$ (17,704,074)
Noncapital financing activities	21,910,455	21,535,295	18,939,368
Capital and related financing activities	(3,932,146)	(2,143,503)	(1,697,886)
Investing activities	<u>558,616</u>	<u>514,187</u>	<u>287,622</u>
Net increase (decrease) in Cash	(1,197,909)	716,077	(174,970)
Cash and cash equivalents – beginning of year	<u>12,521,251</u>	11,805,174	11,980,144
Cash and cash equivalents – end of year	\$ <u><u>11,323,342</u></u>	\$ <u><u>12,521,251</u></u>	\$ <u><u>11,805,174</u></u>

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

State allocations, Federal Title IV Grants, and property taxes are the main sources of noncapital financing activities. This source of revenue is categorized as non-operating even though the College's budget depends on these sources to continue the current level of operations of the physical plant and educational and administrative departments. In the 88th Legislative Session, lawmakers passed of HB 8, which changed the funding model for community colleges. Vernon College saw an unprecedented increase in state funding as a result.

The main capital and related financing activities include construction and renovation projects and payments on capital debt. The largest capital purchase in 2024-25 was the remodel of both student dorms. Capital purchases in 2023-24 included new HVAC units, roofing repairs, and a new truck for the rodeo program. 2022-23 purchases included new HVAC units, roof replacement, and a new ERP/SIS system. Purchases in 2021-22 included new bleachers in the King Gym, a new 37-passenger bus, and a new roof on the Osborne Administration building. Capital purchases for 2020-21 included replacing the roofs at the King gym, improving the rodeo stalls, a new van for employee use, and surveillance cameras.

Principal paid on debt was \$715,000 in 2025, \$700,000 in 2024, \$680,000 in 2022 and 2023, and \$880,000 in 2021. Interest and fees paid on capital debt totaled \$170,884 in 2025, \$186,982 in 2024, \$168,270 in 2023, \$145,279 in 2022, and \$164,525 in 2021. The bonds are set to be paid off in 2030.

Investing activities reported include lease income from the King Farm in excess of the related expenses of \$11,321 in 2025, \$16,337 in 2023, \$17,545 for 2022, and \$19,419 for 2021. Investing activities also reflects interest income earned on investments of \$547,295 in 2025.

Reporting of Component Unit

Reported within this report is Exhibit 1.1, 2.1, 2.2, and 3.1. Vernon College Foundation, Incorporated, was established as a separate nonprofit organization in 1985. The unit raises funds to provide student scholarships and departmental grants. Exhibit 1.1 reports net assets increased by \$371,085 bringing the total assets to \$6,498,636 at the close of 2025. 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 expenses, investment advisory fees, and transfers to Vernon College are the main expenses.

Analysis of the College's Overall Financial Position

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

The College taxing district is Wilbarger County, Texas. Ad valorem taxes are assessed and collected by the Wilbarger County Tax Assessor/Collector for the College based on the valuation of real property and minerals on January 1. Taxable values are determined by the Wilbarger County Appraisal District. Taxable values increased by \$232,122,547 in 2025. The approved tax rate per \$100 of valuation was \$.2245 in 2023-24 and \$.19455 in 2024-25.

Significant Capital Assets and Long-term Debt Activity

As mentioned previously in the discussion of the statement of net position, the College's investment in capital assets, increased by \$872,960 from \$20,802,988 in 2024 to \$21,675,948 in 2025. This increase is primarily the result of renovating the dormitory.

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 \$24,594,693 in 2024 to \$23,646,001 in 2025. The decrease is the result of payments on the college's leases and subscription obligations, as well as payments made on bond liabilities. Debt payments of \$715,000 in principal, were made in 2025 under the College's revenue bonds program. Moody's rates the College as A-3 stable. The notes to the financial statements contain additional information concerning the debt structures for the College.

Discussion of Current Known Facts, Decisions, or Conditions

Enrollment for the Fall of 2011 was at an all-time record of 3,247. Since then, we have experienced a gradual decline in enrollment for Fall 2015, totaling 2,891, before rebounding somewhat to 3,055 for Fall 2018. 2020 showed another small decrease, with enrollment at 2,930. Indications are that most rural Community Colleges in Texas have seen similar fluctuations. In 2025, we have finally steadied the post-COVID decline and maintained a flat enrollment.

Contacting the College's Financial Management

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

Basic Financial Statements

VERNON COLLEGE
STATEMENTS OF NET POSITION
AUGUST 31, 2025 AND 2024
EXHIBIT 1

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 10,243,458	\$ 11,458,900
Accounts receivable (net)	1,187,336	749,570
Lease receivable	14,259	14,258
Inventories	14,098	12,379
Prepaid expenses	783,207	661,671
Total Current Assets	<u>12,242,358</u>	<u>12,896,778</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	1,079,884	1,062,351
Lease receivable	90,964	105,227
Capital assets (net)	21,675,948	20,802,988
Total Noncurrent Assets	<u>22,846,796</u>	<u>21,970,566</u>
TOTAL ASSETS	<u>35,089,154</u>	<u>34,867,344</u>
DEFERRED OUTFLOWS OF RESOURCES		
Refunding loss	182,203	218,643
Deferred outflows of resources related to OPEB	1,268,267	1,296,106
Deferred outflows of resources related to pensions	2,326,959	3,190,192
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,777,429</u>	<u>4,704,941</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	532,706	91,040
Accrued expenses	419,038	406,925
Deposits	20,022	20,122
Book overdrafts	727,118	-
Unearned revenues	1,296,454	1,383,378
Lease and subscription liabilities - current portion	613,778	619,565
Bonds payable - current portion	730,000	715,000
Total Current Liabilities	<u>4,339,116</u>	<u>3,236,030</u>
Noncurrent Liabilities:		
Net OPEB liability	13,946,154	12,707,942
Net pension liability	5,324,260	6,165,217
Lease and subscription liabilities - noncurrent portion	1,304,672	1,918,443
Bonds payable - noncurrent portion	3,070,909	3,803,091
Total Noncurrent Liabilities	<u>23,645,995</u>	<u>24,594,693</u>
TOTAL LIABILITIES	<u>27,985,111</u>	<u>27,830,723</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to leases	105,223	119,485
Deferred inflows of resources related to OPEB	4,481,611	6,281,141
Deferred inflows of resources related to pensions	1,800,469	1,744,833
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,387,303</u>	<u>8,145,459</u>
NET POSITION		
Net investment in capital assets	15,956,589	13,746,889
Restricted:		
Nonexpendable for:		
Student aid	1,379,829	1,352,707
Unrestricted	(12,842,249)	(11,503,493)
TOTAL NET POSITION	<u>\$ 4,494,169</u>	<u>\$ 3,596,103</u>

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

VERNON COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION - COMPONENT UNIT
AUGUST 31, 2025 AND 2024
EXHIBIT 1.1

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
ASSETS		
Cash and cash equivalents	\$ 170,464	\$ 76,925
Investments	<u>6,328,172</u>	<u>6,050,626</u>
TOTAL ASSETS	<u>6,498,636</u>	<u>6,127,551</u>
<u>LIABILITIES AND NET ASSETS</u>		
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
NET ASSETS		
Without donor restrictions	427,003	269,420
With donor restrictions	<u>6,071,633</u>	<u>5,858,131</u>
TOTAL NET ASSETS	<u>6,498,636</u>	<u>6,127,551</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,498,636</u>	<u>\$ 6,127,551</u>

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

VERNON COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024
EXHIBIT 2

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Tuition and fees (net of discounts of \$11,368,543, and \$10,448,154, respectively)	\$ 353,357	\$ 818,953
Federal grants and contracts	239,072	225,405
State grants and contracts	923,928	573,157
Non-governmental grants and contracts	807,192	1,203,356
Sales and services of educational activities	61,572	59,607
Investment income - program restricted	63,801	59,189
Auxiliary enterprises	708,332	666,054
General operating revenues (net of discounts of \$0, both years)	<u>126,412</u>	<u>6,609</u>
Total Operating Revenues (Schedule A)	<u>3,283,666</u>	<u>3,612,330</u>
Operating Expenses:		
Instruction	8,493,194	8,248,165
Public service	738,940	526,304
Academic support	2,693,193	2,844,003
Student services	2,036,251	1,969,434
Institutional support	3,968,853	4,017,517
Operation and maintenance of plant	2,824,267	2,497,258
Scholarships and fellowships	496,205	494,782
Auxiliary enterprises	1,845,375	1,623,348
Depreciation	<u>1,488,818</u>	<u>1,439,617</u>
Total Operating Expenses (Schedule B)	<u>24,585,096</u>	<u>23,660,428</u>
Operating Loss	<u>(21,301,430)</u>	<u>(20,048,098)</u>
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	9,737,165	9,571,158
Maintenance ad valorem taxes	3,751,699	3,667,390
Federal revenue, non-operating	7,908,945	7,905,547
Gifts	495,971	359,895
Investment income	558,616	514,187
Loss on disposal of assets	(97,002)	(37,321)
Lease income	14,064	14,064
Operational costs of lease property	(2,743)	(2,113)
Amortization of bond issue costs	(34,259)	(34,259)
Interest and fees on capital related debt	<u>(132,960)</u>	<u>(158,044)</u>
Net Non-Operating Revenues (Schedule C)	<u>22,199,496</u>	<u>21,800,504</u>
Increase in Net Position	<u>898,066</u>	<u>1,752,406</u>
NET POSITION		
Net position - beginning of year	<u>3,596,103</u>	<u>1,843,697</u>
Net position - end of year	<u>\$ 4,494,169</u>	<u>\$ 3,596,103</u>

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

VERNON COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES - COMPONENT UNIT
FOR THE YEAR ENDED AUGUST 31, 2025
EXHIBIT 2.1

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE			
Contributions	\$ 173,217	\$ 96,920	\$ 270,137
Silent auction	2,400		2,400
Investment income		481,531	481,531
Net assets released from restriction	<u>364,949</u>	<u>(364,949)</u>	<u>-</u>
 TOTAL REVENUE	 <u>540,566</u>	 <u>213,502</u>	 <u>754,068</u>
EXPENSE			
Scholarships	364,949		364,949
Grants	13,500		13,500
Other expenses	<u>4,534</u>		<u>4,534</u>
 TOTAL EXPENSE	 <u>382,983</u>	 <u>-</u>	 <u>382,983</u>
 INCREASE IN NET ASSETS	 <u>157,583</u>	 <u>213,502</u>	 <u>371,085</u>
NET ASSETS AT BEGINNING OF YEAR	<u>269,420</u>	<u>5,858,131</u>	<u>6,127,551</u>
NET ASSETS AT END OF YEAR	<u>\$ 427,003</u>	<u>\$ 6,071,633</u>	<u>\$ 6,498,636</u>

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

VERNON COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES - COMPONENT UNIT
FOR THE YEAR ENDED AUGUST 31, 2024
EXHIBIT 2.2

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE			
Contributions	\$ 158,860	\$ 78,897	\$ 237,757
Silent auction	1,144		1,144
Other income	5,264		5,264
Investment income		855,078	855,078
Net assets released from restriction	333,954	(333,954)	-
TOTAL REVENUE	499,222	600,021	1,099,243
EXPENSE			
Scholarships	333,954		333,954
Grants	100,159		100,159
Other expenses	20,914		20,914
TOTAL EXPENSE	455,027	-	455,027
INCREASE IN NET ASSETS	44,195	600,021	644,216
NET ASSETS AT BEGINNING OF YEAR	225,225	5,258,110	5,483,335
NET ASSETS AT END OF YEAR	\$ 269,420	\$ 5,858,131	\$ 6,127,551

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

VERNON COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024
EXHIBIT 3

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 1,228,109	\$ 2,347,936
Receipts of appropriations, grants, and contracts	1,970,192	2,092,124
Other payments	(366,867)	(364,485)
Payments to or on behalf of employees	(16,658,136)	(15,588,582)
Payments to suppliers for goods or services	(5,411,927)	(7,182,113)
Payments of scholarships	(496,205)	(494,782)
Net cash used in operating activities	<u>(19,734,834)</u>	<u>(19,189,902)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	9,737,165	9,571,158
Federal Title IV Grants	7,908,945	7,905,547
Property taxes for maintenance and operations	3,768,374	3,698,695
Gifts to endowment	495,971	359,895
Net cash provided by non-capital financing activities	<u>21,910,455</u>	<u>21,535,295</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases and construction of capital assets	(2,458,780)	(834,449)
Principal paid on capital debt	(1,300,300)	(1,119,890)
Amortization of bond issue cost and premiums	(2,182)	(2,182)
Interest and fees paid on capital debt	(170,884)	(186,982)
Net cash used in capital and related financing activities	<u>(3,932,146)</u>	<u>(2,143,503)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	558,616	514,187
Net cash provided by investing activities	<u>558,616</u>	<u>514,187</u>
Increase (Decrease) in cash and cash equivalents	(1,197,909)	716,077
Cash and cash equivalents - September 1	<u>12,521,251</u>	11,805,174
Cash and cash equivalents - August 31	<u>\$ 11,323,342</u>	<u>\$ 12,521,251</u>
Cash and cash equivalents	10,243,458	11,458,900
Restricted cash and cash equivalents	1,079,884	1,062,351
	<u>\$ 11,323,342</u>	<u>\$ 12,521,251</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (21,301,430)	\$ (20,048,098)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation/amortization expense	1,488,818	1,439,617
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable, net (adjusted for non-operating items)	(440,179)	(364,014)
Inventory	(1,719)	3,278
Deferred outflows of resources	891,072	2,176,465
Deferred inflows of resources	(1,746,835)	(670,185)
Prepaid expenses	(121,536)	(477,294)
Accounts payable	441,666	(332,820)
Deposits	17,860	19,030
Book overdraft liability	727,118	-
Unearned revenues	(86,924)	377,188
Net pension liability	1,238,212	434,395
Net OPEB liability	(840,957)	(1,747,464)
Net cash used in operating activities	<u>\$ (19,734,834)</u>	<u>\$ (19,189,902)</u>

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

VERNON COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS - COMPONENT UNIT
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023
EXHIBIT 3.1

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from contributions	\$ 270,137	\$ 237,757
Receipts from silent auction	2,400	1,144
Payments to suppliers for goods or services	(35,735)	(132,381)
Payments of scholarships and grants	<u>(364,949)</u>	<u>(333,954)</u>
Net cash used in operating activities	<u>(128,147)</u>	<u>(227,434)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	438,796	245,125
Investment earnings	142,525	14,686
Purchase of investments	<u>(359,635)</u>	<u>(84,000)</u>
Net cash provided by investing activities	<u>221,686</u>	<u>175,811</u>
Increase (Decrease) in cash and cash equivalents	93,539	(51,623)
Cash and cash equivalents - September 1	<u>76,925</u>	<u>128,548</u>
Cash and cash equivalents - August 31	\$ <u><u>170,464</u></u>	\$ <u><u>76,925</u></u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Increase in net assets	\$ 371,085	\$ 644,216
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Unrealized and realized gains on investments	(17,701)	(16,572)
Investment income reinvested	<u>(481,531)</u>	<u>(855,078)</u>
Net cash used in operating activities	\$ <u><u>(128,147)</u></u>	\$ <u><u>(227,434)</u></u>

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

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

Note 1: Reporting Entity

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

Component Unit

Using the criteria established by GASB Statement No. 14, as amended, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* – an amendment of GASB Statement No. 14, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* – an amendment of GASB statements No. 14 and No. 23, the College's management has determined that the Vernon College Foundation (the "Foundation") should be reported as a discrete component unit of the College because of the nature and significance of its financial relationship with the College.

The Foundation is a nonprofit organization with the sole purpose of supporting the educational and other activities of the College. The College does not appoint a voting majority, nor does it fund or is it obligated to pay debt related to the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests, are restricted to the activities of the College by the donors. Under GASB Statement 39, the Foundation is a component unit of the College because:

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

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

Note 2: Summary of Significant Accounting Policies

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

Tuition Discounting

Texas Public Education Grants

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set-aside called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set-aside amount (Texas Education Code 56.033). When the student uses the award for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

Title IV, Higher Education Act Program Funds

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

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 amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Basis of Accounting

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

Budgetary Data

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

Cash and Cash Equivalents

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

Receivables

Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal, state, and local governments. Receivables are recorded net of estimated uncollectible amounts. The allowance for estimated uncollectible amounts totaled \$575,536 and \$505,915 as of August 31, 2025 and 2024, respectively.

Deferred Outflows

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

Investments

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

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

Inventories

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

Prepaid Expenses

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

Capital Assets

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following lives are used:

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

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

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

Other Postemployment Benefits (OPEB)

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

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

Pensions

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

Unearned Revenues

Tuition and fees of \$1,220,086 and \$1,306,105 have been reported as unearned revenues as of August 31, 2025 and 2024, respectively. Auxiliary enterprise revenues, including meal and dorm rent and other revenues reported as unearned revenues, totaled \$76,368 and \$77,273 as of August 31, 2025 and 2024, respectively.

Deferred Inflows

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

Noncurrent Long-Term Liabilities

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

Income Taxes

The College is exempt from federal income taxes under Internal Revenue Code Section 115, "Income of States, Municipalities, Etc.", although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), "Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations". The College had no unrelated business tax liability for the years ended August 31, 2025 and 2024.

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

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a business-type activity and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

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

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

Receivables

Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the Federal, state, and local governments. Receivables are recorded net of estimated uncollectible amounts.

Leases

The College has implemented GASB 87. GASB 87 has adopted a single model that all leases represent financings of the right to use an underlying asset. It, therefore, provides for three accounting treatments: (1) short-term leases of 12 months or less, (2) contracts that transfer ownership, and (3) contracts that do not transfer ownership.

All leases that do not fall into the first two categories listed above are treated as "contracts that do not transfer ownership."

For leases where the College is a lessee, a lease payable and a right-of-use asset are recognized. The lease liability is initially measured at the present value of fixed minimum lease payments expected to be made during the lease term. The lease payable is subsequently reduced by the principal payments made. The College must recognize interest expense over time based on the current balance of the lease and the implicit interest rate. The right-of-use asset is classified as an intangible and is initially measured as the lease payable with adjustments for payments made at or before the lease commencement date and certain initial direct costs. The College is required to amortize the value of the right-of-use asset systematically over the shorter period of the lease term or the useful life of the asset. Right-of-use assets are reported as capital assets, while lease payables are reported as long-term liabilities in the statement of net position.

Key estimates and judgments related to leases include how the College determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The College uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the College generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the College is reasonably certain to exercise.

The College monitors changes in circumstances that would require a re-measurement of its leases and will re-measure the components if certain changes occur that are expected to significantly affect the amount of the lease receivable or lease payable.

Subscription-Based Information Technology Arrangements (SBITA)

The College recognizes a subscription liability, reported with long-term debt, and a right-of-use subscription asset (an intangible asset), reported with capital assets, in the statements of net position. The College recognizes subscription liabilities on agreements with total annual payments of over \$13,000. At the commencement of a SBITA, the College initially measures the subscription liability at the present value of

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

payments expected to be made during the subscription term. The subscription liability is subsequently reduced by the principal portion of SBITA payments. Interest expense is recognized over time based on the current balance of the SBITA and the implicit interest rate. The subscription asset is initially measured as the subscription liability adjusted for SBITA payments made at or before the commencement date and certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter subscription term or the useful life of the underlying assets.

Key estimates and judgments related to SBITAs include how the College determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) the subscription term, and (3) subscription payments.

- The College uses its incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the non-cancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the College is reasonably certain to exercise such option, subscription contract incentives receivable from the vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The College monitors changes in circumstances that would require a re-measurement of its SBITAs and will re-measure the components if certain changes occur that are expected to significantly affect the amount of the subscription asset or subscription liability.

Net Position

The College's net position includes the following:

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

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

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

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

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

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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Net Assets – Foundation

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

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

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

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

Note 3: Authorized Investments

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

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

We have performed tests designed to verify the College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2025, no instances of noncompliance were found.

Note 4: Deposits and Investments

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

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Cash and Deposits

At August 31, 2025 and 2024, the carrying amount of the College's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) were \$11,323,342 and \$12,521,251, respectively. The bank balance was \$12,219,918 and \$13,120,509, respectively. The College's cash deposits at August 31, 2025 and 2024 were entirely covered by FDIC insurance or by pledged collateral held by the College's agent bank in the College's name.

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

	Primary Institution		Component Unit	
	2025	2024	2025	2024
Bank Deposits				
Demand deposits	\$ 11,321,677	\$ 12,519,651	\$ 118,574	\$ 19,948
Money market	-	-	51,890	56,977
Total Bank Deposits	11,321,677	12,519,651	170,464	76,925
Cash and Cash Equivalents				
Petty cash on hand	1,665	1,600	-	-
Total Cash and Cash	1,665	1,600	-	-
Equivalents				
Total Cash and Deposits	\$ 11,323,342	\$ 12,521,251	\$ 170,464	\$ 76,925

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 part of the audit of the basic financial statements disclosed that the College adhered to the requirements of the Act in the areas of investment practices, management reports, and establishment of appropriate policies. Additionally, the College's investment practices were in accordance with local policies.

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

The College held no investments as of August 31, 2025 and 2024.

The Foundation's investments at August 31, 2025 and 2024 are shown below:

	2025	2024
Equities	\$ 706,139	\$ 683,770
Mutual funds	5,622,033	5,366,856
Total fair market value	\$ 6,328,172	\$ 6,050,626

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Reconciliation of Investments to Exhibit 1 and Exhibit 1.1:

	Primary Institution		Component Unit	
	August 31, 2025	August 31, 2024	August 31, 2025	August 31, 2024
Type of Security:				
Equities	\$ -	\$ -	\$ 706,139	\$ 683,770
Mutual funds	-	-	5,622,033	5,366,856
Total Investments	\$ -	\$ -	\$ 6,328,172	\$ 6,050,626
Per Exhibit 1 and Exhibit 1.1:				
Investments	\$ -	\$ -	\$ 6,328,172	\$ 6,050,626
Total	\$ -	\$ -	\$ 6,328,172	\$ 6,050,626

As of August 31, 2025, the Foundation had the following investments and maturities:

Investment Type	Fair Value	Investment in Maturities (in Years)		
		Less than 1	1 to 2	2 to 3
Equities	\$ 706,139	\$ N/A	\$ N/A	\$ N/A
Mutual funds	5,622,033	N/A	N/A	N/A
Total Fair Value	\$ 6,328,172	\$ N/A	\$ N/A	\$ N/A

The Foundation held the following investments with a continuous unrealized loss position at August 31, 2025:

Investment Type	Less than 12 months		12 months or longer	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Mutual funds	\$ -	\$ -	\$ 776,159	\$ (86,789)
Total Fair Value	\$ -	\$ -	\$ 776,159	\$ (86,789)

Unrealized losses are considered temporary and are generally caused by market fluctuations. The Foundation has the intent and ability to hold the investments until they recover their fair value.

Public Funds Investment Pools

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

The TexPool Prime Investment Pool (TexPool) is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other people who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment

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policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average of \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

Credit Risk

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

The College did not carry any investments as of August 31, 2025 or 2024 and as such was not exposed to credit risk. The Foundation's investments were within policy ranges as of August 31, 2025.

Custodial Credit Risk

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

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

As of August 31, 2025, the carrying amount of the College's bank balances was \$12,219,918. Bank balances of \$250,000 were covered by Federal Depository Insurance. Bank balances in the amount of \$15,000,000 were covered by a line of credit with the bank in the College's name. The remainder of the bank balance was covered under a *Deposit Insurance Program* that allocates the deposits between different financial institutions at all times such that all deposits are, in effect, covered by Federal Depository Insurance.

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

Concentration of Credit Risk

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

More than 5% of the Foundation's investments are in Vanguard Star (51.9%) and Columbia Dividend Income Fund (5.5%).

Interest Rate Risk

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

Foreign Currency Risk

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

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Investment Accounting Policy

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

Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

The fair value hierarchy of Foundation investments at August 31, 2025 follows:

Investment Type	Fair Value Measurements at Reporting Date Using				FY 24
	(Level 1)	(Level 2)	(Level 3)	Total	
Equities	\$ 706,139	\$ -	\$ -	\$ 706,139	\$ 683,770
Mutual funds	5,622,033	-	-	5,622,033	5,366,856
Total	\$ 6,328,172	\$ -	\$ -	\$ 6,328,172	\$ 6,050,626

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Permanent Endowment

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

A roll forward of the College endowment fund for the years ended August 31, 2025:

	2025	2024
Endowment net assets, beginning of year	\$ 1,352,707	\$ 1,320,221
Contributions	315	-
Investment earnings	63,801	59,190
Scholarships	(36,994)	(26,704)
Endowment net assets, end of year	<u><u>\$ 1,379,829</u></u>	<u><u>\$ 1,352,707</u></u>

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 on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the College is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Note 5: Ad Valorem Tax

The following are additional disclosures related to property taxes for the years ended August 31, 2025 and 2024:

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

Fiscal Year Ending August 31,	2025	2024
Assessed Valuation of the College	\$ 3,033,411,062	\$ 3,147,175,451
Less: Exemptions	(1,454,956,345)	(1,476,302,690)
Net Assessed Value of the College	<u><u>\$ 1,578,454,717</u></u>	<u><u>\$ 1,670,872,761</u></u>

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Taxes levied for the year ended August 31, 2025 and 2024 totaled \$3,406,699 and \$3,322,390, Fiscal Year Ending August 31,

	2025			2024		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 1.00000	\$ 0.0000	\$ 1.00000	\$ 1.00000	\$ 0.0000	\$ 1.00000
Assessed tax rate per \$100 valuation	\$.203767	\$ 0.0000	\$.203767	\$.194555	\$ 0.0000	\$.194555

respectively.

Payments in lieu of taxes of \$345,000 and \$345,000 were collected in 2025 and 2024 respectively.

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

Taxes Collected	2025 Current Operations	2024 Current Operations
Current taxes collected	\$ 4,061,880	\$ 3,291,132
Delinquent taxes collected	29,664	35,944
Penalties and interest collected	21,830	26,619
Total Collections	\$ 4,113,374	\$ 3,353,695

Tax collections for the year ended August 31, 2025 and 2024 were 98.73% and 98.94% of the actual tax levy. Allowances for uncollectible taxes are based on historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or general obligation debt service.

Note 6: Disaggregation of Receivables and Payables Balances

Receivables as of August 31, 2025 and 2024 were as follows:

	2025	2024
Students	\$ 238,806	\$ 162,553
Federal grants	204,607	300,227
State/local grants and contracts	104,782	5,887
Property taxes	44,199	60,874
Lease receivable	105,223	119,485
Others	594,942	220,029
Total	\$ 1,292,559	\$ 869,055

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Payables and accrued expenses as of August 31, 2025 and 2024 were as follows:

	2025	2024
Vendor payables	\$ 532,706	\$ 91,040
Salaries and benefits payable	400,767	382,807
Interest payable	18,271	24,118
Deposits	20,022	20,122
Total	\$ 971,766	\$ 518,087

Note 7: Capital Assets

Capital asset activity for the year ended August 31, 2025, was as follows:

Business-type activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 2,805,991	\$ -	\$ -	\$ 2,805,991
Total capital assets not being depreciated	2,805,991	-	-	2,805,991
Capital assets being depreciated:				
Buildings	22,965,284	2,185,668	-	25,150,952
Improvements	2,521,264	157,632	(12,364)	2,666,532
Right-of-use assets buildings	788,707	-	-	788,707
Right-of-use assets equipment	200,448	-	-	200,448
Right-of-use assets subscriptions	3,358,830	-	-	3,358,830
Furniture, machinery, vehicles and other equipment	5,062,390	62,230	(62,816)	5,061,804
Telecommunications and peripheral equipment	1,346,837	53,250	(206,503)	1,193,584
Library books	1,235,302	-	-	1,235,302
Total capital assets being depreciated	37,479,062	2,458,780	(281,683)	39,656,159
Business-type activities	Beginning Balances	Increases	Decreases	Ending Balances
Less accumulated depreciation for:				
Buildings	(10,778,914)	(402,599)	-	(11,181,513)
Improvements	(1,437,359)	(106,329)	11,128	(1,532,560)
Right-of-use assets buildings	(279,823)	(108,228)	-	(388,051)
Right-of-use assets equipment	(107,096)	(35,172)	-	(142,268)
Right-of-use assets subscriptions	(1,373,043)	(539,639)	-	(1,912,682)
Furniture, machinery, vehicles and other equipment	(3,462,929)	(222,743)	56,534	(3,629,138)
Telecommunications and peripheral equipment	(987,799)	(62,692)	117,019	(933,472)
Library books	(1,055,102)	(11,416)	-	(1,066,518)
Total accumulated depreciation	(19,482,065)	(1,488,818)	184,681	(20,786,202)
Net other capital assets	17,996,997	969,962	(97,002)	18,869,957
Capital assets, net	\$ 20,802,988	\$ 969,962	\$ (97,002)	\$ 21,675,948

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Capital asset activity for the year ended August 31, 2024, was as follows:

<u>Business-type activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,805,991	\$ -	\$ -	\$ 2,805,991
Total capital assets not being depreciated	<u>2,805,991</u>	<u>-</u>	<u>-</u>	<u>2,805,991</u>
Capital assets being depreciated:				
Buildings	22,815,392	149,892	-	22,965,284
Improvements	2,521,264	-	-	2,521,264
Right-of-use assets buildings	788,707	-	-	788,707
Right-of-use assets equipment	200,448	-	-	200,448
Right-of-use assets subscriptions	3,124,049	234,781	-	3,358,830
Furniture, machinery, vehicles and other equipment	4,670,030	443,471	(51,111)	5,062,390
Telecommunications and peripheral equipment	1,662,631	6,305	(322,099)	1,346,837
Library books	<u>1,235,302</u>	<u>-</u>	<u>-</u>	<u>1,235,302</u>
Total capital assets being depreciated	<u>37,017,823</u>	<u>834,449</u>	<u>(373,210)</u>	<u>37,479,062</u>
Less accumulated depreciation for:				
Buildings	(10,431,400)	(347,514)	-	(10,778,914)
Improvements	(1,336,542)	(100,817)	-	(1,437,359)
Right-of-use assets buildings	(171,595)	(108,228)	-	(279,823)
Right-of-use assets equipment	(59,095)	(48,001)	-	(107,096)
Right-of-use assets subscriptions	(825,001)	(548,042)	-	(1,373,043)
Furniture, machinery, vehicles and other equipment	(3,293,787)	(215,142)	46,000	(3,462,929)
Telecommunications and peripheral equipment	(1,218,384)	(59,303)	289,888	(987,799)
Library books	<u>(1,042,532)</u>	<u>(12,570)</u>	<u>-</u>	<u>(1,055,102)</u>
Total accumulated depreciation	<u>(18,378,336)</u>	<u>(1,439,617)</u>	<u>335,888</u>	<u>(19,482,065)</u>
Net other capital assets	<u>18,639,487</u>	<u>(605,168)</u>	<u>(37,322)</u>	<u>17,996,997</u>
Capital assets, net	<u>\$ 21,445,478</u>	<u>(605,168)</u>	<u>(37,322)</u>	<u>20,802,988</u>

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Note 8: Long-Term Obligations

Long-term liability activity for the year ended August 31, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Revenue bonds	\$ 4,505,000	\$ -	\$ (715,000)	\$ 3,790,000	\$ 730,000
Bond premium	13,091	-	(2,182)	10,909	-
Leases and subscriptions	2,538,008	-	(619,558)	1,918,450	613,778
Net pension liability	6,165,217	-	(840,957)	5,324,260	-
Net OPEB liability	<u>12,707,942</u>	<u>1,238,212</u>	<u>-</u>	<u>13,946,154</u>	<u>-</u>
Totals	\$ <u>25,929,258</u>	\$ <u>1,238,212</u>	\$ <u>(2,177,697)</u>	\$ <u>24,989,773</u>	\$ <u>1,343,778</u>

Long-term liability activity for the year ended August 31, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Revenue bonds	\$ 5,205,000	\$ -	\$ (700,000)	\$ 4,505,000	\$ 715,000
Bond premium	15,273	-	(2,182)	13,091	-
Leases and subscriptions	2,992,157	182,781	(636,930)	2,538,008	619,565
Net pension liability	5,730,822	895,751	(461,356)	6,165,217	-
Net OPEB liability	<u>14,455,406</u>	<u>-</u>	<u>(1,747,464)</u>	<u>12,707,942</u>	<u>-</u>
Totals	\$ <u>28,398,658</u>	\$ <u>1,078,532</u>	\$ <u>(3,547,932)</u>	\$ <u>25,929,258</u>	\$ <u>1,334,565</u>

Note 9: Debt and Lease Obligations

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

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

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Debt service requirements for the College's outstanding bonds at August 31, 2025 are as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total Requirement
2026	\$ 730,000	\$ 79,803	\$ 809,803
2027	745,000	62,619	807,619
2028	765,000	45,027	810,027
2029	780,000	27,029	807,029
2030	770,000	8,971	778,971
Totals	<u>\$ 3,790,000</u>	<u>\$ 223,449</u>	<u>\$ 4,013,449</u>

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

Obligations under leases as of August 31, 2025 were as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total Requirement
2026	\$ 132,163	\$ 5,696	\$ 137,859
2027	124,102	3,835	127,937
2028	114,204	2,040	116,244
2029	101,617	883	102,500
2030-2034	34,096	71	34,167
	<u>\$ 506,182</u>	<u>\$ 12,525</u>	<u>\$ 518,707</u>

Lease obligations consisted of the following as of August 31, 2025:

- Monthly (60 months) copier lease maturing in January 2028; monthly payments of \$300; discount rate of 3.72%.
- Monthly (60 months) copier lease maturing in August 2027; monthly payments of \$63; discount rate of 3.99%.
- Monthly (60 months) copier lease maturing in June 2026; monthly payments of \$990; discount rate of 0.47%.
- Monthly (60 months) copier lease maturing in March 2028; monthly payments of \$1,700; discount rate of 3.52%.
- Monthly (60 months) copier lease maturing in March 2028; monthly payments of \$58; discount rate of 4.04%.
- Annual (7 years) facility lease maturing in December 2029; annual payments of \$102,500; discount rate of 0.99%.

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

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Obligations under subscription-based information technology arrangements as of August 31, 2025 were as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total Requirement
2026	\$ 481,615	\$ 25,670	\$ 507,285
2027	455,067	16,254	471,321
2028	475,586	8,315	483,901
	<u>\$ 1,412,268</u>	<u>\$ 50,239</u>	<u>\$ 1,462,507</u>

Subscription-based leases consisted of the following as of August 31, 2025:

- Annual (5 years) software lease maturing in August 2026; annual payments of \$21,550; discount rate of 0.19%.
- Annual (7 years) software lease maturing in November 2028; annual payments ranging from \$361,710 to \$431,901; discount rate of 1.32%.
- Annual (4 years) software lease maturing in August 2026; annual payments ranging from \$12,044 to \$48,177; discount rate of 3.89%.
- Annual (5 years) software lease maturing in November 2028; annual payments of \$52,000; discount rate of 5.25%.

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

As of August 31, 2025 and 2024, the College was in compliance with all material aspects of the bond indentures and other debt covenants.

Note 10: Lease Receivable

Vernon College leases land to two ranches with agreements for 10 years with interest rates equal to the market rate at the time of the lease renewals. Vernon College recognized lease revenues of \$14,262 in fiscal year 2025. Leases payments receivable from leases where the college is the lessor include the following:

Fiscal Year Ending August 31,	Principal	Interest	Total Requirement
2026	14,259	3	14,262
2027	14,259	3	14,262
2028	14,260	2	14,262
2029	14,260	2	14,262
2030	14,261	1	14,262
2031-2033	33,934	1	33,935
Total minimum lease payments	<u>\$ 105,233</u>	<u>\$ 12</u>	<u>\$ 105,245</u>

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Note 11: Compensated Absences

Vacation Leave

Fulltime employees earn annual leave from 8 to 12 hours per month, depending on the number of years employed with the College. The College's policy is that an employee may carry his accrued vacation leave forward from one fiscal year to another, with a maximum carry forward of 160 hours. Employees with at least one month of service who terminate their employment are entitled to payment of all accumulated vacation leave up to the maximum allowed. The College recognized the accrued liability for the unpaid vacation leave of \$400,767 and \$382,807 at August 31, 2025 and 2024, respectively.

Sick Leave

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

Note 12: Employee's Retirement Plan

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

Teacher Retirement System of Texas

Plan Description

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

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

Pension Plan Fiduciary Net Pension

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

<https://www.trs.texas.gov/sites/default/files/migrated/TRS-Documents-trs-acfr-2024.pdf> or by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512) 542-6592.

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Benefits Provided

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

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution, which requires the Texas legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

<u>Contribution Rates</u>	<u>2025</u>	<u>2024</u>
Member	8.25%	8.25%
Non-employer contributing entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
 FY2024 District or member contributions	 \$ 792,442	
FY2024 State of Texas on-behalf contributions	\$ 352,637	
FY2024 District or college contributions	\$ 454,936	

College contributions to the TRS pension plan in 2025 were \$480,196 as reported in the Schedule of College's Contributions for Pensions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2025 were \$368,277. The on-behalf payments are reflected in the accompanying financial statements as both revenue and expenses.

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

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

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

Net Pension Liability (Asset)

Actuarial Assumptions

The total Pension Liability in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2024
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Fair Value
Actuarial assumptions:	
Single discount rate	7.00%
Long-term expected investment rate of return	7.00%
Municipal bond rate*	3.87%
Last year ending August 31 in the 2016 to 2116 projection period (100 years)	2123
Inflation	2.30%
Salary increases including inflation	2.95% to 8.95%
Payroll growth rate	2.90%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

**The municipal bond rate used is 3.87% as of August 2024 (i.e., the rate closest to but not later than the Measurement Date). Source for the rate is the Bonds Buyers 20 Index, which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.*

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

The actuarial assumptions and methods are the same as those used in the determination of the prior year's Net Position Liability.

Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to significantly impact plan costs for FY2024, are provided for in the FY2024 Assumed Per Capita Health Benefit Costs.

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Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent. The projection of cash flows used to determine the single discount rate assumes that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.54% of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of geometric real rates of return for each major asset class included in the TRS' target asset allocation as of August 31, 2024, is summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S	18.00%	4.40%	1.00%
Non-U.S. developed	13.00%	4.20%	0.80%
Emerging markets	9.00%	5.20%	0.70%
Private equity	14.00%	6.70%	1.20%
Stable Value			
Government bonds	16.00%	1.90%	0.40%
Absolute return	0.00%	4.00%	0.00%
Stable value hedge funds	5.00%	3.00%	0.20%
Real Return			
Real estate	15.00%	6.60%	1.20%
Energy and natural resources	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity			
Risk parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	0.00%
Inflation Expectation	0.00%	0.00%	2.40%
Volatility Drag	0.00%	0.00%	(0.70%)
Asset allocation leverage	(6.00%)	1.30%	(0.10%)
Total	100%	50.40%	7.90%

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Discount Rate Sensitivity Analysis

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

	1% Decrease <u>(6.00%)</u>	Current Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
College's proportionate share of the net pension liability (asset)	\$ 8,504,193	\$ 5,324,260	\$ 2,689,460

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

As of August 31, 2025, the College reported a liability of \$5,324,260 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction in State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

College's proportionate share of the collective net pension liability	\$ 5,324,260
State's proportionate share that is associated with the College	<u>3,224,604</u>
Total	<u>\$ 8,548,864</u>

The net pension liability was measured as of August 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At the measurement date of August 31, 2024, the employer's proportion of the collective net pension liability was 0.000087162680%, a decrease of 0.000002591077% from its proportion measured as of August 31, 2023.

For the year ended August 31, 2025, the College recognized pension expense of \$385,394 and revenue of \$385,394 for support provided by the State. For the year ended August 31, 2024, the College recognized pension expense of \$572,819 and revenue of \$572,819 for support provided by the State.

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As of August 31, 2025, the College reported its proportion share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 293,466	\$ 41,569
Changes in actuarial assumptions	274,903	36,855
Difference between projected and actual investment earnings	1,278,394	1,246,029
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	-	476,016
Contributions paid to TRS subsequent to the measurement date	480,196	-
Total	<u>\$ 2,326,959</u>	<u>\$ 1,800,469</u>

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

Year ended August 31:	Pension Expense Amount
2025	\$ 343,761
2026	421,858
2027	(44,492)
2028	(197,125)
2029	2,488
Thereafter	-
Total	<u>\$ 526,490</u>

Optional Retirement Plan – Defined Contribution Plan

Plan Description

Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The Optional Retirement Program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.60% and 6.60% for 2024 and 2023. The College does not contribute to employees who participated in the Optional Retirement Program before September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting College.

The College's retirement expense to the state was \$358,607 and \$350,885 for the fiscal years ended August 31, 2025, and 2024, respectively.

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The total payroll for all College employees was \$12,183,670 and \$11,763,074 for fiscal years 2025 and 2024, respectively. The total payroll for employees covered by the Teacher Retirement System was \$9,168,993 and \$9,646,181, and the total payroll for employees covered by the Optional Retirement Program was \$1,236,507 and \$1,329,800 for fiscal years 2025 and 2024, respectively.

Note 13: Deferred Compensation Program

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

Note 14: Health Care and Life Insurance Benefits

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's total contributions for the years ended August 31, 2025 and 2024 were \$1,185,670 and \$1,111,451, respectively. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for active employees.

Note 15: Other Post-Employment Benefits (OPEB)

Plan Description

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

OPEB Plan Fiduciary Net Position

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

That report may be obtained on the internet at <https://ers.texas.gov/About-ERS/reports-and-studies/reports-on-overall-ers-operations-and-financial-ma/2024-acfr> or by writing to ERS at 200 East 18th Street, Austin, Texas 78701; or by calling (877) 275-4377.

Benefits Provided

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

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Contributions

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

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

Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
Fiscal Years Ended August 31, 2025 and 2024

	2025	2024
Retiree only	\$ 624.82	\$ 624.82
Retiree & spouse	\$ 1,340.82	\$ 1,340.82
Retiree & children	\$ 1,104.22	\$ 1,104.22
Retiree & family	\$ 1,820.22	\$ 1,820.22

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

Premium Contributions by Source
Group Benefits Program Plan
For the Years Ended August 31, 2025 and 2024

	2025	2024
Employers	\$ 800,581,831	\$ 801,018,586
Members (Employees)	\$ 187,288,403	\$ 181,951,869
Nonemployer contributing entity (State of Texas)	\$ 43,071,186	\$ 42,250,455

Source: ERS 2024 Annual Comprehensive Financial Report

Actuarial Assumptions

The total OPEB Liability was determined by an actuarial valuation as of August 31, 2024 using the following actuarial assumptions:

Valuation date	August 31, 2024
Actuarial cost method	Entry Age
Amortization method	Level Percent of payroll, closed
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	3.87%
Projected annual salary increase (includes inflation)	2.30% to 8.95%
Annual healthcare trend rate	

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HealthSelect	5.60% for 2026, 5.60% for 2027, 5.25% for 2028, 5.00% for 2029, 4.75% for 2030, 4.50% for 2031 decreasing 10 basis points per year to an ultimate rate of 4.30% for 2033 and later years
HealthSelect Medicare Advantage	36.00% for 2026, 8.00% for 2027, 5.25% for 2028, 5.00% for 2029, 4.75% for 2030, 4.50% for 2031 decreasing 10 basis points per year to an ultimate rate of 4.30% for 2033 and later years
Pharmacy	11.50% for 2026, 11.00% for 2027, 10.00% for 2028, 8.50% for 2029, 7.00% for 2030 decreasing 100 basis points per year to an ultimate rate of 5.00% for 2032 and 4.30% for 2033 and later years
Inflation assumption rate	2.30%
Ad hoc postemployment benefit changes	None
Mortality assumptions:	
Service retirees, survivors, and other inactive members	Tables based on TRS experience Ultimate MP Projection Scale from year 2021.
Disability retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2021 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.
Active members	Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP Projection Scale from the year 2010.

Source: ERS 2024 Annual Comprehensive Financial Report

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS retirement plan actuary as of August 31, 2024 and the TRS retirement plan actuary as of August 31, 2024.

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

- The percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The proportion of future retirees assumed to cover dependent children.
- The proportion of future retirees assumed to elect health coverage at retirement and proportions of future retirees expected to receive the Opt-Out Credit at retirement.
- The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee have been updated to reflect recent plan experience and expected trends.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.
- The discount rate assumption was changed from 3.81% to 3.87% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

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Investment Policy

The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds before retirement. The System's Board of Trustees adopted an amendment to the investment policy in August 2022 to require that all funds in the plan be invested in cash and equivalent securities.

Discount Rate

Because the State Retiree Health Plan does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bond rate. The discount rate was changed from 3.81% as of August 31, 2023 to 3.87% as of August 31, 2024 as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Discount Rate Sensitivity Analysis

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

	1% Decrease (2.87%)	Current Rate (3.87%)	1% Increase (4.87%)
College's proportionate share of the net OPEB liability (asset)	\$ 16,226,429	\$ 13,946,154	\$ 12,116,205

Healthcare Trend Rate Sensitivity Analysis

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

	1% Decrease in Healthcare Cost Trend Rates 4.60% decreasing to 3.30%	Current Healthcare Cost Trend Rates 5.60% decreasing to 4.30%	1% Increase in Healthcare Cost Trend Rates 6.60% decreasing to 5.30%
College's proportionate share of the net OPEB liability (asset)	\$ 11,966,500	\$ 13,946,154	\$ 16,469,675

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

As of August 31, 2025, the College reported a liability of \$13,946,154 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College as its proportion-ate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College's proportionate share of the collective net OPEB liability	\$ 13,946,154
State's proportionate share that is associated with the college	10,680,639
Total	<u>\$ 24,626,793</u>

The net OPEB liability was measured as of August 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At the measurement date of August 31, 2024, the College's proportion of the collective net OPEB liability was 0.0475887%, which is a decrease of .00002465% from its proportion measured as of August 31, 2023.

For the year ended August 31, 2025, the College recognized OPEB expense of \$213,053 and revenue of \$2,201 for the support provided by the State.

As of August 31, 2025, the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ 230,095
Changes in actuarial assumptions	763,545	2,778,179
Difference between projected and actual investment earnings	-	533
Effect of change in proportion and contribution difference	185,104	1,472,804
Contributions paid subsequent to the measurement date	319,618	-
Total	<u>\$ 1,268,267</u>	<u>\$ 4,481,611</u>

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

Year ended August 31:	OPEB Expense Amount
	\$
2026	(938,955)
2027	(1,321,447)
2028	(890,981)
2029	(117,003)
2030	55,042
Thereafter	-
Total	<u>\$ (3,213,344)</u>

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

Note 16: Contract and Grant Awards

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

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, Audits of Colleges and Universities. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contracts and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2025 and 2024 for which monies have not been received nor funds expended, totaled \$0 and \$0.

Note 17: Risk Management

The College is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2025, the College purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

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

Note 18: Commitment and Contingencies

Grants

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

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

Note 19: Concentration of Revenue

For the years ended August 31, 2025 and 2024, the College received approximately 22.3% and 22.5%, respectively, of its total revenues (operating and non-operating) from federal Title IV HEA grants. In addition, \$2,490,163 and \$3,327,066 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, 2025 and 2024, respectively. The College's eligibility to participate in these programs is subject to compliance with federal regulations and continued certification by the Department of Education.

Changes to federal funding levels and eligibility requirements for Title IV programs could have a substantial impact on the College's ability to provide student financial assistance at current levels and, consequently, on its overall enrollment and financial position.

The College will continue to monitor federal legislative developments and assess their potential impact on the College's operations and financial position.

During the years ended August 31, 2025 and 2024, the College received approximately 23.6% and 24.1%, respectively, of Net Non-Operating Revenues from state appropriations in both a base tier and performance tier. The College will continue to monitor key metrics used by the state in determining these appropriations

Note 20: Tax Abatement

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

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

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

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

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

In November 2023, the College's Board of Trustees approved a tax abatement agreement with Crusoe Energy Systems, LLC. The College agreed to abate applicable taxes over a three (3) year period beginning January 1 of the first calendar year after the project begins. The tax abatement is expected to begin for the 2026 tax year.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

In June 2024, the College's Board of Trustees approved a tax abatement agreement with Blue Summit II Storage, LLC. The College agreed to abate applicable taxes over a three (3) year period beginning January 1 of the first calendar year after the project commences commercial operations. The tax abatement is expected to begin for the 2026 tax year.

Note 21: Liquidity and Availability – Foundation

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

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 170,464	\$ 76,925
Investments	6,328,172	6,050,626
Total Financial assets	<u>6,498,636</u>	<u>6,127,551</u>
Less:		
Donor restricted net assets	<u>(6,071,633)</u>	<u>(5,858,131)</u>
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 427,003</u>	<u>\$ 269,420</u>

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

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

The Foundation's Board of Directors has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. As of August 31, 2025 and 2024, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

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

	2025	2024
Endowment net assets, beginning of year	\$ 5,858,131	\$ 5,258,110
Investment income	481,531	855,078
Contributions	96,920	78,897
Release from restrictions	(364,949)	(333,954)
Endowment net assets, end of year	<u><u>\$ 6,071,633</u></u>	<u><u>\$ 5,858,131</u></u>

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

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

There were no endowments considered to be underwater as of August 31, 2025 and 2024.

Note 23: Expenses by Nature and Function – Foundation

The table below presents expenses by both their nature and their function for the year ended August 31, 2025.

	Program Services	Management and General	Fundraising	Total
Scholarships	\$ 364,949	\$ -	\$ -	\$ 364,949
Departmental grant	13,500	-	-	13,500
Other expenses	-	4,534	-	4,534
	<u><u>\$ 378,449</u></u>	<u><u>\$ 4,534</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 382,983</u></u>

The table below presents expenses by both their nature and their function for the year ended August 31, 2024.

	Program Services	Management and General	Fundraising	Total
Scholarships	\$ 333,954	\$ -	\$ -	\$ 333,954
Departmental grant	100,159	-	-	100,159
Other expenses	-	20,914	-	20,914
	<u><u>\$ 434,113</u></u>	<u><u>\$ 20,914</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 455,027</u></u>

Note 24: Pending Lawsuits and Claims

None as of the report date.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 and 2024

Note 25: New Pronouncements

Accounting pronouncements adopted

In June 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*, which requires entities to provide disclosures related to certain risks that could significantly affect their financial position, including concentrations of risk and constraints on the availability of resources. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. See Note 18.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Adopting this standard did not impact the College's financial statements.

Other recent pronouncements are not expected to have an impact to the College's financial statements.

Note 26: Subsequent Events

Management has evaluated subsequent events through December 10, 2025, the date on which the financial statements were available for distribution.

Required Supplementary Information

VERNON COLLEGE
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED AUGUST 31, 2025 *
EXHIBIT 4

Fiscal Year Ending August 31, *	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportionate share of collective net pension liability (%)	0.0089753	0.0096531	0.0097611	0.0010443	0.0010443	0.0107365	0.0107374	0.0105564	0.0105923	0.0107538
College's proportionate share of collective net pension liability (\$)	\$ 5,324,260	\$ 6,165,217	\$ 5,730,822	\$ 2,485,807	\$ 5,592,992	\$ 5,581,162	\$ 5,910,144	\$ 3,375,366	\$ 4,002,670	\$ 3,801,335
State's proportional share of net pension liability associated with College	3,224,604	3,793,720	3,621,607	1,639,750	3,484,680	3,400,502	3,716,076	2,236,388	2,800,729	2,675,276
Total	<u>\$ 8,548,864</u>	<u>\$ 9,958,937</u>	<u>\$ 9,352,429</u>	<u>\$ 4,125,557</u>	<u>\$ 9,077,672</u>	<u>\$ 8,981,664</u>	<u>\$ 9,626,220</u>	<u>\$ 5,611,754</u>	<u>\$ 6,803,399</u>	<u>\$ 6,476,611</u>
College's covered payroll	\$ 9,605,369	\$ 9,323,724	\$ 9,504,161	\$ 9,216,307	\$ 9,340,320	\$ 8,999,503	\$ 8,732,607	\$ 8,314,648	\$ 8,363,407	\$ 7,957,060
College's proportionate share of collective net pension liability as a percentage of covered payroll	55.43%	66.12%	60.30%	26.97%	59.88%	62.02%	67.68%	40.60%	47.86%	47.77%
Plan fiduciary net position as percentage of total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

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

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

Fiscal Year Ending August 31, *	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Legally required contributions	\$ 480,196	\$ 454,936	\$ 441,777	\$ 422,600	\$ 414,014	\$ 421,110	\$ 368,540	\$ 345,309	\$ 344,940	\$ 329,434
Actual contributions	480,196	454,936	441,777	422,600	414,014	421,110	368,540	345,309	344,940	329,434
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll amount	\$ 10,040,799	\$ 9,605,369	\$ 9,323,724	\$ 9,504,161	\$ 9,216,307	\$ 9,340,320	\$ 8,999,503	\$ 8,732,607	\$ 8,314,648	\$ 8,363,407
Contributions as a percentage of covered payroll	4.78%	4.74%	4.74%	4.45%	4.49%	4.51%	4.10%	3.95%	4.15%	3.94%

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

VERNON COLLEGE
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
FOR THE YEAR ENDED AUGUST 31, 2025
EXHIBIT 6

Fiscal Year Ending August 31, *	2024**	2023**	2022**	2021**	2020**	2019**	2018**
College's proportionate share of collective net OPEB liability (%)	0.04758871	0.04756406	0.05074393	0.0529316	0.0536895	0.0478955	0.0504671
College's proportionate share of collective net OPEB liability (\$)	\$ 13,946,154	\$ 12,707,942	\$ 14,455,406	\$ 18,989,480	\$ 17,741,504	\$ 16,553,952	\$ 14,957,312
State's proportional share of net OPEB liability associated with College (\$)	10,680,639	10,622,964	11,455,548	13,499,307	12,431,324	14,713,835	12,357,587
Total	<u>\$ 24,626,793</u>	<u>\$ 23,330,906</u>	<u>\$ 25,910,954</u>	<u>\$ 32,488,787</u>	<u>\$ 30,172,828</u>	<u>\$ 31,267,787</u>	<u>\$ 27,314,899</u>
College's covered payroll	\$ 10,975,981	\$ 10,700,463	\$ 10,582,382	\$ 9,216,307	\$ 9,340,320	\$ 8,999,503	\$ 8,732,607
College's proportionate share of collective net OPEB liability as a percentage of covered payroll	127.06%	118.76%	136.60%	206.04%	189.95%	183.94%	171.28%
Plan fiduciary net position as percentage of total OPEB liability	0.47%	0.63%	0.57%	0.38%	0.32%	1.27%	2.04%

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

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

VERNON COLLEGE
SCHEDULE OF COLLEGE'S CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED AUGUST 31, 2025
EXHIBIT 7

Fiscal Year Ending August 31, *	2025**	2024**	2023**	2022**	2021**	2020**	2019**	2018**
Legally required contributions	\$ 319,618	\$ 283,648	\$ 287,797	\$ 241,873	\$ 260,326	\$ 260,326	\$ 134,080	\$ 325,000
Actual contributions	319,618	283,648	287,797	241,873	260,326	260,326	134,080	325,000
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll amount	\$ 10,405,500	\$ 10,975,981	\$ 10,700,463	\$ 10,582,382	\$ 9,216,307	\$ 9,340,320	\$ 8,999,503	\$ 8,732,607
Contributions as a percentage of covered payroll	3.07%	2.58%	2.69%	2.29%	2.82%	2.79%	1.49%	3.72%

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

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

VERNON COLLEGE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2025
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2024)
SCHEDULE A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Totals	
					Fiscal Year 2025	Fiscal Year 2024
Tuition						
State-funded courses						
In-district resident tuition	\$ 276,887	\$ -	\$ 276,887	\$ -	\$ 276,887	\$ 278,751
Out-of-district resident tuition	3,642,529	-	3,642,529	-	3,642,529	3,462,904
Non-resident tuition	161,035	-	161,035	-	161,035	152,039
TPEG - credit (set aside)*	-	143,219	143,219	-	143,219	144,979
State funded continuing education	480,410	-	480,410	-	480,410	357,492
Non-state funded educational programs	21,053	-	21,053	-	21,053	2,722
Total Tuition	<u>4,581,914</u>	<u>143,219</u>	<u>4,725,133</u>	<u>-</u>	<u>4,725,133</u>	<u>4,398,887</u>
Fees						
General fee	6,216,738	-	6,216,738	-	6,216,738	6,131,282
Laboratory fees	785,294	-	785,294	-	785,294	736,938
Total Fees	<u>7,002,032</u>	<u>-</u>	<u>7,002,032</u>	<u>-</u>	<u>7,002,032</u>	<u>6,868,220</u>
Scholarship Allowances and Discounts						
Remissions and exemptions - state	(1,770,771)	-	(1,770,771)	-	(1,770,771)	(1,629,200)
Title IV federal grants	(7,412,740)	-	(7,412,740)	-	(7,412,740)	(7,410,765)
TPEG awards	-	(143,219)	(143,219)	-	(143,219)	(144,979)
Other local awards	(2,047,078)	-	(2,047,078)	-	(2,047,078)	(1,263,210)
Total Scholarship Allowances and Discounts	<u>(11,230,589)</u>	<u>(143,219)</u>	<u>(11,373,808)</u>	<u>-</u>	<u>(11,373,808)</u>	<u>(10,448,154)</u>
Total Net Tuition and Fees	<u>353,357</u>	<u>-</u>	<u>353,357</u>	<u>-</u>	<u>353,357</u>	<u>818,953</u>
Other Operating Revenues						
Federal grants and contracts	-	239,072	239,072	-	239,072	225,405
State grants and contracts	-	923,928	923,928	-	923,928	573,157
Non-governmental grants and contracts	-	807,192	807,192	-	807,192	1,203,356
Sales and services of educational activities	61,572	-	61,572	-	61,572	59,607
Investment income (program restricted)	-	63,801	63,801	-	63,801	59,189
General operating revenues	126,412	-	126,412	-	126,412	6,609
Total Other Operating Revenues	<u>187,984</u>	<u>2,033,993</u>	<u>2,221,977</u>	<u>-</u>	<u>2,221,977</u>	<u>2,127,323</u>
Auxiliary Enterprises						
Residential life	-	-	-	545,764	545,764	503,423
Bookstore	-	-	-	72,016	72,016	73,009
Student programs	-	-	-	90,552	90,552	89,622
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>708,332</u>	<u>708,332</u>	<u>666,054</u>
Total Operating Revenues	<u>\$ 541,341</u>	<u>\$ 2,033,993</u>	<u>\$ 2,575,334</u>	<u>\$ 708,332</u>	<u>\$ 3,283,666</u>	<u>\$ 3,612,330</u>
					(Exhibit 2)	(Exhibit 2)

* - In accordance with Education Code 56.033, \$143,219 and \$144,979 for years August 31, 2025 and 2024, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

VERNON COLLEGE
STATEMENT OF OPERATING EXPENSES BY OBJECT
FOR THE YEAR ENDED AUGUST 31, 2025
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2024)
SCHEDULE B

	Operating Expenses				Totals	
	Salaries And Wages	Benefits		Other Expenses	Fiscal Year 2025	Fiscal Year 2024
		State	Local			
Unrestricted - Educational and General						
Instruction	\$ 5,724,022	\$ -	\$ 311,634	\$ 734,564	\$ 6,770,220	\$ 6,531,072
Public service	331,658	-	19,885	12,709	364,252	213,683
Academic support	1,454,332	-	107,453	730,179	2,291,964	2,434,309
Student services	1,360,081	-	74,410	292,626	1,727,117	1,649,305
Institutional support	1,737,081	-	151,791	1,302,208	3,191,080	3,474,130
Operation and maintenance of plant	960,540	-	166,368	1,697,359	2,824,267	2,497,258
Total Unrestricted	<u>11,567,714</u>	<u>-</u>	<u>831,541</u>	<u>4,769,645</u>	<u>17,168,900</u>	<u>16,799,757</u>
Restricted - Educational and General						
Instruction	1,000	1,297,239	-	424,735	1,722,974	1,717,093
Public service	141,296	92,317	19,434	121,641	374,688	312,621
Academic support	-	401,229	-	-	401,229	409,694
Student services	-	309,134	-	-	309,134	320,129
Institutional support	-	777,773	-	-	777,773	543,387
Operation and maintenance of plant	-	-	-	-	-	-
Scholarships and fellowships	-	-	-	496,205	496,205	494,782
Total Restricted	<u>142,296</u>	<u>2,877,692</u>	<u>19,434</u>	<u>1,042,581</u>	<u>4,082,003</u>	<u>3,797,706</u>
Total Educational and General	<u>11,710,010</u>	<u>2,877,692</u>	<u>850,975</u>	<u>5,812,226</u>	<u>21,250,903</u>	<u>20,597,463</u>
Auxiliary Enterprises	551,870	-	152,070	1,141,435	1,845,375	1,623,348
Depreciation expense - buildings and other real estate	-	-	-	617,155	617,155	556,559
Depreciation expense - equipment and furniture	-	-	-	871,663	871,663	883,058
Total Operating Expenses	<u>\$ 12,261,880</u>	<u>\$ 2,877,692</u>	<u>\$ 1,003,045</u>	<u>\$ 8,442,479</u>	<u>\$ 24,585,096</u> (Exhibit 2)	<u>\$ 23,660,428</u> (Exhibit 2)

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

VERNON COLLEGE
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2025
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2024)
SCHEDULE C

					Totals	
	Unrestricted	Restricted	Auxiliary Enterprises	Fiscal Year 2025	Fiscal Year 2024	
NON-OPERATING REVENUES:						
State Appropriations						
Education and general state support	\$ 8,347,513	\$ -	\$ -	\$ 8,347,513	\$ 8,466,227	
State group insurance	-	1,031,045	-	1,031,045	754,046	
State retirement matching	-	358,607	-	358,607	350,885	
Total State Appropriations	<u>8,347,513</u>	<u>1,389,652</u>	<u>-</u>	<u>9,737,165</u>	<u>9,571,158</u>	
Maintenance ad valorem taxes	2,479,189	-	1,272,510	3,751,699	3,667,390	
Federal revenue, non-operating	-	7,908,945	-	7,908,945	7,905,547	
Capital contracts, grants and gifts	-	409,463	86,508	495,971	359,895	
Loss on disposal of capital assets	(97,002)	-	-	(97,002)	(37,321)	
Lease Income	-	14,064	-	14,064	14,064	
Investment income	537,609	21,007	-	558,616	514,187	
Total Non-Operating Revenues	<u>11,267,309</u>	<u>9,743,131</u>	<u>1,359,018</u>	<u>22,369,458</u>	<u>21,994,920</u>	
NON-OPERATING EXPENSES:						
Operational costs of lease property	-	2,743	-	2,743	2,113	
Amortization of bond issuance costs	-	34,259	-	34,259	34,259	
Interest on capital related debt	-	132,960	-	132,960	158,044	
Total Non-Operating Expenses	<u>-</u>	<u>169,962</u>	<u>-</u>	<u>169,962</u>	<u>194,416</u>	
NET NON-OPERATING REVENUES	<u>\$ 11,267,309</u>	<u>\$ 9,573,169</u>	<u>\$ 1,359,018</u>	<u>\$ 22,199,496</u> (Exhibit 2)	<u>\$ 21,800,504</u> (Exhibit 2)	

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

VERNON COLLEGE
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
FOR THE YEAR ENDED AUGUST 31, 2025
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2024)
SCHEDULE D

	Detail by Source					Available for Current Operations	
	Restricted			Capital Assets Net of Depreciation and Related Debt	Total	Yes	No
	Unrestricted	Expendable	Non-Expendable				
Current:							
Unrestricted	\$ (12,842,249)	\$	\$	\$	\$ (12,842,249)	\$ (12,842,249)	\$
Endowment:							
Restricted:							
Student Aid - True	-	-	1,379,829		1,379,829		1,379,829
Plant:							
Investment in Plant	-	-		15,956,589	15,956,589		15,956,589
Total Net Position, August 31, 2025	(12,842,249)	-	1,379,829	15,956,589	4,494,169	(12,842,249)	17,336,418
Total Net Position, August 31, 2024	(11,503,493)	-	1,352,707	13,746,889	3,596,103	(11,503,493)	15,099,596
Net Increase (Decrease) in Net Position	\$ (1,338,756)	\$ -	\$ 27,122	\$ 2,209,700	\$ 898,066	\$ (1,338,756)	\$ 2,236,822
					(Exhibit 2)		

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

VERNON COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2025
Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures		Total Expenditures
			Direct Awards	Pass-Through Awards	
<u>U.S. Department of Education</u>					
Direct Programs:					
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ 146,000	\$	146,000
Federal Work-Study Program	84.033	N/A	46,384		46,384
Federal Pell Grant Program	84.063	N/A	5,226,398		5,226,398
Federal Direct Student Loans	84.268	N/A	2,490,163		2,490,163
Total Student Financial Aid Cluster			7,908,945	-	7,908,945
Passed Through From:					
Texas Higher Education Coordinating Board					
Carl Perkins Vocational Education Annual Grant	84.048	94252		239,072	239,072
Total U.S. Department of Education					
Total Federal Financial Assistance					
<u>Note 1: Federal Assistance Reconciliation</u>					
Federal Grants and Contracts From Schedule A					
Federal Grants, Non-Operating From Schedule C					
Total Federal Revenues Per Schedule A and C					
Direct Student Loans					
Total Federal Revenues per Schedule of Expenditures of Federal Awards					

Note 2: Significant accounting policies used in preparing the schedule.

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the general purpose financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the College has an agency-approved Indirect Recovery Rate it has elected to not use the 10% (15% for grants awarded after October 1, 2024) de minimis cost rate as permitted in the UG, section 200.414.

Note 3: Student Loans Processed and Administrative Cost Recovery

Federal Grantor CFDA Number/Program Name	Total Loans Processed
U.S Department of Education CFDA 84.268 Federal Direct Student Loans	\$ 2,490,163
Total U.S. Department of Education	\$ 2,490,163
(There were no administrative costs recovered and included in above amount)	

Note 4: Pass through amounts included in program expenditures:

None.

VERNON COLLEGE
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2025
Schedule F

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
<u>Texas Higher Education Coordinating Board</u>		
College Workstudy	N/A	\$ 14,289
Texas Education Opportunities Grant	N/A	746,311
TRUE Grant	N/A	47,652
Greater Texas Foundation Grant	N/A	1,160
Nursing Grant (Regular)	N/A	78,956
Nursing Grant (Under 70)	N/A	29,187
Subtotal Texas Higher Education Coordinating Board		917,555
<u>Texas Department of Agriculture</u>		
Texans Feeding Texans	N/A	2,942
Subtotal Texas Department of Agriculture		2,942
<u>Texas Comptroller of Public Accounts</u>		
Law Enforcement Grant	N/A	3,431
Subtotal Texas Comptroller of Public Account		3,431
Total State Financial Assistance		\$ 923,928

Note 1: State Assistance Reconciliation

State Revenues - per Schedule A:	\$ 923,928
State Financial Assistance per Schedule of Expenditures of State Awards	\$ 923,928

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 to the financial statements for the College's significant accounting policies. These expenditures are reported on the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

Overall Compliance and Internal Control Section



December 10, 2025

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Vernon College, as of and for the year ended August 31, 2025, 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 10, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings, and questioned costs as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vernon College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements (including the Public Funds Investment Act Chapter 2256, Texas Government Code), noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2025-001.

Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Vernon College's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the response.

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 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.

Condly and Company, L.L.P.

Certified Public Accountants

Federal Awards Section



December 10, 2025

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Vernon College's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Vernon College's major federal programs for the year ended August 31, 2025. Vernon College's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Vernon College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on Vernon College's response to the noncompliance findings identified in our compliance audit, described in the accompanying schedule of findings and questioned costs. Vernon College's response was not subjected to the other auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be

prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a material weakness.

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

Government Auditing Standards require the auditor to perform limited procedures on Vernon College's response to the internal control over compliance finding identified in our audit, as described in the accompanying schedule of findings and questioned costs. Vernon College's response was not subjected to the other auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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

Condly and Company, L.L.P.

Certified Public Accountants

VERNON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2025

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal controls over major program:	
• Material weakness identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Identification of major program:	
<u>Assistance Listing Number (s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000 (Federal)
Did the auditee qualify as a low-risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

The results of our audit procedures disclosed no findings to be reported for the year ended August 31, 2025.

VERNON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2025

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

A. Compliance Findings

2025-001

Program Name: Student Financial Aid Cluster

Assistance Listing Numbers/Names: 84.007 Federal SEOG
84.033 Federal Work Study
84.063 Federal Pell Grant
84.268 Federal Direct Loans

Federal Agency: U.S. Department of Education

Compliance Requirement: Enrollment Reporting

Questioned Costs: Not applicable

Criteria: In accordance with CFR section 685.309(b)(2) "Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that a loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended."

Condition: We reviewed a sample of 40 students who received financial aid and had enrollment status changes during the fiscal year. Of the 40 students tested, 27 students did not have timely or proper status changes reported to the NSLDS. 1 of which was never reported for the semester that the student began enrollment.

Population and Sample Size:

	Number		Dollars		Questioned Cost
Population	1,285	\$	N/A	\$	N/A
Sample	40		N/A		N/A
Not in compliance	27		N/A		None

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

Cause: The College changed software systems in fiscal year 2024. Due to this change in systems, enrollment reports submitted to the NSLDS no longer contained any students who had withdrawn. The reports that were submitted showed all withdrawn students as still enrolled until the following semester when they no longer showed up as a current student. The college failed to review the reports prior to submission to the NSLDS to ensure withdrawn students were appropriately caught, resulting in enrollment statuses for students not being reported in a timely manner.

Recommendation: We recommend that the college work with Ellucian Colleague, the new software system, to update the system settings to track enrollment changes for students. We recommend management develop a report to generate that can be uploaded to the NSLDS with accurate enrollment statuses, as well as create an internal process of review to ensure that the reports are accurate before they are submitted to the NSLDS.

Views of responsible officials and planned corrective actions:

According to the student sampling conducted as part of the audit, several withdrawal records were reported incorrectly. The source of the inconsistencies was unknown at the time of notification by the auditors. However, progress had been made since the 2023-24 audit, when little to no withdrawal records were being reported correctly. The purpose of this report submitted to NSLDS through NSC, is to notify lenders of

VERNON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2025

students who have dropped below half time status and therefore should be entering their six month grace period prior to loan repayment. All students are included in the withdrawal report, regardless of whether they have a loan with Vernon College or any other institution. It is important to note, internal records are accurate and loan processes are in compliance.

Vernon College is pleased to report that recently, the Registrar's Office has discovered the source of the withdrawal reporting errors and has implemented a solution. The source and subsequent solution involve entering certain dates in designated areas in our student information system, Colleague. If errors occur in the future, the Registrar's Office has developed a backup manual review process to use to ensure reporting will remain consistent and correct. The Registrar's Office will run an "Enrollment Activity Report" to identify all course withdrawals within a designated time period as outlined by the NSC First of Term and Subsequent Term reports. The reporting official will then audit the Colleague produced NSC report against the Enrollment Activity Report to ensure accuracy and update manually as needed. This will occur prior to submission to the NSC/NSLDS. Moving forward, the manual process will only be used if needed.

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CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2025
2025-001

Recommendation: We recommend that the college work with Ellucian Colleague, the new software system, to update the system settings to track enrollment changes for students. We recommend management develop a report to generate that can be uploaded to the NSLDS with accurate enrollment statuses, as well as create an internal process of review to ensure that the reports are accurate before they are submitted to the NSLDS.

Response: According to the student sampling conducted as part of the audit, several withdrawal records were reported incorrectly. The source of the inconsistencies was unknown at the time of notification by the auditors. However, progress had been made since the 2023-24 audit when little to no withdrawal records were being reported correctly. The purpose of this report submitted to NSLDS through NSC, is to notify lenders of students who have dropped below half time status and therefore should be entering their six month grace period prior to loan repayment. All students are included in the withdrawal report, regardless of whether they have a loan with Vernon College or any other institution. It is important to note, internal records are accurate and loan processes are in compliance.

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VERNON COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2024

Identifying number: 2024-001

Status: This finding has not been corrected and is included in the current year schedule of findings and questioned costs as item 2025-001.

Identifying number: 2024-002

Status: This finding has been fully corrected.

Statistical Section

Vernon College
Statistical Supplement 1
Revenue by Source
Fiscal Years 2021 to 2025
(Unaudited)

For the Years Ended August 31,

	2025	2024	2023	2022	2021
Operating Revenues					
Tuition and fees (net of discounts)	\$ 353,357	\$ 818,953	\$ 688,356	\$ 383,880	\$ 4,562,063
Government grants and contracts:					
Federal grants and contracts	239,072	225,405	1,054,880	6,118,587	5,193,207
State grants and contracts	923,928	573,157	428,086	692,937	239,349
Non-governmental grants and contracts	807,192	1,203,356	1,622,868	1,210,089	1,275,234
Sales and services of educational activities	61,572	59,607	63,161	60,273	59,502
Investment income (program restricted)	63,801	59,189	35,351	2	33,904
Auxiliary enterprises (net of discounts)	708,332	666,054	630,902	610,667	457,281
Other operating revenues	126,412	6,609	267,888	677,303	360,530
Total Operating Revenues	<u>\$ 3,283,666</u>	<u>\$ 3,612,330</u>	<u>4,791,492</u>	<u>9,753,738</u>	<u>12,181,070</u>
Non-Operating Revenues					
State appropriations	9,737,165	9,571,158	6,869,744	7,131,914	6,823,796
Ad valorem taxes	3,751,699	3,667,390	3,388,967	3,227,601	3,189,828
Federal Revenue, Non-Operating	7,908,945	7,905,547	8,012,311	8,333,799	4,648,066
Other non-operating income	495,971	359,895	272,133	291,436	235,413
Lease income	14,064	14,064	19,607	20,431	22,158
Investment income	558,616	514,187	287,622	245,770	176,082
Total Non-Operating Revenues	<u>22,466,460</u>	<u>22,032,241</u>	<u>18,850,384</u>	<u>19,250,951</u>	<u>15,095,343</u>
Total Revenues	<u>\$ 25,750,126</u>	<u>\$ 25,644,571</u>	<u>\$ 23,641,876</u>	<u>\$ 29,004,689</u>	<u>\$ 27,276,413</u>

For the Years Ended August 31,

	2025	2024	2023	2022	2021
Operating Revenues					
Tuition and fees (net of discounts)	1.37%	2.91%	2.91%	1.32%	16.73%
Government grants and contracts:					
Federal grants and contracts	0.93%	4.46%	4.46%	21.10%	19.04%
State grants and contracts	3.59%	1.81%	1.81%	2.39%	0.88%
Non-governmental grants and contracts	3.13%	6.86%	6.86%	4.17%	4.68%
Sales and services of educational activities	0.24%	0.27%	0.27%	0.21%	0.22%
Investment income (program restricted)	0.25%	0.15%	0.15%	0.00%	0.12%
Auxiliary enterprises (net of discounts)	2.75%	2.67%	2.67%	2.11%	1.68%
Other operating revenues	0.49%	1.13%	1.13%	2.34%	1.32%
Total Operating Revenues	<u>12.75%</u>	<u>20.27%</u>	<u>20.27%</u>	<u>33.63%</u>	<u>44.66%</u>
Non-Operating Revenues					
State appropriations	37.81%	29.06%	29.06%	24.59%	25.02%
Ad valorem taxes	14.57%	14.33%	14.33%	11.13%	11.69%
Federal Title IV grant revenue	30.71%	33.89%	33.89%	28.73%	17.04%
Capital contracts, grants and gifts	1.93%	1.15%	1.15%	1.00%	0.86%
Lease income	0.05%	0.08%	0.08%	0.07%	0.08%
Investment income	2.17%	1.22%	1.22%	0.85%	0.65%
Total Non-Operating Revenues	<u>87.25%</u>	<u>79.73%</u>	<u>79.73%</u>	<u>66.37%</u>	<u>55.34%</u>
Total Revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Vernon College
Statistical Supplement 2
Program Expenses by Function
Fiscal Years 2021 to 2025
(Unaudited)

For the Years Ended August 31,

	2025	2024	2023	2022	2021
Operating Expenses					
Instruction	\$ 8,493,194	\$ 8,248,165	\$ 8,181,586	\$ 8,673,954	\$ 6,122,398
Public service	738,940	526,304	497,920	496,072	481,174
Academic support	2,693,193	2,844,003	2,872,924	2,678,448	2,343,332
Student services	2,036,251	1,969,434	1,888,271	1,952,581	2,290,553
Institutional support	3,968,853	4,017,517	5,083,597	5,572,426	7,922,636
Operation and maintenance of plant	2,824,267	2,497,258	1,896,144	2,226,139	2,077,771
Scholarship and fellowships	496,205	494,782	450,808	3,495,834	1,012,230
Auxiliary enterprises	1,845,375	1,623,348	1,465,919	1,511,496	1,359,808
Depreciation	1,488,818	1,439,617	1,405,398	913,981	945,477
Total Operating Expenses	24,585,096	23,660,428	23,742,567	27,520,931	24,555,379
Non-Operating Expenses					
Operational costs of leased property	2,743	2,113	3,270	2,885	2,739
Amortization of bond issuance costs	34,259	34,259	34,259	34,259	47,692
Loss on disposal of assets	97,002	37,321	28,812	67,064	6,800
Interest and fees on capital related debt	132,960	158,044	168,270	145,279	164,975
Total Non-Operating Expenses	266,964	231,737	234,611	249,487	222,206
Total Expenses	\$ 24,852,060	\$ 23,892,165	\$ 23,977,178	\$ 27,770,418	\$ 24,777,585

For the Years Ended August 31,

	2025	2024	2023	2022	2021
Operating Expenses					
Instruction	34.18%	34.52%	34.12%	31.23%	24.71%
Public service	2.97%	2.20%	2.08%	1.79%	1.94%
Academic support	10.84%	11.90%	11.98%	9.64%	9.46%
Student services	8.19%	8.24%	7.88%	7.03%	9.24%
Institutional support	15.97%	16.82%	21.20%	20.07%	31.98%
Operation and maintenance of plant	11.36%	10.45%	7.91%	8.02%	8.39%
Scholarship and fellowships	2.00%	2.07%	1.88%	12.59%	4.09%
Auxiliary enterprises	7.43%	6.79%	6.11%	5.44%	5.49%
Depreciation	5.99%	6.03%	5.86%	3.29%	3.82%
Total Operating Expenses	98.93%	99.03%	99.02%	99.10%	99.10%
Non-Operating Expenses					
Operational costs of leased property	0.01%	0.01%	0.01%	0.01%	0.01%
Amortization of bond issuance costs	0.14%	0.14%	0.14%	0.12%	0.19%
Loss on disposal of assets	0.39%	0.16%	0.12%	0.24%	
Interest and fees on capital related debt	0.54%	0.66%	0.70%	0.52%	0.67%
Total Non-Operating Expenses	1.07%	0.97%	0.98%	0.90%	0.87%
Total Expenses	100.00%	100.00%	100.00%	100.00%	99.97%

**Vernon College
Statistical Supplement 3
Tuition and Fees
Last Ten Academic Years
(Unaudited)**

Resident Vernon Campus Fees per Semester Credit Hour (SCH)									
Academic Year (Fall)	In-District Tuition	Out-of- District Tuition	Institutional Service Fee	Student Activity Fee	Cost for 12 SCH In- District	Cost for 12 SCH Out-of- District	Increase from Prior Year In- District	Increase from Prior Year Out- of-District	
2024	\$ 60.00	\$ 100.00	\$ 44.00	\$ 6.00	\$ 1,320.00	\$ 1,800.00	0.00%	0.00%	
2023	60.00	100.00	44.00	6.00	1,320.00	1,800.00	0.00%	0.00%	
2022	60.00	100.00	44.00	6.00	1,320.00	1,800.00	0.00%	0.00%	
2021	60.00	100.00	44.00	6.00	1,320.00	1,800.00	0.00%	0.00%	
2020	60.00	100.00	44.00	6.00	1,320.00	1,800.00	10.00%	3.45%	
2019	50.00	95.00	44.00	6.00	1,200.00	1,740.00	0.00%	0.00%	
2018	50.00	95.00	44.00	6.00	1,200.00	1,740.00	0.00%	0.00%	
2017	50.00	95.00	44.00	6.00	1,200.00	1,740.00	5.26%	3.57%	
2016	50.00	95.00	39.00	6.00	1,140.00	1,680.00	7.95%	3.70%	
2015	48.00	95.00	34.00	6.00	1,056.00	1,620.00	0.00%	3.85%	

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	
2024	\$ 200.00	\$ 200.00	\$ 44.00	\$ 6.00	\$ 2,520.00	\$ 2,520.00	0.00%	0.00%	
2023	200.00	200.00	44.00	6.00	2,520.00	2,520.00	0.00%	0.00%	
2022	200.00	200.00	44.00	6.00	2,520.00	2,520.00	0.00%	0.00%	
2021	200.00	200.00	44.00	6.00	2,520.00	2,520.00	0.00%	0.00%	
2020	200.00	200.00	44.00	6.00	2,520.00	2,520.00	0.00%	0.00%	
2019	160.00	160.00	44.00	6.00	2,520.00	2,520.00	0.00%	0.00%	
2018	160.00	160.00	44.00	6.00	2,520.00	2,520.00	0.00%	0.00%	
2017	160.00	160.00	44.00	6.00	2,520.00	2,520.00	2.44%	2.44%	
2016	160.00	160.00	39.00	6.00	2,460.00	2,460.00	2.50%	2.50%	
2015	160.00	160.00	34.00	6.00	2,400.00	2,400.00	0.00%	0.00%	

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

**Vernon College
Statistical Supplement 4
Assessed Value and Taxable Assessed Value of Property
Last Ten Years
(Unaudited)**

Fiscal Year	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Maintenance and Operation (a)	Debt Service (a)	Total (a)
2024-25	3,165,868,088	1,425,578,607	1,740,289,481	54.97%	0.1946	0.00000	0.19456
2023-24	2,861,268,916	1,353,101,982	1,508,166,934	52.71%	0.2245	0.00000	0.22450
2022-23	2,312,466,460	1,028,075,320	1,284,391,140	55.54%	0.2483	0.00000	0.24830
2021-22	2,322,802,377	954,339,930	1,368,462,447	58.91%	0.23244	0.00000	0.23244
2020-21	2,322,802,377	954,339,930	1,368,462,447	58.91%	0.23244	0.00000	0.23244
2019-20	2,177,006,547	959,630,695	1,217,375,852	55.92%	0.23147	0.00000	\$ 0.23147
2018-19	1,904,965,640	744,142,420	1,160,823,220	60.94%	0.23237	0.00000	0.23237
2017-18	1,898,393,160	739,419,390	1,158,973,770	61.05%	0.22965	0.00000	0.22965
2016-17	1,910,924,250	737,749,860	1,173,174,390	61.39%	0.22000	0.00000	0.22000
2015-16	1,982,985,410	746,032,540	1,236,952,870	62.38%	0.21767	0.00000	0.21767

Source: Wilbarger County Appraisal District

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

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

Taxpayer	Type of Business	Taxable Assessed Valuation (TAV) by Tax Year				
		2025	2024	2023	2022	2021
AEP Electric Transmission of Texas	Electricity Distribution	\$ 169,152,835	\$ 170,708,240	\$ 244,377,216	\$ 180,474,121	198,179,240
Western Trail Wind	Wind Farm	141,585,908	179,326,241	186,686,183	201,199,329	7,409,070
Lockett Wind Farm	Wind Farm	119,758,865	146,608,506	154,719,089	162,961,103	
Blue Summit Wind, LLC	Wind Farm	72,813,278	92,164,266	102,499,621	51,638,991	36,271,320
AEP Texas North Company	Energy company	59,171,573	54,737,790	68,015,255	49,475,729	41,146,640
Tyson Foods, Inc	Food processing plant	46,069,003	36,331,433	24,983,371	53,368,962	37,329,700
Genesis Digital Assets	Digital Assets	40,916,867	40,916,867			
BNSF Railway	Railroad company	36,210,587	37,335,263	39,005,047	34,863,120	32,036,840
WT Waggoner Estate	Farming, ranching, oil & gas	35,858,930	38,534,293	34,600,910	416,377,382	20,081,180
AEP Public Service Co of Oklahoma	Energy company	34,249,163	37,011,248	38,456,466	28,975,147	26,538,370
Solvay (Rhodia), Inc	Guar processing plant	29,038,274	27,555,284	20,008,085	25,500,457	23,008,030
Cal-Maine-Mahard Egg Farm	Egg farm	21,702,139	22,593,549	23,324,359	34,583,247	19,662,090
Blue Summit II Wind, LLC	Wind Farm	21,538,000	28,651,582	31,099,503	31,099,503	
Burk Royalty Co Ltd	Oil & N Gas	17,826,172	31,647,021	27,817,453	21,685,136	
Oncor Electric Delivery	Electricity Distribution	15,252,600	16,471,840	28,774,016	27,280,616	34,674,010
Atmos Energy/Mid--Tex Pipeline	Energy company	11,456,396				
AEP Southwestern Elec Power Co	Energy company	10,410,074				
Joseph D & Joan P Rogers	Hotels	9,581,520			8,891,830	8,074,870
Atmos Energy/Mid-Tex Distribution	Energy company	7,761,004				
Vernon FL, LLC	Automobile Dealerships				11,293,410	13,198,980
Blue Summit Storage, LLC	Electric Storage Batteries				8,091,032	9,869,180
Totals		<u>\$ 900,353,188</u>	<u>\$ 960,595,447</u>	<u>\$ 1,024,368,597</u>	<u>\$ 1,167,284,994</u>	<u>\$ 507,479,520</u>
Total Assessed Taxable Value		<u>\$ -</u>	<u>\$ 1,740,289,481</u>	<u>\$ 1,508,166,934</u>	<u>\$ 1,510,076,954</u>	<u>\$ 1,283,546,810</u>

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

	For the Years Ended August 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Taxable Assessed Valuation	\$ 1,740,289,481	\$ 1,508,166,934	\$ 1,284,391,140	\$ 1,368,462,447	\$ 1,368,462,447	\$ 1,217,375,852	\$ 1,160,823,220	\$ 1,158,973,770	\$ 1,173,174,390	\$ 1,236,952,870
General Obligation Bonds				-	-	-	-	-	-	-
Statutory tax levy limit for debt service	\$ 8,701,447	\$ 7,540,835	\$ 6,421,956	\$ 6,842,312	\$ 6,842,312	\$ 6,086,879	\$ 5,804,116	\$ 5,865,872	\$ 6,184,764	\$ 6,026,343
Less funds restricted for repayment of bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	8,701,447	7,540,835	6,421,956	6,842,312	6,842,312	6,086,879	5,804,116	5,865,872	6,184,764	6,026,343
Current year debt service requirement	-	-	-	-	-	-	-	-	-	-
Excess of statutory limit for debt service over current requirement	\$ 8,701,447	\$ 7,540,835	\$ 6,421,956	\$ 6,842,312	\$ 6,842,312	\$ 6,086,879	\$ 5,804,116	\$ 5,865,872	\$ 6,184,764	\$ 6,026,343
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 7
Pledged Revenue Coverage
Last Ten Years
(Unaudited)**

Revenue Bonds

Fiscal Year Ended August 31	Pledged Revenues						Debt Service Requirements			
	Tuition	Laboratory/ Special Fee	General Registration Fees	Facility/Farm Lease Revenue	Investment Income	Total	Principal	Interest	Total	Coverage Ratio
2025	4,019,167	859,973	6,848,025	14,064	537,609	12,278,838	715,000	96,637	811,637	15.13
2024	3,893,694	736,938	6,636,475	14,064	514,187	11,795,358	700,000	158,044	858,044	13.75
2023	3,983,898	752,996	6,713,508	19,607	287,622	11,757,631	680,000	129,199	809,199	14.53
2022	3,997,035	810,299	6,456,317	20,431	233,229	11,517,311	1,330,000	221,175	1,551,175	7.42
2021	3,926,633	811,285	6,292,587	22,158	162,633	11,215,296	880,000	164,525	1,044,525	10.74
2020	4,135,680	844,592	6,296,661	8,234	115,664	11,400,831	625,000	185,342	810,342	14.07
2019	4,508,781	717,432	6,483,710	17,766	104,996	11,832,685	605,000	205,598	810,598	14.60
2018	4,922,682	758,392	6,028,849	28,977	52,710	11,791,610	590,000	219,322	809,322	14.57
2017	5,224,450	696,102	5,336,948	24,788	11,875	11,294,163	590,000	219,322	809,322	13.96
2016	5,142,037	680,853	4,732,292	24,929	11,506	10,591,617	555,000	142,615	697,615	15.18

**Vernon College
Statistical Supplement 8
Principal Employers
Fiscal Year 2025
(Unaudited)**

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

Source:

Employer search <https://texaslmi.com/Home/EmployerContact>

Note:

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

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

	Fiscal Year Ended August 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Faculty										
FT	66	72	79	85	90	85	85	86	90	97
PT	70	68	58	66	81	65	82	81	86	78
Total	136	140	137	151	171	150	167	167	176	175
Percent										
FT	49%	51%	58%	56%	53%	57%	51%	51%	51%	55%
PT	51%	49%	42%	44%	47%	43%	49%	49%	49%	45%
Staff & Adm										
FT	143	143	132	138	135	128	143	142	145	143
PT	-	-	1	2	2	2	2	2	2	3
Total	143	143	133	140	137	130	145	144	147	146
Percent										
FT	100%	100%	99%	99%	99%	98%	99%	99%	99%	98%
PT	0%	0%	1%	1%	1%	2%	1%	1%	1%	2%
Fac Sal	\$ 4,437,307	\$ 4,437,307	\$ 3,809,445	\$ 4,246,506	\$ 4,954,452	\$ 4,049,499	\$ 4,562,264	\$ 4,571,565	\$ 4,803,176	\$ 4,712,955
Avg. Fac	\$ 67,232	\$ 61,629	\$ 48,221	\$ 49,959	\$ 55,049	\$ 47,641	\$ 53,674	\$ 53,158	\$ 53,369	\$ 48,587