

**VERNON COLLEGE**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

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## *Organizational Information*

**Vernon College  
Organizational Data  
August 31, 2006**

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Board of Trustees

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<u>Officers</u>	<u>Term Expires</u>
Mr. Bob Ferguson      Chairman	May 1, 2012
Mr. Gene Heatly      Vice-Chairman	May 1, 2008
Mr. Norman Brints      Secretary	May 1, 2008

Members

Mr. Brad Bolton	May 1, 2010
Mr. Curtis Graf	May 1, 2012
Mrs. Sylvia Mahoney	May 1, 2012
Mr. James Streit	May 1, 2010

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Principal Administrative Officers

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Dr. Steve Thomas	President
Mr. E. Gene Gooch	Dean of Administrative Services
Mr. Bob C. Bolton	Associate Dean of Administrative Services
Dr. Brenda Kays	Dean of Instructional Services
Mr. John Hardin, III	Dean of Student Services
Mr. Joe Hite	Dean of Admissions and Financial Aid/Registrar
Mrs. Shana Munson	Associate Dean of Workforce Education & Training

*Financial Section*



## EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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

### Independent Auditor's Report

Board of Trustees  
Vernon College  
Vernon, Texas

We have audited the accompanying basic financial statements of Vernon College, as well as its discretely presented component unit, Vernon College Foundation, Incorporated, as of and for the year ended August 31, 2006, as listed in the table of contents. These basic financial statements are the responsibility of Vernon College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The basic financial statements for the year ended August 31, 2005 were audited by other auditors, whose report dated October 17, 2005 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Vernon College and its discretely presented component unit, Vernon College Foundation, Incorporated, as of August 31, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 14, the College implemented an accounting policy change relative to recording its bookstore sales, cost of sales, and related profits.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2006, on our consideration of Vernon College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Respectfully submitted,

*Edgin, Parkman, Fleming & Fleming, PC*

Edgin, Parkman, Fleming & Fleming, PC

November 20, 2006



Management's Discussion and Analysis

This section of Vernon College's annual financial report presents a discussion and analysis of the College's financial performance during the fiscal year ended August 31, 2006. Please read it in conjunction with the College's financial statements and notes, which follow this section.

Overview of the Financial Statements

This annual report consists of four parts – management discussion and analysis, the basic financial statements, required supplementary information, and schedules of federal and state grant and contract expenditures.

The basic financial statements, according to GASB 34, Par. 138, under Business-type Activity, include two kinds of statements that present different views of the College:

The Statements of Net Assets and the Statements of Revenues, Expenses, and Changes in Net Assets are college-wide financial statements that provide both long-term and short-term information about the College's overall financial status. The remaining financial statements are Statements of Cash Flows, Schedule of Operating Revenues, Schedule of Operating Expenses by Object, Schedule of Non-Operating Revenue and Expenses, Schedules of Federal and State Awards, that provide more detail on the specific revenue generated and expenditures made during the past year of operation.

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

Table with 3 columns: Asset Category, 2006, and 2005. Rows include Current Assets (Cash and short-term investments, Short-term investments, Accounts receivable - net, Inventories, Deferred charges and prepaid assets, Total Current Assets), Noncurrent Assets (Restricted cash and cash equivalents, Deferred charges, Capital assets-net, Total Noncurrent Assets), and Total Assets.



<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	586,360	414,411
Deferred revenues	2,614,121	2,395,412
Capital lease and bonds payable	<u>336,531</u>	<u>350,312</u>
Total Current Liabilities	<u>3,537,012</u>	<u>3,160,135</u>
<b>Noncurrent Liabilities</b>		
Deposits and accrued liabilities	196,428	186,136
Capital lease and bonds payable	<u>8,838,863</u>	<u>9,175,393</u>
Total Noncurrent Liabilities	<u>9,035,291</u>	<u>9,361,529</u>
<b>Total Liabilities</b>	<u>12,572,303</u>	<u>12,521,664</u>
<b>Net Assets</b>		
Invested in capital assets, net of debt	6,851,139	5,263,055
Restricted for student aid	2,488,904	2,256,957
Restricted for debt service	495,072	124,219
Restricted for bond projects	-	1,164,683
Unrestricted	<u>2,626,756</u>	<u>2,522,286</u>
<b>Net Assets</b>	<u>\$ 12,461,871</u>	<u>\$ 11,331,200</u>

Cash and cash equivalents decreased by \$431,740. This was due in part to the remodeling of the Osborne Administration Building from bond proceeds. The remodeling of the administration building was not completed at year end with only a small number of items remaining to complete the project and use of the remaining bond proceeds.

Short-term investments increased by \$325,000. With revenue over expenditures for the year, additional funds were available for investment.

Accounts receivable decreased by \$32,058. Receivables include state, non-governmental and federal grants, student notes, and local taxes receivable. There was an increase in Federal Government Receivables at year end. All other categories of receivables decreased during the year. All receivables were collected in subsequent months. A continued effort during the year was made to collect all receivables on a perpetual basis. All reimbursements for grants and contracts were filed on a monthly basis. All student accounts were billed monthly as well. During the 2004-2005 fiscal year, returned checks for insufficient funds or closed accounts were contracted to the Wilbarger County Attorney's Office for collections. The effort has continued to be a proven method for collecting insufficient checks quicker and to deter issuance by students because notices were posted in all registration collection areas stating all returned checks will be sent to the County Attorney's Office for collection. Also, a contract signed during the 2004-2005 year with FACTS Management Company for the on-line processing and collection of student payments and installment contracts for student tuition and fees or housing has continued to be a positive step. The contract was signed in April 2005 and the process began with summer registration. The process allows a student to choose a method of payment on the College web site after the completion of registration for classes. Methods of payment are by major credit card or through a bank draft. An analysis after the close of the spring semester 2006 reported an increase of the utilization of installment contracts by 7.5%. Accompanying the increase in contracts was a 24% decrease in the percentage of accounts delinquent from one year to the next.

Inventories consist primarily of bookstore inventory. Inventories increased by \$97,741. The cost of textbooks continues to increase. Registration for the fall semester classes was completed by August 31. Many books required for fall classes were sold before year end. Some students waited until after August 31, 2006 to purchase their textbooks. Bookstore sales have continued to increase over the last five years.

Deferred charges and prepaid assets increased by \$107,968. All student registration fees paid associated with the fall semester has been deferred to the 2007 school year. Fall enrollment for 2006 has increased by 4.16% over the fall of 2005 enrollment. Tuition rates were also increased from the 2004-2005 year to the 2005-2006 year.

Restricted cash and cash equivalents have decreased by \$118,374 over the prior year. Restricted grants and contracts have decreased from this year as compared to the past year. Cash is utilized to pay for goods and services; then subsequently reimbursement requests are made to offset the costs to the departments. The fewer the grants, the less expenditures and demands on cash.

Capital assets have increased by \$1,237,773 for the year. The increase is primarily due to the remodeling project and addition of approximately 8,500 square feet to the Osborne Administration Building. More discussion on this project will follow in the capital asset section to follow.

Accounts payable and accrued liabilities increased by \$171,949. The final payments for the retainage associated with the construction contract for the remodeling of the administration building is recorded as retainage payable. Also, more items were purchased in late August and were not invoiced and paid for until early September.

Deferred revenues consist of amounts received by grants and contracts over the expenses incurred during the year and student payments for fall tuition and fees. Deferred tuition and fee revenue make up the majority of the recorded increase of \$218,709 from 2006 over 2005. The registration period for the fall semester closed prior to the close of the fiscal year and enrollment was up by 4.16%.

Current capital lease and bond payables decreased by \$13,781. In 2004, student revenue bonds were issued in the amount of \$8,100,000 and a capital lease for energy conservation measures for \$1,644,995 was signed. Payments for both debt issuances and continued payments on all other small debts reduced the amounts outstanding for 2006. Additional detail on debt is found in the footnotes.

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

Noncurrent capital lease and bond payables decreased by \$336,530. This decrease represents the timely schedule payments on all debt for the year.

Net assets increased by 9.98 percent for the year, \$11,331,200 in 2005 to \$12,461,871 for 2006. Revenue from student tuition and fees continues to increase. Two factors have affected the increase in student tuition and fees. The Board of Trustees approved rate for tuition has increased and student enrollment continues to climb. Local ad valorem tax revenue continues to be constant. State support has increased due to legislative action in the spring of 2005 partly because of continued enrollment growth. The College continues to be aggressive in the area of fund-raising for student scholarships. The outlook for increased student enrollment is very good.

The *Statement of Revenues, Expenses, and Changes in Net Assets* is a statement of activities and reports the effect of non-operating (general maintenance ad-valorem tax and state appropriations) revenues, defined as the amounts of the functions that are not supported by charges to users (student tuition and fees). Revenues are presented as operating (program) revenue, non-operating (general) revenue, and capital contributions (additions to endowments, special and extraordinary items, and transfers). Expenses are reported by function, except those that meet the definition of special or extraordinary items. 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 services, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships, auxiliary enterprises, and depreciation expense. The net asset section of this report has three components, invested in capital assets (net of related debt), restricted (nonexpendable or expendable), and unrestricted.

	<u>2006</u>	<u>2005</u>
<b>REVENUES</b>		
Operating Revenues		
Tuition and fees (net of discounts of \$3,024,316 and \$2,915,312, respectively)	\$ 1,987,464	\$ 1,720,209
Federal grants and contracts	3,770,181	3,987,185
State grants and contracts	399,075	291,696
Non-governmental grants and contracts	583,976	803,222
Sales and services of educational activities	134,363	135,549
Investment income (program restricted)	231,759	58,267
Auxiliary enterprises (net of discounts of \$377,530 and \$339,878, respectively)	1,458,192	1,468,202
Other operating revenues	32,606	21,483
<b>Total Operating Revenues</b>	<u>8,597,616</u>	<u>8,485,813</u>
<b>EXPENSES</b>		
Operating Expenses		
Instruction	5,954,887	5,168,243
Public services	338,088	555,596
Academic support	2,109,335	2,316,158
Student services	1,453,965	1,337,026
Institutional support	1,904,323	1,854,161
Operation of physical plant	1,363,683	1,422,407
Scholarships and fellowships	635,800	918,081
Auxiliary enterprises	2,143,037	2,046,592
Depreciation	461,323	466,073
<b>Total Operating Expenses</b>	<u>16,364,441</u>	<u>16,084,337</u>
Operating Loss	<u>(7,766,825)</u>	<u>(7,598,524)</u>
Non-Operating Revenues (Expenses)		
State appropriations	6,879,466	6,283,061
Property taxes for maintenance & operation	2,054,039	2,041,629
Capital contracts, grants and gifts	-	35,000
Investment income	48,233	92,358
Lease income less lease expenses	382,772	350,924
Interest and fees on capital related debt	(491,488)	(557,992)
<b>Net Non-Operating Revenues</b>	<u>8,873,022</u>	<u>8,244,980</u>
Income Before Other Revenues	1,106,197	646,456
Other Revenues		
Additions to permanent and term endowments	<u>24,474</u>	<u>111,333</u>
<b>Increase in Net Assets</b>	<u>\$ 1,130,671</u>	<u>\$ 757,789</u>

Operating revenues are separated into several categories. Student tuition and fees remained a major source of revenue for 2006. The tuition revenue totals were assisted by a 16% increase for the in-district tuition rate, 19.3% increase for the out-of-district tuition rate, and 10.1% increase in the out-of-state tuition rate from 2005 to 2006. The College experienced an overall increase in gross tuition from 2005 to 2006 of 8.2% or \$376,259. Scholarship allowances and discounts increased slightly for the year. Grants decreased from \$5,082,103 in 2005 to \$4,753,232 in 2006 or 6.9%. The decrease in grants reporting was attributable to fewer grants and contracts received for the year. Sales and services of educational activities remained constant. Investment income increased substantially from \$58,267 to \$231,759. Bond proceeds were available for investment the entire year as was additional funds in endowed scholarship accounts. The effective earnings rates for investment also increased significantly as rates across most national markets increased substantially for the year. Auxiliary enterprises revenue remained constant from 2005 to 2006. Bookstore profit is the largest contributor to auxiliary enterprise income.

Operating expenses increased slightly overall for the year. Instructional expenditures increased from \$5,168,243 to \$5,954,887 for years 2005 and 2006, respectively. The 15.2% increase was due to an enhancement the Board of Trustees approved for the faculty salary schedule as well as an overall increase in the instructional offerings of the college. Public service expenditures decreased over the costs in the prior year from \$555,596 in 2005 to \$338,088 in 2006. The decrease came from the reorganization and moving more funds toward credit offerings. Academic support expenses were down slightly from \$2,316,158 in 2005 to \$2,109,335 for 2006. Student services costs were up by 18.7%. A new testing center was established in 2005 and full-time staff was hired to operate and manage the testing program system wide. Institutional support cost increased by 2.7% from 2005 to 2006. The Board of Trustees approved a new salary schedule system for all administrative support staff. The operation of the physical plant expenditures decreased from \$1,422,407 in 2005 to \$1,363,683 in 2006. This decrease represents 4.1% and recognizes a reduction in operational costs due to sound fiscal practice by staff in the physical plant departments. Scholarships and fellowship expenses decreased due to the administrative procedures of charging student tuition and fees to student accounts at the beginning of each semester. This procedure has an effect in the reduction of check amounts written to students for their balance of aid after the close of the registration process. Auxiliary enterprises increased 4.7% from 2005 to 2006. The cost increases are due to the cost of goods sold increasing in the book stores. As student headcount increases, total number of books also increases.

Non-operating revenue from state appropriations increased by 9.5%. State support increased by legislative action increasing the allocation for the first year of the new biennium. Property tax revenue increased slightly (\$2,041,629 in 2005 to \$2,054,039 in 2006). The tax rate of the district remains one of the highest among community colleges in the state. Net assets increased by \$372,882 (\$757,789 in 2005 to \$1,130,671 in 2006). The increase was from \$11,331,200 in 2005 to \$12,461,871 for 2006. The increase represents an overall increase in revenue and the management of expenditures for the year.

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

	<u>2006</u>	<u>2005</u>
Cash Flows From		
Operating activities	\$ (7,053,729)	\$ (6,647,944)
Noncapital financing activities	8,933,505	8,324,690
Capital and related financing activities	(2,535,895)	(1,810,916)
Investing activities	<u>106,005</u>	<u>943,282</u>
Net Increase (Decrease) in Cash	(550,114)	809,112
Cash and Cash Equivalents – beginning of year	<u>2,908,359</u>	<u>2,099,247</u>
Cash and cash equivalents – end of year	<u>\$ 2,358,245</u>	<u>\$ 2,908,359</u>

The primary cash receipts from operating activities consist of tuition and grants and contracts. Cash outlays include payment of wages, benefits, supplies, and scholarships. Overall net cash used by operations increased for the year.

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

The main capital and related financing activities include construction and renovation projects and payments on capital debt. Renovation projects for 2006 were the completion of the renovation in the King Physical Education Center and the addition to and renovation of the Osborne Administration Building. Construction and renovation projects totaled \$1,237,773. Principal paid on debt for 2006 was \$273,781. Interest and fees paid on capital debt was \$486,488 in 2006 as compared to \$552,992 for 2005.

Investing activities reported was lease income from the Century City Center in excess of the related expenses of \$350,924 for 2005 and \$382,772 for 2006. Investing activities also reflects interest income earned on investments. Investment income reported a significant increase in interest rates, which is reflective of the overall market.

The *Schedule of Operating Revenues* provides a detail presentation of all operating revenue regardless of source. Sources of operating revenue are tuition, fees, scholarship allowances and discounts, other operating revenue from grants and contracts, and auxiliary enterprises.

The *Schedule of Operating Expenses by Object* reports operating expenses. Educational activities are reported as instruction, public service, academic support, student services, institutional support, operation and maintenance of plant, and scholarship and fellowships. Auxiliary enterprises expenses and depreciation expense are also reported on this schedule. The natural classifications are presented as salaries, state benefits, local benefits, and other expenses in each of the educational activities where they apply.

The *Schedule of Non-Operating Revenues and Expenses* reports all other areas of revenue and expenses. Non-operating revenue primary sources were state appropriations, local ad valorem taxes, investment income, and lease income. Revenues reported for 2005 was \$9,088,454 and \$9,608,830 for 2006. The primary non-operating revenue change from 2005 to 2006 was reported in state appropriations due to new appropriations from the state for enrollment growth. Non-operating expenses are lease property operational costs, amortization of bond issuance costs, and interest and fees on capital related debt. Expenses for 2005 are \$843,474 and in 2006 they are \$735,808. The change from one year to the next was a reduction in the interest and fees on capital related debt.

The *Schedule of Net Assets by Source and Availability* serves a dual purpose. The schedule reports the reconciliation of fund balances to net assets and to show which funds are actually available for current operations. The Available for Current Operations section shows which amounts may be spent for current operations without restrictions. Amounts in the "Yes" column indicate that there are no restrictions or designations from the local governing board that would prevent the amount from being spent for current operations. An entry in the "No" column would indicate the amount is not available for current operations.

The *Schedules of Federal and State Expenditures from Grants and Contracts* are schedules that satisfy the A-133 requirements and the State of Texas Single Audit Circular requirements.

### **Analysis of Balances and Transactions of Individual Funds**

Current funds activities netted increases in fund balances. The current unrestricted fund increased to \$2,460,961 in 2006 from \$2,201,603 in 2005. The results of managing expenditures and increasing student revenues and state appropriations led to the increase in net assets at year end. Student enrollment increased again as the trend continues for the College to serve more students. All efforts are being made to maximize student enrollments in each class and to cut costs in operations wherever possible.

The Auxiliary Enterprise Fund decreased in net assets for the year. In 2005 the net assets were \$320,682 and the year closed in 2006 with a balance of \$165,795. The source of decrease came from the student activities fund. The student activity fund balance had grown beyond the student activity immediate need and the student government association voted to transfer \$148,315 to the general scholarship fund. Bookstore operations experienced a net profit, but all net profit at year end is pledged to student scholarships and a transfer of \$148,073 was made at year end. Activities in auxiliary enterprises continue to increase and strong programs are in place in all areas. The outlook for the future is very bright as student enrollments continue to increase.

The Current Restricted Fund increased by \$251,837, for the year. The transfer of \$148,315 from the activity fund to the general scholarship fund accounted for the majority of the increase. Restricted grants and contracts as well as scholarship funds continue to be a strong source of revenue for the College.

The net assets for the Endowment Fund grew by \$81,244 for 2006. There were contributions to endowments of \$24,474 as additions to principal and \$110,123 in interest income was earned for the fund year. The future appears to be bright for the endowment fund as a commitment to raise the awareness of the need for assistance to attend college is being perpetually communicated within the service area.

The Retirement of Indebtedness Fund grew by \$516,676 for the year. The leased space in the Century City Center was a contributing source of revenue. The net lease revenue went to support the payment of the 2004 bond schedule. Student revenues from the unrestricted current fund were transferred to satisfy the debt service for the year as well as contribute additional funds for future renovations and renewals of College owned property.

### **Reporting of Component Unit**

Reported within this report is Exhibit 1A, 2A, and 3A. Vernon College Foundation, Incorporated was established as a separate nonprofit organization in 1985. The unit raises funds to provide student scholarships and departmental grants. Exhibit 1A reports net assets grew by \$66,525 from 2005 to 2006. Gifts and contributions, realized gains, and unrealized gains on investments are the major sources of revenue. Operating expense, investment advisory fees, and transfers to Vernon College are the expenses.

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

The overall financial position of the college is very good. The *Statistical Supplement Section* of this report reflects many positive changes. Fall credit head count enrollment has grown from 2,269 in 2001 to 2,785 in 2005 (see statistical supplements 15 and 16). Other supplemental schedules report increases in revenue. Student tuition and fee revenue as well as state appropriations increases are report on statistical supplement 2.

The College taxing district is Wilbarger County, Texas. Ad valorem taxes are assessed and collected by the College based on the valuation of real property and minerals on January 1. The trend from 1993 until 2000 was an annual decline in valuation (\$768,509,627 in 1993 to \$631,136,636 in 2000). The valuation methodology for certain property within the district was changed in 2001 and an increase in valuation was experienced (\$631,136,636 in 2000 to \$720,251,745 in 2001). The tax valuation returned to a downward trend for the year 2002 (\$707,482,000). To offset the reduction in valuation, the College Board of Trustees had gradually increased the tax rate to offset the reduction in valuations. The approved tax rate per \$100 of valuation has increased from \$.20011 in 1993 to \$.26195 in 2005. Valuation has been on a slow rise the past three years. In 2006 the valuation was \$805,573,100 and the tax rate was approved at a reduction to \$.24993 per \$100 of taxable valuation.

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

Enrollment in headcounts is continuing to increase. The fall 2005 head count enrollment for the College is at an all time record of 2,785. All indications are that enrollment will continue to increase from distance education courses delivered within our service area. A committee was created six years ago to assist in the planning for technology advancement expenditures. A report of all technology needs from each department and division has been prepared for the past three years. The report has been integrated into the strategic planning, annual planning and assessment, and budget processing for the College. Technology advances are being addressed and met within all areas of the institution.

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

With the advent of GASB 34/35 the College has a significant change in reporting capital assets at the year ended August 31, 2002. For the first time depreciation expense of \$288,774 for 2002 was recorded. For the year ended August 31, 2006 depreciation expense of \$461,323 and for 2005 expense of \$466,077 was recorded. The capitalization policy for 2005 and 2006 recorded capital assets when the item value is \$5,000 or greater and has a useful life of greater than one year. Library books and materials were added as depreciable assets for 2005.

The College completed the renovation of the Wright Library in 2004 for the special services programs and the testing center. In 2005, the new roadway around the west side of the Vernon Campus was completed in the spring 2005. The King Physical Education Center renovation was begun in the natatorium, public restrooms, and both women's and men's locker rooms. The renovation was completed in late fall 2005. During the 2005-06 year, the Osborne Administration Building received some renovations. All administrative departmental areas were updated. Approximately 8,500 square feet was added to the facility to house a new board room, presidential suite, office for the dean of instructional services, records and admissions office, and office for the institutional advancement department. The office of student services and offices for counseling, student recruitment, and police were moved from the Sumner Applied Arts Center to the Osborne Administration Building.

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

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



*Basic Financial Statements*

**Vernon College**  
**Exhibit 1**  
**Statements of Net Assets**  
**August 31, 2006 and 2005**

	2006	2005
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,196,719	\$ 2,628,459
Short-term investments	3,975,000	3,650,000
Accounts receivable (net)	1,096,676	1,128,734
Inventories	413,183	315,442
Deferred charges	1,002,010	898,684
Prepaid assets	72,527	67,885
<b>Total Current Assets</b>	8,756,115	8,689,204
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	161,526	279,900
Deferred charges	90,000	95,000
Capital assets (net)	16,026,533	14,788,760
<b>Total Noncurrent Assets</b>	16,278,059	15,163,660
<b>Total Assets</b>	25,034,174	23,852,864
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	552,327	386,512
Accrued compensable absences - current portion	34,033	27,899
Deferred revenues	2,614,121	2,395,412
Capital leases payable - current portion	76,531	100,312
Bonds payable - current portion	260,000	250,000
<b>Total Current Liabilities</b>	3,537,012	3,160,135
<b>Noncurrent Liabilities</b>		
Deposits	18,777	15,347
Capital leases payable	1,423,863	1,500,393
Bonds payable	7,415,000	7,675,000
Accrued compensable absences	177,651	170,789
<b>Total Noncurrent Liabilities</b>	9,035,291	9,361,529
<b>Total Liabilities</b>	12,572,303	12,521,664
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	6,851,139	5,263,055
Restricted for:		
Nonexpendable:		
Student Aid	1,877,070	1,795,826
Expendable:		
Student Aid	611,834	461,131
Debt Service	495,072	124,219
Unexpended Bond Proceeds	-	1,164,683
Unrestricted	2,626,756	2,522,286
<b>Total Net Assets</b>	\$ 12,461,871	\$ 11,331,200

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

**Vernon College**  
**Exhibit 1A**  
**Vernon College Foundation, Incorporated**  
**Statements of Financial Position**  
**August 31, 2006 and 2005**

	2006	2005
<b>ASSETS</b>		
Cash and cash equivalents	\$ 49,733	\$ 99,331
Investments	776,358	663,987
Accrued interest receivable	948	666
 Total assets	 \$ 827,039	 \$ 763,984
 <b>LIABILITIES</b>		
Accounts payable	\$ 12,519	\$ 15,989
 <b>NET ASSETS</b>		
Unrestricted	409,610	363,490
Permanently restricted	404,910	384,505
 Total net assets	 814,520	 747,995
 Total liabilities and net assets	 \$ 827,039	 \$ 763,984

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

**Vernon College**  
**Exhibit 2**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**For the Years Ended August 31, 2006 and 2005**

	2006	2005
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Tuition and fees (net of discounts of \$3,024,316 and \$2,915,312, respectively)	\$ 1,987,464	\$ 1,720,209
Federal grants and contracts	3,770,181	3,987,185
State grants and contracts	399,075	291,696
Non-governmental grants and contracts	583,976	803,222
Sales and services of educational activities	134,363	135,549
Investment income (program restricted)	231,759	58,267
Auxiliary enterprises (net of discounts of \$377,530 and \$339,878, respectively)	1,458,192	1,468,202
Other operating revenues	32,606	21,483
<b>Total Operating Revenues</b>	<b>8,597,616</b>	<b>8,485,813</b>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Instruction	5,954,887	5,168,243
Public services	338,088	555,596
Academic support	2,109,335	2,316,158
Student services	1,453,965	1,337,026
Institutional support	1,904,323	1,854,161
Operation of physical plant	1,363,683	1,422,407
Scholarships and fellowships	635,800	918,081
Auxiliary enterprises	2,143,037	2,046,592
Depreciation	461,323	466,073
<b>Total Operating Expenses</b>	<b>16,364,441</b>	<b>16,084,337</b>
<b>Operating Loss</b>	<b>(7,766,825)</b>	<b>(7,598,524)</b>
<b>Non-Operating Revenues (Expenses)</b>		
State appropriations	6,879,466	6,283,061
Property taxes for maintenance & operation	2,054,039	2,041,629
Capital contracts, grants and gifts	-	35,000
Lease income	627,092	636,406
Investment income	48,233	92,358
Operational costs of lease property	(244,320)	(285,482)
Amortization of bond issuance costs	(5,000)	(5,000)
Interest and fees on capital related debt	(486,488)	(552,992)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>8,873,022</b>	<b>8,244,980</b>
<b>Income Before Other Revenues</b>	<b>1,106,197</b>	<b>646,456</b>
<b>Other Revenues</b>		
Additions to permanent and term endowments	24,474	111,333
<b>Increase in Net Assets</b>	<b>1,130,671</b>	<b>757,789</b>
<b>Net Assets</b>		
Net assets - beginning of year (as restated)	11,331,200	10,573,411
Net assets - end of year	<b>\$ 12,461,871</b>	<b>\$ 11,331,200</b>

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

**Vernon College**  
**Exhibit 2A**  
**Vernon College Foundation, Incorporated**  
**Statements of Activities**  
**For the Years Ended August 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Revenues and support:</b>		
Gifts and contributions	\$ 44,723	\$ 73,012
Silent auction	4,304	4,434
Investment income	15,120	12,911
Realized gains on investments	17,583	20,288
Unrealized gains on investments	<u>16,845</u>	<u>34,664</u>
Total revenues and support	<u>98,575</u>	<u>145,309</u>
<b>Expenses:</b>		
Operating expenses	1,798	5,461
Investment advisory fees	13,033	11,346
Scholarship transfer	<u>17,219</u>	<u>15,988</u>
Total expenses	<u>32,050</u>	<u>32,795</u>
<b>Increase in net assets</b>	66,525	112,514
Net assets at beginning of year	<u>747,995</u>	<u>635,481</u>
Net assets at end of year	<u><u>\$ 814,520</u></u>	<u><u>\$ 747,995</u></u>

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

**Vernon College**  
**Exhibit 3**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2006 and 2005**

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 3,617,057	\$ 3,472,299
Receipts of appropriations, grants and contracts	4,824,094	5,019,879
Other receipts	431,706	419,957
Payments to or on behalf of employees	(10,545,001)	(9,919,289)
Payments to suppliers for goods and services	(4,745,785)	(4,722,709)
Payments of scholarships	(635,800)	(918,081)
<b>Net cash used by operating activities</b>	<b>(7,053,729)</b>	<b>(6,647,944)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	6,879,466	6,283,061
Property taxes for maintenance and operations	2,054,039	2,041,629
<b>Net cash provided by noncapital financing activities</b>	<b>8,933,505</b>	<b>8,324,690</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases and construction of capital assets	(1,699,096)	(985,140)
Principal paid on capital debt	(350,311)	(272,784)
Interest and fees paid on capital debt	(486,488)	(552,992)
<b>Net cash used by capital and related financing activities</b>	<b>(2,535,895)</b>	<b>(1,810,916)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Lease income	627,092	636,406
Operating costs of lease property	(244,320)	(285,482)
Purchase of short-term investments	(325,000)	-
Sale of short-term investments	-	500,000
Investment income	48,233	92,358
<b>Net cash provided by investing activities</b>	<b>106,005</b>	<b>943,282</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(550,114)</b>	<b>809,112</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>2,908,359</b>	<b>2,099,247</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 2,358,245</b>	<b>\$ 2,908,359</b>
<b>Displayed as:</b>		
Cash and cash equivalents	\$ 2,196,719	\$ 2,628,459
Restricted cash and cash equivalents	161,526	279,900
	<b>\$ 2,358,245</b>	<b>\$ 2,908,359</b>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (7,766,825)	\$ (7,598,524)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Additions to permanent and term endowments	24,474	111,333
Depreciation expense	461,323	466,073
(Increase) decrease in current assets:		
Receivables, net	32,058	85,305
Inventories	(97,741)	81,036
Deferred charges	(103,326)	(253,813)
Prepaid assets	(4,642)	(18,405)
Increase (decrease) in current liabilities:		
Accounts payable	165,815	162,813
Accrued compensable absences	12,996	16,474
Deferred revenues	218,709	305,661
Deposits	3,430	(5,897)
<b>Net cash used by operating activities</b>	<b>\$ (7,053,729)</b>	<b>\$ (6,647,944)</b>

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

**Vernon College**  
**Exhibit 3A**  
**Vernon College Foundation, Incorporated**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2006 and 2005**

	2006	2005
<b>Cash flows from operating activities:</b>		
Receipts of gifts	\$ 49,027	\$ 81,764
Payments to suppliers for goods and services	(14,831)	(16,807)
Payment of scholarships and grants	(20,689)	(15,023)
Net cash provided by operating activities	13,507	49,934
<b>Cash flows from investing activities:</b>		
Sales proceeds on sales of investments	200,913	257,389
Purchase of investments	(278,856)	(263,836)
Investment income	14,838	12,938
Net cash provided (used) by investing activities	(63,105)	6,491
<b>Increase (decrease) in cash and cash equivalents</b>	(49,598)	56,425
<b>Cash and cash equivalents at beginning of year</b>	99,331	42,906
<b>Cash and cash equivalents at end of year</b>	\$ 49,733	\$ 99,331
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 66,525	\$ 112,514
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Investment income	(15,120)	(12,911)
Gain on sale of investments	(17,583)	(20,288)
Increase in fair value of investments	(16,845)	(34,664)
(Increase) decrease in operating assets:		
Other receivables	-	4,318
Increase (decrease) in operating liabilities:		
Accounts payable	(3,470)	965
Net cash provided by operating activities	\$ 13,507	\$ 49,934

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

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2006 AND 2005**

1. Reporting Entity

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

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

2. Summary of Significant Accounting Policies

A. Reporting Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The College applies all applicable GASB pronouncements and all applicable Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities.

B. Tuition Discounting

1. Texas Public Education Grants

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

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

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

3. Other Tuition Discounts

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



**VERNON COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2006 AND 2005**

C. Basis of Accounting

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

D. Budgetary Data

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

E. Cash and Cash Equivalents

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

F. Investments

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

G. Inventories

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

H. Prepaid Assets

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

I. Capital Assets

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

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

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2006 AND 2005**

J. Deferred Revenues

Tuition, fees, and other revenues received and related to the period after August 31, 2006 and 2005 have been deferred.

K. Income Taxes

The College is exempt from federal income taxes under Internal Revenue Code Section 115, "Income of States, Municipalities, Etc.", although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), "Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations". The College had no unrelated business tax liability for the years ended August 31, 2006 and 2005.

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

L. Estimates

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

M. Operating and Non-Operating Revenue and Expense Policy

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

3. Deposits and Investments

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

Cash Deposits

At August 31, 2006 and 2005, the carrying amount of the College's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,333,245 and \$6,558,359, respectively, and the bank balance was \$7,052,819 and \$7,052,670, respectively. The College's cash deposits at August 31, 2006 were entirely covered by FDIC insurance or by pledged collateral held by the College's agent bank in the College's name. However, there were sixty days that the College's cash deposits were not adequately covered in amounts up to \$978,344 during the year ended August 31, 2005.

Investments

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

**VERNON COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2006 AND 2005**

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

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

The College's investments at August 31, 2006 and 2005 are as follows:

<u>Investment or Investment Type</u>	<u>August 31, 2006</u>		<u>August 31, 2005</u>	
	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificates of deposit	4.33	\$3,995,848	3.00	\$3,650,000
TexPool Investment Pool	1.00	<u>17,988</u>	1.00	<u>17,198</u>
		<u>\$4,013,836</u>		<u>\$3,667,198</u>

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2006 AND 2005**

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

The Foundation's investments at August 31, 2006 and 2005 are shown below:

	<u>2006</u>	<u>2005</u>
Equity securities	\$496,635	\$408,636
Corporate bonds	<u>279,723</u>	<u>255,351</u>
Totals	<u>\$776,358</u>	<u>\$663,987</u>
Total aggregate cost	<u>\$680,760</u>	<u>\$585,234</u>

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

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

**VERNON COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2006 AND 2005**

4. Property Taxes

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

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

The following are additional disclosures relative to property taxes for the year ended August 31, 2006:

Net assessed valuation is computed as follows:	
Gross assessed valuation	\$1,050,763,590
Less exceptions or abatements	<u>245,190,490</u>
Net assessed valuation	<u>\$ 805,573,100</u>

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

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Totals</u>
Authorized	\$1.00000	\$ .00000	\$1.00000
Assessed	\$ .24993	\$ .00000	\$ .24993

Property taxes levied for the year ended August 31, 2006 amounted to \$2,013,369.

The taxes collected during the year ended August 31, 2006 were as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Totals</u>
Current taxes	\$1,974,744	\$ --	\$1,974,744
Delinquent taxes	42,242	--	42,242
Penalties and interest	<u>37,053</u>	<u>--</u>	<u>37,053</u>
Total collections	<u>\$2,054,039</u>	<u>\$ --</u>	<u>\$2,054,039</u>

Current tax collections for the year ended August 31, 2006 were 98.1% of the current year levy. Allowances for uncollectible taxes are based on historical experience in collecting property taxes. The use of property taxes is restricted to either maintenance and operations or general obligation debt service.

5. Disaggregation of Accounts Receivable

Accounts receivable, net of allowances for uncollectibles, at August 31, 2006 and 2005 consisted of the following:

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August 31, 2006

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$ 711,183	\$199,989	\$ 511,194
Federal grants	418,858	--	418,858
State/local grants and contracts	56,232	--	56,232
Property taxes	140,832	58,579	82,253
Others	<u>28,139</u>	<u>--</u>	<u>28,139</u>
Totals	<u>\$1,355,244</u>	<u>\$258,568</u>	<u>\$1,096,676</u>

August 31, 2005

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$ 583,740	\$124,770	\$ 458,970
Federal grants	522,571	--	522,571
State/local grants and contracts	37,918	--	37,918
Property taxes	154,740	62,510	92,230
Others	<u>17,045</u>	<u>--</u>	<u>17,045</u>
Totals	<u>\$1,316,014</u>	<u>\$187,280</u>	<u>\$1,128,734</u>

6. Capital Assets

Capital assets activity for the years ended August 31, 2006 and 2005 was as follows:

August 31, 2006

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,816,959	\$ --	\$ --	\$ 2,816,959
Construction in progress	<u>442,708</u>	<u>1,520,810</u>	<u>637,146</u>	<u>1,326,372</u>
Total capital assets not being depreciated	<u>3,259,667</u>	<u>1,520,810</u>	<u>637,146</u>	<u>4,143,331</u>
Capital assets being depreciated:				
Buildings	13,180,993	637,146	--	13,818,139
Land improvements	1,003,918	--	--	1,003,918
Furniture, machinery, vehicles and other equipment	1,018,170	90,919	--	1,109,089
Telecommunications and computer equipment	875,999	64,219	--	940,218
Library books	<u>974,078</u>	<u>23,148</u>	<u>--</u>	<u>997,226</u>
Total capital assets being depreciated	<u>17,053,158</u>	<u>815,432</u>	<u>--</u>	<u>17,868,590</u>
Less accumulated depreciation:				
Buildings	3,237,708	287,154	--	3,524,862
Land improvements	393,890	35,216	--	429,106
Furniture, machinery, vehicles and other equipment	498,568	74,169	--	572,737
Telecommunications and computer equipment	709,090	37,035	--	746,125
Library books	<u>684,809</u>	<u>27,749</u>	<u>--</u>	<u>712,558</u>
Total accumulated depreciation	<u>5,524,065</u>	<u>461,323</u>	<u>--</u>	<u>5,985,388</u>
Total capital assets being depreciated, net	<u>11,529,093</u>	<u>354,109</u>	<u>--</u>	<u>11,883,202</u>
Capital assets, net	<u>\$14,788,760</u>	<u>\$1,874,919</u>	<u>\$637,146</u>	<u>\$16,026,533</u>

**VERNON COLLEGE**  
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August 31, 2005

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,816,959	\$ --	\$ --	\$ 2,816,959
Construction in progress	--	<u>442,708</u>	--	<u>442,708</u>
Total capital assets not being depreciated	<u>2,816,959</u>	<u>442,708</u>	--	<u>3,259,667</u>
Capital assets being depreciated:				
Buildings	13,180,993	--	--	13,180,993
Land improvements	521,358	482,560	--	1,003,918
Furniture, machinery, vehicles and other equipment	972,526	45,644	--	1,018,170
Telecommunications and computer equipment	846,636	29,363	--	875,999
Library books	954,211	19,867	--	974,078
Total capital assets being depreciated	<u>16,475,724</u>	<u>577,434</u>	--	<u>17,053,158</u>
Less accumulated depreciation:				
Buildings	2,954,104	283,604	--	3,237,708
Land improvements	369,532	24,358	--	393,890
Furniture, machinery, vehicles and other equipment	418,382	80,186	--	498,568
Telecommunications and computer equipment	661,582	47,508	--	709,090
Library books	654,388	30,421	--	684,809
Total accumulated depreciation	<u>5,057,988</u>	<u>466,077</u>	--	<u>5,524,065</u>
Total capital assets being depreciated, net	<u>11,417,736</u>	<u>111,357</u>	--	<u>11,529,093</u>
 Capital assets, net	 <u>\$14,234,695</u>	 <u>\$554,065</u>	 <u>\$ --</u>	 <u>\$14,788,760</u>

7. Long-term Obligations

A. Long-term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2006 and 2005 are as follows:

August 31, 2006

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$7,925,000	\$ --	\$250,000	\$7,675,000	\$260,000
Capital leases	1,600,705	--	100,311	1,500,394	76,531
Compensated absences *	198,688	47,030	34,033	211,685	34,033
 Totals	 <u>\$9,724,393</u>	 <u>\$47,030</u>	 <u>\$384,344</u>	 <u>\$9,387,079</u>	 <u>\$370,564</u>

\* - Other long-term liability.

August 31, 2005

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$8,100,000	\$ --	\$175,000	\$7,925,000	\$250,000
Capital leases	1,698,491	--	97,786	1,600,705	100,312
Compensated absences *	182,214	44,373	27,899	198,688	27,899
 Totals	 <u>\$9,980,705</u>	 <u>\$44,373</u>	 <u>\$300,685</u>	 <u>\$9,724,393</u>	 <u>\$378,211</u>

\* - Other long-term liability.

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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B. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2006 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	\$ 336,531	\$ 468,437	\$ 804,968
2008	356,269	450,656	806,925
2009	374,566	431,920	806,486
2010	400,295	411,981	812,276
2011	428,371	390,660	819,031
2012-16	2,546,260	1,585,985	4,132,245
2017-21	2,898,102	853,360	3,751,462
2022-24	<u>1,835,000</u>	<u>148,682</u>	<u>1,983,682</u>
Totals	<u>\$9,175,394</u>	<u>\$4,741,681</u>	<u>\$13,917,075</u>

C. Revenue Bonds Payable

The Wilbarger County Junior College District Consolidated Fund Revenue Bond Series 2004 (\$4,170,000) and Taxable Series 2004 (\$3,930,000) were issued to acquire the Wichita Falls campus; improve, renovate, enlarge and equip the College's Administrative Building; and construct and improve roads on the College's Vernon campus. The combined amount of issues and amounts authorized was \$8,100,000. The sources of revenue for debt service include, as necessary, (1) tuition, (2) building use fees, (3) student service fees, (4) lab fees, (5) other fees, and (6) charges for the use of the components of the Auxiliary Enterprise Fund. The revenue bonds' interest rates range from 4.80% to 5.75%. However, on February 15, 2009, the interest rates are subject to adjustment as follows:

Tax-exempt bonds - interest rate adjusted to 110% of the Bond Buyer Index

Taxable bonds - interest rate adjusted to Prime Rate plus 1.75%.

Debt service requirements for the revenue bonds at August 31, 2006 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	\$ 260,000	\$ 397,073	\$ 657,073
2008	280,000	382,925	662,925
2009	290,000	367,986	657,986
2010	305,000	352,376	657,376
2011	325,000	335,831	660,831
2012-16	1,900,000	1,397,555	3,297,555
2017-21	2,480,000	824,533	3,304,533
2022-24	<u>1,835,000</u>	<u>148,682</u>	<u>1,983,682</u>
Totals	<u>\$7,675,000</u>	<u>\$4,206,961</u>	<u>\$11,881,961</u>

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

D. Capital Leases

The Public Property Finance Act gives the College authority to enter into capital leases for the acquisition of personal property. Through August 31, 2006, the College has acquired \$1,792,703 in equipment through capital leases.



**VERNON COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
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Commitments under capitalized lease agreements provide for minimum future rental payments as of August 31, 2006 as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	\$ 76,531	\$ 71,364	\$ 147,895
2008	76,269	67,731	144,000
2009	84,566	63,934	148,500
2010	95,295	59,605	154,900
2011	103,371	54,829	158,200
2012-16	646,260	188,430	834,690
2017-19	<u>418,102</u>	<u>28,827</u>	<u>446,929</u>
Totals	<u>\$1,500,394</u>	<u>\$534,720</u>	<u>\$2,035,114</u>

The interest rates on the capital leases range from 5.40% to 6.80%.

E. **Compensated Absences**

1. **Vacation Leave**

Full-time employees earn annual leave from 8 to 12 hours per month depending on the number of years employed with the College. The College's policy is that an employee may carry his accrued vacation leave forward from one fiscal year to another with a maximum carryforward of 160 hours. Employees with at least one month of service who terminate their employment are entitled to payment of all accumulated annual leave up to the maximum allowed. The College recognized the accrued liability for the unpaid vacation leave of \$211,685 and \$198,688 at August 31, 2006 and 2005, respectively.

2. **Sick Leave**

Sick leave, which can be accumulated up to 360 hours, is typically earned at the rate of 8 hours per month. It is paid to an employee who misses work due to illness. The liability is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal.

8. **Pension Plans**

The College participates in two pension plans; Teacher Retirement System of Texas and Optional Retirement Program. A description of each follows.

A. **Teacher Retirement System of Texas**

1. **Plan Description**

The College contributes to the Teacher Retirement System of Texas (System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the College, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas Legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the College. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 877-0123.

**VERNON COLLEGE**  
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2. Funding Policy

Plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the College's covered payroll. Additionally, the College contributes 1.31% of the covered payroll. Total payroll of employees covered by the System was \$3,901,276 and \$3,548,369, respectively. The College's employees' contributions to the System for the years ending August 31, 2006 and 2005 were \$249,682 and \$227,096, respectively, and were equal to the required contributions for the year. Other contributions made from federal and private grants and from the College for the years ending August 31, 2006 and 2005 were \$20,052 and \$17,968, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2006 and 2005, the amounts contributed by the State on behalf of the College were \$187,023 and \$195,820, respectively.

B. Optional Retirement Program

1. Plan Description

The College contributes to the Optional Retirement Program (Program) for institutions for higher education. Participation in the Program is in lieu of participation in the System. The Program provides for the purchase of annuity contracts. All risks and costs are not shared by the College, but are the liability of the State of Texas. Since the Program consists of several individual annuity contracts, no separate financial reports are available.

2. Funding Policy

Plan members are required to contribute 6.65% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the College's covered payroll. Additionally, the College contributes 1.31% of the covered payroll. Total payroll of employees covered by the Program was \$3,211,433 and \$3,101,669, respectively. The College's employees' contributions to the Program for the years ending August 31, 2006 and 2005 were \$213,561 and \$206,261, respectively, and were equal to the required contributions for the year. Other contributions made from the College for the years ending August 31, 2006 and 2005 were \$42,070 and \$29,250, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2006 and 2005, the amounts contributed by the State on behalf of the College were \$192,686 and \$186,100, respectively. The State has no unfunded liabilities relative to the Program.

C. Total Payroll

The total payroll for all College employees was \$8,517,276 and \$7,965,398, respectively.

9. Deferred Compensation Plan

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

10. 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 2006, 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.

11. Health Care and Life Insurance Benefits

The State of Texas provides health care and life insurance benefits to active and retired employees of the College. The State's contribution per full-time employee was \$361 per month for employee only coverage and ranging from \$498 to \$705 for employee and dependent coverage for the year ended August 31, 2006. The State's contribution per full-time employee was \$316 per month for employee only coverage and ranging from \$436 to \$616 for employee and dependent coverage for the year ended August 31, 2005. The total number of employees participating in the plan and contributions were as follows:

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	2005-06		2004-05	
	Number of Employees	Contribution	Number of Employees	Contribution
Active employees	218	\$1,046,635	207	\$ 629,357
Retired employees	57	280,824	53	228,934
Totals	275	\$1,327,459	260	\$ 858,291

12. Commitments and Contingencies

A. Grants

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

B. Operating Leases

Commitments under operating (noncapitalized) lease agreements for facilities provide for minimum future rental payments as of August 31, 2006 as follows:

<u>Year Ending August 31:</u>	
2007	<u>\$ 8,250</u>
Rental expenditures in 2005-06	<u>\$33,000</u>
Rental expenditures in 2004-05	<u>\$33,000</u>

C. Remaining Bond Proceeds

At August 31, 2005, the College has \$1,164,683 of unexpended proceeds from the issuance of the Consolidated Fund Revenue Bond Series 2004 and Taxable Series 2004. The remaining funds will be used to improve, renovate, enlarge, and equip the College's Administration Building. At August 31, 2006, all of the proceeds were expended.

D. Construction Commitments

At August 31, 2006, the College has an addition and renovation project in process. The remaining unpaid commitment on the administration building project was \$110,058 at year end. The project is estimated to be completed by November 30, 2006.

13. Leased Facilities

During 2004, the College purchased the facilities it had historically leased for its Wichita Falls campus. The Wichita Falls facility also included space which was leased to others through long-term lease agreements. At the time of the purchase of the Wichita Falls facility, the College assumed the leases. Originally, there were three leases maturing through December 2009, with options for extensions. As of August 31, 2006, there are two remaining leases maturing through October 2010. The net operations of this leased facility for the years ended August 31, 2006 and 2005 were as follows:

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	2006	2005
Lease income	\$627,092	\$636,406
Operating costs	244,320	285,482
Net operating profit	\$382,772	\$350,924

As of August 31, 2006, the remaining future lease income for the years ending August 31 is as follows:

Year	Amount
2007	\$445,766
2008	445,766
2009	445,766
2010	221,389
2011	18,200

**14. Prior Period Adjustment**

As described in Note 2, J, tuition fees, and other revenues received and related to the period after year end have been deferred. Historically, the deferral of revenues included the sales from the bookstores for classes to be taken in the next fiscal year. However, since the bookstore sales are actually sales at the point of sale, the College's management has decided to change its accounting policy relative to the deferral of bookstore sales. Consequently, the bookstore sales are now recognized as sales at the time of sales regardless of when the class is offered. Therefore, a prior period adjustment was made to reflect this change as follows:

	September 1, 2004	September 1, 2005
Net assets, as previously reported	\$10,491,271	\$11,230,066
Change in reporting of bookstore sales and related cost of sales	82,140	101,134
Net assets, as restated	\$10,573,411	\$11,331,200

*Other Supplementary Information*

**Vernon College**  
**Schedule A**  
**Schedule of Operating Revenues**  
**For the Year Ended August 31, 2006**  
**(With Memorandum Totals for the Year Ended August 31, 2005)**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2006 Totals	2005 Totals
<b>Tuition:</b>						
State funded credit courses:						
In-district resident tuition	\$ 185,631	\$ -	\$ 185,631	\$ -	\$ 185,631	\$ 174,747
Out-of-district resident tuition	2,424,506	-	2,424,506	-	2,424,506	2,189,665
Non-resident tuition	80,666	-	80,666	-	80,666	60,964
TPEG (set aside)*	-	158,511	158,511	-	158,511	134,712
State funded continuing education	277,530	-	277,530	-	277,530	281,192
Non-state funded continuing education	259,330	-	259,330	-	259,330	224,757
<b>Total Tuition</b>	<u>3,227,663</u>	<u>158,511</u>	<u>3,386,174</u>	<u>-</u>	<u>3,386,174</u>	<u>3,066,037</u>
<b>Fees:</b>						
General fees	1,141,242	-	1,141,242	-	1,141,242	1,138,418
Laboratory fees	484,364	-	484,364	-	484,364	431,066
<b>Total Fees</b>	<u>1,625,606</u>	<u>-</u>	<u>1,625,606</u>	<u>-</u>	<u>1,625,606</u>	<u>1,569,484</u>
<b>Scholarship allowances and discounts:</b>						
Remissions and exemptions - state	(176,191)	-	(176,191)	-	(176,191)	(230,875)
Title IV federal grants	(2,618,230)	-	(2,618,230)	-	(2,618,230)	(2,347,674)
TPEG awards	(160,572)	-	(160,572)	-	(160,572)	(160,572)
Other local awards	(69,323)	-	(69,323)	-	(69,323)	(176,191)
<b>Total Scholarship Allowances</b>	<u>(3,024,316)</u>	<u>-</u>	<u>(3,024,316)</u>	<u>-</u>	<u>(3,024,316)</u>	<u>(2,915,312)</u>
<b>Total Net Tuition and Fees</b>	<u>1,828,953</u>	<u>158,511</u>	<u>1,987,464</u>	<u>-</u>	<u>1,987,464</u>	<u>1,720,209</u>
<b>Other operating revenues:</b>						
Federal grants and contracts	5,605	3,764,576	3,770,181	-	3,770,181	3,987,185
State grants and contracts	-	399,075	399,075	-	399,075	291,696
Non-governmental grants and contracts	-	583,976	583,976	-	583,976	803,222
Sales and services of educational activities	134,363	-	134,363	-	134,363	135,549
Investment income (program restricted)	121,636	110,123	231,759	-	231,759	58,267
General operating revenues	32,606	-	32,606	-	32,606	21,483
<b>Total Other Operating Revenues</b>	<u>294,210</u>	<u>4,857,750</u>	<u>5,151,960</u>	<u>-</u>	<u>5,151,960</u>	<u>5,297,402</u>
<b>Auxiliary Enterprises:</b>						
Residential life	-	-	-	342,211	342,211	337,782
Scholarship allowances and discounts	-	-	-	(70,232)	(70,232)	(69,323)
Net Residential Life	-	-	-	271,979	271,979	268,459
Bookstore	-	-	-	1,434,103	1,434,103	1,357,601
Scholarship allowances and discounts	-	-	-	(307,298)	(307,298)	(270,555)
Net Bookstore	-	-	-	1,126,805	1,126,805	1,087,046
Student programs	-	-	-	59,408	59,408	112,697
<b>Total Net Auxiliary Enterprises</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,458,192</u>	<u>1,458,192</u>	<u>1,468,202</u>
<b>Total Operating Revenues (Exhibit 2)</b>	<u>\$ 2,123,163</u>	<u>\$ 5,016,261</u>	<u>\$ 7,139,424</u>	<u>\$ 1,458,192</u>	<u>\$ 8,597,616</u> (Exhibit 2)	<u>\$ 8,485,813</u> (Exhibit 2)

\* In accordance with Education Code 56.033, \$158,511 and \$134,712 for years August 31, 2006 and 2005, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

**Vernon College  
Schedule B  
Schedule of Operating Expenses by Object  
For the Year Ended August 31, 2006  
(With Memorandum Totals for the Year Ended August 31, 2005)**

	Operating Expenses				2006 Totals	2005 Totals
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 3,860,637	\$ -	\$ 260,067	\$ 323,074	\$ 4,443,778	\$ 4,226,739
Public Service	93,530	-	6,301	42,574	142,405	139,591
Academic Support	1,200,423	-	80,865	346,813	1,628,101	1,494,561
Student Services	849,732	-	57,241	133,099	1,040,072	943,225
Institutional Support	1,019,206	-	68,658	621,836	1,709,700	1,676,100
Operation and Maintenance of Plant	445,980	-	30,043	802,498	1,278,521	1,333,437
Scholarships and Fellowships	-	-	-	231,793	231,793	230,875
<b>Total Unrestricted Educational Activities</b>	<b>7,469,508</b>	<b>-</b>	<b>503,175</b>	<b>2,501,687</b>	<b>10,474,370</b>	<b>10,044,528</b>
Restricted - Educational Activities						
Instruction	204,948	737,210	40,846	528,105	1,511,109	941,504
Public Service	82,931	17,860	9,363	85,529	195,683	416,005
Academic Support	107,703	229,227	22,998	121,306	481,234	821,597
Student Services	40,227	162,261	-	211,405	413,893	393,801
Institutional Support	-	194,623	-	-	194,623	178,061
Operation and Maintenance of Plant	-	85,162	-	-	85,162	88,970
Scholarships and Fellowships	-	-	-	404,007	404,007	687,206
<b>Total Restricted Educational Activities</b>	<b>435,809</b>	<b>1,426,343</b>	<b>73,207</b>	<b>1,350,352</b>	<b>3,285,711</b>	<b>3,527,144</b>
<b>Total Educational Activities</b>	<b>7,905,317</b>	<b>1,426,343</b>	<b>576,382</b>	<b>3,852,039</b>	<b>13,760,081</b>	<b>13,571,672</b>
Auxiliary Enterprises	521,444	-	128,511	1,493,082	2,143,037	2,046,592
Depreciation Expense - Buildings and other real estate improvements	-	-	-	322,370	322,370	307,961
Depreciation Expense - Equipment and furniture	-	-	-	138,953	138,953	158,112
<b>Total Operating Expenses</b>	<b>\$ 8,426,761</b>	<b>\$ 1,426,343</b>	<b>\$ 704,893</b>	<b>\$ 5,806,444</b>	<b>\$ 16,364,441</b> (Exhibit 2)	<b>\$ 16,084,337</b> (Exhibit 2)

**Vernon College**  
**Schedule C**  
**Schedule of Non-Operating Revenues and Expenses**  
**For the Year Ended August 31, 2006**  
**(With Memorandum Totals for the Year Ended August 31, 2005)**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2006 Totals	2005 Totals
<b>NON-OPERATING REVENUES:</b>						
State appropriations:						
Educational and general state support	\$ 5,453,123	\$ -	\$ 5,453,123	\$ -	\$ 5,453,123	\$ 5,042,849
State group insurance	-	1,046,635	1,046,635	-	1,046,635	858,291
State retirement match	-	379,708	379,708	-	379,708	381,921
Total state appropriations	<u>5,453,123</u>	<u>1,426,343</u>	<u>6,879,466</u>	<u>-</u>	<u>6,879,466</u>	<u>6,283,061</u>
Property taxes for maintenance & operation	1,375,765	-	1,375,765	678,274	2,054,039	2,041,629
Capital contracts, grants and gifts	-	-	-	-	-	35,000
Lease income	-	627,092	627,092	-	627,092	636,406
Investment income	-	48,233	48,233	-	48,233	92,358
<b>Total non-operating revenue</b>	<u><b>6,828,888</b></u>	<u><b>2,101,668</b></u>	<u><b>8,930,556</b></u>	<u><b>678,274</b></u>	<u><b>9,608,830</b></u>	<u><b>9,088,454</b></u>
<b>NON-OPERATING EXPENSES:</b>						
Operational costs of lease property	-	244,320	244,320	-	244,320	285,482
Amortization of bond issuance costs	-	5,000	5,000	-	5,000	5,000
Interest and fees on capital related debt	-	486,488	486,488	-	486,488	552,992
<b>Total non-operating expenses</b>	<u><b>-</b></u>	<u><b>735,808</b></u>	<u><b>735,808</b></u>	<u><b>-</b></u>	<u><b>735,808</b></u>	<u><b>843,474</b></u>
<b>Net non-operating revenues</b>	<u><b>\$ 6,828,888</b></u>	<u><b>\$ 1,365,860</b></u>	<u><b>\$ 8,194,748</b></u>	<u><b>\$ 678,274</b></u>	<u><b>\$ 8,873,022</b></u> (Exhibit 2)	<u><b>\$ 8,244,980</b></u> (Exhibit 2)



**Vernon College**  
**Schedule D**  
**Schedule of Net Assets By Source and Availability**  
**For the Year Ended August 31, 2006**  
**(With Memorandum Totals for the Year Ended August 31, 2005)**

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 2,460,961	\$ -	\$ -	\$ -	\$ 2,460,961	\$2,460,961	\$ -
Auxiliary	165,795	-	-	-	165,795	165,795	-
Student Aid	-	611,834	-	-	611,834	-	611,834
Endowment:							
Unrestricted:							
Student Aid	-	-	1,877,070	-	1,877,070	-	1,877,070
Plant:							
Debt Service	-	495,072	-	145,822	640,894	-	640,894
Investment in Plant	-	-	-	6,705,317	6,705,317	-	6,705,317
Total Net Assets, August 31, 2006	2,626,756	1,106,906	1,877,070	6,851,139	12,461,871	2,626,756	9,835,115
Total Net Assets, August 31, 2005	2,522,286	585,350	1,795,826	6,427,738	11,331,200	2,522,286	8,808,914
Net Increase in Net Assets	\$ 104,470	\$ 521,556	\$ 81,244	\$ 423,401	\$ 1,130,671	\$ 104,470	\$ 1,026,201

(Exhibit 2)

**Vernon College  
Schedule E  
Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2006**

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
<u>U. S. Department of Education:</u>			
<u>Direct Programs:</u>			
Supplemental Educational Opportunity Grant	84.007	N/A	\$ 28,959
Title III Student Success/Retention	84.031A	N/A	376,952
Federal Workstudy Program	84.033	N/A	75,430
Federal Pell Grant Program	84.063	N/A	2,393,560
<u>Pass-Through From:</u>			
Texas Higher Education Coordinating Board:			
Carl Perkins Vocational Education:			
Annual Grant	84.048	54253	354,470
Tech Prep Regular Grant	84.243	51724	224,251
Federal LEAP Program	84.069A	N/A	3,050
Federal SLEAP	84.069B	N/A	5,075
Total U. S. Department of Education			<u>3,461,747</u>
<u>U. S. Department of Labor:</u>			
<u>Pass-Through From:</u>			
Nortex Regional Planning Commission:			
Workforce Investment Act - Classroom Training	17.255	N/A	<u>263,139</u>
Total U. S. Department of Labor			<u>263,139</u>
<u>U. S. Department of Health and Human Services:</u>			
<u>Pass-Through From:</u>			
Nortex Regional Planning Commission:			
Special Programs for the Aging - Title VII	93.041	N/A	2,119
Special Programs for the Aging - Title III, Part C Nutrition	93.045	N/A	<u>37,571</u>
Total U. S. Department of Health and Human Services			<u>39,690</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 3,764,576</u>

**Vernon College  
Schedule E  
Schedule of Expenditures of Federal Awards (Cont'd)  
For the Year Ended August 31, 2006**

Note 1: Significant Accounting Policies Used in Preparing the Schedule

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

Note 2: Federal Assistance Reconciliation

Federal Revenues - per Exhibit 2

Federal Grants and Contracts - previous page of Schedule E	\$ 3,764,576
Administrative Cost Recoveries - US Dept Of Education # 84.268 Direct Loans	<u>5,605</u>
 Total Per Exhibit 2	 <u>\$ 3,770,181</u>

Note 3: Pass-Through Amounts Included in Program Expenditures

CFDA No. 84.243 Carl Perkins Voc. Ed.-Tech Prep expenditures includes \$17,928 passed through to:

Midwestern State University	\$ 1,900
Paducah Independent School District	1,078
Chillicothe Independent School District	2,081
Burkburnett Independent School District	1,967
Byers Independent School District	2,112
Henrietta Independent School District	612
Olney Independent School District	509
Nocona Independent School District	1,708
Midway Independent School District	1,367
Crowell Independent School District	627
Graham Independent School District	436
Wichita Falls Independent School District	1,855
Saint Jo Independent School District	1,111
Quanah Independent School District	342
Throckmorton Independent School District	<u>223</u>
	 <u>\$ 17,928</u>

**Vernon College  
Schedule F  
Schedule of Expenditures of State Awards  
For Year Ended August 31, 2006**

<u>State Grantor / Pass-Through Grantor / Program Title</u>	<u>Grant / Contract Number</u>	<u>Expenditures</u>
<u>Pass-Through From:</u>		
Texas Higher Education Coordinating Board		
College Workstudy	N/A	\$ 8,851
Nursing Scholarship	N/A	6,507
Texas Grant	N/A	<u>136,891</u>
Subtotal Texas Higher Education Coordinating Board		<u>152,249</u>
Texas Workforce Commission		
NATCO	0306SDF000	4,565
Apprenticeship	0305ATP001	3,511
Howmet	0305SDF001	109,584
Gobain Vetrotex/Tech/Sharp Iron	0305SDF000	<u>129,166</u>
Subtotal Texas Workforce Awards		<u>246,826</u>
Total State Grants and Awards		<u>\$ 399,075</u>

Note 1: Significant accounting policies used in preparing the schedule.

See Note B of the notes to the basic financial statements for the College's significant accounting policies. These expenditures are reported on the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

*Statistical Section*

**Vernon College  
Statistical Supplement 1  
Net Assets by Component  
Fiscal Years 2002 to 2006  
(Unaudited)**

	For the Years Ended August 31,				
	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	\$ 6,851,139	\$ 5,263,055	\$ 6,590,592	\$ 5,586,656	\$ 5,090,355
Restricted - nonexpendable	1,877,070	1,795,826	1,673,310	1,587,076	1,488,924
Restricted - expendable	1,106,906	1,750,033	390,057	732,204	363,740
Unrestricted	2,626,756	2,522,286	2,491,700	1,642,629	1,340,597
Total primary government net assets	<u>\$ 12,461,871</u>	<u>\$ 11,331,200</u>	<u>\$ 11,145,659</u>	<u>\$ 9,548,565</u>	<u>\$ 8,283,616</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2002 to 2006 are available.

**Vernon College**  
**Statistical Supplement 2**  
**Revenue by Source**  
**Fiscal Years 2002 to 2006**  
**(Unaudited)**

For the Years Ended August 31,

	2006	2005	2004	2003	2002
<b>Operating Revenues</b>					
Tuition and fees (net of discounts)	\$ 1,987,464	\$ 1,720,209	\$ 2,822,103	\$ 1,697,829	\$ 1,322,519
Government grants and contracts:					
Federal grants and contracts	3,770,181	3,987,185	3,658,890	3,323,669	2,950,009
State grants and contracts	399,075	291,696	263,204	475,227	842,634
Non-governmental grants and contracts	583,976	803,222	613,623	912,511	634,553
Sales and services of educational activities	134,363	135,549	137,505	133,277	137,730
Investment income (program restricted)	231,759	58,267	51,281	67,867	49,315
Auxiliary enterprises (net of discounts)	1,458,192	1,468,202	1,380,072	807,186	579,284
Other operating revenues	32,606	21,483	24,539	130,472	50,022
<b>Total Operating Revenues</b>	<u>8,597,616</u>	<u>8,485,813</u>	<u>8,951,217</u>	<u>7,548,038</u>	<u>6,566,066</u>
<b>Non-Operating Revenues</b>					
State appropriations	6,879,466	6,283,061	6,454,453	6,534,817	6,845,150
Ad valorem taxes	2,054,039	2,041,629	1,995,840	1,982,308	2,077,901
Capital contracts, grants and gifts	-	35,000	982,500	-	346,706
Lease income	627,092	636,406	73,739	55,042	-
Investment income	48,233	92,358	36,212	6,515	73,020
<b>Total Non-Operating Revenues</b>	<u>9,608,830</u>	<u>9,088,454</u>	<u>9,542,744</u>	<u>8,578,682</u>	<u>9,342,777</u>
<b>Total Revenues</b>	<u>\$ 18,206,446</u>	<u>\$ 17,574,267</u>	<u>\$ 18,493,961</u>	<u>\$ 16,126,720</u>	<u>\$ 15,908,843</u>

For the Years Ended August 31,

	2006	2005	2004	2003	2002
<b>Operating Revenues</b>					
Tuition and fees (net of discounts)	10.92%	9.79%	15.26%	10.53%	8.31%
Government grants and contracts:					
Federal grants and contracts	20.71%	22.69%	19.78%	20.61%	18.54%
State grants and contracts	2.19%	1.66%	1.42%	2.95%	5.30%
Non-governmental grants and contracts	3.21%	4.57%	3.32%	5.66%	3.99%
Sales and services of educational activities	0.74%	0.77%	0.74%	0.83%	0.87%
Investment income (program restricted)	1.27%	0.33%	0.28%	0.42%	0.31%
Auxiliary enterprises (net of discounts)	8.01%	8.35%	7.46%	5.01%	3.64%
Other operating revenues	0.18%	0.12%	0.13%	0.81%	0.31%
<b>Total Operating Revenues</b>	<u>47.22%</u>	<u>48.29%</u>	<u>48.40%</u>	<u>46.80%</u>	<u>41.27%</u>
<b>Non-Operating Revenues</b>					
State appropriations	37.79%	35.75%	34.90%	40.52%	43.03%
Ad valorem taxes	11.28%	11.62%	10.79%	12.29%	13.06%
Capital contracts, grants and gifts	0.00%	0.20%	5.31%	0.00%	2.18%
Lease income	3.44%	3.62%	0.40%	0.34%	0.00%
Investment income	0.26%	0.53%	0.20%	0.04%	0.46%
<b>Total Non-Operating Revenues</b>	<u>52.78%</u>	<u>51.71%</u>	<u>51.60%</u>	<u>53.20%</u>	<u>58.73%</u>
<b>Total Revenues</b>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2002 to 2006 are available.

**Vernon College  
Statistical Supplement 3  
Program Expenses by Function  
Fiscal Years 2002 to 2006  
(Unaudited)**

For the Years Ended August 31,

	2006	2005	2004	2003	2002
<b>Operating Expenses</b>					
Instruction	\$ 5,954,887	\$ 5,168,243	\$ 4,943,120	\$ 5,642,015	\$ 6,419,503
Public service	338,088	555,596	470,146	350,217	383,702
Academic support	2,109,335	2,316,158	2,295,564	1,711,843	1,669,097
Student services	1,453,965	1,337,026	1,147,701	1,199,671	1,140,268
Institutional support	1,904,323	1,854,161	1,675,034	1,767,578	1,530,831
Operation and maintenance of plant	1,363,683	1,422,407	1,915,677	1,925,919	1,311,074
Scholarship and fellowships	635,800	918,081	2,303,717	513,465	476,811
Auxiliary enterprises	2,143,037	2,046,592	1,825,699	1,739,122	1,627,422
Depreciation	461,323	466,073	346,467	254,844	288,774
<b>Total Operating Expenses</b>	<u>16,364,441</u>	<u>16,084,337</u>	<u>16,923,125</u>	<u>15,104,674</u>	<u>14,847,482</u>
<b>Non-Operating Expenses</b>					
Operational costs of leased property	244,320	285,482	-	-	-
Amortization of bond issuance costs	5,000	5,000	-	-	-
Interest and fees on capital related debt	486,488	552,992	71,765	29,908	30,544
<b>Total Non-Operating Expenses</b>	<u>735,808</u>	<u>843,474</u>	<u>71,765</u>	<u>29,908</u>	<u>30,544</u>
<b>Total Expenses</b>	<u>\$ 17,100,249</u>	<u>\$ 16,927,811</u>	<u>\$ 16,994,890</u>	<u>\$ 15,134,582</u>	<u>\$ 14,878,026</u>

For the Years Ended August 31,

	2006	2005	2004	2003	2002
<b>Operating Expenses</b>					
Instruction	34.82%	30.53%	29.09%	37.28%	43.15%
Public service	1.98%	3.28%	2.77%	2.31%	2.58%
Academic support	12.34%	13.68%	13.51%	11.31%	11.22%
Student services	8.50%	7.90%	6.75%	7.93%	7.66%
Institutional support	11.14%	10.95%	9.86%	11.68%	10.29%
Operation and maintenance of plant	7.97%	8.40%	11.27%	12.73%	8.81%
Scholarship and fellowships	3.72%	5.42%	13.56%	3.39%	3.20%
Auxiliary enterprises	12.53%	12.09%	10.74%	11.49%	10.94%
Depreciation	2.70%	2.75%	2.04%	1.68%	1.94%
<b>Total Operating Expenses</b>	<u>95.70%</u>	<u>95.02%</u>	<u>99.58%</u>	<u>99.80%</u>	<u>99.79%</u>
<b>Non-Operating Expenses</b>					
Operational costs of leased property	1.43%	1.69%	0.00%	0.00%	0.00%
Amortization of bond issuance costs	0.03%	0.03%	0.00%	0.00%	0.00%
Interest and fees on capital related debt	2.84%	3.27%	0.42%	0.20%	0.21%
<b>Total Non-Operating Expenses</b>	<u>4.30%</u>	<u>4.98%</u>	<u>0.42%</u>	<u>0.20%</u>	<u>0.21%</u>
<b>Total Expenses</b>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2002 to 2006 are available.



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

Resident								
Fees per Semester Credit Hour (SCH)								
Academic Year (Fall)	In-District Tuition	Out-of-District Tuition	Building Use 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
2005	29.00	49.50	11.00	6.00	46.00	66.50	9.52%	13.68%
2004	25.00	41.50	11.00	6.00	42.00	58.50	5.00%	13.59%
2003	23.00	34.50	11.00	6.00	40.00	51.50	14.29%	11.96%
2002	22.00	33.00	7.00	6.00	35.00	46.00	2.94%	3.37%
2001	21.00	31.50	7.00	6.00	34.00	44.50	21.43%	8.54%
2000	17.00	30.00	7.00	4.00	28.00	41.00	0.00%	3.80%
1999	17.00	28.50	7.00	4.00	28.00	39.50	0.00%	3.95%
1998	17.00	27.00	7.00	4.00	28.00	38.00	0.00%	4.11%
1997	17.00	25.50	7.00	4.00	28.00	36.50	3.70%	4.29%
1996	16.00	24.00	7.00	4.00	27.00	35.00		

Non-Resident								
Fees per Semester Credit Hour (SCH)								
Academic Year (Fall)	Non-Resident Tuition Out of State	Non-Resident Tuition International	Building Use 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
2005	87.00	87.00	11.00	6.00	104.00	104.00	8.33%	8.33%
2004	79.00	79.00	11.00	6.00	96.00	96.00	12.94%	12.94%
2003	68.00	68.00	11.00	6.00	85.00	85.00	8.97%	8.97%
2002	65.00	65.00	7.00	6.00	78.00	78.00	0.00%	0.00%
2001	65.00	65.00	7.00	6.00	78.00	78.00	0.00%	0.00%
2000	65.00	65.00	7.00	6.00	78.00	78.00	9.86%	9.86%
1999	60.00	60.00	7.00	4.00	71.00	71.00	16.39%	16.39%
1998	50.00	50.00	7.00	4.00	61.00	61.00	19.61%	19.61%
1997	40.00	40.00	7.00	4.00	51.00	51.00	13.33%	13.33%
1996	35.00	35.00	6.00	4.00	45.00	45.00		

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

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

<u>Fiscal Year</u>	<u>Assessed Valuation of Property</u>	<u>Less: Exemptions</u>	<u>Taxable Assessed Value (TAV)</u>	<u>Ratio of Taxable Assessed Value to Assessed Value</u>	<u>Maintenance and Operation (a)</u>	<u>Debt Service (a)</u>	<u>Total (a)</u>
2005-06	\$ 1,050,763,590	\$ 245,190,490	\$ 805,573,100	76.67%	\$ 0.24993	\$ 0.00000	\$ 0.24993
2004-05	1,009,481,640	243,684,940	765,796,700	75.86%	0.26195	0.00000	0.26195
2003-04	940,002,038	239,851,874	700,150,164	74.48%	0.28652	0.00000	0.28652
2002-03	969,950,448	262,468,448	707,482,000	72.94%	0.28652	0.00000	0.28652
2001-02	786,180,807	65,929,062	720,251,745	91.61%	0.28382	0.00000	0.28382
2000-01	715,095,693	83,959,057	631,136,636	88.26%	0.26250	0.00000	0.26250
1999-00	807,144,802	131,545,970	675,598,832	83.70%	0.28382	0.00000	0.28382
1998-99	819,138,104	131,860,340	687,277,764	83.90%	0.26310	0.00000	0.26310

Source: Wilbarger County Appraisal District

Notes: Complete information was not available for years 1997-98 and 1996-97  
Property is assessed at full market value.  
(a) per \$100 Taxable Assessed Valuation

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

Fiscal Year	State Appropriations	Appropriation per FTSE		Appropriation per Contact Hour			State Appropriation Per Contact Hour
		FTSE	State Appropriations Per FTSE	Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	
2005-06	5,453,123	1,961	2,780	694,752	767,656	1,462,408	3.73
2004-05	5,042,849	1,971	2,559	639,936	831,587	1,471,523	3.43
2003-04	5,042,930	2,146	2,350	647,568	868,196	1,515,764	3.33
2002-03	5,224,547	2,219	2,355	640,080	912,959	1,553,039	3.36
2001-02	5,613,313	1,930	2,908	541,984	802,146	1,344,130	4.18
2000-01	5,029,446	1,866	2,695	495,952	859,188	1,355,140	3.71
1999-00	4,973,528	1,881	2,645	470,960	883,779	1,354,739	3.67
1998-99	3,972,812	1,664	2,388	438,512	758,210	1,196,722	3.32
1997-98	3,820,179	1,638	2,332	425,552	765,258	1,190,810	3.21
1996-97	3,092,176	1,475	2,097	397,104	668,709	1,065,813	2.90

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

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

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

Taxpayer	Type of Business	Taxable Assessed Valuation (TAV) by Tax Year				
		2005	2004	2003	2002	2001
AEP Texas North Company	Energy company	\$ 247,226,450	\$ 230,656,150	\$ 190,067,390	\$ -	\$ -
AEP Public Service Co of Oklahoma	Energy company	56,973,910	61,054,130	55,511,340	58,361,460	54,112,970
AEP Texas Central Company	Energy company	32,913,150	31,655,520	26,568,010	28,392,790	19,518,940
Oklahoma Municipal Power Authority	Energy company	32,505,830	33,519,560	30,638,140	32,854,150	27,282,450
Wright Brand Foods, Inc	Food processing plant	28,232,360	27,223,090	26,268,920	24,639,740	15,218,860
Rhodia, inc	Guar processing plant	21,481,620	22,684,760	16,612,360	16,342,230	24,006,600
WT Waggoner Estate	Farming, ranching, oil & gas	17,689,480	17,427,760	10,507,350	10,606,490	10,684,180
West Texas Utilities Company	Energy company	11,467,250	11,467,250	7,819,470	214,611,520	173,643,380
BNSF Railway	Railroad company	9,360,030	8,733,150	9,043,140	9,087,200	7,648,180
Mahard Egg Farm	Egg farm	6,292,390	-	-	-	-
Southwestern Bell Telephone Co	Telephone company	-	6,160,750	7,022,450	7,711,780	8,224,460
Wal-Mart Stores Texas LP	Retail sales	-	-	-	4,704,360	-
Atmos Energy/MIDTEX	Energy company	-	-	-	-	2,759,660
<b>Totals</b>		<b>\$ 464,142,470</b>	<b>\$ 450,582,120</b>	<b>\$ 380,058,570</b>	<b>\$ 407,511,720</b>	<b>\$ 343,099,680</b>
<b>Total Assessed Taxable Value</b>		<b>\$ 805,573,100</b>	<b>\$ 765,796,700</b>	<b>\$ 700,150,164</b>	<b>\$ 707,482,000</b>	<b>\$ 720,251,745</b>

Taxpayer	Type of Business	Percentage Taxable Assessed Valuation (TAV) by Tax Year				
		2005	2004	2003	2002	2001
AEP Texas North Company	Energy company	30.69%	30.12%	27.15%	0.00%	0.00%
AEP Public Service Co of Oklahoma	Energy company	7.07%	7.97%	7.93%	8.25%	7.51%
AEP Texas Central Company	Energy company	4.09%	4.13%	3.79%	4.01%	2.71%
Oklahoma Municipal Power Authority	Energy company	4.04%	4.38%	4.38%	4.64%	3.79%
Wright Brand Foods, Inc	Food processing plant	3.50%	3.55%	3.75%	3.48%	2.11%
Rhodia, Inc	Guar processing plant	2.67%	2.96%	2.37%	2.31%	3.33%
WT Waggoner Estate	Farming, ranching, oil & gas	2.20%	2.28%	1.50%	1.53%	1.48%
West Texas Utilities Company	Energy company	1.42%	1.50%	1.12%	30.33%	24.11%
BNSF Railway	Railroad company	1.16%	1.14%	1.29%	1.28%	1.06%
Mahard Egg Farm	Egg farm	0.78%	0.00%	0.00%	0.00%	0.00%
Southwestern Bell Telephone Co	Telephone company	0.00%	0.80%	1.00%	1.09%	1.14%
Wal-Mart Stores Texas LP	Retail sales	0.00%	0.00%	0.00%	0.66%	0.00%
Atmos Energy/MIDTEX	Energy company	0.00%	0.00%	0.00%	0.00%	0.38%
<b>Totals</b>		<b>57.62%</b>	<b>58.84%</b>	<b>54.28%</b>	<b>57.60%</b>	<b>47.64%</b>

(a) Taxpayer information was not available from the Wilbarger County Appraisal District Office for tax years 2000, 1999, 1998, 1997, and 1996.

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

Fiscal Year Ended August 31,	Cumulative Levy Adjustment		Adjusted Tax Levy		Collections Year of Levy		Percentage		Prior Collections of Prior Levies		Current Collections of Prior Levies		Total Collections (c+d+e)		Cumulative Collections of Adjusted Levy	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
2006	\$ 2,020,665	\$ (6,490)	\$ 2,014,175	\$ 1,974,744	\$ 1,974,744	\$ 98.04%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,974,744	\$ 1,974,744	98.04%		
2005	2,006,004	4,377	2,010,381	1,969,076	1,969,076	97.95%	-	-	21,188	21,188	1,990,264	1,990,264	99.00%			
2004	2,006,070	2,216	2,008,286	1,959,415	1,959,415	97.57%	23,176	23,176	10,017	10,017	1,992,608	1,992,608	99.22%			
2003	2,027,077	(870)	2,026,207	1,979,074	1,979,074	97.67%	28,106	28,106	7,894	7,894	2,015,074	2,015,074	99.45%			
2002	2,063,665	1,776	2,065,441	2,027,122	2,027,122	98.14%	25,206	25,206	2,879	2,879	2,055,207	2,055,207	99.50%			
2001	1,791,292	28,563	1,819,855	1,786,199	1,786,199	98.15%	22,828	22,828	1,773	1,773	1,810,800	1,810,800	99.50%			
2000	1,787,432	(22,901)	1,764,531	1,735,128	1,735,128	98.33%	22,025	22,025	971	971	1,758,124	1,758,124	99.64%			

Note: Information is not available for the years ended August 31, 1999, 1998, and 1997.

Source: Local Tax Assessor/Collector and District Records

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

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

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

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

(e) Represents current year collections of prior year levies

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

	For the Years Ended August 31,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Revenue bonds	\$7,675,000	\$ 7,925,000	\$ 8,100,000	\$ 100,000	\$ 200,000	\$ 295,000	\$ 380,000	\$ 460,000	\$ 535,000	\$ 605,000
Notes	-	-	-	-	-	-	-	-	-	-
Capital lease obligations	1,500,393	1,600,705	1,698,491	108,339	195,663	265,466	153,572	195,163	234,045	-
<b>Total Outstanding Debt</b>	<b>\$9,175,393</b>	<b>\$ 9,525,705</b>	<b>\$ 9,798,491</b>	<b>\$ 208,339</b>	<b>\$ 395,663</b>	<b>\$ 560,466</b>	<b>\$ 533,572</b>	<b>\$ 655,163</b>	<b>\$ 769,045</b>	<b>\$ 605,000</b>
<b>Total Outstanding Debt Ratios</b>										
Per Capita	not available	370.33	397.70	8.80	17.17	25.36	23.29	30.94	40.12	33.46
Per FTSE	4,679	4,833	4,566	94	205	300	284	394	470	410
As a percentage of Taxable Assessed Value	0.9982%	1.2439%	1.3995%	0.0294%	0.0549%	0.0689%	0.0790%	0.0953%	0.1066%	0.0830%

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

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

	For the Years Ended August 31,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Taxable Assessed Valuation</b>	<b>\$ 805,573,100</b>	<b>\$ 765,796,700</b>	<b>\$ 700,150,164</b>	<b>\$ 707,482,000</b>	<b>\$ 720,251,745</b>	<b>\$ 631,136,636</b>	<b>\$ 675,598,832</b>	<b>\$ 687,277,764</b>	<b>\$ 721,112,784</b>	<b>\$ 728,820,641</b>
<b>General Obligation Bonds</b>										
Statutory tax levy limit for debt service	\$ 4,027,866	\$ 3,828,984	\$ 3,500,751	\$ 3,537,410	\$ 3,601,259	\$ 3,155,683	\$ 3,377,994	\$ 3,436,389	\$ 3,605,564	\$ 3,644,103
Less funds restricted for repayment of bonds	-	-	-	-	-	-	-	-	-	-
<b>Total Net General Obligation Debt</b>	<b>4,027,866</b>	<b>3,828,984</b>	<b>3,500,751</b>	<b>3,537,410</b>	<b>3,601,259</b>	<b>3,155,683</b>	<b>3,377,994</b>	<b>3,436,389</b>	<b>3,605,564</b>	<b>3,644,103</b>
Current year debt service requirement	-	-	-	-	-	-	-	-	-	-
Excess of statutory limit for debt service over current requirement	\$ 4,027,866	\$ 3,828,984	\$ 3,500,751	\$ 3,537,410	\$ 3,601,259	\$ 3,155,683	\$ 3,377,994	\$ 3,436,389	\$ 3,605,564	\$ 3,644,103
Net current requirement as a percentage of statutory limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

Revenue Bonds Fiscal Year Ended August 31	Pledged Revenues					Debt Service Requirements			Coverage Ratio		
	Tuition	Laboratory/ Special Fee	General Registration Fees	General Use Fee	Facility Lease Revenue	Investment Income	Total	Principal		Interest	Total
2006	\$ 3,137,859	\$ 484,364	\$ 1,150,590	\$ -	\$ 627,092	\$ 48,233	\$ 5,448,138	\$ 250,000	\$ 410,465	\$ 660,465	8.25
2005	2,705,330	431,066	1,139,657	-	636,306	43,233	4,955,592	175,000	473,638	648,638	7.64
2004	2,272,559	362,450	974,186	30,180	207,891	3,982	3,851,248	100,000	6,500	106,500	36.16
2003	114,945	-	-	46,748	199,921	6,339	367,953	100,000	13,000	113,000	3.26
2002	101,918	-	-	45,286	174,570	6,905	328,679	95,000	19,175	114,175	2.88
2001	91,005	-	-	41,832	106,141	7,722	246,700	85,000	24,700	109,700	2.25
2000	94,905	-	-	35,574	101,711	7,561	239,751	80,000	29,820	109,820	2.18
1999	85,687	-	-	41,844	126,233	8,950	262,714	75,000	34,545	109,545	2.40
1998	76,845	-	-	37,966	167,903	11,887	294,601	70,000	38,920	108,920	2.70
1997	72,368	-	-	37,788	100,227	10,907	221,290	65,000	42,950	107,950	2.05



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

Calendar Year	District Population	District Personal Income (a) (thousands of dollars)	District Personal Income Per Capita	District Unemployment Rate
2005	13,896	b	b	4.0%
2004	13,934	358,406	25,722	4.5%
2003	14,142	348,432	24,638	5.0%
2002	14,278	337,968	23,671	4.7%
2001	14,397	331,851	23,050	3.7%
2000	14,676	324,390	22,103	3.7%
1999	14,035	321,546	22,910	4.0%
1998	14,076	298,031	21,173	3.8%
1997	14,214	272,487	19,170	4.1%
1996	14,271	258,015	18,080	3.5%

**Sources:**

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

**Notes:**

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

**Vernon College  
Statistical Supplement 13  
Principal Employers  
Fiscal Year 2006  
(Unaudited)**

<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment (1, 2)</u>
North Texas State Hospital	1000+	13.60%
Tyson Foods, Inc	500 - 999	2.70%
Vernon City Hall	100 - 499	2.70%
Vernon College	100 - 499	2.70%
Wilbarger General Hospital	100 - 499	1.00%
Central Elementary School	50 - 99	1.00%
Vernon High School	50 - 99	1.00%
United Supermercado	50 - 99	1.00%
Vernon Care Center	50 - 99	1.00%
Waggoner National Bank	50 - 99	1.00%
 Total	 <u>2050 - 3991</u>	 <u>27.70%</u>

**Source:**

Texas Workforce Commission Texas LMI Tracer <http://www.tracer2.com>  
Wilbarger County, Texas

**Note:**

1. Total employment: 7341
2. Percentages are calculated using the midpoints of the ranges.

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

	Fiscal Year									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<b>Faculty</b>										
FT	73	72	69	71	68	61	53	52	55	51
PT	112	101	98	94	88	88	93	84	84	29
Total	185	173	167	165	156	149	146	136	139	80
<b>Percent</b>										
FT	39%	42%	41%	43%	44%	41%	36%	38%	40%	64%
PT	61%	58%	59%	57%	56%	59%	64%	62%	60%	36%
<b>Staff &amp; Adm</b>										
FT	145	120	125	131	124	123	124	98	109	103
PT	-	9	-	-	-	-	4	8	5	7
Total	145	129	125	131	124	123	128	106	114	110
<b>Percent</b>										
FT	100%	93%	100%	100%	100%	100%	97%	92%	96%	94%
PT	0%	7%	0%	0%	0%	0%	3%	8%	4%	6%
<b>FTSE</b>										
FT Faculty	1,475	1,638	1,664	1,881	1,866	1,930	2,219	2,146	1,971	1,961
FT Staff	20.21	22.75	24.12	26.49	27.44	31.64	41.87	41.27	35.84	38.45
FT Staff	0.10	0.07	0.08	0.07	0.07	0.06	0.06	0.05	0.06	0.05
<b>Fac Sal</b>	\$ 2,909,602	\$ 2,753,724	\$ 2,545,488	\$ 2,622,151	\$ 2,506,888	\$ 2,278,117	\$ 1,937,861	\$ 1,926,926	\$ 1,776,553	\$ 1,770,996
<b>Avg. Fac</b>	\$ 39,858	\$ 38,246	\$ 36,891	\$ 36,932	\$ 36,866	\$ 37,346	\$ 36,563	\$ 37,056	\$ 32,301	\$ 34,725

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

Credit Student Classification	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
0 - 30 hours	1,984	71.24%	1,918	71.25%	1,854	70.60%	1,820	72.14%	1,556	68.58%
31 - 60 hours	595	21.36%	535	19.87%	520	19.80%	460	18.23%	477	21.02%
> 60 hours	206	7.40%	239	8.88%	252	9.60%	243	9.63%	236	10.40%
<b>Total</b>	<b>2,785</b>	<b>100.00%</b>	<b>2,692</b>	<b>100.00%</b>	<b>2,626</b>	<b>100.00%</b>	<b>2,523</b>	<b>100.00%</b>	<b>2,269</b>	<b>100.00%</b>

Non-Credit Student Classification	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
CEU Students Only	1,122	80.09%	681	77.65%	1,047	75.98%	971	78.75%	1,113	84.13%
0 - 30 hours	163	11.63%	124	14.14%	147	10.67%	160	12.98%	123	9.30%
31 - 60 hours	54	3.85%	40	4.56%	77	5.59%	51	4.14%	38	2.87%
> 60 hours	62	4.43%	32	3.65%	107	7.76%	51	4.14%	49	3.70%
<b>Total</b>	<b>1,401</b>	<b>100.00%</b>	<b>877</b>	<b>100.00%</b>	<b>1,378</b>	<b>100.00%</b>	<b>1,233</b>	<b>100.00%</b>	<b>1,323</b>	<b>100.00%</b>

Semester Hour Load	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	14	0.50%	19	0.71%	16	0.61%	11	0.44%	11	0.48%
3 - 5 semester hours	812	29.16%	779	28.94%	748	28.48%	686	27.19%	631	27.81%
6 - 8 semester hours	548	19.68%	624	23.18%	595	22.66%	603	23.90%	562	24.77%
9 - 11 semester hours	398	14.29%	333	12.37%	401	15.27%	548	21.72%	443	19.52%
12 - 14 semester hours	673	24.17%	565	20.99%	532	20.26%	320	12.68%	304	13.40%
15 - 17 semester hours	238	8.55%	255	9.47%	239	9.10%	247	9.79%	220	9.70%
18 & over	102	3.66%	117	4.35%	95	3.62%	108	4.28%	98	4.32%
<b>Sub-Total SCH Students</b>	<b>2,785</b>	<b>100.00%</b>	<b>2,692</b>	<b>100.00%</b>	<b>2,626</b>	<b>100.00%</b>	<b>2,523</b>	<b>100.00%</b>	<b>2,269</b>	<b>100.00%</b>
<b>Average SCH course load</b>	<b>9.06</b>		<b>8.65</b>		<b>8.60</b>		<b>8.50</b>		<b>8.38</b>	
<b>Non-Credit CEU Students</b>	<b>1,401</b>		<b>877</b>		<b>1,378</b>		<b>1,233</b>		<b>1,323</b>	
<b>Total</b>	<b>4,186</b>		<b>3,569</b>		<b>4,004</b>		<b>3,756</b>		<b>3,592</b>	

Credit Tuition Status	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-district)	316	11.35%	363	13.48%	377	14.36%	377	14.94%	356	15.69%
Texas Resident (out-of-dist)	2,438	87.54%	2,296	85.29%	2,230	84.92%	2,116	83.87%	1,876	82.68%
Non-Resident Tuition	31	1.11%	33	1.23%	19	0.72%	30	1.19%	37	1.63%
<b>Total</b>	<b>2,785</b>	<b>100.00%</b>	<b>2,692</b>	<b>100.00%</b>	<b>2,626</b>	<b>100.00%</b>	<b>2,523</b>	<b>100.00%</b>	<b>2,269</b>	<b>100.00%</b>

Non-Credit Tuition Status	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
CEU Students Only	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
CEU Contract & Non-Contract	27	1.93%	-	0.00%	13	0.94%	10	0.81%	4	0.30%
CEU Contract Only	712	50.82%	98	11.17%	429	31.13%	205	16.63%	893	67.50%
CEU Non-Contract Only	662	47.25%	779	88.83%	936	67.92%	1,018	82.56%	426	32.20%
<b>Total</b>	<b>1,401</b>	<b>100.00%</b>	<b>877</b>	<b>100.00%</b>	<b>1,378</b>	<b>100.00%</b>	<b>1,233</b>	<b>100.00%</b>	<b>1,323</b>	<b>100.00%</b>

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

	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	2,558	61.11%	2,147	60.16%	2,556	63.84%	2,303	61.32%	1,940	54.01%
Male	1,628	38.89%	1,422	39.84%	1,448	36.16%	1,453	38.68%	1,652	45.99%
<b>Total</b>	<b>4,186</b>	<b>100.00%</b>	<b>3,569</b>	<b>100.00%</b>	<b>4,004</b>	<b>100.00%</b>	<b>3,756</b>	<b>100.00%</b>	<b>3,592</b>	<b>100.00%</b>

	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin										
White	3,259	77.85%	2,714	76.04%	3,012	75.22%	2,870	76.41%	2,809	78.20%
Hispanic	490	11.71%	452	12.66%	508	12.69%	441	11.74%	410	11.41%
African American	324	7.74%	288	8.07%	365	9.12%	321	8.55%	264	7.35%
Asian	58	1.39%	48	1.34%	54	1.35%	56	1.49%	56	1.56%
Foreign	14	0.33%	9	0.25%	13	0.32%	9	0.24%	8	0.22%
Native American	38	0.91%	48	1.34%	46	1.15%	59	1.57%	45	1.25%
Other	3	0.07%	10	0.28%	6	0.15%	-	0.00%	-	0.00%
<b>Total</b>	<b>4,186</b>	<b>100.00%</b>	<b>3,569</b>	<b>100.00%</b>	<b>4,004</b>	<b>100.00%</b>	<b>3,756</b>	<b>100.00%</b>	<b>3,592</b>	<b>100.00%</b>

	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Credit Students)										
Under 18	464	16.66%	355	13.19%	316	12.03%	345	13.67%	305	13.44%
18 - 21	1,048	37.63%	1,021	37.93%	988	37.62%	882	34.96%	801	35.30%
22 - 24	298	10.70%	295	10.96%	258	9.82%	240	9.51%	207	9.12%
25 - 35	612	21.97%	626	23.25%	601	22.89%	577	22.87%	510	22.48%
36 - 50	308	11.06%	343	12.74%	404	15.38%	404	16.01%	393	17.32%
51 & over	55	1.97%	52	1.93%	59	2.25%	75	2.97%	53	2.34%
<b>Total</b>	<b>2,785</b>	<b>100.00%</b>	<b>2,692</b>	<b>100.00%</b>	<b>2,626</b>	<b>100.00%</b>	<b>2,523</b>	<b>100.00%</b>	<b>2,269</b>	<b>100.00%</b>

Average Age	<u>24.5</u>	<u>25.2</u>	<u>25.8</u>	<u>26.1</u>	<u>26.1</u>
-------------	-------------	-------------	-------------	-------------	-------------

	Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Non-Credit Students)										
Under 18	16	1.14%	4	0.46%	63	4.57%	20	1.62%	18	1.36%
18 - 21	63	4.50%	100	11.40%	133	9.65%	133	10.79%	96	7.26%
22 - 24	98	7.00%	88	10.03%	105	7.62%	99	8.03%	70	5.29%
25 - 35	324	23.13%	207	23.60%	329	23.88%	324	26.28%	321	24.26%
36 - 50	474	33.83%	263	29.99%	414	30.04%	388	31.47%	538	40.67%
51 & over	426	30.41%	215	24.52%	334	24.24%	269	21.82%	280	21.16%
<b>Total</b>	<b>1,401</b>	<b>100.00%</b>	<b>877</b>	<b>100.00%</b>	<b>1,378</b>	<b>100.00%</b>	<b>1,233</b>	<b>100.00%</b>	<b>1,323</b>	<b>100.00%</b>

Average Age	<u>42.6</u>	<u>39.2</u>	<u>38.8</u>	<u>38.2</u>	<u>39.6</u>
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**Vernon College**  
**Statistical Supplement 17**  
**Transfers to Senior Institutions**  
**2004 Fall Students as of Fall 2005**  
**(Includes only public senior colleges in Texas)**  
**(Unaudited)**

	Transfer Student Count <u>Academic</u>	Transfer Student Count <u>Technical</u>	Transfer Student Count <u>Tech-Prep</u>	Total of all Sample Transfer Students	% of all Sample Transfer Students
1 Angelo State University	2	2	-	4	0.82%
2 Midwestern State University	106	185	10	301	61.43%
3 Sam Houston State University	-	2	1	3	0.61%
4 Stephen F. Austin State University	1	1	-	2	0.41%
5 Tarleton State University	12	14	-	26	5.31%
6 Texas A&M University - College Station	12	16	-	28	5.71%
7 Texas A&M University - Commerce	1	-	-	1	0.20%
8 Texas A&M University - Corpus Christi	1	1	-	2	0.41%
9 Texas A&M University - Galveston	-	1	-	1	0.20%
10 Texas A&M University - Kingsville	-	1	-	1	0.20%
11 Texas A&M University System Health Science Center	-	1	-	1	0.20%
12 Texas State University	6	3	-	9	1.84%
13 Texas Tech University	28	19	-	47	9.59%
14 Texas Tech University Health Science Center	-	2	-	2	0.41%
15 Texas Women's University	1	3	-	4	0.82%
16 University of Texas - Arlington	6	3	-	9	1.84%
17 University of Texas - Austin	5	4	-	9	1.84%
18 University of Texas - Dallas	6	-	-	6	1.22%
19 University of North Texas	11	5	-	16	3.27%
20 West Texas A&M University	11	7	-	18	3.67%
Totals	<u>209</u>	<u>270</u>	<u>11</u>	<u>490</u>	<u>100.00%</u>

**Vernon College**  
**Statistical Supplement 18**  
**Capital Asset Information**  
**Fiscal Years 2002 to 2006**  
**(Unaudited)**

	Fiscal Years				
	2006	2005	2004	2003	2002
Academic Buildings	6	6	6	6	6
Square footage	152,029	152,029	152,029	152,029	152,029
Libraries	1	1	1	1	1
Square footage	16,276	16,276	16,276	16,276	16,276
Number of volumes	13,296	12,988	12,723	12,410	11,913
Administrative and support buildings	1	1	1	1	1
Square footage	28,287	19,787	19,787	19,787	19,787
Dormitories	2	2	2	2	2
Square footage	27,214	27,214	27,214	27,214	27,214
Number of beds	156	156	156	156	156
Dining Facilities	1	1	1	1	1
Square footage	10,170	10,170	10,170	10,170	10,170
Average daily customers	250	250	250	250	250
Athletic Facilities	6	6	6	6	6
Square footage	31,472	31,472	31,472	31,472	31,472
Stadiums	3	3	3	3	3
Gymnasiums	1	1	1	1	1
Fitness Centers	1	1	1	1	1
Tennis Courts	6	6	6	6	6
Plant Facilities	1	1	1	1	1
Square footage	11,000	11,000	11,000	11,000	11,000
Transportation					
Cars	1	1	1	1	1
Light trucks/vans	8	8	8	8	8
Buses	2	2	2	2	2

*Overall Compliance, Internal Controls and Federal Awards Section*





## EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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### **Independent Auditor's Report**

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

Board of Trustees  
Vernon College  
Vernon, Texas

Members of the Board of Trustees:

We have audited the basic financial statements of Vernon College, as well as its discretely presented component unit, Vernon College Foundation, Incorporated, as of and for the year ended August 31, 2006, and have issued our report thereon dated November 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Vernon College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### Compliance and Other Matters

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

Public Funds Investment Act

We have performed tests designed to verify Vernon College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2006, no instances of noncompliance were noted.

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

Respectfully submitted,

*Edgin, Parkman, Fleming & Fleming, PC*

Edgin, Parkman, Fleming & Fleming, PC

November 20, 2006



## EDGIN, PARKMAN, FLEMING & FLEMING, PC

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J. MARK FLEMING, CPA

### **Independent Auditor's Report**

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

Board of Trustees  
Vernon College  
Vernon, Texas

Members of the Board of Trustees:

#### Compliance

We have audited the compliance of Vernon College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that is applicable to each of its major federal programs for the year ended August 31, 2006. Vernon College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Vernon College's management. Our responsibility is to express an opinion on Vernon College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vernon College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Vernon College's compliance with those requirements.

In our opinion, Vernon College, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2006.

### Internal Control Over Compliance

The management of Vernon College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Vernon College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

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

Respectfully submitted,

*Edgin, Parkman, Fleming & Fleming, PC*

Edgin, Parkman, Fleming & Fleming, PC

November 20, 2006

**VERNON COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2006**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unqualified, with reference to a prior period adjustment
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

2. Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of major programs:	<u>CFDA Number</u>
Student Financial Aid Cluster:	
Supplemental Educational Opportunity Grant	84.007
Federal Workstudy Program	84.033
Federal Pell Grant Program	84.063
Title III Student Success/Retention	84.031A
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

B. Financial Statement Findings

None

**VERNON COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D.)**  
**FOR THE YEAR ENDED AUGUST 31, 2006**

C. Federal Award Findings and Questioned Costs

None

**VERNON COLLEGE  
SCHEDULE OF CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2006**

There are no current year findings or questioned costs.

**VERNON COLLEGE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2006**

Finding 2005-01

The College's cash deposits were not adequately covered by Federal Deposit Insurance Corporation (FDIC) insurance and pledged collateral from the College's depository bank for sixty days during the year ended August 31, 2005.

Status

In concert with the depository bank, the College reviewed the bank balances more closely in 2005-06. Furthermore, the depository bank implemented a more aggressive program to review the balances compared to coverage with both FDIC insurance and pledged securities. The College also perpetually monitored the balances in the accounts in comparison with the depository bank's records. Because of the efforts of the College and its depository bank, no instances of noncompliance were noted for the year ended August 31, 2006.

Finding 2005-02

Two exceptions to the procurement laws and regulations were noted relative to the Title III Grant during the year ended August 31, 2005.

Status

The two exceptions noted in the prior year related to the procurement of technology-related items. During the year ended August 31, 2006, the Title III Program Director utilized the College's Technology Department to procure all technology-related items as that department is more knowledgeable and experienced in that area. Because of the efforts of the College, no instances of noncompliance were noted for the year ended August 31, 2006.