

CLARENDON COLLEGE
Clarendon, Texas

ANNUAL FINANCIAL REPORT
August 31, 2019 and 2018

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**CLARENDON COLLEGE
ORGANIZATIONAL DATA
August 31, 2019**

Board of Regents

	<u>Officers</u>	Term Expires <u>May</u>
Tommy Waldrop	Chair	2024
Lon Adams	Vice-Chair	2022
Darlene Spier	Secretary	2020
Jack A. Moreman	Member	2020
Dr. William A. Sansing	Member	2020
Ruth Robinson	Member	2022
Mary Ellen Shields (Susie)	Member	2022
Edwin Campbell	Member	2024
Jerry Woodard	Member	2024

Principal Administrative Officers

Dr. Robert Riza	President
Texas Buckhaults	Vice President of Academic Affairs – SACSCOC Liaison
Richard Christian	Vice President of Administrative Services

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Independent Auditor's Report

Board of Regents
Clarendon College
Clarendon, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Clarendon College (the College) as of and for the years ended August 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of August 31, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2018, the College adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the College's Proportionate Share of the Net Pension Liability, and the Schedule of the College's Contributions to the Pension, Schedule of the College's Proportionate Share of the Net OPEB Liability, Schedule of College's Contribution to the OPEB Plan and Notes to Required Supplementary Information on pages 9-20 and pages 65-70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying supplemental information listed in the table of contents, Schedules A, B, C and D (Other Supplemental Information), is likewise presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule E, and Schedule of Expenditures of State of Texas Awards, Schedule F, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Uniform Grants Management Standards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the Schedule of Expenditures of State of Texas Awards, and the Other Supplemental Information are the responsibility of management and were

derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, the Schedule of Expenditures of State of Texas Awards, and the Other Supplemental Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Connor, McMillon, Mitchell & Shennum, PLLC

Amarillo, Texas
December 19, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CLARENDON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending August 31, 2019**

Discussion of Currently Known Facts, Decisions, or Conditions:

Clarendon College has seen positive growth in the last five years. Even with enrollment down slightly this fall the College continues to be in a positive trend.

The Business Office personnel changes that have been made had a large impact on the College through this year. Our new Financial Aid Director continues to offer staff development training resulting in greater efficiency for our students as well as continuing to improve operationally.

This year saw a conservative budget with a planned decrease in tuition and fees due to lower expected enrollment. The College did increase the tuition cost for its Online Dual Credit courses, the first time in six years. Revenue is also seen increasing on the Auxiliary budget as the headcount in the residence halls also increased. Although the College has seen slight increases in revenues, the college maintains a careful approach as expenses were maintained as flat, the College did not raise tuition and fees for our traditional students.

Clarendon College will continue to be involved and lead our communities as a partner to increase the economic development and educational attainment of our communities.

Thank you for your assistance to Clarendon College.

**CLARENDON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending August 31, 2019**

This section presents the management's discussion and analysis of the financial performance of Clarendon College (the College) during the fiscal years ending August 31, 2019 and 2018. This discussion and analysis focuses on current activities, resulting changes and currently known facts, and should be read in conjunction with the accompanying financial statements and footnotes. The financial analysis is for fiscal year 2019, with fiscal years 2018 and 2017 data for comparative purposes. The financial statements, footnotes and discussion are the responsibility of the College management.

Using the Annual Financial Report:

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Statement No. 34 requires a comprehensive look at the entity as a whole and the depreciation of capital assets. In November 1999, GASB issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which applies the provisions of Statement No. 34 to public colleges and universities.

The financial report for the College includes the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. These statements are prepared under the accrual basis of accounting and in accordance with GASB principles.

Condensed Statements of Net Position as of August 31, 2019, 2018, and 2017 (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current Assets			
Cash and cash equivalents	\$ 429	\$ 666	\$ 401
Short-term investments	-	-	1,492
Accounts receivable, net	516	1,647	1,590
Inventory	30	55	7
Other assets	88	77	84
Total current assets	<u>1,063</u>	<u>2,445</u>	<u>3,574</u>
Noncurrent Assets			
Restricted cash and cash equivalents	81	250	57
Restricted short-term investments	673	613	110
Endowment investments	1,193	1,195	1,195
Other long-term investments	1,704	1,395	1,608
Real estate held by endowments	503	503	503
Deposits	21	21	21
Capital assets, net	15,912	16,272	17,027
Total noncurrent assets	<u>20,087</u>	<u>20,249</u>	<u>20,521</u>
Total Assets	<u>\$ 21,150</u>	<u>\$ 22,694</u>	<u>\$ 24,095</u>
Deferred Outflows of Resources	<u>\$ 4,266</u>	<u>\$ 480</u>	<u>\$ 413</u>

**CLARENDON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending August 31, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current Liabilities			
Accounts payable and accrued liabilities	\$ 417	\$ 282	\$ 582
Unearned revenue	625	2,097	1,865
Other current liabilities	874	960	786
Total current liabilities	<u>1,916</u>	<u>3,339</u>	<u>3,233</u>
Noncurrent Liabilities	<u>13,759</u>	<u>11,224</u>	<u>6,266</u>
Total Liabilities	<u>\$ 15,675</u>	<u>\$ 14,563</u>	<u>\$ 9,499</u>
Deferred Inflows of Resources	<u>\$ 2,942</u>	<u>\$ 1,555</u>	<u>\$ 166</u>
Net Position			
Net investment in capital assets	\$ 12,012	\$ 11,898	\$ 12,196
Nonexpendable	1,696	1,698	1,748
Restricted for expendable	754	619	1,501
Unrestricted	<u>(7,663)</u>	<u>(7,159)</u>	<u>(602)</u>
Total Net Position	<u>\$ 6,799</u>	<u>\$ 7,056</u>	<u>\$ 14,843</u>

For 2018-2019 the College saw a decrease of \$1,382,000 in total current assets from the previous year. There was a decrease of \$1,129,000 in the total current assets for 2017-2018 when compared to 2016-2017. Cash and short-term investments showed a decrease of \$237,000 from last year's total of \$666,000. There was a decrease in student accounts receivable of \$1,131,000 in accounts receivable from \$1,647,000 in 2017-2018, to this year's total of \$516,000. The overall change affected the unearned revenue but has no overall effect on the financial statements as these amounts would be offsetting. This change in calculation is also reflected in the \$1,423,000 decrease in current liabilities. The unearned revenue accounted for most of this change, going from \$2,097,000 in 2017-2018 to \$625,000 in 2018-2019.

Noncurrent assets decreased \$162,000 in 2018-2019. They went from \$20,249,000 in 2017-2018 to \$20,087,000 in 2018-2019. The change in restricted cash and cash equivalents was a decrease of \$169,000 in 2018-2019, going from \$250,000 in 2017-2018 to \$81,000 in 2018-2019.

Net capital assets for 2018-2019 were \$15,912,000, for 2017-2018 they were \$16,272,000, and for 2016-2017 they were \$17,027,000. At August 31, 2019, there was no construction in progress. Depreciation expense for 2018-2019 was \$810,000 and was \$884,000 in 2017-2018 and \$892,000 for 2016-2017.

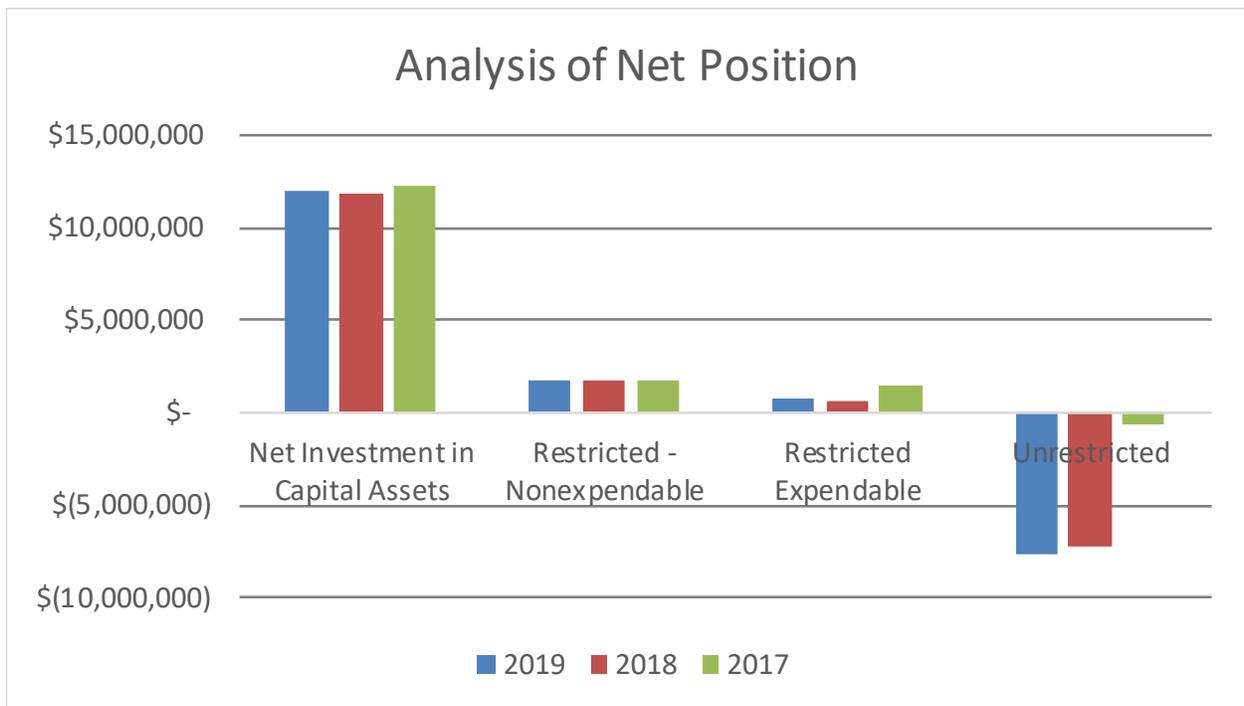
**CLARENDON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending August 31, 2019**

Current liabilities were \$3,339,000 in 2017-2018 and decreased to \$1,916,000 in 2018-2019. Accounts payable and accrued liabilities combined saw an increase of \$135,000. There was a decrease of \$86,000 in other current liabilities, and a decrease of \$1,472,000 in unearned revenue. Accounts payable increased \$149,000 in 2018-2019 to \$262,000 while accrued liabilities decreased \$14,000. The decrease in unearned revenue was due to a change in the accounts receivable, as discussed earlier.

Total liabilities increased from \$14,563,000 in 2017-2018 to \$15,675,000 in 2018-2019. This was an increase of \$1,112,000 and was largely due to an increase in the pension and OPEB liability of \$3,021,000 and a decrease of unearned revenues of \$1,472,000 and payments on debt of \$474,000.

The net of this activity resulted in a decrease in total net position of \$257,000, from \$7,056,000 at the end of 2017-2018, to our 2018-2019 total of \$6,799,000. The College had prior period restatements of \$6,858,000 in 2017-2018 which was primarily due to GASB 75 implementation of \$6,640,000 another \$218,000 was due to corrections of prior year health benefits and reclassification of an agency account.

The following is a comparison of net position and net investment in capital assets at August 31, 2019, 2018, and 2017:



**CLARENDON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending August 31, 2019**

Condensed Statements of Revenues, Expenses and Changes in Net Position as of August 31, 2019, 2018, and 2017 (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenue			
Tuition & fees (net of discounts)	\$ 2,343	\$ 1,572	\$ 1,764
Federal grants and contracts	351	256	406
State grants and contracts	328	398	572
Local grants and contracts	1,036	1,045	1,365
Auxiliary enterprises (net of discounts)	553	692	398
Other operating revenues	100	149	96
Total operating revenue	<u>4,711</u>	<u>4,112</u>	<u>4,601</u>
Operating expenses			
Instruction	4,181	4,318	3,615
Academic support	553	491	363
Student services	786	737	822
Institutional support	2,058	2,015	1,818
Operation and maintenance of plant	1,004	1,170	940
Scholarship expense	739	744	546
Auxiliary enterprises	1,541	1,283	1,193
Depreciation	810	884	892
Total operating expenses	<u>11,672</u>	<u>11,642</u>	<u>10,189</u>
Operating loss	<u>(6,961)</u>	<u>(7,530)</u>	<u>(5,588)</u>
Nonoperating revenues (expenses)			
State appropriations	3,478	3,656	3,213
Ad valorem taxes	575	483	485
Federal revenue, nonoperating	2,192	2,308	1,982
Gifts	438	353	60
Investment income	198	11	57
Interest on capital related debt	(176)	(195)	(211)
Other gain/revenue (loss/expense)	(1)	(15)	-
Net nonoperating revenues (expenses)	<u>6,704</u>	<u>6,601</u>	<u>5,586</u>
Decrease in net position	(257)	(929)	(2)
Net position – beginning of year	7,056	14,843	14,845
Prior period adjustment	-	(6,858)	-
Net position – end of year	<u>\$ 6,799</u>	<u>\$ 7,056</u>	<u>\$ 14,843</u>

**CLARENDON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending August 31, 2019**

Operating revenue includes tuition and fees, net of scholarship discounts and allowances, federal, state, and local grants and contracts, auxiliary enterprises and other. The College's total operating revenue increased, going from \$4,112,000 in 2017-2018 to \$4,711,000 in 2018-2019. Tuition and fees (net of discounts) showed an increase of \$771,000 in 2018-2019, up from \$1,572,000 in 2017-2018. The College's rate of tuition and fees remained the same per semester credit hour since 2016, except for the online dual credit fee increase in 2018-2019. Contact hours saw a minimal increase going from 688,080 in 2017-2018 to 693,808 in 2018-2019. Total head count for the Fall term saw an increase in the Fall of 2018. However, it decreased to 1,538 head count in the Fall of 2019 for the first time in five years. Enrollment has been driven by:

- The College has continued to increase the scope of dual credit offerings to service area high school and as a result enrollment in dual credit has increased directly and accounts for a significant portion of overall enrollment increases from fall 2015 to fall 2018.
- Clarendon College's graduation rate for students who do not take developmental education courses is almost double that of the state at 52.6% compared to the statewide average of 28.2%. The Graduation rate for fulltime students is one of the highest at 36.5% compared to the state average of 23.3%. According to the *2019 Texas Higher Education Almanac* published by the Texas Higher Education Coordinating Board.

There was a slight increase in academic contact hours, going from 430,896 in 2017-2018, to 454,976 in 2018-2019. Technical contact hours decreased slightly from 257,184 in 2017-2018 to 238,832 in 2018-2019.

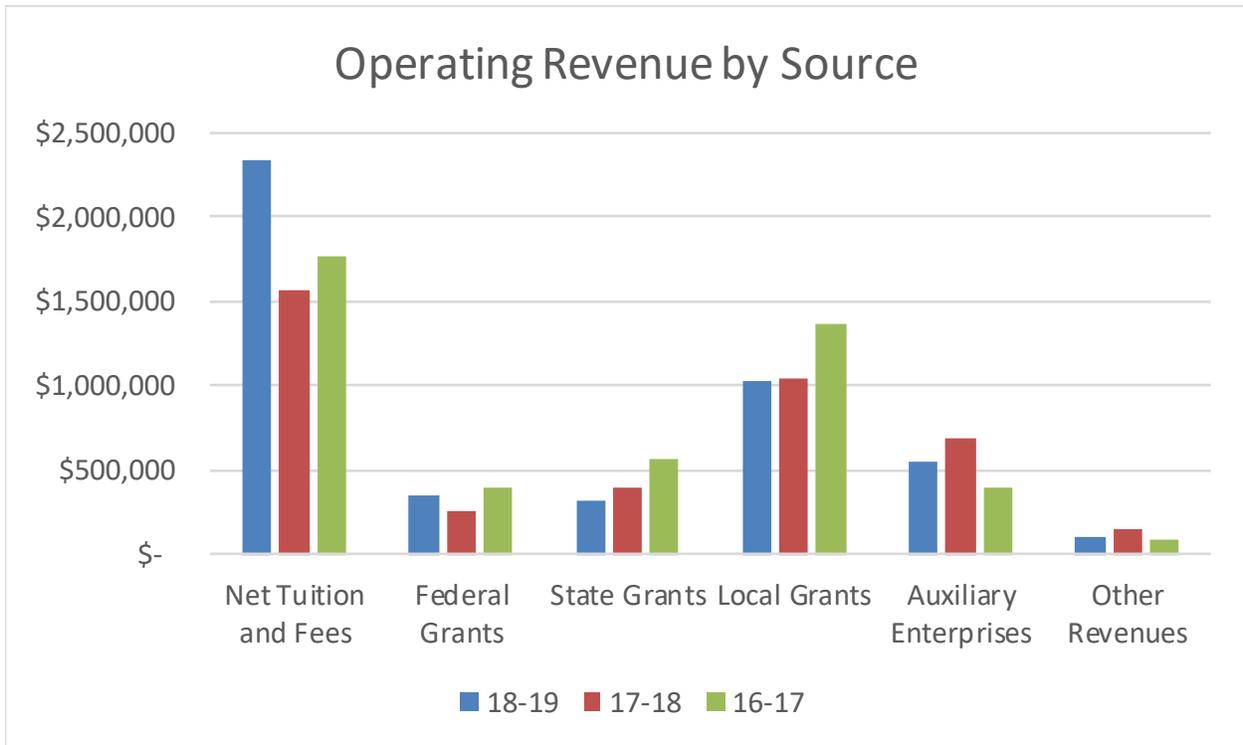
Federal grants and state grants increased to \$679,000 in 2018-2019 up from \$654,000 in 2017-2018. There was a decrease of \$139,000 in auxiliary revenue. There was a decrease of \$9,000 local grants and contracts. There was a decrease of \$49,000 in other operating revenue.

Operating expenses increased \$30,000 in 2018-2019 over 2017-2018. Instruction decreased \$137,000, and academic support increased by \$62,000. Institutional support increased \$43,000 while student services increased by \$49,000. Maintenance of plant expenses decreased \$166,000 and depreciation decreased \$74,000. Changes in expenditures were found in scholarship expense by a decrease of \$5,000 and an increase in auxiliary enterprises of \$258,000.

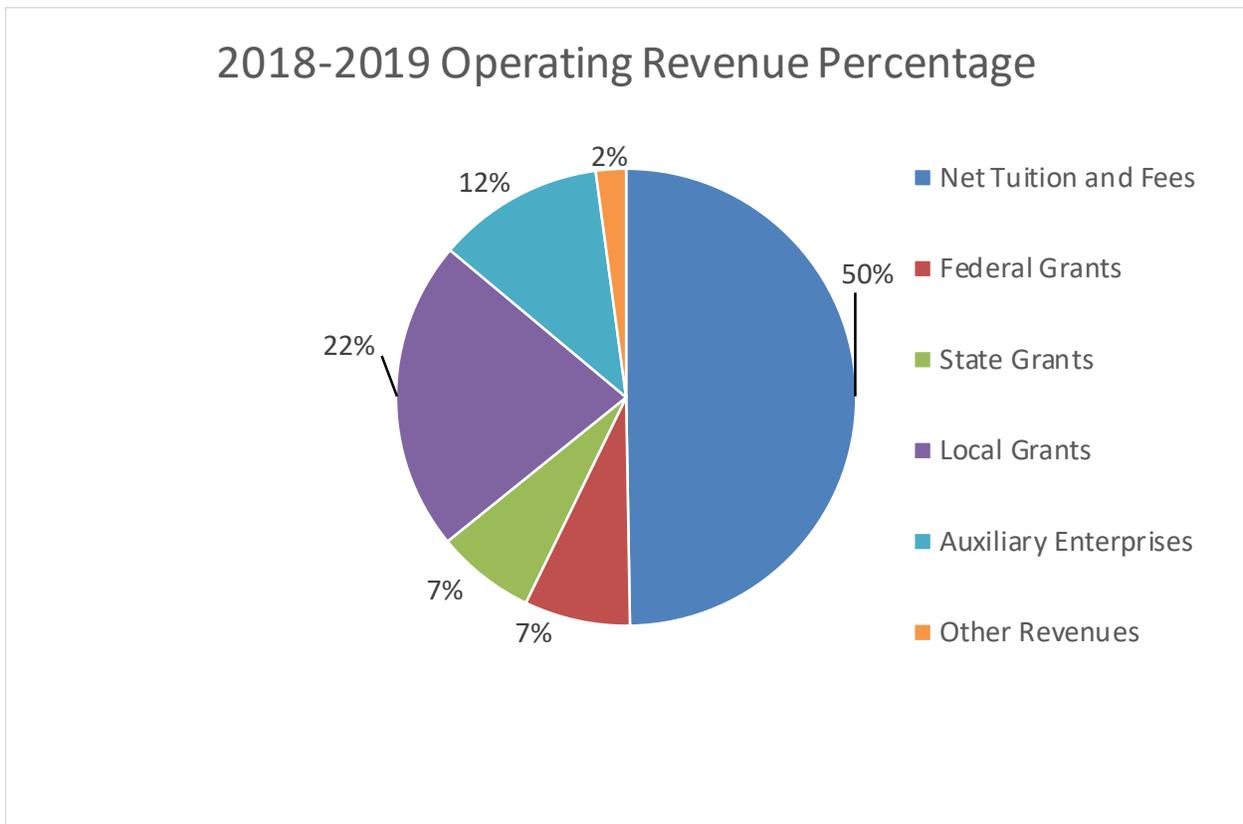
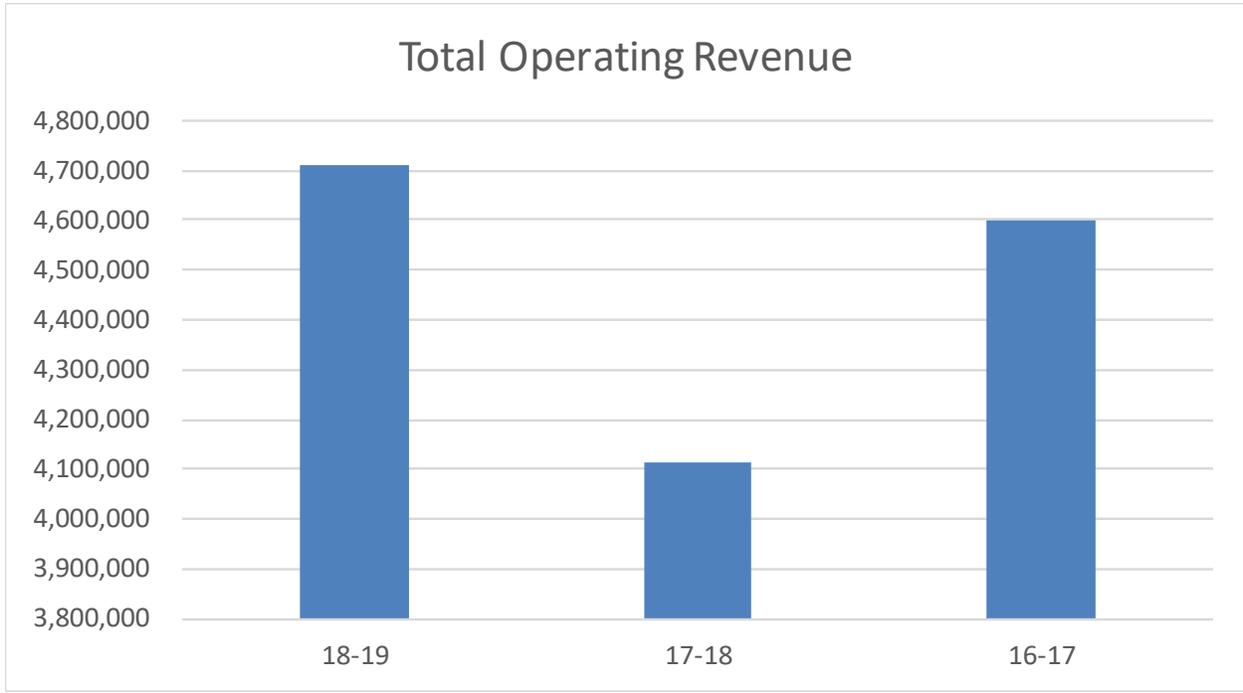
Total non-operating revenue for 2018-2019 increased \$103,000 from \$6,601,000 in 2017-2018 to \$6,704,000 in 2018-2019. The federal aid received by the students, which is classified as federal revenue—non-operating, decreased \$116,000 to \$2,192,000 in 2018-2019 when compared to \$2,308,000 in 2017-2018. State appropriations for 2018-2019 decreased \$178,000 to a 2018-2019 total of \$3,478,000 from \$3,656,000 in 2017-2018. Investment income for 2018-2019 increased \$187,000. The College saw an increase of \$85,000, in gifts for 2018-2019. Overall, total net position, end of year 2018-2019 decreased \$257,000.

**CLARENDON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending August 31, 2019**

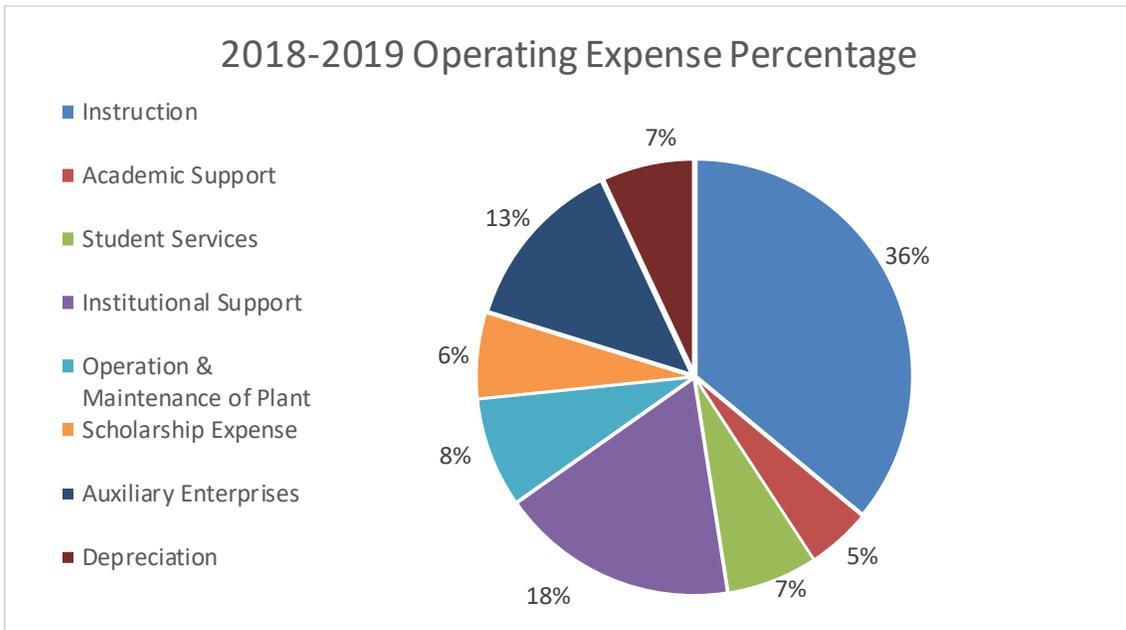
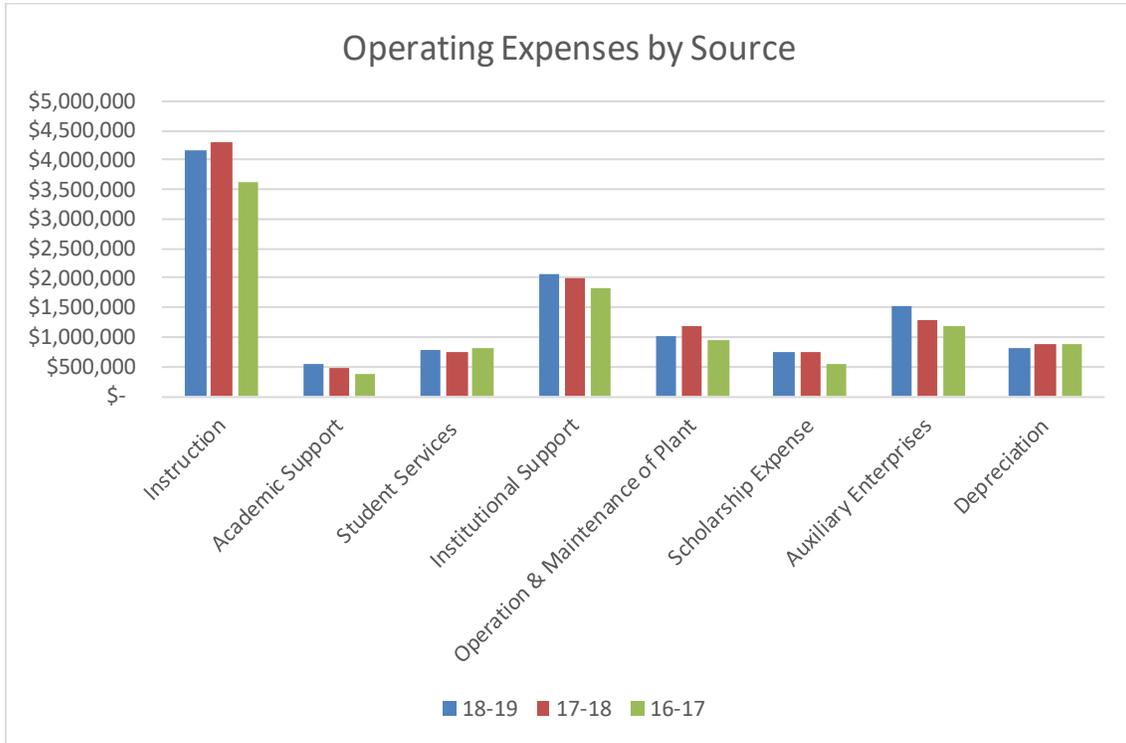
The following charts are an Analysis of Revenue and Expenses as of August 31, 2019, 2018, and 2017:



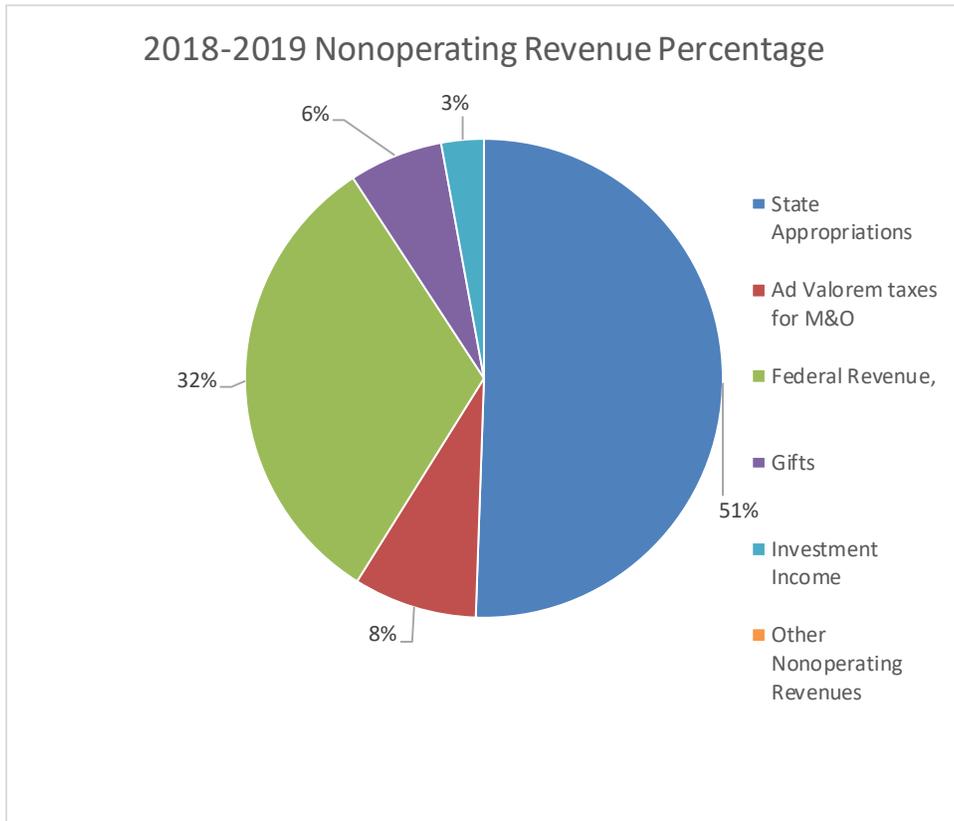
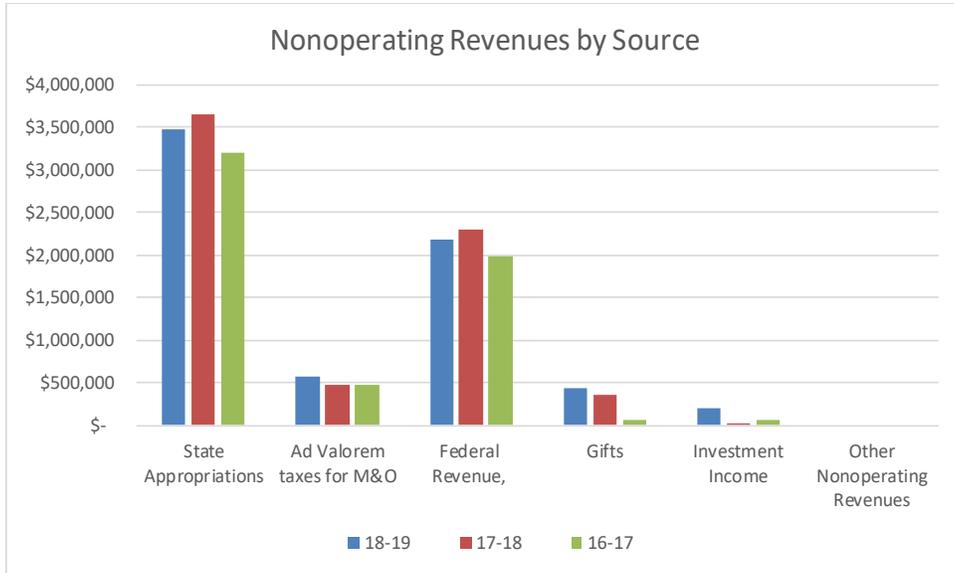
**CLARENDON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending August 31, 2019**



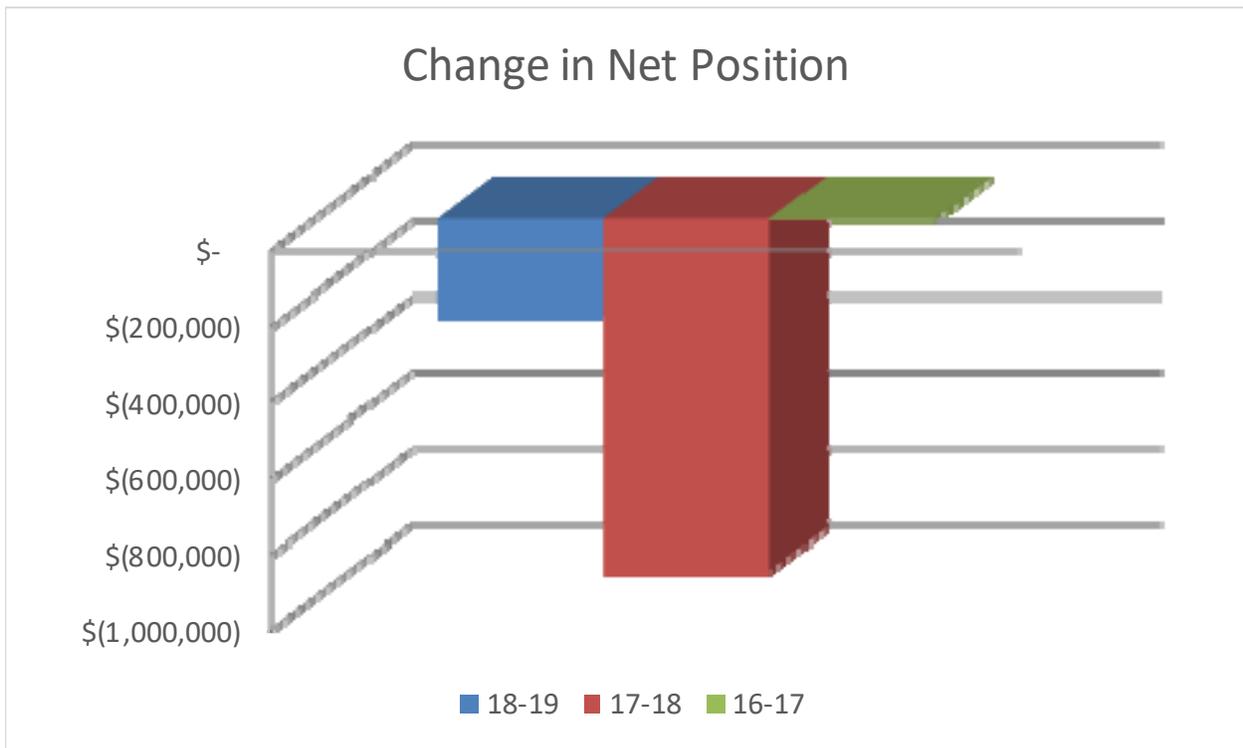
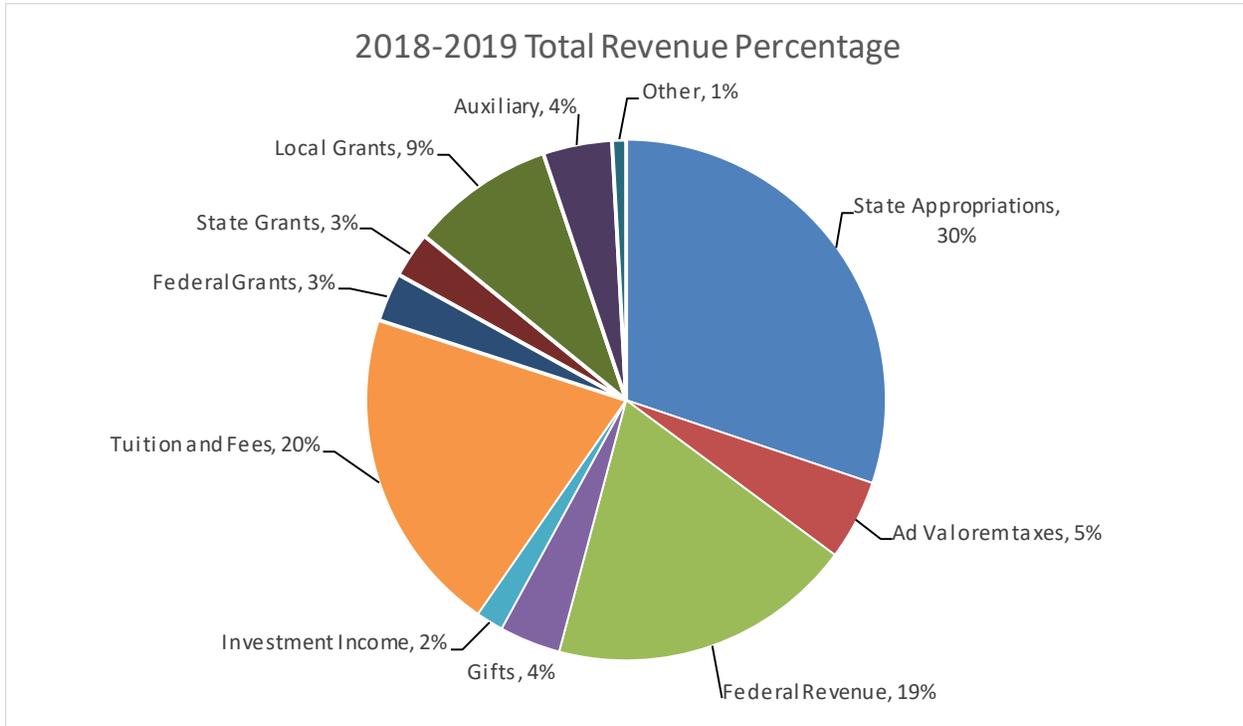
**CLARENDON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending August 31, 2019**



**CLARENDON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending August 31, 2019**



**CLARENDON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending August 31, 2019**



**CLARENDON COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending August 31, 2019**

Statement of Cash Flows as of August 31, 2019, 2018, and 2017 (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash provided by (used in):			
Operating activities	\$ (5,166)	\$ (5,942)	\$ (4,027)
Noncapital financing activities	6,036	5,992	5,125
Capital and related financing activities	(1,107)	(788)	(1,406)
Investing activities	<u>(169)</u>	<u>1,197</u>	<u>56</u>
Net increase (decrease) in cash and cash equivalents	(406)	459	(252)
Cash and cash equivalents, beginning of year	<u>916</u>	<u>457</u>	<u>709</u>
Cash and cash equivalents, end of year	<u>\$ 510</u>	<u>\$ 916</u>	<u>\$ 457</u>

This statement is used to determine the College's ability to meet its obligations and to determine if external financing is needed.

The net cash used by operating activities decreased by \$776,000 going from \$5,942,000 in 2017-2018 to \$5,166,000 in 2018-2019. The net cash provided by noncapital financing activities increased from \$5,992,000 in 2017-2018 to \$6,036,000 in 2018-2019. The net cash that is provided by noncapital financing activities increased \$44,000. Overall, there was a net cash decrease of \$406,000.

Significant Capital Assets and Long-Term Debt Activity:

During 2018-2019 the College invested \$450,000 in computers, equipment, and facility improvements. A Public Property Finance Agreement was utilized to improve the energy efficiency of the physical plant in 2015-2016.

The notes, lease, and bond payable portions of noncurrent liabilities decreased by \$474,000 in 2018-2019 when compared to 2017-2018, with a total liability of \$3,900,000 at August 31, 2019, compared to \$4,374,000 at August 31, 2018. Principal payments during 2018-2019 totaled \$474,000 and an additional \$487,000 was moved to current liabilities for the 2018-2019 year.

The net pension liability decreased by \$255,000 from \$1,892,000 in 2016-2017 to \$1,637,000 in 2017-2018. However, it increased in 2018-2019 to \$3,306,000. This is an increase of \$1,669,000.

Due to GASB 75 implementation a net OPEB liability was recorded in 2017-2018. The net OPEB liability as of August 31, 2019 and August 31, 2018 was \$7,040,000 and \$5,688,000, respectively. This is an increase of \$1,352,000.

Please refer to the financial statement footnotes, Note 6 - Capital Assets, Note 7 - Noncurrent Liabilities, and Note 8 - Debt Obligations for more information.

FINANCIAL STATEMENTS

CLARENDON COLLEGE
STATEMENTS OF NET POSITION
August 31, 2019 and 2018
Exhibit 1

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 428,883	\$ 665,677
Accounts receivable, net	515,914	1,647,031
Inventory	30,290	55,256
Prepaid expenses	87,667	77,376
Total current assets	1,062,754	2,445,340
NONCURRENT ASSETS		
Restricted cash and cash equivalents	80,999	250,163
Restricted investments	673,436	612,979
Endowment investments	1,192,848	1,195,372
Other long-term investments	1,703,802	1,394,764
Real estate held as investments by endowments	502,750	502,750
Deposits	20,725	20,725
Capital assets, net	15,912,036	16,271,699
Total noncurrent assets	20,086,596	20,248,452
TOTAL ASSETS	\$ 21,149,350	\$ 22,693,792
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows on net pension liability	\$ 1,700,971	\$ 335,761
Deferred outflows related to OPEB	2,564,780	144,230
TOTAL DEFERRED OUTFLOWS	\$ 4,265,751	\$ 479,991

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 262,315	\$ 113,513
Accrued liabilities	154,943	168,453
Funds held for others	340,263	437,530
Unearned revenues	624,727	2,097,426
Deposits	46,770	47,846
Leases payable - current portion	200,000	195,000
Bonds payable - current portion	169,000	165,000
Notes payable - current portion	117,719	114,225
Total current liabilities	1,915,737	3,338,993

CLARENDON COLLEGE
STATEMENTS OF NET POSITION, CONTINUED
August 31, 2019 and 2018
Exhibit 1

LIABILITIES AND NET POSITION, CONTINUED

	2019	2018
NONCURRENT LIABILITIES		
Leases payable - noncurrent portion	\$ 2,345,000	\$ 2,545,000
Bonds payable - noncurrent portion	283,000	452,000
Notes payable - noncurrent portion	785,061	902,810
Net pension liability	3,305,669	1,636,586
Net OPEB liability	7,039,811	5,687,999
Total noncurrent liabilities	13,758,541	11,224,395
TOTAL LIABILITIES	\$ 15,674,278	\$ 14,563,388
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows on net pension liability	\$ 217,263	\$ 296,797
Deferred inflows related to OPEB	2,724,858	1,257,643
TOTAL DEFERRED INFLOWS	\$ 2,942,121	\$ 1,554,440
NET POSITION		
Net investment in capital assets	\$ 12,012,256	\$ 11,897,664
Restricted for:		
Nonexpendable:		
Endowment - True	1,695,598	1,698,121
Expendable:		
Student aid	644,435	452,979
Debt service	110,000	110,000
Other	-	55,627
Unrestricted (deficit)	(7,663,587)	(7,158,436)
TOTAL NET POSITION (Schedule D)	\$ 6,798,702	\$ 7,055,955

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

CLARENDON COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended August 31, 2019 and 2018
Exhibit 2

	2019	2018
OPERATING REVENUES		
Tuition and fees (net of discounts of \$2,213,855 and \$2,614,943 in 2019 and 2018, respectively)	\$ 2,342,738	\$ 1,572,184
Federal grants and contracts	350,936	255,922
State grants and contracts	327,692	398,008
Local grants and contracts	1,036,149	1,044,892
Auxiliary enterprises (net of discounts of \$629,808 and \$560,568 in 2019 and 2018, respectively)	553,406	692,415
Other operating revenues	99,891	148,755
Total operating revenues (Schedule A)	4,710,812	4,112,176
OPERATING EXPENSES		
Instruction	4,181,257	4,317,954
Academic support	552,933	490,767
Student services	785,525	737,206
Institutional support	2,058,157	2,015,123
Operation and maintenance of plant	1,003,557	1,170,104
Scholarship expense	739,100	743,984
Auxiliary enterprises	1,541,367	1,283,360
Depreciation	810,118	883,750
Total operating expenses (Schedule B)	11,672,014	11,642,248
Operating loss	(6,961,202)	(7,530,072)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	3,478,418	3,656,359
Ad valorem taxes for maintenance and operations	574,714	482,641
Federal revenue, nonoperating	2,192,281	2,308,451
Gifts	437,524	353,438
Investment income	197,770	10,568
Interest on capital-related debt	(175,758)	(195,196)
Gain (loss) on disposal of fixed assets	-	(5,112)
Other nonoperating revenues (expenses)	(1,000)	(10,030)
Net nonoperating revenues (Schedule C)	6,703,949	6,601,119
Increase (Decrease) in net position	(257,253)	(928,953)
NET POSITION - BEGINNING OF YEAR	7,055,955	14,842,890
PRIOR PERIOD ADJUSTMENT	-	(6,857,982)
NET POSITION - BEGINNING OF YEAR, RESTATED	7,055,955	7,984,908
NET POSITION - END OF YEAR	\$ 6,798,702	\$ 7,055,955

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

CLARENDON COLLEGE
STATEMENTS OF CASH FLOWS
Years ended August 31, 2019 and 2018
Exhibit 3

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 2,736,851	\$ 2,614,528
Receipts from grants and contracts	1,611,276	1,666,874
Payments to or on behalf of employees	(5,748,243)	(5,766,447)
Payments to suppliers for goods or services	(3,026,360)	(3,713,136)
Payments of scholarships	<u>(739,100)</u>	<u>(743,984)</u>
Net cash used by operating activities	<u>(5,165,576)</u>	<u>(5,942,165)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	2,836,090	2,836,137
Receipts from ad valorem tax revenues	571,125	504,059
Receipts from nonoperating federal revenue	2,192,281	2,308,451
Gifts and grants	437,524	353,438
Other income (expense)	<u>(1,000)</u>	<u>(10,030)</u>
Net cash provided by noncapital financing activities	<u>6,036,020</u>	<u>5,992,055</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(450,455)	(151,923)
Proceeds on disposition of assets	-	18,751
Principal payments on capital debt	(165,000)	(161,000)
Principal payments on capital leases and notes payable	(309,255)	(295,894)
Interest payments on capital debt	<u>(182,433)</u>	<u>(198,477)</u>
Net cash used by capital and related financing activities	<u>(1,107,143)</u>	<u>(788,543)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	93,691	77,150
Maturities of investments	2,300,336	2,595,610
Purchase of investments	<u>(2,563,286)</u>	<u>(1,475,429)</u>
Net cash provided (used) by investing activities	<u>(169,259)</u>	<u>1,197,331</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(405,958)	458,678
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>915,840</u>	<u>457,162</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 509,882</u></u>	<u><u>\$ 915,840</u></u>
Cash and cash equivalents are reported in the Statement of Net Position as follows:		
Cash and cash equivalents	\$ 428,883	\$ 665,677
Restricted cash and cash equivalents	<u>80,999</u>	<u>250,163</u>
Total cash and cash equivalents	<u><u>\$ 509,882</u></u>	<u><u>\$ 915,840</u></u>

CLARENDON COLLEGE
STATEMENTS OF CASH FLOWS, CONTINUED
Years ended August 31, 2019 and 2018
Exhibit 3

	2019	2018
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (6,961,202)	\$ (7,530,072)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	810,118	883,750
State-funded benefits	642,328	820,222
Change in allowance for bad debt	(85,833)	70,606
Deferred outflows of resources	(3,785,760)	(66,728)
Deferred inflows of resources	1,387,681	1,388,535
Changes in operating assets and liabilities:		
Receivables	1,220,597	(133,560)
Inventories	24,966	(48,119)
Prepaid expenses	(10,291)	6,914
Accounts payable	148,802	(303,743)
Accrued liabilities	(6,835)	121,796
Fund held for others	(97,267)	(156,861)
Unearned revenue	(1,472,699)	232,180
Deposits	(1,076)	(20,009)
Net pension liability	1,669,083	(255,008)
Net OPEB liability	1,351,812	(952,068)
Net cash used by operating activities	\$ (5,165,576)	\$ (5,942,165)

Non-cash investing and financing activity:

During the year ended August 31, 2019, the College had net appreciation on the fair market value of investments of \$97,975.

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

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 1 - REPORTING ENTITY

Clarendon College (the College) was established in 1927 in accordance with the laws of the State of Texas, to serve the educational needs of Clarendon, Texas, and the surrounding communities. The College is considered to be 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 the spending, reporting, and record-keeping requirements of these entities, it is not a component unit of any other governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

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

Tuition Discounting

Texas Public Education Grants

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

Title IV, 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 revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts

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

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

Budgetary Data

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Regents 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.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Governments are only permitted to report deferred inflows in circumstances specifically authorized by the GASB. The College has deferred inflows related to the recording of the net pension liability and the OPEB liability.

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are only permitted to report deferred outflows in circumstances specifically authorized by the GASB. The College has deferred outflows related to the net pension liability and the OPEB liability.

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.

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

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase or are funds which have donor-imposed restrictions (endowments).

Inventories

There is \$30,290 and \$55,256 in inventory at August 31, 2019 and 2018, respectively; the College has partnered with the E-Campus for textbooks. Materials and supplies are charged to expense when purchased.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. The capitalization policy includes items valued at \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructures, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are charged to operating expense in the year in which the expense is incurred.

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. The following lives are used:

Buildings	50 years
Facilities and other improvements	20 years
Library books	15 years
Furniture, machinery, vehicles, and other equipment	10 years
Telecommunications and peripheral equipment	5 years

Unearned Revenues

Tuition, fees, and other revenues received and related to the following fiscal year have been deferred. Tuition and fees of \$565,011 and \$1,875,134 have been reported as unearned revenue at August 31, 2019 and 2018, respectively.

Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources,

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions (Continued)

and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits

The fiduciary net position of the Employee Retirement System of Texas (ERS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of information about assets, liabilities and additions to / deductions from ERS's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

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.

Operating and Nonoperating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major nonoperating revenues are state appropriations, federal Title IV revenue and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The College has contracted with Great Western Living for food service. Payments under this agreement were \$477,833 and \$465,153 for the years ended August 31, 2019 and 2018, respectively.

When both restricted and unrestricted resources are available for use, it is the College's practice to use restricted resources first and then unrestricted resources as they are needed.

Change in Accounting Principles

During the fiscal year 2018, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which was effective for financial statements for periods beginning after June 15, 2017. This Statement improves financial reporting by enhancing the reporting of the other postemployment benefits (OPEB) and a more comprehensive measure of OPEB expense. With GASB 75, the College must assume their

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principles (Continued)

proportionate share of the Net OPEB of the Employee Retirement System of Texas (ERS). Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. There is added information available through new note disclosure and required supplementary information.

Restatement of Beginning Net Position

In 2018 the College restated its Beginning Net Position by \$(6,857,982). The decrease in net position was due to the following items:

Decrease in net position due to the implementation of GASB 75	\$ (6,640,067)
Decrease in net position due to change in agency accounts	(54,024)
Decrease in net position due to an error in recording the prior year health benefits	<u>(163,891)</u>
Beginning Net Position, restated	<u><u>\$ (6,857,982)</u></u>

Beginning net position was \$14,842,890 was restated to \$7,984,908.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 3 - AUTHORIZED INVESTMENTS

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

NOTE 4 - DEPOSITS AND INVESTMENTS

Cash and cash equivalents included on Exhibit 1, Statement of Net Position, as of August 31, 2019 and 2018, consist of the items reported below:

	<u>2019</u>	<u>2018</u>
Petty cash on hand	\$ 1,374	\$ 1,324
Demand deposits	<u>508,508</u>	<u>914,516</u>
Total cash and cash equivalents	<u><u>\$ 509,882</u></u>	<u><u>\$ 915,840</u></u>

**CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

The following represents a reconciliation of cash and cash equivalents, as of August 31, 2019 and 2018, as reported on Exhibit 1:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 428,883	\$ 665,677
Restricted cash and cash equivalents	<u>80,999</u>	<u>250,163</u>
Total cash and cash equivalents	<u>\$ 509,882</u>	<u>\$ 915,840</u>

The following represents a reconciliation of deposits and investments, as of August 31, 2019 and 2018, as reported on Exhibit 1:

<u>Type of Security</u>	<u>Market Value</u>	
	<u>2019</u>	<u>2018</u>
Money market funds	\$ 28,772	\$ 26,049
Certificates of deposit	610,000	410,000
Other instruments	<u>2,931,314</u>	<u>2,767,066</u>
Total investments (Exhibit 1)	<u>\$ 3,570,086</u>	<u>\$ 3,203,115</u>
Cash and cash equivalents (Exhibit 1)	\$ 509,882	\$ 915,840
Investments (Exhibit 1)	<u>3,570,086</u>	<u>3,203,115</u>
Total deposits and investments	<u>\$ 4,079,968</u>	<u>\$ 4,118,955</u>

Investments, as of August 31, 2019 and 2018, are classified as follows:

<u>Classification</u>	<u>Market Value</u>	
	<u>2019</u>	<u>2018</u>
Restricted Investments	\$ 673,436	\$ 612,979
Endowment investments	1,192,848	1,195,372
Other long-term investments	<u>1,703,802</u>	<u>1,394,764</u>
Total investments	<u>\$ 3,570,086</u>	<u>\$ 3,203,115</u>

As of August 31, 2019, the College had the following investments and maturities:

<u>Investment Type</u>	<u>Market Value</u>	<u>Percent</u>	<u>Weighted Average Maturity (Years)</u>	<u>Security Rating</u>
Money market funds	\$ 28,772	0.80%	-	-
Corporate bonds	1,286,247	36.03%	1.28	Aa1-Baa1
Mortgage-backed securities	167,130	4.68%	0.23	-

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Market Value</u>	<u>Percent</u>	<u>Weighted Average Maturity (Years)</u>	<u>Security Rating</u>
U.S. Government securities and other Government agencies	1,477,937	41.40%	1.99	AA+-Aa2
Certificates of deposit	<u>610,000</u>	<u>17.09%</u>	<u>0.12</u>	-
Total investments	<u>\$ 3,570,086</u>	<u>100.00%</u>	<u>3.62</u>	

Interest Rate Risk: In accordance with state law and College policy, the College does not purchase any investments with maturities greater than 10 years.

Concentration of Credit Risk - The College does not place a limit on the amount the College may invest with one issuer. All of the certificates of deposit are held at a local bank. The College has 16.89% with FHLMC and 19.12% in U.S. Treasuries NTS at August 31, 2019.

Credit Risk: In accordance with state law and the College's investment policy, with the exception of endowed investments, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. As of August 31, 2019, the College did not have any investments in commercial paper or no-load money market mutual funds.

Custodial Credit Risk: For investments and deposits, this is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College is not exposed to custodial credit risk for its investments as all are insured, registered, and held by the College or by its agent in the College's name.

NOTE 5 - FAIR VALUE MEASUREMENTS

The College adopted Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, as guidance on fair value measurements. The standard established a three-level valuation hierarchy for disclosure based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). An asset's fair value measurement level within the hierarchy is based on the lowest level of input that is significant to the valuation.

The three levels are defined as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets.

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The College uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the College measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

Assets Measured at Fair Value on a Recurring Basis

	<u>Fair Value</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>August 31, 2019:</u>				
Money market funds	\$ 28,772	\$ 28,772	\$ -	\$ -
Certificate of deposits	610,000	-	610,000	-
U.S. Government securities and other Government agencies	1,477,937	1,477,937	-	-
Mortgage-backed securities	167,130	167,130	-	-
Corporate bonds	1,286,247	1,286,247	-	-
Real estate held for investment by endowment	<u>502,750</u>	<u>-</u>	<u>-</u>	<u>502,750</u>
Total	<u>\$ 4,072,836</u>	<u>\$ 2,960,086</u>	<u>\$ 610,000</u>	<u>\$ 502,750</u>
<u>August 31, 2018:</u>				
Money market funds	\$ 26,049	\$ 26,049	\$ -	\$ -
Certificate of deposits	410,000	-	410,000	-
U.S. Government securities and other Government agencies	1,681,588	1,681,588	-	-
Mortgage-backed securities	61,801	61,801	-	-
Corporate bonds	1,023,677	1,023,677	-	-
Real estate held for investment by endowment	<u>502,750</u>	<u>-</u>	<u>-</u>	<u>502,750</u>
Total	<u>\$ 3,705,865</u>	<u>\$ 2,793,115</u>	<u>\$ 410,000</u>	<u>\$ 502,750</u>

**CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018**

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Measured at Fair Value on a Recurring Basis (Continued)

For the valuation of certain government and corporate bonds and notes, mortgage-backed securities, at August 31, 2019 and 2018, the College used quoted prices in principal active markets for identical assets as of the valuation date (Level 1).

For the valuation of certificates of deposit at August 31, 2019 and 2018, the College used significant observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

For the valuation of land (Level 3) at August 31, 2019 and 2018, the College uses the Donley County Tax Appraisal Value (Level 3). The land is valued on an annual basis, which are unobservable inputs.

A summary of investments classified according to any restrictions at August 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Unrestricted investments	\$ <u>1,703,802</u>	\$ <u>1,394,764</u>
Restricted investments:		
Temporarily restricted	673,436	612,979
Permanently restricted	<u>1,695,598</u>	<u>1,698,122</u>
Total restricted investments	<u>2,369,034</u>	<u>2,311,101</u>
Total investments	<u>\$ 4,072,836</u>	<u>\$ 3,705,865</u>

Appreciation on donor-restricted endowments is approximately \$161,000 at August 31, 2019 and is available to be spent on scholarships for students. It is classified in Net Position as Expendable: Student Aid.

Assets Measured at Fair Value on a Nonrecurring Basis

There were no fair values of assets and liabilities measured on a nonrecurring basis at August 31, 2019 and 2018.

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2019, was as follows:

	<u>Beginning Balance September 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance August 31, 2019</u>
Not depreciated:				
Land	\$ <u>1,313,633</u>	\$ -	\$ -	\$ <u>1,313,633</u>
Total not depreciated	<u>1,313,633</u>	<u>-</u>	<u>-</u>	<u>1,313,633</u>
Other capital assets:				
Buildings	15,832,765	-	-	15,832,765

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 6 - CAPITAL ASSETS (CONTINUED)

(Continued)	Beginning Balance September 1, 2018	Additions	Deductions	Ending Balance August 31, 2019
Facility and land improvements	4,281,640	-	-	4,281,640
Furniture, machinery, vehicles and other equipment	3,883,336	382,897	-	4,266,233
Telecommunications and peripheral equipment	2,369,369	67,558	-	2,436,927
Library books	565,588	-	-	565,588
Total other capital assets	<u>26,932,698</u>	<u>450,455</u>	<u>-</u>	<u>27,383,153</u>
Total cost of capital assets	<u>28,246,331</u>	<u>450,455</u>	<u>-</u>	<u>28,696,786</u>
Accumulated depreciation:				
Buildings	4,858,230	261,279	-	5,119,509
Facility and land improvements	1,709,714	195,737	-	1,905,451
Furniture, machinery, vehicles and other equipment	2,673,748	255,848	-	2,929,596
Telecommunications and peripheral equipment	2,212,561	90,950	-	2,303,511
Library books	520,379	6,304	-	526,683
Total accumulated depreciation	<u>11,974,632</u>	<u>810,118</u>	<u>-</u>	<u>12,784,750</u>
Capital assets, net	<u>\$ 16,271,699</u>	<u>\$ (359,663)</u>	<u>\$ -</u>	<u>\$ 15,912,036</u>

Capital assets include gross assets acquired under capital leases of \$3,588,399 at August 31, 2019. Related amortization included in accumulated amortization was \$530,910. Capital leases are included as a component of building, equipment, and land. Amortization of assets under capital leases is included in depreciation expense.

Capital assets activity for the year ended August 31, 2018, was as follows:

	Beginning Balance September 1, 2017	Additions	Deductions	Ending Balance August 31, 2018
Not depreciated:				
Land	\$ 1,313,633	\$ -	\$ -	\$ 1,313,633
Total not depreciated	<u>1,313,633</u>	<u>-</u>	<u>-</u>	<u>1,313,633</u>
Other capital assets:				
Buildings	15,832,765	-	-	15,832,765
Facility and land improvements	4,281,640	-	-	4,281,640
Furniture, machinery, vehicles and other equipment	3,781,226	133,925	(31,815)	3,883,336
Telecommunications and peripheral equipment	2,351,371	17,998	-	2,369,369
Library books	565,588	-	-	565,588
Total other capital assets	<u>26,812,590</u>	<u>151,923</u>	<u>(31,815)</u>	<u>26,932,698</u>
Total cost of capital assets	<u>28,126,223</u>	<u>151,923</u>	<u>(31,815)</u>	<u>28,246,331</u>
Accumulated depreciation:				
Buildings	4,584,279	273,951	-	4,858,230
Facility and land improvements	1,511,777	197,937	-	1,709,714
Furniture, machinery, vehicles and other equipment	2,432,762	248,939	(7,953)	2,673,748
Telecommunications and peripheral equipment	2,056,355	156,206	-	2,212,561
Library books	513,662	6,717	-	520,379
Total accumulated depreciation	<u>11,098,835</u>	<u>883,750</u>	<u>(7,953)</u>	<u>11,974,632</u>
Capital assets, net	<u>\$ 17,027,388</u>	<u>\$ (731,827)</u>	<u>\$ (23,862)</u>	<u>\$ 16,271,699</u>

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Capital assets include gross assets acquired under capital leases of \$3,750,000 at August 31, 2018. Related amortization included in accumulated amortization was \$487,563. Capital leases are included as a component of building, equipment, and land. Amortization of assets under capital leases is included in depreciation expense.

NOTE 7 - NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended August 31, 2019 was as follows:

	<u>Balance September 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance August 31, 2019</u>	<u>Current Portion</u>
Bonds payable	\$ 617,000	\$ -	\$ 165,000	\$ 452,000	\$ 169,000
Long-term capital lease	2,740,000	-	195,000	2,545,000	200,000
Total Bonds	<u>3,357,000</u>	<u>-</u>	<u>360,000</u>	<u>2,997,000</u>	<u>369,000</u>
Note payable	1,017,035	-	114,255	902,780	117,719
Net pension liability	1,636,586	1,871,399	202,316	3,305,669	-
Net OPEB liability	5,687,999	3,058,398	1,706,586	7,039,811	-
Noncurrent liabilities	<u>\$ 11,698,620</u>	<u>\$ 4,929,797</u>	<u>\$ 2,383,157</u>	14,245,260	<u>\$ 486,719</u>
Current portion				(486,719)	
				<u>\$ 13,758,541</u>	

Noncurrent liability activity for the year ended August 31, 2018 was as follows:

	<u>Balance September 1, 2017 (restated)</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance August 31, 2018</u>	<u>Current Portion</u>
Bonds payable	\$ 778,000	\$ -	\$ 161,000	\$ 617,000	\$ 165,000
Long-term capital lease	2,925,000	-	185,000	2,740,000	195,000
Total Bonds	<u>3,703,000</u>	<u>-</u>	<u>346,000</u>	<u>3,357,000</u>	<u>360,000</u>
Note payable	1,127,929	-	110,894	1,017,035	114,225
Net pension liability	1,891,594	324	255,332	1,636,586	-
Net OPEB liability	6,640,067	306,152	1,258,220	5,687,999	-
Noncurrent liabilities	<u>\$ 13,362,590</u>	<u>\$ 306,476</u>	<u>\$ 1,970,446</u>	11,698,620	<u>\$ 474,225</u>
Current portion				(474,225)	
				<u>\$ 11,224,395</u>	

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 8 - DEBT OBLIGATIONS

Debt service requirements for bonds payable at August 31, 2019, were as follows:

<u>For the Year</u> <u>Ended August 31,</u>	<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 169,000	\$ 10,938	\$ 179,938
2021	283,000	6,849	289,849
Total	<u>\$ 452,000</u>	<u>\$ 17,787</u>	<u>\$ 469,787</u>

Details of bonds and notes payable as of August 31, 2019, are as follows:

Refunding Revenue Bonds, Series 2015

- To refund the 2016 through 2022 maturities of the Refunding Revenue Bonds, Series 2005.
- Issued October 21, 2015.
- Original principal amount \$1,103,000.
- Secured by a pledge of revenues, including certain tuition and fees, 20% of the gross revenues received from the cafeteria and 60% of the gross revenue received from the dormitory system.
- Bonds payable are due in annual installments varying from \$169,000 to \$283,000 with an interest rate of 2.42% with the final installment due in 2021.

On October 21, 2015, the Clarendon College District issued refunding revenue bonds in the amount of \$1,103,000 with an interest rate of 2.42%. As a result of the refunding, the College reduced its total debt service requirements by \$252,844 which resulted in an economic gain of \$54,386.

Note Payable

Debt service requirements for note payable at August 31, 2019, were as follows:

<u>For the Year</u> <u>Ended August 31,</u>	<u>Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 117,719	\$ 27,368	\$ 145,087
2021	121,223	23,864	145,087
2022	124,963	20,124	145,087
2023	128,751	16,336	145,087
2024	132,654	12,433	145,087
2025-2026	277,470	12,705	290,175
Total	<u>\$ 902,780</u>	<u>\$ 112,830</u>	<u>\$ 1,015,610</u>

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 8 - DEBT OBLIGATIONS (CONTINUED)

Note payable to Public Property Finance Contract provided by Prosperity Bank to finance upgrades to the infrastructure of campus buildings. Note dated December 23, 2015. Original principal of note \$1,237,655. Secured by a security interest in all property listed in Schedule B of the finance contract. Notes payable are due in annual installments of \$145,087 with an interest rate of 2.99% with the final installment due December 1, 2025.

Lease Payable to Gray County

Lease payable to Gray County, Texas, issued on September 1, 2009, in the amount of \$4,175,000, interest varies from 4.5% to 5.125%, annual principal installments varying from \$195,000 to \$315,000 plus interest due semi-annually, with a maturity date of August 1, 2029. The loan proceeds were used for the construction of two new buildings and equipment at the Pampa, Texas, Campus. The College paid \$331,699 and \$330,456 lease expense, principal, and interest, in the years ended August 31, 2019 and 2018, respectively.

Obligations under capital leases at August 31, 2019 were as follows:

For the Year	Total
<u>Ended August 31,</u>	<u> </u>
2020	\$ 327,406
2021	327,407
2022	331,906
2023	330,656
2024	328,906
2025 - 2029	<u>1,655,038</u>
Total minimum lease payments	3,301,319
Less: Amount representing interest costs	<u>(756,319)</u>
Present value of minimum lease payments	<u><u>\$ 2,545,000</u></u>

NOTE 9 - OPERATING LEASE

On April 12, 2019 the College entered into a lease agreement with Childress Municipal Development District to lease a building to be used for college classes for a term of 3 years beginning March 1, 2019 and ending February 28, 2022 for \$2,250 per month. The college paid \$13,500 lease expense under this agreement in the years ended August 31, 2019.

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 9 - OPERATING LEASE (CONTINUED)

Lease obligations at August 31, 2019 were as follows:

<u>For the Year</u> <u>Ended August 31,</u>	<u>Total</u>
2020	\$ 27,000
2021	27,000
2022	<u>13,500</u>
Total minimum lease payments	<u>\$ 67,500</u>

NOTE 10 - DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Accounts receivable at August 31, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Taxes receivable	\$ 168,964	\$ 165,375
Student receivables	1,237,524	2,377,998
Grants receivable	10,981	95,085
Other receivables	<u>19,752</u>	<u>15,713</u>
Allowance for doubtful accounts	<u>(921,307)</u>	<u>(1,007,140)</u>
Total accounts receivable, net	<u>\$ 515,914</u>	<u>\$ 1,647,031</u>

Accounts payable at August 31, 2019 and 2018, consisted of amounts payable to vendors.

Accrued liabilities at August 31, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Accrued interest payable	\$ 35,914	\$ 42,589
Other accrued liabilities	<u>119,029</u>	<u>125,864</u>
Total accrued liabilities	<u>\$ 154,943</u>	<u>\$ 168,453</u>

NOTE 11 - CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Revenues are recognized on Exhibit 2 and Schedules A and C. For federal and nonfederal contract and grant awards, funds expended, but not collected, are reported as accounts receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 11 - CONTRACT AND GRANT AWARDS (CONTINUED)

included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards or funds awarded during fiscal years 2019 and 2018 for which monies have not been received nor funds expended, totaled \$10,981 and \$156,509, respectively. All of these funds are on federal contract and grant awards. Additionally, the College deferred state grant awards in the amount of \$30,000 in 2019 and \$242,605 in 2018. These funds are to be spent in the year following their deferral.

NOTE 12 - EMPLOYEES' RETIREMENT PLANS

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/TRS%20Documents/CAFR2018pdf>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of service credit or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age

**CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018**

NOTE 12 - EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Benefits Provided (Continued)

55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic cost of living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

Contribution requirements are established or amended pursuant to Article XVI, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019. Contributions are as follows:

	<u>Contributions Required and Made</u>
2019 College (Employer) Contributions	\$ 198,808
2019 Member (Employee) Contributions	334,018
2018 Non-employer contributing agency (State)	107,113

Contribution rates for Plan fiscal years (September to August) 2018 and 2019 follow:

	<u>Contribution Rates Plan Fiscal Year</u>	
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity	6.8%	6.8%
Employer	6.8%	6.8%

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 12 - EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Contributions (Continued)

state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the GAA.

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

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

In addition to the employer contributions listed above, when employing a retiree of the TRS, the employer shall pay both the member contribution and the state contribution as an employment-after-retirement surcharge.

Actuarial Assumptions

The actuarial methods and assumptions are based primarily on a study of actual experience for the three year period ending August 31, 2017 and adopted in July 2018.

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2017, rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Single discount rate	6.907%
Long-term expected investment rate of return	7.25%
Municipal bond rate*	3.69%*
Inflation	2.30%
Salary increases including inflation	3.05% to 9.05%

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 12 - EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

**Source: Fixed Income Municipal Bonds with 20 years to maturity that include only federal tax- exempt municipal bonds as reported in Fidelity Index's "20- Year Municipal GO AA Index".*

Changes of Assumptions Since the Prior Measurement Date

The actuarial methods and assumptions were selected by the board of trustees based upon analysis and recommendations by the system's actuary. The board of trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018. Assumptions, methods, and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 12 - EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.907% a decrease of 1.1% from prior year. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018, are summarized below:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return**</u>
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. developed	13.00%	6.90%	0.90%
Emerging markets	9.00%	8.95%	0.80%
Directional hedge funds	4.00%	3.53%	0.14%
Private equity	13.00%	10.18%	1.32%
Stable Value			
U.S. treasuries	11.00%	1.11%	0.12%
Absolute return	0.00%	0.00%	0.00%
Stable value hedge funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return			
Global inflation linked bonds	3.00%	0.70%	0.02%
Real assets	14.00%	5.21%	0.73%
Energy and natural resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%

**CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018**

NOTE 12 - EMPLOYEES' RETIREMENT PLANS (CONTINUED)

Discount Rate (Continued)

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return**</u>
Risk Parity			
Risk parity	5.00%	3.70%	0.18%
Inflation Expectations			2.30%
Alpha	_____		-0.79%
Total	<u>100.00%</u>		<u>7.25%</u>

* Target allocations are based on FY 2016 policy model.

** The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Sensitivity of the College's Share of the Net Pension Liability

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the 2018 Net Pension Liability:

	<u>1% Decrease in Discount Rate</u> 5.907%	<u>Current Discount Rate</u> 6.907%	<u>1% Increase in Discount Rate</u> 7.907%
College's proportionate share of the net pension liability	\$ 4,989,048	\$ 3,305,669	\$ 1,942,875

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

At August 31, 2019, the College reported a liability of \$3,305,669 for its proportionate share of the TRS's net pension liability. This liability reflected a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

College's proportionate share of the net pension liability	\$ 3,305,669
State's proportionate share of the net pension liability associated with the College	<u>1,751,227</u>
Total	<u>\$ 5,056,896</u>

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 12 - EMPLOYEES' RETIREMENT PLANS (CONTINUED)

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

The net pension liability was measured as of August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's contributions to the pension plan relative to the contributions of all participating entities to the Plan for the period September 1, 2017, through August 31, 2018.

At August 31, 2018, the College's proportion of the collective net pension liability was 0.0060056751%, which is an increase of 0.0008872837% from its proportion measured as of August 31, 2017.

For the year ended August 31, 2019, the College recognized pension expense of \$397,664 and revenue of \$173,325 for support provided by the State.

At August 31, 2019, the College reported its proportionate share of the TRS's deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,605	\$ 81,108
Changes of assumptions	1,191,853	37,245
Net difference between projected and actual earnings on pension plan investments	-	62,723
Changes in proportion and differences between College contributions and proportionate share of contributions	289,705	36,187
College contributions subsequent to the measurement date	<u>198,808</u>	<u>-</u>
Total	<u>\$1,700,971</u>	<u>\$ 217,263</u>

At August 31, 2018, the College reported its proportionate share of the TRS's deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 23,944	\$ 88,259
Changes of assumptions	74,549	42,678
Net difference between projected and actual earnings on pension plan investments	-	119,271
Changes in proportion and differences between College contributions and proportionate share of contributions	32,945	46,589
College contributions subsequent to the measurement date	<u>204,323</u>	<u>-</u>
Total	<u>\$ 335,761</u>	<u>\$ 296,797</u>

**CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018**

NOTE 12 - EMPLOYEES' RETIREMENT PLANS (CONTINUED)

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

The \$198,808 and the \$204,323 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended August 31, 2020 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31,

2020	\$ 305,684
2021	173,692
2022	144,927
2023	251,038
2024	248,402
Thereafter	<u>161,157</u>
Total	<u>\$ 1,284,900</u>

Optional Retirement Plan – Defined Contribution Plan

Plan Description. Participation in the Optional Retirement Program (ORP) is in lieu of participation in the TRS. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

Funding Policy. Contribution requirements are not actuarially determined, but are established and amended by the Texas State Legislature. The percentage of participant salaries currently contributed by the state is 6.6% for fiscal years 2019 and 2018. The participant contribution rate is 6.65% for both years. Benefits fully vest after one year plus one day of employment.

Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amounts of the state's contribution to 50% of eligible employees in the reporting district.

The ORP expense to the state for the College was \$-0-, \$-0-, and \$-0- for the fiscal years ended August 31, 2019, 2018, and 2017, respectively. This amount represents the portion of expended appropriations made by the state legislature on behalf of the College.

The total payroll of employees covered by the ORP was \$-0-, \$-0-, and \$-0-, for fiscal years 2019, 2018, and 2017, respectively.

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 12 - EMPLOYEES' RETIREMENT PLANS (CONTINUED)

College-Sponsored Benefit Plans

The College has a voluntary employee defined contribution 403(b) plan administered by the Plan's trustee. The Plan is funded by employee deferrals of compensation. Plan funds are held in trust and are administered by the College's Vice-President of Administrative Services with oversight by the Board of Regents. Full-time employees and certain part-time employees are eligible to participate and are fully vested at all times. At August 31, 2019, 2018, and 2017, there were 3, 6, and 6, respectively, Plan participants. The College does not contribute to this plan.

NOTE 13 - HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain healthcare and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was approximately \$625 per month for the year ended August 31, 2019, (\$622 per month for the year ended August 31, 2018) and totaled \$494,524 for the year ended August 31, 2019, (\$472,947 for the year ended August 31, 2018). The cost of providing those benefits for retirees in the year ended 2019 was \$135,044 (retiree benefits for retirees cost \$138,192 in 2018). For active employees, the cost of providing benefits was \$359,480 for the year ended 2019 (active employee benefits for employees cost \$334,755 for the year ended 2018).

Beginning September 1, 2013, S.B. 1812 limited the state's contribution to 50% of eligible employees for community colleges.

NOTE 14 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN

Plan Description

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

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 14 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

OPEB Plan Fiduciary Net Position

Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877)275-4377.

Benefits Provided

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

Contributions

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

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

**CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018**

NOTE 14 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

Contributions (Continued)

**Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
Fiscal Year 2019**

Employer Contribution Rates

Retiree only	\$ 621.90
Retiree and spouse	\$ 1,334.50
Retiree and children	\$ 1,099.06
Retiree and family	\$ 1,811.70

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

**Premium Contributions by Source
Group Benefits Program Plan
For the Years Ended August 31,**

	<u>2019</u>	<u>2018</u>
Current fiscal year employer contributions	\$ 149,379	\$ 142,546
Current fiscal year member contributions	-	-
2018 measurement year NECE on-behalf contributions	420,796	132,871

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of August 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2018
Actuarial cost method	Entry Age
Amortization	Level percent of pay, open
Discount rate	3.96%
Remaining Amortization	30 Years
Asset Valuation Method	Not Applicable
Projected salary increases (includes inflation)	2.5% to 9.5%
Healthcare trend rates	7.3% for FY 2020, 7.4% for FY 2021, 7.00% for FY 2022, decreasing 0.5% per year to an ultimate rate of 4.5% for FY 2027 and later years.

**CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018**

NOTE 14 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Inflation assumption rate	2.5%
Ad hoc postemployment benefit changes	None
Mortality assumptions:	
Service retirees, survivors and other inactive members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018.
Disability retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.
Active members	Sex District RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

Many actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2010 to August 31, 2014 for higher education members.

Changes Since the Prior Actuarial Valuation

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

- Demographic assumptions (including rates of retirement, disability, termination, mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the trustees from the Teachers Retirement System of Texas.
- Assumed expenses, assumed per capita health benefit costs, and assumed health benefit cost, retiree contribution, and expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 14 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

Changes Since the Prior Actuarial Valuation (Continued)

- The discount rate assumption was increased from 3.51% to 3.96% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

The following benefit revisions have been adopted since the prior measurement date.

- An increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect for those HealthSelect retirees and dependents for whom Medicare is not primary.

These minor benefit changes have been reflected in the fiscal year 2019 Assumed Per Capita Health Benefit Costs.

Investment Policy

The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

Discount Rate

Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement period was 3.51%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.96%, which amounted to an increase of 0.45% from the beginning of the year. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable to zero years.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the College's proportionate share of the collective Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.96%) in measuring the Net OPEB Liability.

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 14 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

Discount Rate Sensitivity Analysis (Continued)

	1% Decrease in Discount Rate	Current Single Discount Rate	1% Increase in Discount Rate
	<u>2.96%</u>	<u>3.96%</u>	<u>4.96%</u>
Proportionate share of the Net OPEB Liability	\$ 8,357,895	\$ 7,039,811	\$ 6,042,172

Healthcare Cost Trend Rates Sensitivity Analysis

The initial healthcare trend rate is 7.3% and the ultimate rate is 4.5%. The following presents the College's proportionate share of the collective net OPEB Liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB Liability would be if it were calculated using a healthcare cost trend rate that is one-percentage point lower or one-percentage point higher than healthcare cost trend rate that was used (7.3% decreasing to 4.5%) in measuring the Net OPEB Liability.

	1% Decrease in Healthcare Trend Cost (6.3% decreasing to 3.5%)	Current Healthcare Cost Trend Rate (7.3% decreasing to 4.5%)	1% Increase in Healthcare Cost Trend (8.3% decreasing to 5.5%)
Proportionate share of the Net OPEB Liability	\$ 5,961,811	\$ 7,039,811	\$ 8,430,436

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2019, the College reported a liability of \$7,039,811 for its proportionate share of the ERS's net OPEB liability. This liability reflects an increase for State OPEB support provided to the College. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College's proportionate share of the collective Net OPEB Liability	\$ 7,039,811
State's proportionate share that is associated with the College	<u>4,293,156</u>
Total	<u>\$ 11,332,967</u>

The net OPEB liability was measured as of August 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The College's portion of the net OPEB liability was based on the College's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

**CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018**

NOTE 14 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

At the measurement date, August 31, 2018, the College's proportion of the collective net OPEB liability was 0.02375286%. Which was an increase of 0.00705930% from its proportion measured as of August 31, 2017.

For the year ended August 31, 2019, the College recognized total OPEB expense of \$372,956 and revenue for support provided by state and federal sources of (\$25,521).

At August 31, 2019, the College reported its proportionate share of the ERS's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ -	\$ 257,916
Changes in actuarial assumptions	-	2,466,942
Differences between projected and actual investment earnings	3,334	-
Changes in proportion and differences between the employer's contributions and proportionate share of contributions	<u>2,412,067</u>	<u>-</u>
Total as of August 31, 2018 measurement date	\$ 2,415,401	\$ 2,724,858
Contributions paid to ERS subsequent to the measurement date	<u>149,379</u>	<u>-</u>
Total as of fiscal year end	<u>\$ 2,564,780</u>	<u>\$ 2,724,858</u>

At August 31, 2018, the College reported its proportionate share of the ERS's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ -	\$ 68,351
Changes in actuarial assumptions	-	1,189,292
Differences between projected and actual investment earnings	1,684	-

**CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018**

NOTE 14 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between the employer's contributions and proportionate share of contributions	-	-
Total as of August 31, 2017 measurement date	\$ 1,684	\$ 1,257,643
Contributions paid to ERS subsequent to the measurement date	142,546	-
Total as of fiscal year end	<u>\$ 144,230</u>	<u>\$ 1,257,643</u>

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

Year ended August 31,

2020	\$ (168,649)
2021	(168,649)
2022	(168,649)
2023	56,451
2024	140,039
Thereafter	-
Total	<u>\$ (309,457)</u>

NOTE 15 - DEFERRED COMPENSATION PROGRAM

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

NOTE 16 - ENDOWMENTS

The College has received several contributions of endowed funds over the years. These endowments include land, cash, and investments. Most of the endowed funds are to be used for scholarships while maintaining the corpus. The College currently holds land valued at \$502,750 and investments of \$1,192,848 as endowments.

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 17 - AD VALOREM TAX

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

At August 31, 2019:

Assessed valuation of the College	\$ 266,258,308
Less: Exemptions	<u>(1,539,820)</u>
Net assessed valuation of the College	<u>\$ 264,718,488</u>

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized	\$ 0.85000	\$ -	\$.85000
Tax rate per \$100 valuation for assessed	0.25115	-	.25115

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 551,999	\$ -	\$ 551,999
Delinquent taxes collected	8,857	-	8,857
Penalties and interest collected	<u>12,850</u>	<u>-</u>	<u>12,850</u>
Total collections	<u>\$ 573,706</u>	<u>\$ -</u>	<u>\$ 573,706</u>

At August 31, 2018:

Assessed valuation of the College	\$ 232,739,356
Less: Exemptions	<u>(1,391,764)</u>
Net assessed valuation of the College	<u>\$ 231,347,592</u>

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized	\$ 0.85000	\$ -	\$ 0.85000
Tax rate per \$100 valuation for assessed	0.25115	-	0.25115

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 525,720	\$ -	\$ 525,720
Delinquent taxes collected	17,351	-	17,351
Penalties and interest collected	<u>6,386</u>	<u>-</u>	<u>6,386</u>
Total collections	<u>\$ 549,457</u>	<u>\$ -</u>	<u>\$ 549,457</u>

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 17 - AD VALOREM TAX (CONTINUED)

Taxes levied for the years ended August 31, 2019 and 2018, were approximately \$573,000 and \$552,000, respectively, (which included penalty and interest assessed, if applicable).

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.

Tax collections for the years ended August 31, 2019 and 2018, were 96% and 95%, respectively, of the current tax levy for the year. Property tax revenues are recognized in the year for which they are levied. The use of tax proceeds is restricted for the maintenance and operations of the College.

NOTE 18 - TAX ABATEMENTS

The College receives reduced property tax revenues as a result of abatements granted by Donley County. The abatements are intended to promote economic development in the Clarendon area. For the fiscal years ended August 31, 2019 and 2018, the College's property tax revenues were reduced by \$307,651 and \$331,988, respectively, under these abatements. There are no significant abatements made by the College.

NOTE 19 - EXTENSION CENTER MAINTENANCE TAX

A maintenance tax was established by election in 2009 and is levied by Gray County tax office and Childress County Appraisal District. It is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College. Collections are transferred to the College to be used for operation of a campus at Gray and Childress counties. This revenue is reported under local grants and contracts. Collections in fiscal years 2019 and 2018 (including penalties and interest) from Gray County totaled approximately \$787,000 and \$798,000, respectively, and from Childress County totaled approximately \$238,000 and \$238,000, respectively

NOTE 20 - INCOME TAXES

The College is exempt from 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 significant unrelated business income tax liability for the years ended August 31, 2019 and 2018.

NOTE 21 - RELATED PARTIES

The Clarendon College Foundation (CCF) is a nonprofit organization with the sole purpose of supporting the educational and other activities of the College. The College does not appoint a

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 21 - RELATED PARTIES (CONTINUED)

voting majority of CCF's Board of Directors, and it does not fund, nor is it obligated to pay, debt related to CCF. CCF solicits donations and acts as coordinator of gifts made by other parties as well as providing scholarships to students attending the College. During the fiscal year, the College furnished certain services, i.e., office space, utilities, and some staff assistance, to CCF for which CCF did not reimburse the College. CCF is controlled by an autonomous Board of Directors and is not considered a component unit of the College for financial reporting purposes. During the years ended August 31, 2019 and 2018, the College received funds consisting of donations and scholarships for students from CCF totaling \$26,157 and \$24,311, respectively.

The Pampa Center Foundation (PCF) was organized by the residents of the city of Pampa, Texas, for the purpose of providing educational support for the Pampa Center of Clarendon College. PCF is controlled by an autonomous Board of Directors and is not considered a component unit of the College for financial reporting purposes.

NOTE 22 - COMMITMENTS, CONTINGENCIES AND LAWSUITS

The College participates in various state and federal 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. In the opinion of the College's management, 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 financial statements for such contingencies. Additionally, the College's students participate in the Federal Direct Loan Program for which the proceeds are used for tuition and education-related costs. Regulations require that default rates pertaining to loans to persons attending the College not exceed certain levels at the College. In the event that specific levels were exceeded, the program could be discontinued at the College; however, the College does not anticipate this occurring. The total amount of Direct Loans made during 2019 and 2018 was \$1,739,621 and \$1,866,205, respectively.

On August 31, 2019, there were no pending claims involving the College.

NOTE 23 - NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued several new pronouncements that the College has reviewed for application to their accounting and reporting.

Recently Issued Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities*, the objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 23 - NEW GASB PRONOUNCEMENTS (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB No. 84 is effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The College is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 87, *Leases*, the objective of this statement is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The College is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Borrowing and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The College implemented this statement in 2019.

GASB Statement No. 89, *Accounting For Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of *Statement No. 62, Codification of Accounting and*

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 23 - NEW GASB PRONOUNCEMENTS (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The College is currently evaluating the effect of this statement on their financial statements.

GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The College is currently evaluating the effect of this statement on their financial statements.

CLARENDON COLLEGE
NOTES TO FINANCIAL STATEMENTS
August 31, 2019 and 2018

NOTE 23 - NEW GASB PRONOUNCEMENTS (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required not disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The College is currently evaluating the effect of this statement on their financial statements.

NOTE 24 - SUBSEQUENT EVENTS

The College has evaluated for inclusion as a subsequent event disclosure only those events that occurred prior to December 19, 2019, the date the financial statements were available to be issued.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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**CLARENDON COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Years Ended August 31**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
College's proportionate share (percentage) of the net pension liability	0.0060057%	0.0051184%	0.0050057%	0.0051388%	0.0052252%
College's proportionate share (amount) of the net pension liability	\$ 3,305,669	\$ 1,636,586	\$ 1,891,594	\$ 1,816,497	\$ 1,395,723
State's proportionate share (amount) of the net pension liability associated with the College	<u>1,751,227</u>	<u>1,163,776</u>	<u>1,320,035</u>	<u>1,258,424</u>	<u>1,097,988</u>
Total	<u><u>\$ 5,056,896</u></u>	<u><u>\$ 2,800,362</u></u>	<u><u>\$ 3,211,629</u></u>	<u><u>\$ 3,074,921</u></u>	<u><u>\$ 2,493,711</u></u>
College's covered-employee payroll (for measurement year)	\$ 4,480,726	\$ 4,048,686	\$ 3,868,441	\$ 3,707,746	\$ 3,461,695
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	73.78%	40.42%	48.90%	48.99%	40.32%
Plan's fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%
Plan's net position liability as a percentage of covered-employee payroll	126.11%	75.93%	92.75%	91.94%	72.89%

Note 1: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates.

Note 2: In accordance with GASB 68, Paragraph 138, only five years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**CLARENDON COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS TO THE PENSION
TEACHERS RETIREMENT SYSTEM OF TEXAS
For the Years Ended August 31**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 198,808	\$ 204,323	\$ 165,775	\$ 159,045	\$ 152,162
Contributions in relation to the contractually required contributions	<u>(198,808)</u>	<u>(204,323)</u>	<u>(165,775)</u>	<u>(159,045)</u>	<u>(152,162)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
College's covered-employee payroll	<u>\$ 4,338,077</u>	<u>\$ 4,480,726</u>	<u>\$ 4,048,686</u>	<u>\$ 3,868,441</u>	<u>\$ 3,707,746</u>
Contributions as a percentage of covered-employee payroll	4.58%	4.56%	4.09%	4.11%	4.10%

Note 1: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of College's respective fiscal years as opposed to the time periods covered by the measurement dates.

Note 2: In accordance with GASB 68, Paragraph 138, only five years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CLARENDON COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY (ERS)
Years Ended August 31,**

	<u>2018</u>	<u>2017</u>
College's Proportion of collective Net OPEB Liability	0.02375286%	0.01669356%
College's Proportionate Share of collective Net OPEB Liability	\$ 7,039,811	\$ 5,687,999
State's Proportionate Share of the Net OPEB Liability associated with the College	<u>4,293,156</u>	<u>4,830,458</u>
Total	<u>\$ 11,332,967</u>	<u>\$ 10,518,457</u>
College's Covered-Employee Payroll	\$ 3,946,471	\$ 3,771,905
College's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	178.38%	150.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.27%	2.04%

Note: GASB Condition, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2019 are based on the August 31, 2018 measurement date.

** This schedule shows only two years for which this information is available. Additional information will be added until 10 years of data are available and reported.

CLARENDON COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS TO THE OPEB PLAN
Years Ended August 31,**

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 149,379	\$ 142,546
Contribution in relation to the contractually required contribution	<u>(149,379)</u>	<u>(142,546)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
College's covered-employee payroll	\$ 3,726,088	\$ 3,946,471
Contributions as a percentage of covered payroll	4.01%	3.61%

Note: GASB Condition, Vol. 2, P50.238 requires that the data in this schedule be presented as of the College's respective fiscal year as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

** This schedule shows only two years for which this information is available. Additional information will be added until 10 years of data are available and reported.

CLARENDON COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Years Ended August 31, 2019 and 2018

NOTE 1 - CHANGES OF BENEFIT TERMS FOR PENSION LIABILITY

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

NOTE 2 - CHANGES OF ASSUMPTIONS FOR PENSION LIABILITY

The actuarial methods and assumptions were selected by the board of trustees based upon analysis and recommendations by the system's actuary. The board of trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same study.
- The discount rate changed from 8 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8 percent to 7.25 percent.
- The change in long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

NOTE 3 - CHANGES OF BENEFIT TERMS FOR OPEB

The following benefit revision has been adopted since the prior measurement date.

- An increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect for those HealthSelect retirees and dependents for whom Medicare is not primary.

These minor benefit changes have been reflected in the fiscal year 2019 Assumed Per Capita Health Benefit Costs.

CLARENDON COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Years Ended August 31, 2019 and 2018

NOTE 4 - CHANGES IN ASSUMPTIONS FOR OPEB

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

- Demographic assumptions (including rates of retirement , disability, termination, mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the trustees from the Teachers Retirement System of Texas.
- Assumed expenses, assumed per capita health benefit costs, and assumed health benefit cost, retiree contribution, and expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was increased from 3.51% to 3.96% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

OTHER SUPPLEMENTAL INFORMATION

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**CLARENDON COLLEGE
SCHEDULE A
SCHEDULE OF OPERATING REVENUES
YEAR ENDED AUGUST 31, 2019
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2018)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2019</u>	<u>2018</u>
TUITION						
State-funded courses						
In-district resident tuition	\$ 203,003	\$ -	\$ 203,003	\$ -	\$ 203,003	\$ 202,564
Out-of-district resident tuition	1,178,257	-	1,178,257	-	1,178,257	1,148,472
Non-resident tuition	374,148	-	374,148	-	374,148	318,714
TPEG - Credit (set aside)*	96,046	-	96,046	-	96,046	115,129
Total tuition	<u>1,851,454</u>	<u>-</u>	<u>1,851,454</u>	<u>-</u>	<u>1,851,454</u>	<u>1,784,879</u>
FEES						
Building use fee	481,826	-	481,826	-	481,826	446,325
Out-of-district fee	474,691	-	474,691	-	474,691	504,747
General fee	864,581	-	864,581	-	864,581	820,421
Laboratory fee	325,754	-	325,754	-	325,754	226,862
Other fees	558,287	-	558,287	-	558,287	403,893
Total fees	<u>2,705,139</u>	<u>-</u>	<u>2,705,139</u>	<u>-</u>	<u>2,705,139</u>	<u>2,402,248</u>
SCHOLARSHIP ALLOWANCES AND DISCOUNTS						
Scholarship allowances	(427,274)	-	(427,274)	-	(427,274)	(501,984)
Bad debt allowance	78,433	-	78,433	-	78,433	(70,607)
Remissions and exemptions	(83,736)	-	(83,736)	-	(83,736)	(146,671)
TPEG allowances	(73,930)	-	(73,930)	-	(73,930)	(66,489)
Other state grants	(62,138)	-	(62,138)	-	(62,138)	(75,250)
Federal grants to students	(1,311,410)	-	(1,311,410)	-	(1,311,410)	(1,450,482)
Other federal grants	(333,800)	-	(333,800)	-	(333,800)	(303,460)
Total scholarship allowances and discounts	<u>(2,213,855)</u>	<u>-</u>	<u>(2,213,855)</u>	<u>-</u>	<u>(2,213,855)</u>	<u>(2,614,943)</u>
Total net tuition and fees	<u>2,342,738</u>	<u>-</u>	<u>2,342,738</u>	<u>-</u>	<u>2,342,738</u>	<u>1,572,184</u>

**CLARENDON COLLEGE
SCHEDULE A, CONTINUED
SCHEDULE OF OPERATING REVENUES
YEAR ENDED AUGUST 31, 2019
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2018)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2019</u>	<u>2018</u>
ADDITIONAL OPERATING REVENUES						
Federal grants and contracts	-	350,936	350,936	-	350,936	255,922
State grants and contracts	-	327,692	327,692	-	327,692	398,008
Local grants and contracts	1,036,149	-	1,036,149	-	1,036,149	1,044,892
Other operating revenues	<u>91,564</u>	<u>-</u>	<u>91,564</u>	<u>8,327</u>	<u>99,891</u>	<u>148,755</u>
Total additional operating revenues	<u>1,127,713</u>	<u>678,628</u>	<u>1,806,341</u>	<u>8,327</u>	<u>1,814,668</u>	<u>1,847,577</u>
AUXILIARY ENTERPRISES						
Bookstore	-	-	-	82,070	82,070	157,906
Less: Discounts	-	-	-	(75,582)	(75,582)	(72,239)
Residential	-	-	-	1,101,144	1,101,144	1,095,077
Less: Discounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>(554,226)</u>	<u>(554,226)</u>	<u>(488,329)</u>
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>553,406</u>	<u>553,406</u>	<u>692,415</u>
TOTAL OPERATING REVENUES	<u>\$ 3,470,451</u>	<u>\$ 678,628</u>	<u>\$ 4,149,079</u>	<u>\$ 561,733</u>	<u>\$ 4,710,812</u>	<u>\$ 4,112,176</u>

(Exhibit 2)

*In accordance with Education Code 56.033, \$96,046 and \$115,129 for years August 31, 2019 and 2018, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

**CLARENDON COLLEGE
SCHEDULE B
SCHEDULE OF OPERATING EXPENSES BY OBJECT
YEAR ENDED AUGUST 31, 2019
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2018)**

	Operating Expenses				2019	2018
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
UNRESTRICTED EDUCATIONAL ACTIVITIES						
Instruction	\$ 2,561,707	\$ -	\$ 489,702	\$ 288,935	\$ 3,340,344	\$ 3,793,213
Academic support	331,199	-	68,772	37,936	437,907	412,463
Student services	438,376	-	121,577	104,741	664,694	632,197
Institutional support	547,623	-	134,085	868,222	1,549,930	1,362,813
Operation and maintenance of plant	301,729	-	67,709	634,119	1,003,557	1,170,104
Total unrestricted educational activities	<u>4,180,634</u>	<u>-</u>	<u>881,845</u>	<u>1,933,953</u>	<u>6,996,432</u>	<u>7,370,790</u>
RESTRICTED EDUCATIONAL ACTIVITIES						
Instruction	-	833,097	-	7,816	840,913	524,741
Academic support	-	115,026	-	-	115,026	78,304
Student services	-	120,831	-	-	120,831	105,009
Institutional support	210,285	205,314	-	92,628	508,227	652,310
Scholarship expense	-	-	-	739,100	739,100	743,984
Total restricted educational activities	<u>210,285</u>	<u>1,274,268</u>	<u>-</u>	<u>839,544</u>	<u>2,324,097</u>	<u>2,104,348</u>
Total educational activities	<u>4,390,919</u>	<u>1,274,268</u>	<u>881,845</u>	<u>2,773,497</u>	<u>9,320,529</u>	<u>9,475,138</u>
AUXILIARY ENTERPRISES	<u>303,739</u>	<u>-</u>	<u>58,063</u>	<u>1,179,565</u>	<u>1,541,367</u>	<u>1,283,360</u>
DEPRECIATION EXPENSE						
Buildings and other real estate improvements	-	-	-	445,944	445,944	471,888
Equipment and furniture	-	-	-	364,174	364,174	411,862
Total depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>810,118</u>	<u>810,118</u>	<u>883,750</u>
TOTAL OPERATING EXPENSES	<u>\$ 4,694,658</u>	<u>\$ 1,274,268</u>	<u>\$ 939,908</u>	<u>\$ 4,763,180</u>	<u>\$ 11,672,014</u>	<u>\$ 11,642,248</u>

(Exhibit 2)

**CLARENDON COLLEGE
SCHEDULE C
SCHEDULE OF NONOPERATING REVENUES AND EXPENSES
YEAR ENDED AUGUST 31, 2019
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2018)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2019</u>	<u>2018</u>
NONOPERATING REVENUES:					
State appropriations:					
Education and general state support	\$ 2,836,090	\$ -	\$ -	\$ 2,836,090	\$ 2,836,137
State group insurance	-	494,524	-	494,524	472,947
State retirement matching	-	147,804	-	147,804	347,275
Total state appropriations	<u>2,836,090</u>	<u>642,328</u>	<u>-</u>	<u>3,478,418</u>	<u>3,656,359</u>
Ad valorem taxes for maintenance and operations, net	574,714	-	-	574,714	482,641
Federal revenue, nonoperating	2,192,281	-	-	2,192,281	2,308,451
Gifts	437,524	-	-	437,524	353,438
Investment income	197,568	202	-	197,770	10,568
Total nonoperating revenues	<u>6,238,177</u>	<u>642,530</u>	<u>-</u>	<u>6,880,707</u>	<u>6,811,457</u>
NONOPERATING EXPENSES:					
Interest on capital-related debt	175,758	-	-	175,758	195,196
(Gain) loss on disposal of assets	-	-	-	-	5,112
Other nonoperating expense	1,000	-	-	1,000	10,030
Total nonoperating expenses	<u>176,758</u>	<u>-</u>	<u>-</u>	<u>176,758</u>	<u>210,338</u>
NET NONOPERATING REVENUES	<u>\$ 6,061,419</u>	<u>\$ 642,530</u>	<u>\$ -</u>	<u>\$ 6,703,949</u>	<u>\$ 6,601,119</u>

(Exhibit 2)

**CLARENDON COLLEGE
SCHEDULE D
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
YEAR ENDED AUGUST 31, 2019
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2018)**

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Nonexpendable				
CURRENT							
Unrestricted	\$ (2,807,277)	\$ -	\$ -	\$ -	\$ (2,807,277)	\$ (2,807,277)	\$ -
Restricted	-	644,435	-	-	644,435	644,435	-
Auxiliary enterprises	(4,856,310)	-	-	-	(4,856,310)	(4,856,310)	-
LOAN							
					-	-	-
ENDOWMENT							
Quasi:							
Unrestricted	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Endowment							
True	-	-	1,695,598	-	1,695,598	-	1,695,598
Term (per instructions at maturity)	-	-	-	-	-	-	-
Life income contracts	-	-	-	-	-	-	-
Annuities	-	-	-	-	-	-	-
PLANT							
Unexpended	-	-	-	-	-	-	-
Renewals	-	-	-	-	-	-	-
Debt service	-	110,000	-	-	110,000	-	110,000
Investment in plant	-	-	-	12,012,256	12,012,256	-	12,012,256
Total net position, August 31, 2019	<u>(7,663,587)</u>	<u>754,435</u>	<u>1,695,598</u>	<u>12,012,256</u>	<u>6,798,702</u> (Exhibit 1)	<u>(7,019,152)</u>	<u>13,817,854</u>
Total net position, August 31, 2018	<u>(7,158,436)</u>	<u>618,606</u>	<u>1,698,121</u>	<u>11,897,664</u>	<u>7,055,955</u>	<u>(6,649,830)</u>	<u>13,705,785</u>
NET INCREASE (DECREASE) IN NET POSITION	<u>\$ (505,151)</u>	<u>\$ 135,829</u>	<u>\$ (2,523)</u>	<u>\$ 114,592</u>	<u>\$ (257,253)</u> (Exhibit 2)	<u>\$ (369,322)</u>	<u>\$ 112,069</u>

**CLARENDON COLLEGE
SCHEDULE E
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019**

<u>Federal Grantor/Cluster/Program Title/Pass Through Grantor/ Pass-Through Grantor's Award Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>			<u>Subrecipients Expenditures</u>
		<u>Direct Awards</u>	<u>Pass-Through Awards</u>	<u>Total</u>	
U.S. Department of Education					
Direct Programs:					
Student Financial Aid Cluster					
Federal Supplemental Educational Opportunity Grant	84.007	\$ 37,801	\$ -	\$ 37,801	\$ -
Federal College Work Study Program	84.033	40,000	-	40,000	-
Federal Pell Grant Program	84.063	2,114,480	-	2,114,480	-
Federal Direct Student Loans	84.268	1,739,621	-	1,739,621	-
Total Student Financial Aid		<u>3,931,902</u>	<u>-</u>	<u>3,931,902</u>	<u>-</u>
Title III - Strengthening Institutions	84.031A	273,182	-	273,182	-
Total Direct Programs		<u>4,205,084</u>	<u>-</u>	<u>4,205,084</u>	<u>-</u>
Pass-Through From:					
Texas Higher Education Coordinating Board					
Career and Technical Education - Basic Grants to States/194233	84.048	-	77,754	77,754	-
Total Pass-Through from Texas Higher Education Coordinating Board		<u>-</u>	<u>77,754</u>	<u>77,754</u>	<u>-</u>
Total U.S. Department of Education		<u>4,205,084</u>	<u>77,754</u>	<u>4,282,838</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 4,205,084</u>	<u>\$ 77,754</u>	<u>\$ 4,282,838</u>	<u>\$ -</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

CLARENDON COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
August 31, 2019

NOTE 1 - FEDERAL ASSISTANCE RECONCILIATION

Federal grants and contracts revenue - per Schedule A	\$ 350,936
Nonoperating federal revenue - per Schedule C	2,192,281
Federal Direct Student Loans	<u>1,739,621</u>
Total federal revenues per Schedule of Expenditures of Federal Awards	<u>\$ 4,282,838</u>

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic 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 elected not to use the 10% de minimis indirect cost rate as permitted in the Uniform Guidance, section 200.414. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule.

**CLARENDON COLLEGE
SCHEDULE F
SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS
YEAR ENDED AUGUST 31, 2019**

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
Texas Workforce Commission		
Workforce Investment Act Program	-	\$ 61,322
Total Texas Workforce Commission		<u>61,322</u>
Texas Department of Assistive and Rehabilitative Services		
Tuition Waiver	-	17,807
Total Texas Department of Assistive and Rehabilitative Services		<u>17,807</u>
Texas Higher Education Coordinating Board		
Texas Educational Opportunity Grant	-	101,981
Texas College Work-Study Program	-	6,661
Educational Aide Exemption	-	7,816
College Readiness and Success Models	17428 / 19071	8,442
Nursing Shortage Reduction Program - Regular	-	108,830
Nursing Shortage Reduction Program - Under 70	-	14,833
Total Texas Higher Education Coordinating Board		<u>248,563</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 327,692</u>

See accompanying notes to Schedule of Expenditures of State of Texas Awards.

CLARENDON COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS
August 31, 2019

NOTE 1 - STATE ASSISTANCE RECONCILIATION

A reconciliation of state financial assistance per the schedule of operating revenues to the Schedule of Expenditures of State of Texas Awards is as follows:

State Grants and Contracts Revenue per Schedule A	<u>\$ 327,692</u>
Total state revenues per Schedule of Expenditures of State Awards	<u>\$ 327,692</u>

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE

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

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SINGLE AUDIT SECTION

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

Board of Regents
Clarendon College
Clarendon, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Clarendon College (the College), as of and for the year ended August 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 19, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly,

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Compliance and Other Matters (Continued)

noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002.

College Response to Findings

The College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Connor, McMellow, Mitchell & Ahernum, PLLC

Amarillo, Texas
December 19, 2019

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**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Regents
Clarendon College
Clarendon, Texas

Report on Compliance for Each Major Federal Program

We have audited Clarendon College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2019. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

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Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

Zonnor, McMillon, Mitchell ; Shennum, PLLC

Amarillo, Texas
December 19, 2019

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**CLARENDON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended August 31, 2019**

SECTION I - Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued:

The Auditor's report expresses an unmodified opinion on the financial statements of Clarendon College.

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal and State Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of Auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal/State Program or Cluster</u>
<i>Federal programs</i>	U.S. Department of Education
	<i>Student Financial Aid Cluster</i>
84.007	Federal Supplemental Educational Opportunity Grant
84.033	Federal College Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.031A	Title III - Strengthening Institutions

Dollar threshold used to distinguish between Type A and Type B programs was: \$ 750,000 – Federal
 \$ 300,000 - State

Auditee qualified as a low-risk auditee? X yes no

CLARENDON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended August 31, 2019

SECTION II - Financial Statement Findings

Finding 2019-001

Condition: Some journal entries did not have supporting documentation.

Criteria: All journal entries should have documentation which supports the amount and reason for the journal entry.

Cause: The VP of Administrative Services would prepare the journal entries based on information on hand but did not maintain the support.

Effects: Erroneous journal entries could be posted, causing the financial statements to be misstated.

Context: Fourteen of fifty-five entries tested did not have support. The fourteen journal entries without support were all year-end entries made prior to the VP of Administrative Services leaving the College for other employment.

Recommendation: Support should be maintained for all journal entries.

Repeat Finding: No

Views of Responsible Officials: The office of the VP Administrative Services will review all journal entries prior to posting to ensure supporting documentation and have approved by the President at least monthly.

Finding 2019-002

Condition: The College's procurement policy was not updated to reflect all of the requirements under Uniform Guidance.

Criteria: OMB Guidance Sections 200.318 through 200.326 have the new guidance pertaining to Federal grant procurement. This was to be implemented by September 1, 2018.

Cause: The VP of Administrative Services did not take all sections into account when reviewing the procurement policy for possible changes.

Effects: This could cause the College to not be in compliance with Uniform Guidance requirements.

**CLARENDON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended August 31, 2019**

Finding 2019-002 (Continued)

Repeat Finding: No

Recommendation: OMB guidance should be reviewed and appropriate changes be made to the policy.

Views of Responsible Officials: An updated procurement policy, which reflects all requirements for Uniform Guidance, will be present to the Clarendon College Board of Regents for approval by January 31, 2020.

SECTION III - Federal Award Findings and Questioned Costs

None

**CLARENDON COLLEGE
SCHEDULE OF CORRECTIVE ACTION
FOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended August 31, 2019**

Finding 2019-001

Condition: Some journal entries did not have supporting documentation.

Corrective Action: See the College's response on page 99.

Finding 2019-002

Condition: The College's procurement policy was not updated to reflect the requirements under Uniform Guidance.

Corrective Action: See the College's response on page 99.

CLARENDON COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended August 31, 2019

Finding 2018-001

Program: 84.031A - Title III, Strengthening Institutions Program
84.007 - Federal Supplemental Educational Opportunity Grant
84.033 - Federal College Work Study Program
84.063 - Federal Pell Grant Program
84.268 - Federal Direct Student Loans

Condition: Reimbursement requests are not being reviewed, approved and agreed to the general ledger by a second individual prior to drawdown of funds.

Recommendation: We recommend that the College implement procedures to have the Vice President of Administrative Services review all reimbursement requests and agree to the general ledger prior to drawing the funds.

Current Status: See the College's response on page 101.

Finding 2018-002

Program: 84.031A - Title III, Strengthening Institutions Program

Condition: The College has not been recording salaries and benefits correctly in the general ledger related to the Title III grant.

Recommendation: We recommend that the College implement procedures to set up all employee salaries in the payroll system to allocate to the proper grant accounts. These salary allocations from payroll should be reviewed on a monthly basis to ensure they are correctly allocated.

Current Status: See the College's response on page 101.

Finding 2018-003

Program: 84.031A - Title III, Strengthening Institutions Program

Condition: The grant manager is not using the grant budget approved by the Department of Education (DOE) as a guide to ensure they are utilizing the grant funds properly.

Recommendation: We recommend that the College implement procedures that require the grant project director to compare all expenses to the grant budget prior to being approved and funds drawdown.

Current Status: See the College's response on page 102.

CLARENDON COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
Year Ended August 31, 2019

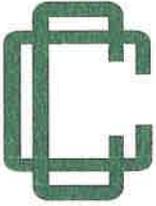
Finding 2018-004

Program: 84.031A - Title III, Strengthening Institutions Program

Condition: The Annual Performance Report filed in July 2018 for the year 2016/17 did not reconcile to the general ledger or the Schedule of Expenditures of Federal Awards (SEFA) for 2016/17.

Recommendation: We recommend that the general ledger information be used and reconciled to the Annual Performance Report prior to submission.

Current Status: See the College's response on page 103.



December 19, 2019

MEMORANDUM FOR: Clarendon College

SUBJECT: Corrective Actions for Audit Findings

Corrective Action for Audit Finding 2019-001

CONDITION

Some journal entries did not have supporting documentation.

CORRECTIVE ACTION

The office of the VP Administrative Services will review all journal entries prior to posting to ensure supporting documentation and have approved by the President at least monthly.

Corrective Action for Audit Finding 2019-002

CONDITION

The College's procurement policy was not updated to reflect all of the requirements under Uniform Guidance.

CURRENT STATUS

An updated procurement policy, which reflects all requirements for Uniform Guidance, will be present to the Clarendon College Board of Regents for approval by January 31, 2020.

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December 19, 2019

MEMORANDUM FOR: Clarendon College

CONTACT: Tex Buckhaults
VP of Academic Affairs

SUBJECT: Summary Schedule of Prior Audit Findings

Corrective Action for Audit Finding 2018-001

CFDA #84.031A Title III, Part A – Strengthening Institutions Program
CFDA #84.007 Federal Supplemental Education Opportunity Grant
CFDA #84.033 Federal College Work Study Program
CFDA #84.063 Federal Pell Grant Program
CFDA #84.268 Federal Direct Student Loans

CONDITION

Reimbursement requests are not being reviewed, approved and agreed to the general ledger by a second individual prior to drawdown of funds.

CURRENT STATUS:

The office of the VP Administrative Services has reviewed all expenditures with the appropriate program person in conjunction with the VP of Academic Affairs to ensure agreement with the general ledger prior to requesting a drawdown of funds.

Corrective Action for Audit Finding 2018-002

CFDA #84.031A Title III, Part A – Strengthening Institutions Program

CONDITION

The College has not been recording salaries and benefits correctly in the general ledger related to the Title III grant.

CURRENT STATUS

Payroll system functions have been employed to ensure salaries are allocated properly each payroll. Each payroll is reviewed to ensure proper recording is performed each month by the Grant Administrator and Payroll personnel. The Title III Grant ended on October 1, 2018.

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Corrective Action for Audit Finding 2018-003

CFDA #84.031A Title III, Part A – Strengthening Institutions Program

CONDITION

The grant manager is not using the grant budget approved by the Department of Education (DOE) as a guide to ensure they are utilizing the grant funds properly.

CURRENT STATUS

The VP of Academic Affairs has verified all Title III expenses are aligned with the grant budget approved by the DOE ensuring the correct use of grant funds. The Title III grant ended on October 1, 2018.

Corrective Action for Audit Finding 2018-004

CFDA #84.031A Title III, Part A – Strengthening Institutions Program

CONDITIONS

The Annual Performance Report Filed in July 2018 for the year 2016/17 did not reconcile to the general ledger of the Schedule of Expenditures of Federal Awards.

CURRENT STATUS

The VP of Academic Affairs and the VP of Administrative Services have reviewed and verified grant expenditures reconcile to the general ledger of the Schedule of Expenditures of Federal Awards. The Title III grant ended on October 1, 2018.

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**STATISTICAL SUPPLEMENT
(Unaudited)**

Clarendon College
 Statistical Supplement 1
 Net Position by Component
 Fiscal Years 2010 to 2019
 (unaudited)
 (amounts expressed in thousands)

	For the Fiscal Year Ended August 31,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net investment in capital assets	\$ 12,012	\$ 11,898	\$ 12,196	\$ 11,894	\$ 11,819	\$ 11,537	\$ 11,302	\$ 11,423	\$ 11,278	\$ 11,641
Restricted - nonexpendable	1,696	1,698	1,748	1,748	1,698	1,536	1,535	1,534	1,450	1,548
Restricted - expendable	754	618	1,501	1,660	1,716	1,776	1,905	1,619	1,636	714
Unrestricted (deficit)	(7,663)	(7,158)	(602)	(457)	(34)	2,131	2,339	2,767	2,204	955
Total net position	\$ 6,799	\$ 7,056	\$ 14,843	\$ 14,845	\$ 15,199	\$ 16,980	\$ 17,081	\$ 17,343	\$ 16,568	\$ 14,858

**Clarendon College
Statistical Supplement 2
Revenues by Source
Fiscal Years 2010 to 2019
(unaudited)**

	For the Year Ended August 31, (amounts expressed in thousands)									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Tuition and fees (net of discounts)	\$ 2,343	\$ 1,572	\$ 1,764	\$ 1,368	\$ 1,241	\$ 1,359	\$ 1,239	\$ 1,170	\$ 1,177	\$ 1,541
Governmental grants and contracts										
Federal grants and contracts	351	256	406	555	418	373	118	110	383	138
State grants and contracts	328	398	572	402	219	230	203	208	516	78
Local grants and contracts	1,036	1,045	1,365	1,487	1,458	1,328	1,211	1,143	1,169	911
Nongovernmental grants and contracts	-	-	-	-	-	-	-	-	-	-
Auxiliary enterprises	553	692	398	420	501	462	446	757	775	929
Other operating revenues	100	149	96	50	39	168	171	292	91	81
Total operating revenues	4,711	4,112	4,601	4,282	3,876	3,920	3,388	3,680	4,111	3,678
State appropriations	3,478	3,656	3,213	3,221	3,007	2,980	2,813	2,972	3,094	3,133
Ad valorem taxes	575	483	485	434	463	432	431	411	442	409
Federal revenue, nonoperating	2,192	2,308	1,982	1,907	2,258	2,417	2,508	2,957	3,363	2,586
Gifts	438	353	60	94	131	75	308	207	210	474
Investment income	198	11	57	128	209	75	83	169	96	124
Gain on disposal of assets	-	-	-	-	4	-	-	-	-	-
Other nonoperating revenues	-	-	-	26	3	7	70	14	7	7
Total nonoperating revenues	6,881	6,811	5,797	5,810	6,075	5,986	6,213	6,730	7,212	6,733
TOTAL REVENUES	\$ 11,592	\$ 10,923	\$ 10,398	\$ 10,092	\$ 9,951	\$ 9,906	\$ 9,601	\$ 10,410	\$ 11,323	\$ 10,411

	For the Year Ended August 31,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Tuition and fees (net of discounts)	20.21%	14.39%	16.96%	13.56%	12.47%	13.72%	12.90%	11.24%	10.40%	14.80%
Governmental grants and contracts										
Federal grants and contracts	3.03%	2.34%	3.90%	5.50%	4.20%	3.77%	1.23%	1.06%	3.38%	1.33%
State grants and contracts	2.83%	3.64%	5.50%	3.98%	2.20%	2.32%	2.11%	2.00%	4.56%	0.75%
Local grants and contracts	8.94%	9.57%	13.13%	14.73%	14.65%	13.41%	12.61%	10.98%	10.32%	8.75%
Nongovernmental grants and contracts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Auxiliary enterprises	4.77%	6.34%	3.83%	4.16%	5.03%	4.66%	4.65%	7.27%	6.84%	8.92%
Other operating revenues	0.86%	1.36%	0.92%	0.49%	0.39%	1.69%	1.79%	2.80%	0.81%	0.78%
Total operating revenues	40.64%	37.64%	44.24%	42.42%	38.94%	39.57%	35.29%	35.35%	36.31%	35.33%
State appropriations	30.00%	33.47%	30.90%	31.93%	30.23%	30.08%	29.30%	28.55%	27.33%	30.09%
Ad valorem taxes	4.96%	4.42%	4.66%	4.30%	4.65%	4.36%	4.49%	3.95%	3.90%	3.93%
Federal revenue, nonoperating	18.91%	21.13%	19.06%	18.90%	22.69%	24.40%	26.12%	28.41%	29.70%	24.84%
Gifts	3.78%	3.23%	0.58%	0.93%	1.32%	0.76%	3.21%	1.99%	1.85%	4.55%
Investment income	1.71%	0.11%	0.56%	1.27%	2.10%	0.76%	0.86%	1.62%	0.85%	1.19%
Gain on disposal of assets	0.00%	0.00%	0.00%	0.00%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%
Other nonoperating revenues	0.00%	0.00%	0.00%	0.25%	0.03%	0.07%	0.73%	0.13%	0.06%	0.07%
Total nonoperating revenues	59.36%	62.36%	55.76%	57.58%	61.06%	60.43%	64.71%	64.65%	63.69%	64.67%
TOTAL REVENUES	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Clarendon College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2010 to 2019
(unaudited)

For the Year Ended August 31,
(amounts expressed in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Instruction	\$ 4,181	\$ 4,318	\$ 3,615	\$ 3,616	\$ 3,580	\$ 3,173	\$ 3,135	\$ 3,053	\$ 3,051	\$ 2,977
Public service	-	-	-	-	-	-	-	-	-	-
Academic support	553	491	363	332	281	480	523	444	518	529
Student services	786	737	822	836	723	682	591	499	507	465
Institutional support	2,058	2,015	1,818	1,954	1,630	1,575	1,376	1,140	1,155	1,082
Operation and maintenance of plant	1,004	1,170	940	982	961	1,055	965	970	999	972
Scholarships and fellowships	739	744	546	542	623	743	835	832	1,142	872
Auxiliary enterprises	1,541	1,283	1,193	1,046	1,187	1,148	1,118	1,567	1,201	1,415
Depreciation	810	884	892	924	939	909	875	850	720	587
Total operating expenses	11,672	11,642	10,189	10,232	9,924	9,765	9,418	9,355	9,293	8,899
Interest on capital related debt	176	195	211	214	228	241	252	277	287	300
Other nonoperating expense	1	15	-	-	-	-	6	3	33	-
Total nonoperating expenses	177	210	211	214	228	241	258	280	320	300
Prior period adjustment	-	-	-	-	-	-	188	-	-	-
TOTAL EXPENSES	\$ 11,849	\$ 11,852	\$ 10,400	\$ 10,446	\$ 10,152	\$ 10,006	\$ 9,864	\$ 9,635	\$ 9,613	\$ 9,199

For the Year Ended August 31,

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Instruction	35.29%	36.43%	34.76%	34.62%	35.26%	31.71%	31.79%	31.69%	31.74%	32.36%
Public service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Academic support	4.67%	4.14%	3.49%	3.18%	2.77%	4.80%	5.30%	4.61%	5.40%	5.75%
Student services	6.63%	6.22%	7.90%	8.00%	7.12%	6.82%	5.99%	5.19%	5.27%	5.05%
Institutional support	17.35%	17.00%	17.48%	18.71%	16.06%	15.74%	13.95%	11.83%	12.01%	11.76%
Operation and maintenance of plant	8.47%	9.87%	9.04%	9.40%	9.47%	10.54%	9.78%	10.07%	10.39%	10.57%
Scholarships and fellowships	6.24%	6.28%	5.25%	5.19%	6.14%	7.43%	8.47%	8.64%	11.88%	9.48%
Auxiliary enterprises	13.01%	10.83%	11.47%	10.00%	11.68%	11.47%	11.33%	16.26%	12.49%	15.38%
Depreciation	6.84%	7.46%	8.58%	8.85%	9.25%	9.08%	8.87%	8.81%	7.49%	6.39%
Total operating expenses	98.50%	98.23%	97.97%	97.95%	97.75%	97.59%	95.48%	97.10%	96.67%	96.74%
Interest on capital related debt	1.49%	1.65%	2.03%	2.05%	2.25%	2.41%	2.55%	2.87%	2.99%	3.26%
Other nonoperating expense	0.01%	0.12%	0.00%	0.00%	0.00%	0.00%	0.06%	0.03%	0.34%	0.00%
Total nonoperating expenses	1.50%	1.77%	2.03%	2.05%	2.25%	2.41%	2.61%	2.90%	3.33%	3.26%
Prior period adjustment	-	-	-	-	-	-	1.91%	-	-	-
TOTAL EXPENSES	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**Clarendon College
Statistical Supplement 4
Tuition and Fees
Last Ten Academic Years
(unaudited)**

Academic Year (Fall)	Resident Fees per Semester Credit Hour (SCH)								Cost for 12 SCH In Maint Tax District	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
	Bldg Use Fee	Out-of-District Fee*	In-District Tuition	Out-of-District Tuition	General Institution Fees	Technology Fees	Student Activity Fees	Library Fees					
2019	\$ 28	14 - 23	\$ 51	\$ 34	\$ 34	\$ -	\$ -	\$ -	\$ 1,524	\$ 1,356	\$ 1,632	0.00%	0.00%
2018	24	14 - 23	47	47	30	-	-	-	1,380	1,212	1,498	0.00%	0.00%
2017	24	14 - 23	47	47	30	-	-	-	1,380	1,212	1,498	0.00%	0.00%
2016	24	14 - 23	47	47	30	-	-	-	1,380	1,212	1,498	0.00%	0.00%
2015	24	14 - 23	47	47	30	-	-	-	1,380	1,212	1,498	10.99%	9.50%
2014	24	14 - 23	42	42	25	-	-	-	1,260	1,092	1,368	0.00%	0.00%
2013	24	14 - 23	42	42	25	-	-	-	1,260	1,092	1,368	0.00%	0.00%
2012	24	14 - 23	42	42	25	-	-	-	1,260	1,092	1,368	7.06%	5.56%
2011	24	14 - 23	42	42	19	-	-	-	1,188	1,020	1,296	2.41%	5.88%
2010	24	10 - 19	42	42	17	-	-	-	1,116	996	1,224	5.06%	4.08%

Academic Year (Fall)	Nonresident Fees per Semester Credit Hour (SCH)								Cost for 12 SCH International	Cost for 12 SCH Out-of-State	Cost for 12 SCH Out-of-District	Increase from Prior Year Out-of-State	Increase from Prior Year International
	Bldg Use Fee	Out-of-District Fee	Out-of-State Tuition	Tuition International	General Institution Fees	Technology Fees	Student Activity Fees	Library Fees					
2019	\$ 28	23	\$ 82	\$ 82	\$ 34	\$ -	\$ -	\$ -	\$ 2,004	\$ 2,004	\$ -	0.00%	0.00%
2018	24	23	78	78	30	-	-	-	1,860	1,860	-	0.00%	0.00%
2017	24	23	78	78	30	-	-	-	1,860	1,860	-	0.00%	0.00%
2016	24	23	78	78	30	-	-	-	1,860	1,860	-	0.00%	0.00%
2015	24	23	78	78	30	-	-	-	1,860	1,860	-	6.90%	6.90%
2014	24	23	73	73	25	-	-	-	1,740	1,740	-	0.00%	0.00%
2013	24	23	73	73	25	-	-	-	1,740	1,740	-	0.00%	0.00%
2012	24	23	73	73	25	-	-	-	1,740	1,740	-	4.32%	4.32%
2011	24	23	73	73	19	-	-	-	1,668	1,668	-	4.51%	4.51%
2010	24	19	73	73	17	-	-	-	1,596	1,596	-	13.68%	13.68%

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

*In 2008-2009 a maintenance tax was passed in two, Gray and Childress, counties in our service district. A reduced out-of-district fee was created for students living in these counties.

Clarendon College
 Statistical Supplement 5
 Assessed Value and Taxable Assessed Value of Property
 Last Ten Fiscal Years
 (unaudited)

Fiscal Year	(amounts expressed in thousands)				Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations (a)	Debt Service (a)	Total (a)
2018-19	\$ 266,258,308	\$ 1,539,820	\$ 264,718,488	99.42%	0.25115	-	0.25115
2017-18	232,739,356	1,391,764	231,347,592	99.40%	0.25115	-	0.25115
2016-17	223,077,323	1,077,577	221,999,746	99.52%	0.23067	-	0.23067
2015-16	225,250,980	748,765	224,502,215	99.67%	0.22080	-	0.22080
2014-15	212,974,226	913,769	212,060,457	99.57%	0.22082	-	0.22082
2013-14	198,205,860	831,557	197,374,303	99.58%	0.22273	-	0.22273
2012-13	198,970,752	873,388	198,097,364	99.56%	0.22217	-	0.22217
2011-12	189,684,860	2,153,459	187,531,401	98.86%	0.22217	-	0.22217
2010-11	189,977,658	2,200,655	187,777,003	98.84%	0.22193	-	0.22193
2009-10	190,535,874	1,658,181	188,877,693	99.13%	0.22193	-	0.22193

Source: Donley County Appraisal District

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

Clarendon College
Statistical Supplement 6
State Appropriation per FTSE and Contact Hour
Last Ten Fiscal Years
(unaudited)
(amounts expressed in thousands)

Fiscal Year	State Appropriation	Appropriation per FTSE		Appropriation per Contact Hour			
		FTSE (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours	State Appropriation per Contact Hour
2018-19	\$ 2,836,090	1,200	\$ 2,364	454,976	238,832	693,808	\$ 4.09
2017-18	2,836,137	1,028	2,759	430,896	257,184	688,080	4.12
2016-17	2,581,318	954	2,706	440,272	252,928	693,200	3.72
2015-16	2,577,949	896	2,877	396,800	252,784	649,584	3.97
2014-15	2,485,092	930	2,672	390,496	258,336	648,832	3.83
2013-14	2,485,093	867	2,866	409,648	252,864	662,512	3.75
2012-13	2,359,072	878	2,687	438,688	229,203	667,891	3.53
2011-12	2,540,249	957	2,654	477,216	257,109	734,325	3.46
2010-11	2,473,033	1,055	2,344	524,462	288,313	812,775	3.04
2009-10	2,508,554	962	2,608	490,016	261,248	751,264	3.34

Note:

FTSE is defined as the number of full-time students plus part-time students divided by 12 hrs for the fall term.
State appropriation does not include employee health insurance or retirement benefits.

(a) Source CBM001

(b) Source CBM00A

**Clarendon College
Statistical Supplement 7
Principal Taxpayers
Last Ten Tax Years
(unaudited)**

		% of Taxable Assessed Value (TAV) by Tax Year									
Taxpayer	Type of Business	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
BNSF Railway Company	Railroad	\$ 30,694,720	\$ 29,406,590	\$ 26,706,490	\$ 25,729,760	\$ 23,353,420	\$ 23,453,950	\$ 23,414,130	\$ 21,607,420	\$ 19,050,130	\$ 16,026,810
Texas Express Pipeline	Utility	22,231,250	18,928,480	18,194,580	18,755,200	15,570,270	17,038,770	-	-	-	-
Southwestern Electric Power Co	Utility	9,745,230	8,322,434	7,286,814	7,687,284	7,220,230	8,146,480	7,342,214	7,588,370	4,639,390	4,926,830
Cross Texas Transmission LLC	Utility	4,111,480	4,055,691	4,504,431	-	-	-	-	-	-	-
KLM Griffin Ranch LP	Ranch	1,957,691	1,873,182	1,831,869	1,842,428	1,712,362	1,654,980	1,683,245	-	-	-
Ritchie Birkbeck GC Trust	Ranch	1,616,310	1,607,219	1,621,604	1,625,616	1,619,479	1,572,773	1,576,284	1,681,674	1,681,815	1,823,316
Briscoe Ranch INC	Ranch	1,569,874	1,381,399	1,305,638	1,357,486	-	-	-	-	-	-
Jjob, LTD	Ranch	1,103,818	-	-	1,043,830	1,044,216	1,014,921	1,003,377	1,048,450	1,043,533	1,119,277
High Card Ranch LLC	Ranch	805,589	-	-	-	-	-	-	442,492	-	-
Bella Vista 4B Ranch LLC	Ranch	639,118	-	-	-	-	-	-	442,492	-	-
Obrien John Jay	Ranch	585,202	-	-	-	-	-	-	596,128	-	-
Glass James and Helen	Ranch	572,463	-	-	-	-	-	-	-	-	-
Martinez Ranch LTD	Ranch	463,303	-	-	-	-	-	-	320,640	-	-
Ritchie Birkbest Testamentary	Ranch	406,861	-	-	-	-	-	-	385,664	-	-
Royal Oil & Gas Corp	Ranch	366,582	-	-	-	-	-	-	392,353	-	-
Obrien, John Jay ET AL	Ranch	291,992	-	-	-	-	-	-	304,289	-	-
TR Land & Cattle Co.	Ranch	289,570	-	-	-	-	-	-	294,639	-	-
Nustar Logistics LP	Utility	-	2,556,900	2,612,130	2,596,810	2,708,890	2,775,440	2,820,100	-	3,128,380	2,899,150
Clarendon Hotel Corporation	Hotel	-	2,813,657	2,834,584	2,998,858	3,377,720	2,376,489	2,145,612	-	1,220,000	1,156,782
Cattlemens Feedlot LTD	Cattle/Feedlot	-	-	-	-	2,423,553	2,181,202	2,669,149	2,790,135	2,604,186	2,694,247
J Lee Milligan Inc	Construction	-	-	-	-	-	1,753,000	1,431,550	-	1,027,200	-
McLean Feed Yard LTD	Cattle/Feedlot	-	-	-	-	1,455,726	1,372,801	1,374,367	-	1,455,938	1,533,658
Sunoco Pipeline LP	Utility	-	-	-	-	921,340	1,355,860	1,307,190	-	1,674,180	-
Crofoot Cattle Co	Cattle/Feedlot	-	-	-	-	1,234,302	1,232,438	-	539,558	-	-
Crop Production Services	Ag Sales	-	2,170,144	1,903,424	1,413,704	1,261,061	1,114,114	-	-	-	-
Greenbelt Electric Co-Op Inc.	Utility	-	1,124,210	1,103,900	1,210,720	1,195,900	1,034,630	-	-	919,810	913,910
Level 3 Communications LLC	Utility	-	-	-	1,087,640	1,057,700	1,019,700	1,081,350	-	936,610	927,390
Level 3 Parent LLC	Utility	-	1,036,950	-	-	-	-	-	-	-	-
Salt Fork Family Ranch	Ranch	-	-	-	-	826,297	838,527	-	-	-	-
Roach, TL	Ranch	-	-	-	-	-	815,014	-	909,666	898,626	960,098
Lowes Pay-n-Save Inc	Grocer	-	-	-	-	787,700	759,970	-	-	-	-
Schaefer, Curtis	Farm	-	-	-	-	-	745,699	-	-	-	-
Matthews, Kade L, Trust #1	Ranch	-	-	-	-	-	-	-	1,771,844	1,701,744	1,225,285
Oneok Westlex Transmission	Utility	-	1,248,160	1,038,060	-	-	-	-	-	1,616,920	1,229,640
Rio Bravo Cattle Feeders	Cattle/Feedlot	-	-	1,143,945	1,072,132	876,667	-	1,222,232	-	1,374,975	1,692,178
Valor Telecommunications of TX, LP	Utility	-	-	-	-	-	-	-	-	-	954,000
Automotive Properties LP	Car Dealer	-	-	-	-	-	-	-	-	-	-
Canlex Feeders LP	Cattle/Feedlot	-	2,401,871	2,362,585	2,499,189	-	-	-	-	-	-
McLean Farm LLC	Farm	-	1,329,804	1,363,243	1,114,233	-	-	-	-	-	-
Bitler Creek LP	Ranch	-	-	-	-	-	-	-	899,259	-	-
Fletcher, Gary	Ranch	-	-	-	-	-	-	-	793,613	-	-
Young, Betty Family LTD	Ranch	-	-	-	-	-	-	-	650,120	-	-
Wild Card Ranch LLC	Ranch	-	-	-	-	-	-	-	307,438	-	-
Totals		\$ 77,451,053	\$ 80,256,691	\$ 75,813,307	\$ 72,034,890	\$ 68,646,833	\$ 72,256,758	\$ 49,070,800	\$ 43,766,244	\$ 44,973,437	\$ 40,082,571
Total Taxable Assessed Value		\$ 264,718,488	\$ 231,347,592	\$ 221,999,746	\$ 224,502,215	\$ 212,060,457	\$ 197,374,303	\$ 198,097,364	\$ 187,531,401	\$ 187,777,003	\$ 188,877,693

**Clarendon College
Statistical Supplement 7, Continued
Principal Taxpayers
Last Ten Tax Years
(unaudited)**

		% of Taxable Assessed Value (TAV) by Tax Year									
Taxpayer	Type of Business	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
BNSF Railway Company	Railroad	11.60%	12.71%	12.39%	11.94%	11.01%	11.88%	11.82%	11.52%	10.15%	8.49%
Texas Express Pipeline	Utility	8.40%	8.18%	8.44%	8.70%	7.34%	8.63%	0.00%	0.00%	0.00%	0.00%
Southwestern Electric Power Co	Utility	3.68%	3.60%	3.38%	3.57%	3.40%	4.13%	3.71%	4.05%	2.47%	2.61%
KLM Griffin Ranch LP	Ranch	0.74%	0.81%	0.85%	0.85%	0.81%	0.84%	0.85%	0.00%	0.00%	0.00%
Ritchie Birkbeck GC Trust	Ranch	0.61%	0.69%	0.75%	0.75%	0.76%	0.80%	0.80%	0.90%	0.90%	0.97%
Briscoe Ranch INC	Ranch	0.59%	0.60%	0.61%	0.63%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Jjob, LTD	Ranch	0.42%	0.00%	0.00%	0.48%	0.49%	0.51%	0.51%	0.56%	0.56%	0.59%
High Card Ranch LLC	Ranch	0.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.24%	0.00%	0.00%
Obrien John Jay	Ranch	0.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.32%	0.00%	0.00%
Martinez Ranch LTD	Ranch	0.18%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.17%	0.00%	0.00%
Ritchie Birkbest Testamentary	Ranch	0.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.21%	0.00%	0.00%
Royal Oil & Gas Corp	Ranch	0.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.21%	0.00%	0.00%
Obrien, John Jay ET AL	Ranch	0.11%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.16%	0.00%	0.00%
TR Land & Cattle Co.	Ranch	0.11%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.16%	0.00%	0.00%
Nustar Logistics LP	Utility	0.00%	1.11%	1.21%	1.20%	1.28%	1.41%	1.42%	0.00%	1.67%	1.53%
Clarendon Hotel Corporation	Hotel	0.00%	1.22%	1.31%	1.39%	1.59%	1.20%	1.08%	0.00%	0.65%	0.61%
Cattlemens Feedlot LTD	Cattle/Feedlot	0.00%	0.00%	0.00%	0.00%	1.14%	1.11%	1.35%	1.49%	1.39%	1.43%
J Lee Milligan Inc	Construction	0.00%	0.00%	0.00%	0.00%	0.00%	0.89%	0.72%	0.00%	0.55%	0.00%
McLean Feed Yard LTD	Cattle/Feedlot	0.00%	0.00%	0.00%	0.00%	0.69%	0.70%	0.69%	0.00%	0.78%	0.81%
Sunoco Pipeline LP	Utility	0.00%	0.00%	0.00%	0.00%	0.43%	0.69%	0.66%	0.00%	0.89%	0.00%
Crofoot Cattle Co	Cattle/Feedlot	0.00%	0.00%	0.00%	0.00%	0.58%	0.62%	0.00%	0.29%	0.00%	0.00%
Crop Production Services	Ag Sales	0.00%	0.94%	0.88%	0.66%	0.59%	0.56%	0.00%	0.00%	0.00%	0.00%
Greenbelt Electric Co-Op Inc.	Utility	0.00%	0.49%	0.51%	0.56%	0.56%	0.52%	0.00%	0.00%	0.49%	0.48%
Level 3 Communications LLC	Utility	0.00%	0.00%	0.00%	0.50%	0.50%	0.52%	0.55%	0.00%	0.50%	0.49%
Level 3 Parent LLC	Utility	0.00%	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Salt Fork Family Ranch	Ranch	0.00%	0.00%	0.00%	0.00%	0.39%	0.42%	0.00%	0.00%	0.00%	0.00%
Roach, TL	Ranch	0.00%	0.00%	0.00%	0.00%	0.00%	0.41%	0.00%	0.49%	0.48%	0.51%
Lowe's Pay-n-Save Inc	Grocer	0.00%	0.00%	0.00%	0.00%	0.37%	0.39%	0.00%	0.00%	0.00%	0.00%
Schaefer, Curtis	Farm	0.00%	0.00%	0.00%	0.00%	0.00%	0.38%	0.00%	0.00%	0.00%	0.00%
Mathews, Kade L, Trust #1	Ranch	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.94%	0.91%	0.65%
Oneok Westex Transmission	Utility	0.00%	0.54%	0.48%	0.00%	0.00%	0.00%	0.00%	0.00%	0.86%	0.65%
Rio Bravo Cattle Feeders	Cattle/Feedlot	0.00%	0.00%	0.53%	0.50%	0.41%	0.00%	0.62%	0.00%	0.73%	0.90%
Valor Telecommunications of TX, LP	Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.51%
Automotive Properties LP	Car Dealer	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cantex Feeders LP	Cattle/Feedlot	0.00%	1.04%	1.10%	1.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
McLean Farm LLC	Farm	0.00%	0.57%	0.63%	0.52%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Bitter Creek LP	Ranch	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.48%	0.00%	0.00%
Fletcher, Gary	Ranch	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.42%	0.00%	0.00%
Young, Betty Family LTD	Ranch	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.35%	0.00%	0.00%
Wild Card Ranch LLC	Ranch	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.16%	0.00%	0.00%
Totals		27.25%	32.95%	33.07%	33.41%	32.34%	36.61%	24.78%	23.12%	23.98%	21.23%

Source: Donley County Appraisal District

Clarendon College
Statistical Supplement 8
Property Tax Levies and Collections
Last Ten Tax Years
(unaudited)
(amounts expressed in thousands)

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	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
2019	\$ 572,913	\$ -	572,913	\$ 551,999	96.3%	\$ -	\$ 8,857	560,856	97.90%
2018	551,114	(975)	550,139	525,720	95.6%	-	17,351	543,071	98.72%
2017	514,275	(633)	513,642	490,664	95.5%	-	9,157	499,821	97.31%
2016	475,978	-	475,978	457,821	96.2%	-	12,113	469,934	98.73%
2015	468,234	(486)	467,748	449,393	96.1%	-	11,727	461,120	98.58%
2014	437,340	-	437,340	422,668	96.6%	-	14,215	436,883	99.90%
2013	438,971	-	438,971	422,085	96.2%	-	8,971	431,056	98.20%
2012	417,200	-	417,200	400,225	95.9%	-	14,973	415,198	99.52%
2011	414,559	-	414,559	398,210	96.1%	-	12,596	410,806	99.09%
2010	413,712	-	413,712	397,642	96.1%	-	14,278	411,920	99.57%
2009	370,495	-	370,495	344,528	93.0%	-	25,906	370,434	99.98%

Source: Donley County Appraisal District

- Notes: (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 years levies. Information not available.

Clarendon College
Statistical Supplement 9
Ratios of Outstanding Debt
Last Ten Fiscal Years
(unaudited)

For the Year Ended August 31 (amounts expressed in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Bonded Debt										
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Debt										
Revenue bonds	\$ 452,000	\$ 617,000	\$ 778,000	\$ 935,000	\$ 1,205,000	\$ 1,350,000	\$ 1,485,000	\$ 1,615,000	\$ 1,740,000	\$ 1,830,640
Notes	902,780	1,017,035	1,127,929	1,237,655	-	-	-	-	-	-
Capital lease obligations	2,545,000	2,740,000	2,925,000	3,100,000	3,270,000	3,606,111	3,854,444	3,740,000	3,885,000	4,025,000
Total outstanding debt	\$ 3,899,780	\$ 4,374,035	\$ 4,830,929	\$ 5,272,655	\$ 4,475,000	\$ 4,956,111	\$ 5,339,444	\$ 5,355,000	\$ 5,625,000	\$ 5,855,640
General Bonded Debt Ratios										
Per capita	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Per FTSE	-	-	954	-	-	-	-	-	-	-
As a percentage of Taxable Assessed Value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Outstanding Debt Ratios										
Per capita	\$ 1,175	\$ 1,046	\$ 1,366	\$ 1,507	*	*	\$ 1,516	\$ 1,487	\$ 1,549	\$ 1,593
Per FTSE	3,250	3,370	4,877	5,885	4,811	5,716	6,082	5,596	5,331	6,087
As a percentage of Taxable Assessed Value	2.51%	0.00%	2.21%	0.00%	2.09%	2.51%	2.70%	2.86%	3.00%	3.10%

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

* Per capital information is not available for 2015 and 2014.

Clarendon College
Statistical Supplement 10
Legal Debt Margin Information
Last Ten Fiscal Years
(unaudited)

For the Year Ended August 31 (amounts expressed in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Taxable assessed value	\$ 264,718,488	\$ 231,347,592	\$ 221,999,746	\$ 224,502,215	\$ 212,060,457	\$ 197,374,303	\$ 198,097,364	\$ 187,531,401	\$ 187,777,003	\$ 188,877,693
General obligation bonds:										
Statutory tax levy limit for debt service	\$ 1,323,592	\$ 1,156,738	\$ 1,109,999	\$ 1,122,511	\$ 1,060,302	\$ 986,872	\$ 990,487	\$ 937,657	\$ 938,885	\$ 944,388
Less: funds restricted for repayment of general obligation bonds	-	-	-	-	-	-	-	-	-	-
Total net general obligation debt	1,323,592	1,156,738	1,109,999	1,122,511	1,060,302	986,872	990,487	937,657	938,885	944,388
Current year debt service requirements	-	-	-	-	-	-	-	-	-	-
Excess of statutory limit for debt service over current requirements	\$ 1,323,592	\$ 1,156,738	\$ 1,109,999	\$ 1,122,511	\$ 1,060,302	\$ 986,872	\$ 990,487	\$ 937,657	\$ 938,885	\$ 944,388
Net current requirements as a % of statutory limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars taxable assessed valuation.

Clarendon College
Statistical Supplement 11
Pledged Revenue Coverage
Last Ten Fiscal Years
(unaudited)

Revenue Bonds

Fiscal Year Ended August 31	Pledged Revenues				Debt Service Requirements			Coverage Ratio
	Tuition	Housing	Food Service	Total	Principal	Interest	Total	
2019	\$ 477,819	\$ 249,087	\$ 127,067	853,973	\$ 165,000	\$ 14,931	179,931	4.75
2018	446,220	243,669	135,261	825,150	161,000	18,828	179,828	4.59
2017	414,282	203,376	108,312	725,970	157,000	22,627	179,627	4.04
2016	329,604	190,490	113,500	633,594	168,000	40,180	208,180	3.04
2015	330,665	224,280	133,688	688,633	145,000	63,450	208,450	3.30
2014	334,970	205,674	135,277	675,921	135,000	69,795	204,795	3.30
2013	335,346	198,363	129,828	663,537	130,000	75,905	205,905	3.22
2012	334,173	199,962	129,098	663,233	125,000	81,780	206,780	3.21
2011	360,474	200,773	131,950	693,197	120,000	87,420	207,420	3.34
2010	331,276	187,085	118,368	636,729	115,000	92,825	207,825	3.06
2009	335,209	198,390	123,250	656,849	105,000	97,760	202,760	3.24

Clarendon College
Statistical Supplement 12
Demographic and Economic Statistics - Taxing District
Last Ten Fiscal Years
 (unaudited)

Calendar Year	District Population	District Personal Income (a) (thousands of dollars)	District Personal Income Per Capita	District Unemployment Rate
2018	3,319	\$ 146,266	\$ 44,176	3.4%
2017	3,311	*	*	3.6%
2016	3,405	*	*	n/a
2015	3,499	146,618	41,903	4.3%
2014	3,543	*	*	4.9%
2013	3,522	153,399	43,555	4.8%
2012	3,602	126,837	35,212	6.4%
2011	3,631	124,057	34,166	6.1%
2010	3,677	117,982	32,200	6.7%
2009	3,853	113,379	29,426	6.2%
2008	4,015	114,606	28,544	6.7%
2007	4,030	108,546	26,934	4.4%

Source: * U.S. Bureau of Economic Analysis - Not available for 2014, 2016 and 2017.
 Texas Workforce Commission, Unemployment Rate, TWC Texas LMCI Tracer,
 Data Link U.S. Bureau of Labor Statistics

Clarendon College
Statistical Supplement 13
Principle Employers
Last Year Calendar Year
(unaudited)

Employer	Current Fiscal Year	
	Number of Employees	***Percentage of Total Employment***
Clarendon Consolidated ISD	50-99	3.58%
Clarendon College	50-99	3.58%
Lowes Food Store	20-49	1.67%
CanTex Feedlot	20-49	1.67%
Clarendon City	20-49	1.67%
Clarendon Outpost Company	20-49	1.67%
Hedley ISD	20-49	1.67%
Pizza Hut	10-19	0.72%
Sonic Drive In	20-49	1.67%
Associated Ambulance Service	10-19	0.72%
Best Western - Red River Inn	10-19	0.72%
Clarendon Family Medical Center	10-19	0.72%
Dollar General	10-19	0.72%
Donley County Hospital District	10-19	0.72%
Donley County Sherriff	10-19	0.72%
Donley County State Bank	10-19	0.72%
Great Western Dining	10-19	0.72%
Greenbelt Municipal & Ind	10-19	0.72%
H & W Indl SVC	10-19	0.72%
Herring Bank	10-19	0.72%
Texas Dept of Transportation	10-19	0.72%
Wallace Monument Co	10-19	0.72%
Total	560	26.70%
Total Workforce	2,097	

Source: Donley County Profile, Texas Association of Counties

*** NOTE: The percentages for current period were calculated using the mid point.

Clarendon College
Statistical Supplement 14
Faculty, Staff, and Administrators Statistics
Last Ten Fiscal Years
(unaudited)

As of November 1,	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Faculty										
Full-Time	40	40	38	40	38	34	35	35	37	33
Part-Time	36	35	37	43	40	41	43	41	52	46
Total	76	75	75	83	78	75	78	76	89	79
Percent										
Full-Time	52.6%	53.3%	50.7%	48.2%	48.7%	45.3%	44.9%	46.1%	41.6%	41.8%
Part-Time	47.4%	46.7%	49.3%	51.8%	51.3%	54.7%	55.1%	53.9%	58.4%	58.2%
Staff and Administrators										
Full-Time	53	49	46	44	35	39	42	43	47	46
Part-Time	4	3	3	2	4	4	3	4	2	3
Total	57	52	49	46	39	43	45	47	49	49
Percent										
Full-Time	93.0%	94.2%	93.9%	95.7%	89.7%	90.7%	93.3%	91.5%	95.9%	93.9%
Part-Time	7.0%	5.8%	6.1%	4.3%	10.3%	9.3%	6.7%	8.5%	4.1%	6.1%
FTSE per Full-Time Faculty	0.0004	25.70	25.10	22.40	24.47	25.50	25.09	27.34	28.51	29.15
FTSE per Full-Time Staff Member		20.98	20.70	20.36	26.57	22.23	20.90	22.26	22.45	20.91
Average Annual Faculty Salary	\$ 49,128	\$ 38,677	\$ 38,601	\$ 44,022	\$ 37,522	\$ 40,709	\$ 39,757	\$ 38,757	\$ 41,537	\$ 39,337

Source: IPEDS Human Resources

**Clarendon College
Statistical Supplement 16
Student Profile
Last Five Fiscal Years
(unaudited)**

<u>Gender</u>	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent								
Female	876	55.16%	876	55.16%	784	52.76%	565	42.07%	719	59.97%
Male	712	44.84%	712	44.84%	702	47.24%	778	57.93%	480	40.03%
Total	1,588	100.00%	1,588	100.00%	1,486	100.00%	1,343	100.00%	1,199	100.00%

<u>Ethnic Origin</u>	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent								
White	824	51.89%	824	51.89%	964	64.87%	833	62.03%	772	64.39%
Hispanic	60	3.78%	60	3.78%	71	4.78%	74	5.51%	153	12.76%
African American	103	6.49%	103	6.49%	91	6.12%	84	6.25%	72	6.01%
Asian	8	0.50%	8	0.50%	9	0.61%	9	0.67%	3	0.25%
Foreign	18	1.13%	18	1.13%	14	0.94%	14	1.04%	8	0.67%
Native American	11	0.69%	11	0.69%	20	1.35%	18	1.34%	17	1.42%
Other	564	35.52%	564	35.52%	317	21.33%	311	23.16%	174	14.50%
Total	1,588	100.00%	1,588	100.00%	1,486	100.00%	1,343	100.00%	1,199	100.00%

<u>Age</u>	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent								
Under 18	629	39.61%	629	39.61%	600	40.38%	528	39.31%	334	27.86%
18 -21	547	34.45%	547	34.45%	459	30.89%	473	35.22%	514	42.87%
22 - 24	79	4.97%	79	4.97%	72	4.85%	55	4.10%	73	6.09%
25 - 35	210	13.22%	210	13.22%	210	14.13%	164	12.21%	165	13.76%
36 - 50	96	6.05%	96	6.05%	121	8.14%	108	8.04%	103	8.59%
51 & over	27	1.70%	27	1.70%	24	1.61%	15	1.12%	10	0.83%
Total	1,588	100.00%	1,588	100.00%	1,486	100.00%	1,343	100.00%	1,199	100.00%

Average Age	22	22	23	23	23
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Clarendon College
 Statistical Supplement 17
 Transfers to Senior Institutions
 2018-19 Graduates, Completers, and Non-Returners as of Fall 2019
 (Includes only public senior colleges in Texas)
 (unaudited)

	Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count Tech-Prep	Total of all Sample Transfer Students	% of all Sample Transfer Students
1 West Texas A&M University	89	-	-	89	41.59%
2 Texas Tech University	62	-	-	62	28.97%
3 Midwestern State University	16	-	-	16	7.48%
4 Tarleton State University	10	-	-	10	4.67%
5 Angelo State University	5	-	-	5	2.34%
6 Sam Houston State University	5	-	-	5	2.34%
7 Texas A&M University	5	-	-	5	2.34%
8 The University of Texas at Arlington	4	-	-	4	1.87%
9 University of Houston	3	-	-	3	1.40%
10 Prairie View A&M University	2	-	-	2	0.93%
11 Sul Ross State University	2	-	-	2	0.93%
12 Texas A&M University - Commerce	1	-	-	1	0.47%
13 Texas A&M University - Kingsville	1	-	-	1	0.47%
14 Texas A&M University - Texarkana	1	-	-	1	0.47%
15 Texas Southern University	1	-	-	1	0.47%
16 Texas State University	1	-	-	1	0.47%
17 Texas Woman's University	1	-	-	1	0.47%
18 The University of Texas - Rio Grande Valley	1	-	-	1	0.47%
19 The University of Texas at Austin	1	-	-	1	0.47%
20 The University of Texas at El Paso	1	-	-	1	0.47%
21 University of Houston - Downtown	1	-	-	1	0.47%
22 University of North Texas	1	-	-	1	0.47%
Totals	214	-	-	214	100.02%

Clarendon College
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2015 to 2019
(unaudited)

	Fiscal Year				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Academic buildings	10	10	10	10	10
Square footage (in thousands)	120,426	120,426	120,426	120,426	120,426
Libraries*	1	1	1	1	1
Square footage (in thousands)	10,507	10,507	10,507	10,507	10,507
Number of Volumes (in thousands)	18	18	18	18	18
Administrative and support buildings	5	5	5	5	5
Square footage (in thousands)	40,374	40,374	40,374	40,374	40,374
Dormitories	5	5	5	5	5
Square footage (in thousands)	60,489	60,489	60,489	60,489	60,489
Number of Beds	296	296	296	296	296
Apartments	-	-	-	-	-
Square footage (in thousands)	-	-	-	-	-
Number of Beds	-	-	-	-	-
Dining Facilities*	1	1	1	1	1
Square footage (in thousands)	7,788	7,788	7,788	7,788	7,788
Average daily customers	425	425	425	425	425
Athletic Facilities	3	3	3	3	3
Square footage(in thousands)	93,671	93,671	93,671	93,671	93,671
Stadiums	-	-	-	-	-
Gymnasiums*	1	1	1	1	1
Fitness Centers*	1	1	1	1	1
Rodeo Arena	1	1	1	1	1
Tennis Court	-	-	-	-	-
Plant facilities	2	2	2	2	2
Square footage (in thousands)	17,335	17,335	17,335	17,335	17,335
Transportation					
Cars	9	9	10	10	8
Light Trucks/Vans (includes Instructional)	10	10	8	8	8
Buses (Instructional)	10	10	9	9	8