

**WEATHERFORD COLLEGE
OF THE PARKER COUNTY
JUNIOR COLLEGE DISTRICT**

**ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2018**

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT**

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COUNTY JUNIOR COLLEGE DISTRICT**

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**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
ORGANIZATIONAL DATA
For the Year Ended August 31, 2018**

Board of Trustees

Officers

| | |
|-------------|-----------------------|
| Mac Smith | Chairman |
| Sue Coody | Vice Chairman |
| Lela Morris | Secretary / Treasurer |

Members

| | | <u>Term Expires</u> <u>May 31,</u> |
|--------------------|--------------------|---------------------------------------|
| Mac Smith | Weatherford, Texas | 2019 |
| Judy McAnally | Weatherford, Texas | 2019 |
| Roger Grizzard | Weatherford, Texas | 2019 |
| Dr. Robert Marlett | Wise County, Texas | 2019 |
| Dr. Trev Dixon | Weatherford, Texas | 2021 |
| Elaine Carter | Weatherford, Texas | 2021 |
| Sue Coody | Weatherford, Texas | 2023 |
| Lela Morris | Weatherford, Texas | 2023 |

Principal Administrative Officers

| | |
|----------------------|--|
| Dr. Tod Allen Farmer | President |
| Brent Baker | Vice President - Institutional Advancement |
| Dr. Andra Cantrell | Executive Vice President - Financial & Administrative Affairs |
| Michael Endy | Vice President - Instruction & Student Services |

FINANCIAL SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Weatherford College of the
Parker County Junior College District

Report on the Financial Statements

We have audited the accompanying financial statements of the Weatherford College of the Parker County Junior College District (the College) as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of August 31, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplemental information and schedule of expenditures of state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental information and schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's 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.

Snow Garrett Williams

Snow Garrett Williams
December 11, 2018

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2018 and 2017**

This section of the Weatherford College of the Parker County Junior College District's annual financial report presents management's discussion and analysis of the College's financial activity during the fiscal years ended August 31, 2018 and 2017. Since this management's discussion and analysis is designed to focus on current activities, resulting change, and currently known facts, please read it in conjunction with the College's financial statements (pages 13-19), and the footnotes (starting at page 21). Responsibility for the completeness and fairness of this information rests with the College.

Using This Annual Report

The financial statements focus on the College as a whole. The statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the statement of net position is designed to be similar to bottom line results for the College.

The statement of revenues, expenses, and changes in net position focuses on both the gross costs and the net costs of the College's activities which are supported mainly by property taxes and by state and other revenues. This approach is intended to summarize and simplify the user's analysis of the costs of various College services to students and the public.

The final required financial statement, the statement of cash flows, reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

The Weatherford College Foundation, Inc. is a discretely presented component unit of the College and is reported as separate financial statements. Complete financial statements for the Foundation may be obtained from the Weatherford College Business Office.

Financial Highlights

The College's net position decreased from August 31, 2017 to August 31, 2018 by \$5.1 million, and increased from August 31, 2016 to August 31, 2017 by \$1.3 million. As of August 31, 2018 and 2017, the College's net position was \$51.4 million and \$56.5 million, which includes \$26.1 million and \$26.0 million in net investment in capital assets, \$5.0 million and \$4.8 million in restricted net position, and \$20.3 million and \$25.7 million in unrestricted net position, respectively.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2018 and 2017**

Operating expenses for 2018 and 2017 were \$43.5 million and \$43.2 million of which \$17.8 million and \$17.9 million were expended for instruction, \$6.8 million and \$7.0 million were expended for institutional support, and \$2.3 million and \$2.5 million were expended for auxiliary enterprises, respectively. In fiscal years 2018 and 2017, depreciation expense was \$2.0 million and \$2.2 million, respectively.

Operating revenue for 2018 and 2017 was \$23.9 million and \$15.1 million, which includes \$9.0 million and \$8.2 million in tuition and fees (net of discounts), \$3.0 million and \$2.9 million in local grants and contracts, and \$1.0 million and \$1.0 million in federal grants and contracts, respectively.

Net non-operating revenue for 2018 and 2017 was \$31.6 million and \$29.4 million, which includes \$11.3 million and \$10.8 million in state allocations, \$13.3 million and \$11.9 million in ad valorem taxes for maintenance and operations, \$0.7 million and \$0.7 million in ad valorem taxes for general obligation bonds, and \$6.5 million and \$6.3 million in federal grants, respectively.

Financial Analysis of the College as a Whole

Statement of Net Position

The statement of net position presents current assets (non-restricted assets expected to provide support within a year), non-current assets (restricted assets expected to provide long term benefit), deferred outflows of resources, current liabilities (obligations which must be met within the current year), non-current liabilities (obligations which are not settled in the current year), and deferred inflows of resources. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are presented using the accrual basis of accounting, which is similar to the accounting by most private-sector institutions. Net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the financial position of the College. As of August 31, 2018, the net position was \$51.4 million. This was a decrease of \$5.1 million from the period ended August 31, 2017. As of August 31, 2017, the net position was \$56.5 million. This was an increase of \$1.3 million from the period ended August 31, 2016. The College's financial position remains strong with adequate liquid assets at a reasonable level of unrestricted net position.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2018 and 2017**

**Net Position
As of August 31,
(in millions)**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|-------------------------------------|---------------|---------------|---------------|
| Current Assets | \$37.6 | \$33.7 | \$30.7 |
| Non-current Assets | | | |
| Capital Assets, Net of Depreciation | 40.3 | 40.9 | 42.7 |
| Other | 21.0 | 14.4 | 14.5 |
| Total Assets | <u>98.9</u> | <u>89.0</u> | <u>87.9</u> |
| Deferred Outflows of Resources | <u>3.7</u> | <u>1.8</u> | <u>2.2</u> |
| Current Liabilities | 13.1 | 12.3 | 11.7 |
| Non-current Liabilities | 32.7 | 20.2 | 21.1 |
| Total Liabilities | <u>45.8</u> | <u>32.5</u> | <u>32.8</u> |
| Deferred Inflows of Resources | <u>5.4</u> | <u>1.8</u> | <u>2.1</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 26.1 | 26.0 | 26.6 |
| Restricted for: Expendable | 5.0 | 4.8 | 4.6 |
| Unrestricted | 20.3 | 25.7 | 24.0 |
| Total Net Position | <u>\$51.4</u> | <u>\$56.5</u> | <u>\$55.2</u> |

This schedule is prepared from the College's statements of net position on pages 13 and 14.

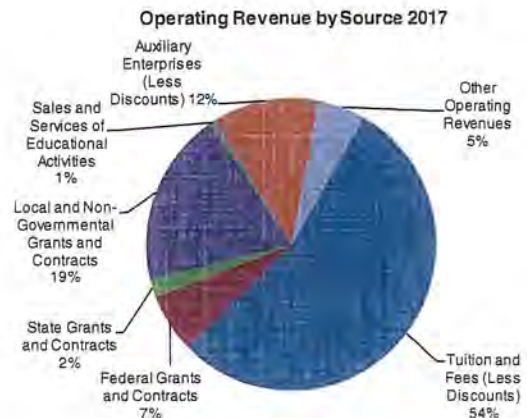
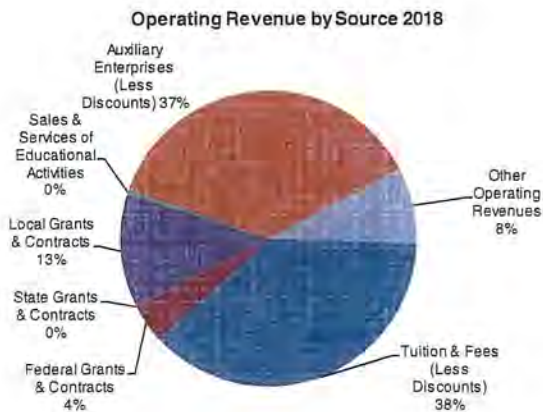
Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the operating results of the College, as well as the non-operating revenues and expenses. Operating revenues are primarily those that result directly from instruction, the operation of the College's auxiliary services (cafeteria, athletics, bookstore, etc.) and Federal, State, and local grants. State Allocations and property tax receipts, while budgeted for operations, are considered non-operating revenues, and depreciation is shown in operating expenses according to accounting principles generally accepted in the United States of America.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2018 and 2017**

**Operating Results for the Years Ended
August 31,
(in millions)**

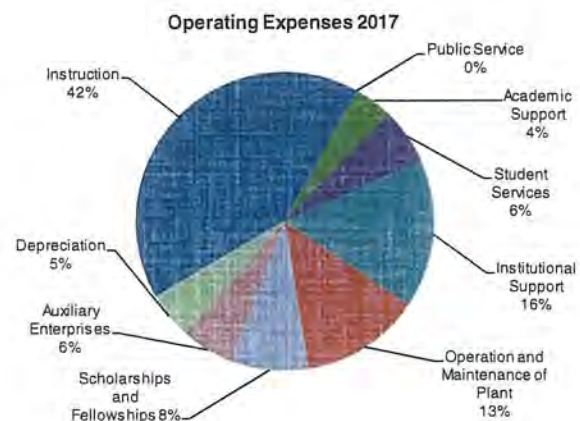
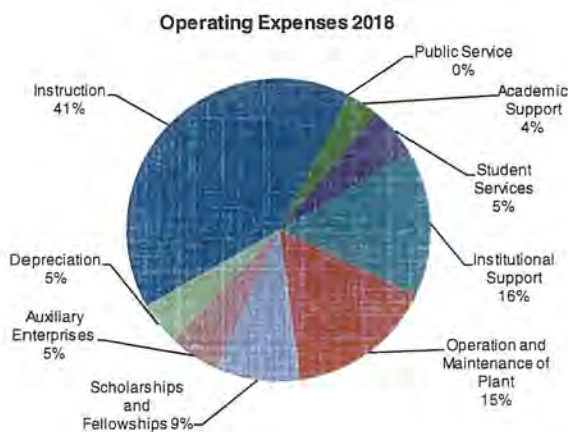
| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|----------------|----------------|----------------|
| Operating Revenue | | | |
| Tuition and Fees (Less Discounts) | \$ 9.0 | \$ 8.2 | \$ 8.1 |
| Federal Grants and Contracts | 1.0 | 1.0 | 0.9 |
| State Grants and Contracts | 0.0 | 0.3 | 0.4 |
| Local Grants and Contracts | 3.0 | 2.9 | 3.5 |
| Non-Governmental Grants and Contracts | 0.0 | 0.0 | 0.2 |
| Sales and Services of Educational Activities | 0.1 | 0.1 | 0.1 |
| Auxiliary Enterprises (Less Discounts) | 8.8 | 1.8 | 2.4 |
| Other Operating Revenues | 2.0 | 0.8 | 0.5 |
| Total | <u>23.9</u> | <u>15.1</u> | <u>16.1</u> |
| Less Operating Expenses | <u>43.5</u> | <u>43.2</u> | <u>42.2</u> |
| Net Operating Loss | <u>(19.6)</u> | <u>(28.1)</u> | <u>(26.1)</u> |
| Non-Operating Revenues (Expenses) | | | |
| State Allocations | 11.3 | 10.8 | 10.7 |
| Ad Valorem Taxes for Maintenance and Operations | 13.3 | 11.9 | 11.4 |
| Ad Valorem Taxes for General Obligation Bonds | 0.7 | 0.7 | 0.7 |
| Federal Revenue, Non-Operating | 6.5 | 6.3 | 6.4 |
| Gifts | 0.1 | 0.0 | 0.0 |
| Investment Income (Net of Investment Expense) | 0.1 | 0.1 | 0.1 |
| Interest on Capital Related Debt | (0.4) | (0.4) | (0.5) |
| Other Non-Operating Expenses | 0.0 | 0.0 | (0.1) |
| Total | <u>31.6</u> | <u>29.4</u> | <u>28.7</u> |
| Increase in Net Position | 12.0 | 1.3 | 2.6 |
| Net Position, Beginning of Year | 56.5 | 55.2 | 52.6 |
| Prior Period Adjustment | (17.1) | 0.0 | 0.0 |
| Net Position - Beginning of Year, restated | <u>39.4</u> | <u>55.2</u> | <u>52.6</u> |
| Net Position, End of Year | <u>\$ 51.4</u> | <u>\$ 56.5</u> | <u>\$ 55.2</u> |
| Total Revenues | <u>\$ 55.9</u> | <u>\$ 44.9</u> | <u>\$ 45.4</u> |



**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2018 and 2017**

**Operating Expenses
For the Years Ended August 31,
(in millions)**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|---------------|---------------|---------------|
| Operating Expenses | | | |
| Instruction | \$17.8 | \$17.9 | \$17.2 |
| Public Service | 0.0 | 0.0 | 0.1 |
| Academic Support | 1.5 | 1.8 | 1.8 |
| Student Services | 2.4 | 2.6 | 2.5 |
| Institutional Support | 6.8 | 7.0 | 6.8 |
| Operation and Maintenance of Plant | 6.8 | 5.6 | 5.4 |
| Scholarships and Fellowships | 3.9 | 3.6 | 3.7 |
| Auxiliary Enterprises | 2.3 | 2.5 | 2.5 |
| Depreciation | 2.0 | 2.2 | 2.2 |
| Total | <u>\$43.5</u> | <u>\$43.2</u> | <u>\$42.2</u> |
| Total Expenses (Including Interest Expense and Non-Operating Expenses) | <u>\$43.9</u> | <u>\$43.6</u> | <u>\$42.8</u> |



**Analysis of Net Position
August 31,
(in millions)**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|----------------------------------|----------------|----------------|----------------|
| Net Position | | | |
| Net Investment in Capital Assets | \$ 26.1 | \$ 26.0 | \$ 26.6 |
| Restricted for: Expendable | 5.0 | 4.8 | 4.6 |
| Unrestricted | 20.3 | 25.7 | 24.0 |
| Total Net Position | <u>\$ 51.4</u> | <u>\$ 56.5</u> | <u>\$ 55.2</u> |

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2018 and 2017**

| Capital Assets, Net August 31, (in millions) | | | |
|--|---------|---------|---------|
| | 2018 | 2017 | 2016 |
| Capital Assets | | | |
| Land and Improvements | \$ 10.0 | \$ 10.0 | \$ 10.0 |
| Buildings | 45.7 | 45.6 | 45.6 |
| Equipment | 7.6 | 6.9 | 6.6 |
| Work-in-Process | 0.6 | 0.0 | 0.0 |
| Library Books | 0.9 | 1.0 | 1.0 |
| Total | 64.8 | 63.5 | 63.2 |
| Less Accumulated Depreciation | (24.5) | (22.6) | (20.5) |
| Net Capital Assets | \$ 40.3 | \$ 40.9 | \$ 42.7 |

As of August 31, 2018 and 2017, the College recorded \$64.8 million and \$63.5 million invested in capital assets, \$24.5 million and \$22.6 million in accumulated depreciation, and \$40.3 million and \$40.9 million in net capital assets, respectively.

The College has long-term debt in the form of bonds payable including limited tax refunding bonds, series 2016, and consolidated fund revenue bond, series 2012, with an outstanding balance of \$8.3 million and \$9.2 million and notes payable with an outstanding balance of \$5.0 million and \$5.3 million as of August 31, 2018 and 2017, respectively.

Economic Factors and Next Year's Budget and Rates

The Board of Trustees adopted the College's 2018 – 2019 budget and tax rate on August 30, 2018. The annual budget is developed to provide efficient, effective, and economic uses of the College's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the Board of Trustees sets the direction of the College, allocates its resources, and establishes its priorities.

In considering the College budget for fiscal year 2019, the Board of Trustees and management considered the following factors:

- Property valuations in Parker County increased resulting in an increased ad valorem tax levy.
- A reduction in the total ad valorem tax rate was achieved due to the increased property valuations and was in keeping with the Board of Trustee's desire to reduce property taxes.
- Tuition rates and some fees increased due to increased costs related to growth in student enrollment.
- State instructional appropriations remained constant in the second year of the state biennium.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2018 and 2017**

- Operating grants remained constant with no substantial increase beyond the nursing shortage grant.
- Indirect cost rates were re-assessed and related revenue reduced.
- A continued desire to award cost of living raise of 3% to all full time employees.

Request for Information

This financial report is designed to provide a general overview of the Weatherford College of the Parker County Junior College District's finances and to show the College's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Executive Vice President of Financial and Administrative Affairs at 225 College Park Drive, Weatherford, Texas 76086.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Statements of Net Position
August 31, 2018 and 2017**

EXHIBIT 1

| | 2018 | 2017 |
|---|-------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 31,423,781 | \$ 27,700,146 |
| Accounts Receivable (net) | 2,151,898 | 2,527,477 |
| Other Assets - Current | 3,696,173 | 3,374,123 |
| Prepaid Expense | 314,042 | 131,767 |
| Total Current Assets | 37,585,894 | 33,733,513 |
| Non-Current Assets | | |
| Restricted Cash and Cash Equivalents | 5,373,623 | 5,581,031 |
| Endowment Investments | 45,801 | 12,300 |
| Other Long-Term Investments | 127 | 173 |
| Investments in Real Estate | 15,620,000 | 8,754,480 |
| Capital Assets (net) (See Note 6) | 40,261,958 | 40,920,035 |
| Total Non-Current Assets | 61,301,509 | 55,268,019 |
| Total Assets | 98,887,403 | 89,001,532 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Outflows Related to Pensions | 1,546,387 | 1,857,310 |
| Deferred Outflows Related to OPEB | 2,160,393 | - |
| Total Deferred Outflows of Resources | 3,706,780 | 1,857,310 |

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Statements of Net Position
August 31, 2018 and 2017**

EXHIBIT 1

| | 2018 | 2017 |
|---|----------------------|----------------------|
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | \$ 1,831,900 | \$ 1,194,082 |
| Accrued Compensable Absences - Current Portion | 502,588 | 438,040 |
| Funds Held for Others | 333,073 | 316,034 |
| Unearned Revenues | 8,706,523 | 8,845,339 |
| Overpayment of State Appropriations - Current Portion | 287,370 | 287,370 |
| Notes Payable - Current Portion | 366,081 | 337,317 |
| Capital Leases Payable - Current Portion | 94,420 | - |
| Bonds Payable - Current Portion | 905,773 | 897,949 |
| Net OPEB Liability - Current Portion | 74,434 | - |
| Total Current Liabilities | 13,102,162 | 12,316,131 |
| Non-Current Liabilities | | |
| Overpayment of State Appropriations | 517,262 | 804,632 |
| Notes Payable | 4,594,470 | 4,960,551 |
| Capital Leases Payable | 307,619 | - |
| Bonds Payable | 7,850,060 | 8,755,833 |
| Net Pension Liability | 4,825,611 | 5,700,770 |
| Net OPEB Liability | 14,594,958 | - |
| Total Non-Current Liabilities | 32,689,980 | 20,221,786 |
| Total Liabilities | 45,792,142 | 32,537,917 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Inflows Related to Pensions | 2,204,937 | 1,836,868 |
| Deferred Inflows Related to OPEB | 3,243,473 | - |
| Total Deferred Inflows of Resources | 5,448,410 | 1,836,868 |
| NET POSITION | | |
| Net Investment in Capital Assets | 26,143,535 | 25,968,385 |
| Restricted for: | | |
| Expendable | | |
| Student Aid | 2,373,749 | 2,281,386 |
| Instructional Programs | 82,043 | 82,044 |
| Loans | 10,952 | 10,233 |
| Capital Projects | 326,776 | 333,424 |
| Debt Service | 2,159,571 | 2,056,532 |
| Unrestricted | 20,257,005 | 25,752,053 |
| Total Net Position (Schedule D) | \$ 51,353,631 | \$ 56,484,057 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Component Unit
Statement of Financial Position
August 31, 2018**

EXHIBIT 1

| | <u>Weatherford College Foundation, Inc.</u> |
|---|--|
| ASSETS | |
| Current Assets | |
| Cash and Cash Equivalents | \$ 182,261 |
| Investments | 240,666 |
| Interest Receivable | 2,708 |
| Note Receivable, Current Portion | 6,780 |
| Unconditional Promises to Give, Current Portion | 2,140 |
| Total Current Assets | 434,555 |
| Non-Current Assets | |
| Endowment Investments | 8,358,994 |
| Unconditional Promises to Give | 830 |
| Note Receivable, Net of Current Portion | 190,768 |
| Mineral Rights | 1 |
| Total Non-Current Assets | 8,550,593 |
| Total Assets | 8,985,148 |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | 2,361 |
| Total Liabilities | 2,361 |
| NET ASSETS | |
| Without Donor Restrictions | 420,567 |
| With Donor Restrictions | 8,562,220 |
| Total Net Assets | \$ 8,982,787 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT**
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2018 and 2017

EXHIBIT 2

| | 2018 | 2017 |
|---|----------------------|----------------------|
| REVENUES | | |
| Operating Revenues | | |
| Tuition and Fees (Net of Discounts of \$3,666,106 and \$3,781,658, respectively) | \$ 9,009,931 | \$ 8,189,674 |
| Federal Grants and Contracts | 992,885 | 976,628 |
| State Grants and Contracts | 34,810 | 314,388 |
| Local Grants and Contracts | 2,995,876 | 2,926,637 |
| Sales and Services of Educational Activities | 70,259 | 70,890 |
| Investment Income (Program Restricted) | 24,024 | 25,806 |
| Auxiliary Enterprises (Net of Discounts of \$693,248 and \$693,533, respectively) | 8,770,752 | 1,835,217 |
| Other Operating Revenues | 2,008,347 | 809,648 |
| Total Operating Revenues (Schedule A) | 23,906,884 | 15,148,888 |
| EXPENSES | | |
| Operating Expenses | | |
| Instruction | 17,816,081 | 17,883,454 |
| Public Service | 39,281 | 46,372 |
| Academic Support | 1,546,393 | 1,767,123 |
| Student Services | 2,378,017 | 2,552,882 |
| Institutional Support | 6,765,029 | 7,039,973 |
| Operation and Maintenance of Plant | 6,745,925 | 5,616,754 |
| Scholarships and Fellowships | 3,865,161 | 3,567,672 |
| Auxiliary Enterprises | 2,335,948 | 2,539,614 |
| Depreciation | 2,006,038 | 2,200,050 |
| Total Operating Expenses (Schedule B) | 43,497,873 | 43,213,894 |
| Operating Loss | (19,590,989) | (28,065,006) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| State Appropriations | 11,370,716 | 10,800,472 |
| Maintenance Ad Valorem Taxes (net) | 13,258,104 | 11,853,117 |
| Debt Service Ad Valorem Taxes (net) | 681,413 | 672,458 |
| Federal Revenue, Non-Operating | 6,511,577 | 6,288,816 |
| Gifts | 52,019 | 44,347 |
| Investment Income | 114,612 | 109,167 |
| Gain on Sale of Capital Assets | 6,380 | 455 |
| Interest on Capital Related Debt | (410,783) | (423,735) |
| Other Non-Operating Revenues | - | 264 |
| Net Non-Operating Revenues (Schedule C) | 31,584,038 | 29,345,361 |
| Increase in Net Position | 11,993,049 | 1,280,355 |
| NET POSITION | | |
| Net Position - Beginning of Year | 56,484,057 | 55,203,702 |
| Cumulative Effect of Change in Accounting Principle (Note 2) | (17,123,475) | - |
| Net Position - Beginning of Year, restated | 39,360,582 | 55,203,702 |
| Net Position - End of Year | \$ 51,353,631 | \$ 56,484,057 |

*Due to the effects of implementing GASB 75, certain 2018 balances are not comparable with 2017 balances (see Note 2).

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Component Unit
Statement of Activities
For the Year Ended August 31, 2018**

EXHIBIT 2

| | <u>Weatherford College Foundation, Inc.</u> |
|--------------------------------|--|
| REVENUE | |
| Contributions | \$ 253,858 |
| Interest and Dividends | 193,196 |
| Investment Return, Net | <u>268,133</u> |
| Total Revenue | <u>715,187</u> |
| EXPENSES | |
| Contractual | 37,024 |
| Contributions | 25,532 |
| Legal and Professional | 17,270 |
| Other | 32,634 |
| Scholarships | 286,433 |
| Supplies | <u>1,944</u> |
| Total Expenses | <u>400,837</u> |
| Change in Net Assets | 314,350 |
| Net Assets - Beginning of Year | <u>8,668,437</u> |
| Net Assets - End of Year | <u><u>\$ 8,982,787</u></u> |

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Statements of Cash Flows
For the Years Ended August 31, 2018 and 2017**

EXHIBIT 3

| | 2018 | 2017 |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Students and Other Customers | \$ 11,379,976 | \$ 10,112,054 |
| Receipts from Grants and Contracts | 3,772,854 | 3,936,050 |
| Payments to Suppliers for Goods or Services | (12,294,420) | (11,233,841) |
| Payments to or on behalf of Employees | (23,927,356) | (23,791,051) |
| Payments for Scholarships | (4,187,211) | (3,651,733) |
| Other Receipts | 2,008,347 | 809,648 |
| Net Cash Used by Operating Activities | (23,247,810) | (23,818,873) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Receipts from State Appropriations | 8,937,062 | 8,682,945 |
| Receipts from Ad Valorem Taxes | 13,245,378 | 11,842,974 |
| Receipts from Non-Operating Federal Revenue | 6,561,545 | 6,193,569 |
| Receipts from Gifts and Grants (Other Than Capital) | 49,816 | 40,945 |
| Receipts from Student Organizations and Other Agency Transactions | 17,039 | 18,810 |
| Proceeds from Overpayment of State Appropriations | - | 718,423 |
| Payments on Overpayment of State Appropriations | (287,370) | (287,370) |
| Net Cash Provided by Non-Capital Financing Activities | 28,523,470 | 27,210,296 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from Issuance of Capital Debt | 507,322 | - |
| Proceeds from the Sale of Capital Assets | 6,380 | 455 |
| Receipts from Ad Valorem Taxes | 680,418 | 671,136 |
| Purchases of Capital Assets | (1,345,758) | (412,255) |
| Payments on Capital Debt - Principal | (1,262,600) | (1,109,783) |
| Payments on Capital Debt - Interest | (490,545) | (510,355) |
| Net Cash Used by Capital and Related Financing Activities | (1,904,783) | (1,360,802) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Sales and Maturities of Investments | 45 | 219 |
| Receipts from Investment Earnings | 145,305 | 133,252 |
| Net Cash Provided by Investing Activities | 145,350 | 133,471 |
| Increase in Cash and Cash Equivalents | 3,516,227 | 2,164,092 |
| Cash and Cash Equivalents - September 1 | 33,281,177 | 31,117,085 |
| Cash and Cash Equivalents - August 31 | \$ 36,797,404 | \$ 33,281,177 |
| Reconciliation to Exhibit 1: | | |
| Cash and Cash Equivalents | \$ 31,423,781 | \$ 27,700,146 |
| Restricted Cash and Cash Equivalents | 5,373,623 | 5,581,031 |
| Total Cash and Cash Equivalents | \$ 36,797,404 | \$ 33,281,177 |

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Statements of Cash Flows
For the Years Ended August 31, 2018 and 2017**

EXHIBIT 3

| | 2018 | 2017 |
|---|------------------------|------------------------|
| Non-Cash Investing, Capital and Financing Activities: | | |
| Gift of Capital Asset | <u>\$ 2,202</u> | <u>\$ 3,402</u> |
| Net Increase (Decrease) in Fair Value of Investments | <u>\$ 6,899,021</u> | <u>\$ (2,447)</u> |
| Reconciliation of Operating Loss to Net Cash Used By Operating Activities: | | |
| Operating Loss | \$ (19,590,989) | \$ (28,065,006) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | | |
| Depreciation Expense | 2,006,038 | 2,200,050 |
| Unrealized (Gain) Loss on Fair Value of Investments | (6,905,690) | 4,168 |
| Bad Debt Expense | 16,509 | 25,151 |
| Payments Made Directly by State for Benefits | 2,433,654 | 2,117,527 |
| Investment Income (Program Restricted) | (24,024) | (25,806) |
| Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources | | |
| Receivables, Net | 322,823 | (589,424) |
| Other Assets - Current | (322,050) | (84,061) |
| Prepaid Expenses | (182,275) | 73,115 |
| Deferred Outflows of Resources | (1,849,470) | 385,469 |
| Accounts Payable | 639,632 | 131,003 |
| Unearned Revenue | (138,816) | 319,926 |
| Compensated Absences | 64,548 | 48,097 |
| Net Pension Liability | (875,159) | (104,649) |
| Net OPEB Liability | (2,454,083) | - |
| Deferred Inflows of Resources | <u>3,611,542</u> | <u>(254,433)</u> |
| Net Cash Used By Operating Activities | <u>\$ (23,247,810)</u> | <u>\$ (23,818,873)</u> |

**NOTES TO THE
FINANCIAL STATEMENTS**

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

1. REPORTING ENTITY

Weatherford College of the Parker County Junior College District (the College) was established in 1869, in accordance with the laws of the State of Texas, to serve the educational needs of Weatherford and the surrounding communities. The College is considered to be a special purpose, primary government according to the definition in the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This section provides a summary of the College's significant accounting activities and other topics related to the College's financial reporting.

Reporting Guidelines

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

Tuition Discounting

Texas Public Education Grants (TPEG)

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set-aside, called the 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 a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act (HEA) Program Funds

Certain Title IV HEA Program funds are received by the College to pass through to the student. These funds are initially received by the College and recorded as revenue. When the award is used by the student 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.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Tuition Discounts

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

Basis of Accounting

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

Budgetary Data

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

Cash and Cash Equivalents

For the purpose of cash flows, the College considers cash and cash equivalents as 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 Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. The College has deferred outflows related to the pension plan, see additional information in Note 9, and other post-employment benefits, see additional information in Note 13.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Current Cash and Investments

Non-current cash and investments are set aside and classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited to obligations, such as, scholarships, revenue bonds, general obligation bonds, and endowments.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the College reports investments 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 time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Capital Assets

The College records capital assets 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. The College capitalizes renovations of \$100,000 to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure. The College charges costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives to operating expense 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, generally 50 years for buildings, 20 years for land improvements, 15 years for library books, 10 years for furniture, machinery, vehicles, and other equipment, and 5 years for telecommunications and peripheral equipment.

Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) 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 other post-employment benefits; OPEB expense; and information about assets, liabilities, and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and 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 pensions, 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 the benefit terms. Investments are reported at fair value.

Unearned Revenue

Revenues, primarily consisting of grants, tuition, fees, and meal charges, related to academic terms in the next fiscal year are recorded on the Statement of Net Position as unearned revenue in the current fiscal year. Tuition and fees of \$7,794,959 and \$7,548,922 and federal, state, and local grants of \$911,564 and \$1,296,417 have been reported as unearned revenue at August 31, 2018 and 2017, respectively.

Bonds Payable

Bonds payable are reported net of applicable bond premium, which is deferred and amortized using the effective interest method.

Deferred Inflows

In addition to liabilities, the College is aware that the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by the GASB. The College has deferred inflows related to the pension plan, see additional information in Note 9, and other post-employment benefits, see additional information in Note 13.

Estimates

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

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a BTA 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 is not performed by the College.

Application of Restricted and Unrestricted Resources

The College's policy is to first apply an expense against restricted resources then towards unrestricted resources, when both are available to pay an expense.

Prior Year Restatement

Effective for fiscal year 2018, the College implemented GASB Statement No. 75, *Accounting for OPEB*. Accordingly, a restatement to beginning net position was required for the recording of the beginning net OPEB liability and for the recording of deferred outflows of resources related to OPEB for contributions made to the ERS OPEB plan subsequent to the measurement date of the beginning net OPEB liability.

Because audited beginning balances could not be obtained for all of the deferred outflows of resources and deferred inflows of resources related to OPEB, the College determined it was impractical to restate its fiscal year 2017 financial statements. As such, the College recorded a restatement to beginning net position in the fiscal year 2018 financial statements as a cumulative effect of a change in accounting principle.

Beginning net position as of September 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75:

| | |
|--|----------------------|
| Beginning net position | \$ 56,484,057 |
| Cumulative effect of change in accounting principle (GASB 75): | |
| Beginning Net OPEB liability (measurement date as of August 31, 2017) | (17,526,806) |
| Deferred outflow for College contributions to ERS plan during fiscal year 18 | 403,331 |
| Beginning net position, as restated | <u>\$ 39,360,582</u> |

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

3. AUTHORIZED INVESTMENTS

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

4. DEPOSITS AND INVESTMENTS

The College's deposits and investments are invested pursuant to the Investment Policy, which is approved annually by the College's Board of Trustees. The Investment Policy includes a list of authorized investment instruments and a maximum allowable maturity of any individual investment. In addition, it includes an Investment Strategy Statement that addresses the unique characteristics of the fund groups and describes the priorities of investment types, safety of principal, maximization of returns, and the assurance that anticipated cash flows are matched with adequate investment liquidity.

The College's Executive Vice President of Financial and Administrative Affairs submits an investment summary report quarterly to the Board of Trustees. The report details the investment position of the College and the compliance of the investment portfolio as it relates to both the adopted investment strategy statement and the investment policy.

The College is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Certificates of Deposits that are legally authorized and adequately secured;
and
2. U.S. Treasury Bills with a maximum security of twelve months.

No other investments shall be made without approval of a majority of the Board of Trustees.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

4. DEPOSITS AND INVESTMENTS (Continued)

Cash and Deposits

Cash and Cash Equivalents reported on Exhibit 1, Statements of Net Position, consist of the items reported below:

| <u>Cash and Cash Equivalents</u> | <u>8/31/2018</u> | <u>8/31/2017</u> |
|--|----------------------|----------------------|
| Bank Deposits - Time Deposits | \$ 36,792,679 | \$ 33,276,277 |
| Petty Cash | 4,725 | 4,900 |
| Total Cash and Cash Equivalents | \$ 36,797,404 | \$ 33,281,177 |

Investments

Investments reported on Exhibit 1, Statements of Net Position, consist of the items reported below:

| <u>Types of Investments</u> | <u>Maturity</u> | <u>Market Value 8/31/2018</u> | <u>Market Value 8/31/2017</u> |
|-------------------------------|-----------------|-----------------------------------|-----------------------------------|
| U.S. Agency Bonds - Federal | | | |
| National Mortgage Association | 3/2022 | \$ 127 | \$ 173 |
| Mineral Rights | N/A | 45,801 | 12,300 |
| Real Estate | N/A | 15,620,000 | 8,754,480 |
| Total Investments | | \$ 15,665,928 | \$ 8,766,953 |

Interest Rate Risk – In accordance with state law and the College's investment policy, the College does not purchase any investments with maturities greater than one year, unless assets are held in debt retirement funds which may be invested in maturities exceeding one year. As of August 31, 2018 and 2017, the College was not exposed to interest rate risk.

Credit Risk - The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. As of August 31, 2018 and 2017, the U.S. Agency Bonds (FNMA) were rated AA+ by Standard and Poor's.

Concentration of Credit Risk - The College does not place a limit on the amount that may be invested in any one issuer.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

4. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the College’s name. At August 31, 2018 and 2017, the College’s cash and cash equivalents were not exposed to custodial credit risk.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College, and are held by either the counterparty’s trust department or agent but not in the College’s name. At August 31, 2018 and 2017, the College’s investment securities were not exposed to custodial credit risk.

Reconciliation of Deposits and Investments between Note 4 and Exhibit 1 for Primary Government:

| | <u>8/31/2018</u> | <u>8/31/2017</u> |
|--------------------------------------|----------------------|----------------------|
| Per Note 4: | | |
| Cash and Cash Equivalents | \$ 36,797,404 | \$ 33,281,177 |
| U.S. Agency Bonds | 127 | 173 |
| Real Estate Investments | 15,620,000 | 8,754,480 |
| Mineral Right Investment | 45,801 | 12,300 |
| Total Deposits and Investments | <u>\$ 52,463,332</u> | <u>\$ 42,048,130</u> |
| Per Exhibit 1: | | |
| Cash and Cash Equivalents | \$ 31,423,781 | \$ 27,700,146 |
| Restricted Cash and Cash Equivalents | 5,373,623 | 5,581,031 |
| Other Long-Term Investments | 127 | 173 |
| Endowment Investments | 45,801 | 12,300 |
| Investments in Real Estate | 15,620,000 | 8,754,480 |
| Total Deposits and Investments | <u>\$ 52,463,332</u> | <u>\$ 42,048,130</u> |

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The College's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets for identical assets or liabilities that the government can access at the measurement date.

Level 2 – Investments reflect prices that are based on a similar observable asset or liability either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources for the asset or liability.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

The fair value hierarchy of investments at August 31, 2018 follows:

| | 8/31/2018 | | | | 8/31/2017 |
|---|---------------|----------------------|-------------|----------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total | Total |
| Asset and Mortgage Backed Securities | \$ 127 | \$ - | \$ - | \$ 127 | \$ 173 |
| Mineral Rights | - | 45,801 | - | 45,801 | 12,300 |
| Real Estate | - | 15,620,000 | - | 15,620,000 | 8,754,480 |
| Total Investments | \$ 127 | \$ 15,665,801 | \$ - | \$ 15,665,928 | \$ 8,766,953 |

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

6. CAPITAL ASSETS

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

| | Balance 9/1/2017 | Increases | Decreases | Balance 8/31/2018 |
|--|----------------------|---------------------|-----------------|----------------------|
| Not Depreciated: | | | | |
| Land | \$ 1,214,301 | \$ - | \$ - | \$ 1,214,301 |
| Collections | 12,150 | - | - | 12,150 |
| Subtotal | <u>1,226,451</u> | <u>-</u> | <u>-</u> | <u>1,226,451</u> |
| Other Capital Assets: | | | | |
| Buildings | 45,634,297 | 69,940 | - | 45,704,237 |
| Land Improvements | 8,773,108 | - | - | 8,773,108 |
| Library Books | 988,636 | 44,185 | 89,818 | 943,003 |
| Furniture, Machinery, Vehicles, and Other Equipment | 6,916,044 | 673,207 | 24,117 | 7,565,134 |
| Work-in-Process | - | 561,709 | - | 561,709 |
| Subtotal | <u>62,312,085</u> | <u>1,349,041</u> | <u>113,935</u> | <u>63,547,191</u> |
| Accumulated Depreciation: | | | | |
| Buildings | 13,985,088 | 1,073,514 | - | 15,058,602 |
| Land Improvements | 3,837,114 | 342,558 | - | 4,179,672 |
| Library Books | 215,221 | 61,488 | 88,738 | 187,971 |
| Furniture, Machinery, Vehicles, and Other Equipment | 4,581,078 | 528,478 | 24,117 | 5,085,439 |
| Subtotal | <u>22,618,501</u> | <u>2,006,038</u> | <u>112,855</u> | <u>24,511,684</u> |
| Net Other Capital Assets | <u>39,693,584</u> | <u>(656,997)</u> | <u>1,080</u> | <u>39,035,507</u> |
| Net Capital Assets | <u>\$ 40,920,035</u> | <u>\$ (656,997)</u> | <u>\$ 1,080</u> | <u>\$ 40,261,958</u> |

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

6. CAPITAL ASSETS (Continued)

Capital assets activity for the year ended August 31, 2017 was as follows:

| | Balance 9/1/2016 | Increases | Decreases | Balance 8/31/2017 |
|--|----------------------|----------------------|----------------|----------------------|
| Not Depreciated: | | | | |
| Land | \$ 1,214,301 | \$ - | \$ - | \$ 1,214,301 |
| Collections | 12,150 | - | - | 12,150 |
| Subtotal | <u>1,226,451</u> | <u>-</u> | <u>-</u> | <u>1,226,451</u> |
| Other Capital Assets: | | | | |
| Buildings | 45,634,297 | - | - | 45,634,297 |
| Land Improvements | 8,773,108 | - | - | 8,773,108 |
| Library Books | 1,036,495 | 44,073 | 91,932 | 988,636 |
| Furniture, Machinery, Vehicles, and Other Equipment | 6,580,370 | 372,122 | 36,448 | 6,916,044 |
| Subtotal | <u>62,024,270</u> | <u>416,195</u> | <u>128,380</u> | <u>62,312,085</u> |
| Accumulated Depreciation: | | | | |
| Buildings | 12,682,071 | 1,303,017 | - | 13,985,088 |
| Land Improvements | 3,491,728 | 345,386 | - | 3,837,114 |
| Library Books | 245,137 | 61,478 | 91,394 | 215,221 |
| Furniture, Machinery, Vehicles, and Other Equipment | 4,127,357 | 490,169 | 36,448 | 4,581,078 |
| Subtotal | <u>20,546,293</u> | <u>2,200,050</u> | <u>127,842</u> | <u>22,618,501</u> |
| Net Other Capital Assets | <u>41,477,977</u> | <u>(1,783,855)</u> | <u>538</u> | <u>39,693,584</u> |
| Net Capital Assets | <u>\$ 42,704,428</u> | <u>\$(1,783,855)</u> | <u>\$ 538</u> | <u>\$ 40,920,035</u> |

7. NON-CURRENT LIABILITIES

Non-current liability activity for the year ended August 31, 2018 was as follows:

| | Balance September 1, 2017 | Additions | Reductions | Balance August 31, 2018 | Current Portion |
|-------------------------------------|---------------------------------|----------------------|---------------------|-------------------------------|---------------------|
| Limited Tax Refunding Bonds | \$ 2,710,000 | \$ - | \$ 510,000 | \$ 2,200,000 | \$ 520,000 |
| Revenue Bonds | 6,455,000 | - | 310,000 | 6,145,000 | 315,000 |
| Bond Premium | 488,782 | - | 77,949 | 410,833 | 70,773 |
| Notes Payable | 5,297,868 | - | 337,317 | 4,960,551 | 366,081 |
| Leases Payable | - | 507,322 | 105,283 | 402,039 | 94,420 |
| Overpayment of State Appropriations | 1,092,002 | - | 287,370 | 804,632 | 287,370 |
| Net Pension Liability | 5,700,770 | 529,937 | 1,405,096 | 4,825,611 | N/A |
| Net OPEB Liability | - | 19,163,873 | 4,494,481 | 14,669,392 | 74,434 |
| Compensated Absences | 438,040 | 502,588 | 438,040 | 502,588 | 502,588 |
| Total Non-Current Liabilities | <u>\$ 22,182,462</u> | <u>\$ 20,703,720</u> | <u>\$ 7,965,536</u> | <u>\$ 34,920,646</u> | <u>\$ 2,230,666</u> |

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

7. NON-CURRENT LIABILITIES (Continued)

Non-current liability activity for the year ended August 31, 2017 was as follows:

| | Balance September 1, 2016 | Additions | Reductions | Balance August 31, 2017 | Current Portion |
|--------------------------------------|---------------------------------|---------------------|---------------------|-------------------------------|---------------------|
| Limited Tax Refunding Bonds | \$ 3,205,000 | \$ - | \$ 495,000 | \$ 2,710,000 | \$ 510,000 |
| Revenue Bonds | 6,760,000 | - | 305,000 | 6,455,000 | 310,000 |
| Bond Premium | 573,060 | - | 84,278 | 488,782 | 77,949 |
| Notes Payable | 5,607,651 | - | 309,783 | 5,297,868 | 337,317 |
| Overpayment of State Appropriations | 660,949 | 718,423 | 287,370 | 1,092,002 | 287,370 |
| Net Pension Liability | 5,805,419 | 613,788 | 718,437 | 5,700,770 | n/a |
| Compensated Absences | 389,943 | 438,040 | 389,943 | 438,040 | 438,040 |
| Total Non-Current Liabilities | \$ 23,002,022 | \$ 1,770,251 | \$ 2,589,811 | \$ 22,182,462 | \$ 1,960,676 |

8. DEBT AND LEASE OBLIGATIONS

General information related to bonds payable is summarized below:

Limited Tax Refunding Bonds, General Obligation Bonds, Series 2016

- To refund the Limited Tax Refunding Bonds, Series 2007.
- Issued June 1, 2016.
- \$3,260,000; all authorized bonds have been issued.
- Source of revenue for debt service – assessment of property taxes.
- Outstanding balance of \$2,200,000 and \$2,710,000 at August 31, 2018 and 2017, respectively, bearing interest at 2.00% to 3.00%.
- Issued at a premium of \$183,642, of which \$87,462 and \$128,017 was unamortized at August 31, 2018 and 2017, respectively.

Bonds payable are due in annual installments varying from \$55,000 to \$580,000 with interest rates from 2.00% to 3.00% with final installment due in 2022.

**WEATHERFORD COLLEGE OF THE PARKER
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8. DEBT AND LEASE OBLIGATIONS (Continued)

Consolidated Fund Bonds, Revenue Bonds, Series 2012

- To purchase student housing facilities.
- Issued October 1, 2012.
- \$7,980,000; all authorized bonds have been issued.
- Source of revenue for debt service – tuition and fees.
- Outstanding balance of \$6,145,000 and \$6,455,000 at August 31, 2018 and 2017, respectively, bearing interest at 2.00% to 4.00%.
- Issued at a premium of \$558,377, of which \$323,371 and \$360,765 was unamortized at August 31, 2018 and 2017, respectively.

Bonds payable are due in annual installments varying from \$290,000 to \$525,000 with interest rates from 2.00% to 4.00% with final installment due in 2033.

Note Payable – All American Investment Group, LLC

- To upgrade facilities' energy management systems at the Main and Wise County Campuses.
- Original loan date – January 15, 2013.
- Total balance of \$3,752,878, is payable in 30 semi-annual installments, which includes interest at a rate of 2.35%.
- Source of revenue for debt service – unrestricted revenue.
- Outstanding balance of \$2,775,551 and \$2,972,868 at August 31, 2018 and 2017, respectively.

The notes payable are due in semi-annual installments varying from \$116,822 to \$267,695 with an interest rate of 2.35% with the final installment to be paid in 2028.

Note Payable – Maintenance Tax Notes, Series 2011

- To replace roofs and renovate classrooms and to pay related fees and the costs of issuance associated with the tax notes.
- Original loan date – March 15, 2011.
- Total balance of \$3,045,000, is payable in 19 yearly installments, which includes interest at a rate of 4.15%.
- Source of revenue for debt service – unrestricted revenue.
- Outstanding balance of \$2,185,000 and \$2,325,000 at August 31, 2018 and 2017, respectively.

The notes payable are due in annual installments varying from \$100,000 to \$225,000 with an interest rate of 4.15% with the final installment due in 2030.

**WEATHERFORD COLLEGE OF THE PARKER
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8. DEBT AND LEASE OBLIGATIONS (Continued)

Overpayment of State Appropriations

- The College was overpaid state appropriations from the Texas Higher Education Coordinating Board (THECB) during the fiscal years ending August 31, 2017 and 2016 of \$718,423 each fiscal year totaling \$1,436,846 related to a contact hour adjustment on the formula funding for the 2016-2017 biennium.
- Repayment will be recouped by the THECB withholding \$28,737 of each future state appropriation payment scheduled to be transferred to the College over 50 payments.
- Source of revenue for debt service – unrestricted revenue.
- Outstanding Balance of \$804,632 and \$1,092,002 at August 31, 2018 and 2017, respectively.

The principal and interest expense requirements for the next five years and beyond are summarized below for the debt issued.

| Year Ended August 31, | Limited Tax Refunding Bonds | | | Revenue Bonds | | | Amortization of Bond Premium |
|--------------------------|-----------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|------------------------------------|
| | Bonds Principal | Interest | Total | Bonds Principal | Interest | Total | |
| 2019 | \$ 520,000 | \$ 66,000 | \$ 586,000 | \$ 315,000 | \$ 232,550 | \$ 547,550 | \$ 70,773 |
| 2020 | 540,000 | 50,400 | 590,400 | 325,000 | 223,100 | 548,100 | 60,880 |
| 2021 | 560,000 | 34,200 | 594,200 | 335,000 | 213,350 | 548,350 | 50,618 |
| 2022 | 580,000 | 17,400 | 597,400 | 350,000 | 203,300 | 553,300 | 39,983 |
| 2023 | - | - | - | 360,000 | 192,800 | 552,800 | 29,720 |
| 2024 - 2028 | - | - | - | 2,010,000 | 737,800 | 2,747,800 | 113,403 |
| 2029 - 2033 | - | - | - | 2,450,000 | 301,200 | 2,751,200 | 45,455 |
| 2034 - 2038 | - | - | - | - | - | - | - |
| Total | \$ 2,200,000 | \$ 168,000 | \$ 2,368,000 | \$ 6,145,000 | \$ 2,104,100 | \$ 8,249,100 | \$ 410,832 |

| Year Ended August 31, | Notes Payable | | | Overpayment of State Appropriation |
|--------------------------|---------------------|-------------------|---------------------|--|
| | Notes Principal | Interest | Total | |
| 2019 | \$ 366,081 | \$ 154,633 | \$ 520,714 | \$ 287,370 |
| 2020 | 383,399 | 143,348 | 526,747 | 287,370 |
| 2021 | 401,220 | 131,564 | 532,784 | 229,892 |
| 2022 | 424,564 | 119,267 | 543,831 | - |
| 2023 | 443,450 | 106,240 | 549,690 | - |
| 2024 - 2028 | 2,501,837 | 314,570 | 2,816,407 | - |
| 2029 - 2033 | 440,000 | 27,597 | 467,597 | - |
| Total | \$ 4,960,551 | \$ 997,219 | \$ 5,957,770 | \$ 804,632 |

**WEATHERFORD COLLEGE OF THE PARKER
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8. DEBT AND LEASE OBLIGATIONS (Continued)

The College has entered into certain capital lease agreements under which the related equipment will become the property of the College when all terms of the lease agreements are met.

Obligations under capital leases at August 31, 2018, were as follows:

| Year Ended | Total |
|---|------------|
| 2019 | \$ 111,240 |
| 2020 | 111,240 |
| 2021 | 111,240 |
| 2022 | 111,240 |
| Total Minimum Lease Payments | 444,960 |
| Less: Interest | (42,921) |
| Present Value of Minimum Lease Payments | \$ 402,039 |

9. EMPLOYEES' RETIREMENT PLANS

Teacher Retirement System of Texas - Defined Benefit Pension Plan

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). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. 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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

**WEATHERFORD COLLEGE OF THE PARKER
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9. EMPLOYEES' RETIREMENT PLANS (Continued)

Pension Plan Fiduciary Net Position

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

The College's portion of the plan's fiduciary net position has been determined on the same basis as that used by the plan. The fiduciary net position of the TRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions, 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 the benefit terms. Investments are reported at fair value.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of 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 are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

9. EMPLOYEES' RETIREMENT PLANS (Continued)

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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

| | <u>Contribution Rates</u> | |
|---|---------------------------|-------------|
| | <u>Fiscal Years</u> | |
| | <u>2017</u> | <u>2018</u> |
| Member | 7.7% | 7.7% |
| Non-Employer Contributing Entity (NECE) - State | 6.8% | 6.8% |
| Employers | 6.8% | 6.8% |

Fiscal Year Contributions

| | |
|-----------------------------------|-----------|
| 2017 Member Contributions | \$937,354 |
| 2017 NECE On-behalf Contributions | \$354,498 |
| 2017 Employer Contributions | \$495,628 |

The College's contributions to the TRS pension plan in fiscal year 2018 were \$513,849 as reported in the Schedule of the College's Contributions for Pensions in the Required Supplementary Information section of these financial statements. Estimated State of Texas (NECE) on-behalf contributions for fiscal year 2018 were \$366,883.

**WEATHERFORD COLLEGE OF THE PARKER
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9. EMPLOYEES' RETIREMENT PLANS (Continued)

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 contribution rate in the following instances:

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

**WEATHERFORD COLLEGE OF THE PARKER
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9. EMPLOYEES' RETIREMENT PLANS (Continued)

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|----------------------------------|
| Valuation Date | August 31, 2017 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Actuarial Assumptions: | |
| Single Discount Rate | 8.00% |
| Long-term Expected Rate | 8.00% |
| Municipal Bond Rate | N/A* |
| Last year ending August 31 in 2017 to 2116 Projection period (100 years) | 2116 |
| Inflation | 2.50% |
| Salary increases | 3.5% to 9.5% including inflation |
| Ad hoc post-employment benefit changes | None |

**If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the rate closest to but not later than the Measurement date). The 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."*

Actuarial methods and assumptions were updated based on a study of actual experience for the four-year period ending August 31, 2014, and adopted on September 24, 2015, by the TRS Board of Trustees, who has sole authority to determine the actuarial assumptions used for the plan. 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.

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

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9. EMPLOYEES' RETIREMENT PLANS (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.0 percent. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position 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 8 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 system's target asset allocation as of August 31, 2017, are summarized below:

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9. EMPLOYEES' RETIREMENT PLANS (Continued)

| Asset Allocation and Long-Term Expected Real Rate of Return | | | |
|--|----------------------|--|--|
| Asset Class | Target Allocation | Long-Term Expected Geometric Real Rate of Return | Expected Contribution to Long-Term Portfolio Returns * |
| Global Equity | | | |
| U.S. | 18% | 4.6% | 1.0% |
| Non-U.S. Developed | 13% | 5.1% | 0.8% |
| Emerging Markets | 9% | 5.9% | 0.7% |
| Directional Hedge Funds | 4% | 3.2% | 0.1% |
| Private Equity | 13% | 7.0% | 1.1% |
| Stable Value | | | |
| U.S. Treasuries | 11% | 0.7% | 0.1% |
| Absolute Return | 0% | 1.8% | 0.0% |
| Stable Value Hedge Funds | 4% | 3.0% | 0.1% |
| Cash | 1% | -0.2% | 0.0% |
| Real Return | | | |
| Global Inflation Linked Bonds | 3% | 0.9% | 0.0% |
| Real Assets | 16% | 5.1% | 1.1% |
| Energy and Natural Resources | 3% | 6.6% | 0.2% |
| Commodities | 0% | 1.2% | 0.0% |
| Risk Parity | | | |
| Risk Parity | 5% | 6.7% | 0.3% |
| Inflation Expectation | | | 2.2% |
| Alpha | | | 1.0% |
| Total | <u>100%</u> | | <u>8.7%</u> |

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

Source: Teacher Retirement System of Texas 2017 Comprehensive Annual Financial Report

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9. EMPLOYEES' RETIREMENT PLANS (Continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

| | 1% Decrease in Discount Rate (7.0%) | Discount Rate (8.0%) | 1% Increase in Discount Rate (9.0%) |
|--|---|-------------------------|---|
| College's proportionate share of the net pension liability: | \$8,135,028 | \$4,825,611 | \$2,069,986 |

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

At August 31, 2018, the College reported a liability of \$4,825,611 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 | \$4,825,611 |
| State's proportionate share that is associated with the College | <u>3,465,765</u> |
| Total | <u><u>\$8,291,376</u></u> |

The net pension liability was measured as of August 31, 2017, 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, 2016 through August 31, 2017.

At the measurement date of August 31, 2017, the College's proportion of the collective net pension liability was 0.015092 percent which was a decrease of 0.0398353 percent from its proportion measured as of August 31, 2016.

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9. EMPLOYEES' RETIREMENT PLANS (Continued)

Changes Since the Prior Actuarial Valuation – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2018, the College recognized pension expense of \$354,498 and revenue of \$354,498 for support provided by the State.

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual economic experience | \$ 70,601 | \$ 260,239 |
| Changes in actuarial assumptions | 219,814 | 125,839 |
| Difference between projected and actual investment earnings | 742,123 | 1,093,803 |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | - | 725,056 |
| Contributions paid to TRS subsequent to the measurement date | <u>513,849</u> | <u>-</u> |
| Total | <u>\$ 1,546,387</u> | <u>\$2,204,937</u> |

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

| <u>Year ended August 31:</u> | <u>Pension Expense Amount</u> |
|----------------------------------|-----------------------------------|
| 2019 | \$ (325,606) |
| 2020 | (17,575) |
| 2021 | (349,267) |
| 2022 | (413,826) |
| 2023 | (61,596) |
| Thereafter | (4,529) |

**WEATHERFORD COLLEGE OF THE PARKER
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9. EMPLOYEES' RETIREMENT PLANS (Continued)

Optional Retirement Plan - Defined Contribution Plan

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas Legislature. The percentages of participant salaries currently contributed by the State/College and each participant are 6.60 percent and 6.65 percent, respectively. The College contributes an additional 1.31 percent for employees who were participating in the optional retirement program prior to September 1, 1995 and an additional 0.18 percent for all employees participating in the optional retirement plan. 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. Senate Bill 1812, 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the State's contribution to 50 percent of eligible employees in the reporting district.

The retirement expense to the State for the College was \$188,223 and \$183,153 for the fiscal years ended August 31, 2018 and 2017, respectively. This amount represents the portion of expended appropriations made by the Legislature on behalf of the College.

The total payroll for all College employees was \$21,010,047 and \$20,330,642 for fiscal years 2018 and 2017, respectively. The total payroll of employees covered by the TRS was \$12,543,569 and \$12,173,411, and the total payroll of employees covered by the Optional Retirement Program was \$5,977,590 and \$5,891,851 for fiscal years 2018 and 2017, respectively.

10. 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 Texas Government Code 609.001. As of August 31, 2018 and 2017, the College had 52 and 44 employees, respectively, participating in the program. A total of \$321,060 and \$281,708 in payroll deductions had been invested in approved plans during the fiscal years ended August 31, 2018 and 2017, respectively.

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11. COMPENSABLE ABSENCES

Full-time employees earn annual leave from .833 to 1.25 days per month depending on the number of years employed with the College. The College's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum of fifteen days (120 hours). Employees with at least three months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The College recognized the accrued liability for the unpaid annual leave in the amount of \$502,588 and \$438,040 for the fiscal years ended August 31, 2018 and 2017, respectively.

Sick leave is earned at the rate of one day per month per contract length and can be accumulated up to a maximum of 60 days (480 hours). The College's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since all accrued sick leave is forfeited by employees upon termination of employment.

12. 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 contribution per full-time employee was \$621.90 per month for the year ended August 31, 2018, and totaled \$1,571,555 for the year. The cost of providing those benefits for 90 retirees in the year ended August 31, 2018, was \$365,608. For 300 active employees, the cost of providing benefits was \$1,205,947 for the year ended August 31, 2018. The State's contribution per full-time employee was \$617.30 per month for the year ended August 31, 2017, and totaled \$1,582,850 for the year. The cost of providing those benefits for 87 retirees in the year ended August 31, 2017, was \$347,488. For 293 active employees, the cost of providing benefits was \$1,235,362 for the year ended August 31, 2017. Senate Bill 1812, 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the State's contribution to 50 percent of eligible employees in the reporting district.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

13. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The College participates in a cost-sharing, multiple-employer, other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain 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-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377.

Benefits Provided

Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum 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.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Contributions

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

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

Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
Fiscal Year 2017

| | |
|--------------------|-----------|
| Retiree only | \$ 617.30 |
| Retiree & Spouse | 970.98 |
| Retiree & Children | 854.10 |
| Retiree & Family | 1,207.78 |

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, 2017 and 2016

| | 2017 | 2016 |
|--|----------------|----------------|
| Employers | \$ 890,735,173 | \$ 663,986,538 |
| Members (Employees) | 195,806,162 | 183,284,339 |
| Nonemployer Contributing Entity (State of Texas) | 44,433,743 | N/A |

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of August 31, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions
ERS Group Benefits Program Plan

| | |
|--|---|
| Valuation Date | August 31, 2017 |
| Actuarial Cost Method | Entry age |
| Amortization Method | Level percent of pay, open |
| Remaining Amortization Period | 30 years |
| Asset Valuation Method | N/A |
| Discount Rate | 3.51% |
| Projected Annual Salary Increase (Includes Inflation) | 2.50% to 9.50% |
| Annual Healthcare Trend Rate | 8.50% for FY 2019, decreasing 0.5% per year to 4.50% for FY 2027 and later years |
| Inflation Assumption Rate | 2.50% |
| Ad Hoc Post-Employment Benefit Changes | None |
| Mortality Assumptions: | |
| Service Retirees, Survivors, and Other Inactive Members | Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 |
| Disability Retirees | Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 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 full generational projection using Scale BB |

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

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, 2014 for higher education members.

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 2.84%. The discount rate used to measure the total OPEB liability as of the *end* of the measurement year was 3.51%, which amounted to an increase of 0.67%. The source of the municipal bond rate was the Bond Buyer Index of general obligations 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 schedule shows the impact on 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 (3.51%) in measuring the net OPEB Liability.

| | 1% Decrease in Discount Rate (2.51%) | Discount Rate (3.51%) | 1% Increase in Discount Rate (4.51%) |
|---|--|--------------------------|--|
| College's proportionate share of the net OPEB liability: | \$17,510,968 | \$14,669,392 | \$12,468,338 |

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Healthcare Trend Rate Sensitivity Analysis

The initial healthcare trend rate is 8.5% and the ultimate rate is 4.5%. The following schedule shows the impact on the College's proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used (8.5% decreasing to 4.5%) in measuring the net OPEB liability.

| | 1% Decrease (7.50%) decreasing to 3.50%) | Current Healthcare Cost Trend Rates (8.50%) decreasing to 4.50%) | 1% Increase (9.50%) decreasing to 5.50%) |
|--|---|---|---|
| College's proportionate share of the net OPEB liability: | \$12,332,119 | \$14,669,392 | \$17,702,140 |

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

At August 31, 2018, the College reported a liability of \$14,669,392 for its proportionate share of the ERS's net OPEB liability. The liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

| | |
|--|---------------|
| College's proportionate share of the collective net OPEB liability | \$ 14,669,392 |
| State's proportionate share that is associated with the College | 347,488 |
| Total | \$ 15,016,880 |

The net OPEB liability was measured as of August 31, 2017, 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 portion 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, 2017 through August 31, 2017.

At the measurement date of August 31, 2017, the employer's proportion of the collective net OPEB liability was 0.04305282%.

For the year ended August 31, 2018, the College recognized OPEB expense of \$347,488 and revenue of \$347,488 for support provided by the State.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

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:

- Additional demographic assumptions (aggregate payroll increases and rate of general inflation) to reflect an experience study;
- The percentage of current and future retirees and retirees' spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan who will elect to participate at the earliest date at which coverage can commence has been updated to reflect recent plan experience and expected trends;
- Assumptions for administrative expenses, assumed per Capital Health Benefit Costs, Health Benefit Cost and Retiree Contribution trends to reflect recent health plan experience;
- Effects in short-term expectations and revised assumed rate of general inflation.

Changes of Benefit Terms Since Prior Measurement Date – The following benefit revisions have been adopted since the prior valuation:

- An increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- An elimination of the copayment for virtual visits;
- A copay reduction for Airrosti and for out-of-state participants;
- Elimination of the deductible for in-network services and application of a copayment rather than coinsurance to certain services like primary care and specialist visits.

These minor benefit changes have been reflected in the fiscal year 2018 Assumed Per Capita Health Benefit Costs.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual economic experience | \$ - | \$ 176,279 |
| Changes in actuarial assumptions | - | 3,067,194 |
| Differences between projected and actual investment earnings | 4,343 | - |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | - | - |
| Contributions paid to ERS subsequent to the measurement date | <u>2,156,052</u> | <u>-</u> |
| Total | <u>\$ 2,160,395</u> | <u>\$ 3,243,473</u> |

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

| <u>Year Ended August 31:</u> | <u>OPEB Expense Amount</u> |
|----------------------------------|--------------------------------|
| 2019 | \$ (729,426) |
| 2020 | (729,426) |
| 2021 | (729,426) |
| 2022 | (729,426) |
| 2023 | (321,425) |
| Thereafter | - |

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

14. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

Receivables at August 31, 2018 and 2017 were as follows:

| | 8/31/2018 | 8/31/2017 |
|--|--------------|--------------|
| Student Receivables (Net of Allowances of \$1,932,377 and \$1,835,747 for 2018 and 2017, respectively) | \$ 940,850 | \$ 992,090 |
| Taxes Receivable (Net of Allowances of \$201,880 and \$201,880 for 2018 and 2017, respectively) | 340,232 | 326,511 |
| Federal and State Accounts Receivable | 107,873 | 291,977 |
| Other Accounts Receivable | 762,943 | 916,899 |
| | \$ 2,151,898 | \$ 2,527,477 |

Payables

Payables at August 31, 2018 and 2017 were as follows:

| | 8/31/2018 | 8/31/2017 |
|-------------------------------|--------------|--------------|
| Vendor Payable | \$ 1,217,882 | \$ 1,078,912 |
| Salaries and Benefits Payable | 575,882 | 75,220 |
| Accrued Interest | 38,136 | 39,950 |
| | \$ 1,831,900 | \$ 1,194,082 |

15. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA audit and accounting guide, *State and Local Governments*, 8.99). For Federal Contract and Grant Awards, funds expended but not collected are reported as Accounts Receivable (net) on Exhibit 1. Contract and grant awards that are not yet funded, and for which the College 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 2018 and 2017 for which monies have not been received nor funds expended totaled \$104,915 and \$129,152, respectively. Of these amounts, \$48,235 and \$34,874 were from Federal Contract and Grant Awards and \$56,680 and \$94,278 were from State Contract and Grant Awards for fiscal years ended 2018 and 2017, respectively.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

16. SELF-INSURED PLANS

In 1995, the College began participating in the Texas Public Junior and Community College Employee Benefits Consortium (Consortium), which was established in 1991 by several Texas area community colleges as a means of reducing the costs of workers compensation insurance. The Consortium is a public entity risk pool currently operating as a common risk management and insurance program for the member colleges. The main purpose of the Consortium is to jointly self-insure certain workers compensation risks up to an agreed upon retention limit. For the year ended August 31, 2018, the College paid an annual premium of \$51,606 plus \$74,007 toward the loss fund. This \$125,613 was the maximum cost for the self-insured plan. For the year ended August 31, 2017, the College paid an annual premium of \$51,793 plus \$131,013 toward the loss fund. This \$182,806 was the maximum cost for the self-insured plan. All claims up to \$225,000 are paid from the loss fund. Amounts over \$225,000 are paid by the insurance company up to statutory limits.

17. AD VALOREM TAX

The College's ad valorem property taxes are 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 District.

| | <u>8/31/2018</u> | <u>8/31/2017</u> |
|---------------------------------------|--------------------------|--------------------------|
| Assessed Valuation of the College | \$ 16,149,448,245 | \$ 14,203,426,992 |
| Less: Exemptions | 4,016,801,843 | 3,635,919,359 |
| Less: Abatements | <u>309,089,724</u> | <u>27,547,900</u> |
| Net Assessed Valuation of the College | <u>\$ 11,823,556,678</u> | <u>\$ 10,539,959,733</u> |

| | <u>Current Operations</u> | <u>Debt Service</u> | <u>Total</u> |
|--|-------------------------------|-------------------------|--------------|
| At August 31, 2018 | | | |
| Tax Rate per \$100 valuation of authorized | \$ - | \$ - | \$0.30000 |
| Tax Rate per \$100 valuation of assessed | \$0.11367 | \$0.00581 | \$0.11948 |
| At August 31, 2017 | | | |
| Tax Rate per \$100 valuation of authorized | \$ - | \$ - | \$0.30000 |
| Tax Rate per \$100 valuation of assessed | \$0.11376 | \$0.00643 | \$0.12019 |

Taxes levied for the years ended August 31, 2018 and 2017 were \$13,716,375 and \$12,393,526, respectively. 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.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

17. AD VALOREM TAX (Continued)

| | 8/31/2018 | | |
|----------------------------------|-----------------------|-------------------|----------------------|
| | Current Operations | Debt Service | Total |
| Current Taxes Collected | \$ 12,907,123 | \$ 658,994 | \$ 13,566,117 |
| Delinquent Taxes Collected | 234,334 | 15,101 | 249,435 |
| Penalties and Interest Collected | 116,647 | 7,318 | 123,965 |
| Total Gross Collections | 13,258,104 | 681,413 | 13,939,517 |
| Tax Appraisal & Collection Fees | (219,311) | (11,197) | (230,508) |
| Total Net Collections | <u>\$ 13,038,793</u> | <u>\$ 670,216</u> | <u>\$ 13,709,009</u> |
| | 8/31/2017 | | |
| | Current Operations | Debt Service | Total |
| Current Taxes Collected | \$ 11,579,768 | \$ 653,926 | \$ 12,233,694 |
| Delinquent Taxes Collected | 166,335 | 11,426 | 177,761 |
| Penalties and Interest Collected | 107,014 | 7,106 | 114,120 |
| Total Gross Collections | 11,853,117 | 672,458 | 12,525,575 |
| Tax Appraisal & Collection Fees | (207,334) | (11,708) | (219,042) |
| Total Net Collections | <u>\$ 11,645,783</u> | <u>\$ 660,750</u> | <u>\$ 12,306,533</u> |

Tax collections for the years ended August 31, 2018 and 2017 were 101% and 101%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

18. BRANCH CAMPUS MAINTENANCE TAX

A branch campus maintenance tax, which is established by election, is levied by Wise County. The 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 Wise County. Collections are transferred to the College to be used for operation of a Branch Campus in Wise County, Texas. This revenue is reported under Local Grants and Contracts.

| County | Collections (including penalties and interest) 8/31/2018 | Collections (including penalties and interest) 8/31/2017 |
|-------------|--|--|
| Wise County | \$ 2,970,876 | \$ 2,901,637 |

19. 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, 2018 and 2017.

20. COMPONENT UNIT

Weatherford College Foundation, Inc. - Discretely Presented Component Unit

The Weatherford College Foundation, Inc. (the Foundation) was established as a separate nonprofit organization with the sole purpose of supporting educational and other activities of the College. The Foundation solicits donations and acts as coordinator of gifts made by other parties. It remitted \$264,475 and \$234,414 for designated scholarships, and \$25,532 and \$6,485 for other contributions to the College during the years ended August 31, 2018 and 2017, respectively. Under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an organization should report as a discretely presented component unit those organizations that raise and hold economic resources for the direct benefit of a government unit.

Accordingly, the Foundation's financial statements are included in the College's annual report as a discretely presented component unit (see table of contents). Complete financial statements of the Foundation can be obtained from the Weatherford College Business Office at 225 College Park Drive, Weatherford, Texas 76086.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2018 and 2017**

21. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENT

Expenses included \$94,401 and \$55,177 for rent paid under operating leases during the fiscal years ended August 31, 2018 and 2017, respectively. Future minimum lease rental payments under noncancellable operating leases having an initial term in excess of one year as of August 31, 2018 are as follows:

| <u>Year Ended</u> | <u>Minimum Future Lease Payments</u> |
|-------------------|--|
| 2019 | \$ 94,401 |
| 2020 | 62,214 |
| 2021 | 39,224 |
| 2022 | <u>6,039</u> |
| Total | <u>\$ 201,878</u> |

22. RISK MANAGEMENT

The College has the responsibility for making and carrying out decisions that will minimize the adverse effects of accidental losses that involve the College's assets. Accordingly, commercial insurance coverages are obtained to include general liability, property and casualty, employee and automobile liability, fidelity, public official's liability and certain other risks. The amounts of settlements during each of the past three fiscal years have not exceeded insurance coverage.

23. SUBSEQUENT EVENTS

The College has evaluated subsequent events through December 11, 2018, the date the financial statements were available to be issued, and nothing significant requiring disclosure was noted.

REQUIRED SUPPLEMENTARY INFORMATION

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Schedule of the College's Proportionate Share of Net Pension Liability
Last Ten Fiscal Years****

| <u>Fiscal Year Ending August 31*,</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| College's proportion of collective net pension liability (NPL) (%) | 0.0150920% | 0.0150860% | 0.0164233% | 0.0186811% |
| College's proportionate share of collective NPL (\$) | \$ 4,825,611 | \$ 5,700,770 | \$ 5,805,419 | \$ 4,989,980 |
| State's total proportionate share of NPL associated with the College | <u>3,465,765</u> | <u>4,172,552</u> | <u>4,052,905</u> | <u>3,433,764</u> |
| Total | <u>\$ 8,291,376</u> | <u>\$ 9,873,322</u> | <u>\$ 9,858,324</u> | <u>\$ 8,423,744</u> |
| College's covered payroll | \$ 12,173,411 | \$ 11,831,988 | \$ 11,826,629 | \$ 11,425,794 |
| College's proportionate share of collective NPL as a percentage of covered payroll | 39.64% | 48.18% | 49.09% | 43.67% |
| Plan fiduciary net position as percentage of total pension liability | 82.17% | 78.00% | 78.43% | 83.25% |

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

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

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Schedule of the College's Contributions for Pensions
Last Ten Fiscal Years****

| <u>Fiscal Year Ending August 31*</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------|----------------|----------------|----------------|
| Legally required contributions | \$ 513,849 | \$ 495,628 | \$ 479,120 | \$ 486,301 |
| Actual contributions | <u>513,849</u> | <u>495,628</u> | <u>479,120</u> | <u>486,301</u> |
| Contributions deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| College's covered payroll amount | \$ 12,543,569 | \$ 12,173,411 | \$ 11,831,988 | \$ 11,826,629 |
| Contributions as a percentage of covered payroll | 4.10% | 4.07% | 4.05% | 4.11% |

* 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.

WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Schedule of the College's Proportionate Share of Net OPEB Liability
Employee Retirement System of Texas
State Retiree Health Plan
Last Ten Fiscal Years**

| Fiscal Year Ending August 31*, | 2018 |
|---|---------------|
| College's proportion of collective net OPEB liability (%) | 0.0430528% |
| College's proportionate share of collective net OPEB liability (\$) | \$ 14,669,392 |
| State's proportionate share of net OPEB liability associated with the College | 347,488 |
| Total | \$ 15,016,880 |
| College's covered-employee payroll | \$ 12,173,411 |
| College's proportionate share of collective net OPEB liability as a percentage of covered-employee payroll | 120.50% |
| Plan fiduciary net position as percentage of the total net OPEB liability | 2.04% |

*The amounts presented above are as of the measurement date of the collective net OPEB liability.

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

**WEATHERFORD COLLEGE OF THE PARKER
 COUNTY JUNIOR COLLEGE DISTRICT**
**Schedule of the College's Contributions for OPEB
 Employee Retirement System of Texas
 State Retiree Health Plan
 Last Ten Fiscal Years****

| Fiscal Year Ending August 31*, | 2018 |
|---|---------------|
| Legally required contributions | \$ 2,156,052 |
| Actual contributions | 2,156,052 |
| Contributions deficiency (excess) | \$ - |
| College's covered-employee payroll amount | \$ 12,543,569 |
| Contributions as a percentage of covered-employee payroll | 17.19% |

* The amounts presented above are as of the College's most recent fiscal year-end.

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

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to Required Supplementary Information
For the Year Ended August 31, 2018**

1. PENSION LIABILITY

Changes in Benefit Terms

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

Changes of Assumptions

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

2. OTHER POST-EMPLOYMENT BENEFITS LIABILITY

Changes in Benefit Terms

The benefit changes for HealthSelect retirees and dependents for whom Medicare is not primary include:

- An increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- Elimination of the copayment for virtual visits;
- A reduction in the copayment for Airrosti; and
- For out-of-state participants, (i) elimination of the deductible for in-network services and (ii) application of a copayment rather than coinsurance to certain services like primary care and specialist office visits.

These minor benefit changes are provided for in the FY 2018 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Notes to Required Supplementary Information
For the Year Ended August 31, 2018**

2. OTHER POST-EMPLOYMENT BENEFITS LIABILITY (Continued)

Changes of Assumptions

Demographic Assumptions

Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, assumed salary increases and assumed age difference for future retirees and their spouses for selected classes of State Agency employees), assumed aggregate payroll increases and the assumed rate of general inflation have been updated to reflect assumptions recently adopted by the ERS Trustees. These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.

In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees covering dependent children.
- Percentage of future retirees assumed to be married and electing coverage for their spouse.

Economic Assumptions

The assumed rate of general inflation has been updated since the previous valuation to remain consistent with the ERS retirement plan assumption previously adopted by the ERS Trustees.

Assumptions for Expenses, Assumed Per Capita Health Benefit Costs and Health Benefit Cost, Retiree Contribution and Expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations and the revised assumed rate of general inflation.

The discount rate was lowered 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.

Minor benefit changes have been reflected in the FY 2018 Assumed Per Capita Health Benefit Costs.

SUPPLEMENTAL INFORMATION

WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Schedule A
Schedule of Operating Revenues
For the Year Ended August 31, 2018
(With Memorandum Totals for the Year Ended August 31, 2017)

| | Unrestricted | Restricted | Total Educational Activities | Auxiliary Enterprises | Totals | |
|--|----------------------|-------------------|------------------------------------|--------------------------|----------------------|----------------------|
| | | | | | 8/31/2018 | 8/31/2017 |
| Tuition | | | | | | |
| State Funded Credit Courses | | | | | | |
| In-District Resident Tuition | \$ 4,179,292 | \$ - | \$ 4,179,292 | \$ - | \$ 4,179,292 | \$ 3,837,946 |
| Out-of-District Resident Tuition | 6,907,221 | - | 6,907,221 | - | 6,907,221 | 6,674,206 |
| Non-Resident Tuition | 628,561 | - | 628,561 | - | 628,561 | 614,007 |
| TPEG - credit (set aside)* | 708,473 | - | 708,473 | - | 708,473 | 664,343 |
| State Funded Continuing Education | 1,003,539 | - | 1,003,539 | - | 1,003,539 | 784,648 |
| TPEG - non-credit (set aside)* | 65,718 | - | 65,718 | - | 65,718 | 52,466 |
| Non-State Funded Continuing Education | 90,579 | - | 90,579 | - | 90,579 | 101,400 |
| Total Tuition | <u>13,583,383</u> | <u>-</u> | <u>13,583,383</u> | <u>-</u> | <u>13,583,383</u> | <u>12,729,016</u> |
| Fees | | | | | | |
| General Fee | 121,610 | - | 121,610 | - | 121,610 | 121,142 |
| Laboratory Fee | 357,430 | - | 357,430 | - | 357,430 | 345,449 |
| Total Fees | <u>479,040</u> | <u>-</u> | <u>479,040</u> | <u>-</u> | <u>479,040</u> | <u>466,591</u> |
| Allowances and Discounts | | | | | | |
| Bad Debt Allowance | (91,045) | - | (91,045) | - | (91,045) | (114,866) |
| Scholarship Allowances | (492,654) | - | (492,654) | - | (492,654) | (474,191) |
| Remissions and Exemptions - State | (523,496) | - | (523,496) | - | (523,496) | (502,319) |
| Remissions and Exemptions - Local | (771,845) | - | (771,845) | - | (771,845) | (607,090) |
| Title IV Federal Grants | (2,773,419) | - | (2,773,419) | - | (2,773,419) | (2,810,582) |
| Other Federal Grants | (10,412) | - | (10,412) | - | (10,412) | (3,268) |
| TPEG Awards | (382,983) | - | (382,983) | - | (382,983) | (418,592) |
| Other State Grants | (6,638) | - | (6,638) | - | (6,638) | (75,025) |
| Total Allowances and Discounts | <u>(5,052,492)</u> | <u>-</u> | <u>(5,052,492)</u> | <u>-</u> | <u>(5,052,492)</u> | <u>(5,005,933)</u> |
| Total Net Tuition and Fees | <u>9,009,931</u> | <u>-</u> | <u>9,009,931</u> | <u>-</u> | <u>9,009,931</u> | <u>8,189,674</u> |
| Additional Operating Revenues | | | | | | |
| Federal Grants and Contracts | 61,766 | 931,119 | 992,885 | - | 992,885 | 976,628 |
| State Grants and Contracts | 332 | 34,478 | 34,810 | - | 34,810 | 314,388 |
| Local Grants and Contracts | 2,995,876 | - | 2,995,876 | - | 2,995,876 | 2,926,637 |
| Non-Governmental Grants and Contracts | - | - | - | - | - | - |
| Sales and Services of Educational Activities | 70,259 | - | 70,259 | - | 70,259 | 70,890 |
| Investment Income (Program Restricted) | - | 24,024 | 24,024 | - | 24,024 | 25,806 |
| Other Operating Revenues | 2,008,347 | - | 2,008,347 | - | 2,008,347 | 809,648 |
| Total Additional Operating Revenues | <u>5,136,580</u> | <u>989,621</u> | <u>6,126,201</u> | <u>-</u> | <u>6,126,201</u> | <u>5,123,997</u> |
| Auxiliary Enterprises | | | | | | |
| Bookstore | - | - | - | 285,697 | 285,697 | 307,206 |
| Food Services | - | - | - | 751,351 | 751,351 | 733,370 |
| Less Discounts | - | - | - | (278,370) | (278,370) | (278,082) |
| Student Housing | - | - | - | 1,246,474 | 1,246,474 | 1,216,276 |
| Less Discounts | - | - | - | (354,164) | (354,164) | (355,765) |
| Intercollegiate Athletics | - | - | - | 1,082 | 1,082 | 458 |
| Student Services | - | - | - | 232,450 | 232,450 | 229,175 |
| Less Discounts | - | - | - | (60,714) | (60,714) | (59,686) |
| Carter Agriculture Center | - | - | - | 6,946,946 | 6,946,946 | 42,265 |
| Total Net Auxiliary Enterprises | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,770,752</u> | <u>8,770,752</u> | <u>1,835,217</u> |
| Total Operating Revenues | <u>\$ 14,146,511</u> | <u>\$ 989,621</u> | <u>\$ 15,136,132</u> | <u>\$ 8,770,752</u> | <u>\$ 23,906,884</u> | <u>\$ 15,148,888</u> |
| | | | | | (Exhibit 2) | (Exhibit 2) |

* In accordance with Education Code 56.033, \$774,191 and \$716,809 for years August 31, 2018 and 2017, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Schedule B
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2018
(With Memorandum Totals for the Year Ended August 31, 2017)

| | Operating Expenses | | | | | |
|--|-----------------------|---------------------|---------------------|----------------------|-------------------------------------|-------------------------------------|
| | Salaries and Wages | Benefits | | Other Expenses | Totals | |
| | | State | Local | | 8/31/2018 | 8/31/2017 |
| Unrestricted Educational Activities | | | | | | |
| Instruction | \$ 12,227,985 | \$ - | \$ 950,443 | \$ 1,779,555 | \$ 14,957,983 | \$ 15,279,912 |
| Public Service | 7,890 | - | (646) | 23,130 | 30,374 | 38,771 |
| Academic Support | 1,056,518 | - | 120,635 | 246,556 | 1,423,709 | 1,644,503 |
| Student Services | 1,781,185 | - | 155,386 | 200,059 | 2,136,630 | 2,326,935 |
| Institutional Support | 4,061,535 | - | 339,187 | 1,878,056 | 6,278,778 | 6,612,157 |
| Operation and Maintenance of Plant | 105,563 | - | 17,059 | 6,623,303 | 6,745,925 | 5,616,754 |
| Scholarships and Fellowships | - | - | - | - | - | - |
| Total Unrestricted Educational Activities | 19,240,676 | - | 1,582,064 | 10,750,659 | 31,573,399 | 31,519,032 |
| Restricted Educational Activities | | | | | | |
| Instruction | 850,401 | 1,614,351 | 199,897 | 193,449 | 2,858,098 | 2,603,542 |
| Public Service | - | 990 | - | 7,917 | 8,907 | 7,601 |
| Academic Support | - | 122,684 | - | - | 122,684 | 122,620 |
| Student Services | 720 | 209,438 | 55 | 31,174 | 241,387 | 225,947 |
| Institutional Support | - | 486,191 | - | 60 | 486,251 | 427,816 |
| Operation and Maintenance of Plant | - | - | - | - | - | - |
| Scholarships and Fellowships | - | - | - | 3,865,161 | 3,865,161 | 3,567,672 |
| Total Restricted Educational Activities | 851,121 | 2,433,654 | 199,952 | 4,097,761 | 7,582,488 | 6,955,198 |
| Total Educational Activities | 20,091,797 | 2,433,654 | 1,782,016 | 14,848,420 | 39,155,887 | 38,474,230 |
| Auxiliary Enterprises | 918,250 | - | 133,333 | 1,284,365 | 2,335,948 | 2,539,614 |
| Depreciation Expense - Buildings and Land Improvements | - | - | - | 1,416,072 | 1,416,072 | 1,648,402 |
| Depreciation Expense - Furniture, Machinery, Vehicles, and Other Equipment | - | - | - | 589,966 | 589,966 | 551,648 |
| Total Operating Expenses | \$ 21,010,047 | \$ 2,433,654 | \$ 1,915,349 | \$ 18,138,823 | \$ 43,497,873 (Exhibit 2) | \$ 43,213,894 (Exhibit 2) |

WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Schedule C
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2018
(With Memorandum Totals for the Year Ended August 31, 2017)

| | Unrestricted | Restricted | Auxiliary Enterprises | Totals | |
|---|----------------------|---------------------|--------------------------|----------------------|----------------------|
| | | | | 8/31/2018 | 8/31/2017 |
| Non-Operating Revenues | | | | | |
| State Appropriations | | | | | |
| Education and General State Support | \$ 8,462,163 | \$ - | \$ - | \$ 8,462,163 | \$ 8,289,406 |
| State Group Insurance | - | 1,571,555 | - | 1,571,555 | 1,582,850 |
| State OPEB | - | 347,488 | - | 347,488 | - |
| State Retirement Matching | - | 514,611 | - | 514,611 | 534,678 |
| Professional Nursing Shortage Reduction | - | 450,608 | - | 450,608 | 366,423 |
| Miscellaneous Revenues | - | 24,291 | - | 24,291 | 27,115 |
| Total State Appropriations | <u>8,462,163</u> | <u>2,908,553</u> | <u>-</u> | <u>11,370,716</u> | <u>10,800,472</u> |
| Maintenance Ad Valorem Taxes (Net) | 13,258,104 | - | - | 13,258,104 | 11,853,117 |
| Debt Service Ad Valorem Taxes (Net) | 681,413 | - | - | 681,413 | 672,458 |
| Federal Revenue, Non-Operating | - | 6,511,577 | - | 6,511,577 | 6,288,816 |
| Gifts | 5,489 | 7,917 | 38,613 | 52,019 | 44,347 |
| Investment Income | 114,612 | - | - | 114,612 | 109,167 |
| Gain on Sale of Capital Assets | 6,380 | - | - | 6,380 | 455 |
| Other Non-Operating Revenues | - | - | - | - | 264 |
| Total Non-Operating Revenue | <u>22,528,161</u> | <u>9,428,047</u> | <u>38,613</u> | <u>31,994,821</u> | <u>29,769,096</u> |
| Non-Operating Expenses | | | | | |
| Interest on Capital Related Debt | 410,783 | - | - | 410,783 | 423,735 |
| Other Non-Operating Expenses | - | - | - | - | - |
| Total Non-Operating Expenses | <u>410,783</u> | <u>-</u> | <u>-</u> | <u>410,783</u> | <u>423,735</u> |
| Net Non-Operating Revenues | <u>\$ 22,117,378</u> | <u>\$ 9,428,047</u> | <u>\$ 38,613</u> | <u>\$ 31,584,038</u> | <u>\$ 29,345,361</u> |
| | | | | (Exhibit 2) | (Exhibit 2) |

WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Schedule D
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2018
(With Memorandum Totals for the Year Ended August 31, 2017)

| | Detail by Source | | | | | Available for Current Operations | |
|--|----------------------|-------------------|--------------------|---|-------------------------------------|----------------------------------|----------------------|
| | Unrestricted | Restricted | | Capital Assets Net of Depreciation and Related Debt | Total | Yes | No |
| | | Expendable | Non- Expendable | | | | |
| Current | | | | | | | |
| Unrestricted | \$ 194,346 | \$ - | \$ - | \$ - | \$ 194,346 | \$ 194,346 | \$ - |
| Restricted | | | | | | | |
| Student Aid | - | 2,373,749 | - | - | 2,373,749 | 2,373,749 | - |
| Instructional Programs | - | 82,043 | - | - | 82,043 | 82,043 | - |
| Auxiliary Enterprises | 2,825,082 | - | - | - | 2,825,082 | - | 2,825,082 |
| Loan | | 10,952 | | | 10,952 | | 10,952 |
| Endowment | 17,237,577 | - | - | - | 17,237,577 | | 17,237,577 |
| Plant | | | | | | | |
| Capital Projects | - | 326,776 | - | - | 326,776 | | 326,776 |
| Debt Service | - | 2,159,571 | - | - | 2,159,571 | | 2,159,571 |
| Investment in Plant | - | - | - | 26,143,535 | 26,143,535 | | 26,143,535 |
| Totals | | | | | | | |
| Net Position, August 31, 2018 | 20,257,005 | 4,953,091 | - | 26,143,535 | 51,353,631 (Exhibit 1) | 2,650,138 | 48,703,493 |
| Net Position, August 31, 2017 | 25,752,053 | 4,763,619 | - | 25,968,385 | 56,484,057 (Exhibit 1) | 15,695,947 | 40,788,110 |
| Cumulative Effect of Change in Accounting Principle | (17,123,475) | - | - | - | (17,123,475) | - | (17,123,475) |
| Net Position, August 31, 2017, restated | 8,628,578 | 4,763,619 | - | 25,968,385 | 39,360,582 (Exhibit 2) | 15,695,947 | 23,664,635 |
| Net Increase (Decrease) in Net Position | \$ 11,628,427 | \$ 189,472 | \$ - | \$ 175,150 | \$ 11,993,049 (Exhibit 2) | \$ (13,045,809) | \$ 25,038,858 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees
Weatherford College of the
Parker County Junior College District

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 Weatherford College of the Parker County Junior College District (the College) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the College's financial statements, and have issued our report thereon dated December 11, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we

consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We have performed tests designed to verify the College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2018, no instances of noncompliance were noted.

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.

Snow Garrett Williams

Snow Garrett Williams
December 11, 2018

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2018**

There were no prior year findings.

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be Reported in accordance with section 2 CFR Section 200.416(a)? yes X no

Identification of Major Programs:

Federal Awards

U.S. Department of Education:

Student Financial Assistance Cluster of Programs:

| | |
|---------------|--|
| CFDA # 84.007 | Federal Supplemental Education Opportunity Grant |
| CFDA # 84.033 | Federal College Workstudy Program |
| CFDA # 84.063 | Federal Pell Grant Program |
| CFDA # 84.268 | Federal Direct Student Loans |

Dollar threshold used to distinguish between Type A and Type B federal programs: \$ 750,000

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

Section II – Financial Statement Findings

Findings required to be reported in accordance with *Government Auditing Standards* None Reported

Section III – Federal Award Findings and Questioned Costs

| Findings/Noncompliance | Program | Questioned Costs |
|------------------------|---------|------------------|
| None Noted | | |

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Corrective Action Plan
August 31, 2018**

A corrective action plan is not needed.

FEDERAL AWARDS SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees
Weatherford College of the
Parker County Junior College District

Report on Compliance for Each Major Federal Program

We have audited the Weatherford College of the Parker County Junior College District's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2018. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

Report on Internal Control over Compliance

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

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

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

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

Snow Garrett Williams

Snow Garrett Williams
December 11, 2018

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2018**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Expenditures and Pass-Through Disbursements |
|---|---------------------------|-------------------------------------|--|
| U.S. Department of Education | | | |
| Direct Programs: | | | |
| Student Financial Aid Cluster | | | |
| Federal Supplemental Educational Opportunity Grant | 84.007 | | \$ 103,836 |
| Federal College Workstudy Program | 84.033 | | 73,227 |
| Federal Pell Grant Program | 84.063 | | 6,334,514 |
| Federal Direct Student Loans | 84.268 | | 5,696,078 |
| Total Student Financial Aid Cluster | | | <u>12,207,655</u> |
| TRIO Cluster | | | |
| TRIO - Student Support Services Program | 84.042A | | 265,513 |
| TRIO - Talent Search Program | 84.044A | | 279,511 |
| TRIO - Upward Bound Program | 84.047A | | 248,603 |
| Total TRIO Cluster | | | <u>793,627</u> |
| Pass-Through From: | | | |
| Texas Higher Education Coordinating Board (THECB) | | | |
| Career and Technical Education Basic Grants to States | 84.048 | 174267 | <u>197,646</u> |
| Total U.S. Department of Education | | | 13,198,928 |
| U.S. General Services Administration | | | |
| Direct Programs: | | | |
| Donation of Federal Surplus Personal Property | 39.003 | | <u>1,612</u> |
| Total Federal Financial Assistance | | | <u>\$ 13,200,540</u> |

WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2018

Note 1: Federal Assistance Reconciliation

| | | |
|---|----|------------|
| Federal Grants and Contracts Revenue - per Schedule A | \$ | 992,885 |
| Add: Non-Operating Federal Revenue - per Schedule C | | 6,511,577 |
| Total Federal Revenues per Schedule A and C | \$ | 7,504,462 |
| Reconciling Items: | | |
| Add: Federal Direct Student Loans | | 5,696,078 |
| Total Federal Expenditures per Schedule of Expenditures of Federal Awards | \$ | 13,200,540 |

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 that have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the College has agency approved Indirect Recovery Rate it has elected not to use the 10% de minimis cost rate as permitted in the UG, section 200.414.

Note 3: Student Loans Processed and Administrative Costs Recovered

| Federal Grantor CFDA Number / Program Name | New Loans Processed | Administrative Cost Recovered | Total Loans Processed & Admin Cost Recovered |
|---|------------------------|----------------------------------|--|
| U.S. Department of Education 84.268 Federal Direct Student Loans | \$ 5,696,078 | \$ - | \$ 5,696,078 |

STATE AWARDS SECTION

**WEATHERFORD COLLEGE OF THE PARKER
COUNTY JUNIOR COLLEGE DISTRICT
Schedule F
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2018**

| Grantor Agency/Program Title | Grant Contract Number | Expenditures |
|---|-----------------------------|-------------------|
| Texas Comptroller of Public Accounts Law Enforcement Officer Standards and Education | 17560028627-005 | \$ 60 |
| Office of the Governor: Criminal Justice Division Rifle-Resistant Body Armor Grant Program | 3507201 | 2,800 |
| Texas Higher Education Coordinating Board Professional Nursing Shortage Reduction | | 450,608 |
| Nursing Innovation - Building Simulation | 18036 | 24,980 |
| Texas Workforce Commission Skills for Small Business Program | 0417SSD003 | <u>6,970</u> |
| Total State Financial Assistance | | <u>\$ 485,418</u> |

See Notes to Schedule below.

Note 1: State Assistance Reconciliation

| | |
|---|------------------|
| State Financial Assistance - per Schedule of Expenditures of State Awards | \$ 485,418 |
| Reconciling Items | |
| Professional Nursing Shortage Reduction - per Schedule C | <u>(450,608)</u> |
| Total State Grants and Contracts per Exhibit 2 and Schedule A | <u>\$ 34,810</u> |

Note 2: Significant Accounting Policies used in Preparing the Schedule

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

