

VERNON COLLEGE

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

VERNON COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

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Organizational Information

**Vernon College
Organizational Data
August 31, 2012**

Board of Trustees

<u>Officers</u>		<u>Term Expires</u>
Dr. Todd Smith	Chairman	May 1, 2016
Mr. Gene Heatly	Vice-Chairman	May 1, 2014
Mrs. Vicki Pennington	Secretary	May 1, 2016

<u>Members</u>		
Mr. Bob Ferguson		May 1, 2018
Mr. Norman Brints		May 1, 2014
Mrs. Joanie Rogers		May 1, 2018
Mr. Irl Holt		May 1, 2018

Principal Administrative Officers

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

Financial Section



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

Board of Trustees
Vernon College
Vernon, Texas

We have audited the accompanying financial statements of Vernon College, as well as its discretely presented component unit, Vernon College Foundation, Incorporated, as of and for the years ended August 31, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of Vernon College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vernon College and its discretely presented component unit, Vernon College Foundation, Incorporated, as of August 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012 on our consideration of Vernon College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

November 30, 2012



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, 2012. Please read it in conjunction with the College’s basic financial statements and notes, which follow this section. Responsibility for the completeness and fairness of the information in this section rests with the College’s management.

Overview of the Financial Statements

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

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current Assets			
Cash and cash equivalents	\$ 996,560	\$ 2,108,416	\$ 2,256,406
Short-term investments	3,410,500	8,910,500	3,189,616
Accounts receivable – net	1,360,415	1,334,612	1,595,266
Inventories	891,861	588,768	542,050
Deferred charges and prepaid assets	<u>3,215,955</u>	<u>3,080,484</u>	<u>2,468,471</u>
Total Current Assets	<u>9,875,291</u>	<u>16,022,779</u>	<u>10,051,809</u>
Noncurrent Assets			
Restricted cash and cash equivalents	310,745	140,125	308,792
Endowment investments	2,200,000	2,600,000	2,600,000
Deferred charges	333,118	353,517	79,500
Capital assets-net	<u>23,520,983</u>	<u>16,982,202</u>	<u>15,627,264</u>
Total Noncurrent Assets	<u>26,364,846</u>	<u>20,075,844</u>	<u>18,615,556</u>
Total Assets	<u>36,240,137</u>	<u>36,098,623</u>	<u>28,667,365</u>
Current Liabilities			
Accounts payable and accrued liabilities	506,254	601,813	713,926
Deferred revenues	5,319,989	5,140,216	4,648,398
Capital lease and bonds payable	<u>574,859</u>	<u>556,372</u>	<u>437,426</u>
Total Current Liabilities	<u>6,401,102</u>	<u>6,298,401</u>	<u>5,799,750</u>

Noncurrent Liabilities			
Deposits and accrued liabilities	94,550	89,781	87,969
Capital lease and bonds payable	<u>12,215,229</u>	<u>12,798,815</u>	<u>7,270,308</u>
Total Non-Current Liabilities	<u>12,309,779</u>	<u>12,888,596</u>	<u>7,358,277</u>
Total Liabilities	<u>18,710,881</u>	<u>19,186,997</u>	<u>13,158,027</u>
Net Assets			
Invested in capital assets, net of debt	9,927,995	7,907,301	7,479,108
Restricted for student aid	2,092,113	2,349,161	2,636,298
Restricted for debt service	1,546,422	1,546,239	648,200
Unrestricted	<u>3,962,726</u>	<u>5,108,925</u>	<u>4,745,732</u>
Net Assets	<u>\$17,529,256</u>	<u>\$16,911,626</u>	<u>\$15,509,338</u>

Cash and cash equivalents decreased by \$941,236 per Exhibit 3. This was mainly due to the use of existing funds to pay for construction costs over and above the bond funds.

Short-term investments decreased by \$5,500,000. The decrease is due to spending the bond funds to complete the Century City renovation.

Accounts receivable increased by \$25,803. Receivables include state, non-governmental and federal grants, student notes, and local taxes receivable. A continued effort during the year was made to collect all receivables on a perpetual basis. All reimbursements for grants and contracts were filed on a monthly basis. All student accounts were billed monthly as well.

Inventories consist primarily of bookstore inventory. Inventories increased by \$303,093 for the year. The cost of textbooks continues to increase. Also, fall semester classes did not start until August 27, therefore, many books required for fall classes were not sold before year end. Bookstore sales have continued to increase over the last several years.

Deferred charges and prepaid assets increased by \$135,471. All student registration fees paid for the fall semester were deferred to the 2012-2013 school year. Fall enrollment for 2012 has decreased slightly compared to the fall of 2011 enrollment. A record enrollment was achieved with the fall 2011 headcount of 3,266. Tuition rates were also increased in the 2011-2012 year from the 2010-2011 year.

Capital assets increased by \$6,538,781 during the year. This increase is mainly due to the remodeling of 68,000 square feet of space in the Century City Center. More discussion on this will follow in the capital asset section.

Current accounts payable and accrued liabilities decreased by \$95,559. This is a combination of timing differences and a continued effort to process payables as quickly and efficiently as possible.

Deferred revenues consist of amounts received through grants and contracts over the expenses incurred during the year and student payments for fall tuition and fees. Deferred tuition and fee revenue make up the majority of the recorded increase of \$179,773 from 2011 to 2012.

Current capital lease and bond payables increased by \$18,487. In 2004, revenue bonds were issued in the amount of \$8,100,000 and a capital lease for energy conservation measures for \$1,644,995 was signed. In September, 2011 the College issued new bonds totaling \$11,765,000. The proceeds of the new bond issue were used to retire the majority of the 2004 bond issue and to provide approximately \$5,000,000 capital for the renovation of the Century City Center. Additional detail on debt is found in the footnotes.

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

Non-current capital lease and bond payables decreased by \$583,586. This decrease is the result of paying the regular scheduled payments on the debt obligations for the year.

Net assets increased by \$617,630 or 3.7% for the year. Revenue from student tuition and fees continues to increase. Two factors have affected the increase in student tuition and fees. The Board of Trustees' approved rate for tuition has increased and student enrollment continues to climb. Local ad valorem tax revenue continues to be constant. The College continues to be aggressive in the area of fundraising for student scholarships. The outlook for increased student enrollment seems to be slowing.

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

	2012	2011	2010
REVENUES			
Operating Revenues:			
Tuition and fees (net of discounts of \$6,458,159, \$5,662,929 and \$5,226,866, respectively)	\$ 3,486,551	\$ 3,639,368	\$ 3,466,174
Federal grants and contracts	235,093	700,049	858,730
State grants and contracts	610,456	1,169,238	686,028
Non-governmental grants and contracts	1,035,962	951,657	1,084,012
Sales and services of educational activities	99,473	111,860	131,078
Investment income (program restricted)	26,978	43,949	44,067
Auxiliary enterprises (net of discounts of \$1,127,775, \$1,127,775 and \$926,096, respectively)	1,268,081	1,482,844	1,461,942
General operating revenues	14,011	22,361	34,767
Total Operating Revenues	6,776,605	8,121,326	7,766,798
EXPENSES			
Operating Expenses:			
Instruction	7,060,743	8,007,493	7,085,730
Public services	418,091	409,776	390,615
Academic support	2,682,118	2,341,237	2,625,566
Student services	1,712,991	1,661,351	1,597,000
Institutional support	2,804,470	2,629,477	2,413,068
Operation of physical plant	2,328,966	1,969,637	2,275,069

Scholarships and fellowships	1,428,280	2,093,857	1,474,636
Auxiliary enterprises	2,040,150	2,223,892	2,297,289
Depreciation	623,367	575,216	511,728
Total Operating Expenses	<u>21,099,176</u>	<u>21,911,936</u>	<u>20,670,701</u>
Operating Loss	<u>(14,322,571)</u>	<u>(13,790,610)</u>	<u>(12,903,903)</u>
Non-Operating Revenue (Expenses)			
State Appropriations	6,799,752	7,000,865	7,060,253
Federal Revenue, Non-Operating	6,193,085	6,133,753	5,204,669
Property taxes for maintenance & operation	2,167,943	2,038,823	2,023,749
Gifts	100,700	542,772	56,390
Investment income	62,608	109,542	86,336
Gain/(Loss) on disposal of assets	50,000	(190,353)	16,302
Lease income less lease expenses	50,884	41,994	140,815
Interest and fees on capital related debt	<u>(484,771)</u>	<u>(484,498)</u>	<u>(392,256)</u>
Net Non-Operating Revenues	<u>14,940,201</u>	<u>15,192,898</u>	<u>14,196,258</u>
Increase in Net Assets	<u>\$ 617,630</u>	<u>\$ 1,402,288</u>	<u>\$ 1,292,355</u>

Operating revenues are separated into several categories. Student tuition and fees remained a major source of revenue for 2012. The tuition revenue totals were assisted by a 4.5% increase for the in-district tuition rate, a 13.3% increase for the out-of-district tuition rate, and a 15.4% increase in the out-of-state tuition rate from 2011 to 2012. The College experienced an overall increase in gross tuition and fees from 2011 to 2012 of 5% or \$642,414. Scholarship allowances and discounts increased by \$795,230 for the year. Federal, State and Local grants decreased by \$939,433 or 33.3%, from 2011 to 2012 largely due to the completion of several large Skills Development Grants during the year. Sales and services of educational activities decreased slightly. Investment income decreased by \$16,972 compared to last year. The effective earnings rate for investments continues to decrease as rates across most national markets decreased for the year. Net auxiliary enterprises revenue decreased from 2011 to 2012 by \$214,764. Bookstore revenue is the largest contributor to auxiliary enterprise revenue.

Operating expenses decreased by \$642,134 or 2.9% for the year. Instructional expenditures decreased 10.55% for the year. The decrease is mainly due to the completion during the year of three large Workforce Development Grant programs that got under way during the prior year. Public Services expenditures increased slightly. Academic support expenses increased 15.48% due to reduced administrative allowance related to the Workforce Grants and an increase in technology spending. Student services costs increased by 4% consisting mostly of a 1.5% salary increase and an increase in default rate servicing. Institutional support costs increased by 7.3% largely due to a significant reduction in the State's contribution for employee health insurance and increased spending on the technology infrastructure. Expenditures for operation of the physical plant increased by 18.8% due to significant Century City construction related costs that did not qualify for capitalization.

Property tax revenue increased by \$129,120 for the year. The tax rate of the district remains one of the highest among community colleges in the state.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash Flows From			
Operating activities	\$ (13,139,548)	\$ (11,551,770)	\$(13,095,841)
Noncapital financing activities	14,314,507	13,711,411	14,207,202
Capital and related financing activities	(8,201,959)	3,180,937	(1,218,697)
Investing activities	<u>6,085,764</u>	<u>(5,657,235)</u>	<u>557,535</u>
Net increase (decrease) in cash	(941,236)	(316,657)	450,199
Cash and cash equivalents – beginning of year	<u>2,248,541</u>	<u>2,565,198</u>	<u>2,114,999</u>
Cash and cash equivalents – end of year	<u>\$ 1,307,305</u>	<u>\$ 2,248,541</u>	<u>\$ 2,565,198</u>

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

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

The main capital and related financing activities include construction and renovation projects and payments on capital debt. Renovation projects for 2011-2012 consisted of the following: Demolition and remodeling of 60,000SF and remodeling and repurposing 18,000SF of existing space at the Century City Center, reconstruction of driveways and addition of sidewalks at CCC, purchase of high-tech mannequins for the EMS program, upgrade of information technology infrastructure and texturing sidewalks in the quad area. Principal paid on debt was \$556,372 for 2012 and \$553,371 for 2011. Interest and fees paid on capital debt totaled \$473,099 in 2012 as compared to \$472,826 for 2011.

Investing activities reported include lease income from the Century City Center and the King Farm in excess of the related expenses of \$50,884 for 2012 and \$41,994 for 2011. Investing activities also reflects interest income earned on investments. Investment income reported a significant decrease due to no longer having the bond funds invested and significantly lower yields due to the continuing decline in interest rates.

Reporting of Component Unit

Reported within this report is Exhibit 1A, 2A, and 3A. Vernon College Foundation, Incorporated was established as a separate nonprofit organization in 1985. The unit raises funds to provide student scholarships and departmental grants. Exhibit 1A reports net assets increased to \$1,904,860 at the close of 2012. Gifts and contributions, realized gains, and unrealized gains or losses on investments are the major sources of revenue. Operating expense, investment advisory fees, and transfers to Vernon College are the expenses.

Analysis of the College's Overall Financial Position

The overall financial position of the College is very good. The *Statistical Supplement Section* of this report reflects many positive changes. Fall credit head count enrollment has grown from 2,095 in 2000 to 3,247 in 2011. Trends in student tuition and fee revenue as well as state appropriations are reported on statistical supplement 2.

The College taxing district is Wilbarger County, Texas. Ad valorem taxes are assessed and collected by the College based on the valuation of real property and minerals on January 1. The trend from 1993 until 2000 was an annual decline in valuation (\$768,509,627 in 1993 to \$630,645,582 in 2000). The valuation methodology for certain property within the district was changed in 2001 and an increase in valuation was experienced (\$630,645,582 in 2000 to \$786,180,807 in 2001). The tax valuation returned to a downward trend for the year 2002 (\$720,251,745). To offset the reduction in valuation, the College Board of Trustees has gradually increased the tax rate to offset the reduction in valuations. The approved tax rate per \$100 of valuation increased from \$.20011 in 1993 to \$.26195 in 2005. Valuation had been on a slow rise the past few years before dropping again in 2010 thru 2012. In 2012 the net taxable valuation increased to \$908,014,800 and the tax rate was approved with a small decrease to \$.22343 per \$100 of taxable valuation which is the effective tax rate.

Significant Capital Assets and Long-term Debt Activity

As mentioned previously in the discussion of the statement of net assets, the College's net capital assets increased by \$2,020,694 from \$7,907,302 in 2011 to \$9,927,996 in 2012. This increase is a combination of capitalizing additions purchased from current funds during the year, recording depreciation expense and payment of long term debts. More detail on the College's accounting policies for capital assets and current year activity can be found in the footnotes to the financial statements.

The College's total long-term debt decreased from \$12,798,815 to \$12,215,229, or \$583,586 as a result of paying scheduled debt payments. Payments totaling \$1,028,670, of which \$574,859 is principal, are scheduled to be made in 2013 under the College's revenue bonds and capital lease. The notes to the financial statements contain additional information concerning the debt structures for the College.

Discussion of Current Known Facts, Decisions, or Conditions

Enrollment for the fall of 2011 was at an all time record of 3,266. Enrollment for Fall 2012 decreased to 3,119. Indications are that most Community College's in Texas are seeing similar declines. A committee was created several years ago to assist in the planning for technology advancement expenditures. A report of all technology needs from each department and division has been prepared for the past four years. The report has been integrated into the strategic planning, annual planning and assessment, and budget processing for the College. Technology advances are being addressed and met within all areas of the institution.

Contacting the College's Financial Management

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

Basic Financial Statements

Vernon College
Exhibit 1
Statements of Net Assets
August 31, 2012 and 2011

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 996,560	\$ 2,108,416
Short-term investments	3,410,500	8,910,500
Accounts receivable (net)	1,360,415	1,334,612
Deferred charges	3,133,711	3,025,957
Inventories	891,861	588,767
Prepaid expenses	82,244	54,527
Total Current Assets	9,875,291	16,022,779
Noncurrent Assets		
Restricted cash and cash equivalents	310,745	140,125
Endowed Investments	2,200,000	2,600,000
Deferred charges	333,118	353,517
Capital assets (net)	23,520,983	16,982,202
Total Noncurrent Assets	26,364,846	20,075,844
Total Assets	36,240,137	36,098,623
LIABILITIES		
Current Liabilities		
Accounts payable	267,292	385,390
Accrued compensable absences - current portion	220,615	199,976
Deposits	18,347	16,447
Deferred revenues	5,319,989	5,140,216
Capital leases payable - current portion	119,859	111,372
Bonds payable - current portion	455,000	445,000
Total Current Liabilities	6,401,102	6,298,401
Noncurrent Liabilities		
Accrued compensable absences	94,550	89,781
Capital leases payable	833,132	952,991
Bonds payable	11,382,097	11,845,824
Total Noncurrent Liabilities	12,309,779	12,888,596
Total Liabilities	18,710,881	19,186,997
NET ASSETS		
Invested in capital assets, net of related debt	9,927,995	7,907,301
Restricted for:		
Nonexpendable:		
Student Aid	2,092,113	2,349,161
Expendable:		
Debt Service	1,546,422	1,546,239
Unrestricted	3,962,726	5,108,925
Total Net Assets	\$ 17,529,256	\$ 16,911,626

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 68,601	\$ 76,804
Investments	1,786,259	1,257,355
Pledges receivable	<u>50,000</u>	<u>-</u>
Total assets	<u>\$ 1,904,860</u>	<u>\$ 1,334,159</u>
LIABILITIES		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS		
Unrestricted	334,111	247,667
Permanently restricted	<u>1,570,749</u>	<u>1,086,492</u>
Total net assets	<u>1,904,860</u>	<u>1,334,159</u>
Total liabilities and net assets	<u>\$ 1,904,860</u>	<u>\$ 1,334,159</u>

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

Vernon College
Exhibit 2
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended August 31, 2012 and 2011

	2012	2011
REVENUES		
Operating Revenues		
Tuition and fees (net of discounts of \$6,458,159 and \$5,662,929, respectively)	\$ 3,486,551	\$ 3,639,368
Federal grants and contracts	235,093	700,049
State grants and contracts	610,456	1,169,238
Non-governmental grants and contracts	1,035,962	951,657
Sales and services of educational activities	99,473	111,860
Investment income (program restricted)	26,978	43,949
Auxiliary enterprises (net of discounts of \$1,238,770 and \$1,127,775, respectively)	1,268,081	1,482,844
General operating revenues	14,011	22,361
Total Operating Revenues (Sch A)	6,776,605	8,121,326
EXPENSES		
Operating Expenses		
Instruction	7,060,743	8,007,493
Public services	418,091	409,776
Academic support	2,682,118	2,341,237
Student services	1,712,991	1,661,351
Institutional support	2,804,470	2,629,477
Operation and maintenance of plant	2,328,966	1,969,637
Scholarships and fellowships	1,428,280	2,093,857
Auxiliary enterprises	2,040,150	2,223,892
Depreciation	623,367	575,216
Total Operating Expenses (Sch B)	21,099,176	21,911,936
Operating Loss	(14,322,571)	(13,790,610)
Non-Operating Revenues (Expenses)		
State appropriations	6,799,752	7,000,865
Property taxes for maintenance & operations	2,167,943	2,038,823
Federal revenue, non-operating	6,193,085	6,133,753
Gifts	100,700	542,772
Investment income	62,608	109,542
Gain/(Loss) on disposal of assets	50,000	(190,353)
Lease income	60,461	65,825
Operational costs of lease property	(9,577)	(23,831)
Amortization of bond issuance costs	(11,672)	(11,672)
Interest and fees on capital related debt	(473,099)	(472,826)
Net Non-Operating Revenues (Expenses) (Sch C)	14,940,201	15,192,898
Increase in Net Assets	617,630	1,402,288
Net Assets		
Net assets - beginning of year	16,911,626	15,509,338
Net assets - end of year	\$ 17,529,256	\$ 16,911,626

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues and support:		
Gifts and contributions	\$ 583,385	\$ 345,767
Gifts and contributions - non-cash	68,912	-
Silent auction	12,646	5,710
Investment income	35,753	30,718
Realized gains (losses) on investments	101,846	83,478
Unrealized gains (losses) on investments	<u>(32,362)</u>	<u>(49,865)</u>
 Total revenues and support	 <u>770,180</u>	 <u>415,808</u>
Expenses:		
Operating expenses	7,118	6,101
Investment advisory fees	17,237	9,562
Departmental grants	12,003	17,755
Restricted gifts transfer to Vernon College	93,912	500,000
Scholarship transfer	<u>69,209</u>	<u>35,898</u>
 Total expenses	 <u>199,479</u>	 <u>569,316</u>
 Increase (decrease) in net assets	 570,701	 (153,508)
 Net assets at beginning of year	 <u>1,334,159</u>	 <u>1,487,667</u>
 Net assets at end of year	 <u><u>\$ 1,904,860</u></u>	 <u><u>\$ 1,334,159</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, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 4,810,330	\$ 6,119,402
Receipts of appropriations, grants and contracts	1,887,889	2,649,149
Other receipts	159,325	155,660
Payments to or on behalf of employees	(12,150,186)	(11,937,296)
Payments to suppliers for goods and services	(6,418,626)	(8,049,681)
Payments of scholarships	(1,428,280)	(489,004)
Net cash used by operating activities	(13,139,548)	(11,551,770)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State allocations	5,887,753	5,526,156
Federal revenue, non-operating	6,147,082	6,102,377
Property taxes for maintenance and operations	2,178,972	2,040,106
Gifts to endowment	100,700	42,772
Net cash provided by noncapital financing activities	14,314,507	13,711,411
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Gifts restricted for construction of capital assets	-	500,000
Purchases and construction of capital assets	(7,222,488)	(2,185,489)
Proceeds from sales of capital assets	50,000	-
Principal paid on capital debt	(556,372)	(553,371)
Proceeds from issuance of capital debt	-	5,892,623
Interest and fees paid on capital debt	(473,099)	(472,826)
Net cash provided (used) by capital and related financing activities	(8,201,959)	3,180,937
CASH FLOWS FROM INVESTING ACTIVITIES		
Lease income	60,461	65,825
Operating costs of lease property	(9,577)	(23,831)
Sales/(purchases) of short-term investments	5,900,000	(5,720,884)
Investment income	134,880	21,655
Net cash provided (used) by investing activities	6,085,764	(5,657,235)
Increase (decrease) in cash and cash equivalents	(941,236)	(316,657)
Cash and cash equivalents - beginning of year	2,248,541	2,565,198
Cash and cash equivalents - end of year	\$ 1,307,305	\$ 2,248,541
Displayed as:		
Cash and cash equivalents	\$ 996,560	\$ 2,108,416
Restricted cash and cash equivalents	310,745	140,125
	\$ 1,307,305	\$ 2,248,541
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (14,322,571)	\$ (13,790,610)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	623,367	575,216
Payments for benefits made directly by state	947,732	1,542,276
(Increase) decrease in current assets:		
Accounts receivable, net (adjusted for non-operating items)	(98,834)	311,067
Inventories	(303,094)	(46,718)
Deferred charges	(107,754)	(769,879)
Prepaid assets	(27,717)	157,866
Increase (decrease) in current liabilities:		
Accounts payable (adjusted for non-operating items)	(57,758)	(28,085)
Accrued compensable absences	25,408	5,849
Deferred revenues	179,773	491,818
Deposits	1,900	(570)
Net cash used by operating activities	\$ (13,139,548)	\$ (11,551,770)
Noncash Financing and Investing Activities:		
Retirement of bonds payable through current refunding	\$ -	\$ 5,759,537
Incurrence of bond issuance costs through current refunding	-	311,513

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

Vernon College
Exhibit 3A
Vernon College Foundation, Incorporated
Statements of Cash Flows
For the Years Ended August 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Receipts of gifts	\$ 533,385	\$ 345,767
Proceeds from Silent Auction	12,646	5,710
Payments to suppliers for goods and services	(24,355)	(15,663)
Restricted gift transferred to Vernon College	(25,000)	(500,000)
Payment of scholarships and grants	(81,212)	(104,156)
Net cash provided (used) by operating activities	415,464	(268,342)
Cash flows from investing activities:		
Sales proceeds on sales of investments	414,453	1,061,372
Purchase of investments	(873,873)	(1,540,061)
Investment income	35,753	32,415
Net cash provided (used) by investing activities	(423,667)	(446,274)
Increase (decrease) in cash and cash equivalents	(8,203)	(714,616)
Cash and cash equivalents at beginning of year	76,804	791,420
Cash and cash equivalents at end of year	\$ 68,601	\$ 76,804
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 570,701	\$ (153,508)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Investment income	(35,753)	(30,718)
Realized gain on sale of investments	(101,846)	(83,478)
Unrealized loss on investments held	32,362	49,865
(Increase) decrease in operating assets:		
Pledges receivable	(50,000)	-
Increase (decrease) in operating liabilities:		
Accounts payable	-	(50,503)
Net cash provided (used) by operating activities	\$ 415,464	\$ (268,342)

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, 2012 AND 2011

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, 2012 AND 2011

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

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

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

J. Deferred Revenues

Tuition and fees of \$4,560,211 and \$4,513,458 and federal, state and local grants of \$491,767 and \$388,399 have been reported as deferred revenues at August 31, 2012 and 2011, respectively. Auxiliary enterprise revenues, including meal and dorm rent, and other revenues deferred totaled \$268,011 and \$238,359 at August 31, 2012 and 2011, respectively.

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, 2012 and 2011.

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

L. Estimates

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

M. Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state allocations, property tax collections, and lease income. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

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

N. Net Asset Policy

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

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, 2012 and 2011, the carrying amount of the College's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,917,805 and \$13,753,119, respectively, and the bank balance was \$7,988,652 and \$14,670,031, respectively. The College's cash deposits at August 31, 2012 and 2011 were entirely covered by FDIC insurance or by pledged collateral held by the College's agent bank in the College's name.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

Investments

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

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

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

The College's investments at August 31, 2012 and 2011 are as follows:

<u>Investment or Investment Type</u>	<u>August 31, 2012</u>		<u>August 31, 2011</u>	
	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificates of deposit	6.39	\$5,610,500	3.83	\$11,510,500

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, 2012 AND 2011

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, 2012 and 2011 are shown below:

	2012	2011
Mutual funds	<u>\$ 1,786,259</u>	<u>\$1,257,355</u>
Total aggregate cost	<u>\$ 1,818,620</u>	<u>\$1,307,220</u>

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

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, 2012 AND 2011

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 years ended August 31, 2012 and 2011:

Net Assessed Valuation:

Net assessed valuation for year ended August 31:	<u>2012</u>	<u>2011</u>
Gross assessed valuation	\$1,523,966,580	\$1,498,674,530
Less exceptions or abatements	(615,951,780)	(611,389,270)
Net assessed valuation	<u>\$ 908,014,800</u>	<u>\$ 887,285,260</u>

Tax Rate Per \$100 Valuation:

	<u>Year Ended August 31, 2012</u>			<u>Year Ended August 31, 2011</u>		
	<u>Current</u> <u>Operations</u>	<u>Debt</u> <u>Service</u>	<u>Totals</u>	<u>Current</u> <u>Operations</u>	<u>Debt</u> <u>Service</u>	<u>Totals</u>
Authorized	\$1.00000	\$.00000	\$1.00000	\$1.00000	\$.00000	\$1.00000
Assessed	\$.22343	\$.00000	\$.22343	\$.22672	\$.00000	\$.22672

Property taxes levied for the years ended August 31, 2012 and 2011 amounted to \$2,028,437 and \$2,018,225, respectively.

Tax Collections:

	<u>Year Ended August 31, 2012</u>			<u>Year Ended August 31, 2011</u>		
	<u>Current</u> <u>Operations</u>	<u>Debt</u> <u>Service</u>	<u>Totals</u>	<u>Current</u> <u>Operations</u>	<u>Debt</u> <u>Service</u>	<u>Totals</u>
Current taxes	\$2,001,375	\$ --	\$2,001,375	\$1,966,566	\$ --	\$1,966,566
Delinquent taxes	69,128	--	69,128	46,587	--	46,587
Penalties and interest	<u>34,585</u>	<u>--</u>	<u>34,585</u>	<u>25,670</u>	<u>--</u>	<u>25,670</u>
Total collections	<u>\$2,105,088</u>	<u>\$ --</u>	<u>\$2,105,088</u>	<u>\$2,038,823</u>	<u>\$ --</u>	<u>\$2,038,823</u>

Current tax collections for the years ended August 31, 2012 and 2011 were 98.67% and 97.56%, respectively, of the current year levy. Allowances for uncollectible taxes are based on historical experience in collecting property taxes. The use of property taxes is restricted to either maintenance and operations or general obligation debt service.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

5. Disaggregation of Accounts Receivable

Accounts receivable, net of allowances for uncollectibles, at August 31, 2012 and 2011 consisted of the following:

August 31, 2012

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$ 811,961	\$488,982	\$ 322,979
Federal grants	500,804	--	500,804
State/local grants and contracts	154,458	--	154,458
Property taxes	144,513	61,044	83,469
Others	<u>298,705</u>	<u>--</u>	<u>298,705</u>
Totals	<u>\$1,910,441</u>	<u>\$550,026</u>	<u>\$1,360,415</u>

August 31, 2011

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

6. Capital Assets

Capital assets activity for the years ended August 31, 2012 and 2011 was as follows:

August 31, 2012

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,812,791	\$ --	\$ --	\$ 2,812,791
Construction in progress	369,166	--	369,166	--
Total capital assets not being depreciated	<u>3,181,957</u>	<u>--</u>	<u>369,166</u>	<u>2,812,791</u>
Capital assets being depreciated:				
Buildings	16,905,273	5,383,541	--	22,288,814
Land improvements	983,581	482,605	--	1,466,186
Furniture, machinery, vehicles and other equipment	1,715,669	1,596,617	--	3,312,286
Telecommunications and computer equipment	1,357,454	52,061	--	1,409,515
Library books	1,091,117	16,490	--	1,107,607
Total capital assets being depreciated	<u>22,053,094</u>	<u>7,531,314</u>	<u>--</u>	<u>29,584,408</u>
Less accumulated depreciation:				
Buildings	5,085,012	371,231	--	5,456,243
Land improvements	518,427	35,415	--	553,842
Furniture, machinery, vehicles and other equipment	837,132	115,924	--	953,056
Telecommunications and computer equipment	980,632	79,263	--	1,059,895
Library books	831,646	21,534	--	853,180
Total accumulated depreciation	<u>8,252,849</u>	<u>623,367</u>	<u>--</u>	<u>8,876,216</u>
Total capital assets being depreciated, net	<u>13,800,245</u>	<u>6,907,947</u>	<u>--</u>	<u>20,708,192</u>
Capital assets, net	<u>\$16,982,202</u>	<u>\$6,907,947</u>	<u>\$ 369,166</u>	<u>\$23,520,983</u>

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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August 31, 2011

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

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, 2012 and 2011 are as follows:

August 31, 2012

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$12,125,000	\$ --	\$ 445,000	\$11,680,000	\$455,000
Premium on bonds	165,824	--	8,727	157,097	--
Capital leases	1,064,363	--	111,372	952,991	119,859
Compensated absences	289,757	301,371	275,963	315,165	220,615
Totals	<u>\$13,644,944</u>	<u>\$ 301,371</u>	<u>\$ 841,062</u>	<u>\$13,105,253</u>	<u>\$795,474</u>

August 31, 2011

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

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, 2012 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 574,860	\$ 453,811	\$ 1,028,671
2014	593,858	437,282	1,031,140
2015	613,393	420,032	1,033,425
2016	632,777	401,494	1,034,271
2017	658,423	381,247	1,039,670
2018-22	3,009,680	1,580,636	4,590,316
2023-27	3,325,000	989,875	4,314,875
2028-30	<u>3,225,000</u>	<u>231,300</u>	<u>3,456,300</u>
Totals	<u>\$12,632,991</u>	<u>\$4,895,677</u>	<u>\$17,528,668</u>

C. Revenue Bonds Payable

The Wilbarger County Junior College District Consolidated Fund Revenue Bond Series 2004 (\$3,335,000) and Taxable Series 2004 (\$3,205,000) were issued to acquire the Wichita Falls campus; improve, renovate, enlarge and equip the College's Administrative Building; and construct and improve roads on the College's Vernon campus. The combined amount of issues and amounts authorized was \$8,100,000. The sources of revenue for debt service include, as necessary, (1) tuition, (2) building use fees, (3) student service fees, (4) lab fees, (5) other fees, and (6) charges for the use of the components of the Auxiliary Enterprise Fund. The Series 2004 and Taxable Series 2004 revenue bonds' interest rates are set at 110% of the Bond Buyer Index and Prime Rate plus 1.75%, respectively.

On September 23, 2010, the College issued \$11,765,000 of Consolidated Fund Revenue Improvement and Refunding Bonds, Series 2010 dated September 1, 2010. The bonds were issued to refund the entire \$3,335,000 outstanding balance of the Wilbarger County Junior College District Consolidated Fund Revenue Bonds, Series 2004 and \$2,395,000 of the outstanding balance of Taxable Bonds, Series 2004. Both refundings were current refundings where proceeds of the new debt directly repaid principal of the old debt.

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

Debt service requirements for the College's outstanding bonds at August 31, 2012 are as follows:

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<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 455,000	\$ 409,700	\$ 864,700
2014	465,000	399,150	864,150
2015	475,000	388,325	863,325
2016	485,000	376,681	861,681
2017	500,000	363,600	863,600
2018-22	2,750,000	1,569,456	4,319,456
2023-27	3,325,000	989,875	4,314,875
2028-30	<u>3,225,000</u>	<u>231,300</u>	<u>3,456,300</u>
Totals	<u>\$11,680,000</u>	<u>\$4,728,087</u>	<u>\$16,408,087</u>

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

D. Capital Leases

The Public Property Finance Act gives the College authority to enter into capital leases for the acquisition of personal property. Through August 31, 2012, the College has acquired \$1,644,995 in equipment through capital leases.

Commitments under capitalized lease agreements provide for minimum future rental payments as of August 31, 2012 as follows:

<u>Year Ending August 31,</u>	
2013	\$ 163,970
2014	166,990
2015	170,100
2016	172,590
2017	176,070
2018-19	<u>270,860</u>
Total minimum lease payments	1,120,580
Less amount representing interest	<u>(167,589)</u>
Present value of minimum lease payments	<u>\$ 952,991</u>

The interest rate on the capital leases is 4.67%.

E. Compensated Absences

1. Vacation Leave

Full-time employees earn annual leave from 8 to 12 hours per month depending on the number of years employed with the College. The College's policy is that an employee may carry his accrued vacation leave forward from one fiscal year to another with a maximum carry forward of 160 hours. Employees with at least one month of service who terminate their employment are entitled to payment of all accumulated vacation leave up to the maximum allowed. The College recognized the accrued liability for the unpaid vacation leave of \$315,165 and \$289,757 at August 31, 2012 and 2011, respectively.

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YEARS ENDED AUGUST 31, 2012 AND 2011

2. Sick Leave

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

8. Employees' Retirement Plans

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

A. Teacher Retirement System of Texas

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution deductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2012 and 2011 and a state contribution rate of 6.0% for fiscal year 2012 and 6.644% for fiscal year 2011. In certain instances the reporting district is required to make all or a portion of the state's contribution for a fiscal year. Additionally, the College contributes 1.31% of the covered payroll.

Total payroll of employees covered by TRS was \$6,536,579 and \$6,572,658 for the years ended August 31, 2012 and 2011, respectively. The College's employees' contributions to the System for the years ending August 31, 2012 and 2011 were \$418,341 and \$420,650, 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, 2012 and 2011 were \$81,518 and \$83,233, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2012 and 2011, the amounts contributed by the state on behalf of the College were \$191,656 and \$436,687, respectively.

B. Optional Retirement Program

1. Plan Description

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

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2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.65%, respectively. Additionally, the College contributes 1.31% of the covered payroll. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

Total payroll of employees covered by the Program was \$2,903,749 and \$2,957,870 for the years ended August 31, 2012 and 2011, respectively. The College's employees' contributions to the Program for the years ending August 31, 2012 and 2011 were \$192,919 and \$196,698, respectively, and were equal to the required contributions for the year. Other contributions made from the College for the years ending August 31, 2012 and 2011 were \$45,828 and \$38,748, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2012 and 2011, the amounts contributed by the State on behalf of the College were \$159,425 and \$189,306, respectively. The State has no unfunded liabilities relative to the Program.

C. Total Payroll

The total payroll for all College employees was \$10,490,315 and \$10,758,662 for the years ended August 31, 2012 and 2011, 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. Post-Employment Benefits Other Than Pensions

In addition to providing pension benefits, the State provides certain healthcare and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums.

The State's contribution per full-time employee was \$438 per month for employee only coverage and ranging from \$606 to \$856 for employee and dependent coverage for the year ended August 31, 2012. The State's contribution per full-time employee was \$413 per month for employee only coverage and ranging from \$571 to \$808 for employee and dependent coverage for the year ended August 31, 2011. The total number of employees participating in the plan and contributions were as follows:

	<u>2011-12</u>		<u>2010-11</u>	
	<u>Number of Employees</u>	<u>Contribution</u>	<u>Number of Employees</u>	<u>Contribution</u>
Active employees	217	\$ 208,750	220	\$ 691,894
Retired employees	<u>64</u>	<u>387,861</u>	<u>64</u>	<u>308,170</u>
Totals	<u>281</u>	<u>\$ 596,611</u>	<u>284</u>	<u>\$1,000,064</u>

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2012 AND 2011

1. Plan Description

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

2. Funding Policy

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

The College's contributions to SRHP for the years ended August 31, 2012, 2011 and 2010 were \$38,541, \$42,215 and \$32,051, respectively, which equaled the required contributions each year.

11. Contracts and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedule A. For grant awards, funds expended, but not collected, are reported as accounts receivable on Exhibit 1. See Note 5 for disaggregation of amounts included in accounts receivable. Grant awards received but not expended are included in deferred revenues on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements.

12. 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 2012, 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.

13. Commitments and Contingencies

A. Facilities Lease

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

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Year Ending August 31,

2013	\$ 54,000
2014	54,000
2015	54,000
2016	54,000
2017	54,000
2018-19	<u>18,000</u>
Total minimum lease payments	<u>\$288,000</u>

The College paid \$36,250 and \$33,000 in rent under this and the previous lease agreement during the years ended August 31, 2012 and 2011, respectively.

B. Long-Term Service Contract

The College contracts with an outside information technology firm for maintenance of its hardware, software and network. The College's contract with the company is for a term of three years through August 31, 2014 with a minimum base fee of \$310,000 per year paid in monthly installments of \$25,833 and additional annual license fees of \$36 per computer paid October 1st of each year. Future minimum payments under this agreement with the current inventory of computers are as follows:

Year Ending August 31,

2013	\$ 333,400
2014	<u>333,400</u>
Total future minimum payments	<u>\$ 666,800</u>

The College paid \$293,951 in service fees under this agreement during the year ended August 31, 2012.

C. Grants

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

D. Teacher Retirement System Contributions

Texas Constitution Article 16, Section 67(b)(3) provides that the State of Texas must contribute "not less than six percent nor more than ten percent of the aggregate compensation paid to individuals participating in the system," referring to the State's Teacher Retirement System (TRS) including the related faculty Optional Retirement Program (ORP). During the 2011 legislative session, the Texas Legislature appropriated retirement funds for various types of educational institutions other than community and junior colleges in satisfaction of this requirement, but the community college appropriations restricted the State's contribution to TRS/ORP on behalf of community colleges to only six percent of each district's unrestricted general revenue appropriation for each year of the biennium state budget.

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There is no pending litigation concerning this issue to construe the constitutional funding requirements; or to hold that the State biennium appropriations satisfy those requirements; or to attempt to collect any shortfall contributions from any community college district. The College has calculated that as of August 31, 2012, the contribution that has not been paid to TRS on behalf of the College's employees is \$207,476.

14. Concentration – Title IV HEA Funding

For the years ended August 31, 2012 and 2011, the College received approximately 28% of its total revenues (operating and non-operating) from federal Title IV HEA grants. In addition, \$6,562,210 and \$6,387,480 of Title IV student loans were used by students to pay for tuition, fees and other costs included in the College's revenues for the years ending August 31, 2012 and 2011, respectively. Altogether these grants and loans directly contribute to more than 50% of the College's total annual revenue. A loss or significant reduction in these grants and loans would have a material adverse effect on the College's operations and financial position.

Other Supplementary Information

Vernon College
Schedule A
Schedule of Operating Revenues
For the Year Ended August 31, 2012
(With Memorandum Totals for the Year Ended August 31, 2011)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2012 Totals	2011 Totals
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 295,063	\$ -	\$ 295,063	\$ -	\$ 295,063	\$ 265,202
Out-of-district resident tuition	4,592,223	-	4,592,223	-	4,592,223	3,962,917
Non-resident tuition	176,637	-	176,637	-	176,637	200,042
TPEG - credit (set aside)*	-	302,537	302,537	-	302,537	274,222
State funded continuing education	521,863	-	521,863	-	521,863	540,035
TPEG - non-credit (set aside)*	-	26,115	26,115	-	26,115	27,450
Non-state funded continuing education	128,830	-	128,830	-	128,830	133,380
Total Tuition	5,714,616	328,652	6,043,268	-	6,043,268	5,403,248
Fees:						
General fees	3,234,979	-	3,234,979	-	3,234,979	3,248,673
Laboratory fees	666,463	-	666,463	-	666,463	677,826
Total Fees	3,901,442	-	3,901,442	-	3,901,442	3,926,499
Scholarship allowances and discounts:						
Remissions and exemptions - state	(179,718)	-	(179,718)	-	(179,718)	(96,527)
Title IV federal grants	(3,703,510)	-	(3,703,510)	-	(3,703,510)	(3,030,080)
TPEG awards	(302,537)	-	(302,537)	-	(302,537)	(274,222)
Other local awards	(2,272,394)	-	(2,272,394)	-	(2,272,394)	(2,262,100)
Total Scholarship Allowances	(6,458,159)	-	(6,458,159)	-	(6,458,159)	(5,662,929)
Total Net Tuition and Fees	3,157,899	328,652	3,486,551	-	3,486,551	3,666,818
Other operating revenues:						
Federal grants and contracts	9,335	225,758	235,093	-	235,093	700,049
State grants and contracts	-	610,456	610,456	-	610,456	1,169,238
Non-governmental grants and contracts	-	1,035,962	1,035,962	-	1,035,962	924,207
Sales and services of educational activities	99,473	-	99,473	-	99,473	111,860
Investment income (program restricted)	-	26,978	26,978	-	26,978	43,949
General operating revenues	14,011	-	14,011	-	14,011	22,362
Total Other Operating Revenues	122,819	1,899,154	2,021,973	-	2,021,973	2,971,666
Auxiliary Enterprises:						
Residential life	-	-	-	429,050	429,050	440,123
Scholarship allowances and discounts	-	-	-	(152,241)	(152,241)	(168,953)
Net Residential Life	-	-	-	276,809	276,809	271,170
Bookstore	-	-	-	1,995,932	1,995,932	2,091,945
Scholarship allowances and discounts	-	-	-	(1,086,529)	(1,086,529)	(958,822)
Net Bookstore	-	-	-	909,403	909,403	1,133,123
Student programs	-	-	-	81,869	81,869	78,551
Total Net Auxiliary Enterprises	-	-	-	1,268,081	1,268,081	1,482,844
Total Operating Revenues (Exhibit 2)	\$ 3,280,718	\$ 2,227,806	\$ 5,508,524	\$ 1,268,081	\$ 6,776,605	\$ 8,121,326
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$328,652 and \$301,672 for years August 31, 2012 and 2011, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

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

Vernon College
Schedule B
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2012
(With Memorandum Totals for the Year Ended August 31, 2011)

	Operating Expenses			2012 Totals	2011 Totals	
	Salaries and Wages	Benefits				Other Expenses
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 4,956,092	\$ -	\$ 758,018	\$ 352,489	\$ 6,066,599	\$ 5,727,297
Public Service	92,304	-	28,606	51,234	172,144	158,369
Academic Support	1,496,791	-	225,293	788,073	2,510,157	2,086,980
Student Services	1,161,171	-	184,704	172,579	1,518,454	1,408,113
Institutional Support	1,148,224	-	171,416	1,374,081	2,693,721	2,434,320
Operation and Maintenance of Plant	733,790	-	109,546	1,415,366	2,258,702	1,864,587
Scholarships and Fellowships	-	-	-	-	-	-
Total Unrestricted Educational Activities	9,588,372	-	1,477,583	4,153,822	15,219,777	13,679,667
Restricted - Educational Activities						
Instruction	121,465	486,197	-	386,482	994,144	2,280,196
Public Service	99,312	18,348	10,522	117,765	245,947	251,406
Academic Support	12,327	144,505	-	15,129	171,961	254,256
Student Services	76,066	118,471	-	-	194,537	253,238
Institutional Support	-	109,947	-	802	110,749	195,157
Operation and Maintenance of Plant	-	70,264	-	-	70,264	105,051
Scholarships and Fellowships	-	-	-	1,428,280	1,428,280	2,093,857
Total Restricted Educational Activities	309,170	947,732	10,522	1,948,458	3,215,882	5,433,161
Total Educational Activities	9,897,542	947,732	1,488,105	6,102,280	18,435,659	19,112,828
Auxiliary Enterprises	613,201	-	176,746	1,250,203	2,040,150	2,223,893
Depreciation Expense - Buildings and other real estate improvements	-	-	-	406,645	406,645	371,117
Depreciation Expense - Equipment and furniture	-	-	-	216,722	216,722	204,099
Total Operating Expenses	\$ 10,510,743	\$ 947,732	\$ 1,664,851	\$ 7,975,850	\$ 21,099,176	\$ 21,911,936
				(Exhibit 2)	(Exhibit 2)	

Vernon College
Schedule C
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2012
(With Memorandum Totals for the Year Ended August 31, 2011)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2012 Totals</u>	<u>2011 Totals</u>
NON-OPERATING REVENUES:					
State appropriations:					
Educational and general state support	\$ 5,852,020	\$ -	\$ -	\$ 5,852,020	\$ 5,458,589
State group insurance	-	596,611	-	596,611	1,000,064
State retirement match	-	351,121	-	351,121	542,212
	<u>5,852,020</u>	<u>947,732</u>	<u>-</u>	<u>6,799,752</u>	<u>7,000,865</u>
Total state appropriations					
Property taxes for maintenance & operations	1,382,198	-	785,745	2,167,943	2,038,823
Federal revenue, non-operating	-	6,193,085	-	6,193,085	6,133,753
Capital contracts, grants and gifts	68,912	31,788	-	100,700	542,772
Gain/(Loss) on disposal of assets	-	50,000	-	50,000	(190,353)
Lease income	-	60,461	-	60,461	65,825
Investment income	29,086	33,522	-	62,608	109,542
	<u>7,332,216</u>	<u>7,316,588</u>	<u>785,745</u>	<u>15,434,549</u>	<u>15,701,227</u>
Total non-operating revenues					
NON-OPERATING EXPENSES:					
Operational costs of lease property	-	9,577	-	9,577	23,831
Amortization of bond issuance costs	-	11,672	-	11,672	11,672
Interest and fees on capital related debt	53,168	419,931	-	473,099	472,826
	<u>53,168</u>	<u>441,180</u>	<u>-</u>	<u>494,348</u>	<u>508,329</u>
Total non-operating expenses					
Net non-operating revenues	<u>\$ 7,279,048</u>	<u>\$ 6,875,408</u>	<u>\$ 785,745</u>	<u>\$ 14,940,201</u>	<u>\$ 15,192,898</u>
				(Exhibit 2)	(Exhibit 2)

Vernon College
Schedule D
Schedule of Net Assets By Source and Availability
For the Year Ended August 31, 2012
(With Memorandum Totals for the Year Ended August 31, 2011)

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 3,930,055	\$ -	\$ -	\$ -	\$ 3,930,055	\$ 3,930,055	\$ -
Auxiliary	56,724	-	-	-	56,724	56,724	-
Student Aid	(24,053)	-	-	-	(24,053)	(24,053)	-
Endowment:							
Unrestricted:							
Student Aid	-	-	2,092,113	-	2,092,113	-	2,092,113
Plant:							
Debt Service	-	1,546,422	-	-	1,546,422	-	1,546,422
Investment in Plant	-	-	-	9,927,995	9,927,995	-	9,927,995
Total Net Assets, August 31, 2012	3,962,726	1,546,422	2,092,113	9,927,995	17,529,256	3,962,726	13,566,530
					(Exhibit 1)		
Total Net Assets, August 31, 2011	5,134,922	1,520,241	2,349,161	7,907,302	16,911,626	5,134,922	11,776,704
					(Exhibit 1)		
Net Increase (Decrease) in Net Assets	<u>\$(1,172,196)</u>	<u>\$ 26,181</u>	<u>\$ (257,048)</u>	<u>\$ 2,020,693</u>	<u>\$ 617,630</u>	<u>\$(1,172,196)</u>	<u>\$ 1,789,826</u>
					(Exhibit 2)		

**Vernon College
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2012**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
<u>U.S. Department of Education:</u>			
<u>Direct Programs:</u>			
Student Financial Aid Cluster:			
Supplemental Educational Opportunity Grant (FSEOG)	84.007	N/A	\$ 46,625
Federal Work-Study Program (FWS)	84.033	N/A	76,066
Federal Pell Grant Program (Pell)	84.063	N/A	6,070,394
Federal Direct Student Loans (Direct Loan)	84.268	N/A	<u>6,562,210</u>
Total Direct Programs			<u>12,755,295</u>
<u>Pass-Through From:</u>			
Texas Higher Education Coordinating Board:			
Carl Perkins Vocational Education Annual Grant	84.048	94252	<u>168,540</u>
Total U.S. Department of Education			<u>12,923,835</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	2,092
Special Programs for the Aging -Title III, Part C Nutrition	93.045	N/A	<u>55,126</u>
Total U.S. Department of Health and Human Services			<u>57,218</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 12,981,053</u>

The accompanying Notes are an integral part of this statement.

Vernon College
Schedule E
Schedule of Expenditures of Federal Awards (Cont'd)
For the Year Ended August 31, 2012

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 Grants and Contracts - per Schedule A	\$ 235,093
Federal Grants and Contracts - per Schedule C	6,193,085
Direct Loans	6,562,210
Administrative Cost Recoveries - U.S. Department of Education	<u>(9,335)</u>
 Total Per Schedule E - Schedule of Expenditures of Federal Awards	 <u>\$ 12,981,053</u>

Note 3: Student Loans Processed and Administrative Costs Recovered

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>New Loans Processed</u>	<u>Administrative Cost Recovered</u>	<u>Total Loans Processed and Administrative Cost Recovered</u>
Department of Education - 84.032 Federal Family Education Loan	<u>\$ 6,562,210</u>	<u>\$ -</u>	<u>\$ 6,562,210</u>

Vernon College
Schedule F
Schedule of Expenditures of State Awards
For Year Ended August 31, 2012

State Grantor/Pass Through Grantor/Program Title	Grant Contract #	Expenditures August 31, 2012
Pass-Through From		
Texas Higher Education Coordinating Board		
College Workstudy	N/A	\$ 12,320
Texas Grant	N/A	219,950
Texas Education Opportunity Grant	N/A	53,066
Top 10% Scholarship Program	NA	12,000
Professional Nursing (Over 70) Grant	N/A	67,109
Professional Nursing Shortage Reduction Program	N/A	41,862
Subtotal Texas Higher Education Coordinating Board		406,307
Texas Department of Agriculture		
Texans Feeding Texans	N/A	7,951
Subtotal Texas Department of Agriculture		7,951
Texas Comptroller of Public Accounts		
Law Enforcement Grant	N/A	802
JET EMS SimLab Grant	5112-4	79,148
Subtotal Texas Comptroller of Public Accounts		79,950
Texas Workforce Commission		
Skills Development Fund (SDF) Grants:		
SDF Grant Tranter/Pratt-Whitney	0312SDF000	920
SDF Grant WF Consortium	0310SDF000	80,652
SDF Grant Natura World	0310SDF001	811
SDF Grant WDS Global	0310SDF002	27,835
Small Business Development Grant	0312SSD000	555
TWC-LEP Grant	0311MFS000	5,475
Subtotal Texas Workforce Awards		116,248
Total State Grants and Awards		\$ 610,456

Note 1: Significant Accounting Policies Used in Preparing the Schedule

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

Statistical Section

**Vernon College
Statistical Supplement 1
Net Assets by Component
Fiscal Years 2007 to 2012
(Unaudited)**

	For the Years Ended August 31,					
	2012	2011	2010	2009	2008	2007
Invested in capital assets, net of related debt	\$ 9,927,996	\$ 7,907,301	\$ 7,758,361	\$ 7,532,428	\$ 7,302,927	\$ 7,318,720
Restricted - nonexpendable	2,092,113	2,349,161	2,495,414	2,504,215	2,495,579	2,038,618
Restricted - expendable	1,546,422	1,546,239	509,831	462,826	665,508	622,405
Unrestricted	3,962,726	5,108,925	4,745,732	3,717,514	2,990,161	2,976,155
Total primary government net assets	<u>\$ 17,529,256</u>	<u>\$ 16,911,626</u>	<u>\$ 15,509,338</u>	<u>\$ 14,216,983</u>	<u>\$ 13,454,175</u>	<u>\$ 12,955,898</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2007 to 2012 are reported.

Vernon College
Statistical Supplement 2
Revenue by Source
Fiscal Years 2007 to 2012
(Unaudited)

For the Years Ended August 31,

	2012	2011	2010	2009	2008	2007
Operating Revenues						
Tuition and fees (net of discounts)	\$ 3,486,551	\$ 3,639,368	\$ 3,466,174	\$ 3,330,972	\$ 1,860,137	\$ 2,198,299
Government grants and contracts:						
Federal grants and contracts	235,093	700,049	856,730	644,667	1,170,242	1,381,841
State grants and contracts	610,456	1,169,238	804,416	297,328	261,308	234,504
Non-governmental grants and contracts	1,035,962	951,657	967,624	1,106,899	872,706	627,138
Sales and services of educational activities	99,473	111,860	131,078	125,457	127,783	124,305
Investment income (program restricted)	26,978	43,949	44,067	64,712	117,565	134,949
Auxiliary enterprises (net of discounts)	1,268,081	1,482,844	1,461,942	1,518,977	1,557,681	1,582,164
Other operating revenues	14,011	22,362	34,767	596	40,758	24,321
Total Operating Revenues	<u>6,776,605</u>	<u>8,121,327</u>	<u>7,766,798</u>	<u>7,089,608</u>	<u>6,008,180</u>	<u>6,307,521</u>
Non-Operating Revenues						
State appropriations	6,799,752	7,000,865	7,060,253	7,043,388	7,077,351	6,948,017
Ad valorem taxes	2,167,943	2,038,823	2,023,749	2,020,065	2,043,714	2,036,614
Federal revenue, non-operating	6,193,085	6,133,753	5,204,669	2,969,655	2,511,925	2,377,197
Other non-operating income	150,700	352,419	72,692	75,983	-	37,061
Lease income	60,461	65,825	161,189	396,566	414,658	407,967
Investment income	62,608	109,542	86,336	97,183	123,301	179,007
Total Non-Operating Revenues	<u>15,434,549</u>	<u>15,701,227</u>	<u>14,608,888</u>	<u>12,602,840</u>	<u>12,170,949</u>	<u>11,985,863</u>
Total Revenues	<u>\$ 22,211,154</u>	<u>\$ 23,822,554</u>	<u>\$ 22,375,686</u>	<u>\$ 19,692,448</u>	<u>\$ 18,179,129</u>	<u>\$ 18,293,384</u>

For the Years Ended August 31,

	2012	2011	2010	2009	2008	2007
Operating Revenues						
Tuition and fees (net of discounts)	15.70%	15.28%	15.49%	16.91%	10.23%	12.02%
Government grants and contracts:						
Federal grants and contracts	1.06%	2.94%	3.83%	3.27%	6.44%	7.55%
State grants and contracts	2.75%	4.91%	3.60%	1.51%	1.44%	1.28%
Non-governmental grants and contracts	4.66%	3.99%	4.32%	5.62%	4.80%	3.43%
Sales and services of educational activities	0.45%	0.47%	0.59%	0.64%	0.70%	0.68%
Investment income (program restricted)	0.12%	0.18%	0.20%	0.33%	0.65%	0.74%
Auxiliary enterprises (net of discounts)	5.71%	6.22%	6.53%	7.71%	8.57%	8.65%
Other operating revenues	0.06%	0.09%	0.16%	0.00%	0.22%	0.13%
Total Operating Revenues	<u>30.51%</u>	<u>34.09%</u>	<u>34.71%</u>	<u>36.00%</u>	<u>33.05%</u>	<u>34.48%</u>
Non-Operating Revenues						
State appropriations	30.61%	29.39%	31.55%	35.77%	38.93%	37.98%
Ad valorem taxes	9.76%	8.56%	9.04%	10.26%	11.24%	11.13%
Federal Title IV grant revenue	27.88%	25.75%	23.26%	15.08%	13.82%	12.99%
Capital contracts, grants and gifts	0.68%	1.48%	0.32%	0.39%	0.00%	0.20%
Lease income	0.27%	0.28%	0.72%	2.01%	2.28%	2.23%
Investment income	0.28%	0.46%	0.39%	0.49%	0.68%	0.98%
Total Non-Operating Revenues	<u>69.49%</u>	<u>65.91%</u>	<u>65.29%</u>	<u>64.00%</u>	<u>66.95%</u>	<u>65.52%</u>
Total Revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2007 to 2012 are reported.

**Vernon College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2007 to 2012
(Unaudited)**

For the Years Ended August 31,

	2012	2011	2010	2009	2008	2007
Operating Expenses						
Instruction	\$ 7,060,743	\$ 8,007,493	\$ 7,085,729	\$ 6,733,646	\$ 6,478,364	\$ 5,834,780
Public service	418,091	409,775	390,616	383,026	344,312	332,191
Academic support	2,682,118	2,341,236	2,625,566	2,349,928	2,277,988	2,462,146
Student services	1,712,991	1,661,351	1,596,999	1,492,684	1,414,255	1,743,620
Institutional support	2,804,470	2,629,477	2,413,068	2,412,779	2,138,994	2,030,647
Operation and maintenance of plant	2,328,966	1,969,638	2,275,070	1,874,896	2,043,131	1,720,330
Scholarship and fellowships	1,428,280	966,082	1,474,636	489,004	191,434	368,533
Auxiliary enterprises	2,040,150	3,351,668	2,297,289	2,210,484	2,246,353	2,168,860
Depreciation	623,367	575,217	511,728	522,686	515,907	484,454
Total Operating Expenses	<u>21,099,176</u>	<u>21,911,937</u>	<u>20,670,701</u>	<u>18,469,133</u>	<u>17,650,738</u>	<u>17,145,561</u>
Non-Operating Expenses						
Operational costs of leased property	9,577	23,831	20,374	36,274	33,330	239,114
Amortization of bond issuance costs	11,672	11,672	5,000	5,000	5,000	5,000
Interest and fees on capital related debt	473,099	472,826	387,256	419,232	450,371	468,360
Total Non-Operating Expenses	<u>494,348</u>	<u>508,329</u>	<u>412,630</u>	<u>460,506</u>	<u>488,701</u>	<u>712,474</u>
Total Expenses	<u>\$ 21,593,524</u>	<u>\$ 22,420,266</u>	<u>\$ 21,083,331</u>	<u>\$ 18,929,639</u>	<u>\$ 18,139,439</u>	<u>\$ 17,858,035</u>

For the Years Ended August 31,

	2012	2011	2010	2009	2008	2007
Operating Expenses						
Instruction	32.70%	35.72%	33.61%	35.57%	35.71%	32.67%
Public service	1.94%	1.83%	1.85%	2.02%	1.90%	1.86%
Academic support	12.42%	10.44%	12.45%	12.41%	12.56%	13.79%
Student services	7.93%	7.41%	7.57%	7.89%	7.80%	9.76%
Institutional support	12.99%	11.73%	11.45%	12.75%	11.79%	11.37%
Operation and maintenance of plant	10.79%	8.79%	10.79%	9.90%	11.26%	9.63%
Scholarship and fellowships	6.61%	4.31%	6.99%	2.58%	1.06%	2.06%
Auxiliary enterprises	9.45%	14.95%	10.90%	11.68%	12.38%	12.15%
Depreciation	2.89%	2.57%	2.43%	2.76%	2.84%	2.71%
Total Operating Expenses	<u>97.71%</u>	<u>97.73%</u>	<u>98.04%</u>	<u>97.57%</u>	<u>97.31%</u>	<u>96.01%</u>
Non-Operating Expenses						
Operational costs of leased property	0.04%	0.11%	0.10%	0.19%	0.18%	1.34%
Amortization of bond issuance costs	0.05%	0.05%	0.02%	0.03%	0.03%	0.03%
Interest and fees on capital related debt	2.19%	2.11%	1.84%	2.21%	2.48%	2.62%
Total Non-Operating Expenses	<u>2.29%</u>	<u>2.27%</u>	<u>1.96%</u>	<u>2.43%</u>	<u>2.69%</u>	<u>3.99%</u>
Total Expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2007 to 2012 are reported.

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

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

Academic Year (Fall)	In-District Tuition	Out-of-District Tuition	Institutional Service Fee	Student Activity Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2011	46.00	85.00	29.00	6.00	972.00	1,440.00	5.19%	11.11%
2010	44.00	75.00	27.00	6.00	924.00	1,296.00	5.48%	6.93%
2009	42.00	70.00	25.00	6.00	876.00	1,212.00	10.61%	8.02%
2008	39.00	66.50	21.00	6.00	792.00	1,122.00	24.53%	20.65%
2007	36.00	60.50	11.00	6.00	636.00	930.00	8.16%	5.44%
2006	32.00	56.50	11.00	6.00	588.00	882.00	6.52%	10.53%
2005	29.00	49.50	11.00	6.00	552.00	798.00	9.52%	13.68%
2004	25.00	41.50	11.00	6.00	504.00	702.00	5.00%	13.59%
2003	23.00	34.50	11.00	6.00	480.00	618.00	14.29%	11.96%
2002	22.00	33.00	7.00	6.00	420.00	552.00	#DIV/0!	#DIV/0!

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

Academic Year (Fall)	Non-Resident Tuition Out of State	Non-Resident Tuition International	Institutional Service Fee	Student Activity Fee	Cost for 12 SCH Out-of-State	Cost for 12 SCH International	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2011	150.00	150.00	29.00	6.00	2,220.00	2,220.00	13.50%	13.50%
2010	130.00	130.00	27.00	6.00	1,956.00	1,956.00	7.95%	7.95%
2009	120.00	120.00	25.00	6.00	1,812.00	1,812.00	9.42%	9.42%
2008	111.00	111.00	21.00	6.00	1,656.00	1,656.00	15.00%	15.00%
2007	103.00	103.00	11.00	6.00	1,440.00	1,440.00	6.19%	6.19%
2006	96.00	96.00	11.00	6.00	1,356.00	1,356.00	8.65%	8.65%
2005	87.00	87.00	11.00	6.00	1,248.00	1,248.00	8.33%	8.33%
2004	79.00	79.00	11.00	6.00	1,152.00	1,152.00	12.94%	12.94%
2003	68.00	68.00	11.00	6.00	1,020.00	1,020.00	8.97%	8.97%
2002	65.00	65.00	7.00	6.00	936.00	936.00	#DIV/0!	#DIV/0!

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>
2011-12	\$ 1,523,966,580	\$ 615,951,780	\$ 908,014,800	59.58%	\$ 0.22343	\$ 0.00000	\$ 0.22343
2010-11	1,498,674,530	611,389,270	887,285,260	59.20%	\$ 0.22672	\$ 0.00000	\$ 0.22672
2009-10	1,529,569,880	626,657,640	902,912,240	59.03%	0.22280	0.00000	0.22280
2008-09	1,456,143,210	529,537,760	926,605,450	63.63%	0.21737	0.00000	0.21737
2007-08	1,264,925,500	349,950,230	914,975,270	72.33%	0.21869	0.00000	0.21869
2006-07	1,171,062,460	251,862,620	919,199,840	78.49%	0.21869	0.00000	0.21869
2005-06	1,050,763,590	245,190,490	805,573,100	76.67%	0.24993	0.00000	0.24993
2004-05	1,009,481,640	243,684,940	765,796,700	75.86%	0.26195	0.00000	0.26195
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

Source: Wilbarger County Appraisal District

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

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

Fiscal Year	State Appropriations	Appropriation per FTSE		Appropriation per Contact Hour			State Appropriation Per Contact Hour
		FTSE	State Appropriations Per FTSE	Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	
2011-12	5,852,020	2,259	2,591	858,800	796,761	1,655,561	3.53
2010-11	5,454,584	2,720	2,006	874,720	1,071,662	1,946,382	2.80
2009-10	5,521,976	2,420	2,282	860,960	826,687	1,687,647	3.27
2008-09	5,453,123	2,106	2,589	756,960	796,234	1,553,194	3.51
2007-08	5,453,123	1,999	2,728	740,544	689,139	1,429,683	3.81
2006-07	5,454,838	1,957	2,788	726,928	698,679	1,425,607	3.83
2005-06	5,453,123	1,961	2,780	694,752	767,656	1,462,408	3.73
2004-05	5,042,849	1,971	2,559	639,936	831,587	1,471,523	3.43
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

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

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

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

Taxpayer	Type of Business	Taxable Assessed Valuation (TAV) by Tax Year								
		2012	2011	2010	2009	2008	2007	2006	2005	2004
AEP Texas North Company	Energy company	\$ 184,846,970	\$ 175,881,840	\$ 186,347,390	\$ 221,145,570	\$ 259,360,420	\$ 311,522,800	\$ 306,266,190	\$ 247,226,450	\$ 230,656,150
AEP Public Service Co of Oklahoma	Energy company	51,378,340	49,330,580	58,018,740	55,415,220	55,975,710	52,262,440	53,703,940	56,973,910	61,084,130
Tyson Foods, Inc	Food processing plant	38,836,140	36,724,230	27,432,690	28,204,470	30,766,480	29,281,070	30,522,910	28,232,360	27,223,090
Oklahoma Municipal Power Authority	Energy company	33,682,770	32,929,510	30,694,140	31,554,780	28,978,660	30,411,870	31,876,920	32,505,830	33,519,560
WT Waggoner Estate	Farming, ranching, oil & gas	30,417,350	25,172,210	25,087,580	23,450,170	24,037,680	19,659,204	20,541,460	17,689,480	17,427,760
Electric Transmission of Texas	Electricity Distribution	23,236,450	10,913,990	17,946,960	22,765,170	22,555,420	25,422,440	23,399,550	21,481,620	22,684,760
Rhodia, Inc	Guar processing plant	22,484,120	18,935,300	14,756,370	13,437,470	12,769,020	11,694,320	10,334,230	9,360,030	8,733,150
BNSF Railway	Railroad company	19,890,160	17,537,810	19,967,630	21,258,480	9,740,310	9,462,890	8,095,040	6,292,390	-
Mahard Egg Farm	Egg farm	14,295,800	9,481,960	6,986,390	5,852,390	8,117,510	-	-	-	-
Johnson & Ernst Op Co	Oil & gas	11,140,290	-	-	-	-	-	-	-	-
Tradition Resources, LLC	Energy company	10,398,220	-	-	-	-	-	-	-	-
Energy Production Corp	Electricity Distribution	8,212,510	-	-	-	-	-	-	-	-
Oncor Electric Delivery	Energy company	-	13,339,240	13,609,240	12,050,300	11,490,730	11,467,250	11,467,250	11,467,250	11,467,250
AEP West Texas Utilities Company	Energy company	-	11,063,650	5,753,060	5,054,790	4,123,730	-	-	-	-
Wal-Mart Stores/Retail Trust 1	Retail sales	-	7,040,400	6,661,210	5,387,360	4,243,260	-	-	-	-
Vess Energy Partners	Oil & gas	-	5,195,240	5,195,240	4,702,560	5,389,120	6,109,790	5,778,290	-	-
Atmos Energy/MIDTEX	Energy company	-	-	-	5,810,180	-	-	-	-	-
Southwestern Bell Telephone Co	Telephone company	-	-	-	-	-	-	-	-	-
Totals		\$ 467,496,540	\$ 427,162,300	\$ 418,456,640	\$ 456,088,910	\$ 477,548,050	\$ 507,294,074	\$ 501,985,780	\$ 431,229,320	\$ 418,926,600
Total Assessed Taxable Value		\$ 986,475,610	\$ 887,285,260	\$ 902,912,240	\$ 926,605,450	\$ 914,975,270	\$ 919,199,840	\$ 805,573,100	\$ 765,796,700	\$ 700,150,164

Taxpayer	Type of Business	Percentage Taxable Assessed Valuation (TAV) by Tax Year								
		2012	2011	2010	2009	2008	2007	2006	2005	2004
AEP Texas North Company	Energy company	18.74%	19.82%	20.64%	23.87%	28.35%	33.89%	38.02%	32.28%	32.94%
AEP Public Service Co of Oklahoma	Energy company	5.21%	5.56%	6.43%	5.96%	6.12%	5.69%	6.67%	7.44%	8.72%
Tyson Foods, Inc	Food processing plant	3.94%	4.14%	3.04%	3.04%	3.36%	3.19%	3.79%	3.69%	3.89%
Oklahoma Municipal Power Authority	Energy company	3.41%	3.71%	3.40%	3.41%	3.17%	3.31%	3.96%	4.24%	4.79%
WT Waggoner Estate	Farming, ranching, oil & gas	3.08%	2.84%	2.78%	2.53%	2.63%	2.14%	2.55%	2.31%	2.49%
Electric Transmission of Texas	Electricity Distribution	2.36%	1.23%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rhodia, Inc	Guar processing plant	2.28%	2.13%	1.99%	2.46%	2.47%	2.77%	2.90%	2.81%	3.24%
BNSF Railway	Railroad company	2.02%	1.98%	1.63%	1.45%	1.40%	1.27%	1.22%	1.22%	1.25%
Mahard Egg Farm	Egg farm	1.89%	2.12%	2.21%	2.29%	1.06%	1.03%	1.00%	0.82%	0.00%
Johnson & Ernst Op Co	Oil & gas	1.45%	1.07%	0.00%	0.63%	0.89%	0.00%	0.00%	0.00%	0.00%
Tradition Resources, LLC	Energy company	1.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Energy Production Corp	Energy company	1.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Oncor Electric Delivery	Electricity Distribution	0.83%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
AEP West Texas Utilities Company	Energy company	0.00%	1.50%	1.51%	1.30%	1.26%	1.42%	1.50%	1.50%	1.64%
Wal-Mart Stores/Retail Trust 1	Retail sales	0.00%	1.25%	0.64%	0.55%	0.45%	0.00%	0.00%	0.00%	0.00%
Vess Energy Partners	Oil & gas	0.00%	0.79%	0.74%	0.58%	0.00%	0.00%	0.00%	0.00%	0.00%
Atmos Energy/MIDTEX	Energy company	0.00%	0.00%	0.58%	0.51%	0.46%	0.00%	0.00%	0.00%	0.00%
Southwestern Bell Telephone Co	Telephone company	0.00%	0.00%	0.00%	0.63%	0.59%	0.66%	0.72%	0.00%	0.88%
Totals		47.39%	48.14%	46.35%	49.22%	52.19%	55.19%	62.31%	56.31%	59.83%

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

Fiscal Year Ended August 31,	Levy (a)	Cumulative Levy Adjustment	Adjusted Tax Levy (b)	Collections Year of Levy (c)	Percentage	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (c+d+e)	Cumulative Collections of Adjusted Levy
2012	\$ 2,028,437	\$ (854)	\$ 2,027,583	\$ 2,001,376	98.71%	\$ -	\$ -	\$ 2,001,376	98.71%
2011	2,018,225	(2,795)	2,015,429	1,966,566	97.58%	-	25,682	1,992,248	98.85%
2010	2,010,444	(973)	2,009,470	1,962,237	97.65%	23,675	10,954	1,996,866	99.37%
2009	2,014,162	(4,265)	2,009,897	1,961,432	97.59%	30,924	7,098	1,999,454	99.48%
2008	2,001,065	3,549	2,004,614	1,973,462	98.45%	20,344	2,331	1,996,137	99.58%
2007	2,010,198	(8,437)	2,001,761	1,975,506	98.69%	18,016	800	1,994,322	99.63%
2006	2,020,665	(6,827)	2,013,838	1,974,744	98.06%	30,271	480	2,005,495	99.59%
2005	2,006,004	4,026	2,010,030	1,969,076	97.96%	35,180	1,507	2,005,763	99.79%
2004	2,006,070	1,649	2,007,719	1,959,415	97.59%	44,689	334	2,004,438	99.84%
2003	2,027,077	(1,278)	2,025,799	1,979,074	97.69%	43,313	229	2,022,616	99.84%

Source: Local Tax Assessor /Collector and District Records

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

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

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

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

(e) Represents current year collections of prior year levies

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

	For the Years Ended August 31,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenue bonds	\$ 11,680,000	\$ 12,125,000	\$ 6,540,000	\$ 6,845,000	\$ 7,135,000	\$ 7,415,000	\$ 7,675,000	\$ 7,925,000	\$ 8,100,000	\$ 100,000
Notes	-	-	-	-	-	-	-	-	-	-
Capital lease obligations	952,991	1,064,363	1,167,734	1,263,029	1,347,594	1,423,863	1,500,393	1,600,705	1,698,491	108,339
Total Outstanding Debt	\$ 12,632,991	\$ 13,189,363	\$ 7,707,734	\$ 8,108,029	\$ 8,482,594	\$ 8,838,863	\$ 9,175,393	\$ 9,525,705	\$ 9,798,491	\$ 208,339

Total Outstanding Debt Ratios

Per Capita	not available	not available	570.52	592.22	615.48	629.68	645.34	685.50	703.21	14.73
Per FTSE	4,086	4,849	3,185	3,850	4,243	4,517	4,679	4,833	4,566	94
As a percentage of Taxable Assessed Value	1.3913%	1.4865%	0.8537%	0.8750%	0.9271%	0.9616%	1.0132%	1.2439%	1.3995%	0.0294%

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,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Taxable Assessed Valuation	\$ 908,014,800	\$ 887,285,260	\$ 902,912,240	\$ 926,605,450	\$ 914,975,270	\$ 919,199,840	\$ 805,573,100	\$ 765,796,700	\$ 700,150,164	\$ 707,482,000
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Statutory tax levy limit for debt service	\$ 4,540,074	\$ 4,436,426	\$ 4,514,561	\$ 4,633,027	\$ 4,574,876	\$ 4,595,999	\$ 4,027,866	\$ 3,828,984	\$ 3,500,751	\$ 3,537,410
Less funds restricted for repayment of bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	4,540,074	4,436,426	4,514,561	4,633,027	4,574,876	4,595,999	4,027,866	3,828,984	3,500,751	3,537,410
Current year debt service requirement	-	-	-	-	-	-	-	-	-	-
Excess of statutory limit for debt service over current requirement	\$ 4,540,074	\$ 4,436,426	\$ 4,514,561	\$ 4,633,027	\$ 4,574,876	\$ 4,595,999	\$ 4,027,866	\$ 3,828,984	\$ 3,500,751	\$ 3,537,410
Net current requirement as a percentage of statutory limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

Revenue Bonds Fiscal Year Ended August 31	Pledged Revenues						Debt Service Requirements			Coverage Ratio	
	Tuition	Laboratory/ Special Fee	General Registration Fees	General Use Fee	Facility/Farm Lease Revenue	Investment Income	Total	Principal	Interest		Total
2012	\$ 5,431,705	\$ 678,138	\$ 3,506,215	\$ -	\$ 60,461	\$ 29,086	\$ 9,705,605	\$ 445,000	\$ 419,931	\$ 864,931	11.22
2011	5,091,415	688,749	3,246,912	-	65,825	80,272	9,174,172	450,000	417,997	867,997	10.57
2010	4,737,506	681,811	2,888,778	-	168,044	79,481	8,555,620	305,000	327,650	632,650	13.52
2009	4,271,778	1,011,005	1,656,588	-	410,698	97,183	7,447,252	290,000	355,297	645,297	11.54
2008	4,042,027	577,058	1,136,510	-	414,658	123,301	6,293,554	280,000	382,925	662,925	9.49
2007	3,977,289	628,510	1,173,656	-	407,967	179,007	6,366,429	260,000	396,997	656,997	9.69
2006	3,137,859	484,364	1,150,590	-	627,092	48,233	5,448,138	250,000	410,465	660,465	8.25
2005	2,705,330	431,066	1,139,657	-	636,306	43,233	4,955,592	175,000	473,638	648,638	7.64
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

**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
2011	b	b	b	5.6%
2010	13,510	\$ 463,963	\$ 34,342	6.1%
2009	13,691	441,218	32,227	7.0%
2008	13,782	437,000	31,708	3.7%
2007	14,037	414,220	29,890	3.4%
2006	14,218	405,173	28,497	3.4%
2005	13,896	371,154	26,316	4.0%
2004	13,934	358,406	25,722	4.5%
2003	14,142	348,432	24,638	5.0%
2002	14,278	337,968	23,671	4.7%

Sources:

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

Notes:

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

**Vernon College
Statistical Supplement 13
Principal Employers
Fiscal Year 2012
(Unaudited)**

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

Source:

Employer search <http://socrates.cdr.state.tx.us/> , November 2012
Labor Force - Socrates County Narrative Profile, November 2012

Note:

1. Total employment: 7,955
2. Percentages are calculated using the midpoints of the ranges.

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

	Fiscal Year Ended August 31,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Faculty										
FT	81	81	77	74	74	73	73	72	69	71
PT	76	81	88	75	77	83	112	101	98	94
Total	157	162	165	149	151	156	185	173	167	165
Percent										
FT	52%	50%	47%	50%	49%	47%	39%	42%	41%	43%
PT	48%	50%	53%	50%	51%	53%	61%	58%	59%	57%
Staff & Adm										
FT	140	143	139	136	138	145	145	120	125	131
PT	5	4	9	-	-	-	-	9	-	-
Total	145	147	148	136	138	145	145	129	125	131
Percent										
FT	97%	97%	94%	100%	100%	100%	100%	93%	100%	100%
PT	3%	3%	6%	0%	0%	0%	0%	7%	0%	0%
FTSE										
FT Faculty	2,259	2,720	2,420	2,106	1,999	1,957	1,961	1,971	2,146	2,219
FT Staff	27.89	33.58	31.43	28.46	27.01	26.81	26.86	27.38	31.10	31.25
	16.14	19.02	17.41	15.49	14.49	13.50	13.52	16.43	17.17	16.94
Fac Sal	\$ 3,809,445	\$ 3,794,882	\$ 3,558,609	\$ 3,373,083	\$ 3,235,850	\$ 3,110,721	\$ 2,909,602	\$ 2,753,724	\$ 2,545,488	\$ 2,622,151
Avg. Fac	\$ 47,030	\$ 46,850	\$ 46,216	\$ 45,582	\$ 43,728	\$ 42,613	\$ 39,858	\$ 38,246	\$ 36,891	\$ 36,932

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

Credit	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Student Classification										
0 - 30 hours	2320	71.45%	2097	66.21%	2170	68.52%	2131	72.02%	2,228	79.18%
31 - 60 hours	816	25.13%	849	26.81%	694	21.91%	670	22.64%	412	14.64%
> 60 hours	111	3.42%	221	6.98%	303	9.57%	158	5.34%	174	6.18%
Total	3247	100.00%	3167	100.00%	3167	100.00%	2959	100.00%	2,814	100.00%

Non-Credit	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Student Classification										
CEU Students Only	757	72.58%	1355	75.66%	720	78.01%	702	75.48%	641	78.65%
0 - 30 hours	190	18.22%	276	15.41%	120	13.00%	130	13.96%	108	13.25%
31 - 60 hours	63	6.04%	101	5.64%	54	5.85%	56	6.02%	36	4.42%
> 60 hours	33	3.16%	59	3.29%	29	3.14%	42	4.52%	30	3.68%
Total	1043	100.00%	1791	100.00%	923	100.00%	930	100.00%	815	100.00%

Semester Hour Load	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	40	1.23%	30	0.95%	48	1.52%	42	1.42%	11	0.39%
3 - 5 semester hours	660	20.33%	682	21.53%	736	23.24%	757	25.58%	709	25.20%
6 - 8 semester hours	838	25.81%	765	24.16%	784	24.76%	775	26.19%	750	26.65%
9 - 11 semester hours	714	21.99%	700	22.10%	605	19.10%	585	19.77%	385	13.68%
12 - 14 semester hours	812	25.01%	789	24.91%	782	24.69%	636	21.49%	743	26.40%
15 - 17 semester hours	178	5.48%	188	5.94%	204	6.44%	150	5.07%	198	7.04%
18 & over	5	0.15%	13	0.41%	8	0.25%	14	0.47%	18	0.64%

Sub-Total SCH Students	3247	100.00%	3167	100.00%	3167	100.00%	2,959	100.00%	2,814	100.00%
Average SCH course load	8.57		8.66		8.49		8.11		8.46	
Non-Credit CEU Students	1043		1791		923		930		815	
Total	4290		4958		4090		3,889		3,629	

Credit	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Tuition Status										
Texas Resident (in-district)	306	9.42%	281	8.87%	300	9.47%	267	9.02%	297	10.55%
Texas Resident (out-of-dist)	2887	88.91%	2833	89.45%	2828	89.30%	2658	89.83%	2,480	88.13%
Non-Resident Tuition	54	1.66%	53	1.67%	39	1.23%	34	1.15%	37	1.31%
Total	3247	100.00%	3167	100.00%	3167	100.00%	2959	100.00%	2,814	100.00%

Non-Credit	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Tuition Status										
CEU Students Only	0	0.00%	0	0.00%	0	0.00%	0	0.00%	-	0.00%
CEU Contract & Non-Contract	1	0.10%	34	1.90%	5	0.33%	1	0.11%	1	0.12%
CEU Contract Only	736	70.57%	1463	81.69%	609	39.62%	542	58.28%	335	41.10%
CEU Non-Contract Only	306	29.34%	294	16.42%	923	60.05%	387	41.61%	479	58.77%
Total	1043	100.00%	1791	100.00%	1537	100.00%	930	100.00%	815	100.00%

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

	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	2664	62.10%	3012	60.75%	2452	59.95%	2285	58.76%	2,166	59.69%
Male	1626	37.90%	1946	39.25%	1638	40.05%	1604	41.24%	1,463	40.31%
Total	4290	100.00%	4958	100.00%	4090	100.00%	3889	100.00%	3,629	100.00%

	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin										
White	2933	68.37%	3271	65.97%	2984	72.96%	2900	74.57%	2,732	75.28%
Hispanic	647	15.08%	632	12.75%	568	13.89%	511	13.14%	482	13.28%
African American	377	8.79%	429	8.65%	370	9.05%	331	8.51%	294	8.10%
Asian	62	1.45%	91	1.84%	104	2.54%	86	2.21%	70	1.93%
Foreign	1	0.02%	2	0.04%	4	0.10%	9	0.23%	11	0.30%
Native American	50	1.17%	49	0.99%	43	1.05%	43	1.11%	38	1.05%
Other	220	5.13%	484	9.76%	17	0.42%	9	0.23%	2	0.06%
Total	4290	100.00%	4958	100.00%	4090	100.00%	3889	100.00%	3,629	100.00%

	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Credit Students)										
Under 18	565	17.40%	543	17.15%	627	19.80%	592	20.01%	624	22.17%
18 - 21	1175	36.19%	1134	35.81%	1095	34.58%	1024	34.61%	1,029	36.57%
22 - 24	355	10.93%	346	10.93%	336	10.61%	326	11.02%	280	9.95%
25 - 35	768	23.65%	695	21.95%	637	20.11%	594	20.07%	546	19.40%
36 - 50	315	9.70%	346	10.93%	372	11.75%	353	11.93%	286	10.16%
51 & over	69	2.13%	103	3.25%	100	3.16%	70	2.37%	49	1.74%
Total	3247	100.00%	3167	100.00%	3167	100.00%	2959	100.00%	2,814	100.00%

Average Age	24.0	25.0	25.0	25.0	23.8
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	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Non-Credit Students)										
Under 18	230	22.05%	152	8.49%	141	15.28%	49	5.27%	51	6.26%
18 - 21	99	9.49%	277	15.47%	75	8.13%	103	11.08%	85	10.43%
22 - 24	64	6.14%	177	9.88%	61	6.61%	68	7.31%	56	6.87%
25 - 35	204	19.56%	431	24.06%	154	16.68%	199	21.40%	154	18.90%
36 - 50	223	21.38%	423	23.62%	251	27.19%	286	30.75%	243	29.82%
51 & over	223	21.38%	331	18.48%	241	26.11%	225	24.19%	226	27.73%
Total	1043	100.00%	1791	100.00%	923	100.00%	930	100.00%	815	100.00%

Average Age	35.0	35.0	38.0	39.0	39.9
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**Vernon College
Statistical Supplement 17
Transfers to Senior Institutions
2010 Fall Students as of Fall 2011
(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	9			9	1.70%
2 Lamar University	1			1	0.19%
3 Midwestern State University	274	50		324	61.25%
4 Prairie View A&M University	1			1	0.19%
5 Sam Houston State University		1		1	0.19%
6 Stephen F. Austin State University	3			3	0.57%
Sul Ross	2			2	0.38%
7 Tarleton State University	28	3		31	5.86%
8 Texas A&M University	20			20	3.78%
9 Texas A&M University - Commerce				-	0.00%
10 Texas A&M University - Corpus Christi	1	1		2	0.38%
11 Texas A&M University - Galveston	1			1	0.19%
12 Texas A&M University System Health Science Center				-	0.00%
13 Texas State University	7	1		8	1.51%
14 Texas Tech University	42	5		47	8.88%
15 Texas Tech University Health Science Center	1			1	0.19%
16 Texas Woman's University	5	1		6	1.13%
17 The University of Texas at Arlington	11	5		16	3.02%
18 The University of Texas at Austin	13			13	2.46%
19 The University of Texas at Dallas	3			3	0.57%
20 The University of Texas at San Antonio	1	1		2	0.38%
21 The University of Texas at Tyler	2			2	0.38%
22 The University of Texas of the Permian Basin	2			2	0.38%
23 University of Houston				-	0.00%
24 University of North Texas	12	1		13	2.46%
25 West Texas A&M University	20	1		21	3.97%
	<u>459</u>	<u>70</u>	<u>0</u>	<u>529</u>	<u>100.00%</u>

**Vernon College
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2008 to 2012
(Unaudited)**

	Fiscal Years				
	2012	2011	2010	2009	2008
Academic Buildings	6	6	6	6	6
Square footage	298,529	242,029	242,029	164,029	164,029
Libraries	1	1	1	1	1
Square footage	19,776	16,276	16,276	16,276	16,276
Number of volumes	33,719	33,810	33,815	33,370	13,296
Administrative and support buildings	1	1	1	1	1
Square footage	28,287	28,287	28,287	28,287	28,287
Dormitories	2	2	2	2	2
Square footage	27,214	27,214	27,214	27,214	27,214
Number of beds	156	156	156	156	156
Dining Facilities	1	1	1	1	1
Square footage	10,170	10,170	10,170	10,170	10,170
Average daily customers	250	250	250	250	250
Athletic Facilities	6	6	6	6	6
Square footage	39,987	39,987	31,472	31,472	31,472
Stadiums	3	3	3	3	3
Gymnasiums	1	1	1	1	1
Fitness Centers	1	1	1	1	1
Tennis Courts	6	6	6	6	6
Plant Facilities	1	1	1	1	1
Square footage	11,000	11,000	11,000	11,000	11,000
Transportation					
Cars	1	1	1	1	1
Light trucks/vans	14	14	13	11	8
Buses	3	3	2	2	2

Overall Compliance, Internal Controls and Federal Awards Section



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

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

Board of Trustees
Vernon College
Vernon, Texas

Members of the Board of Trustees:

We have audited the financial statements of Vernon College, as well as its discretely presented component unit, Vernon College Foundation, Incorporated, as of and for the year ended August 31, 2012, and have issued our report thereon dated November 30, 2012. 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

Management of Vernon College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Vernon College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Vernon College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Vernon College's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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, 2012, 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

November 30, 2012



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

Report on Compliance With Requirements That Could Have a Direct and Material
Effect on Each Major Program and on Internal Control Over Compliance in Accordance
With OMB Circular A-133 and the State of Texas Single Audit Circular

Board of Trustees
Vernon College
Vernon, Texas

Members of the Board of Trustees:

Compliance

We have audited Vernon College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2012. Vernon College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of Vernon College's management. Our responsibility is to express an opinion on Vernon College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the *State of Texas Single Audit Circular*. Those standards, OMB Circular A-133 and the *State of Texas Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about Vernon College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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 could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2012.

Internal Control Over Compliance

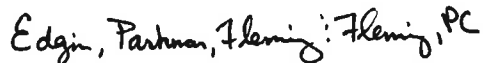
Management of Vernon College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered Vernon College's internal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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the organization, the Board of Trustees, federal and state 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

November 30, 2012

VERNON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

A. Summary of Auditor's Results

1. Financial Statements

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

2. Federal and State Awards

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

VERNON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D.)
FOR THE YEAR ENDED AUGUST 31, 2012

B. Financial Statement Findings

None

C. Federal and State Award Findings and Questioned Costs

None

**VERNON COLLEGE
SCHEDULE OF CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2012**

There were no findings in the current year.

VERNON COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

Finding 2011-1

In the prior year there was a finding for the College failing to timely report Direct Loan disbursements to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) due to problems with the College's software creating properly formatted submission files. This was corrected in the current year and all reports made timely.

Status

Implemented