

VERNON COLLEGE

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

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Organizational Information

Financial Section



EDGIN, PARKMAN, FLEMING & FLEMING, PC

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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, 2008 and 2007, 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, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2008 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.

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

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

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 10, 2008

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, 2008. Please read it in conjunction with the College’s financial statements and notes, which follow this section.

Overview of the Financial Statements

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

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

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

The *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>2008</u>	<u>2007</u>
Current Assets		
Cash and short-term investments	\$ 3,651,173	\$ 2,926,751
Short-term investments	4,471,594	4,098,958
Accounts receivable – net	1,031,863	900,927
Inventories	424,530	430,150
Deferred charges and prepaid assets	<u>1,214,261</u>	<u>1,131,854</u>
Total Current Assets	<u>10,793,421</u>	<u>9,488,640</u>
Non-current Assets		
Restricted cash and equivalents	99,334	405,257
Deferred charges	80,000	85,000
Capital assets-net	<u>15,785,521</u>	<u>16,157,583</u>
Total Non-Current Assets	<u>15,964,855</u>	<u>16,647,840</u>
Total Assets	<u>\$ 26,758,276</u>	<u>\$ 26,136,480</u>
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,054,874	\$ 659,639
Deferred revenues	3,526,211	3,477,545
Capital lease and bonds payable	<u>374,566</u>	<u>356,269</u>
Total Current Liabilities	<u>4,955,651</u>	<u>4,493,453</u>

Non-Current Liabilities		
Deposits and accrued liabilities	240,422	204,535
Capital lease and bonds payable	<u>8,108,028</u>	<u>8,482,594</u>
Total Non-Current Liabilities	<u>8,348,450</u>	<u>8,687,129</u>
Total Liabilities	<u>\$ 13,304,101</u>	<u>\$ 13,180,582</u>
Net Assets		
Invested in capital assets, net of debt	\$ 7,302,927	\$ 7,318,720
Restricted for student aid	2,787,274	2,444,641
Restricted for debt service	373,813	216,382
Unrestricted	<u>2,990,161</u>	<u>2,976,155</u>
Net Assets	<u>\$ 13,454,175</u>	<u>\$ 12,955,898</u>

Cash and cash equivalents increased by \$724,422. This was due to the increase in revenue over expenditures in the Unrestricted Current Funds, Endowment Fund, and Plant Funds.

Short-term investments increased by \$372,636. With revenue over expenditures for the year, additional funds were available for investment.

Accounts receivable increased by \$130,936. Receivables include state, non-governmental and federal grants, student notes, and local taxes receivable. Student receivables increased for the year although all other categories decreased. All receivables were collected in subsequent months. A continued effort during the year was made to collect all receivables on a perpetual basis. All reimbursements for grants and contracts were filed on a monthly basis. All student accounts were billed monthly as well.

Inventories consist primarily of bookstore inventory. Inventories decreased by an insignificant amount for the year. The cost of textbooks continues to increase. Registration for the fall semester classes was completed by August 31, and therefore, many books required for fall classes were sold before year end. Bookstore sales have continued to increase over the last six years.

Deferred charges and prepaid assets increased by \$82,407. All student registration fees paid for the fall semester were deferred to the 2008-2009 school year. Fall enrollment for 2008 has increased over the fall of 2007 enrollment. A record enrollment was achieved with the fall 2008 headcount of 2,960. Tuition rates were also increased in the 2007-2008 year from the 2006-2007 year.

Restricted cash and equivalents have decreased by \$305,923 over the prior year. In 2007 a request for reimbursement from the Department of Education was processed late in August. Cash was received too late in the month to affect the transfer of funds from restricted cash. This process was not continued in 2008 and a limited amount of restricted cash was on hand at August 31, 2008. Cash is utilized to pay for goods and services; then, subsequently, reimbursement requests are made to offset the costs to the departments. Fewer grants result in less expenditures and demands on cash.

Capital assets decreased by \$372,062 during the year. This decrease is mainly due to the charge for depreciation for the year. More discussion on this will follow in the capital asset section.

Accounts payable and accrued liabilities increased by \$395,235. Many supply items to begin the school year were received in late August and were not invoiced and paid for until early September.

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 \$48,666 from 2008 over 2007. The registration period for the fall semester closed prior to the close of the fiscal year and enrollment was at a record high for the fall.

Current capital lease and bond payables increased by \$18,297. In 2004, student revenue bonds were issued in the amount of \$8,100,000 and a capital lease for energy conservation measures for \$1,644,995 was signed. Payments for both debt issuances and continued payments on all other small debts reduced the amounts outstanding for 2008. 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 \$374,566. This decrease represents the timely scheduled payments on all debt for the year.

Net assets increased by 3.85 percent for the year, \$12,955,898 in 2007 to \$13,454,175 for 2008. 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 fund-raising for student scholarships. The outlook for increased student enrollment is very good.

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

	<u>2008</u>	<u>2007</u>
REVENUES		
Operating Revenues		
Tuition and fees (net of discounts of \$3,895,458 and \$3,581,156, respectively)	\$ 1,860,137	\$ 2,198,299
Federal grants and contracts	3,682,167	3,759,038
State grants and contracts	261,308	234,504
Non-governmental grants and contracts	872,706	627,138
Sales and services of educational activities	127,783	124,305
Investment income (program restricted)	117,565	134,949
Auxiliary enterprises (net of discounts of \$412,572 and \$372,742, respectively)	1,557,681	1,582,164
Other operating revenues	<u>40,758</u>	<u>24,321</u>
Total Operating Revenues	<u>8,520,105</u>	<u>8,684,718</u>

EXPENSES

Operating Expenses

Instruction	6,478,364	5,834,780
Public services	344,312	332,191
Academic support	2,277,988	2,462,146
Student services	1,414,255	1,743,620
Institutional support	2,138,994	2,030,647
Operation of physical plant	2,043,131	1,720,330
Scholarships and fellowships	191,434	368,533
Auxiliary enterprises	2,246,353	2,168,860
Depreciation	515,906	484,454
Total Operating Expenses	<u>17,650,737</u>	<u>17,145,561</u>

Operating Loss (9,130,632) (8,460,843)

Non-Operating Revenue (Expenses)

State appropriations	7,077,351	6,948,017
Property taxes for maintenance & operation	2,043,714	2,036,614
Capital contracts, grants and gifts	-	37,061
Investment income	123,301	179,007
Lease income less lease expenses	381,328	168,853
Interest and fees on capital related debt	<u>(455,371)</u>	<u>(473,360)</u>
Net Non-Operating Revenues	<u>9,170,323</u>	<u>8,896,192</u>

Income Before Other Revenues (Expenses) 39,690 435,349

Other Revenues and Special Item

Additions to permanent and term endowments	458,587	66,747
Loss on disposal of capital assets	<u>-</u>	<u>(8,069)</u>

Increase in Net Assets \$ 498,277 \$ 494,027

Operating revenues are separated into several categories. Student tuition and fees remained a major source of revenue for 2008. The tuition revenue totals were assisted by a 12.5% increase for the in-district tuition rate, a 7.1% increase for the out-of-district tuition rate, and a 7.3% increase in the out-of-state tuition rate from 2007 to 2008. The College experienced an overall increase in gross tuition from 2007 to 2008 of 1.6% or \$64,738. Scholarship allowances and discounts increased slightly for the year. Grants increased from \$4,620,680 in 2007 to \$4,816,181 in 2008 or 4.2%. The increase in grants reporting was attributable to more grants and contracts received for the year. Sales and services of educational activities remained constant. Investment income decreased substantially from \$134,949 to \$117,565. Bond proceeds were available for investment the entire year of 2007 as there was additional funds in endowed scholarship accounts. The effective earnings rates for investment also decreased as rates across most national markets decreased for the year. Auxiliary enterprises revenue increased from 2007 to 2008 by \$15,348. Bookstore revenue is the largest contributor to auxiliary enterprise revenue.

Operating expenses increased slightly overall for the year. Instructional expenditures increased from \$5,834,780 in 2007 to \$6,478,364 for 2008 representing an increase of 8.8% for the year. Additional courses were taught and, therefore, additional faculty was hired. Public service expenditures slightly increased over the costs in the prior year by \$12,121. Academic support

expenses were down from \$2,462,146 in 2007 to \$2,277,988 for 2008 or 7.5%. Both expenditures in the unrestricted fund and the restricted grants fund decreased in this area. Student services costs were down by 18.9%. Institutional support cost increased by 5.3% from 2007 to 2008. An increase in technology support costs assisted in the overall increase in this area. The operation of the physical plant expenditures increased from \$1,720,330 in 2007 to \$2,043,131 in 2008. This increase represents 18.8% and recognizes a number of remodeling projects on the Vernon Campus, Century City Center and Skills Training Center locations in Wichita Falls. Scholarships and fellowship expenses decreased due to the administrative procedures of charging student tuition and fees to student accounts at the beginning of each semester. This procedure has an effect in the reduction of check amounts written to students for their balance of aid after the close of the registration process. Auxiliary enterprises increased insignificantly from 2007 to 2008. The cost increase is due to the cost of goods sold increasing in the book stores. As student headcount increases, the total number of books sold also increases.

Non-operating revenue from state appropriations increased slightly. State support by legislative action is relatively the same in allocation for the second year of the biennium funding cycle. Property tax revenue increased slightly (\$2,036,614 in 2007 to \$2,043,714 in 2008). The tax rate of the district remains one of the highest among community colleges in the state. Net assets increased by \$498,277 for the year from \$12,955,898 in 2007 to \$13,454,175 for 2008. The increase represents an overall increase in revenue and the management of expenditures for the year.

The primary purpose of the *Statement of Cash Flows* is to provide relevant information about the cash receipts and cash payments of an entity during the fiscal period. The statement explains the changes during the period in cash and cash equivalents regardless of whether there are restrictions on their use. The total 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, noncapital financing, and investing transactions. Secondly, related information reports the investing, capital, and financing transactions that affect financial position but do not directly affect cash flows during the period. Finally, a reconciliation of operating income to net cash from operating activities is provided.

	<u>2008</u>	<u>2007</u>
Cash Flows From		
Operating activities	\$ (7,884,074)	\$ (6,843,367)
Noncapital financing activities	9,121,065	8,984,631
Capital and related financing activities	(950,485)	(1,391,403)
Investing activities	<u>131,993</u>	<u>223,902</u>
Net increase in cash	418,499	973,763
Cash and cash equivalents – beginning of year	<u>3,332,008</u>	<u>2,358,245</u>
Cash and cash equivalents – end of year	<u>\$ 3,750,507</u>	<u>\$ 3,332,008</u>

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

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

The main capital and related financing activities include construction and renovation projects and payments on capital debt. Renovation projects for 2007 were the remodeling of faculty offices on the Vernon Campus and the renovation of classroom space on the Century City Campus. Renovation projects for 2008 were varied. The classrooms were remodeled in the Electra Waggoner Biggs Arts and Sciences Center. All classrooms except the science labs and the large lecture hall were updated with new ceilings, painted walls, and floor covering. The remaining faculty offices in the Sumner Applied Arts Center also received new ceilings, the walls were painted and the carpet was replaced. Restrooms were updated with new paint and stall partitions in the Kirk Softball Facility, Biggs Center, Sumner Center, and the Colley Student Center. The baseball facility received a new roof and the outside was painted. The student rooms in the large Student Residence Center on the Vernon Campus received all new flooring and all walls were painted as well as all restroom flooring was replaced and walls were painted. Light panels were installed in all classroom doors in the Century City Center and the Skills Training Center in Wichita Falls. A new outside entrance door was installed at the Century City Center. The renovation costs were \$344,648. Principal paid on debt was \$356,269 for 2008 and \$336,531 for 2007. Interest and fees paid on capital debt totaled \$450,371 in 2008 as compared to \$468,360 for 2007.

Investing activities reported include lease income from the Century City Center in excess of the related expenses of \$168,853 for 2007 and \$381,328 for 2008. Investing activities also reflects interest income earned on investments. Investment income reported a significant decrease, which is reflective of the overall market and lower rates offered by our depository bank and TexPool.

The *Schedule of Operating Revenues* provides a detail presentation of all operating revenue regardless of source. Sources of operating revenue are tuition, fees, scholarship allowances and discounts, other operating revenue from grants and contracts, and auxiliary enterprises. The total operating revenue for 2007 was \$8,684,718 as compared to \$8,520,105 in 2008.

The *Schedule of Operating Expenses by Object* reports operating expenses. Educational activities are reported as instruction, public service, academic support, student services, institutional support, operation and maintenance of plant, and scholarship and fellowships. Auxiliary enterprises expenses and depreciation expense are also reported on this schedule. The natural classifications are presented as salaries, state benefits, local benefits, and other expenses in each of the educational activities where they apply. In 2008 operating expenses totaled \$17,650,737 and in 2007 they totaled \$17,145,561.

The *Schedule of Non-Operating Revenues and Expenses* reports all other areas of revenue and expenses. Non-operating revenue primary sources were state appropriations, local ad valorem taxes, investment income, and lease income. Revenues reported for 2007 were \$9,608,666 and \$9,659,024 for 2008. Non-operating expenses are lease property operational costs, amortization of bond issuance costs, and interest and fees on capital related debt. Expenses for 2007 were \$712,474 and in 2008 they were \$488,702. The change from one year to the next mainly consisted of a reduction in the interest and fees on capital related debt and less expenditures for the leased properties.

The *Schedule of Net Assets by Source and Availability* serves a dual purpose. The schedule reports the reconciliation of fund balances to net assets and to show which funds are actually available for current operations. The Available for Current Operations section shows which

amounts may be spent for current operations without restrictions. Amounts in the "Yes" column indicate that there are no restrictions or designations from the local governing board that would prevent the amount from being spent for current operations. An entry in the "No" column would indicate the amount is not available for current operations.

The *Schedules of Federal and State Expenditures from Grants and Contracts* are schedules that satisfy the OMB A-133 requirements and the Texas Higher Education Coordinating Board requirements.

Analysis of Balances and Transactions of Individual Funds

Current funds activities netted increases in fund balances. The current unrestricted fund increased from \$2,769,350 in 2007 to \$2,781,222 in 2008. The results of managing expenditures led to the increase in net assets at year end. Student enrollment increased again marginally as the trend continues for the College to serve more students. All efforts are being made to maximize student enrollments in each class and to cut costs in operations wherever possible.

The Auxiliary Enterprise Fund increased in net assets for the year. In 2008 the net assets were \$208,939 and the 2007 year closed with a balance of \$206,806. The source of increase came from the student activities fund and the food services operation. Bookstore operations experienced a net profit, but all net profit at year end is pledged to student scholarships and a transfer of \$209,935 was made at year-end. Activities in auxiliary enterprises continue to increase and strong programs are in place in all areas. The outlook for the future is very bright as student enrollments continue to increase.

The Current Restricted Fund decreased by \$144,328, for the year. The restricted funds in many areas expended funds that were generated in the prior year. Restricted grants and contracts as well as scholarship funds continue to be a strong source of revenue for the College.

The net assets for the Endowment Fund grew by \$456,961 for 2008 and \$161,548 in 2007. There were contributions to endowments of \$458,587 as additions to principal and \$117,565 in interest income was earned for the fund year. The future appears to be bright for the endowment fund as a commitment to raise the awareness of the need for assistance to attend college is being perpetually communicated within the service area.

The Retirement of Indebtedness Fund grew by \$47,432 for the year. The leased space in the Century City Center was a contributing source of revenue. The net lease revenue went to support the payment of the 2004 Bond schedule. Student revenues from the unrestricted current fund were transferred to satisfy the debt service for the year as well as to contribute additional funds for future renovations and renewals of college owned property.

Reporting of Component Unit

Reported within this report is Exhibit 1A, 2A, and 3A. Vernon College Foundation, Incorporated was established as a separate nonprofit organization in 1985. The unit raises funds to provide student scholarships and departmental grants. Exhibit 1A reports net assets decreased to \$920,139 at the close of 2008. The Vernon College Foundation, Incorporated had net assets at the close of the 2007 year in excess of one million dollars for the first time. Due to market decreases in the investment accounts the net assets decreased for the year. 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 2,960 in 2008 (see statistical supplements 15 and 16). Other supplemental schedules report increases in revenue. Student tuition and fee revenue as well as state appropriations increases are report on statistical supplement 2.

The College taxing district is Wilbarger County, Texas. Ad valorem taxes are assessed and collected by the College based on the valuation of real property and minerals on January 1. The trend from 1993 until 2000 was an annual decline in valuation (\$768,509,627 in 1993 to \$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 had gradually increased the tax rate to offset the reduction in valuations. The approved tax rate per \$100 of valuation has increased from \$.20011 in 1993 to \$.26195 in 2005. Valuation has been on a slow rise the past three years. In 2008 the valuation was \$914,975,270 and the tax rate was approved at a reduction to \$.21869 per \$100 of taxable valuation.

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 decreased by \$372,062 from \$16,157,583 in 2007 to \$15,785,521 in 2008. This decrease is attributable to the College capitalizing only \$143,844 of additions during the year, but recording depreciation expense of \$515,906 for that same period. 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. Concerning maintenance and non-capital renovation of facilities, classrooms on the Vernon Campus were repainted and new floor covering was installed. Restrooms on the Vernon Campus were also updated in four facilities. The Student Residence Center received a new coat of paint in each student room and the floor covering was replaced as well as painting the restrooms and replacing the floor covering in each suite. Some faculty offices were remodeled on the Vernon Campus. Light panels were installed in all classroom doors in the two major centers in Wichita Falls.

The College's total long-term debt decreased from \$8,838,863 to \$8,482,594, or \$356,269. There were no new issuances of debt during 2008, so all debt activity consisted of scheduled repayments on the College's existing debt. Payments totaling \$806,486, of which \$374,566 is principal, are scheduled to be made in 2009 under the College's revenue bonds and capital lease. The notes to the financial statements contain additional information concerning the debt structures for the College.

Discussion of Current Known Facts, Decisions, or Conditions

Enrollment is continuing to increase. Enrollment for the fall of 2007 was 2,814 and the fall 2008 head count enrollment for the College was at an all time record of 2,960. All indications are that enrollment will continue to increase from distance education courses delivered within our service area. A committee was created eight 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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,651,173	\$ 2,926,751
Short-term investments	4,471,594	4,098,958
Accounts receivable (net)	1,031,863	900,927
Inventories	424,530	430,150
Deferred charges	1,105,659	1,001,841
Prepaid assets	108,602	130,013
Total Current Assets	<u>10,793,421</u>	<u>9,488,640</u>
Noncurrent Assets		
Restricted cash and cash equivalents	99,334	405,257
Deferred charges	80,000	85,000
Capital assets (net)	15,785,521	16,157,583
Total Noncurrent Assets	<u>15,964,855</u>	<u>16,647,840</u>
Total Assets	<u>26,758,276</u>	<u>26,136,480</u>
LIABILITIES		
Current Liabilities		
Accounts payable	1,039,874	621,045
Accrued compensable absences - current portion	15,000	38,594
Deferred revenues	3,526,211	3,477,545
Capital leases payable - current portion	84,566	76,269
Bonds payable - current portion	290,000	280,000
Total Current Liabilities	<u>4,955,651</u>	<u>4,493,453</u>
Noncurrent Liabilities		
Deposits	21,367	19,177
Capital leases payable	1,263,028	1,347,594
Bonds payable	6,845,000	7,135,000
Accrued compensable absences	219,055	185,358
Total Noncurrent Liabilities	<u>8,348,450</u>	<u>8,687,129</u>
Total Liabilities	<u>13,304,101</u>	<u>13,180,582</u>
NET ASSETS		
Invested in capital assets, net of related debt	7,302,927	7,318,720
Restricted for:		
Nonexpendable:		
Student Aid	2,495,579	2,038,618
Expendable:		
Student Aid	291,695	406,023
Debt Service	373,813	216,382
Unrestricted	2,990,161	2,976,155
Total Net Assets	<u>\$ 13,454,175</u>	<u>\$ 12,955,898</u>

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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 60,192	\$ 63,128
Investments	858,749	969,471
Accrued interest receivable	<u>1,198</u>	<u>1,174</u>
Total assets	<u>\$ 920,139</u>	<u>\$ 1,033,773</u>
 LIABILITIES		
Accounts payable	<u>\$ -</u>	<u>\$ 19,531</u>
 NET ASSETS		
Unrestricted	319,894	473,452
Permanently restricted	<u>600,245</u>	<u>540,790</u>
Total net assets	<u>920,139</u>	<u>1,014,242</u>
Total liabilities and net assets	<u>\$ 920,139</u>	<u>\$ 1,033,773</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, 2008 and 2007

	2008	2007
REVENUES		
Operating Revenues		
Tuition and fees (net of discounts of \$3,895,458 and \$3,581,156, respectively)	\$ 1,860,137	\$ 2,198,299
Federal grants and contracts	3,682,167	3,759,038
State grants and contracts	261,308	234,504
Non-governmental grants and contracts	872,706	627,138
Sales and services of educational activities	127,783	124,305
Investment income (program restricted)	117,565	134,949
Auxiliary enterprises (net of discounts of \$412,572 and \$372,742, respectively)	1,557,681	1,582,164
Other operating revenues	40,758	24,321
Total Operating Revenues	8,520,105	8,684,718
EXPENSES		
Operating Expenses		
Instruction	6,478,364	5,834,780
Public services	344,312	332,191
Academic support	2,277,988	2,462,146
Student services	1,414,255	1,743,620
Institutional support	2,138,994	2,030,647
Operation of physical plant	2,043,131	1,720,330
Scholarships and fellowships	191,434	368,533
Auxiliary enterprises	2,246,353	2,168,860
Depreciation	515,906	484,454
Total Operating Expenses	17,650,737	17,145,561
Operating Loss	(9,130,632)	(8,460,843)
Non-Operating Revenues (Expenses)		
State appropriations	7,077,351	6,948,017
Property taxes for maintenance & operation	2,043,714	2,036,614
Capital contracts, grants and gifts	-	37,061
Lease income	414,658	407,967
Investment income	123,301	179,007
Operational costs of lease property	(33,330)	(239,114)
Amortization of bond issuance costs	(5,000)	(5,000)
Interest and fees on capital related debt	(450,372)	(468,360)
Net Non-Operating Revenues (Expenses)	9,170,322	8,896,192
Income Before Other Revenue and Special Item	39,690	435,349
Other Revenue and Special Item		
Additions to permanent and term endowments	458,587	66,747
Loss on disposal of capital assets	-	(8,069)
Increase in Net Assets	498,277	494,027
Net Assets		
Net assets - beginning of year	12,955,898	12,461,871
Net assets - end of year	\$ 13,454,175	\$ 12,955,898

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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues and support:		
Gifts and contributions	\$ 31,770	\$ 241,813
Silent auction	6,010	3,427
Investment income	24,622	16,223
Realized gains (losses) on investments	(21,674)	26,665
Unrealized gains (losses) on investments	<u>(91,378)</u>	<u>46,277</u>
Total revenues and support	<u>(50,650)</u>	<u>334,405</u>
Expenses:		
Operating expenses	6,332	6,050
Investment advisory fees	16,756	15,960
Scholarship transfer	<u>20,365</u>	<u>112,673</u>
Total expenses	<u>43,453</u>	<u>134,683</u>
Increase (decrease) in net assets	(94,103)	199,722
Net assets at beginning of year	<u>1,014,242</u>	<u>814,520</u>
Net assets at end of year	<u><u>\$ 920,139</u></u>	<u><u>\$ 1,014,242</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 3,850,233	\$ 3,900,901
Receipts of appropriations, grants and contracts	4,327,940	5,561,475
Other receipts	718,249	348,262
Payments to or on behalf of employees	(11,601,242)	(11,275,016)
Payments to suppliers for goods and services	(4,987,820)	(5,010,456)
Payments of scholarships	(191,434)	(368,533)
Net cash used by operating activities	<u>(7,884,074)</u>	<u>(6,843,367)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	7,077,351	6,948,017
Property taxes for maintenance and operations	2,043,714	2,036,614
Net cash provided by noncapital financing activities	<u>9,121,065</u>	<u>8,984,631</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	-	12,005
Purchases and construction of capital assets	(143,844)	(598,517)
Principal paid on capital debt	(356,269)	(336,531)
Interest and fees paid on capital debt	(450,372)	(468,360)
Net cash used by capital and related financing activities	<u>(950,485)</u>	<u>(1,391,403)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Lease income	414,658	407,967
Operating costs of lease property	(33,330)	(239,114)
Purchase of short-term investments	(372,636)	(123,958)
Investment income	123,301	179,007
Net cash provided by investing activities	<u>131,993</u>	<u>223,902</u>
Increase in cash and cash equivalents	418,499	973,763
Cash and cash equivalents - beginning of year	<u>3,332,008</u>	<u>2,358,245</u>
Cash and cash equivalents - end of year	<u>\$ 3,750,507</u>	<u>\$ 3,332,008</u>
Displayed as:		
Cash and cash equivalents	\$ 3,651,173	\$ 2,926,751
Restricted cash and cash equivalents	99,334	405,257
	<u>\$ 3,750,507</u>	<u>\$ 3,332,008</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (9,130,632)	\$ (8,460,843)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Additions to permanent and term endowments	458,587	66,747
Depreciation expense	515,906	484,454
(Increase) decrease in current assets:		
Receivables, net	(130,936)	195,749
Inventories	5,620	(16,967)
Deferred charges	(103,818)	169
Prepaid assets	21,411	(57,486)
Increase (decrease) in current liabilities:		
Accounts payable	418,829	68,718
Accrued compensable absences	10,103	12,268
Deferred revenues	48,666	863,424
Deposits	2,190	400
Net cash used by operating activities	<u>\$ (7,884,074)</u>	<u>\$ (6,843,367)</u>

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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts of gifts	\$ 37,780	\$ 245,240
Payments to suppliers for goods and services	(23,088)	(22,010)
Payment of scholarships and grants	<u>(39,896)</u>	<u>(105,661)</u>
Net cash provided (used) by operating activities	<u>(25,204)</u>	<u>117,569</u>
Cash flows from investing activities:		
Sales proceeds on sales of investments	283,521	318,712
Purchase of investments	(285,851)	(438,883)
Investment income	<u>24,598</u>	<u>15,997</u>
Net cash provided (used) by investing activities	<u>22,268</u>	<u>(104,174)</u>
Increase (decrease) in cash and cash equivalents	(2,936)	13,395
Cash and cash equivalents at beginning of year	<u>63,128</u>	<u>49,733</u>
Cash and cash equivalents at end of year	<u>\$ 60,192</u>	<u>\$ 63,128</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (94,103)	\$ 199,722
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Investment income	(24,622)	(16,223)
(Gain) loss on sale of investments	21,674	(26,665)
(Increase) decrease in fair value of investments	91,378	(46,277)
Increase (decrease) in operating liabilities:		
Accounts payable	<u>(19,531)</u>	<u>7,012</u>
Net cash provided (used) by operating activities	<u>\$ (25,204)</u>	<u>\$ 117,569</u>

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, 2008 AND 2007

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, 2008 AND 2007

C. Basis of Accounting

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

D. Budgetary Data

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

E. Cash and Cash Equivalents

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

F. Investments

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

G. Inventories

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

H. Prepaid Assets

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

I. Capital Assets

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

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

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2008 AND 2007

J. Deferred Revenues

Tuition, fees, and other revenues received and related to the period after August 31, 2008 and 2007 have been deferred.

K. Income Taxes

The College is exempt from federal income taxes under Internal Revenue Code Section 115, "Income of States, Municipalities, Etc.", although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), "Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations". The College had no unrelated business tax liability for the years ended August 31, 2008 and 2007.

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

L. Estimates

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

M. Operating and Non-Operating Revenue and Expense Policy

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

3. Deposits and Investments

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

Cash Deposits

At August 31, 2008 and 2007, the carrying amount of the College's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,222,101 and \$7,430,966, respectively, and the bank balance was \$8,516,132 and \$7,954,423, respectively. The College's cash deposits at August 31, 2008 and 2007 were entirely covered by FDIC insurance or by pledged collateral held by the College's agent bank in the College's name.

Investments

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

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2008 AND 2007

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, 2008 and 2007 are as follows:

<u>Investment or Investment Type</u>	<u>August 31, 2008</u>		<u>August 31, 2007</u>	
	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificates of deposit	5.00	\$2,700,000	1.75	\$4,098,958
TexPool Investment Pool	--	<u>1,771,594</u>	--	<u>---</u>
		<u>\$4,471,594</u>		<u>\$4,098,958</u>

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

**VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2008 AND 2007**

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, 2008 and 2007 are shown below:

	<u>2008</u>	<u>2007</u>
Equity securities	\$423,890	\$512,978
Corporate bonds	333,913	335,314
Mutual funds	<u>100,946</u>	<u>121,179</u>
Totals	<u>\$858,749</u>	<u>\$969,471</u>
Total aggregate cost	<u>\$828,252</u>	<u>\$827,596</u>

Investment Accounting Policy

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

Public Funds Investment Pools

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

The State Comptroller of Public Accounts (State Comptroller) exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review investment policy and management fee structure. Finally, TexPool is rated AAA-m by Standard & 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, 2008 AND 2007

4. Property Taxes

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

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

The following are additional disclosures relative to property taxes for the year ended August 31, 2008:

Net assessed valuation is computed as follows:	
Gross assessed valuation	\$1,264,925,500
Less exceptions or abatements	(349,950,230)
Net assessed valuation	<u>\$ 914,975,270</u>

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

	Current Operations	Debt Service	Totals
Authorized	\$1.00000	\$.00000	\$1.00000
Assessed	\$.21869	\$.00000	\$.21869

Property taxes levied for the year ended August 31, 2008 amounted to \$2,000,959.

The taxes collected during the year ended August 31, 2008 were as follows:

	Current Operations	Debt Service	Totals
Current taxes	\$1,973,462	\$ --	\$1,973,462
Delinquent taxes	33,265	--	33,265
Penalties and interest	<u>36,987</u>	<u>--</u>	<u>36,987</u>
Total collections	<u>\$2,043,714</u>	<u>\$ --</u>	<u>\$2,043,714</u>

Current tax collections for the year ended August 31, 2008 were 98.6% of the current year levy. Allowances for uncollectible taxes are based on historical experience in collecting property taxes. The use of property taxes is restricted to either maintenance and operations or general obligation debt service.

5. Disaggregation of Accounts Receivable

Accounts receivable, net of allowances for uncollectibles, at August 31, 2008 and 2007 consisted of the following:

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2008 AND 2007

August 31, 2008

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$ 940,454	\$271,630	\$ 668,824
Federal grants	224,780	--	224,780
State/local grants and contracts	68,524	--	68,524
Property taxes	123,911	54,786	69,125
Others	<u>610</u>	<u>--</u>	<u>610</u>
Totals	<u>\$1,358,279</u>	<u>\$326,416</u>	<u>\$1,031,863</u>

August 31, 2007

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$ 659,915	\$233,950	\$ 425,965
Federal grants	306,776	--	306,776
State/local grants and contracts	70,237	--	70,237
Property taxes	133,584	58,569	75,015
Others	<u>22,934</u>	<u>--</u>	<u>22,934</u>
Totals	<u>\$1,193,446</u>	<u>\$292,519</u>	<u>\$ 900,927</u>

6. Capital Assets

Capital assets activity for the years ended August 31, 2008 and 2007 was as follows:

August 31, 2008

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,816,959	\$ --	\$ --	\$ 2,816,959
Construction in progress	<u>24,421</u>	<u>--</u>	<u>--</u>	<u>24,421</u>
Total capital assets not being depreciated	<u>2,841,380</u>	<u>--</u>	<u>--</u>	<u>2,841,380</u>
Capital assets being depreciated:				
Buildings	15,482,521		--	15,482,521
Land improvements	1,003,918	--	--	1,003,918
Furniture, machinery, vehicles and other equipment	1,315,097	72,706	--	1,387,803
Telecommunications and computer equipment	954,656	51,865	--	1,006,521
Library books	<u>1,018,562</u>	<u>19,273</u>	<u>--</u>	<u>1,037,835</u>
Total capital assets being depreciated	<u>19,774,754</u>	<u>143,844</u>	<u>--</u>	<u>19,918,598</u>
Less accumulated depreciation:				
Buildings	3,834,913	331,290	--	4,166,203
Land improvements	461,217	32,111	--	493,328
Furniture, machinery, vehicles and other equipment	647,521	89,395		736,916
Telecommunications and computer equipment	776,945	38,636	--	815,581
Library books	<u>737,955</u>	<u>24,474</u>	<u>--</u>	<u>762,429</u>
Total accumulated depreciation	<u>6,458,551</u>	<u>515,906</u>	<u>--</u>	<u>6,974,457</u>
Total capital assets being depreciated, net	<u>13,316,203</u>	<u>(372,062)</u>	<u>--</u>	<u>12,944,141</u>
Capital assets, net	<u>\$16,157,583</u>	<u>(\$372,062)</u>	<u>\$ --</u>	<u>\$15,785,521</u>

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2008 AND 2007

August 31, 2007

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,816,959	\$ --	\$ --	\$ 2,816,959
Construction in progress	<u>1,326,372</u>	<u>130,570</u>	<u>1,432,521</u>	<u>24,421</u>
Total capital assets not being depreciated	<u>4,143,331</u>	<u>130,570</u>	<u>1,432,521</u>	<u>2,841,380</u>
Capital assets being depreciated:				
Buildings	13,818,139	1,664,382	--	15,482,521
Land improvements	1,003,918	--	--	1,003,918
Furniture, machinery, vehicles and other equipment	1,109,089	237,374	31,366	1,315,097
Telecommunications and computer equipment	940,218	14,438	--	954,656
Library books	<u>997,226</u>	<u>21,336</u>	<u>--</u>	<u>1,018,562</u>
Total capital assets being depreciated	<u>17,868,590</u>	<u>1,937,530</u>	<u>31,366</u>	<u>19,774,754</u>
Less accumulated depreciation:				
Buildings	3,524,862	310,051	--	3,834,913
Land improvements	429,106	32,111	--	461,217
Furniture, machinery, vehicles and other equipment	572,737	86,075	11,291	647,521
Telecommunications and computer equipment	746,125	30,820	--	776,945
Library books	<u>712,558</u>	<u>25,397</u>	<u>--</u>	<u>737,955</u>
Total accumulated depreciation	<u>5,985,388</u>	<u>484,454</u>	<u>11,291</u>	<u>6,458,551</u>
Total capital assets being depreciated, net	<u>11,883,202</u>	<u>1,453,076</u>	<u>20,075</u>	<u>13,316,203</u>
Capital assets, net	<u>\$16,026,533</u>	<u>\$1,583,646</u>	<u>\$1,452,596</u>	<u>\$16,157,583</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, 2008 and 2007 are as follows:

August 31, 2008

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$7,415,000	\$ --	\$280,000	\$7,135,000	\$290,000
Capital leases	1,423,863	--	76,269	1,347,594	84,566
Compensated absences *	<u>223,952</u>	<u>38,445</u>	<u>28,342</u>	<u>234,055</u>	<u>15,000</u>
Totals	<u>\$9,062,815</u>	<u>\$38,445</u>	<u>\$384,611</u>	<u>\$8,716,649</u>	<u>\$389,566</u>

* - Other long-term liability.

August 31, 2007

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$7,675,000	\$ --	\$260,000	\$7,415,000	\$280,000
Capital leases	1,500,394	--	76,531	1,423,863	76,269
Compensated absences *	<u>211,685</u>	<u>50,861</u>	<u>38,594</u>	<u>223,952</u>	<u>38,594</u>
Totals	<u>\$9,387,079</u>	<u>\$50,861</u>	<u>\$375,125</u>	<u>\$9,062,815</u>	<u>\$394,863</u>

* - Other long-term liability.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2008 AND 2007

B. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2008 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 374,566	\$ 431,920	\$ 806,486
2010	400,295	411,981	812,276
2011	428,371	390,660	819,031
2012	451,372	368,043	819,415
2013	479,859	344,118	823,977
2014-18	2,858,899	1,308,447	4,167,346
2019-23	2,844,232	550,395	3,394,627
2024	<u>645,000</u>	<u>17,024</u>	<u>662,024</u>
Totals	<u>\$8,482,594</u>	<u>\$3,822,588</u>	<u>\$12,305,182</u>

C. Revenue Bonds Payable

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

Tax-exempt bonds - interest rate adjusted to 110% of the Bond Buyer Index
Taxable bonds - interest rate adjusted to Prime Rate plus 1.75%.

Debt service requirements for the revenue bonds at August 31, 2008 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 290,000	\$ 367,986	\$ 657,986
2010	305,000	352,376	657,376
2011	325,000	335,831	660,831
2012	340,000	318,375	658,375
2013	360,000	300,008	660,008
2014-18	2,115,000	1,186,596	3,301,596
2019-23	2,755,000	548,768	3,303,768
2024	<u>645,000</u>	<u>17,024</u>	<u>662,024</u>
Totals	<u>\$7,135,000</u>	<u>\$3,426,964</u>	<u>\$10,561,964</u>

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

D. Capital Leases

The Public Property Finance Act gives the College authority to enter into capital leases for the acquisition of personal property. Through August 31, 2008, the College has acquired \$1,644,995 in equipment through capital leases.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2008 AND 2007

Commitments under capitalized lease agreements provide for minimum future rental payments as of August 31, 2008 as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 84,566	\$ 63,934	\$ 148,500
2010	95,295	59,605	154,900
2011	103,371	54,829	158,200
2012	111,372	49,668	161,040
2013	119,859	44,111	163,970
2014-18	743,899	121,851	865,750
2019	<u>89,232</u>	<u>1,628</u>	<u>90,860</u>
Totals	<u>\$1,347,594</u>	<u>\$395,626</u>	<u>\$1,743,220</u>

The interest rate on the capital leases is 5.40%.

E. Compensated Absences

1. Vacation Leave

Full-time employees earn annual leave from 8 to 12 hours per month depending on the number of years employed with the College. The College's policy is that an employee may carry his accrued vacation leave forward from one fiscal year to another with a maximum carryforward of 160 hours. Employees with at least one month of service who terminate their employment are entitled to payment of all accumulated annual leave up to the maximum allowed. The College recognized the accrued liability for the unpaid vacation leave of \$234,055 and \$223,952 at August 31, 2008 and 2007, respectively.

2. Sick Leave

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

8. Employees' Retirement Plans

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

A. Teacher Retirement System of Texas

1. Plan Description

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

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2008 AND 2007

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 2008, 2007, and 2006 and a state contribution rate of 6.58% for fiscal year 2008 and 6.0% for fiscal years 2007 and 2006. In certain instances the reporting district is required to make all or a portion of the state's 6.58% contribution for fiscal year 2008 and 6.00% for fiscal years 2007 and 2006. Additionally, the College contributes 1.31% of the covered payroll.

Total payroll of employees covered by TRS was \$4,760,944, \$4,614,183, and \$3,901,276 for the years ended August 31, 2008, 2007, and 2006, respectively. The College's employees' contributions to the System for the years ending August 31, 2008, 2007, and 2006 were \$304,700, \$295,308, and \$249,682, 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, 2008, 2007, and 2006 were \$22,413, \$25,159, and \$20,052, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2008, 2007, and 2006, the amounts contributed by the state on behalf of the College were \$245,080, \$214,080, and \$187,023, 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.

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 \$3,730,317 and \$3,357,389 for the years ended August 31, 2008 and 2007, respectively. The College's employees' contributions to the Program for the years ending August 31, 2008 and 2007 were \$248,066 and \$223,266, respectively, and were equal to the required contributions for the year. Other contributions made from the College for the years ending August 31, 2008 and 2007 were \$48,867 and \$43,982, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2008 and 2007, the amounts contributed by the State on behalf of the College were \$223,819 and \$201,443, respectively. The State has no unfunded liabilities relative to the Program.

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2008 AND 2007

C. Total Payroll

The total payroll for all College employees was \$9,282,427 and \$8,996,599, respectively.

9. Deferred Compensation Plan

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

10. Risk Management

The College is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2008, the College purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

11. Health Care and Life Insurance Benefits

The State of Texas provides health care and life insurance benefits to active and retired employees of the College. The State's contribution per full-time employee was \$358 per month for employee only coverage and ranging from \$496 to \$702 for employee and dependent coverage for the year ended August 31, 2008. The State's contribution per full-time employee was \$358 per month for employee only coverage and ranging from \$496 to \$702 for employee and dependent coverage for the year ended August 31, 2007. The total number of employees participating in the plan and contributions were as follows:

	2007-08		2006-07	
	Number of Employees	Contribution	Number of Employees	Contribution
Active employees	221	\$ 867,725	218	\$ 793,033
Retired employees	58	286,425	57	284,622
Totals	279	\$1,154,150	275	\$1,077,655

12. Commitments and Contingencies

A. Grants

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

B. Operating Leases

Commitments under operating (noncapitalized) lease agreements for facilities provide for minimum future rental payments as of August 31, 2008 as follows:

VERNON COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2008 AND 2007

<u>Year Ending August 31:</u>	
2009	\$ 33,000
2010	33,000
2011	33,000
2012	<u>11,000</u>
Total	<u>\$110,000</u>
Rental expenditures in 2007-08	<u>\$ 33,000</u>
Rental expenditures in 2006-07	<u>\$ 33,000</u>

13. Leased Facilities

During 2004, the College purchased the facilities it had historically leased for its Wichita Falls campus. The Wichita Falls facility also included space which was leased to others through long-term lease agreements. At the time of the purchase of the Wichita Falls facility, the College assumed the leases. Originally, there were three leases maturing through December 2009, with options for extensions. As of August 31, 2008, there are two remaining noncancellable leases maturing through December 2009. The net operations of this leased facility for the years ended August 31, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Lease income	\$414,658	\$407,967
Operating costs	<u>33,330</u>	<u>239,114</u>
Net operating profit	<u>\$381,328</u>	<u>\$168,853</u>

As of August 31, 2008, the remaining future minimum rentals on the noncancellable leases for the years ending August 31 are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$396,566
2010	123,189

Other Supplementary Information

**Vernon College
Schedule A
Schedule of Operating Revenues
For the Year Ended August 31, 2008
(With Memorandum Totals for the Year Ended August 31, 2007)**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2008 Totals	2007 Totals
Tuition:						
State funded credit courses:						
In-district resident tuition	\$ 222,959	\$ -	\$ 222,959	\$ -	\$ 222,959	\$ 183,078
Out-of-district resident tuition	3,100,985	-	3,100,985	-	3,100,985	2,984,383
Non-resident tuition	105,135	-	105,135	-	105,135	75,952
TPEG (set aside)*	-	186,878	186,878	-	186,878	201,750
State funded continuing education	173,590	-	173,590	-	173,590	333,785
Non-state funded continuing education	252,480	-	252,480	-	252,480	218,341
Total Tuition	3,855,149	186,878	4,042,027	-	4,042,027	3,977,289
Fees:						
General fees	1,136,510	-	1,136,510	-	1,136,510	1,173,656
Laboratory fees	577,058	-	577,058	-	577,058	628,510
Total Fees	1,713,568	-	1,713,568	-	1,713,568	1,802,166
Scholarship allowances and discounts:						
Remissions and exemptions - state	(144,035)	-	(144,035)	-	(144,035)	(188,513)
Title IV federal grants	(3,266,218)	-	(3,266,218)	-	(3,266,218)	(2,989,934)
TPEG awards	(191,227)	-	(191,227)	-	(191,227)	(234,533)
Other local awards	(293,978)	-	(293,978)	-	(293,978)	(168,176)
Total Scholarship Allowances	(3,895,458)	-	(3,895,458)	-	(3,895,458)	(3,581,156)
Total Net Tuition and Fees	1,673,259	186,878	1,860,137	-	1,860,137	2,198,299
Other operating revenues:						
Federal grants and contracts	7,090	3,675,077	3,682,167	-	3,682,167	3,759,038
State grants and contracts	-	261,308	261,308	-	261,308	234,504
Non-governmental grants and contracts	-	872,706	872,706	-	872,706	627,138
Sales and services of educational activities	127,783	-	127,783	-	127,783	124,305
Investment income (program restricted)	-	117,565	117,565	-	117,565	134,949
General operating revenues	40,758	-	40,758	-	40,758	24,321
Total Other Operating Revenues	175,631	4,926,656	5,102,287	-	5,102,287	4,904,255
Auxiliary Enterprises:						
Residential life	-	-	-	329,173	329,173	368,883
Scholarship allowances and discounts	-	-	-	(81,661)	(81,661)	(73,777)
Net Residential Life	-	-	-	247,512	247,512	295,106
Bookstore	-	-	-	1,552,240	1,552,240	1,494,827
Scholarship allowances and discounts	-	-	-	(330,911)	(330,911)	(298,965)
Net Bookstore	-	-	-	1,221,329	1,221,329	1,195,862
Student programs	-	-	-	88,840	88,840	91,196
Total Net Auxiliary Enterprises	-	-	-	1,557,681	1,557,681	1,582,164
Total Operating Revenues (Exhibit 2)	\$ 1,848,890	\$ 5,113,534	\$ 6,962,424	\$ 1,557,681	\$ 8,520,105	\$ 8,684,718
				(Exhibit 2)	(Exhibit 2)	

* In accordance with Education Code 56.033, \$186,878 and \$201,750 for years August 31, 2008 and 2007, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

Vernon College
Schedule B
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2008
(With Memorandum Totals for the Year Ended August 31, 2007)

	Operating Expenses				2008 Totals	2007 Totals
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 4,121,032	\$ -	\$ 249,102	\$ 248,683	\$ 4,618,817	\$ 4,681,178
Public Service	79,478	-	4,804	57,361	141,643	130,011
Academic Support	1,331,154	-	80,464	398,445	1,810,063	1,813,228
Student Services	968,207	-	58,525	131,611	1,158,343	1,118,003
Institutional Support	1,166,815	-	70,530	670,530	1,907,875	1,829,732
Operation and Maintenance of Plant	533,298	-	32,236	1,371,963	1,937,497	1,625,145
Scholarships and Fellowships	-	-	-	144,035	144,035	218,513
Total Unrestricted Educational Activities	<u>8,199,984</u>	<u>-</u>	<u>495,661</u>	<u>3,022,628</u>	<u>11,718,273</u>	<u>11,415,810</u>
Restricted - Educational Activities						
Instruction	230,126	816,282	35,787	777,352	1,859,547	1,153,602
Public Service	80,718	15,743	9,022	97,186	202,669	202,180
Academic Support	186,427	263,671	17,827	-	467,925	648,918
Student Services	52,808	191,780	11,324	-	255,912	625,617
Institutional Support	-	231,119	-	-	231,119	200,915
Operation and Maintenance of Plant	-	105,634	-	-	105,634	95,185
Scholarships and Fellowships	-	-	-	47,399	47,399	150,020
Total Restricted Educational Activities	<u>550,079</u>	<u>1,624,229</u>	<u>73,960</u>	<u>921,937</u>	<u>3,170,205</u>	<u>3,076,437</u>
Total Educational Activities	<u>8,750,063</u>	<u>1,624,229</u>	<u>569,621</u>	<u>3,944,565</u>	<u>14,888,478</u>	<u>14,492,247</u>
Auxiliary Enterprises	<u>532,364</u>	<u>-</u>	<u>135,068</u>	<u>1,578,921</u>	<u>2,246,353</u>	<u>2,168,860</u>
Depreciation Expense - Buildings and other real estate improvements	-	-	-	363,401	363,401	342,162
Depreciation Expense - Equipment and furniture	-	-	-	152,505	152,505	142,292
Total Operating Expenses	<u>\$ 9,282,427</u>	<u>\$ 1,624,229</u>	<u>\$ 704,689</u>	<u>\$ 6,039,392</u>	<u>\$ 17,650,737</u> (Exhibit 2)	<u>\$ 17,145,561</u> (Exhibit 2)

Vernon College
Schedule C
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2008
(With Memorandum Totals for the Year Ended August 31, 2007)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2008 Totals</u>	<u>2007 Totals</u>
NON-OPERATING REVENUES:						
State appropriations:						
Educational and general state support	\$ 5,453,123	\$ -	\$ 5,453,123	\$ -	\$ 5,453,123	\$ 5,454,838
State group insurance	-	1,155,093	1,155,093	-	1,155,093	1,077,655
State retirement match	-	469,135	469,135	-	469,135	415,524
Total state appropriations	<u>5,453,123</u>	<u>1,624,228</u>	<u>7,077,351</u>	<u>-</u>	<u>7,077,351</u>	<u>6,948,017</u>
Property taxes for maintenance & operation	1,352,910	-	1,352,910	690,804	2,043,714	2,036,614
Capital contracts, grants and gifts	-	-	-	-	-	37,061
Lease income	-	414,658	414,658	-	414,658	407,967
Investment income	114,556	8,745	123,301	-	123,301	179,007
Total non-operating revenues	<u><u>6,920,589</u></u>	<u><u>2,047,631</u></u>	<u><u>8,968,220</u></u>	<u><u>690,804</u></u>	<u><u>9,659,024</u></u>	<u><u>9,608,666</u></u>
NON-OPERATING EXPENSES:						
Operational costs of lease property	-	33,330	33,330	-	33,330	239,114
Amortization of bond issuance costs	-	5,000	5,000	-	5,000	5,000
Interest and fees on capital related debt	-	450,372	450,372	-	450,372	468,360
Total non-operating expenses	<u><u>-</u></u>	<u><u>488,702</u></u>	<u><u>488,702</u></u>	<u><u>-</u></u>	<u><u>488,702</u></u>	<u><u>712,474</u></u>
Net non-operating revenues	<u><u>\$ 6,920,589</u></u>	<u><u>\$ 1,558,929</u></u>	<u><u>\$ 8,479,518</u></u>	<u><u>\$ 690,804</u></u>	<u><u>\$ 9,170,322</u></u> (Exhibit 2)	<u><u>\$ 8,896,192</u></u> (Exhibit 2)

Vernon College
Schedule D
Schedule of Net Assets By Source and Availability
For the Year Ended August 31, 2008
(With Memorandum Totals for the Year Ended August 31, 2007)

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 2,781,222	\$ -	\$ -	\$ -	\$ 2,781,222	\$ 2,781,222	\$ -
Auxiliary	208,939	-	-	-	208,939	208,939	-
Student Aid	-	291,695	-	-	291,695	-	291,695
Endowment:							
Unrestricted:							
Student Aid	-	-	2,495,579	-	2,495,579	-	2,495,579
Plant:							
Debt Service	-	373,813	-	274,387	648,200	-	648,200
Investment in Plant	-	-	-	7,028,540	7,028,540	-	7,028,540
Total Net Assets, August 31, 2008	2,990,161	665,508	2,495,579	7,302,927	13,454,175 (Exhibit 1)	2,990,161	10,464,014
Total Net Assets, August 31, 2007	2,976,155	622,405	2,038,618	7,318,720	12,955,898 (Exhibit 1)	2,976,155	9,979,743
Net Increase (Decrease) in Net Assets	\$ 14,006	\$ 43,103	\$ 456,961	\$ (15,793)	\$ 498,277 (Exhibit 2)	\$ 14,006	\$ 484,271

Vernon College
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2008

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
<u>U. S. Department of Education:</u>			
<u>Direct Programs:</u>			
Supplemental Educational Opportunity Grant	84.007	N/A	\$ 43,377
Title III Student Success/Retention	84.031A	N/A	359,097
Federal Workstudy Program	84.033	N/A	52,808
Federal Pell Grant Program	84.063	N/A	2,369,397
Federal Academic Competitiveness Grant	84.375	N/A	46,343
<u>Pass-Through From:</u>			
Texas Higher Education Coordinating Board:			
Cari Perkins Vocational Education:			
Annual Grant	84.048	54253	366,096
Tech Prep Regular Grant	84.243	51724	227,445
Federal LEAP Program	84.069A	N/A	4,159
Federal SLEAP	84.069B	N/A	5,516
Robert C. Byrd Honors	84.185A	N/A	375
Stephen F. Austin State University:			
Articulated Internet Teacher Education Program	84.116	N/A	538
Midwestern State University:			
Teacher Enhancement Quality Project Begin	84.335C	N/A	13,000
Total U. S. Department of Education			<u>3,488,151</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	5,869
Special Programs for the Aging - Title III, Part C Nutrition	93.045	N/A	181,057
Total U. S. Department of Health and Human Services			<u>186,926</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,675,077</u>

Vernon College
Schedule E
Schedule of Expenditures of Federal Awards (Cont'd)
For the Year Ended August 31, 2008

Note 1: Significant Accounting Policies Used in Preparing the Schedule

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

Note 2: Federal Assistance Reconciliation

Federal Revenues - per Exhibit 2

Federal Grants and Contracts - previous page of Schedule E	\$ 3,675,077
Administrative Cost Recoveries - US Dept Of Education # 84.268 Direct Loans	<u>7,090</u>
 Total Per Exhibit 2	 <u>\$ 3,682,167</u>

Note 3: Pass-Through Amounts Included in Program Expenditures

CFDA No. 84.243 Carl Perkins Voc. Ed.-Tech Prep expenditures includes \$30,724 passed through to:

Newcastle Independent School District	\$ 3,534
Throckmorton Independent School District	1,096
Iowa Park Independent School District	1,113
Northside Independent School District	522
Paducah Independent School District	2,531
Chillicothe Independent School District	2,706
Petrolia Independent School District	1,720
Byers Independent School District	2,000
Henrietta Independent School District	4,289
Munday Independent School District	3,000
Wichita Falls Independent School District	3,688
Burkburnett Independent School District	1,473
Midway Independent School District	1,000
Quanah Independent School District	955
Graham Independent School District	438
Saint Jo Independent School District	<u>659</u>
	<u>\$ 30,724</u>

Note 4: Student Loans Processed and Administrative Costs Recovered - Not Included in Schedule

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>New Loans Processed</u>	<u>Administrative Cost Recovered</u>	<u>Total Loans Processed and Administrative Cost Recovered</u>
Department of Education - 84.032 Federal Family Education Loan	<u>\$ 2,763,361</u>	<u>\$ -</u>	<u>\$ 2,763,361</u>

**Vernon College
Schedule F
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2008**

<u>State Grantor / Pass Through Grantor / Program Title</u>	<u>Grant / Contract Number</u>	<u>Expenditures</u>
<u>Pass-Through From:</u>		
Texas Higher Education Coordinating Board		
College Workstudy	N/A	\$ 12,689
Texas Grant	N/A	206,788
P-16 College Readiness Special Advisors Program	277	455
Professional Nursing Shortage Reduction Program	N/A	<u>19,586</u>
Subtotal Texas Higher Education Coordinating Board		<u>239,518</u>
Texas Department of Agriculture		
Texans Feeding Texans	N/A	15,268
Texas Comptroller of Public Accounts		
Law Enforcement Grant	N/A	190
Texas Workforce Commission		
Apprenticeship	0306ATP001	<u>6,332</u>
Total Expenditures of State Awards		<u>\$ 261,308</u>

Note 1: Significant Accounting Policies Used in Preparing the Schedule

See Note B 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 2003 to 2008
(Unaudited)**

	For the Years Ended August 31,					
	2008	2007	2006	2005	2004	2003
Invested in capital assets, net of related debt	\$ 7,302,927	\$ 7,318,720	\$ 6,851,139	\$ 5,263,055	\$ 6,590,592	\$ 5,586,656
Restricted - nonexpendable	2,495,579	2,038,618	1,877,070	1,795,826	1,673,310	1,587,076
Restricted - expendable	665,508	622,405	1,106,906	1,750,033	390,057	732,204
Unrestricted	2,990,161	2,976,155	2,626,756	2,522,286	2,491,700	1,642,629
Total primary government net assets	<u>\$ 13,454,175</u>	<u>\$ 12,955,898</u>	<u>\$ 12,461,871</u>	<u>\$ 11,331,200</u>	<u>\$ 11,145,659</u>	<u>\$ 9,548,565</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2003 to 2008 are reported.

Vernon College
Statistical Supplement 2
Revenue by Source
Fiscal Years 2003 to 2008
(Unaudited)

For the Years Ended August 31,

	2008	2007	2006	2005	2004	2003
Operating Revenues						
Tuition and fees (net of discounts)	\$ 1,860,137	\$ 2,198,299	\$ 1,987,464	\$ 1,720,209	\$ 2,822,103	\$ 1,697,829
Government grants and contracts:						
Federal grants and contracts	3,682,167	3,759,038	3,770,181	3,987,185	3,658,890	3,323,669
State grants and contracts	261,308	234,504	399,075	291,696	263,204	475,227
Non-governmental grants and contracts	872,706	627,138	583,976	803,222	613,623	912,511
Sales and services of educational activities	127,783	124,305	134,363	135,549	137,505	133,277
Investment income (program restricted)	117,565	134,949	231,759	58,267	51,281	67,867
Auxiliary enterprises (net of discounts)	1,557,681	1,582,164	1,458,192	1,468,202	1,380,072	807,186
Other operating revenues	40,758	24,321	32,606	21,483	24,539	130,472
Total Operating Revenues	<u>8,520,105</u>	<u>8,684,718</u>	<u>8,597,616</u>	<u>8,485,813</u>	<u>8,951,217</u>	<u>7,548,038</u>
Non-Operating Revenues						
State appropriations	7,077,351	6,948,017	6,879,466	6,283,061	6,454,453	6,534,817
Ad valorem taxes	2,043,714	2,036,614	2,054,039	2,041,629	1,995,840	1,982,308
Capital contracts, grants and gifts	-	37,061	-	35,000	982,500	-
Lease income	414,658	407,967	627,092	636,406	73,739	55,042
Investment income	123,301	179,007	48,233	92,358	36,212	6,515
Total Non-Operating Revenues	<u>9,659,024</u>	<u>9,608,666</u>	<u>9,608,830</u>	<u>9,088,454</u>	<u>9,542,744</u>	<u>8,578,682</u>
Total Revenues	<u>\$ 18,179,129</u>	<u>\$ 18,293,384</u>	<u>\$ 18,206,446</u>	<u>\$ 17,574,267</u>	<u>\$ 18,493,961</u>	<u>\$ 16,126,720</u>

For the Years Ended August 31,

	2008	2007	2006	2005	2004	2003
Operating Revenues						
Tuition and fees (net of discounts)	10.23%	12.02%	10.92%	9.79%	15.26%	10.53%
Government grants and contracts:						
Federal grants and contracts	20.25%	20.55%	20.71%	22.69%	19.78%	20.61%
State grants and contracts	1.44%	1.28%	2.19%	1.66%	1.42%	2.95%
Non-governmental grants and contracts	4.80%	3.43%	3.21%	4.57%	3.32%	5.66%
Sales and services of educational activities	0.70%	0.68%	0.74%	0.77%	0.74%	0.83%
Investment income (program restricted)	0.65%	0.74%	1.27%	0.33%	0.28%	0.42%
Auxiliary enterprises (net of discounts)	8.57%	8.65%	8.01%	8.35%	7.46%	5.01%
Other operating revenues	0.22%	0.13%	0.18%	0.12%	0.13%	0.81%
Total Operating Revenues	<u>46.87%</u>	<u>47.47%</u>	<u>47.22%</u>	<u>48.29%</u>	<u>48.40%</u>	<u>46.80%</u>
Non-Operating Revenues						
State appropriations	38.93%	37.98%	37.79%	35.75%	34.90%	40.52%
Ad valorem taxes	11.24%	11.13%	11.28%	11.62%	10.79%	12.29%
Capital contracts, grants and gifts	0.00%	0.20%	0.00%	0.20%	5.31%	0.00%
Lease income	2.28%	2.23%	3.44%	3.62%	0.40%	0.34%
Investment income	0.68%	0.98%	0.26%	0.53%	0.20%	0.04%
Total Non-Operating Revenues	<u>53.13%</u>	<u>52.53%</u>	<u>52.78%</u>	<u>51.71%</u>	<u>51.60%</u>	<u>53.20%</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 2003 to 2008 are reported.

Vernon College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2003 to 2008
(Unaudited)

For the Years Ended August 31,

	2008	2007	2006	2005	2004	2003
Operating Expenses						
Instruction	\$ 6,478,364	\$ 5,834,780	\$ 5,954,887	\$ 5,168,243	\$ 4,943,120	\$ 5,642,015
Public service	344,312	332,191	338,088	555,596	470,146	350,217
Academic support	2,277,988	2,462,146	2,109,335	2,316,158	2,295,564	1,711,843
Student services	1,414,255	1,743,620	1,453,965	1,337,026	1,147,701	1,199,671
Institutional support	2,138,994	2,030,647	1,904,323	1,854,161	1,675,034	1,787,578
Operation and maintenance of plant	2,043,131	1,720,330	1,363,683	1,422,407	1,915,677	1,925,919
Scholarship and fellowships	191,434	368,533	635,800	918,081	2,303,717	513,465
Auxiliary enterprises	2,246,353	2,168,860	2,143,037	2,046,592	1,825,699	1,739,122
Depreciation	515,907	484,454	461,323	466,073	346,467	254,844
Total Operating Expenses	17,650,738	17,145,561	16,364,441	16,084,337	16,923,125	15,104,674
Non-Operating Expenses						
Operational costs of leased property	33,330	239,114	244,320	285,482	-	-
Amortization of bond issuance costs	5,000	5,000	5,000	5,000	-	-
Interest and fees on capital related debt	450,371	468,360	486,488	552,992	71,765	29,908
Total Non-Operating Expenses	488,701	712,474	735,808	843,474	71,765	29,908
Total Expenses	\$ 18,139,439	\$ 17,858,035	\$ 17,100,249	\$ 16,927,811	\$ 16,994,890	\$ 15,134,582

For the Years Ended August 31,

	2008	2007	2006	2005	2004	2003
Operating Expenses						
Instruction	35.71%	32.67%	34.82%	30.53%	29.09%	37.28%
Public service	1.90%	1.86%	1.98%	3.28%	2.77%	2.31%
Academic support	12.56%	13.79%	12.34%	13.68%	13.51%	11.31%
Student services	7.80%	9.76%	8.50%	7.90%	6.75%	7.93%
Institutional support	11.79%	11.37%	11.14%	10.95%	9.86%	11.68%
Operation and maintenance of plant	11.26%	9.63%	7.97%	8.40%	11.27%	12.73%
Scholarship and fellowships	1.06%	2.06%	3.72%	5.42%	13.56%	3.39%
Auxiliary enterprises	12.38%	12.15%	12.53%	12.09%	10.74%	11.49%
Depreciation	2.84%	2.71%	2.70%	2.75%	2.04%	1.68%
Total Operating Expenses	97.31%	96.01%	95.70%	95.02%	99.58%	99.80%
Non-Operating Expenses						
Operational costs of leased property	0.18%	1.34%	1.43%	1.69%	0.00%	0.00%
Amortization of bond issuance costs	0.03%	0.03%	0.03%	0.03%	0.00%	0.00%
Interest and fees on capital related debt	2.48%	2.62%	2.84%	3.27%	0.42%	0.20%
Total Non-Operating Expenses	2.69%	3.99%	4.30%	4.98%	0.42%	0.20%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2003 to 2008 are reported.

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

Resident								
Fees per Semester Credit Hour (SCH)								
Academic Year (Fall)	In-District Tuition	Out-of- District Tuition	Building Use Fee	Student Activity Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2007	36.00	60.50	11.00	6.00	636.00	930.00	8.16%	5.44%
2006	32.00	56.50	11.00	6.00	588.00	882.00	6.52%	10.53%
2005	29.00	49.50	11.00	6.00	552.00	798.00	9.52%	13.68%
2004	25.00	41.50	11.00	6.00	504.00	702.00	5.00%	13.59%
2003	23.00	34.50	11.00	6.00	480.00	618.00	14.29%	11.96%
2002	22.00	33.00	7.00	6.00	420.00	552.00	2.94%	3.37%
2001	21.00	31.50	7.00	6.00	408.00	534.00	21.43%	8.54%
2000	17.00	30.00	7.00	4.00	336.00	492.00	0.00%	3.80%
1999	17.00	28.50	7.00	4.00	336.00	474.00	0.00%	3.95%
1998	17.00	27.00	7.00	4.00	336.00	456.00		

Non-Resident								
Fees per Semester Credit Hour (SCH)								
Academic Year (Fall)	Non-Resident Tuition Out of State	Non-Resident Tuition International	Building Use Fee	Student Activity Fee	Cost for 12 SCH Out-of-State	Cost for 12 SCH International	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2007	103.00	103.00	11.00	6.00	1,440.00	1,440.00	6.19%	6.19%
2006	96.00	96.00	11.00	6.00	1,356.00	1,356.00	8.65%	8.65%
2005	87.00	87.00	11.00	6.00	1,248.00	1,248.00	8.33%	8.33%
2004	79.00	79.00	11.00	6.00	1,152.00	1,152.00	12.94%	12.94%
2003	68.00	68.00	11.00	6.00	1,020.00	1,020.00	8.97%	8.97%
2002	65.00	65.00	7.00	6.00	936.00	936.00	0.00%	0.00%
2001	65.00	65.00	7.00	6.00	936.00	936.00	0.00%	0.00%
2000	65.00	65.00	7.00	6.00	936.00	936.00	9.86%	9.86%
1999	60.00	60.00	7.00	4.00	852.00	852.00	16.39%	16.39%
1998	50.00	50.00	7.00	4.00	732.00	732.00		

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

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

Fiscal Year	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Maintenance and Operation (a)	Debt Service (a)	Total (a)
2007-08	\$ 1,264,925,500	\$ 349,950,230	\$ 914,975,270	72.33%	\$ 0.21869	\$ 0.00000	\$ 0.21869
2006-07	1,171,062,460	251,862,620	919,199,840	78.49%	0.21869	0.00000	0.21869
2005-06	1,050,763,590	245,190,490	805,573,100	76.67%	0.24993	0.00000	0.24993
2004-05	1,009,481,640	243,684,940	765,796,700	75.86%	0.26195	0.00000	0.26195
2003-04	940,002,038	239,851,874	700,150,164	74.48%	0.28652	0.00000	0.28652
2002-03	969,950,448	262,468,448	707,482,000	72.94%	0.28652	0.00000	0.28652
2001-02	786,180,807	65,929,062	720,251,745	91.61%	0.28382	0.00000	0.28382
2000-01	715,095,693	83,959,057	631,136,636	88.26%	0.26250	0.00000	0.26250
1999-00	807,144,802	131,545,970	675,598,832	83.70%	0.28382	0.00000	0.28382
1998-99	819,138,104	131,860,340	687,277,764	83.90%	0.26310	0.00000	0.26310

Source: Willbarger 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	
2007-08	5,453,123	1,999	2,728	740,544	689,139	1,429,683	3.81
2006-07	5,454,838	1,957	2,788	726,928	698,679	1,425,607	3.83
2005-06	5,453,123	1,961	2,780	694,752	767,656	1,462,408	3.73
2004-05	5,042,849	1,971	2,559	639,936	831,587	1,471,523	3.43
2003-04	5,042,930	2,146	2,350	647,568	868,196	1,515,764	3.33
2002-03	5,224,547	2,219	2,355	640,080	912,959	1,553,039	3.36
2001-02	5,613,313	1,930	2,908	541,984	802,146	1,344,130	4.18
2000-01	5,029,446	1,866	2,695	495,952	859,188	1,355,140	3.71
1999-00	4,973,528	1,881	2,645	470,960	883,779	1,354,739	3.67
1998-99	3,972,812	1,664	2,388	438,512	758,210	1,196,722	3.32

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 Eight Tax Years
(Unaudited)**

Taxpayer	Type of Business	Taxable Assessed Valuation (TAV) by Tax Year							
		2008	2007	2006	2005	2004	2003	2002	2001
AEP Texas North Company	Energy company	\$ 259,360,420	\$ 311,522,800	\$ 306,266,190	\$ 247,226,450	\$ 230,656,150	\$ 190,067,390	\$ -	\$ -
AEP Public Service Co of Oklahoma	Energy company	55,975,710	52,262,440	53,703,940	56,973,910	61,054,130	55,511,340	58,361,460	54,112,970
Tyson Foods, Inc	Food processing plant	30,766,480	29,281,070	30,522,910	28,232,360	27,223,090	26,268,920	24,639,740	15,218,860
Oklahoma Municipal Power Authority	Energy company	28,978,660	30,411,870	31,876,920	32,505,830	33,519,560	30,638,140	32,854,150	27,282,450
WT Waggoner Estate	Farming, ranching, oil & gas	24,037,680	19,659,204	20,541,460	17,689,480	17,427,760	10,507,350	10,806,490	10,684,180
Rhodia, Inc	Guar processing plant	22,555,420	25,422,440	23,399,550	21,481,620	22,684,760	16,612,360	16,342,230	24,006,600
BNSF Railway	Railroad company	12,769,020	11,694,320	10,334,230	9,360,030	8,733,150	9,043,140	9,087,200	7,648,180
West Texas Utilities Company	Energy company	11,490,730	11,467,250	11,467,250	11,467,250	11,467,250	7,819,470	214,611,520	173,643,380
Mahard Egg Farm	Egg farm	9,740,310	9,462,890	8,095,040	6,292,390	-	-	-	-
Johnson & Ernst Op Co	Oil & gas	8,117,510	-	-	-	-	-	-	-
Southwestern Bell Telephone Co	Telephone company	5,389,120	6,109,790	5,778,290	-	6,160,750	7,022,450	7,711,780	8,224,460
Wal-Mart Stores Texas LP	Retail sales	4,123,730	-	-	-	-	-	4,704,360	-
Atmos Energy/MIDTEX	Energy company	4,243,260	-	-	-	-	-	-	2,759,660
Totals		\$ 477,548,050	\$ 507,294,074	\$ 501,985,780	\$ 431,229,320	\$ 418,926,600	\$ 353,490,560	\$ 379,118,930	\$ 323,580,740
Total Assessed Taxable Value		\$ 914,975,270	\$ 919,199,840	\$ 805,573,100	\$ 765,796,700	\$ 700,150,164	\$ 707,482,000	\$ 720,251,745	\$ 631,136,636

Taxpayer	Type of Business	Percentage Taxable Assessed Valuation (TAV) by Tax Year							
		2008	2007	2006	2005	2004	2003	2002	2001
AEP Texas North Company	Energy company	28.35%	33.89%	38.02%	32.28%	32.94%	26.87%	0.00%	0.00%
AEP Public Service Co of Oklahoma	Energy company	6.12%	5.69%	6.67%	7.44%	8.72%	7.85%	8.10%	8.57%
Tyson Foods, Inc	Food processing plant	3.36%	3.19%	3.79%	3.69%	3.89%	3.71%	3.42%	2.41%
Oklahoma Municipal Power Authority	Energy company	3.17%	3.31%	3.96%	4.24%	4.79%	4.33%	4.56%	4.32%
WT Waggoner Estate	Farming, ranching, oil & gas	2.63%	2.14%	2.55%	2.31%	2.49%	1.49%	1.50%	1.69%
Rhodia, Inc	Guar processing plant	2.47%	2.77%	2.90%	2.81%	3.24%	2.35%	2.27%	3.80%
BNSF Railway	Railroad company	1.40%	1.27%	1.28%	1.22%	1.25%	1.28%	1.26%	1.21%
West Texas Utilities Company	Energy company	1.26%	1.25%	1.42%	1.50%	1.64%	1.11%	29.80%	27.51%
Mahard Egg Farm	Egg farm	1.06%	1.03%	1.00%	0.82%	0.00%	0.00%	0.00%	0.00%
Johnson & Ernst Op Co	Oil & gas	0.89%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Southwestern Bell Telephone Co	Telephone company	0.59%	0.66%	0.72%	0.00%	0.88%	0.99%	1.07%	1.30%
Wal-Mart Stores Texas LP	Retail sales	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.65%	0.09%
Atmos Energy/MIDTEX	Energy company	0.46%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.44%
Totals		52.19%	55.19%	62.31%	56.31%	59.83%	49.96%	52.64%	51.27%

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

Vernon College
Statistical Supplement 8
Property Tax Levies and Collections
Last Nine 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
2008	\$ 2,001,065	\$ 4,042	\$ 2,005,107	\$ 1,973,462	98.42%	\$ -	-	\$ 1,973,462	98.42%
2007	2,010,198	(7,479)	2,002,719	1,975,506	98.64%	-	15,331	1,990,837	99.41%
2006	2,020,665	(6,490)	2,014,175	1,974,744	98.04%	21,716	15,492	2,011,952	99.89%
2005	2,006,004	4,377	2,010,381	1,969,076	97.95%	21,404	5,493	1,995,973	99.28%
2004	2,006,070	2,216	2,008,286	1,959,415	97.57%	33,644	3,710	1,996,769	99.43%
2003	2,027,077	(870)	2,026,207	1,979,074	97.67%	36,258	2,620	2,017,952	99.59%
2002	2,063,665	1,776	2,065,441	2,027,122	98.14%	30,309	1,687	2,059,118	99.69%
2001	1,791,292	28,563	1,819,855	1,786,199	98.15%	24,839	934	1,811,972	99.57%
2000	1,787,432	(22,901)	1,764,531	1,735,128	98.33%	23,209	506	1,758,843	99.68%

Note: Information is not available for the year ended August 31, 1999

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,									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenue bonds	\$ 7,135,000	\$ 7,415,000	\$ 7,675,000	\$ 7,925,000	\$ 8,100,000	\$ 100,000	\$ 200,000	\$ 295,000	\$ 380,000	\$ 460,000
Notes	-	-	-	-	-	-	-	-	-	-
Capital lease obligations	1,347,594	1,423,863	1,500,393	1,600,705	1,698,491	108,339	195,663	265,466	153,572	195,163
Total Outstanding Debt	\$ 8,482,594	\$ 8,838,863	\$ 9,175,393	\$ 9,525,705	\$ 9,798,491	\$ 208,339	\$ 395,663	\$ 560,466	\$ 533,572	\$ 655,163
Total Outstanding Debt Ratios										
Per Capita	not available	310.17	348.66	370.33	397.70	8.80	17.17	25.36	23.29	30.94
Per FTSE	4,243	4,517	4,679	4,833	4,566	94	205	300	284	394
As a percentage of Taxable Assessed Value	0.9271%	0.9616%	1.0132%	1.2439%	1.3995%	0.0294%	0.0549%	0.0889%	0.0790%	0.0953%

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,									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Taxable Assessed Valuation	\$ 914,975,270	\$ 919,199,840	\$ 805,573,100	\$ 765,796,700	\$ 700,150,164	\$ 707,482,000	\$ 720,251,745	\$ 631,136,636	\$ 675,598,832	\$ 687,277,764
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
Statutory tax levy limit for debt service	\$ 4,574,876	\$ 4,595,999	\$ 4,027,866	\$ 3,828,984	\$ 3,500,751	\$ 3,537,410	\$ 3,601,259	\$ 3,155,683	\$ 3,377,994	\$ 3,436,389
Less funds restricted for repayment of bonds	-	-	-	-	-	-	-	-	-	-
Total Net General Obligation Debt	4,574,876	4,595,999	4,027,866	3,828,984	3,500,751	3,537,410	3,601,259	3,155,683	3,377,994	3,436,389
Current year debt service requirement	-	-	-	-	-	-	-	-	-	-
Excess of statutory limit for debt service over current requirement	\$ 4,574,876	\$ 4,595,999	\$ 4,027,866	\$ 3,828,984	\$ 3,500,751	\$ 3,537,410	\$ 3,601,259	\$ 3,155,683	\$ 3,377,994	\$ 3,436,389
Net current requirement as a percentage of statutory limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

Revenue Bonds Fiscal Year Ended August 31	Pledged Revenues					Debt Service Requirements			Coverage Ratio	
	Tuition	Laboratory/ Special Fee	General Registration Fees	General Use Fee	Facility Lease Revenue	Investment Income	Principal	Interest		Total
2008	\$ 4,042,027	\$ 577,058	\$ 1,136,510	\$ -	\$ 414,658	\$ 123,301	\$ 280,000	\$ 382,925	\$ 662,925	9.49
2007	3,977,289	628,510	1,173,656	-	407,367	179,007	260,000	396,997	656,997	9.69
2006	3,137,859	484,364	1,150,590	-	627,092	48,233	250,000	410,465	660,465	8.25
2005	2,705,330	431,066	1,139,657	-	636,306	43,233	175,000	473,638	648,638	7.64
2004	2,272,559	362,450	974,186	30,180	207,891	3,982	100,000	6,500	106,500	36.16
2003	114,945	-	-	46,748	199,921	6,339	100,000	13,000	113,000	3.26
2002	101,918	-	-	45,286	174,570	6,905	95,000	19,175	114,175	2.88
2001	91,005	-	-	41,832	106,141	7,722	85,000	24,700	109,700	2.25
2000	94,905	-	-	35,574	101,711	7,561	80,000	29,820	109,820	2.18
1999	85,687	-	-	41,844	126,233	8,950	75,000	34,545	109,545	2.40

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
2007	14,037	b	b	3.8%
2006	14,218	\$ 405,173	\$ 28,497	3.4%
2005	13,896	371,154	26,316	4.0%
2004	13,934	358,406	25,722	4.5%
2003	14,142	348,432	24,638	5.0%
2002	14,278	337,968	23,671	4.7%
2001	14,397	331,851	23,050	3.7%
2000	14,676	324,390	22,103	3.7%
1999	14,035	321,546	22,910	4.0%
1998	14,076	298,031	21,173	3.8%

Sources:

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

Notes:

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

**Vernon College
Statistical Supplement 13
Principal Employers
Fiscal Year 2008
(Unaudited)**

Employer	Number of Employees	Percentage of Total Employment (1, 2)
North Texas State Hospital	1000+	13.60%
Tyson Foods, Inc	500 - 999	2.70%
Vernon City Hall	100 - 499	2.70%
Vernon College	100 - 499	2.70%
Wilbarger General Hospital	100 - 499	2.70%
Vernon Public Schools	100 - 499	2.70%
United Supermarket	50 - 99	1.00%
Vernon Care Center	50 - 99	1.00%
Waggoner National Bank	50 - 99	1.00%
W. T. Waggoner Estate	50 - 99	1.00%
Total	2050 - 3991	31.10%

Source:

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

Note:

1. Total employment: 7,687
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									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Faculty										
FT	74	73	73	72	69	71	68	61	53	52
PT	77	83	112	101	98	94	88	88	93	84
Total	151	156	185	173	167	165	156	149	146	136
Percent										
FT	49%	47%	39%	42%	41%	43%	44%	41%	36%	38%
PT	51%	53%	61%	58%	59%	57%	56%	59%	64%	62%
Staff & Adm										
FT	138	145	145	120	125	131	124	123	124	98
PT	-	-	-	9	-	-	-	-	4	8
Total	138	145	145	129	125	131	124	123	128	106
Percent										
FT	100%	100%	100%	93%	100%	100%	100%	100%	97%	92%
PT	0%	0%	0%	7%	0%	0%	0%	0%	3%	8%
FTSE										
FT Faculty	1,999	1,957	1,961	1,971	2,146	2,219	1,930	1,866	1,881	1,664
FT Faculty	27.01	26.81	26.86	27.38	31.10	31.25	28.38	30.59	35.49	32.00
FT Staff	14.49	13.50	13.52	16.43	17.17	16.94	15.56	15.17	15.17	16.98
Fac Sal	\$ 3,235,850	\$ 3,110,721	\$ 2,909,602	\$ 2,753,724	\$ 2,545,488	\$ 2,622,151	\$ 2,506,888	\$ 2,278,117	\$ 1,937,861	\$ 1,926,926
Avg. Fac	\$ 43,728	\$ 42,613	\$ 39,858	\$ 38,246	\$ 36,891	\$ 36,932	\$ 36,866	\$ 37,346	\$ 36,563	\$ 37,056

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

Credit Student Classification	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
0 - 30 hours	2,228	79.18%	1,918	68.67%	1,984	71.24%	1,918	71.25%	1,854	70.60%
31 - 60 hours	412	14.64%	696	24.92%	595	21.36%	535	19.87%	520	19.80%
> 60 hours	174	6.18%	179	6.41%	206	7.40%	239	8.88%	252	9.60%
Total	2,814	100.00%	2,793	100.00%	2,785	100.00%	2,692	100.00%	2,626	100.00%

Non-Credit Student Classification	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
CEU Students Only	641	78.65%	813	74.38%	1,122	80.09%	681	77.65%	1,047	75.98%
0 - 30 hours	108	13.25%	160	14.64%	163	11.63%	124	14.14%	147	10.67%
31 - 60 hours	36	4.42%	86	7.87%	54	3.85%	40	4.56%	77	5.59%
> 60 hours	30	3.68%	34	3.11%	62	4.43%	32	3.65%	107	7.76%
Total	815	100.00%	1,093	100.00%	1,401	100.00%	877	100.00%	1,378	100.00%

Semester Hour Load	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	11	0.39%	17	0.61%	14	0.50%	19	0.71%	16	0.61%
3 - 5 semester hours	709	25.20%	675	24.17%	812	29.16%	779	28.94%	748	28.48%
6 - 8 semester hours	750	26.65%	672	24.06%	548	19.68%	624	23.18%	595	22.66%
9 - 11 semester hours	385	13.68%	386	13.82%	398	14.29%	333	12.37%	401	15.27%
12 - 14 semester hours	743	26.40%	761	27.25%	673	24.17%	565	20.99%	532	20.26%
15 - 17 semester hours	198	7.04%	264	9.45%	238	8.55%	255	9.47%	239	9.10%
18 & over	18	0.64%	18	0.64%	102	3.66%	117	4.35%	95	3.62%

Sub-Total SCH Students	2,814	100.00%	2,793	100.00%	2,785	100.00%	2,692	100.00%	2,626	100.00%
Average SCH course load	8.46		9.06		9.06		8.65		8.60	
Non-Credit CEU Students	815		1,093		1,401		877		1,378	
Total	3,629		3,886		4,186		3,569		4,004	

Credit Tuition Status	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-district)	297	10.55%	294	10.53%	316	11.35%	363	13.48%	377	14.36%
Texas Resident (out-of-dist)	2,480	88.13%	2,461	88.11%	2,438	87.54%	2,296	85.29%	2,230	84.92%
Non-Resident Tuition	37	1.31%	38	1.36%	31	1.11%	33	1.23%	19	0.72%
Total	2,814	100.00%	2,793	100.00%	2,785	100.00%	2,692	100.00%	2,626	100.00%

Non-Credit Tuition Status	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
CEU Students Only	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
CEU Contract & Non-Contract	1	0.12%	2	0.18%	27	1.93%	-	0.00%	13	0.94%
CEU Contract Only	335	41.10%	559	51.14%	712	50.82%	98	11.17%	429	31.13%
CEU Non-Contract Only	479	58.77%	532	48.67%	662	47.25%	779	88.83%	936	67.92%
Total	815	100.00%	1,093	100.00%	1,401	100.00%	877	100.00%	1,378	100.00%

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

	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	2,166	59.69%	2,355	60.60%	2,558	61.11%	2,147	60.16%	2,556	63.84%
Male	1,463	40.31%	1,531	39.40%	1,628	38.89%	1,422	39.84%	1,448	36.16%
Total	3,629	100.00%	3,886	100.00%	4,186	100.00%	3,569	100.00%	4,004	100.00%

	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
White	2,732	75.28%	2,969	76.40%	3,259	77.85%	2,714	76.04%	3,012	75.22%
Hispanic	482	13.28%	489	12.58%	490	11.71%	452	12.66%	508	12.69%
African American	294	8.10%	313	8.05%	324	7.74%	288	8.07%	365	9.12%
Asian	70	1.93%	60	1.54%	58	1.39%	48	1.34%	54	1.35%
Foreign	11	0.30%	11	0.28%	14	0.33%	9	0.25%	13	0.32%
Native American	38	1.05%	41	1.06%	38	0.91%	48	1.34%	46	1.15%
Other	2	0.06%	3	0.08%	3	0.07%	10	0.28%	6	0.15%
Total	3,629	100.00%	3,886	100.00%	4,186	100.00%	3,569	100.00%	4,004	100.00%

	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	624	22.17%	517	18.51%	464	16.66%	355	13.19%	316	12.03%
18 - 21	1,029	36.57%	1,005	35.98%	1,048	37.63%	1,021	37.93%	988	37.62%
22 - 24	280	9.95%	306	10.96%	298	10.70%	295	10.96%	258	9.82%
25 - 35	546	19.40%	622	22.27%	612	21.97%	626	23.25%	601	22.89%
36 - 50	286	10.16%	297	10.63%	308	11.06%	343	12.74%	404	15.38%
51 & over	49	1.74%	46	1.65%	55	1.97%	52	1.93%	59	2.25%
Total	2,814	100.00%	2,793	100.00%	2,785	100.00%	2,692	100.00%	2,626	100.00%

Average Age	<u>23.8</u>	<u>24.3</u>	<u>24.5</u>	<u>25.2</u>	<u>25.8</u>
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	Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 18	51	6.26%	12	1.10%	16	1.14%	4	0.46%	63	4.57%
18 - 21	85	10.43%	102	9.33%	63	4.50%	100	11.40%	133	9.65%
22 - 24	56	6.87%	76	6.95%	98	7.00%	88	10.03%	105	7.62%
25 - 35	154	18.90%	262	23.97%	324	23.13%	207	23.60%	329	23.88%
36 - 50	243	29.82%	370	33.85%	474	33.83%	263	29.99%	414	30.04%
51 & over	226	27.73%	271	24.79%	426	30.41%	215	24.52%	334	24.24%
Total	815	100.00%	1,093	100.00%	1,401	100.00%	877	100.00%	1,378	100.00%

Average Age	<u>39.9</u>	<u>40.1</u>	<u>42.6</u>	<u>39.2</u>	<u>38.8</u>
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Vernon College
Statistical Supplement 17
Transfers to Senior Institutions
2005 Fall Students as of Fall 2006
(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	3	-	2	5	5.32%
2 Midwestern State University	7	5	22	34	36.17%
3 Tarleton State University	-	-	5	5	5.32%
4 West Texas A&M University	6	4	19	29	30.85%
5 Other Public 4-year	6	-	15	21	22.34%
Totals	<u>22</u>	<u>9</u>	<u>63</u>	<u>94</u>	<u>100.00%</u>

Note - The information for the transfers to senior institutions for the fall 2006 students as of the fall 2007 is not available.

**Vernon College
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2004 to 2008
(Unaudited)**

	Fiscal Years				
	2008	2007	2006	2005	2004
Academic Buildings	6	6	6	6	6
Square footage	164,029	164,029	152,029	152,029	152,029
Libraries	1	1	1	1	1
Square footage	16,276	16,276	16,276	16,276	16,276
Number of volumes	13,296	13,296	13,296	12,988	12,723
Administrative and support buildings	1	1	1	1	1
Square footage	28,287	28,287	28,287	19,787	19,787
Dormitories	2	2	2	2	2
Square footage	27,214	27,214	27,214	27,214	27,214
Number of beds	156	156	156	156	156
Dining Facilities	1	1	1	1	1
Square footage	10,170	10,170	10,170	10,170	10,170
Average daily customers	250	250	250	250	250
Athletic Facilities	6	6	6	6	6
Square footage	31,472	31,472	31,472	31,472	31,472
Stadiums	3	3	3	3	3
Gymnasiums	1	1	1	1	1
Fitness Centers	1	1	1	1	1
Tennis Courts	6	6	6	6	6
Plant Facilities	1	1	1	1	1
Square footage	11,000	11,000	11,000	11,000	11,000
Transportation					
Cars	1	1	1	1	1
Light trucks/vans	8	8	8	8	8
Buses	2	2	2	2	2

Overall Compliance, Internal Controls and Federal Awards Section



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Board of Trustees
Vernon College
Vernon, Texas

Members of the Board of Trustees:

We have audited the 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, 2008, and have issued our report thereon dated December 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Vernon College's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Vernon College's financial statements that is more than inconsequential will not be prevented by Vernon College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Vernon College's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Vernon College in a separate letter dated December 10, 2008.

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, 2008, no instances of noncompliance were noted.

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

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 10, 2008



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Board of Trustees
Vernon College
Vernon, Texas

Members of the Board of Trustees:

Compliance

We have audited the compliance of Vernon College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended August 31, 2008. Vernon College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Vernon College's management. Our responsibility is to express an opinion on Vernon College's compliance based on our audit.

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

In our opinion, Vernon College, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2008.

Internal Control Over Compliance

The management of Vernon College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Vernon College's internal control over compliance with the requirements that could have a direct and material effect on a major federal

program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

December 10, 2008

VERNON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2008

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 Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Control deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of major programs:	<u>CFDA Number</u>
Student Financial Aid Cluster:	
Supplemental Educational Opportunity Grant	84.007
Federal Family Education Loan	84.032
Federal Workstudy Program	84.033
Federal Pell Grant Program	84.063
Academic Competitiveness Grant	84.375
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

VERNON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D.)
FOR THE YEAR ENDED AUGUST 31, 2008

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

**VERNON COLLEGE
SCHEDULE OF CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2008**

There were no current year findings or questioned costs.

VERNON COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2008

<u>Finding/Recommendation</u>	<u>Status</u>	<u>Management's Explanation</u> <u>If Not Implemented</u>
The College did not follow the procurement laws outlined in the 'Handbook on Purchasing for Texas Public Schools, Junior Colleges and Community Colleges'.	Implemented	Not applicable
The College was to monitor its purchases and follow all procurement laws.		