Clarendon
COLLEGE

ANNUAL FINANCIAL REPORT

AUGUST 31, 2022 and 2021

CLARENDON COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021
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CLARENDON COLLEGE
ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2021-22

Board of Regents

	Officers	Term Expires
Tommy Waldrop	Chair	2024
Carey Wann	Vice-Chair	2026
James “Jim” Shelton	Secretary	2028

Members

Chris Matthews		2026
Lon Adams		2024
Dr. Guy Ellis		2026
Brittney Word		2028
Janice Knorpp		2024
Shaun O’Keefe		2028

Principal Administrative Officers

Texas Buckhaults – President
Brad Vanden Boogaard – Vice President of Academic Affairs
Will Thompson – Vice President of Information Technology
Kae Hewett – Comptroller (8/1/2021-9/30/2022)

Financial Section

Condley
AND COMPANY, LLP
Certified Public Accountants and Business Advisors

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Abilene, Texas 79604-2993
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December 7, 2022

To the Board of Regents
Clarendon College
Clarendon, Texas

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type and fiduciary activities of Clarendon College (the "College") as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type and fiduciary activities of the College as of August 31, 2022, 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.

Basis for Opinions

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

Other Matter

The financial statements of the College as of and for the year ended August 31, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on December 8, 2021.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5-14, Schedule of College's Proportionate Share of the Net Pension Liability, Schedule of College's Contributions for Pensions, Schedule of College's Proportionate Share of Net OPEB Liability, and Schedule of College's Contributions for OPEB on pages 45-48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2022, 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.

Condley and Company, L.L.P.

Certified Public Accountants

Management's Discussion and Analysis
Required Supplementary Information

Discussion of Currently Known Facts, Decisions, or Conditions:

Clarendon College (CC) saw an improvement in overall net position in Fiscal Year 22 that ended on August 31, 2022 based mainly on two causes.

1.) an increase in student enrollment over FY21, and
2.) continued use of HEERF funds.

The increase in student enrollment can be primarily explained by the National Junior College Athletic Association (NJCAA) allowing an additional year of eligibility (3) for student-athletes to participate in NJCAA-sanctioned sports. CC participates in the following NJCAA Division I sports: Men's (M) and Women's (W) Basketball, M Baseball, W Softball, W Volleyball, M & W Cross Country, and Track.

CC also continued to utilize Higher Education Emergency Relief Funds (HEERF) to provide financial assistance to students affected by the pandemic and, to defray expenses related to increased health safety and social distancing activities to prevent the spread of COVID-19. The College did not, however, use HEERF funds in FY22, as was used in FY21, to recoup lost revenue related to drops in student enrollment as was used in FY21.

In FY 21 CC opened an educational center in Shamrock, Texas. An industrial project of significant size was announced but delays in project funding, as well as COVID delays, have not allowed for the anticipated industrial training. The college continued to offer Certified Driving Licensure (CDL) courses and Heating, Ventilation, and Air Conditioning (HVAC) at a leased facility in Shamrock. The lease provided by the Shamrock Economic Development Corporation was not renewed, and the educational center located in Shamrock was closed.

Through funds generated from the sale of college-owned real estate, four buildings on the Clarendon Campus had roof replacements: Instructional Center, Harned Sisters Fine Arts Auditorium, Bulldog Gym, and Regents Hall. Many of the facilities on the Clarendon Campus are over fifty years of operational age and are beginning to show their age. During FY 22 the college began working with an outside contractor to categorize repair and maintenance backlogs for all campus facilities in FY22. A facilities master plan is expected to be delivered to the CC Board of Regents in FY23.

This section presents the management's discussion and analysis of the financial performance of Clarendon College during the fiscal year ending August 31, 2022. This discussion and analysis focuses on current activities, resulting changes and the currently known facts, and should be read in conjunction with the accompanying financial statements and footnotes. The financial analysis is for fiscal year 2022, with fiscal year 2021 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 Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flow. These statements are prepared under the accrual basis of accounting and in accordance with GASB principles.

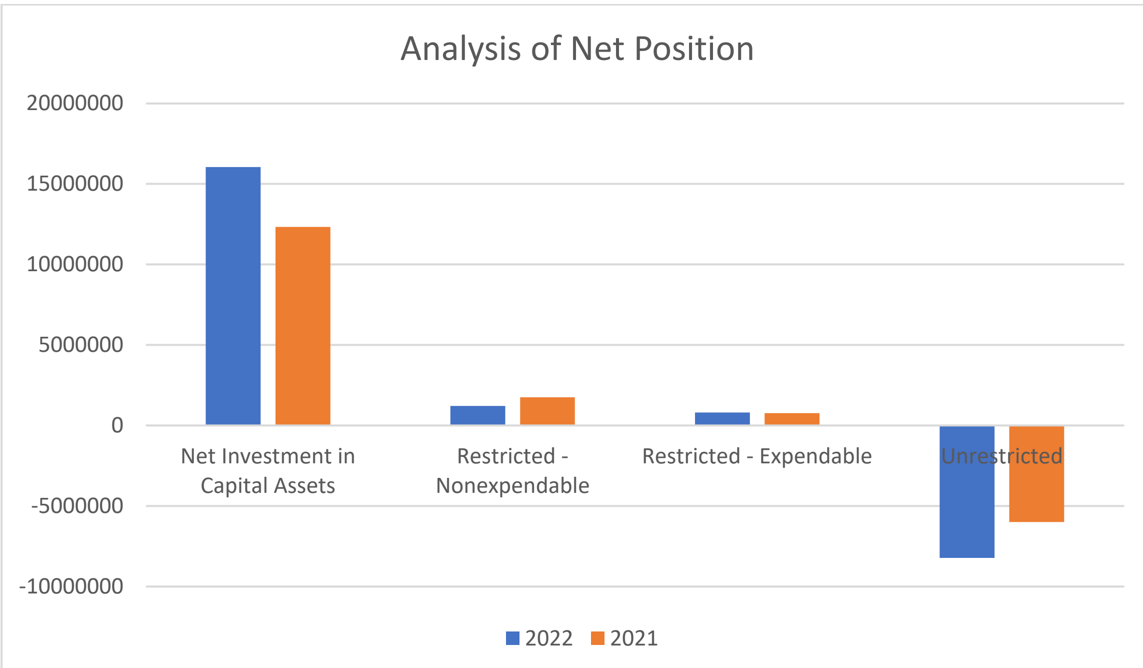
The following is a comparison of net position and net investment in capital assets at August 31, 2022, and 2021.

Condensed Statements of Net Position as of August 31, 2022 and 2021 (in Thousands):

	2022	2021
Current Assets:		
Cash and cash equivalents	**2,691**	2,106
Accounts receivable (net)	**360**	153
Inventories	**23**	23
Prepaid expenses	**12**	164
Total Current Assets	**3,086**	2,446
Noncurrent Assets:		
Restricted cash and cash equivalents	**207**	163
Restricted investments	**55**	599
Endowment investments	**1,215**	1,215
Other long-term investments	**1,254**	1,249
Real estate held as investments by endowments	**-**	530
Deposits	**21**	21
Right of use assets - operating leases, net	**77**	-
Capital assets (net)	**16,581**	15,124
Total noncurrent assets	**19,950**	18,900
Total assets	**23,036**	21,346
Deferred Outflows of Resources	**3,209**	3,860

Current Liabilities:		
Accounts payable and accrued liabilities	**661**	256
Unearned revenues	**610**	443
Other current liabilites	**403**	462
Total Current Liabilities	**1,674**	1,161
Total Noncurrent Liabilities	**11,614**	12,687
TOTAL LIABILITIES	**13,288**	13,848
TOTAL DEFERRED INFLOWS OF RESOURCES	**3,120**	2,521
NET POSITION		
Net investment in capital assets	**16,119**	12,325
Nonexpendable:	**1,215**	1,215
Restricted for Expendable	**802**	1,292
Unrestricted	**(8,229)**	(5,993)
TOTAL NET POSITION	**9,837**	8,838

In fiscal year 2022 the College saw an increase in total current assets for the previous year. This is primarily due to increased cash on hand and increased accounts receivable. Non-current assets stayed relatively flat. The sale of the McConnell farm decreased the real estate value. Total net position increased by $998,314 from 2021 to 2022. The driving factor of this was increased cash balance.



Condensed Statements of Revenues, Expenses, and Changes in Net Position as of August 31, 2022 and 2021 (in thousands):

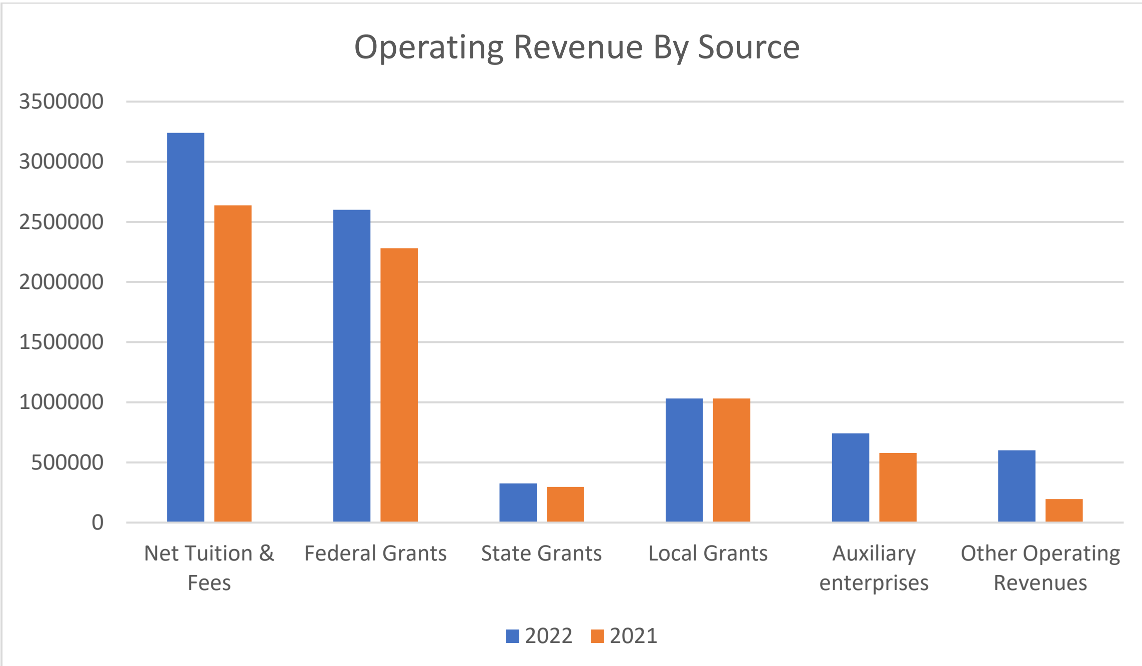
	2022	2021
Operating Revenues:		
Tuition and fees (net of discounts)	**3,241**	2,638
Federal grants and contracts	**2,600**	2,282
State grants and contracts	**326**	297
Local grants and contracts	**1,031**	1,032
Auxiliary enterprises (net of discounts)	**742**	579
Other operating revenues	**601**	195
Total Operating Revenues	**8,541**	7,022
Operating Expenses:		
Instruction	**4,169**	3,840
Academic support	**516**	492
Student services	**675**	693
Institutional support	**3,980**	2,472
Operation and maintenance of plant	**1,290**	1,195
Scholarships and fellowships	**746**	730
Auxiliary enterprises	**1,725**	1,308
Depreciation	**770**	720
Total Operating Expenses	**13,870**	11,450
Operating Loss	**(5,328)**	(4,429)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	**3,384**	3,540
Maintenance ad valorem taxes	**713**	671
Federal revenue, non-operating	**1,974**	1,962
Gifts	**23**	318
Rental Income	**3**	-
Investment income	**34**	34
Interest on capital related debt	**(103)**	(141)
Gain on disposal of fixed assets	**298**	3
Contributions in aid of construction	**-**	63
Other non-operating revenues (expenses)	**-**	30
Net Non-Operating Revenues	**6,326**	6,480
Increase in Net Position	**998**	2,052
Net position - beginning of year	**8,838**	6,787

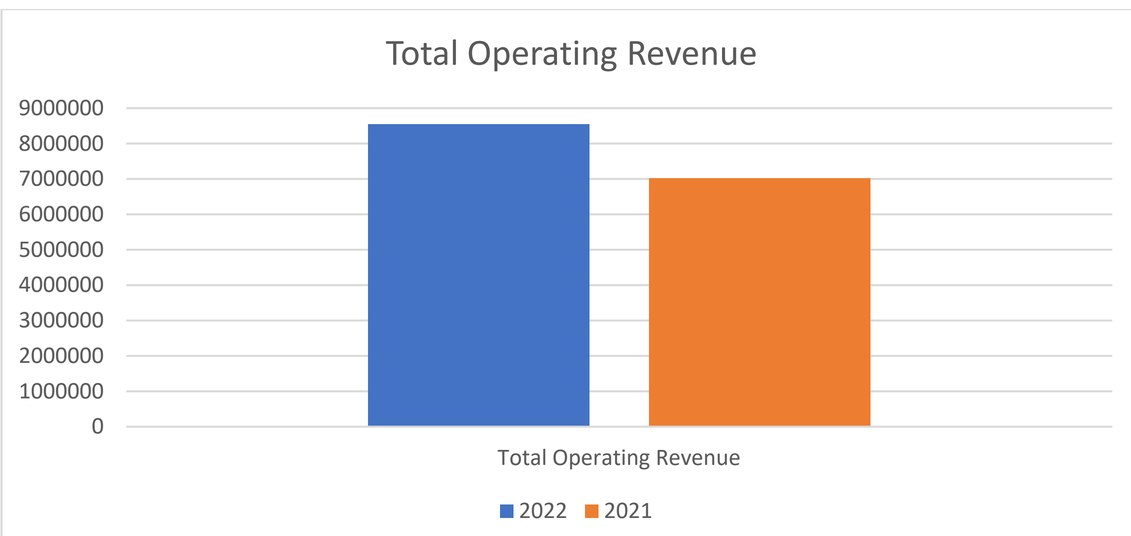
Tuition and fees increased slightly from 2021 to 2022. The primary driver was increase in enrollment and continued use of Higher Education Emergency Relief Fund (HEERF) grants.

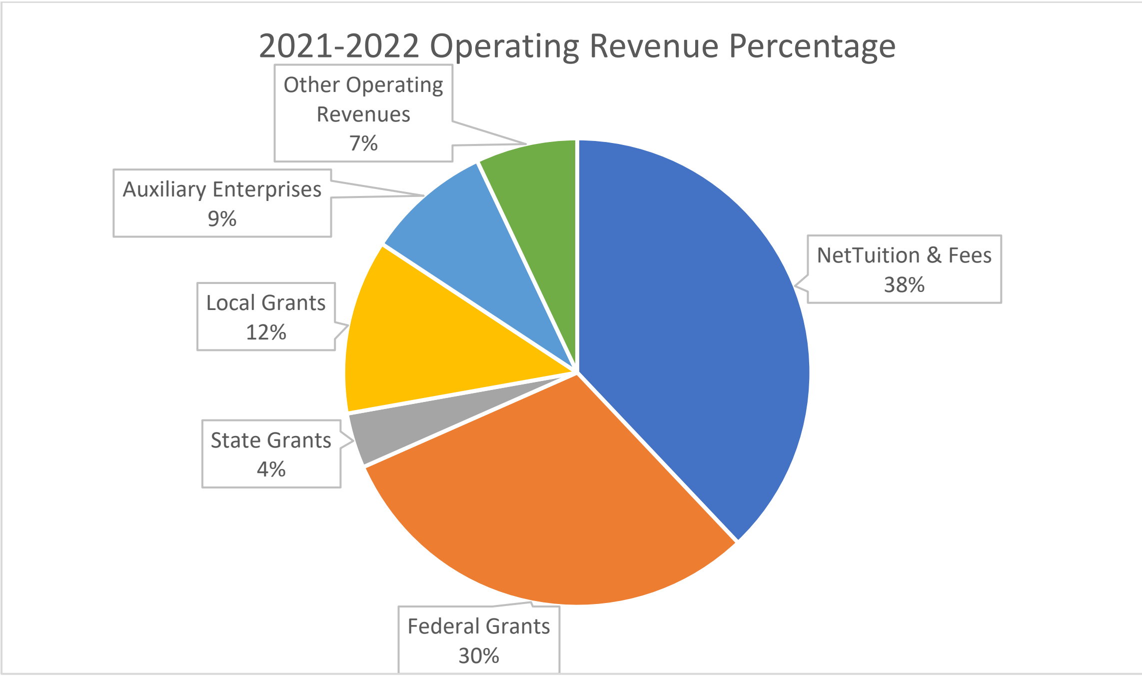
Operating expenses for 2022 increased due to repairing roofs on four buildings; Institutional Center, the Harned Sisters Fine Arts Auditorium, the Bulldog Gym and Regents Hall.

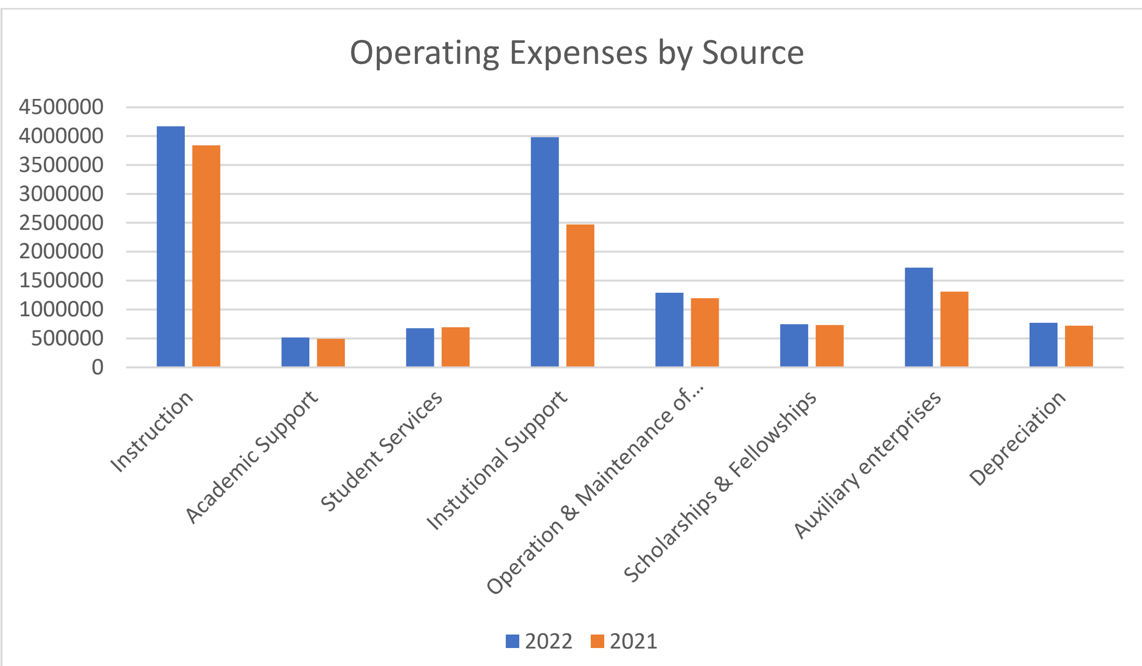
Non-operating revenues and expenses decreased slightly.

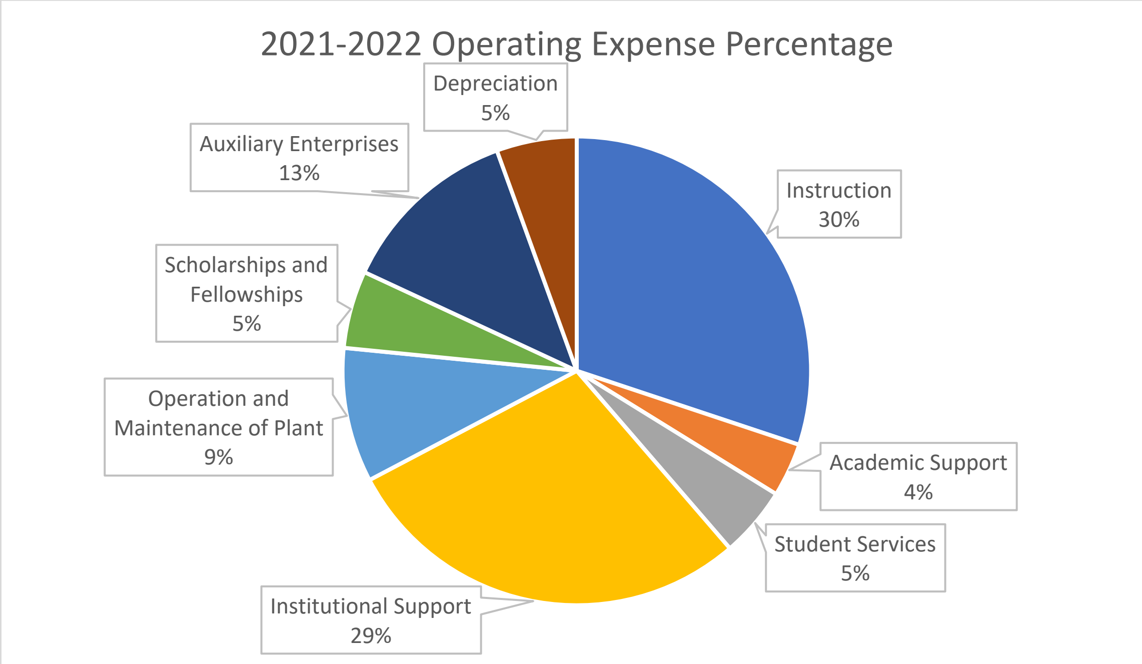
The following charts are an Analysis of Revenue and Expenses as of August 31, 2021 and 2022:

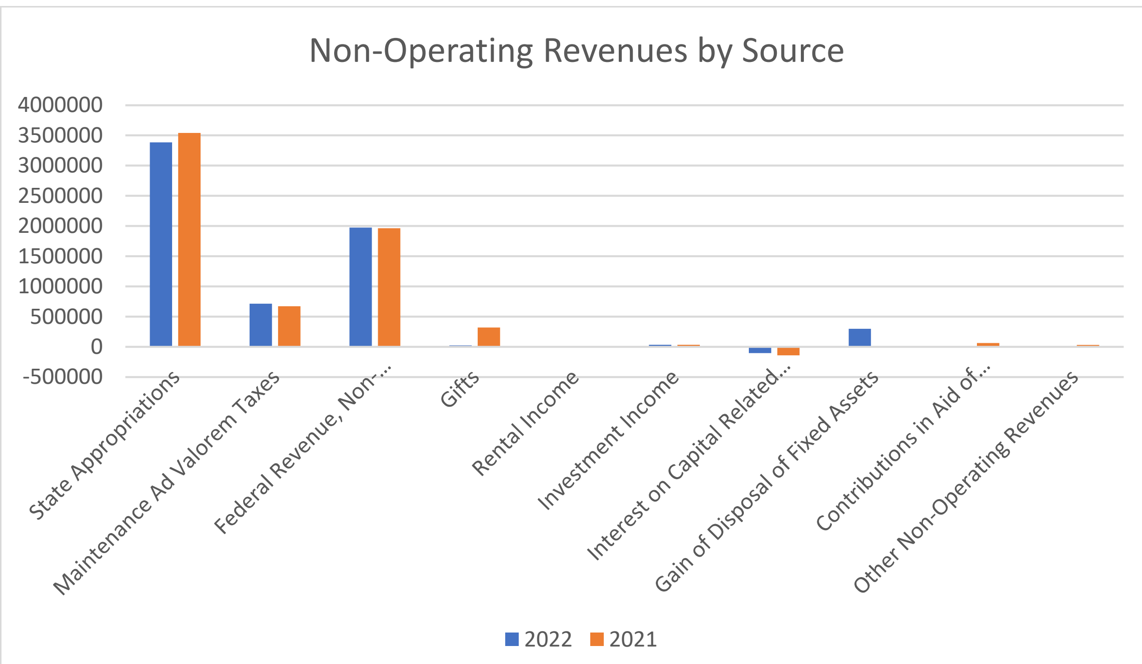


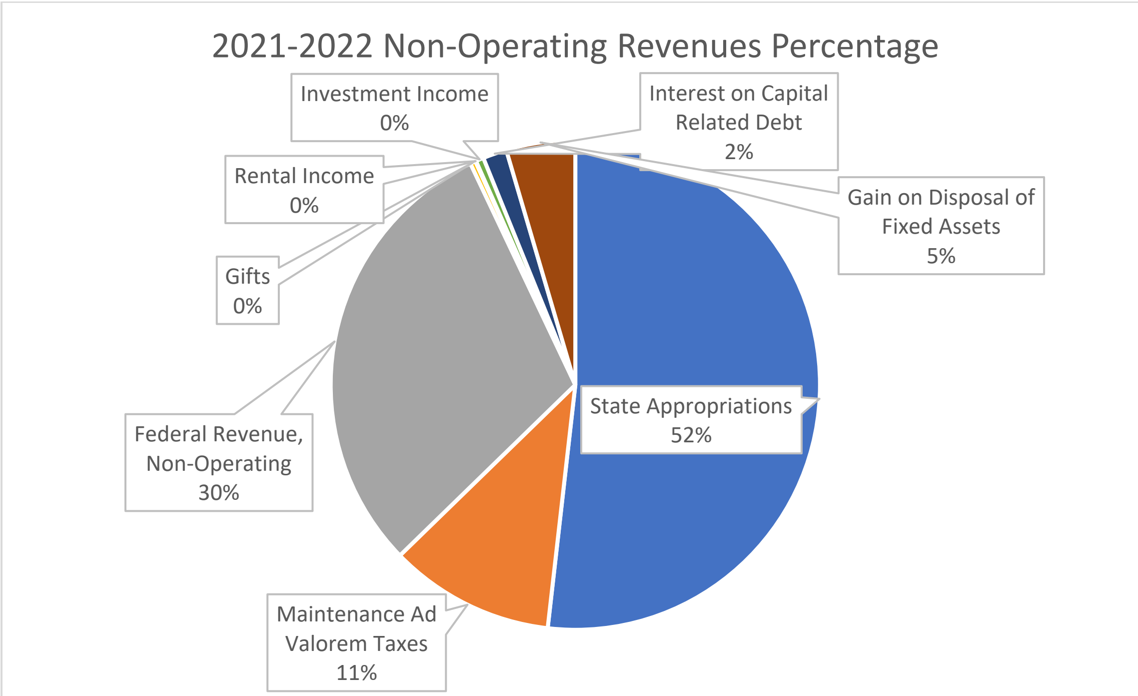


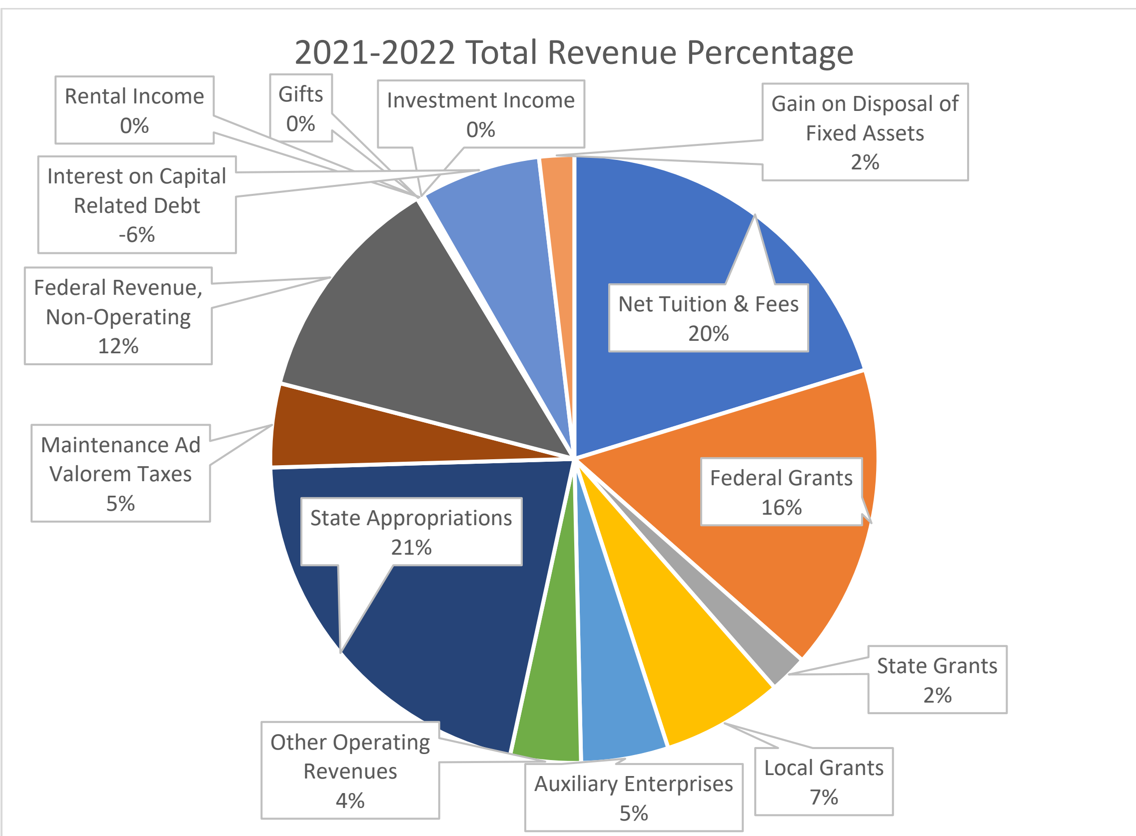

2021-2022 Operating Revenue Percentage
Other Operating Revenues 7%
Auxiliary Enterprises 9%
NetTuition & Fees 38%
Local Grants 12%
State Grants 4%
Federal Grants 30%

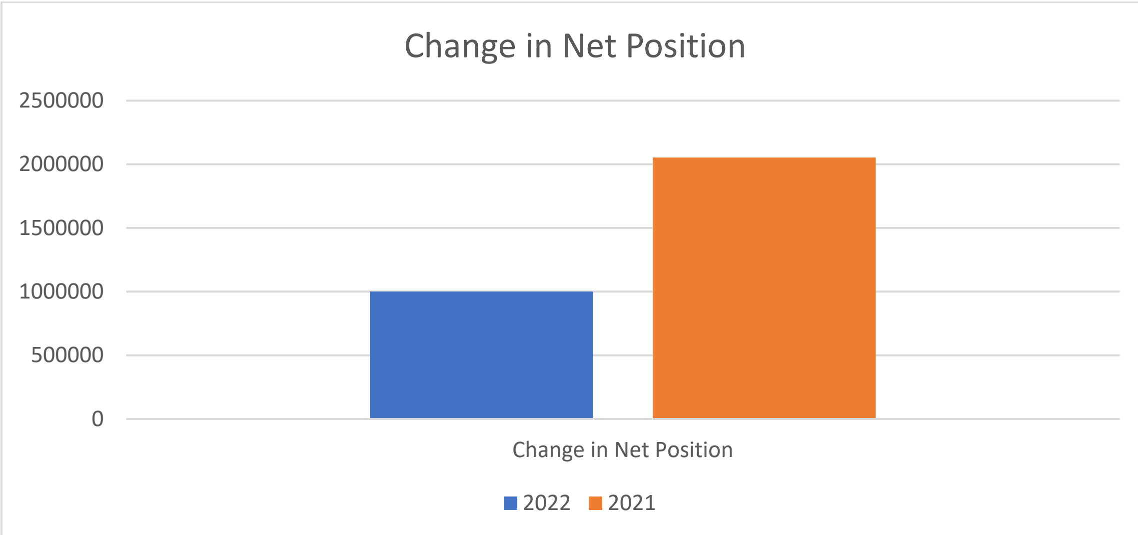

Operating Expenses by Source
4500000
4000000
3500000
3000000
2500000
2000000
1500000
1000000
500000
0
Instruction
Academic Support
Student Services
Instutional Support
Operation & Maintenance of...
Scholarships & Fellowships
Auxiliary enterprises
Depreciation
2022
2021


2021-2022 Operating Expense Percentage
Depreciation 5%
Auxiliary Enterprises 13%
Instruction 30%
Scholarships and Fellowships 5%
Operation and Maintenance of Plant 9%
Academic Support 4%
Student Services 5%
Institutional Support 29%


Non-Operating Revenues by Source
4000000
3500000
3000000
2500000
2000000
1500000
1000000
500000
0
-500000
State Appropriations
Maintenance Ad Valorem Taxes
Federal Revenue, Non-...
Gifts
Rental Income
Investment Income
Interest on Capital Related...
Gain of Disposal of Fixed Assets
Contributions in Aid of...
Other Non-Operating Revenues
2022
2021


2021-2022 Non-Operating Revenues Percentage
Investment Income 0%
Interest on Capital Related Debt 2%
Rental Income 0%
Gain on Disposal of Fixed Assets 5%
Gifts 0%
State Appropriations 52%
Federal Revenue, Non-Operating 30%
Maintenance Ad Valorem Taxes 11%


2021-2022 Total Revenue Percentage
Rental Income 0%
Gifts 0%
Investment Income 0%
Gain on Disposal of Fixed Assets 2%
Interest on Capital Related Debt -6%
Net Tuition & Fees 20%
Federal Revenue, Non-Operating 12%
Maintenance Ad Valorem Taxes 5%
Federal Grants 16%
State Appropriations 21%
State Grants 2%
Other Operating Revenues 4%
Auxiliary Enterprises 5%
Local Grants 7%



Statement of Cash Flows as of August 31, 2022 and 2021 (in thousands):

	2022	2021
Cash provided by (used in):		
Operating Activities	**(3,640,488)**	(3,316,489)
Non-Capital Financing Activities	**6,094,901**	5,916,524
Capital and related financing Activities	**(2,686,025)**	(1,348,201)
Investing Activities	**860,968**	136,750
Net Increase (Decrease)	**629,356**	1,388,584
Cash and cash equivalents, beginning of year	**2,268,686**	880,102
Cash and cash equivalents, end of year	**2,898,042**	2,268,686

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

Overall, cash accounts had higher balances at year end over the previous year. Capital Reserves increased by $83,237 from 2021 to 2022 through continual efforts to build that account back to a balance that best serves the College.

Basic Financial Statements

CLARENDON COLLEGE
STATEMENTS OF NET POSITION
AUGUST 31, 2022 AND 2021
EXHIBIT 1

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,691,169	$ 2,106,130
Accounts receivable (net)	359,587	153,017
Inventories	23,213	23,213
Prepaid expenses	12,528	163,567
Total Current Assets	3,086,497	2,445,927
Noncurrent Assets:		
Restricted cash and cash equivalents	206,873	162,556
Restricted investments	595,631	599,486
Endowment investments	1,214,592	1,214,765
Other long-term investments	1,254,097	1,249,002
Real estate held as investments - expendable	-	530,000
Deposits	20,725	20,725
Capital assets (net)	16,657,791	15,123,811
Total Noncurrent Assets	19,949,709	18,900,345
TOTAL ASSETS	23,036,206	21,346,272
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	921,281	1,073,991
Deferred outflows of resources related to OPEB	2,287,496	2,786,398
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,208,777	3,860,389
LIABILITIES		
Current Liabilities:		
Accounts payable	198,068	94,074
Accrued liabilities	464,425	162,304
Due to fiduciary activities	19,523	111,304
Unearned revenues	609,610	442,985
Leases payable - current portion	253,163	225,000
Notes payable - current portion	128,751	124,963
Total Current Liabilities	1,673,540	1,160,630
Noncurrent Liabilities:		
Leases payable - noncurrent portion	1,734,080	1,910,000
Notes payable - noncurrent portion	410,124	538,875
Net pension liability	1,281,942	2,626,179
Net OPEB liability	8,188,675	7,611,999
Total Noncurrent Liabilities	11,614,821	12,687,053
TOTAL LIABILITIES	13,288,361	13,847,683
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	1,742,344	715,417
Deferred inflows of resources related to OPEB	1,377,561	1,805,158
TOTAL DEFERRED INFLOWS OF RESOURCES	3,119,905	2,520,575
NET POSITION		
Net investment in capital assets	16,118,916	12,324,973
Restricted for:		
Nonexpendable:		
Endowment - true	1,214,592	1,214,765
Expendable:		
Student aid	802,504	1,292,042
Unrestricted	(8,299,295)	(5,993,377)
TOTAL NET POSITION	$ 9,836,717	$ 8,838,403

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

CLARENDON COLLEGE
STATEMENTS OF FIDUCIARY NET POSITION
AUGUST 31, 2022 AND 2021
EXHIBIT 1.1

	2022	2021
ASSETS		
Cash and cash equivalents	**$ 398,907**	$ 306,763
Due from business-type activities	**19,523**	111,304
Other assets	**3,049**	3,151
TOTAL ASSETS	**421,479**	421,218
LIABILITIES		
Funds held for others	**421,479**	330,175
Due to Clarendon College	**-**	91,043
TOTAL LIABILITIES	**421,479**	421,218
NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	**-**	-
TOTAL NET POSITION	**$ -**	$ -

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

CLARENDON COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021
EXHIBIT 2

	2022	2021
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Tuition and fees (net of discounts of $1,752,290 and $2,040,897, respectively)	**$ 3,241,002**	$ 2,637,585
Federal grants and contracts	**2,600,022**	2,281,778
State grants and contracts	**325,860**	296,845
Local grants and contracts	**1,031,423**	1,032,080
Auxiliary enterprises (net of discounts of $690,592 and $551,482, respectively)	**742,275**	578,914
Other operating revenues	**601,430**	194,635
Total Operating Revenues (Schedule A)	**8,542,012**	7,021,837
Operating Expenses:		
Instruction	**4,168,630**	3,839,873
Academic support	**516,330**	491,999
Student services	**675,213**	693,316
Institutional support	**3,979,726**	2,471,870
Operation and maintenance of plant	**1,289,664**	1,195,175
Scholarships and fellowships	**745,516**	729,857
Auxiliary enterprises	**1,724,812**	1,308,413
Depreciation	**770,387**	719,874
Total Operating Expenses (Schedule B)	**13,870,278**	11,450,377
Operating Loss	**(5,328,266)**	(4,428,540)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	**3,384,272**	3,540,170
Maintenance ad valorem taxes	**713,469**	671,335
Federal revenue, non-operating	**1,974,467**	1,962,405
Gifts	**22,693**	317,926
Rental Income	**3,000**	-
Investment income	**34,366**	33,537
Interest on capital related debt	**(103,356)**	(141,279)
Gain on disposal of fixed assets	**297,669**	2,800
Contributions in aid of construction	**-**	63,476
Other non-operating revenues	**-**	29,856
Net Non-Operating Revenues (Schedule C)	**6,326,580**	6,480,226
Increase in Net Position	**998,314**	2,051,686
NET POSITION		
Net position - beginning of year	**8,838,403**	6,786,717
Net position - end of year	**$ 9,836,717**	$ 8,838,403

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

CLARENDON COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021
EXHIBIT 3

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	**$ 4,370,045**	$ 3,514,449
Receipts of appropriations, grants, and contracts	**3,957,305**	3,640,340
Other receipts	**13,117**	-
Payments to or on behalf of employees	**(5,343,714)**	(6,925,526)
Payments to suppliers for goods or services	**(5,891,725)**	(2,815,895)
Payments of scholarships	**(745,516)**	(729,857)
Net cash used in operating activities	**(3,640,488)**	(3,316,489)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	**3,384,272**	2,933,860
Receipts from ad valorem tax revenues	**713,469**	672,477
Receipts from non-operating federal revenue	**1,974,467**	1,962,405
Gifts and grants (other than capital)	**22,693**	317,926
Other income (expense)	**-**	29,856
Net cash provided by non-capital financing activities	**6,094,901**	5,916,524
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions received in aid of construction	**-**	63,476
Purchases of capital assets	**(2,322,972)**	(652,598)
Proceeds from sale of capital assets	**-**	2,800
Payments on capital debt - principal	**-**	(283,000)
Payments on capital leases and notes payable - principal	**(256,065)**	(331,223)
Interest payments on capital debt	**(106,988)**	(147,656)
Net cash used in capital and related financing activities	**(2,686,025)**	(1,348,201)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	**34,366**	28,671
Maturities of investments	**826,602**	4,826,197
Purchase of investments	**-**	(4,718,118)
Net cash provided by investing activities	**860,968**	136,750
Increase in cash and cash equivalents	**629,356**	1,388,584
Cash and cash equivalents - September 1	**2,268,686**	880,102
Cash and cash equivalents - August 31	**$ 2,898,042**	$ 2,268,686
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	**$ (5,328,266)**	$ (4,428,540)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	**770,387**	719,874
Miscellaneous nonoperating income	**3,000**	-
State-funded benefits	**-**	606,310
Change in allowance for bad debt	**-**	30,008
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Receivables	**(206,570)**	206,868
Inventories	**-**	9,364
Prepaid expenses	**151,039**	(152,639)
Deferred outflows of resources	**651,612**	(143,079)
Deferred inflows of resources	**599,330**	151,660
Accounts payable and accrued liabilities	**411,697**	123,181
Due to fiduciary activities	**(91,781)**	29,637
Unearned revenues	**166,625**	(114,362)
Net pension liability	**576,676**	(318,890)
Net OPEB liability	**(1,344,237)**	(35,881)
Net cash used in operating activities	**$ (3,640,488)**	$ (3,316,489)

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

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.

The Board of Regents (the "Board"), a nine-member group, is the level of government which has governance responsibilities over all activities related to the education of students who attend the College. The Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for the fiscal matter concerning the College. The College has three campuses, Clarendon, Pampa, and Childress, which offer a wide variety of general academic and vocational courses in a two-year curriculum.

Note 2: Summary of Significant Accounting Policies

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

<u>Tuition Discounting</u>

<u>Texas Public Education Grants</u>
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 dispersed directly to the student, the amount is recorded as a scholarship expense.

<u>Title IV, Higher Education Act Program Funds</u>
Certain Title IV HEA Program funds are received by the College to pass through to students. These funds are initially received by the College and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

<u>Other Tuition Discounts</u>
The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

<u>Basis of Accounting</u>

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

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.

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.

Deferred Outflows

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

Investments

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

Inventories

Inventories consist of bookstore stock, were valued at $23,213 at August 31, 2022 and 2021; the College has partnered with the E-Campus for textbooks. Inventories are valued at cost using the first-in/first-out (FIFO) method and are charged to expense as consumed. Materials and supplies are not considered to be inventory and are therefore 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. For equipment, the College's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life in excess of one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged to operating expenses in the year in which the expense is incurred.

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

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

Other Postemployment Benefits (OPEB)

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

Pensions

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

Unearned Revenues

Tuition and fees of $579,610 and $412,985 and federal, state and local grants of $30,000 and $30,000 have been reported as unearned revenues as of August 31, 2022 and 2021, respectively.

Tuition, fees, and other revenues received and related to future periods have not been recognized in the current year and have been presented as a liability (unearned revenues) in these financial statements.

Deferred Inflows

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

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a Business Type Activity and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. The operation of the bookstore and cafeteria are outsourced and not performed by the College.

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

<u>Reclassifications</u>

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

<u>Noncurrent Long-Term Liabilities</u>

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

<u>Receivables</u>

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

<u>Net Position</u>

The College's Net Position includes the following:

> *Net investment in capital assets* – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those assets.
>
> *Restricted – nonexpendable net position* – Nonexpendable restricted includes endowments and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.
>
> *Restricted – expendable net position* – Expendable restricted includes resources in which the College is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.
>
> *Unrestricted net position* – All other net positions that do not meet the definition of the "restricted" or "net investment in capital assets".

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

Note 3: Authorized Investments

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

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

We have performed tests designed to verify Clarendon College's compliance with the requirements of the Public Funds Investment Act. During the year ended August, 31, 2022, no instances of noncompliance were found.

Note 4: Deposits and Investments

Cash and Deposits

Cash and Deposits included in Exhibits 1 and 1.1, Statements of Net Position, as of August 31, 2022 and 2021, consist of the items reported below:

	2022	2021
Petty cash on hand	**$ 1,360**	$ 1,354
Demand deposits	**2,896,682**	2,267,332
Total Cash and Cash Equivalents	**$ 2,898,042**	$ 2,268,686

The following represents a Reconciliation of Cash and Cash Equivalents, as of August 31, 2022 and 2021, as reported in Exhibits 1 and 1.1:

	2022	2021
Cash and cash equivalents	**$ 2,691,169**	$ 2,106,130
Restricted cash and cash equivalents	**206,873**	162,556
Total Cash and Cash Equivalents	**$ 2,898,042**	$ 2,268,686

The following represents a reconciliation of deposits and investments, as of August 31, 2022 and 2021, as reported on exhibits 1 and 1.1:

Type of Security	Market Value	
	2022	2021
Money market funds	**$ 3,064,320**	$ 3,063,253
Other instruments	**-**	530,000
Total investments	**$ 3,064,320**	$ 3,593,253
Cash and cash equivalents	**$ 2,898,042**	$ 2,268,686
Investments	**3,064,320**	3,593,253
Total deposits and investments	**$ 5,962,362**	$ 5,861,939

Investments, as of August 31, 2022 and 2021, are classified as follows:

Classification	Market Value	
	2022	2021
Restricted investments	**$ 595,631**	$ 599,486
Endowment investments	**1,214,592**	1,214,765
Other long-term investments	**1,254,097**	1,779,002
Total investments	**$ 3,064,320**	$ 3,593,253

As of August 31, 2022, the College had the following investments and maturities:

Investment Type	Market Value	Percent	Weighted Average Maturity (Years)	Security Rating
Money market funds	$ 3,064,320	100.00%	-	N/A
Total	$ 3,064,320	100.00%	-	

Interest Rate Risk

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

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 well. As of August 31, 2022 and 2021, the College did not have investments in commercial paper or no-load money market mutual funds.

Concentration of Credit Risk

The College does not place a limit on the amount the College may invest in any one issuer (i.e., lack of diversification). All of the certificates of deposit are held at a local bank. The College has the majority of its investment in managed money market funds at August 31, 2022.

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 investment 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.

As of August 31, 2022, the carrying amount of the College's bank balances was $2,934,742. Bank balances of $250,000 were covered by Federal Depository Insurance. Bank balances in the amount of $2,684,742 were covered by securities held by the bank in the College's name.

Fair Value of Financial Instruments

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

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

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

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

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

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

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

Sweep account funds: valued based on cost which approximates fair value.

Real estate held for investment by endowment: valued at tax appraisal value.

The fair value hierarchy of investments at August 31, 2022 follows:

	Fair Value Measurements at Reporting Date Using			
August 31, 2022	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant other Observable Inputs (Level 3)**	**Significant Unobservable Inputs (Level 3)**
Money market funds	**$ 1,065,236**	**$ 1,065,236**	**$ -**	**$ -**
Sweep account funds	**1,999,084**	**1,999,084**	**-**	**-**
Total	**$ 3,064,320**	**$ 3,064,320**	**$ -**	**$ -**

The fair value hierarchy of investments at August 31, 2021 follows:

	Fair Value Measurements at Reporting Date Using			
August 31, 2021	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 3)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 3,063,253	$ 3,063,253	$ -	$ -
Real estate held for investment by endowment	530,000	-	-	530,000
Total	$ 3,593,253	$ 3,063,253	$ -	$ 530,000

A summary of investments classified according to any restrictions at August 31, 2022 and 2021 is as follows:

	2022	2021
Unrestricted investments	**$ 1,254,097**	$ 1,249,002
Restricted investments:		
Temporarily restricted	**595,631**	599,486
Permanently restricted	**1,214,592**	1,744,765
Total restricted investments	**1,810,223**	2,344,251
Total investments	**$ 3,064,320**	$ 3,593,253

Foreign Currency Risk

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

Note 5: Capital Assets

Capital asset activity for the year ended August 31, 2022, was as follows:

	Beginning Balances	**Increases**	**Decreases**	**Ending Balances**
Capital assets not being depreciated:				
Land	**$ 1,313,633**	**$ 500,000**	**$ -**	**$ 1,813,633**
Total capital assets not being depreciated	**1,313,633**	**500,000**	**-**	**1,313,633**
Capital assets being depreciated:				
Buildings	**15,865,477**	**-**	**-**	**15,865,477**
Right of use assets	**-**	**93,816**	**-**	**93,816**
Facility and land improvements	**4,319,099**	**1,074,841**	**-**	**5,393,940**
Furniture, machinery, vehicles and other equipment	**4,218,918**	**652,365**	**-**	**4,871,283**
Telecommunications and peripheral equipment	**2,856,172**	**-**	**-**	**2,856,172**
Library books	**565,588**	**-**	**-**	**565,588**
Total capital assets being depreciated	**27,825,254**	**1,821,022**	**-**	**29,646,276**

	Beginning Balances	**Increases**	**Decreases**	**Ending Balances**
Accumulated depreciation:				
Buildings	**(5,630,132)**	**(253,940)**	**-**	**(5,884,072)**
Right of use assets	**-**	**(16,655)**	**-**	**(16,655)**
Facility and land improvements	**(2,270,338)**	**(188,762)**	**-**	**(2,459,100)**
Furniture, machinery, vehicles and other equipment	**(3,131,993)**	**(217,526)**	**-**	**(3,349,519)**
Telecommunications and peripheral equipment	**(2,444,513)**	**(105,035)**	**-**	**(2,549,548)**
Library books	**(538,100)**	**(5,124)**	**-**	**(543,224)**
Total accumulated depreciation	**(14,015,076)**	**(787,042)**	**-**	**(14,802,118)**
Capital assets, net	**$ 15,123,811**	**$ 1,533,980**	**$ -**	**$ 16,657,791**

Capital assets include gross assets acquired under capital leases of $3,588,399 at August 31, 2022. Related amortization included in accumulated amortization was $718,289. Capital leases are included as a component of building, equipment, and land. Amortization of assets under capital leases is included in depreciation expense.

Capital asset activity for the year ended August 31, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Not depreciated:				
Land	$ 1,313,633	$ -	$ -	$ 1,313,633
Total not depreciated	1,313,633	-	-	1,313,633
Capital assets being depreciated:				
Buildings	15,832,765	32,712	-	15,865,477
Facility and land improvements	4,281,640	37,459	-	4,319,099
Furniture, machinery, vehicles and other equipment	4,198,119	185,301	(164,502)	4,218,918
Telecommunications and peripheral equipment	2,459,046	397,126	-	2,856,172
Library books	565,588	-	-	565,588
Total capital assets being depreciated	27,337,158	652,598	(164,502)	27,825,254
Accumulated depreciation:				
Buildings	(5,376,495)	(253,637)	-	5,630,132
Facility and land improvements	(2,093,577)	(176,761)	-	2,270,338
Furniture, machinery, vehicles and other equipment	(3,083,212)	(213,283)	164,502	3,131,993
Telecommunications and peripheral equipment	(2,373,793)	(70,720)	-	2,444,513
Library books	(532,627)	(5,473)	-	538,100
Total accumulated depreciation	(13,459,704)	(719,874)	164,502	14,015,076
Capital assets, net	$ 15,191,087	$ (67,276)	$ -	$ 15,123,811

Capital assets include gross assets acquired under capital leases of $3,588,399 at August 31, 2021. Related amortization included in accumulated amortization was $655,830. Capital leases are included as a component of building, equipment, and land. Amortization of assets under capital leases is included in depreciation expense.

Note 6: Long-Term Obligations

Long-term liability activity for the year ended August 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Long-term capital lease	**$ 2,135,000**	**$ -**	**$ 225,000**	**$ 1,910,000**	**$ 235,000**
Note payable	**663,838**	**-**	**124,963**	**538,875**	**128,751**
Leases	**-**	**84,481**	**7,238**	**77,243**	**18,163**
Net pension liability	**2,626,179**	**-**	**1,344,237**	**1,281,942**	**-**
Net OPEB liability	**7,611,999**	**576,676**	**-**	**8,188,675**	**-**
Total Long-Term Liabilities	**$ 13,037,016**	**$ 661,157**	**$ 1,701,438**	**$ 11,996,735**	**$ 381,914**

Long-term liability activity for the year ended August 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Bonds payable	$ 283,000	$ -	$ 283,000	$ -	$ -
Long-term capital lease	2,345,000	-	210,000	2,135,000	225,000
Note payable	785,061	-	121,223	663,838	124,963
Net pension liability	2,945,069	227,264	546,154	2,626,179	-
Net OPEB liability	7,647,880	440,913	476,794	7,611,999	-
Total Long-Term Liabilities	$ 14,006,010	$ 668,177	$ 1,637,171	$ 13,037,016	$ 349,963

Note 7: Debt and Lease Obligations

Debt service requirements for the note payable at August 31, 2022 were as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total
2023	$ 128,751	$ 16,336	$ 145,087
2024	132,654	12,433	145,087
2025	136,653	8,435	145,088
2026	140,817	4,269	145,086
Total	$ 538,875	$ 41,473	$ 580,348

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. The note payable is due in annual installments of $145,087 with an interest rate of 2.99% with the final installment due December 1, 2025.

Long-Term Capital 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.

For the year ended August 31,	Total
2023	$ 330,656
2024	328,906
2025	971,963
2026	329,288
2027	331,125
2028-2029	662,662
Total minimum lease payments	2,954,600
Less: amount representing interest costs	(1,044,600)
Present value of minimum lease payments	$ 1,910,000

Obligations for the remaining leases as of August 31, 2022 were as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total Requirement
2023	$ 18,163	$ 1,656	$ 19,819
2024	17,360	1,259	18,619
2025	15,844	893	16,737
2026	14,605	524	15,129
2027	11,271	147	11,418
	$ 77,243	$ 4,479	$ 81,722

As of August 31, 2022 and 2021, the College was in compliance with all material aspects of bond indentures and other debt covenants.

Note 8: Disaggregation of Receivables and Payables Balances

Receivables as of August 31, 2022 and 2021 were as follows:

	2022	2021
Taxes receivable	**$ 181,413**	$ 181,413
Student receivables	**1,041,451**	1,012,588
Other receivables	**39,886**	50,003
Allowance for doubtful accounts	**(903,163)**	(1,090,987)
Total accounts receivable, net	**$ 359,587**	$ 153,017

Accounts payable as of August 31, 2022 and 2021, consisted of amounts payable to vendors.

Accrued liabilities as of August 31, 2022 and 2021, consisted of the following:

	2022	2021
Accrued interest payable	**$ 19,071**	$ 22,703
Deposits	**1,620**	3,570
Other accrued liabilities	**443,734**	136,031
Total accrued liabilities	**$ 464,425**	$ 162,304

Note 9: 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 grants awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards or funds awarded during fiscal years 2022 and 2021 for which monies have not been received nor funds expended, totaled $0 and $0, 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 2022 and $30,000 in 2021. These funds are to be spent in the year following the deferral.

Note 10: Employee Retirement Plans

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

Teacher Retirement System of Texas

Plan Description

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

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

Pension Plan Fiduciary Net Pension

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

https://www.trs.texas.gov/TRS%20Documents/acfr-2021.pdf or by writing to TRS at 1000 Red River Street, Austin, Texas 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 a 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit 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 is no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefits changes, including ad hoc COLAs, can be granted by the Texas Legislature, as noted in the plan description above.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the State, participating employers and active employees to make the pension fund actuarially sound. Because this action causes the pension fund to be actuarially sound, the Legislature approved funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or $2,000, whichever was less.

Contributions

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

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

Contribution Rates		**2022**	2021
Member		**8.00%**	7.7%
Non-employer contributing entity (State)		**7.75%**	7.5%
Employers		**7.75%**	7.5%
FY2021 College (Employee) contributions	$	**221,249**	
FY2021 Member (Employee) contributions		**324,098**	
FY2021 Non-employer contributing agency (State)		**102,851**	

Clarendon College contributions to the TRS pension plan in 2022 were $201,699 as reported in the Schedule of College Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2022 were $169,053.

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.

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

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

<u>Net Pension Liability (Asset)</u>

Actuarial Assumptions

The total Pension Liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2021
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Actuarial assumptions:	
Single discount rate	7.25%
Long-term expected investment rate of return*	7.25%
Municipal bond rate*	1.95%
Last year ending August 31 in the 2016 to 2116 projection period (100 years)	2120
Inflation	2.30%
Salary increases including inflation	3.05% to 9.05%
Payroll growth rate	3.00%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

**Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

**The municipal bond rate used is 2.33% as of August 2020 (i.e., the rate closest to but not later than the Measurement Date). Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

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. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period. Assumptions, methods, and plan changes were not updated from the prior year's report.

The actuarial methods and assumptions were selected by the TRS 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 used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021.

There were no changes in assumptions since the prior measurement date.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent. The projection of cash flows used to determine the single discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2020 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2021 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the TRS' target asset allocation as of August 31, 2021, is summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S	18.0%	3.6%	0.94%
Non-U.S. developed	13.0%	4.4%	0.83%
Emerging markets	9.0%	4.6%	0.74%
Private equity	14.0%	6.3%	1.36%
Stable Value			
Government bonds	16.0%	(0.2%)	0.01%
Absolute return	0.0%	1.1%	0.00%
Stable value hedge funds	5.0%	2.2%	0.12%
Real Return			
Real assets	15.0%	4.5%	1.00%
Energy, natural resources, and infrastructure	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.00%
Risk Parity			
Risk parity	8.0%	2.8%	0.28%
Cash	2.0%	(0.7%)	(0.01%)
Asset allocation leverage	(6.0%)	(0.5%)	0.03%
Inflation expectations	0.0%	0.0%	2.20%
Volatility drag	0.0%	0.0%	(0.95%)
Total	100%	34.5%	6.90%

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2021 Net Pension Liability.

	1% Decrease (6.25%)	Current Rate (7.25 %)	1% Increase (8.25%)
College's proportionate share of the net pension liability (asset)	$ 2,801,247	$ 1,281,942	$ 49,325

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

As of August 31, 2022, the College reported a liability of $1,281,942 for its proportionate share of the TRS's net pension liability. This liability reflects 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 collective net pension liability	$ 1,281,942
State's proportionate share that is associated with the College	652,090
Total	$ 1,934,032

The net pension liability was measured as of August 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At the measurement date of August 31, 2021, the employer's proportion of the collective net pension liability was 0.0050338446%, which was an increase of .0001304112% from its proportion measured of as of August 31, 2020.

For the year ended August 31, 2022, the College recognized pension expense of $2,607 and revenue of $2,607 for support provided by the State.

As of August 31, 2022, the College reported its proportion share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 2,145	$ 90,250
Changes in actuarial assumptions	453,141	197,531
Difference between projected and actual investment earnings	79,625	1,154,517
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	184,671	300,046
Contributions paid to TRS subsequent to the measurement date	201,699	-
Total	$ 921,281	$ 1,742,344

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

Year ended August 31:	Pension Expense Amount
2022	$ 27,754
2023	(175,516)
2024	(285,983)
2025	(373,199)
2026	(14,632)
Thereafter	513
Total	$ 821,063

<u>Optional Retirement Plan – Defined Contribution Plan</u>

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.60% and 6.60% for 2021 and 2020. The College does not contribute for employees who were participating in the Optional Retirement Program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting College.

The retirement expense to the State for the College was $0 and $155,078 for the fiscal years ended August 31, 2022 and 2021, respectively.

The total payroll for all College employees was $4,698,415 and $6,000,138 for fiscal years 2022 and 2021, respectively. The total payroll for employees covered by the Teacher Retirement System was $2,345,372 and $2,369,368, and the total payroll for employees covered by the Optional Retirement Program was $157,039 and $51,902 for fiscal years 2022 and 2021, respectively.

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 Comptroller 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, 2022, 2021, and 2020, there were three plan participants. The College does not contribute to this plan.

Note 11: Health Care and Life Insurance Benefits

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's total contributions for the years ended August 31, 2022 and 2021 were $413,160 and $451,232 respectively. The cost of providing those benefits was $1,339,028 and $451,232 for retirees and active employees for fiscal years 2022 and 2021, respectively. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees.

Note 12: Other Post-Employment Benefits (OPEB)

Plan Description

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

OPEB Plan Fiduciary Net Position

Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements, and required supplementary information. That report may be obtained on the internet at https://ers.texas.gov/About-ERS/reports-and-studies/reports-on-overall-ers-operations-and-financial-ma/2021-acfr or by writing to ERS at: 200 East 18th Street, Austin, Texas 78701; or by calling (877) 275-4377.

Benefits Provided

Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution 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 pro-vided 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.

Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
Fiscal Years Ended August 31, 2022 and 2021

	2022	2021
Retiree only	**$ 624.82**	$ 624.82
Retiree & spouse	**$ 1,339.90**	$ 1,340.82
Retiree & children	**$ 1,103.58**	$ 1,104.22
Retiree & family	**$ 1,818.66**	$ 1,820.22

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

Premium Contributions by Source
Group Benefits Program Plan
For the Years Ended August 31, 2022 and 2021

	2022	2021
Employers	**$ 766,689,167**	$ 748,369,212
Members (Employees)	**$ 192,426,941**	$ 230,151,101
Nonemployer contributing entity (State of Texas)	**$ 39,188,518**	$ 37,736,903

Source: ERS 2021 Annual Comprehensive Financial Report

Actuarial Assumptions

The total OPEB Liability was determined by an actuarial valuation as of August 31, 2021 using the following actuarial assumptions:

Valuation date	August 31, 2021
Actuarial cost method	Entry Age
Amortization method	Level Percent of payroll, open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	2.14%
Projected annual salary increase (includes inflation)	2.30% to 9.05%
Annual healthcare trend rate	
HealthSelect	5.25% for 2023, 5.15% for 2024, 5.00% for 2025, 4.75% for 2026, 4.60% for 2027, decreasing 10 basis points per year to an ultimate rate of 4.30% for 2030 and later years
HealthSelect Medicare Advantage	0.0% for 2023, 66.67% for 2024, 24.0% for 2025, 4.75% for 2026, 4.60% for 2027 decreasing 10 basis points per year to an ultimate rate of 4.30% for 2030 and later years
Pharmacy	10% for 2023 and 2024, decreasing 100 basis points per year to an ultimate rate of 5% for 2029 and 4.3% for 2030 and later years
Inflation assumption rate	2.30%
Ad hoc postemployment benefit changes	None
Mortality assumptions:	
Service retirees, survivors and other inactive members	Tables based on TRS experience Ultimate MP Projection Scale from year 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 Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

Source: ERS 2021 Annual Comprehensive Financial Report

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2010 to August 31, 2017, 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:

- Assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution 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 female retirees assumed to be married and electing coverage for their spouse.
- The proportion of future retirees assumed to cover dependent children have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was changed from 2.97% to 2.20% as a result of requirements by GASB No. 75 to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

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 year was 2.97%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 2.2%, which amounted to a decrease of 0.77%. 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 is zero years.

Discount Rate Sensitivity Analysis

The following schedules show the impact of the College's proportionate share of the collective net OPEB liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (2.20%) in measuring the net OPEB liability.

	1% Decrease (1.20%)	Current Rate (2.20%)	1% Increase (3.20%)
College's proportionate share of the net OPEB liability (asset)	$ 9,753,022	$ 8,188,675	$ 6,964,806

Healthcare Trend Rate Sensitivity Analysis

The initial healthcare trend rate is 7.3% and the ultimate rate is 4.5%. The following schedule shows the impact of the college's proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1 percent less than 1 percent greater than the healthcare cost trend rate that was used (7.3%) in measuring the net OPEB liability.

	1% Decrease in Healthcare Cost Trend Rates 7.8% decreasing to 3.3%	Current Healthcare Cost Trend Rates 8.8% decreasing to 4.3%	1% Increase in Healthcare Cost Trend Rates 9.8% decreasing to 5.3%
College's proportionate share of the net OPEB liability	$ 6,312,593	$ 7,542,520	$ 9,154,825

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

As of August 31, 2022, the College reported a liability of $8,188,675 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College as its proportion-ate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College's Proportionate share of the collective net OPEB liability	$ 8,188,675
State's proportionate share that is associated with the college	5,386,191
Total	$ 13,574,866

The net OPEB liability was measured as of August 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At the measurement date of August 31, 2021, the College's proportion of the collective net OPEB liability was .02303551%, which is an increase of .0080253% from its proportion measured as of August 31, 2020.

For the year ended August 31, 2022, the College recognized OPEB expense of $571,472 and revenue of $65,716 for the support provided by the State.

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:

- 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 female retirees assumed to be married and electing coverage for their spouse.
- The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the opt-out credit at retirement.
- The percentage of Higher Education vested terminated members assumed to have terminate less than one year before the valuation date.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent health plan experience and its effects on our short-term expectations. The annual rate of increase in the Patient-Centered Outcomes Research

Institute Fee payable under the Affordable Care Act has been updated to reflect recent health plan experience and its effects on our short-term expectations. Assumed expenses directly related to the payment of GBP HealthSelect medical benefits have been updated to reflect recent contract revisions.

- The discount rate assumption was changed from 2.20% to 2.14% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

The valuation reflects the minor benefit changes that will become effective September 1, 2021, since these changes were communicated to plan members in advance of the preparation of this report. These changes, which are not expected to have a significant impact on plan costs for fiscal year 2022, are provided for in the fiscal year 2022 Assumed Per Capita Health Benefit Costs.

As of August 31, 2022, the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ -	$ 200,858
Changes in actuarial assumptions	560,629	912,035
Difference between projected and actual investment earnings	1,450	-
Effect of change in proportion and contribution difference	1,631,528	264,668
Contributions paid subsequent to the measurement date	93,889	-
Total	$ 2,287,496	$ 1,377,561

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

Year ended August 31:	OPEB Expense Amount
2022	$ 350,728
2023	328,971
2024	148,307
2025	66,369
2026	15,560
Thereafter	-
Total	$ 909,935

Note 13: Deferred Compensation Program

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

Note 14: 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 investments of $1,214,592 as endowments.

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

		2022		2021
Endowment net assets, beginning of year	**$**	**1,214,765**	$	1,214,955
Contributions		**-**		-
Investment earnings (loss)		**9,827**		13,085
Scholarships		**(10,000)**		(13,275)
Endowment net assets, end of year	**$**	**1,214,592**	$	1,214,765

Note 15: 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 College.

Fiscal Year Ending August 31,		**2022**		2021
Assessed Valuation of the College	**$**	**2,326,981,044**	$	2,310,833,917
Less: Exemptions		**(6,422,408)**		(2,627,547)
Net Assessed Value of the College	**$**	**2,320,558,636**	$	2,308,206,370

Fiscal Year Ending August 31,		**2022**					2021				
		Current Operations		**Debt Service**		**Total**		Current Operations		Debt Service		Total
Authorized tax rate per $100 valuation	$	**0.8500**	**$**	**0.0000**	**$**	**0.8500**	$	0.8500	$	0.0000	$	0.8500
Assessed tax rate per $100 valuation												
Childress		**0.0494**		**N/A**		**0.0494**		0.0500		N/A		0.0500
Gray		**0.5043**		**N/A**		**0.5043**		0.0500		N/A		0.0500
Donley		**0.2442**		**N/A**		**0.2442**		0.2366		N/A		0.2366

Taxes Collected		**2022 Current Operations**		2021 Current Operations
Current taxes collected	**$**	**703,952**	$	584,785
Delinquent taxes collected		**29,691**		13,185
Penalties and interest collected		**19,604**		10,419
Total Collections	**$**	**753,247**	$	608,389

Taxes levied for the years ended August 31 2022 and 2021, were approximately $719,816 and $670,000, 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, 2022 and 2021, were 97% and 97%, 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 16: Tax Abatements

The College received reduced property tax revenues as a result of abatements granted by Donley County, Texas. The abatements are intended to promote economic development in the Clarendon area. For the fiscal years ended August 31 2022 and 2021, the College's property tax revenues were reduced under these abatements by $268,780 and $278,394, respectively. There are no significant abatements made by the College.

Note 17: Extension Center Maintenance Tax

A maintenance tax was established by election in 2009 and is levied by the Gray County, Texas 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 2022 and 2021 (including penalties and interest) from Gray County totaled approximately $780,393 and $790,000, respectively, and from Childress County totaled approximately $254,634 and $242,000, respectively.

Note 18: 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 unrelated business income tax liability for the years ended August 31, 2022 and 2021.

Note 19: 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 voting majority of the 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, 2022 and 2021, the College received funds consisting of donations and scholarships for students from CCF totaling $0 and $26,430, 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 20: Pending Lawsuits and Claims

None as of report date.

Note 21: Subsequent Events

Management has evaluated subsequent events through December 7, 2022; the date which the financial statement were available for distribution.

Required Supplementary Information

CLARENDON COLLEGE
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED AUGUST 31, 2022 *
EXHIBIT 4

Fiscal Year Ending August 31, *	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
College's proportionate share of collective net pension liability (%)	**0.0050338446**	0.0049034334	0.0056654335	0.0060056751	0.0051183914	0.0050057390	0.0051388000	0.0052252000
College's proportionate share of collective net pension liability ($)	**$ 1,281,942**	$ 2,626,179	$ 2,945,069	$ 3,305,669	$ 1,636,586	$ 1,891,594	$ 1,816,497	$ 1,395,723
State's proportional share of net pension liability associated with College ($)	**652,090**	1,335,060	-	1,751,227	1,163,776	1,320,035	1,258,424	1,097,988
Total	**$ 1,934,032**	$ 3,961,239	$ 2,945,069	$ 5,056,896	$ 2,800,362	$ 3,211,629	$ 3,074,921	$ 2,493,711
College's covered payroll	**$ 4,210,272**	$ 4,010,471	$ 4,338,077	$ 4,480,726	$ 4,048,686	$ 3,868,411	$ 3,707,746	$ 3,461,695
College's proportionate share of collective net pension liability as a percentage of covered payroll	**30.45%**	65.48%	67.89%	73.78%	40.42%	48.90%	48.99%	40.32%
Plan fiduciary net position as percentage of total pension liability	**88.79%**	75.54%	75.24%	73.74%	82.17%	78.00	78.43%	83.25

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

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

CLARENDON COLLEGE
SCHEDULE OF COLLEGE'S CONTRIBUTIONS FOR PENSIONS
LAST EIGHT FISCAL YEARS
EXHIBIT 5

Fiscal Year Ending August 31, *	**2022****	**2021****	**2020****	**2019****	**2018****	**2017****	**2016****	**2015****
Legally required contributions	**$ 201,699**	$ 221,249	$ 173,117	$ 198,808	$ 204,323	$ 165,775	$ 159,045	$ 152,162
Actual contributions	**201,699**	221,249	173,117	198,808	204,323	165,775	159,045	152,162
Contributions deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll amount	**$ 4,156,843**	$ 4,210,272	$ 4,010,471	$ 4,338,077	$ 4,480,726	$ 4,048,686	$ 3,868,441	$ 3,868,441
Contributions as a percentage of covered payroll	**4.85%**	5.25%	4.32%	4.58%	4.56%	4.09%	4.11%	3.93%

*The amounts presented above are as of the College's respective fiscal year-end.
**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CLARENDON COLLEGE
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
FOR THE YEAR ENDED AUGUST 31, 2022
EXHIBIT 6

Fiscal Year Ending August 31, *	**2021****	2020**	2019**	2018**	2017**
College's proportionate share of collective net OPEB liability (%)	**0.02282525**	0.02303551	0.02212757	0.02375286	0.01669356
College's proportionate share of collective net OPEB liability ($)	**$ 8,188,675**	$ 7,611,999	$ 7,647,880	$ 7,039,811	$ 5,687,999
State's proportional share of net OPEB liability associated with College ($)	**5,386,191**	4,960,069	5,768,047	4,293,156	4,830,458
Total	**$ 13,574,866**	$ 12,572,068	$ 13,415,927	$ 11,332,967	$ 10,518,457
College's covered payroll	**$ 3,747,461**	$ 3,511,129	$ 3,726,088	$ 3,946,471	$ 3,771,905
College's proportionate share of collective net OPEB liability as a percentage of covered payroll	**218.51%**	216.80%	205.25%	178.38%	150.80%
Plan fiduciary net position as percentage of total OPEB liability	**0.38%**	0.32%	0.17%	1.27%	2.04%

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

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

CLARENDON COLLEGE
SCHEDULE OF COLLEGE'S CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED AUGUST 31, 2022
EXHIBIT 7

Fiscal Year Ending August 31, *	**2022****	**2021****	**2020****	**2019****	**2018****
Legally required contributions	**$ 93,889**	$ 164,813	$ 158,797	$ 149,379	$ 142,546
Actual contributions	**93,889**	164,813	158,797	149,379	142,546
Contributions deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -
College's covered payroll amount	**$ 3,697,814**	$ 3,747,461	$ 3,511,129	$ 3,726,088	$ 3,946,471
Contributions as a percentage of covered payroll	**2.54%**	4.40%	4.52%	4.01%	3.61%

*The amounts presented above are as of the College's respective fiscal year-end.
**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Supplemental Schedules

CLARENDON COLLEGE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2022
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2021)
SCHEDULE A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Totals Fiscal Year 2022	Totals Fiscal Year 2021
Tuition						
State-funded courses						
In-district resident tuition	$ 837,626	$ -	$ 837,626	$ -	**$ 837,626**	$ 1,042,963
Out-of-district resident tuition	1,025,705	-	1,025,705	-	**1,025,705**	881,871
Non-resident tuition	326,166	-	326,166	-	**326,166**	307,255
TPEG - credit (set aside)*	124,061	-	124,061	-	**124,061**	109,442
Total Tuition	2,313,558	-	2,313,558	-	**2,313,558**	2,341,531
Fees						
Building use fee	447,350	-	447,350	-	**447,350**	382,159
Out-of-district fee	454,980	-	454,980	-	**454,980**	399,178
General fee	851,918	-	851,918	-	**851,918**	746,595
Laboratory fee	444,711	-	444,711	-	**444,711**	378,809
Other fees	480,775	-	480,775	-	**480,775**	430,210
Total Fees	2,679,734	-	2,679,734	-	**2,679,734**	2,336,951
Scholarship Allowances and Discounts						
Scholarship allowances	(309,400)	-	(309,400)	-	**(309,400)**	(322,778)
Bad debt allowances	(139,990)	-	(139,990)	-	**(139,990)**	(41,424)
Remissions and exemptions - state	(96,553)	-	(96,553)	-	**(96,553)**	(80,912)
TPEG allowances	(59,901)	-	(59,901)	-	**(59,901)**	(55,625)
Other state grants	(52,850)	-	(52,850)	-	**(52,850)**	(61,276)
Federal grants to students	(1,004,214)	-	(1,004,214)	-	**(1,004,214)**	(1,098,957)
Other federal grants	(89,382)	-	(89,382)	-	**(89,382)**	(379,925)
Total Scholarship Allowances and Discounts	(1,752,290)	-	(1,752,290)	-	**(1,752,290)**	(2,040,897)
Total Net Tuition and Fees	3,241,002	-	3,241,002	-	**3,241,002**	2,637,585
Other Operating Revenues						
Federal grants and contracts	-	2,600,022	2,600,022	-	**2,600,022**	2,281,778
State grants and contracts	-	325,860	325,860	-	**325,860**	296,845
Local grants and contracts	1,031,423	-	1,031,423	-	**1,031,423**	1,032,080
General operating revenues	588,790		588,790	12,640	**601,430**	194,635
Total Other Operating Revenues	1,620,213	2,925,882	4,546,095	12,640	**4,558,735**	3,805,338
Auxiliary Enterprises						
Bookstore	-	-	-	42,706	**42,706**	36,985
Less discounts	-	-	-	-	**-**	(3,544)
Residential	-	-	-	1,390,161	**1,390,161**	1,093,411
Less discounts	-	-	-	(690,592)	**(690,592)**	(547,938)
Total Net Auxiliary Enterprises	-	-	-	742,275	**742,275**	578,914
Total Operating Revenues	$ 4,861,215	$ 2,925,882	$ 7,787,097	$ 754,915	**$ 8,542,012**	$ 7,021,837
					(Exhibit 2)	(Exhibit 2)

* - In accordance with Education Code 56.033, $124,061 and $109,442 for years August 31, 2022 and 2021, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

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

CLARENDON COLLEGE
STATEMENT OF OPERATING EXPENSES BY OBJECT
FOR THE YEAR ENDED AUGUST 31, 2022
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2021)
SCHEDULE B

	Operating Expenses				Totals	
	Salaries And Wages	Benefits State	Benefits Local	Other Expenses	Fiscal Year 2022	Fiscal Year 2021
Unrestricted - Educational and General						
Instruction	$ 2,522,203	$ -	$ 664,358	$ 540,679	**$ 3,727,240**	$ 3,642,992
Academic support	390,029	-	7,578	31,625	**429,232**	478,323
Student services	441,322	-	28,129	94,986	**564,437**	698,131
Institutional support	525,017	-	12,001	1,466,166	**2,003,184**	572,626
Operation and maintenance of plant	371,697	-	142,663	775,304	**1,289,664**	1,195,175
Total Unrestricted	4,250,268	-	854,729	2,908,760	**8,013,757**	6,587,247
Restricted - Educational and General						
Instruction	-	433,813	-	7,577	**441,390**	196,881
Academic support	-	87,098	-	-	**87,098**	13,676
Student services	-	110,776	-	-	**110,776**	(4,815)
Institutional support	95,788	132,888	-	1,747,866	**1,976,542**	1,899,244
Scholarships and fellowships	-	-	-	745,516	**745,516**	729,857
Total Restricted	95,788	764,575	-	2,500,959	**3,361,322**	2,834,843
Total Educational and General	4,346,056	764,575	854,729	5,409,719	**11,375,079**	9,422,090
Auxiliary Enterprises	352,359	-	89,377	1,283,076	**1,724,812**	1,308,413
Depreciation expense - buildings and other real estate	-	-	-	770,387	**770,387**	719,874
Total Operating Expenses	$ 4,698,415	$ 764,575	$ 944,106	$ 7,463,182	**$ 13,870,278**	$ 11,450,377
					(Exhibit 2)	(Exhibit 2)

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

CLARENDON COLLEGE
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2022
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2021)
SCHEDULE C

	Unrestricted	Restricted	Auxiliary Enterprises	Totals Fiscal Year **2022**	Totals Fiscal Year 2021
NON-OPERATING REVENUES:					
State Appropriations					
Education and general state support	$ 3,384,272	$ -	$ -	**$ 3,384,272**	$ 2,933,860
State group insurance	-	-	-	**-**	451,232
State retirement matching	-	-	-	**-**	155,078
Total State Appropriations	3,384,272	-	-	**3,384,272**	3,540,170
Maintenance ad valorem taxes	713,469	-	-	**713,469**	671,335
Federal revenue, non-operating	1,974,467	-	-	**1,974,467**	1,962,405
Gifts	22,693	-	-	**22,693**	317,926
Rental income	3,000	-	-	**3,000**	-
Investment income	33,588	778	-	**34,366**	33,537
Total Non-Operating Revenues	6,131,489	778	-	**6,132,267**	6,525,373
NON-OPERATING EXPENSES:					
Interest on capital related debt	103,356	-	-	**103,356**	141,279
Gain on disposal of assets	(297,669)	-	-	**(297,669)**	(2,800)
Contributions in aid of construction	-	-	-	**-**	(63,476)
Other non-operating income	-	-	-	**-**	(29,856)
Total Non-Operating Expenses	(194,313)	-	-	**(194,313)**	45,147
NET NON-OPERATING REVENUES	$ 6,325,802	$ 778	$ -	**$ 6,326,580**	$ 6,480,226
				(Exhibit 2)	(Exhibit 2)

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

CLARENDON COLLEGE
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
FOR THE YEAR ENDED AUGUST 31, 2022
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2021)
SCHEDULE D

	Detail by Source					Available for Current Operations	
		Restricted		Capital Assets			
	Unrestricted	Expendable	Non-Expendable	Net of Depreciation and Related Debt	Total	Yes	No
Current:							
Unrestricted	$ (2,201,851)	$ -	$ -	$ -	$ (2,201,851)	$ (2,201,851)	$ -
Restricted	-	802,504	-	-	802,504	802,504	-
Auxiliary enterprises	(6,097,444)	-	-	-	(6,097,444)	(6,097,444)	-
Loan Endowment:							
Quasi:							
Unrestricted	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Endowment							
True	-	-	1,214,592	-	1,214,592	-	1,214,592
Term (per instructions at maturity)	-	-	-	-	-	-	-
Life income contracts	-	-	-	-	-	-	-
Annuities	-	-	-	-	-	-	-
Plant:							
Unexpended	-	-	-	-	-	-	-
Renewals	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Investment in Plant	-	-	-	16,118,916	16,118,916	-	16,118,916
Total Net Position, August 31, 2022	(8,299,295)	802,504	1,214,592	16,118,916	9,836,717	(7,496,791)	17,333,508
Total Net Position, August 31, 2021	(5,993,377)	1,292,042	1,214,765	12,324,973	8,838,403	(5,231,335)	14,069,738
Net Increase (Decrease) in Net Position	$ (2,305,918)	$ (489,538)	$ (173)	$ 3,793,943	$ 998,314	$ (2,265,456)	$ 3,263,770
					(Exhibit 2)		

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

CLARENDON COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022
Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	**Assistance Listing Number**	**Pass-Through Grantor's Number**	**Direct Awards**	**Pass-Through Awards**	**Total Expenditures**
U.S. Department of Education					
Direct Programs:					
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grants	84.007		$ 37,801	$	$ 37,801
Federal Work-Study Program	84.033		40,259		40,259
Federal Pell Grant Program	84.063		1,896,407		1,896,407
Federal Direct Student Loans	84.268		1,395,006		1,395,006
Total Student Financial Aid Cluster			3,369,473		3,369,473
Education Stabilization Fund / Higher Education Emergendy Relief Funds					
CARES - Student Aid Portion	84.425E		1,721,540		1,721,540
CARES - Institutional Portion	84.425F		445,414		445,414
CARES - Strengthening Institutions	84.425M		117,860		117,860
Total Education Stabilization Fund			2,284,814		2,284,814
Passed Through From:					
Texas Higher Education Coordinating Board					
Career & Technical Education-Basic Grants	84.048	194233		83,470	83,470
Total U.S. Department of Education					5,737,757
U.S. Department of Agriculture Rural Utilities Service					
Direct Programs:					
Distance Learning and Telemedicine Grant			231,738		231,738
Total U.S. Department of Agriculture Rural Utilities Service					231,738
Total Federal Financial Assistance					$ 5,969,495

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts From Schedule A	$ 2,600,022
Federal Grants, Non-Operating From Schedule C	1,974,467
Total Federal Revenues Per Schedule A and C	4,574,489
Direct Student Loans	1,395,006
Total Federal Revenues per Schedule of Expenditures of Federal Awards	$ 5,969,495

Note 2: Significant accounting policies used in preparing the schedule.
The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the general purpose financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the College has an agency-approved Indirect Recovery Rate it has elected to not use the 10% de minimis cost rate as permitted in the UG, section 200.414.

Note 3: Student Loans Processed and Administrative Cost Recovery

Federal Grantor CFDA Number/Program Name	Total Loans Processed
U.S Department of Education CFDA 84.268 Federal Direct Student Loans	$ 1,395,006
Total U.S. Department of Education	$ 1,395,006
(There were no administrative costs recovered and included in above amount)	

Note 4: Pass through amounts included in program expenditures:
All pass through amounts are identified in the schedule.

CLARENDON COLLEGE
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2022
Schedule F

Grantor Agency/Program Title	Grant Contract Number	Expenditures
Texas Workforce Commission		
Workforce Investment Act Program		$ 107,255
Total Workforce Commission		107,255
Texas Higher Education Coordinating Board		
Direct Programs:		
Texas Education Opportunities Grant		101,811
Texas College Work-Study Program		5,579
Educational Aide Exemption		7,577
Texas Reskilling and Upskilling through Education		56,000
Governor's Emergency Education Relief (GEER) Fund Reporting Modernization		47,638
Total Texas Higher Education Coordinating Board		218,605
Total State Financial Assistance		$ 325,860

Note 1: State Assistance Reconciliation

State Revenues - per Schedule A:	$ 325,860
State Financial Assistance per Schedule of Expenditures of State Awards	$ 325,860

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.

Internal Control Section

Condley AND COMPANY, LLP
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December 7, 2022

To the Board of Regents
Clarendon College
Clarendon, Texas

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type and fiduciary activities of Clarendon College, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise Clarendon College's basic financial statements, and have issued our report thereon dated December 7, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clarendon College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clarendon College's internal control. Accordingly, we do not express an opinion on the effectiveness of Clarendon 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. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarendon College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements (including the Public Funds Investment Act Chapter 2256, Texas Government Code), noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Public Funds Investment Act.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Condley and Company, L.L.P.

Certified Public Accountants

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December 7, 2022

To the Board of Regents
Clarendon College
Clarendon, Texas

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Clarendon College's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Clarendon College's major federal programs for the year ended August 31, 2022. Clarendon College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Clarendon College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. 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 or state 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that we not identified.

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

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.

Condley and Company, L.L.P.

Certified Public Accountants

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal and State Awards

Internal controls over major program:	
• Material weakness identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major program:	
<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster
84.425E, 84.425F, 84.425M	Education Stabilization Fund
Dollar threshold used to distinguish between Type A and Type B programs:	$750,000 (Federal)
Auditee qualified as low-risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

The results of our audit procedures disclosed no findings to be reported for the year ended August 31, 2022.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

Identifying number 2021-001

Status: Finding was fully corrected.

Identifying number 2021-002

Status: Finding was fully corrected.