

McLennan County Junior College District
Annual Financial Report
August 31, 2017 and 2016

Introductory Section

McLennan County Junior College District

Table of Contents

| | <u>Exhibit / Schedule</u> | <u>Page</u> |
|---|-------------------------------|-------------|
| <i>Introductory Section</i> | | |
| Table of Contents | | i |
| Board of Trustees | | iv |
| Principal Administrative Officers | | iv |
| <i>Financial Section</i> | | |
| Independent Auditor's Report | | 1 |
| Management's Discussion and Analysis | | 4 |
| Basic Financial Statements: | | |
| Statements of Net Position | 1 | 15 |
| Statements of Revenues, Expenses, and Changes in Net Position | 2 | 16 |
| Statements of Cash Flows | 3 | 17 |
| Notes to Financial Statements | | 18 |
| Required Supplementary Information: | | |
| Schedule of District's Proportionate Share of the Net Pension Liability | | 48 |
| Schedule of District Contributions to the Teacher Retirement System of Texas | | 49 |
| Supplemental Information: | | |
| Schedule of Operating Revenues | A | 50 |
| Schedule of Operating Expenses by Object | B | 51 |
| Schedule of Nonoperating Revenues and Expenses | C | 52 |
| Schedule of Net Position by Source and Availability | D | 53 |

McLennan County Junior College District

Table of Contents (Continued)

| | <u>Exhibit / Schedule</u> | <u>Page</u> |
|--|-------------------------------|-------------|
| <i>Financial Section</i> (continued) | | |
| Supplemental Information: | | |
| Schedule of Expenditures of Federal Awards | E | 54 |
| Notes to Schedule of Expenditures of Federal Awards | | 56 |
| Schedule of Expenditures of State Awards | F | 57 |
| Notes to Schedule of Expenditures of State Awards | | 58 |
| <i>Statistical Section</i> | | |
| Net Position by Component | | 60 |
| Revenues by Source | | 61 |
| Expenses by Function and Changes in Net Position | | 62 |
| Tuition and Fees | | 63 |
| Assessed Value and Estimated Actual Value of Taxable Property | | 64 |
| Direct and Overlapping Property Tax Rates | | 65 |
| Principal Taxpayers | | 67 |
| Property Tax Levies and Collections | | 69 |
| Ratios of Outstanding Debt by Type | | 70 |
| Legal Debt Margin Information | | 71 |
| Pledged Revenue Coverage | | 72 |
| Demographic and Economic Statistics | | 73 |
| Principal Employers | | 74 |

McLennan County Junior College District

Table of Contents (Continued)

| | <u>Exhibit / Schedule</u> | <u>Page</u> |
|---|-------------------------------|-------------|
| <i>Statistical Section</i> (continued) | | |
| State Appropriations – Operating Information | | 75 |
| Faculty, Staff, and Administrators Statistics | | 76 |
| Enrollment Details | | 77 |
| Student Profile | | 78 |
| Student Transfers to Senior Institutions | | 79 |
| Capital Asset Information | | 80 |
| <i>Overall Compliance, Internal Control, and Federal and State Awards Section</i> | | |
| 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 <i>Government Auditing Standards</i> | | 81 |
| Independent Auditor’s Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by the Uniform Guidance and <i>Uniform Grant Management Standards</i> | | 83 |
| Schedule of Findings and Questioned Costs | | 85 |

McLennan County Junior College District

Board of Trustees

| | <u>Term Expires</u> |
|--|---------------------|
| Officers: | |
| K. Paul Holt - Chairman Waco, Texas | 2021 |
| Bob Sheehy, Jr. – Vice Chairman Waco, Texas | 2019 |
| Geneva Watley – Secretary Waco, Texas | 2019 |
| Members: | |
| Pauline Chavez, Waco, Texas | 2023 |
| Doug McDurham, Waco, Texas | 2023 |
| Earl Stinnett, Sr., Waco, Texas | 2021 |
| Ricky Turman, Waco, Texas | 2021 |

Principal Administrative Officers

| | |
|-----------------|--|
| Johnette McKown | President |
| Stephen Benson | Vice President, Finance and Administration |
| Fred Hills | Vice President, Instruction |
| Drew Canham | Vice President, Student Success |
| Phil Rhodes | Vice President, Research, Effectiveness and Information Technology |
| Terry Lechler | Director of Financial Services |

Financial Section



JAYNES REITMEIER BOYD & THERRELL, P.C.
Certified Public Accountants
5400 Bosque Blvd., Ste. 500 | Waco, TX 76710
P.O. Box 7616 | Waco, TX 76714
Main 254.776.4190 | Fax 254.776.8489 | jrbt.com

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
McLennan County Junior College District:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of McLennan County Junior College District (the District) as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the McLennan Community College Foundation, a discretely presented component unit of the District, as of and for the years ended August 31, 2017 and 2016, were not audited in accordance with *Government Auditing Standards*.

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 respective financial position of the business-type activities and the discretely presented component unit of McLennan County Junior College District as of August 31, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, the schedule of the District's proportionate share of the net pension liability on page 48, and the schedule of the District's contributions to the Teacher Retirement System of Texas on page 49 (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are 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* (Uniform Guidance) and the *Uniform Grant Management Standards* and are also not a required part of the basic financial statements.

The supplemental information and the 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

The Management's Discussion and Analysis (MD&A) is designed to provide an easy to read analysis of McLennan County Junior College District's (the District) financial activities for the years ended August 31, 2017 and 2016. This overview is based on facts, decisions and conditions known as of the date of the independent auditor's report. There are three financial statements presented: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. These statements provide both long-term and short-term financial information on the District as a whole and should be read in conjunction with the Notes to Financial Statements.

Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers.

Financial statements for the District's component unit, McLennan Community College Foundation (the Foundation), are issued independently of the District. The Foundation's financial information is shown in separate columns on the District's basic financial statements. More details on the Foundation are in Note 1 in the Notes to Financial Statements.

Financial and Enrollment Highlights

- The District's assets exceeded liabilities by approximately \$53.0 million, \$52.0 million, and \$49.9 million as of August 31, 2017, 2016 and 2015 respectively. Of these amounts, unrestricted net position was \$2.7 million for 2017, \$3.2 million for 2016 and \$2.9 million for 2015.
- The District's total net position increased by approximately \$1.4 million for 2017 and by \$2.1 million in 2016. In 2015, the total net position decreased by \$7.7 million. Of these amounts, unrestricted net position decreased by approximately \$433,000 for 2017 and increased by \$253,000 in 2016. Unrestricted net position decreased by \$9.1 million for 2015. The decreases in total net position and unrestricted net position for 2015 include the cumulative effects of the adoption of GASB No. 68 and GASB No. 71 effective September 1, 2014.
- The total assessed value of property in the District increased by approximately \$1.5 billion or 8.1%, from 2016 to 2017 and by \$1.2 billion, or 6.8 % from 2015 to 2016. From 2014 to 2015 the total taxable value increased by 7.8% or \$1.3 billion.
- Capital assets (net) decreased by approximately \$2.6 million for the years 2017 and 2016, respectively.
- Bonds decreased by approximately \$3.8 million and \$3.7 million in 2017 and 2016, respectively.

Financial and Enrollment Highlights (continued)

- During 2017 the unduplicated head count of credit students increased by 464 students, duplicated head count of credit students increased by 947, and contact hours increased by approximately 53,192 hours. During 2016, the unduplicated head count of credit students increased by 349 students, duplicated head count of credit students increased by 1,178 students, and contact hours decreased by approximately 1,002 hours.

Statement of Net Position

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector organizations. 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 health of the District. Over time, increases or decreases in net position are indicators of the financial improvement or erosion of the District.

From the data presented, readers of the Statement of Net Position are able to determine the resources that are available to continue the operations of the District. Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure the District.

Condensed Statements of Net Position (In Thousands)

| | | | | Increase (Decrease) | |
|---------------------------------------|------------------|----------------|----------------|---------------------|-----------------|
| | 2017 | 2016 | 2015 | 2016 to 2017 | 2015 to 2016 |
| Assets | | | | | |
| Current assets | \$ 31,135 | 31,935 | 30,292 | (800) | 1,643 |
| Noncurrent assets: | | | | | |
| Capital assets, net of depreciation | <u>127,507</u> | <u>130,063</u> | <u>132,666</u> | <u>(2,556)</u> | <u>(2,603)</u> |
| Total assets | <u>158,643</u> | <u>161,998</u> | <u>162,958</u> | <u>(3,355)</u> | <u>(960)</u> |
| Deferred outflows of resources | <u>6,516</u> | <u>7,323</u> | <u>5,332</u> | <u>(807)</u> | <u>1,991</u> |
| Liabilities | | | | | |
| Current liabilities | 19,869 | 20,352 | 19,068 | (483) | 1,284 |
| Noncurrent liabilities | <u>88,742</u> | <u>93,054</u> | <u>96,313</u> | <u>(4,312)</u> | <u>(3,259)</u> |
| Total liabilities | <u>108,611</u> | <u>113,406</u> | <u>115,381</u> | <u>(4,795)</u> | <u>(1,975)</u> |
| Deferred inflows of resources | <u>3,112</u> | <u>3,925</u> | <u>2,973</u> | <u>(813)</u> | <u>952</u> |
| Net Position | | | | | |
| Net investment in capital assets | 47,878 | 46,140 | 44,495 | 1,738 | 1,645 |
| Restricted, expendable | 2,837 | 2,698 | 2,542 | 139 | 156 |
| Unrestricted | <u>2,720</u> | <u>3,152</u> | <u>2,899</u> | <u>(432)</u> | <u>253</u> |
| Total net position | <u>\$ 53,435</u> | <u>51,990</u> | <u>49,936</u> | <u>1,445</u> | <u>2,054</u> |

Statement of Net Position (continued)

Net position is divided into three major categories. The first category, net investment in capital assets, reflects the District's equity in capital assets less the related debt. The next category, restricted net position, is divided into nonexpendable and expendable. The District does not have any nonexpendable net position. Expendable restricted net position is available for expenditure by the District, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position, which is available to the District for any lawful purpose.

Total assets decreased \$3.4 million from 2016 to 2017. There were approximately \$1.9 million in capital assets added during 2017. The largest of these were the renovations to the Learning Technology Center for the Learning Commons area and the campus signage project. Depreciation expense of \$4.3 million was incurred which resulted in a \$2.6 million decrease in total capital assets, net of depreciation. Total assets decreased \$960,000 from 2015 to 2016. There were approximately \$1.5 million in capital assets added during 2016. The largest of these were the Highlander Gym locker room renovation, the Success Center renovations, and a new boiler in the Central Plant. Depreciation expense of \$3.9 million was incurred which resulted in a \$2.6 million decrease in total capital assets, net of depreciation.

Total deferred outflows of resources decreased by approximately \$807,000 from 2016 to 2017. These outflows include deferred charges on the 2015 Refunding Bonds and charges on pension contributions and differences between expected and actual economic experience of the plan. Total deferred outflows of resources increased \$2.0 million from 2015 to 2016.

Total liabilities decreased by approximately \$4.8 million from 2016 to 2017. Principal payments on bonds approximated \$3.8 million in 2017. The District's net pension liability increased approximately \$384,000 at August 31, 2017. Total liabilities decreased by approximately \$2.0 million from 2015 to 2016. Principal payments on bonds approximated \$3.7 million in 2016. The District's net pension liability increased \$1.3 million from 2015.

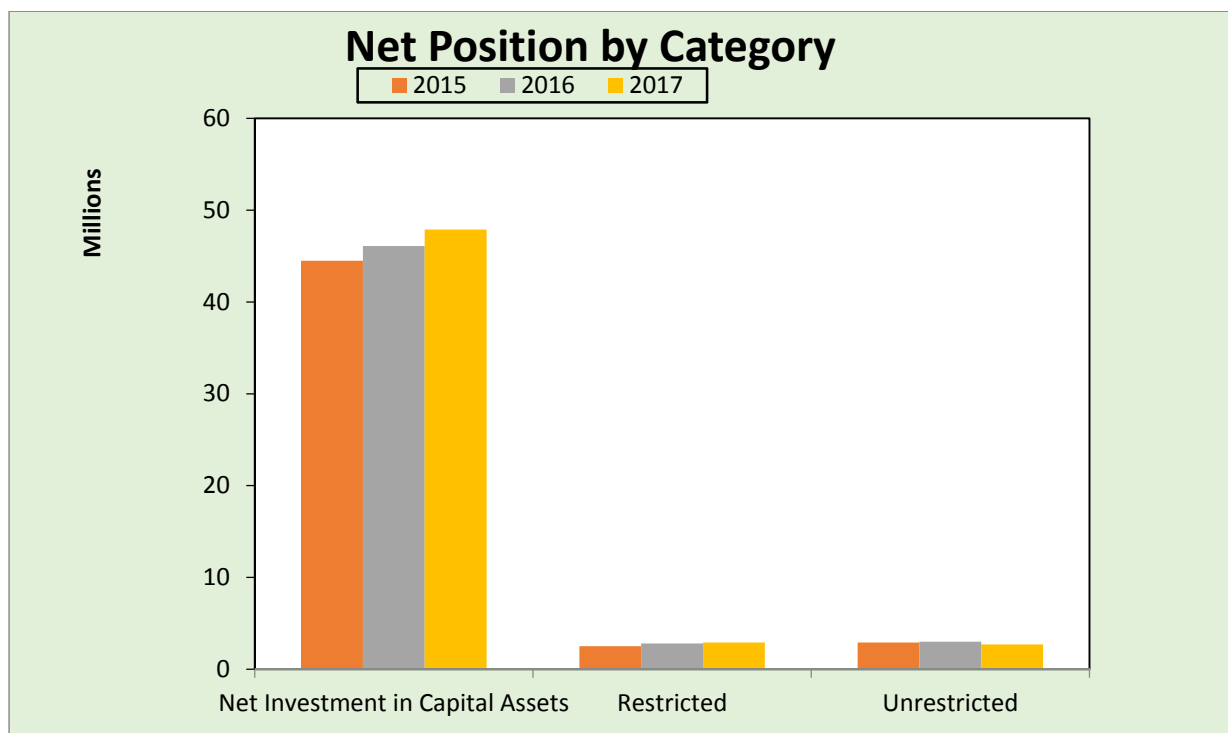
Total deferred inflows of resources decreased by approximately \$813,000 from 2016 to 2017 and increased by approximately \$952,000 from 2015 to 2016. These deferred inflows include deferred gains on bond refundings and differences between projected and actual investment earnings for the net pension liability and changes in proportion and differences in District contributions to the pension plan.

Of the \$53.4 million in net position in 2017, approximately \$47.9 million is net investment in capital assets. This is an increase of \$1.7 million from 2016. Net position in 2016 related to net investment in capital assets increased \$1.6 million from 2015 to 2016.

The following graph illustrates the comparative changes in net assets by category over the past three years. The District's financial position is strong and stable as reflected in the chart. Unrestricted net position is critical to support the District's overall mission; therefore, it is important that unrestricted net position be adequately maintained. The chart illustrates that unrestricted net position has grown in a consistent manner (exclusive of the adoption of GASB

Statement of Net Position (continued)

No. 68 and 71) and that the District has not been required to use these resources to fund operations. Further, the adoption of GASB No. 68 and 71 did not put the District in a deficit unrestricted net position. Restricted net position represents balances of funds that have been received to fund specific projects. Accordingly, these balances will increase and decrease as funds are received and subsequently disbursed to fund these specific projects.



Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position present the operating results of the District, as well as the non-operating revenues and expenses. Generally, operating revenues are those revenues received in exchange for the District providing goods and services. Operating expenses are those amounts paid to acquire or produce the goods and services in return for the operating revenues. Non-operating revenues are funds received with no direct relationship to the goods and services being provided. Accordingly, state appropriations and ad valorem taxes, while budgeted for operations, are classified as non-operating revenue for financial reporting purposes.

The following table reflects a summary of the Statement of Revenues, Expenses and Changes in Net Position for the years ended August 31, 2017, 2016 and 2015. This summary indicates the operating loss and the overall increase in net assets for each of the years displayed.

Statement of Revenues, Expenses and Changes in Net Position (continued)

**Condensed Statements of Revenues, Expenses, and
Changes in Net Position**
(In Thousands)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---------------------------------------|-----------------|-----------------|-----------------|
| Operating revenues: | | | |
| Tuition and fees, net | \$ 14,191 | 16,062 | 15,666 |
| Other | 1,627 | 1,551 | 1,505 |
| | <u>15,818</u> | <u>17,613</u> | <u>17,171</u> |
| Operating expenses: | | | |
| Instruction | 30,934 | 32,344 | 31,286 |
| Public service | 2,058 | 1,912 | 1,806 |
| Academic support | 2,489 | 2,526 | 2,775 |
| Student services | 4,384 | 4,149 | 3,932 |
| Institutional support | 9,467 | 8,962 | 9,123 |
| Operation and maintenance of plant | 5,760 | 5,269 | 5,335 |
| Scholarships and fellowships | 9,459 | 10,497 | 11,827 |
| Auxiliary enterprises | 2,011 | 1,718 | 1,638 |
| Depreciation | 4,299 | 3,897 | 4,196 |
| | <u>70,861</u> | <u>71,274</u> | <u>71,918</u> |
| Operating loss | <u>(55,043)</u> | <u>(53,661)</u> | <u>(54,747)</u> |
| Non-operating revenues (expenses): | | | |
| State appropriations | 15,659 | 15,687 | 16,749 |
| Ad valorem taxes | 22,275 | 20,999 | 19,956 |
| Grants and contracts | 20,770 | 22,087 | 23,314 |
| Interest on debt | (2,763) | (2,970) | (3,434) |
| Other | 547 | (88) | (10) |
| | <u>56,488</u> | <u>55,715</u> | <u>56,575</u> |
| Increase in net position | <u>\$ 1,445</u> | <u>2,054</u> | <u>1,828</u> |

Operating and Non-operating Revenues

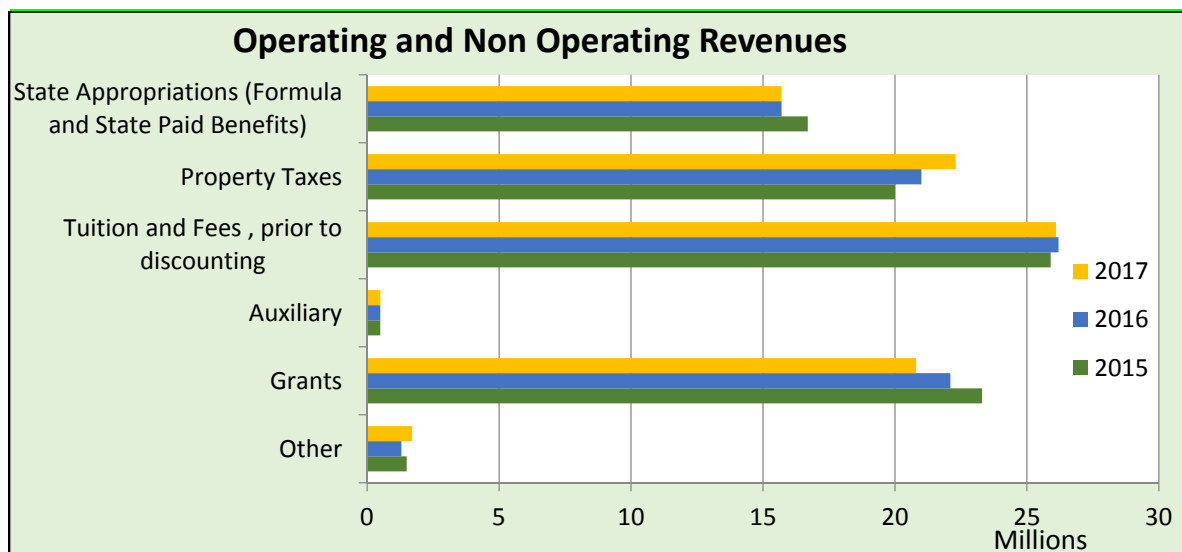
Major changes in operating and non-operating revenue are as follows:

- Gross tuition and fee revenue for 2017 was \$26,058,963 and decreased from 2016 amounts by approximately \$172,702 or 0.66%. Credit tuition increased by approximately \$613,000, but state funded continuing education tuition decreased by \$601,000. Skills Development training classes decreased in 2017 due to a reduction of grants awarded during the year. The District receives tuition revenue from these training classes. Tuition rates remained the same from 2016 to 2017.

Operating and Non-operating Revenues (continued)

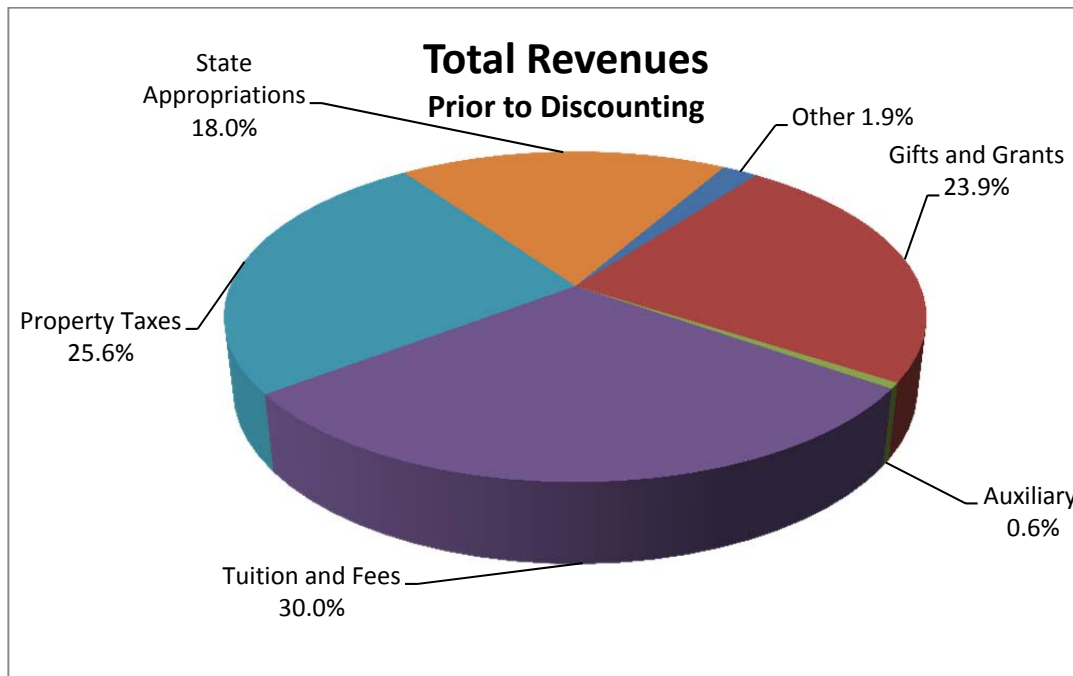
- During 2016, the District generated a gross total of \$26,231,668 for tuition and fees charged to credit and non-credit students attending classes at the District. This is an increase of \$287,000 or 1.1%. During 2015, the District generated a gross total of \$25,944,276 for tuition and fees charged to credit and non-credit students attending classes at the District.
- State appropriated revenue for 2017 was \$27,781 less than 2016. State appropriated revenue for 2016 was \$15,687,094 which was \$1,062,444 less than 2015 due to decreased funding for the District. State appropriations were \$16,749,538 in 2015.
- Property tax revenue in 2017 exceeded the prior year by approximately \$1.3 million or 6.1%, while 2016 revenues of approximately \$21.0 million exceeded 2015 amounts by approximately \$1.0 million, or 5.2%. Property tax revenue for 2015 was approximately \$20 million. The combined tax rate was \$0.148898 per \$100 of valuation for 2017 and \$0.149724 per \$100 valuation in 2016. Tax rates for maintenance and operations increased by 7.95% which was the primary reason for increases in revenues.
- Revenues from gifts, grants and contracts are not consistent from year to year, as private funds are given for specific purposes and many governmental grants are non-recurring. In 2017 federal Pell grants decreased by approximately \$85,000 from the 2016 amount. In 2016, Pell grants decreased by approximately \$1.6 million from the 2015 amount. In 2015 Pell grants decreased by \$392,000 from the 2014 amount. The Pell grants continue to be affected from the change in appeals process for students denied a Pell grant due to satisfactory academic progress and the removal of the consecutive appeal approvals.
- State grants decreased by \$1,322,425 in 2017 due to a decrease in the Skills Development grants. State grants increased in 2016 by \$422,000 due to an increase in Skills Development grants and decreased \$19,000 in 2015. These grants are based upon submitting proposals and awards granted by the Texas Workforce Commission, but they are not consistently allocated.

The following presentation graphically displays revenue trends.



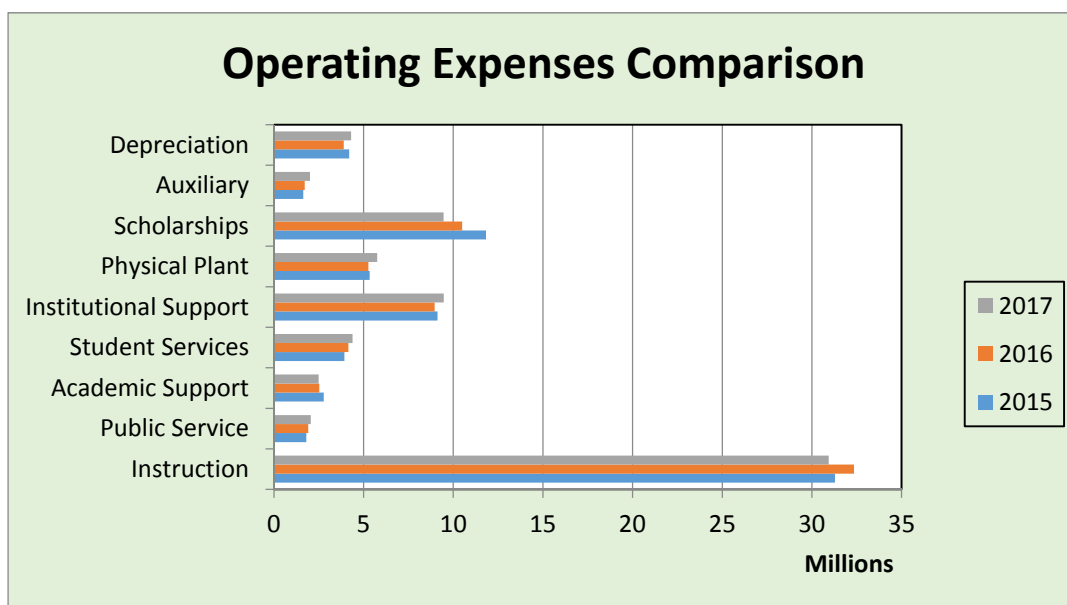
Operating and Non-operating Revenues (continued)

The following chart reflects revenues from all sources for fiscal year 2017. For purposes of this presentation, tuition and fees revenues are shown prior to scholarship discounts. The Statements of Revenues, Expenses and Changes in Net Position reflect these revenues net of scholarship discounts.



Operating Expenses

Functional classifications are the traditional categories that have been used to show expenses. They represent the type of programs and services provided. The following chart shows the District’s 2017 expenses compared to the 2016 and 2015 expenses.



Operating Expenses (continued)

Total operating expenses for 2017 decreased by approximately \$413,000. The main reason for this decrease is reflected in the number of students applying for and receiving student loans. Total operating expenses were \$71.3 million in 2016 and \$71.9 million in 2015.

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also helps users assess the District's ability to generate net cash flows needed to meet its obligations as they come due and its need for external financing.

Condensed Statements of Cash Flows

(In Thousands)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------------|---------------|-----------------|
| Cash and cash equivalents provided by (used in): | | | |
| Operating activities | \$ (52,447) | (51,988) | (47,883) |
| Noncapital financing activities | 50,503 | 59,246 | 41,856 |
| Capital and related financing activities | (3,098) | (3,028) | (3,689) |
| Investing activities | <u>95</u> | <u>14,085</u> | <u>(13,963)</u> |
| Changes in cash and cash equivalents | <u>\$ (4,947)</u> | <u>18,315</u> | <u>(23,679)</u> |

The primary cash receipts from operating activities consist of tuition and fees and student loans. Cash outlays from operating activities include payment of wages, benefits, supplies, utilities and scholarships/loans.

State allocations, ad valorem taxes for maintenance and operations, and grants and contracts were the primary sources of non-capital financing. Accounting standards require that we reflect this source of revenue as non-operating, even though these resources are classified as operating revenues in the District's budget.

Cash flows from capital and related financing activities include receipts from taxes for debt service, interest and principal payments of capital debt, and capital asset additions.

Cash flows from investing activities include proceeds from sales or maturities of investments, purchased investments, and related interest earned on investments.

Capital Assets and Debt Administration

The table below reflects the District's year-end capital asset balances, before accumulated depreciation.

Capital Assets and Debt Administration (continued)**Schedule of Capital Assets**

(In Thousands)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-----------------------------------|-------------------|----------------|----------------|
| Land | \$ 6,757 | 6,757 | 6,747 |
| Library books | 3,279 | 3,210 | 3,122 |
| Construction in progress | - | 113 | - |
| Buildings | 142,177 | 142,177 | 142,367 |
| Improvements | 26,113 | 24,859 | 23,756 |
| Furniture, equipment and vehicles | <u>7,732</u> | <u>7,310</u> | <u>7,209</u> |
| | <u>\$ 186,058</u> | <u>184,426</u> | <u>183,201</u> |

Capital asset additions totaled \$1.7 million and \$1.6 million in 2017 and 2016, respectively. Major additions in 2017 included renovations to the Learning Technology Center for the Learning Commons area and the campus signage project. Depreciation of \$4.3 million was incurred in 2017. Major additions in 2016 included the Highland Gym locker renovation, the Success Center renovations, and a new boiler in the Central Plant. Depreciation of \$3.9 million was incurred in 2016.

The District had outstanding debt of approximately \$75.8 million and \$79.5 million as of August 31, 2017 and 2016, respectively.

Schedule of Outstanding Debt

(In Thousands)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--------------------------|------------------|---------------|---------------|
| General obligation bonds | \$ 61,495 | 64,440 | 67,370 |
| Revenue bonds | <u>14,260</u> | <u>15,095</u> | <u>15,900</u> |
| | <u>\$ 75,755</u> | <u>79,535</u> | <u>83,270</u> |

For additional information concerning capital assets and debt administration, see Notes 6, 7, and 8 in the Notes to the Financial Statements.

Economic Factors That Will Affect the Future

The District relies upon three primary revenue sources: local taxes, tuition and fees, and state appropriations. Over the past several years, the College has responded to declining state funds by reducing costs and increasing revenue from tuition and fees and local taxes. Currently, tuition and fees account for approximately 30% of the District's total (operating and non-operating) revenue, while state appropriations and local taxes account for 18% and 27%, respectively. The District expects state funding to continue to decline and has several options to address this trend. The District continues to rely on a proactive enrollment model to expand its course offerings

Economic Factors That Will Affect the Future (continued)

based on student demand. Since its implementation in 2000, the District's enrollment has increased from approximately 5,800 students to close to 8,900 students during the fall 2017 semester. The District's Office of Institutional Research monitors course demand and utilization on a daily basis to tailor offerings to demand.

The District has one of the lower maintenance and operations tax rates with a current rate of \$0.112102 per \$100 valuation. The District is ranked 39th out of 50 community college districts for 2016-17 (with a ranking of 1 representing the highest tax rate). The District has the authority to raise its tax rate to as much as 0.25 cents per \$100 valuation. Consequently, the District has considerable capability to offset declining state funds with tax increases, if necessary.

Declining state funds, changes in Pell grant and loan requirements and the continuation of a slow economic recovery represent potential challenges for Texas community colleges. However, enrollment trends are changing. During the fall 2016 semester, counts showed almost 66% (33/50) of the 50 Texas community colleges experienced an increase in enrollment. The District experienced a 5.4% increase in enrollment during the fall 2016 semester when compared to the previous year, primarily driven by an increase in dual credit students. The large drops in previous years related to the changes in Pell Grant rules have leveled off. This change in enrollment also coincides with the implementation of a comprehensive student success initiative that requires all first-time-in-college students to enroll in a 1-hour student success class. This initiative and other success strategies are designed to improve retention on campus. Thus, it is anticipated that improvements in retention will to some degree offset recent enrollment declines. The Spring 2017 enrollments (9,871 students) reported an approximate 7% increase over Spring 2016 (9,243 students). In addition, the Summer enrollments increased in total from 2016 to 2017 (7,025 to 7,243 students).

The District is also seeking new opportunities. The cost of attending the District is approximately 36% of the cost to attend a typical state four-year institution. In response to these findings, the District continues the process of expanding its University Center by adding new bachelor degree programs with Texas Tech University and by adding to its offerings through Tarleton State University. The District is planning for the continued expansion of these initiatives, which is expected to increase demand for the District's current course offerings.

Beginning in the 2018-19 biennium, the funding model of Texas community colleges was adjusted to allocate \$680,000 for core operations and 10% of the appropriations on the basis of student success points and 90% on contact hours. The District was actively engaged in the development of the new model. For the 2018-19 biennium, success point funding will continue to be based on changes in total success points for each district. That is, the District will receive additional funds if success points increase and less funds if success points decrease. Preliminary analyses of the proposed success point model suggest that the District will earn all of the 10% of appropriations through the success points.

The District issued Revenue Refunding Bonds, Series 2017 on September 6, 2017 in the amount of \$9,050,000. The 2017 series refunded \$2,740,000 from the Revenue Bonds, Series 2009 and \$6,360,000 from the Revenue Bonds, Series 2010. Average annual savings (2018-2030) are \$55,210 or a total of \$717,726. The bonds are secured by tuition revenue.

Economic Factors That Will Affect the Future (continued)

The District is not aware of any other additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during subsequent years.

McLennan County Junior College District

Statements of Net Position (Exhibit 1)

August 31, 2017 and 2016

| | McLennan County Junior College District | | Component Unit McLennan Community College Foundation | |
|--|--|--------------------|--|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| | <u>Assets</u> | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 12,657,268 | 18,034,763 | 514,106 | 384,324 |
| Accounts receivable, net | 15,830,023 | 11,901,741 | 76,413 | 229,059 |
| Prepaid expenses | 798,101 | 605,180 | 8,199 | 14,592 |
| Restricted cash and cash equivalents | 1,816,303 | 1,386,496 | - | - |
| Inventories | 33,688 | 7,382 | - | - |
| Total current assets | <u>31,135,383</u> | <u>31,935,562</u> | <u>598,718</u> | <u>627,975</u> |
| Noncurrent assets: | | | | |
| Restricted cash, cash equivalents, and investments | - | - | 17,516,095 | 15,532,846 |
| Capital assets, net | 127,507,349 | 130,062,624 | - | - |
| Other assets | - | - | 37,276 | 50,520 |
| Total noncurrent assets | <u>127,507,349</u> | <u>130,062,624</u> | <u>17,553,371</u> | <u>15,583,366</u> |
| Total assets | <u>158,642,732</u> | <u>161,998,186</u> | <u>18,152,089</u> | <u>16,211,341</u> |
| <u>Deferred Outflows of Resources</u> | | | | |
| Deferred outflows of resources | <u>6,515,720</u> | <u>7,322,921</u> | - | - |
| <u>Liabilities</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable | 1,984,629 | 2,099,215 | 9,589 | 12,973 |
| Accrued liabilities | 2,751,265 | 3,015,940 | - | - |
| Funds held for others | 240,970 | 226,862 | - | - |
| Unearned revenue | 10,987,303 | 11,230,099 | - | - |
| Bonds payable - current portion | 3,905,000 | 3,780,000 | - | - |
| Total current liabilities | <u>19,869,167</u> | <u>20,352,116</u> | <u>9,589</u> | <u>12,973</u> |
| Noncurrent liabilities: | | | | |
| Bonds payable | 78,624,238 | 83,320,021 | - | - |
| Net pension liability | 10,117,620 | 9,733,576 | - | - |
| Total noncurrent liabilities | <u>88,741,858</u> | <u>93,053,597</u> | - | - |
| Total liabilities | <u>108,611,025</u> | <u>113,405,713</u> | <u>9,589</u> | <u>12,973</u> |
| <u>Deferred Inflows of Resources</u> | | | | |
| Deferred inflows of resources | <u>3,112,103</u> | <u>3,925,255</u> | - | - |
| <u>Net Position</u> | | | | |
| Net position: | | | | |
| Net investment in capital assets | 47,878,207 | 46,139,956 | - | - |
| Restricted for: | | | | |
| Nonexpendable: | | | | |
| Scholarships and fellowships | - | - | 8,454,266 | 8,203,283 |
| Other | - | - | 823,227 | 819,287 |
| Expendable: | | | | |
| Scholarships and fellowships | 1,358,932 | 1,638,889 | 8,391,662 | 6,753,941 |
| Debt service | 1,478,457 | 1,058,925 | - | - |
| Other | - | - | 195,626 | 142,911 |
| Unrestricted | <u>2,719,728</u> | <u>3,152,369</u> | <u>277,719</u> | <u>278,946</u> |
| Total net position | <u>\$ 53,435,324</u> | <u>51,990,139</u> | <u>18,142,500</u> | <u>16,198,368</u> |

See accompanying notes to the financial statements.

McLennan County Junior College District

Statements of Revenues, Expenses, and Changes in Net Position
(Exhibit 2)

Years Ended August 31, 2017 and 2016

| | McLennan County | | Component Unit | |
|---|-------------------------|---------------------|--|-------------------|
| | Junior College District | | McLennan Community College Foundation | |
| | 2017 | 2016 | 2017 | 2016 |
| Operating revenues: | | | | |
| Tuition and fees (net of scholarship allowances and discounts of \$11,867,858 and \$10,170,081, respectively) | \$ 14,191,105 | 16,061,587 | - | - |
| Gifts | - | - | 994,096 | 870,866 |
| Sales and services of educational activities | 918,241 | 945,528 | - | - |
| Auxiliary enterprises | 476,268 | 475,786 | - | - |
| Other operating revenues | 232,096 | 129,863 | - | - |
| Total operating revenues | <u>15,817,710</u> | <u>17,612,764</u> | <u>994,096</u> | <u>870,866</u> |
| Operating expenses: | | | | |
| Instruction | 30,933,951 | 32,343,911 | - | - |
| Public service | 2,057,601 | 1,912,193 | - | - |
| Academic support | 2,489,488 | 2,525,778 | - | - |
| Student services | 4,384,213 | 4,148,423 | - | - |
| Institutional support | 9,466,595 | 8,962,131 | 539,314 | 644,440 |
| Operation and maintenance of plant | 5,759,817 | 5,269,456 | 167,239 | 5,643 |
| Scholarships and fellowships | 9,458,920 | 10,496,813 | 348,197 | 378,516 |
| Auxiliary enterprises | 2,010,702 | 1,717,880 | - | - |
| Depreciation | 4,299,220 | 3,897,336 | - | - |
| Total operating expenses | <u>70,860,507</u> | <u>71,273,921</u> | <u>1,054,750</u> | <u>1,028,599</u> |
| Operating income (loss) | <u>(55,042,797)</u> | <u>(53,661,157)</u> | <u>(60,654)</u> | <u>(157,733)</u> |
| Nonoperating revenues (expenses): | | | | |
| State appropriations | 15,659,313 | 15,687,094 | - | - |
| Ad valorem taxes for maintenance and operations | 16,763,347 | 15,266,357 | - | - |
| Ad valorem taxes for debt service | 5,512,066 | 5,733,094 | - | - |
| Federal grants and contracts | 18,608,580 | 18,596,672 | - | - |
| State grants and contracts | 1,949,609 | 3,272,034 | - | - |
| Local grants and contracts | 211,925 | 217,935 | - | - |
| Investment income | 98,679 | 61,792 | 2,004,532 | 1,046,539 |
| Gifts | 433,333 | 181,346 | - | - |
| Interest on capital asset-related debt | (2,763,364) | (2,970,301) | - | - |
| Other nonoperating revenues (expenses), net | 14,494 | (330,403) | 254 | 854 |
| Net nonoperating revenues | <u>56,487,982</u> | <u>55,715,620</u> | <u>2,004,786</u> | <u>1,047,393</u> |
| Increase in net position | 1,445,185 | 2,054,463 | 1,944,132 | 889,660 |
| Net position - beginning of year | <u>51,990,139</u> | <u>49,935,676</u> | <u>16,198,368</u> | <u>15,308,708</u> |
| Net position - end of year | <u>\$ 53,435,324</u> | <u>51,990,139</u> | <u>18,142,500</u> | <u>16,198,368</u> |

See accompanying notes to the financial statements.

McLennan County Junior College District

Statements of Cash Flows (Exhibit 3)

Years Ended August 31, 2017 and 2016

| | Primary Government | |
|---|--------------------|--------------|
| | 2017 | 2016 |
| Cash flows from operating activities | | |
| Receipts from students and other customers: | | |
| Tuition and fees | \$ 9,606,081 | 10,042,926 |
| Auxiliary enterprises and educational activities | 1,343,651 | 1,197,773 |
| Receipts from third-party student loans | 12,172,148 | 13,200,474 |
| Other receipts | 232,096 | 129,863 |
| Loans issued to students | (12,172,148) | (13,200,474) |
| Payments to employees | (34,849,179) | (33,703,104) |
| Payments to suppliers and students | (28,780,097) | (29,655,029) |
| Net cash used in operating activities | (52,447,448) | (51,987,571) |
| Cash flows from noncapital financing activities | | |
| Receipts of state appropriations | 12,153,120 | 12,142,764 |
| Receipts from ad valorem taxes for maintenance and operation | 16,760,494 | 15,293,464 |
| Receipts of grants and contracts | 21,247,602 | 31,671,557 |
| Receipts from gifts for other than capital purposes | 341,488 | 137,755 |
| Net cash provided by noncapital financing activities | 50,502,704 | 59,245,540 |
| Cash flows from capital and related financing activities | | |
| Receipts from ad valorem taxes for debt service | 5,520,097 | 5,749,341 |
| Other receipts | - | 18,581 |
| Purchases of capital assets | (1,547,332) | (1,621,621) |
| Payments on capital debt principal | (3,780,000) | (3,735,000) |
| Payments on capital debt interest | (3,301,196) | (3,434,271) |
| Other receipts (payments) | 10,562 | (4,750) |
| Net cash used in capital and related financing activities | (3,097,869) | (3,027,720) |
| Cash flows from investing activities | | |
| Receipts from interest on investments | 94,925 | 64,130 |
| Proceeds from sales or maturities of investments | - | 27,799,299 |
| Purchases of investments | - | (13,778,196) |
| Net cash provided by investing activities | 94,925 | 14,085,233 |
| Net increase (decrease) in cash and cash equivalents | (4,947,688) | 18,315,482 |
| Cash and cash equivalents - beginning of year | 19,421,259 | 1,105,777 |
| Cash and cash equivalents - end of year | \$ 14,473,571 | 19,421,259 |
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (55,042,797) | (53,661,157) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation expense | 4,299,220 | 3,897,336 |
| On-behalf payments | 3,506,193 | 3,544,330 |
| Change in assets and liabilities: | | |
| Receivables, net | (4,570,336) | (7,018,276) |
| Inventories | (26,306) | 17,655 |
| Prepaid expenses | (192,921) | 233,458 |
| Accounts payable | (114,586) | 151,257 |
| Accrued liabilities | (240,369) | 71,753 |
| Funds held for others | 14,108 | 21,122 |
| Unearned revenue | (79,654) | 754,951 |
| Net cash used in operating activities | \$ (52,447,448) | (51,987,571) |
| Noncash capital, financing and investing activities: | | |
| Contributed equipment | \$ 196,612 | - |
| State appropriations on-behalf payments | \$ 3,506,193 | 3,544,330 |

See accompanying notes to the financial statements.

McLennan County Junior College District

Notes to Financial Statements

August 31, 2017 and 2016

(1) Nature of Operations and Reporting Entity

McLennan County Junior College District (the District) was established in 1965, in accordance with the laws of the State of Texas, to serve the education needs of McLennan County. The District offers courses which are transferable to senior colleges and universities. Students may also choose to earn associate degrees or certifications in a wide range of technical fields, including those leading to careers in business, health and service. The District is considered to be a primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity Omnibus: An Amendment of GASB Statements No. 14 and No. 34*. While the District receives funding from local, state, and federal sources and must comply with the spending, reporting, and record-keeping requirements of these entities, it is not a component unit of any other governmental entity. The accompanying financial statements present the District and its component unit described below. The discretely presented component unit is reported in a separate column to emphasize that it is legally separate from the District.

McLennan Community College Foundation (the Foundation) is a legally separate, tax-exempt entity organized to solicit and receive support for purposes of developing and extending the facilities of the District and enhancing the educational opportunities of residents in the geographical area the District serves. The Foundation receives a significant portion of its revenue from individuals and businesses in the Central Texas area. The District does not control the timing or amount of receipts from the Foundation. However, the majority of resources or income thereon that the Foundation holds and invests is for the benefit of the District or its constituents. Because the net position of the Foundation compared to the District is significant, because substantially all resources held by the Foundation can only be used by, or for the benefit of, the District, and because the Foundation has historically provided resources to the District or its constituents, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements. During the years ended August 31, 2017 and 2016, the Foundation expended \$687,606 and \$690,198, respectively, directly to the District or to the District on behalf of students. Complete financial statements for the Foundation can be obtained from the Foundation office at 1400 College Drive, Waco, Texas 76708.

The District is reported as a special-purpose government engaged in business-type activities. The significant accounting policies followed by the District in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's *Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. These accounting policies basically conform to generally accepted accounting principles applicable to government units.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(2) Summary of Significant Accounting Policies(a) Basis of Accounting

The financial statements of the District have been prepared using the economic resource measurement focus and the accrual basis of accounting, whereby all revenues are recorded when earned and all expenses are recorded when a liability has been incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The District distinguishes operating revenues and expenses from nonoperating items. The primary consideration in classifying revenues and expenses is how individual transactions are categorized for purposes of preparing the statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are reported as components of nonoperating income. The principal operating revenue of the District results from providing education services to students and consists of tuition and fees, as well as sales and services of educational activities and auxiliary goods and services. Operating expenses include the cost of providing educational services, auxiliary goods and services, and administrative expenses. All revenues and expenses not meeting this definition – including gifts, contributions, and grants from nonexchange and exchange-like transactions – are reported as nonoperating revenues and expenses. The principal nonoperating revenues of the District consist of state appropriations, property taxes, and grants and contracts. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

(b) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31, and

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(2) Summary of Significant Accounting Policies (continued)(b) Encumbrances (continued)

encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. Encumbrances outstanding at year-end that were provided for in the subsequent year's budget are reported as designations of net position since they do not constitute expenditures or liabilities.

(c) Scholarship Allowances and Discounts

Student tuition and fee revenues are reported net of scholarship allowances and discounts in the statements of revenues, expenses, and changes in net position. Scholarship allowances and discounts are the difference between the stated charge for goods and services provided by the District and the amount that is paid by students. Certain governmental grants, such as Pell grants and other federal, state or nongovernmental programs, are recorded as nonoperating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, the District has recorded a scholarship allowance and discount.

Texas Public Education Grants: Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue as a separate set aside in accordance with the Texas Education Code. When the award for tuition is used by the student, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount.

Title IV Program Funds and Other Tuition Discounts: Certain Title IV Program funds are received by the District to pass through to the students. In addition, the District awards tuition and fee scholarships from institutional funds to students who qualify. When the student is awarded and uses these funds for tuition and fees, the amounts are recorded as revenue and corresponding amounts are recorded as tuition discounts.

(d) Cash and Cash Equivalents

Cash equivalents of \$399,629 and \$735,549 at August 31, 2017 and 2016, respectively, consist of public funds investment pools. Cash equivalents are considered to be highly liquid debt instruments with original maturities of three months or less from the date of acquisition.

Restricted cash and cash equivalents represent resources accumulated for debt service payments for the Series 2013 and 2015 limited tax bonds payable and 2009 and 2010 revenue bonds payable at August 31, 2017 and 2016.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(e) Investments

Investments are reported at fair value, except for money market funds and participating interest-earning investment contracts that mature within one year of the date of their acquisition and nonparticipating investment contracts which are stated at cost. Fair values are based on published market prices. The governmental investment pools operate in accordance with appropriate state laws and regulations. The value of the pools is reported at amortized cost which, in most cases, approximates the fair values of the pool shares.

(f) Inventories

Inventories, consisting of consumable office supplies and physical plant supplies, are valued at the lower of cost or market using the first-in, first-out method and are charged to expense as consumed.

(g) Capital Assets

Capital assets, which include land, buildings, library books, furniture, equipment and other improvements, are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of one or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Renovations to buildings and other improvements that significantly increase the value or extend the useful life of such assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are charged to operating expense in the year in which the expense is incurred. The District reports depreciation under a single line item as a business-type unit.

Depreciation is computed using the straight-line method over the following estimated useful lives:

| | |
|-------------------------|--------------|
| Buildings | 50 years |
| Other improvements | 20 years |
| Library books | 15 years |
| Furniture and equipment | 5 - 10 years |

(h) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies

McLennan County Junior College District
Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(h) Deferred Outflows and Inflows of Resources (continued)

to a future period(s) and will not be recognized as an outflow of resource (expense) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows and inflows as of August 31, 2017 and 2016 consist of the following:

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|------------------|
| Deferred Outflows | | |
| Deferred charges on bond refundings | \$ 3,214,137 | 3,532,357 |
| Pension related: | | |
| Pension contributions subsequent to measurement date | 884,894 | 829,573 |
| Differences between expected and actual economic experience | 158,642 | 108,365 |
| Changes in assumptions | 308,367 | 455,463 |
| Differences between projected and actual investment earnings | <u>1,949,680</u> | <u>2,397,163</u> |
| | <u>\$ 6,515,720</u> | <u>7,322,921</u> |
| Deferred Inflows | | |
| Deferred gains on bond refundings | \$ 314,039 | 355,001 |
| Pension related: | | |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 1,122,571 | 347,251 |
| Differences between expected and actual economic experience | 302,106 | 374,070 |
| Changes in assumptions | 280,447 | 917,607 |
| Differences between projected and actual investment earnings | <u>1,092,940</u> | <u>1,931,326</u> |
| | <u>\$ 3,112,103</u> | <u>3,925,255</u> |

McLennan County Junior College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(i) Unearned Revenue

Unearned revenue of the District at August 31, 2017 and 2016 consists of the following:

| | 2017 | 2016 |
|------------------|---------------|------------|
| Tuition and fees | \$ 9,771,662 | 9,797,381 |
| Contributions | 40,000 | 80,000 |
| Federal grants | 168,135 | 244,693 |
| Scholarships | 261,812 | 275,747 |
| State grants | 745,694 | 832,278 |
| | \$ 10,987,303 | 11,230,099 |

(j) Pensions

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

(k) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowances for receivables, certain accrued liabilities, and net pension liability and related deferred outflows and inflows of resources. Actual results could differ from those estimates.

(3) Authorized Investments

The District 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

McLennan County Junior College District
Notes to Financial Statements
(Continued)

(3) Authorized Investments (continued)

State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute. The District is also required to follow specific investment practices prescribed by the Public Funds Investment Act (the "Act") related to establishment of appropriate investment policies and management reports.

(4) Deposits and Investments

Deposits and investments of the District at August 31, 2017 and 2016 consist of the following:

| | <u>2017</u> | <u>2016</u> |
|---|----------------------|-------------------|
| <u>Deposits</u> | | |
| Cash - demand deposits | \$ 1,301,690 | 6,686,244 |
| Cash - certificates of deposit | 12,769,939 | 11,997,216 |
| Cash - petty cash on hand | 2,313 | 2,250 |
| Total deposits | <u>14,073,942</u> | <u>18,685,710</u> |
| <u>Investments - cash equivalents</u> | | |
| TexasTERM Local Government Investment Pool | \$ 8,415 | 8,359 |
| Texas Local Government Investment Pool | 390,933 | 726,911 |
| Lone Star Investment Pool | 281 | 279 |
| Total cash and cash equivalents | <u>14,473,571</u> | <u>19,421,259</u> |
| Total deposits and investments | <u>\$ 14,473,571</u> | <u>19,421,259</u> |

Deposits and investments of the Foundation at August 31, 2017 and 2016 consist of the following:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------|-------------------|----------------|
| <u>Deposits</u> | | |
| Cash - demand deposits | \$ 414,133 | 324,349 |
| Cash - certificates of deposit | 99,973 | 59,975 |
| Total deposits | <u>\$ 514,106</u> | <u>384,324</u> |

McLennan County Junior College District

Notes to Financial Statements (Continued)

(4) Deposits and Investments (continued)

| | 2017 | 2016 |
|--|-------------------|----------------|
| <u>Investments</u> | | |
| Funds of a management investment company | \$ 14,364,936 | 13,265,000 |
| Equity securities | 1,847,833 | 1,695,402 |
| Other investments | 1,303,326 | 572,444 |
| Total investments | 17,516,095 | 15,532,846 |
| Total deposits and investments | \$ 18,030,201 | 15,917,170 |

The weighted average maturity of investments (in days) of the District at August 31, 2017 and 2016 consists of the following:

| | 2017 | 2016 |
|--|------|------|
| TexasTERM Local Government Investment Pool | 41 | 43 |
| Texas Local Government Investment Pool | 32 | 42 |
| Lone Star Investment Pool | 40 | 37 |

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. Money market mutual funds must have a dollar weighted average stated maturity of 90 days or less. The maximum allowable stated maturity of any other individual investment owned by the District cannot exceed the limits established by the Public Funds Investment Act. If no maximum allowable stated maturity is provided for a particular investment, the maximum allowable stated maturity for such investment cannot exceed five years except for the purchase of investments related to the refunding of bonds in which case the maturity of the escrowed amount cannot exceed the life of the bond.

Credit Risk. Credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill obligations related to the investment. It is the District's policy to limit its investments in a manner that ensures the preservation of capital in the overall portfolio. Specifically, public funds investment pools must be rated not less than AAA or an equivalent rating by at least one nationally recognized rating service. At August 31, 2017 and 2016, public funds investment pools held by the District were rated AAAM by Standard & Poor's.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(4) Deposits and Investments (continued)

As indicated above, investments of the District at August 31, 2017 and 2016 include deposits in the Texas Local Government Investment Pool, TexasTERM Local Government Investment Pool, and Lone Star Investment Pool (collectively, the Pools). These pools are public funds investment pools created pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to the Pools as custodians and to make investment purchases with the District's funds. The District does not own specific, identifiable investment securities with the Pools.

TexasTERM Local Government Investment Pool is a public funds investment pool organized under a common investment contract managed by an elected advisory board. TexasTERM Local Government Investment Pool is a non-taxable investment fund established for local governments in Texas under the provisions of the Texas Interlocal Cooperation Act. The pool offers two investment portfolios, TexasTERM and TexasDAILY. The District has investments in the TexasDAILY portfolio. TexasDAILY uses amortized cost rather than the fair value to report net assets to compute share prices.

The State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool (TexPool). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. There are no maximum transaction amounts and withdrawals may be made daily. TexPool uses amortized cost rather than fair value to report net assets to compute share prices.

Lone Star Investment Pool (Lone Star) is a member-owned, member-governed public funds investment pool offering three funds: Liquidity Fund, Liquidity Plus Fund, and U.S. Government Fund. The Board of Trustees, who has governance responsibilities, is comprised of participants in Lone Star and members of the Texas Association of School Business Officials. The District has investments in the Liquidity Fund of Lone Star. The Liquidity Fund uses amortized cost rather than the fair value to report net assets to compute share prices.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in the securities of a single issuer. The District's investment policy includes an investment objective of seeking diversification to avoid unreasonable risk.

Interest Rate and Credit Risks of McLennan Community College Foundation. The Foundation has general investment policies to seek reasonable income, preserve capital, and, in general, avoid speculative investments. However, the Foundation does not have a

McLennan County Junior College District

Notes to Financial Statements (Continued)

(4) Deposits and Investments (continued)

specific policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Also, the Foundation does not have a specific policy to limit the risk that an issuer or other counterparty to its mutual funds will not fulfill its obligations.

(5) Disaggregation of Accounts Receivable and Accrued Liabilities

Accounts receivable at August 31, 2017 and 2016 consisted of the following:

| | 2016 | 2015 |
|--------------------------------------|---------------|------------|
| Auxiliary and other | \$ 6,060,235 | 5,720,748 |
| Tuition and fees | 8,744,722 | 4,225,243 |
| Taxes | 1,055,479 | 1,062,986 |
| Federal and state grants | 921,094 | 1,781,006 |
| Interest | 10,948 | 7,194 |
| | 16,792,478 | 12,797,177 |
| Less allowance for doubtful accounts | (962,455) | (895,436) |
| Accounts receivable, net | \$ 15,830,023 | 11,901,741 |

Accrued liabilities at August 31, 2017 and 2016 consisted of the following:

| | 2017 | 2016 |
|-------------------------------|--------------|-----------|
| Salaries and benefits payable | \$ 671,131 | 880,476 |
| Claims liability | 200,628 | 200,628 |
| Interest payable | 552,297 | 576,603 |
| Other payables | 1,327,209 | 1,358,233 |
| Accrued liabilities | \$ 2,751,265 | 3,015,940 |

(6) Capital Assets

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

| | Balance September 1, 2016 | Additions | Transfers and Retirements | Balance August 31, 2017 |
|---------------------------------------|---------------------------------|-----------|---------------------------------|-------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 6,757,040 | - | - | 6,757,040 |
| Construction in progress | 113,540 | - | (113,540) | - |
| | 6,870,580 | - | (113,540) | 6,757,040 |

McLennan County Junior College District

Notes to Financial Statements (Continued)

(6) Capital Assets (continued)

| | Balance September 1, 2016 | Additions | Transfers and Retirements | Balance August 31, 2017 |
|---|---------------------------------|-------------|---------------------------------|-------------------------------|
| Capital assets, being depreciated: | | | | |
| Buildings and building improvements | \$ 142,177,022 | - | - | 142,177,022 |
| Other real estate improvements | 24,858,870 | 1,140,768 | 113,179 | 26,112,817 |
| Total buildings and other real estate improvements | 167,035,892 | 1,140,768 | 113,179 | 168,289,839 |
| Library books | 3,209,608 | 69,847 | - | 3,279,455 |
| Furniture and equipment | 7,310,328 | 533,728 | (111,692) | 7,732,364 |
| Total buildings and other capital assets | 177,555,828 | 1,744,343 | 1,487 | 179,301,658 |
| Less accumulated depreciation: | | | | |
| Buildings and building improvements | \$ 36,421,320 | 3,687,442 | - | 40,108,762 |
| Other real estate improvements | 10,452,303 | - | - | 10,452,303 |
| Total buildings and other real estate improvements | 46,873,623 | 3,687,442 | - | 50,561,065 |
| Library books | 2,585,674 | 81,179 | - | 2,666,853 |
| Furniture and equipment | 4,904,487 | 530,599 | (111,655) | 5,323,431 |
| Total accumulated depreciation | 54,363,784 | 4,299,220 | (111,655) | 58,551,349 |
| | 123,192,044 | (2,554,877) | 113,142 | 120,750,309 |
| Net capital assets | \$ 130,062,624 | (2,554,877) | (398) | 127,507,349 |

Capital asset activity for the year ended August 31, 2016 was as follows:

| | Balance September 1, 2015 | Additions | Transfers and Retirements | Balance August 31, 2016 |
|---|---------------------------------|-----------|---------------------------------|-------------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 6,747,040 | 10,000 | - | 6,757,040 |
| Construction in progress | - | 113,540 | - | 113,540 |
| | 6,870,580 | 123,540 | - | 6,870,580 |
| Capital assets, being depreciated | | | | |
| Buildings and building improvements | 142,367,193 | 100,613 | (290,784) | 142,177,022 |
| Other real estate improvements | 23,756,022 | 1,102,487 | 361 | 24,858,870 |
| Total buildings and other real estate improvements | 166,123,215 | 1,203,100 | (290,423) | 167,035,892 |
| Library books | 3,122,432 | 87,176 | - | 3,209,608 |
| Furniture and equipment | 7,209,069 | 207,805 | (106,546) | 7,310,328 |
| Total buildings and other capital assets | 176,454,716 | 1,498,081 | (396,969) | 177,555,828 |

McLennan County Junior College District
Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

| | Balance September 1, 2015 | Additions | Transfers and Retirements | Balance August 31, 2016 |
|---|---------------------------------|-------------|---------------------------------|-------------------------------|
| Less accumulated depreciation: | | | | |
| Buildings and building improvements | \$ 33,963,497 | 2,457,823 | - | 36,421,320 |
| Other real estate improvements | 9,574,519 | 877,784 | - | 10,452,303 |
| Total buildings and other real estate improvements | 43,538,016 | 3,335,607 | - | 46,873,623 |
| Library books | 2,504,952 | 80,722 | - | 2,585,674 |
| Furniture and equipment | 4,495,256 | 481,007 | (71,776) | 4,904,487 |
| Total accumulated depreciation | 50,538,224 | 3,897,336 | (71,776) | 54,363,784 |
| | 125,916,492 | (2,399,255) | (325,193) | 123,192,044 |
| Net capital assets | \$ 132,787,072 | (2,275,715) | (325,193) | 130,062,624 |

Construction in progress at August 31, 2016, consisted of the campus signage project of which \$113,540 had been spent to date with a remaining commitment of \$282,574. At August 31, 2017, the project was completed with no remaining commitments outstanding.

(7) Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2017 was as follows:

| | Balance September 1, 2016 | Additions | Reductions | Balance August 31, 2017 | Current Portion |
|---|---------------------------------|-----------|------------|-------------------------------|--------------------|
| Bonds payable: | | | | | |
| Refunding revenue bonds payable | \$ 1,235,000 | - | 610,000 | 625,000 | 625,000 |
| Revenue bonds payable | 13,860,000 | - | 225,000 | 13,635,000 | 245,000 |
| Refunding limited tax bonds payable | 64,440,000 | - | 2,945,000 | 61,495,000 | 3,035,000 |
| Bond issuance premiums and discounts | 7,565,021 | - | 790,783 | 6,774,238 | - |
| Net pension liability | 9,733,576 | 1,236,424 | 852,380 | 10,117,620 | - |
| | \$ 96,833,597 | 1,236,424 | 5,423,163 | 92,646,858 | 3,905,000 |

Long-term liability activity for the year ended August 31, 2016 was as follows:

McLennan County Junior College District

Notes to Financial Statements (Continued)

(7) Long-Term Liabilities (continued)

| | Balance September 1, 2015 | Additions | Reductions | Balance August 31, 2016 | Current Portion |
|---|---------------------------------|------------------|-------------------|-------------------------------|--------------------|
| Bonds payable: | | | | | |
| Refunding revenue | | | | | |
| bonds payable | \$ 1,815,000 | - | 580,000 | 1,235,000 | 610,000 |
| Revenue bonds payable | 14,085,000 | - | 225,000 | 13,860,000 | 225,000 |
| Limited tax bonds payable | 1,640,000 | - | 1,640,000 | - | - |
| Refunding limited | | | | | |
| tax bonds payable | 65,730,000 | - | 1,290,000 | 64,440,000 | 2,945,000 |
| Bond issuance premiums and discounts | 8,353,064 | - | 788,043 | 7,565,021 | - |
| Net pension liability | 8,425,251 | 7,352,839 | 6,044,514 | 9,733,576 | - |
| | <u>\$ 100,048,315</u> | <u>7,352,839</u> | <u>10,567,557</u> | <u>96,833,597</u> | <u>3,780,000</u> |

Bonds payable are comprised of the following individual issues:

\$52,765,000 Refunding Limited Tax Bonds – Series 2015

To advance refund \$55,825,000 of outstanding Limited Tax Bonds – Series 2007; issued March 10, 2015; all authorized bonds have been issued; due in installments through 2032; secured by property tax revenues; no bond reserve fund is required.

\$8,550,000 Refunding Limited Tax Bonds (Tax-Exempt) – Series 2013

To advance refund \$8,550,000 of outstanding Limited Tax Bonds – Series 2007; issued May 2, 2013; all authorized bonds have been issued; due in installments through 2025; secured by property tax revenues; no bond reserve fund is required; call year 2022.

\$6,140,000 Refunding Limited Tax Bonds (Taxable) – Series 2013

To advance refund \$6,185,000 of outstanding Refunding Limited Tax Bonds – Series 2005; issued May 2, 2013; all authorized bonds have been issued; due in installments through 2019; secured by property tax revenues; no bond reserve fund is required.

\$9,545,000 Revenue Bonds – Series 2010

To acquire, construct, and improve buildings, structures, and facilities, including the construction of a parking garage facility; issued April 15, 2010; all authorized bonds have been issued; due in installments through 2030; secured by tuition revenue; call year 2020.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(7) Long-Term Liabilities (continued)

\$5,985,000 Revenue Bonds – Series 2009

To acquire, construct, and improve buildings, structures, and facilities, including the construction of a parking garage facility; issued January 15, 2009; all authorized bonds have been issued; due in installments through 2023; secured by tuition revenue; call year 2018.

\$6,310,000 Refunding Revenue Bonds – Series 2006

To advance refund \$6,550,000 of outstanding Refunding Revenue Bonds – Series 1995; issued March 23, 2006; all authorized bonds have been issued; due in installments through 2018; secured by pledged revenues of tuition, facility fees, net revenues from the District's book store, cafeteria and vending machine operations, interest earnings and revenues of any revenue-producing facilities acquired or constructed with bond proceeds; no bond reserve fund is required; call year 2015.

Bonds payable are due in annual installments varying from \$70,000 to \$5,535,000 with interest rates from 2% to 5.75% with the final installment in 2032. Debt service requirements to amortize bonds payable as of August 31, 2017, are as follows:

| For the Year Ended August 31, | Revenue Bonds | | Tax Bonds | |
|----------------------------------|----------------------|------------------|-------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2018 | \$ 870,000 | 573,821 | 3,035,000 | 2,608,700 |
| 2019 | 895,000 | 540,859 | 3,110,000 | 2,529,175 |
| 2020 | 930,000 | 511,701 | 3,270,000 | 2,447,550 |
| 2021 | 960,000 | 479,151 | 3,430,000 | 2,287,050 |
| 2022 | 1,000,000 | 442,951 | 3,600,000 | 2,118,550 |
| 2023 - 2027 | 5,630,000 | 1,577,018 | 19,610,000 | 9,293,500 |
| 2028 - 2032 | 3,975,000 | 348,015 | 25,440,000 | 3,619,000 |
| | <u>\$ 14,260,000</u> | <u>4,473,516</u> | <u>61,495,000</u> | <u>24,903,525</u> |

The District has pledged certain future tuition and fees to repay \$14.3 million in revenue bonds issued in 2010, 2009 and 2006. Proceeds from the bonds provided financing for the construction of parking garage facilities, and refunding of the 1995 revenue bonds which provided funds for campus facility improvements. Annual principal and interest payments on the bonds are expected to require 40% of the pledged tuition and fees. The total principal and interest remaining to be paid on the bonds is \$18.7 million. Principal and interest paid for the current year and total of pledged tuition and fees were approximately \$1.4 million and \$3.0 million, respectively.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(8) Defeased Bonds Outstanding

In prior years, the District defeased certain bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2017, the following bonds outstanding are considered defeased:

| | Year Refunded | Balance Outstanding |
|---|------------------|------------------------|
| Refunding and Improvement Revenue | | |
| Bonds - Series 1992 | 1995 | \$ 665,000 |
| Limited Tax Bonds - Series 1999 | 2005 | 3,975,000 |
| Refunding Revenue Bonds - Series 1995 | 2006 | 665,000 |
| Refunding Limited Tax Bonds - Series 2005 | 2013 | 2,650,000 |
| Limited Tax Bonds - Series 2007 | 2013 | 8,550,000 |
| Limited Tax Bonds - Series 2007 | 2015 | 54,120,000 |
| | | \$ 70,625,000 |

(9) Employees' Retirement Plan

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

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

Pension Plan Fiduciary Net Position. Detailed information about TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling TRS at (512) 542-6592.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(9) Employees' Retirement Plan (continued)

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 creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on the date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic 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.

Contributions. Contribution requirements are established or amended pursuant to Article XVI, Sec. 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS's 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 2015 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employee contribution rates for fiscal year 2015. The 84th Texas Legislature, GAA established the employer contribution rates for fiscal years 2016 and 2017. Contribution rates were as follows:

| <u>Year</u> | <u>Member</u> | | <u>State</u> | | <u>District</u> | |
|-------------|---------------|---------------|--------------|---------------|-----------------|---------------|
| | <u>Rate</u> | <u>Amount</u> | <u>Rate</u> | <u>Amount</u> | <u>Rate</u> | <u>Amount</u> |
| 2017 | 7.7% | \$ 1,521,103 | 6.8% | \$ 423,194 | 6.8% | \$ 884,894 |
| 2016 | 7.2% | 1,319,274 | 6.8% | 427,101 | 6.8% | 829,573 |
| 2015 | 6.7% | 1,209,885 | 6.8% | 424,586 | 6.8% | 803,507 |

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(9) Employees' Retirement Plan (continued)

Contributions to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies, including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the GAA.

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

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

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(9) Employees' Retirement Plan (continued)

Actuarial Assumptions. The total pension liability in the August 31, 2016 and 2015 actuarial valuations was determined using the following actuarial assumptions:

| | Valuation Date | |
|--|---|---|
| | <u>August 31, 2016</u> | <u>August 31, 2015</u> |
| Actuarial cost method | Individual entry age, normal | Individual entry age, normal |
| Asset valuation method | 5 year market value | 5 year market value |
| Actuarial assumptions: | | |
| Discount rate | 8.00% | 8.00% |
| Long-term expected investment rate of return | 8% (includes inflation of 2.5%) | 8% (includes inflation of 2.5%) |
| Salary increases | 3.5% to 9.5% (includes inflation of 2.5%) | 3.5% to 9.5% (includes inflation of 2.5%) |
| Benefit changes during the year | None | None |
| Ad hoc post-employment benefit changes | None | None |

The 2016 and 2015 actuarial methods and assumptions are primarily based on a study of actuarial experience for the four-year period ended August 31, 2014 and adopted on September 24, 2015.

The long-term expected rate of return on pension plan investments is 8.0%. 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, 2016 are summarized below:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Real Return Geometric Basis</u> | <u>Long-Term Expected Portfolio Real Rate of Return *</u> |
|-------------------------|--------------------------|------------------------------------|---|
| Global Equity: | | | |
| U.S. | 18% | 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% |

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(9) Employees' Retirement Plan (continued)

| Asset Class | Target Allocation | Real Return Geometric Basis | Long-Term Expected Portfolio Real Rate of Return * |
|-------------------------------|----------------------|--------------------------------|--|
| 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 | 100% | | 8.7% |

* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. 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.

Discount Rate Sensitivity Analysis. The following schedule shows the impact to the District's net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 net pension liability:

McLennan County Junior College District

Notes to Financial Statements (Continued)

(9) Employees' Retirement Plan (continued)

| | 1% Decrease (7%) | Current Rate (8%) | 1% Increase (9%) |
|---|---------------------|----------------------|---------------------|
| District's proportionate share of the net pension liability | \$ 15,658,665 | 10,117,620 | 5,417,691 |

The following schedule shows the impact to the District's net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 net pension liability:

| | 1% Decrease (7%) | Current Rate (8%) | 1% Increase (9%) |
|---|---------------------|----------------------|---------------------|
| District's proportionate share of the net pension liability | \$ 15,250,676 | 9,733,576 | 5,138,171 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2017 and 2016, the District reported a liability of \$10,117,620 and \$9,733,576, respectively, for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District at August 31, 2017 and 2016 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 District is as follows:

| | 2017 | 2016 |
|---|---------------|------------|
| District's proportionate share of the net pension liability | \$ 10,117,620 | 9,733,576 |
| State's proportionate share of the net pension liability associated with the District | 5,023,253 | 5,097,186 |
| Total | \$ 15,140,873 | 14,830,762 |

The 2017 net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all participating employers and the State to the plan for the period September 1, 2015 to August 31, 2016. The District's proportion of the collective net pension liability was 0.0267% which was a decrease of 0.0008% from its proportion measured as of August 31, 2015.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(9) Employees' Retirement Plan (continued)

The 2016 net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all participating employers and the State to the plan for the period September 1, 2014 to August 31, 2015. The District's proportion of the collective net pension liability was 0.0275% which was a decrease of 0.004% from its proportion measured as of August 31, 2014.

Changes Since the 2015 Actuarial Valuation: There were no changes to the actuarial assumptions or other inputs that affected the measurement period of the 2016 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 years ended August 31, 2017 and 2016, the District recognized pension expense of \$1,529,886 and \$2,077,972, respectively, and revenue of \$423,194 and \$427,101, respectively, for support provided by the State.

At August 31, 2017 and 2016, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to the defined benefit pension plan from the following sources:

| | 2017 | |
|---|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual economic experience | \$ 158,642 | 302,106 |
| Changes in actuarial assumptions | 308,367 | 280,447 |
| Differences between projected and actual investment earnings | 1,949,679 | 1,092,940 |
| Changes in proportion and differences between the District's contributions and the proportionate share of contributions | - | 1,122,571 |
| Contributions paid to TRS subsequent to the measurement date | 884,894 | - |
| Total | \$ 3,301,582 | 2,798,064 |

McLennan County Junior College District

Notes to Financial Statements (Continued)

(9) Employees' Retirement Plan (continued)

| | 2016 | |
|--|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual economic experience | \$ 108,365 | 374,070 |
| Changes in actuarial assumptions | 455,463 | 347,251 |
| Differences between projected and actual investment earnings | 2,397,163 | 1,931,326 |
| Changes in proportion and differences between the District's contributions and the proportionate share of contributions | - | 917,607 |
| Contributions paid to TRS subsequent to the measurement date | 829,573 | - |
| Total | \$ 3,790,564 | 3,570,254 |

The \$884,894 reported as deferred outflows of resources related to contributions paid to TRS subsequent to the measurement date at August 31, 2017 will be recognized as a reduction of the net pension liability in fiscal year 2018.

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

| For the Year Ended August 31, | Pension Expense |
|----------------------------------|--------------------|
| 2018 | \$ (138,504) |
| 2019 | (138,504) |
| 2020 | 407,966 |
| 2021 | (180,480) |
| 2022 | (295,027) |
| Thereafter | (36,827) |

Optional Retirement Program. The state has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program (ORP) is in lieu of participation in TRS. ORP provides for the purchase of annuity contracts. The state legislature limits the state contribution rate to 50% of the member rate. The percentages of participant salaries currently contributed by the state and each participant are 2.97% and 6.6%, respectively. The District supplements an additional 5.53%. Since these are individual annuity contracts, the state and the District have no additional or unfunded liability for this program.

Actual Funding. Contribution rates as a percentage of compensation and contributions made for ORP for 2015, 2016 and 2017 are shown in the table below.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(9) Employees' Retirement Plan (continued)

| <u>Year</u> | Member | | State | |
|-------------|-------------|---------------|-------------|---------------|
| | <u>Rate</u> | <u>Amount</u> | <u>Rate</u> | <u>Amount</u> |
| 2017 | 6.6% | \$ 731,211 | 3.0% | \$ 326,375 |
| 2016 | 6.6% | 753,755 | 3.3% | \$ 337,188 |
| 2015 | 6.6% | 774,227 | 3.3% | 381,980 |

The total payroll for all College employees was \$34,639,834, \$33,782,292, and \$33,893,112 for the years ended August 31, 2017, 2016, and 2015, respectively. The total payroll of employees covered by ORP was \$11,078,956, \$11,420,537, and \$11,730,718 for the years ended August 31, 2017, 2016, and 2015, respectively.

(10) Compensated Absences

Full-time employees earn annual leave of 6.67 hours per month. The District's policy is that any employee may carry accrued leave forward from one fiscal year to another fiscal year with a maximum number of paid hours upon termination of 160. The District recognized an accrued liability for the unpaid annual leave of \$575,809 and \$582,555 at both August 31, 2017 and 2016, respectively. It is the District's policy to classify the entire amount of compensated absences as a current liability since substantially all is used in the following fiscal year and is reflected as such in the accompanying Statements of Net Position. Sick leave, which can be accumulated up to 960 hours, is earned at the rate of eight hours per month. The District's policy is to recognize the cost of sick leave when paid. A liability for unpaid sick leave is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal and benefits are not vested.

(11) Operating Lease Commitments

The District leases certain equipment under operating leases through 2019. Included in operating expenses for the years ended August 31, 2017 and 2016 is \$40,692 and \$40,692, respectively, of rent paid or due under these operating leases. Minimum future rental payments under these noncancelable operating leases having remaining terms in excess of one year as of August 31, 2017 follow: \$31,287 for 2018 and \$4,692 for 2019.

(12) Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past

McLennan County Junior College District

Notes to Financial Statements (Continued)

(12) Risk Management (continued)

three fiscal years. The District has established a limited risk management program for workers' compensation. A liability for workers' compensation claims is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess commercial insurance policy covers individual workers' compensation claims in excess of \$184,173. The claim liability includes an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Estimated future payments for incurred claims are charged to operating expenses. Changes in the balance of claims liability included in accrued liabilities during the past two years are as follows:

| | 2017 | 2016 |
|---|------------|----------|
| Unpaid claims, beginning of year | \$ 200,628 | 200,628 |
| Incurred claims (including IBNR) and changes to prior year estimates | (45,452) | (89,882) |
| Claim payments | 45,452 | 89,882 |
| Unpaid claims, end of year | \$ 200,628 | 200,628 |

(13) Post-Retirement Health Care Benefits

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

Funding Policy. Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the employer and retirees are established and may be amended by the ERS board of trustees. Retirees pay any premium over and above the employer contribution.

The employer's share of the cost of retiree healthcare coverage above the cost charged using a blended rate is known as the implicit rate subsidy. It is measured as the difference between the claims costs for the retirees and the amounts contributed by the retirees

McLennan County Junior College District

Notes to Financial Statements (Continued)

(13) Post-Retirement Health Care Benefits (continued)

determined on a pay-as-you-go basis. State contributions to SRHP made on behalf of the District for the years ended August 31, 2017, 2016, and 2015 were \$834,655, \$716,855, and \$650,683, respectively, and are reported as revenues and expenses in the accompanying financial statements. The District's contributions to SRHP for the years ended August 31, 2017, 2016, and 2015 were \$1,034,845, \$840,485, and \$800,432, respectively, which equaled the remaining required contributions each year.

(14) Related Parties

During the years ended August 31, 2017 and 2016, the District furnished office space, utilities and staffing amounting to approximately \$308,000 and \$285,000, respectively, at no cost to the Foundation.

(15) Ad Valorem Property Taxes

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real, business and personal property located in the District as follows:

| | 2017 | 2016 |
|--|-------------------|----------------|
| Assessed valuation of the District | \$ 20,565,798,370 | 19,022,555,830 |
| Less: Abatements | 9,066,270 | 31,973,520 |
| Less: Exemptions | 4,966,595,323 | 4,455,373,763 |
| Net assessed valuation of the District | \$ 15,590,136,777 | 14,535,208,547 |

Tax rates authorized and assessed during fiscal year 2017 are as follows:

| | Current Operations | Debt Service | Total |
|---|-----------------------|-----------------|----------|
| Tax rate per \$100 valuation authorized | \$ 0.250000 | 0.500000 | 0.750000 |
| Tax rate per \$100 valuation for assessed | 0.112102 | 0.036796 | 0.148898 |

McLennan County Junior College District

Notes to Financial Statements (Continued)

(15) Ad Valorem Property Taxes (continued)

Tax rates authorized and assessed during fiscal year 2016 were as follows:

| | <u>Current Operations</u> | <u>Debt Service</u> | <u>Total</u> |
|--|-------------------------------|-------------------------|--------------|
| Tax rate per \$100 valuation authorized | \$ 0.250000 | 0.500000 | 0.750000 |
| Tax rate per \$100 valuation for assessed | 0.108894 | 0.040830 | 0.149724 |

Taxes levied for the year ended August 31, 2017 are \$23,273,795. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Tax collections for the year ended August 31, 2017 are as follows:

| | <u>Current Operations</u> | <u>Debt Service</u> | <u>Total</u> |
|----------------------------------|-------------------------------|-------------------------|-------------------|
| Current taxes collected | \$ 16,850,298 | 5,530,888 | 22,381,186 |
| Delinquent taxes collected | 161,458 | 66,237 | 227,695 |
| Penalties and interest collected | <u>155,637</u> | <u>56,336</u> | <u>211,973</u> |
| Total collections | <u>\$ 17,167,393</u> | <u>5,653,461</u> | <u>22,820,854</u> |

Taxes levied for the year ended August 31, 2016 were \$21,772,733. Tax collections for the year ended August 31, 2016 were as follows:

| | <u>Current Operations</u> | <u>Debt Service</u> | <u>Total</u> |
|----------------------------------|-------------------------------|-------------------------|-------------------|
| Current taxes collected | \$ 15,263,982 | 5,723,262 | 20,987,244 |
| Delinquent taxes collected | 173,530 | 77,836 | 251,366 |
| Penalties and interest collected | <u>153,977</u> | <u>60,544</u> | <u>214,521</u> |
| Total collections | <u>\$ 15,591,489</u> | <u>5,861,642</u> | <u>21,453,131</u> |

Current tax collections for each of the years ended August 31, 2017 and 2016 were approximately 96% of the current tax levy. An allowance for uncollectible taxes is based upon the historical experience in collecting property taxes.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(16) Tax Abatements

The District enters into property tax abatement agreements with local businesses in conjunction with those entered into by the City of Waco, Texas (“the City”). The City Council grants abatements for the City when they create economic development opportunities. The District is able to approve a similar abatement to what was approved by the City with terms commensurate with their taxing authority.

For the fiscal year ended August 31, 2017, the District, in a joint agreement with the City, abated property taxes to a manufacturer totaling \$474. The single abatement was the last in a seven year abatement agreement for personal property improvements on a declining scale from 65% to 5% of the taxable value due to the District. In return for the abatement, the taxpayer committed to creating 115 new jobs and the installation of real and personal property improvements.

(17) Budgets

Each community college district 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 budget, which is prepared on the accrual basis of accounting, is adopted by the District’s Board of Trustees. 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.

(18) Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). The District had no unrelated business income tax liability for 2017 or 2016.

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

(19) Commitments and Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(19) Commitments and Contingencies (continued)

Effective May 27, 2008, the District entered into a ten-year agreement with a corporation for the management and operation of its bookstore. The agreement provides for the District to receive a percentage of gross revenues from the operation of the bookstore.

(20) Contracts and Grants

Contract and grant revenues are recognized as earned in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. For contract and grant awards, funds expended but not collected are reported as accounts receivable in the accompanying Statements of Net Position. Contract and grant awards that are not yet funded, and for which the District has not yet performed services, are not included in the financial statements. Such contract and grant awards already committed total \$1,394,201 and \$1,319,754 at August 31, 2017 and 2016, respectively, for federal contract and grant awards; \$289,372 and \$778,564 at August 31, 2017 and 2016, respectively, for state contract and grant awards; and \$81,000 and \$78,037, respectively at August 31, 2017 and 2016, respectively, for local contract and grant awards.

(21) Business Concentrations

The District generally serves the McLennan County area; consequently, it is impacted by the general economy of the area. Also, the District receives a substantial portion of its funding from federal and state sources; consequently, the District is dependent upon continued funding from these sources.

(22) Authoritative Pronouncements Not Yet Effective

The following pronouncements were issued by the Governmental Accounting Standards Board (GASB) which may impact the District but are not yet effective. The District has not yet determined the effects of the adoption on its financial statements.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (issued June 2015) – the objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (“OPEB”). This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all OPEB with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(22) Authoritative Pronouncements Not Yet Effective (continued)

GASB Statement No. 83, *Certain Asset Retirement Obligations* (issued November 2016) – the objective of this statement is to enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities* (issued January 2017) – the objective of this statement is to enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017* (issued March 2017) – the objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* (issued May 2017) – the objective of this statement is to increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing the debt were acquired. The statement will also enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017.

GASB Statement No. 87, *Leases* (issued June 2017) – the objective of this statement is to increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. The statement will also require notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(23) Subsequent Events

On September 6, 2017, the District issued Revenue Refunding Bonds, Series 2017 in the amount of \$9,050,000. The 2017 series refunded \$2,740,000 from the Revenue Bonds, Series 2009 and \$6,360,000 from the Revenue Bonds, Series 2010. Average annual savings (2018-2030) are \$55,210 or a total of \$717,726. The bonds are secured by tuition revenue.

The District has evaluated subsequent events from the date of the statements of net position through November 28, 2017, the date on which the financial statements were available to be issued, and has determined that there are no additional items to disclose.

Required Supplementary Information

McLennan County Junior College District

Schedule of the District's Proportionate Share of the Net Pension Liability

Last Ten Years

| | 2017 | 2016 | 2015 |
|--|---------------|-------------|-------------|
| District's proportion of the net pension liability | 0.000267743 | 0.000275359 | 0.000315418 |
| District's proportionate share of the net pension liability | \$ 10,117,620 | 9,733,576 | 8,425,251 |
| State's proportionate share of the net pension liability associated with the District | 5,023,253 | 5,097,186 | 4,294,738 |
| Total | \$ 15,140,873 | 14,830,762 | 12,719,989 |
| District's covered payroll | \$ 18,323,250 | 18,057,981 | 17,546,985 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 55.2% | 53.9% | 48.0% |
| Plan's fiduciary net position as a percentage of the total pension liability | 78.0% | 78.4% | 83.3% |

Note:

Information for fiscal years prior to 2015 is not available.

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of the District Contributions to the
Teacher Retirement System of Texas

Last Ten Fiscal Years

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Contractually required contributions | \$ 884,894 | 829,573 | 803,507 | 799,672 | 786,873 | 724,308 | 939,260 | 916,970 | 826,359 | 734,695 |
| Contributions in relation to the contractually required contribution | <u>884,894</u> | <u>829,573</u> | <u>803,507</u> | <u>799,672</u> | <u>786,873</u> | <u>724,308</u> | <u>939,260</u> | <u>916,970</u> | <u>826,359</u> | <u>734,695</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Covered payroll | \$ <u>19,754,585</u> | <u>18,323,250</u> | <u>18,057,981</u> | <u>17,546,985</u> | <u>17,323,138</u> | <u>16,758,099</u> | <u>16,738,034</u> | <u>16,010,503</u> | <u>14,725,829</u> | <u>13,186,814</u> |
| Contributions as a percentage of covered payroll | \$ <u>4.48%</u> | <u>4.53%</u> | <u>4.45%</u> | <u>4.56%</u> | <u>4.54%</u> | <u>4.32%</u> | <u>5.61%</u> | <u>5.73%</u> | <u>5.61%</u> | <u>5.57%</u> |

See accompanying independent auditor's report.

Supplemental Information

McLennan County Junior College District

Schedule of Operating Revenues (Schedule A)

Year Ended August 31, 2017

(With Memorandum Totals for the Year Ended August 31, 2016)

| | Unrestricted | Restricted | Total | | Total | |
|--|----------------------|------------|---------------------------|--------------------------|---------------------|---------------------|
| | | | Educational Activities | Auxiliary Enterprises | 2017 | 2016 |
| Tuition and fees: | | | | | | |
| State funded credit courses: | | | | | | |
| In-district resident tuition | \$ 14,163,211 | - | 14,163,211 | - | 14,163,211 | 14,104,225 |
| Out-of-district resident tuition | 4,246,934 | - | 4,246,934 | - | 4,246,934 | 4,010,184 |
| Non-resident tuition | 1,948,865 | - | 1,948,865 | - | 1,948,865 | 1,651,061 |
| TPEG - credit (set aside) | 1,097,003 | - | 1,097,003 | - | 1,097,003 | 1,077,667 |
| State funded continuing education | 466,051 | - | 466,051 | - | 466,051 | 1,067,845 |
| TPEG - non-credit (set aside) | 8,680 | - | 8,680 | - | 8,680 | 9,592 |
| Non-state funded educational programs | 24,130 | - | 24,130 | - | 24,130 | 18,780 |
| Total tuition | <u>21,954,874</u> | <u>-</u> | <u>21,954,874</u> | <u>-</u> | <u>21,954,874</u> | <u>21,939,354</u> |
| Fees: | | | | | | |
| Installment plan fees | 84,100 | - | 84,100 | - | 84,100 | 87,800 |
| Facility fees | 1,123,382 | - | 1,123,382 | - | 1,123,382 | 1,099,443 |
| General fees | 561,691 | - | 561,691 | - | 561,691 | 549,721 |
| Laboratory fees | 926,947 | - | 926,947 | - | 926,947 | 868,622 |
| Other fees | 1,407,969 | - | 1,407,969 | - | 1,407,969 | 1,686,728 |
| Total fees | <u>4,104,089</u> | <u>-</u> | <u>4,104,089</u> | <u>-</u> | <u>4,104,089</u> | <u>4,292,314</u> |
| Scholarship allowances and discounts: | | | | | | |
| Remissions and exemptions | (2,170,933) | - | (2,170,933) | - | (2,170,933) | (1,322,591) |
| Title IV federal grants | (6,942,050) | - | (6,942,050) | - | (6,942,050) | (6,251,406) |
| TPEG awards | (1,385,639) | - | (1,385,639) | - | (1,385,639) | (1,447,896) |
| Other state grants | (306,657) | - | (306,657) | - | (306,657) | (281,920) |
| Other local grants | (1,062,579) | - | (1,062,579) | - | (1,062,579) | (866,268) |
| Total scholarship allowances | <u>(11,867,858)</u> | <u>-</u> | <u>(11,867,858)</u> | <u>-</u> | <u>(11,867,858)</u> | <u>(10,170,081)</u> |
| Total net tuition and fees | <u>14,191,105</u> | <u>-</u> | <u>14,191,105</u> | <u>-</u> | <u>14,191,105</u> | <u>16,061,587</u> |
| Additional operating revenues: | | | | | | |
| Sales and services of educational activities | 918,241 | - | 918,241 | - | 918,241 | 945,528 |
| General operating revenues | 232,096 | - | 232,096 | - | 232,096 | 129,863 |
| Total additional operating revenues | <u>1,150,337</u> | <u>-</u> | <u>1,150,337</u> | <u>-</u> | <u>1,150,337</u> | <u>1,075,391</u> |
| Auxiliary enterprises: | | | | | | |
| Bookstore (outsourced) | - | - | - | 409,422 | 409,422 | 405,937 |
| Other auxiliary enterprises | - | - | - | 66,846 | 66,846 | 69,849 |
| Total net auxiliary enterprises | <u>-</u> | <u>-</u> | <u>-</u> | <u>476,268</u> | <u>476,268</u> | <u>475,786</u> |
| Total operating revenues | <u>\$ 15,341,442</u> | <u>-</u> | <u>15,341,442</u> | <u>476,268</u> | <u>15,817,710</u> | <u>17,612,764</u> |

In accordance with Education Code 56.033, \$1,105,683 and \$1,087,259 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2017 and 2016, respectively.

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Operating Expenses by Object (Schedule B)

Year Ended August 31, 2017

(With Memorandum Totals for the Year Ended August 31, 2016)

| | Operating Expenses | | | | Total | |
|---|-----------------------|------------------|------------------|-------------------|-------------------|-------------------|
| | Salaries and Wages | Benefits | | Other Expenses | 2017 | 2016 |
| | | State | Local | | | |
| Unrestricted - educational activities: | | | | | | |
| Instruction | \$ 22,080,245 | - | 3,415,764 | 2,043,030 | 27,539,039 | 27,878,209 |
| Public service | 142,368 | - | 20,162 | 140,004 | 302,534 | 251,555 |
| Academic support | 1,452,742 | - | 220,059 | 596,221 | 2,269,022 | 2,280,417 |
| Student services | 2,646,432 | - | 409,397 | 468,170 | 3,523,999 | 3,326,168 |
| Institutional support | 4,472,830 | - | 696,613 | 3,520,899 | 8,690,342 | 8,176,317 |
| Operation and maintenance of plant | 1,477,970 | - | 718,833 | 3,548,201 | 5,745,004 | 5,253,537 |
| Scholarships and fellowships | - | - | - | 3,126,061 | 3,126,061 | 2,175,418 |
| Total unrestricted educational activities | <u>32,272,587</u> | <u>-</u> | <u>5,480,828</u> | <u>13,442,586</u> | <u>51,196,001</u> | <u>49,341,621</u> |
| Restricted - educational activities: | | | | | | |
| Instruction | 249,540 | 2,525,674 | 10,806 | 608,892 | 3,394,912 | 4,465,702 |
| Public service | 1,246,222 | - | 230,487 | 278,358 | 1,755,067 | 1,660,638 |
| Academic support | 49,851 | 166,173 | 76 | 4,366 | 220,466 | 245,361 |
| Student services | 319,410 | 302,715 | 75,520 | 162,569 | 860,214 | 822,255 |
| Institutional support | 50,860 | 511,631 | 8,695 | 205,067 | 776,253 | 785,814 |
| Operation and maintenance of plant | 14,813 | - | - | - | 14,813 | 15,919 |
| Scholarships and fellowships | - | - | - | 6,332,859 | 6,332,859 | 8,321,395 |
| Total restricted educational activities | <u>1,930,696</u> | <u>3,506,193</u> | <u>325,584</u> | <u>7,592,111</u> | <u>13,354,584</u> | <u>16,317,084</u> |
| Total educational activities | <u>34,203,283</u> | <u>3,506,193</u> | <u>5,806,412</u> | <u>21,034,697</u> | <u>64,550,585</u> | <u>65,658,705</u> |
| Auxiliary enterprises | <u>436,551</u> | <u>-</u> | <u>282,707</u> | <u>1,291,444</u> | <u>2,010,702</u> | <u>1,717,880</u> |
| Depreciation expense: | | | | | | |
| Buildings and other improvements | - | - | - | 3,686,548 | 3,686,548 | 3,335,607 |
| Equipment and furniture | - | - | - | 531,493 | 531,493 | 481,007 |
| Library books | - | - | - | 81,179 | 81,179 | 80,722 |
| Total depreciation expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,299,220</u> | <u>4,299,220</u> | <u>3,897,336</u> |
| Total operating expenses | <u>\$ 34,639,834</u> | <u>3,506,193</u> | <u>6,089,119</u> | <u>26,625,361</u> | <u>70,860,507</u> | <u>71,273,921</u> |

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Nonoperating Revenues and Expenses (Schedule C)

Year Ended August 31, 2017

(With Memorandum Totals for the Year Ended August 31, 2016)

| | Unrestricted | Restricted | Auxiliary Enterprises | Total | |
|-------------------------------------|----------------------|-------------------|--------------------------|-------------------|-------------------|
| | | | | 2017 | 2016 |
| Nonoperating revenues: | | | | | |
| State appropriations: | | | | | |
| Education and general state support | \$ 12,118,902 | - | - | 12,118,902 | 12,099,894 |
| State group insurance | - | 2,658,524 | - | 2,658,524 | 2,480,876 |
| State retirement matching | - | 847,669 | - | 847,669 | 1,063,454 |
| Hazelwood Legacy Act | 34,218 | - | - | 34,218 | 42,870 |
| Total state appropriations | <u>12,153,120</u> | <u>3,506,193</u> | <u>-</u> | <u>15,659,313</u> | <u>15,687,094</u> |
| Maintenance ad valorem taxes | 16,763,347 | - | - | 16,763,347 | 15,266,357 |
| Debt service ad valorem taxes | - | 5,512,066 | - | 5,512,066 | 5,733,094 |
| Federal grants and contracts | - | 18,608,580 | - | 18,608,580 | 18,596,672 |
| State grants and contracts | - | 1,949,609 | - | 1,949,609 | 3,272,034 |
| Local grants and contracts | 211,925 | - | - | 211,925 | 217,935 |
| Investment income | 81,328 | 17,351 | - | 98,679 | 61,792 |
| Gifts | 433,333 | - | - | 433,333 | 181,346 |
| Other nonoperating revenues | <u>18,562</u> | <u>-</u> | <u>-</u> | <u>18,562</u> | <u>-</u> |
| Total nonoperating revenues | <u>29,661,615</u> | <u>29,593,799</u> | <u>-</u> | <u>59,255,414</u> | <u>59,016,324</u> |
| Nonoperating expenses: | | | | | |
| Interest on capital related debt | - | 2,763,364 | - | 2,763,364 | 2,970,301 |
| Loss on disposal of capital assets | - | - | - | - | 322,086 |
| Other nonoperating expenses | <u>-</u> | <u>4,068</u> | <u>-</u> | <u>4,068</u> | <u>8,317</u> |
| Total nonoperating expenses | <u>-</u> | <u>2,767,432</u> | <u>-</u> | <u>2,767,432</u> | <u>3,300,704</u> |
| Net nonoperating revenues | <u>\$ 29,661,615</u> | <u>26,826,367</u> | <u>-</u> | <u>56,487,982</u> | <u>55,715,620</u> |

See accompanying independent auditor's report.

McLennan County Junior College District
Schedule of Net Position by Source and Availability
(Schedule D)
Year Ended August 31, 2017

| | Detail by Source | | | | Available for Current Operation | | |
|--|-------------------------|----------------------|--------------------|-------------------------------------|------------------------------------|----------------------|-----------------------|
| | Unrestricted | Restricted | | Net Investment in Capital Assets | Total | Yes | No |
| | | Expendable | Non- Expendable | | | | |
| Current: | | | | | | | |
| Unrestricted | \$ 3,572,288 | - | - | - | 3,572,288 | 3,572,288 | - |
| Scholarships and fellowships | - | 1,358,932 | - | - | 1,358,932 | - | 1,358,932 |
| Loan | (54,783) | - | - | - | (54,783) | - | (54,783) |
| Plant: | | | | | | | |
| Capital projects | (18,614) | - | - | - | (18,614) | - | (18,614) |
| Debt service | 947,349 | 1,478,457 | - | - | 2,425,806 | - | 2,425,806 |
| Investment in plant | (1,726,512) | - | - | 47,878,207 | 46,151,695 | - | 46,151,695 |
| Total net position, August 31, 2017 | 2,719,728 | 2,837,389 | - | 47,878,207 | 53,435,324 | 3,572,288 | 49,863,036 |
| Total net position, August 31, 2016 | <u>3,152,369</u> | <u>2,697,814</u> | <u>-</u> | <u>46,139,956</u> | <u>51,990,139</u> | <u>3,271,765</u> | <u>48,718,374</u> |
| Net increase (decrease) in net position | <u>\$ (432,641)</u> | <u>139,575</u> | <u>-</u> | <u>1,738,251</u> | <u>1,445,185</u> | <u>300,523</u> | <u>1,144,662</u> |

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Expenditures of Federal Awards (Schedule E)

Year Ended August 31, 2017

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Total Federal Expenditures |
|---|---------------------------|--|----------------------------------|
| <u>U.S. Department of Education:</u> | | | |
| Direct Programs: | | | |
| Student Financial Assistance Cluster: | | | |
| Federal Supplemental Education Opportunity Grant Program | 84.007 | | \$ 200,129 |
| Federal Work Study Program | 84.033 | | 279,210 |
| Federal Pell Grant Program | 84.063 | | 15,348,133 |
| Federal Direct Student Loans | 84.268 | | 12,123,924 |
| Texas Education and Assistance for College and Higher Education Grants | 84.379 | | <u>1,864</u> |
| Total Student Financial Assistance Cluster | | | 27,953,260 |
| TRIO Cluster: | | | |
| TRIO - Student Support Services | 84.042A | | 265,594 |
| TRIO - Upward Bound | 84.047A | | <u>379,470</u> |
| Total TRIO Cluster | | | <u>645,064</u> |
| Total Direct Programs | | | <u>28,598,324</u> |
| Pass Through From: | | | |
| Texas Workforce Commission: | | | |
| Adult Education & Family Literacy Act | 84.002A | 1316AEL001 | 683,078 |
| Adult Education & Family Literacy Act | 84.002A | 1316AEL000 | <u>51,866</u> |
| Total Adult Education & Family Literacy Act | | | <u>734,944</u> |
| Texas Higher Education Coordinating Board: | | | |
| Vocational Education - State Basic Grant Program | 84.048 | 17672 | <u>459,112</u> |
| Total U. S. Department of Education | | | <u>29,792,380</u> |
| <u>National Science Foundation</u> | | | |
| Pass Through From: | | | |
| Finger Lakes Community College: | | | |
| Community College Undergraduate Research Initiative | 47.076 | 118680 | 239 |
| South Caroline Technological Education Center of Excellence Florence - Darlington Technical College: | | | |
| Mentor-Connect Advanced Technology Education | 47.076 | 1204463 | <u>4,355</u> |
| Total National Science Foundation | | | <u>4,594</u> |

McLennan County Junior College District

Schedule of Expenditures of Federal Awards (Schedule E)

(Continued)

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Total Federal Expenditures |
|---|---------------------------|--|----------------------------------|
| <u>U. S. Small Business Administration</u> | | | |
| Pass Through From: | | | |
| Dallas County Community College District: | | | |
| Small Business Development Center | 59.037 | SBAHQ-16-B-0004 | 23,803 |
| Small Business Development Center | 59.037 | SBAHQ-17-B-0002 | <u>131,945</u> |
| Total U. S. Small Business Administration | | | <u>155,748</u> |
| <u>U. S. Department of Veterans Affairs</u> | | | |
| Direct Program: | | | |
| Post 9/11 Veterans Educational Assistance | 64.027 | | <u>543,047</u> |
| Total U. S. Department of Veterans Affairs | | | <u>543,047</u> |
| <u>U. S. Department of Health and Human Services</u> | | | |
| Pass Through From: | | | |
| Texas Workforce Commission: | | | |
| TANF Cluster: | | | |
| Temporary Assistance for Needy Families | 93.558 | 1316AEL001 | <u>95,090</u> |
| Total TANF Cluster | | | <u>95,090</u> |
| HOT Workforce Development Board: | | | |
| CCDF Cluster: | | | |
| Childcare Quality Improvement | 93.596 | 1316CCMC14 | 232 |
| Childcare Quality Improvement | 93.596 | 1317CCMC14 | <u>10,000</u> |
| Total CCDF Cluster | | | <u>10,232</u> |
| Total U.S. Department of Health and Human Services | | | <u>105,322</u> |
| <u>Corporation for National and Community Service</u> | | | |
| Direct Programs: | | | |
| Heart of Texas Retired Senior Volunteer Program | 94.002 | | 94,846 |
| Heart of Texas Retired Senior Volunteer Program | 94.002 | | <u>36,567</u> |
| Total Corporation for National and Community Service | | | <u>131,413</u> |
| Total Federal Awards | | | <u>\$ 30,732,504</u> |

See accompanying independent auditor's report and notes to schedule of expenditures of federal awards.

McLennan County Junior College District

Notes to Schedule of Expenditures of Federal Awards

Year Ended August 31, 2017

(1) Federal Revenue Reconciliation

Federal revenues for 2017 are reported in the basic financial statements as follows:

| | |
|---|--------------------------|
| Federal grants and contracts per Exhibit 2 | \$ 18,608,580 |
| Add: Federal Direct Student Loans made | <u>12,123,924</u> |
| Total per Schedule of Expenditures of Federal Awards | <u>\$ 30,732,504</u> |

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of McLennan County Junior College District (the District) under programs of the federal government for the year ended August 31, 2017. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(3) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for States, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

McLennan County Junior College District

Schedule of Expenditures of State Awards
(Schedule F)

Year Ended August 31, 2017

| Grantor Agency/Program Title | Grant Contract Number | Indirect Costs and Expenditures |
|--|-----------------------------|--|
| Texas Higher Education Coordinating Board | | |
| Nursing Shortage Reduction Regular Programs | | \$ 78,793 |
| Nursing Shortage Over 70 | | 185,190 |
| Texas Education Opportunity Grant | | 688,933 |
| Comprehensive College Readiness and Success Models | 17420 | 18,613 |
| Integrated Career Pathways | | 26,559 |
| Challenge Scholarship Program | | 42,500 |
| T-STEM | 16904 | 3,535 |
| Total Texas Higher Education Coordinating Board | | <u>1,044,123</u> |
| Texas Office of the Governor - Criminal Justice Division | | |
| National Incident-Based Reporting System (NIBRS) | 3204601 | 30,000 |
| Total Texas Office of the Governor - Criminal Justice Division | | <u>30,000</u> |
| Texas Workforce Commission | | |
| Skills Development | 1315SDF000 | 194,281 |
| Skills Development | 1315SDF001 | 143,545 |
| Skills Development | 1317SDF001 | 233,782 |
| Adult Education & Family Literacy Act | 1316AEL001 | 117,960 |
| Total Texas Workforce Commission | | <u>689,568</u> |
| Small Business Development Center | SBAHQ-16-B-0004 | 9,387 |
| Small Business Development Center | SBAHQ-17-B-0002 | 117,017 |
| Total Small Business Development Center | | <u>126,404</u> |
| Texas Department on Aging | | |
| RSVP | 15SRWTX016 | 59,514 |
| Total State Awards | | <u>\$ 1,949,609</u> |

See accompanying independent auditor's report and notes to schedule of expenditures of state awards.

McLennan County Junior College District

Notes to Schedule of Expenditures of State Awards

Year Ended August 31, 2017

(1) State Revenue Reconciliation

State revenues for 2017 are reported in the basic financial statements as follows:

| | |
|--|----------------------------|
| State grants and contracts per Exhibit 2 | \$ <u>1,949,609</u> |
| Total per Schedule of Expenditures of State Awards | \$ <u><u>1,949,609</u></u> |

(2) Basis of Presentation

The accompanying Schedule of Expenditures of State Awards (the Schedule) includes the state grant activity of McLennan County Junior College District (the District) under programs of the state government for the year ended August 31, 2017. The information in this Schedule is presented in accordance with the requirements of the *State of Texas Single Audit Circular* contained in the state's *Uniform Grant Management Standards*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(3) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the state's *Uniform Grant Management Standards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Statistical Section

Statistical Section

Financial Trends Information

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

- Net Position by Component
- Revenues by Source
- Expenses by Function and Changes in Net Position

Revenue Capacity Information

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its primary revenues.

- Tuition and Fees
- Assessed Value and Estimated Actual Value of Taxable Property
- Direct and Overlapping Property Tax Rates
- Principal Taxpayers
- Property Tax Levies and Collections

Debt Capacity Information

These schedules present information to help the reader assess the affordability of the District's current levels of debt and the District's ability to issue additional debt in the future.

- Ratios of Outstanding Debt by Type
- Legal Debt Margin Information
- Pledged Revenue Coverage

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with each other.

- Demographic and Economic Statistics
- Principal Employers

Operating Information

These schedules contain other information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

- State Appropriation - Operating Information
- Faculty, Staff, and Administrators Statistics
- Enrollment Details
- Student Profile
- Student Transfers to Senior Institutions
- Capital Asset Information

McLennan County Junior College District

Net Position by Component

Last Ten Fiscal Years
(dollars expressed in thousands)
(Unaudited)

| | For the Year Ended August 31, | | | | | | | | | |
|---|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
| Net investment in capital assets | \$ 47,878 | 46,140 | 44,495 | 42,479 | 40,711 | 37,524 | 37,903 | 33,238 | 29,429 | 29,351 |
| Restricted | 2,837 | 2,698 | 2,542 | 3,166 | 2,850 | 2,587 | 2,227 | 5,101 | 4,445 | 3,807 |
| Unrestricted | <u>2,720</u> | <u>3,152</u> | <u>2,899</u> | <u>12,008</u> | <u>11,033</u> | <u>9,957</u> | <u>5,306</u> | <u>4,189</u> | <u>7,276</u> | <u>7,380</u> |
| Total primary government net position | <u>\$ 53,435</u> | <u>51,990</u> | <u>49,936</u> | <u>57,653</u> | <u>54,594</u> | <u>50,068</u> | <u>45,436</u> | <u>42,528</u> | <u>41,150</u> | <u>40,538</u> |

Note:

It is not practical for the District to restate years prior to 2011 for adoption of GASB 65 in fiscal year 2013 which results in bond issuance costs being expensed in full rather than amortized over the life of the related debt.

It is not practical for the District to restate years prior to 2015 for adoption of GASB 68 and 71 in fiscal year 2015 which results in the recording of net pension liability and related deferred inflows and outflows of resources and pension expense for the retirement plan with the Teacher Retirement System of Texas.

McLennan County Junior College District
Expenses by Function and Changes in Net Position

Last Ten Fiscal Years
(Unaudited)

| | | For the Year Ended August 31, (dollars expressed in thousands) | | | | | | | | | |
|------------------------------------|----|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Operating expenses: | | | | | | | | | | | |
| Instruction | \$ | 30,934 | 32,344 | 31,286 | 31,310 | 32,287 | 31,206 | 31,273 | 28,071 | 28,227 | 22,114 |
| Public service | | 2,058 | 1,912 | 1,806 | 1,890 | 1,741 | 1,705 | 1,801 | 1,785 | 1,749 | 1,658 |
| Academic support | | 2,489 | 2,526 | 2,775 | 2,740 | 2,591 | 2,374 | 2,062 | 2,049 | 1,990 | 1,822 |
| Student services | | 4,384 | 4,148 | 3,932 | 3,753 | 3,658 | 3,494 | 3,726 | 3,428 | 3,037 | 2,985 |
| Institutional support | | 9,466 | 8,962 | 9,123 | 8,693 | 8,707 | 8,372 | 8,244 | 7,854 | 8,642 | 7,997 |
| Operation and maintenance of plant | | 5,760 | 5,270 | 5,335 | 5,409 | 5,356 | 5,164 | 5,570 | 5,311 | 4,644 | 4,747 |
| Scholarships and fellowships | | 9,459 | 10,497 | 11,827 | 12,092 | 14,264 | 16,911 | 19,464 | 16,715 | 9,526 | 8,175 |
| Auxiliary enterprises | | 2,011 | 1,718 | 1,638 | 1,619 | 1,580 | 1,572 | 1,528 | 1,531 | 1,549 | 1,509 |
| Depreciation | | 4,300 | 3,897 | 4,196 | 4,128 | 4,030 | 3,886 | 3,564 | 3,451 | 2,129 | 1,726 |
| Total operating expenses | | <u>70,861</u> | <u>71,274</u> | <u>71,918</u> | <u>71,634</u> | <u>74,214</u> | <u>74,684</u> | <u>77,232</u> | <u>70,195</u> | <u>61,493</u> | <u>52,733</u> |
| Nonoperating expenses: | | | | | | | | | | | |
| Interest on capital related debt | | 2,763 | 2,970 | 3,434 | 3,950 | 4,189 | 4,584 | 4,292 | 4,664 | 2,520 | 3,338 |
| Loss on disposal of fixed assets | | - | 322 | - | 58 | 19 | - | 49 | 6 | 11 | 9 |
| Other nonoperating expenses | | 4 | 9 | 543 | 4 | 253 | 10 | 40 | 103 | 65 | 92 |
| Total nonoperating expenses | | <u>2,767</u> | <u>3,301</u> | <u>3,977</u> | <u>4,012</u> | <u>4,461</u> | <u>4,594</u> | <u>4,381</u> | <u>4,773</u> | <u>2,596</u> | <u>3,439</u> |
| Total expenses | \$ | <u>73,628</u> | <u>74,575</u> | <u>75,895</u> | <u>75,646</u> | <u>78,675</u> | <u>79,278</u> | <u>81,613</u> | <u>74,968</u> | <u>64,089</u> | <u>56,172</u> |
| Change in net position | \$ | <u>1,445</u> | <u>2,054</u> | <u>1,828</u> | <u>3,059</u> | <u>4,526</u> | <u>4,632</u> | <u>4,248</u> | <u>1,378</u> | <u>612</u> | <u>5,884</u> |

| | | For the Year Ended August 31, | | | | | | | | | |
|------------------------------------|--|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Operating expenses: | | | | | | | | | | | |
| Instruction | | 42.01% | 43.37% | 41.22% | 41.39% | 41.04% | 39.36% | 38.32% | 37.44% | 44.04% | 39.37% |
| Public service | | 2.80% | 2.56% | 2.38% | 2.50% | 2.21% | 2.15% | 2.21% | 2.38% | 2.73% | 2.95% |
| Academic support | | 3.38% | 3.39% | 3.66% | 3.62% | 3.29% | 2.99% | 2.53% | 2.73% | 3.11% | 3.24% |
| Student services | | 5.95% | 5.56% | 5.18% | 4.96% | 4.65% | 4.41% | 4.57% | 4.57% | 4.74% | 5.31% |
| Institutional support | | 12.86% | 12.02% | 12.02% | 11.49% | 11.07% | 10.56% | 10.10% | 10.48% | 13.48% | 14.24% |
| Operation and maintenance of plant | | 7.82% | 7.07% | 7.03% | 7.15% | 6.81% | 6.51% | 6.82% | 7.08% | 7.25% | 8.45% |
| Scholarships and fellowships | | 12.85% | 14.08% | 15.58% | 15.98% | 18.13% | 21.33% | 23.85% | 22.30% | 14.86% | 14.55% |
| Auxiliary enterprises | | 2.73% | 2.30% | 2.16% | 2.14% | 2.01% | 1.98% | 1.87% | 2.04% | 2.42% | 2.69% |
| Depreciation | | 5.84% | 5.23% | 5.53% | 5.46% | 5.12% | 4.90% | 4.37% | 4.60% | 3.32% | 3.07% |
| Total operating expenses | | <u>96.24%</u> | <u>95.57%</u> | <u>94.76%</u> | <u>94.70%</u> | <u>94.33%</u> | <u>94.21%</u> | <u>94.63%</u> | <u>93.63%</u> | <u>95.95%</u> | <u>93.88%</u> |
| Nonoperating expenses: | | | | | | | | | | | |
| Interest on capital related debt | | 3.75% | 3.98% | 4.52% | 5.22% | 5.32% | 5.78% | 5.26% | 6.22% | 3.93% | 5.94% |
| Loss on disposal of fixed assets | | 0.00% | 0.43% | 0.00% | 0.08% | 0.02% | 0.00% | 0.06% | 0.01% | 0.02% | 0.02% |
| Other non-operating expenses | | 0.01% | 0.01% | 0.72% | 0.01% | 0.32% | 0.01% | 0.05% | 0.14% | 0.10% | 0.16% |
| Total nonoperating expenses | | <u>3.76%</u> | <u>4.43%</u> | <u>5.24%</u> | <u>5.30%</u> | <u>5.67%</u> | <u>5.79%</u> | <u>5.37%</u> | <u>6.37%</u> | <u>4.05%</u> | <u>6.12%</u> |
| Total expenses | | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

Note:

It is not practical for the District to restate years prior to 2011 for adoption of GASB 65 in fiscal year 2013 which results in bond issuance costs being expensed in full rather than amortized over the life of the related debt.

It is not practical for the District to restate years prior to 2015 for adoption of GASB 68 and 71 in fiscal year 2015 which results in the recording of net pension liability and related deferred inflows and outflows of resources and pension expense for the retirement plan with the Teacher Retirement System of Texas.

McLennan County Junior College District

Tuition and Fees

Last Ten Academic Years

(Unaudited)

Resident Students

Fees per Semester Credit Hour (SCH)

| Academic Year (Fall) | In- District Tuition | Out-of-District Tuition | General Services Fees | Facility Fees | Technology Fee | Cost for 12 SCH | | Increase from Prior Year | | SCH Resident |
|----------------------------|----------------------------|----------------------------|-----------------------------|------------------|-------------------|-----------------|---------------------|--------------------------|---------------------|-----------------|
| | | | | | | In-District | Out-of- District | In-District | Out- of-District | |
| 2016 | \$ 106 | 124 | 3 | 6 | - | 1,380 | 1,596 | - | - | 137,033 |
| 2015 | 106 | 124 | 3 | 6 | - | 1,380 | 1,596 | - | - | 136,874 |
| 2014 | 106 | 124 | 3 | 6 | - | 1,380 | 1,596 | - | - | 132,964 |
| 2013 | 106 | 124 | 3 | 6 | - | 1,380 | 1,596 | - | - | 147,574 |
| 2012 | 106 | 124 | 3 | 6 | - | 1,380 | 1,596 | 7.48% | 8.13% | 164,400 |
| 2011 | 98 | 114 | 3 | 6 | - | 1,284 | 1,476 | 21.59% | 20.59% | 174,473 |
| 2010 | 79 | 93 | 3 | 6 | - | 1,056 | 1,224 | 20.55% | 20.00% | 164,345 |
| 2009 | 64 | 76 | 3 | 6 | - | 876 | 1,020 | 4.29% | 3.66% | 142,585 |
| 2008 | 61 | 73 | 3 | 6 | - | 840 | 984 | 7.69% | 6.49% | 147,572 |
| 2007 | 56 | 68 | 3 | 6 | - | 780 | 924 | - | - | 146,031 |

Non-Resident Students

Fees per Semester Credit Hour (SCH)

| Academic | Tuition - Out of State | Tuition - International | General Services Fees | Facility Fees | Technology Fee | Cost for 12 SCH | | Increase from Prior Year | | SCH Non- Resident |
|----------|---------------------------|----------------------------|-----------------------------|------------------|-------------------|-----------------|---------------|--------------------------|---------------|----------------------|
| | | | | | | Out of State | International | Out of State | International | |
| 2016 | \$ 181 | 181 | 3 | 6 | - | 2,280 | 2,280 | - | - | 49,046 |
| 2015 | 181 | 181 | 3 | 6 | - | 2,280 | 2,280 | - | - | 45,329 |
| 2014 | 181 | 181 | 3 | 6 | - | 2,280 | 2,280 | - | - | 54,909 |
| 2013 | 181 | 181 | 3 | 6 | - | 2,280 | 2,280 | - | - | 55,671 |
| 2012 | 181 | 181 | 3 | 6 | - | 2,280 | 2,280 | 5.56% | 5.56% | 56,344 |
| 2011 | 171 | 171 | 3 | 6 | - | 2,160 | 2,160 | 20.00% | 20.00% | 55,605 |
| 2010 | 141 | 141 | 3 | 6 | - | 1,800 | 1,800 | 12.78% | 12.78% | 49,000 |
| 2009 | 124 | 124 | 3 | 6 | - | 1,596 | 1,596 | 2.31% | 2.31% | 38,086 |
| 2008 | 121 | 121 | 3 | 6 | - | 1,560 | 1,560 | 4.00% | 4.00% | 29,998 |
| 2007 | 116 | 116 | 3 | 6 | - | 1,500 | 1,500 | - | - | 26,714 |

Note:

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

McLennan County Junior College District
Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years
(dollars expressed in thousands)
(Unaudited)

| Fiscal Year | Real Property | Personal and Other Property | Total Assessed Valuation of Property | Less: Abatements and Exemptions | Taxable Assessed Value | Ratio of Taxable Assessed Value to Assessed Value | Estimated Actual Value | Direct Tax Rate | | |
|-------------|---------------|-----------------------------|--------------------------------------|---------------------------------|------------------------|---|------------------------|----------------------------|--------------|----------|
| | | | | | | | | Maintenance and Operations | Debt Service | Total |
| 2017 | \$ 17,561,465 | 3,004,333 | 20,565,798 | 4,975,661 | 15,590,137 | 75.81% | \$ 15,908,303 | 0.112102 | 0.036796 | 0.148898 |
| 2016 | 16,134,308 | 2,888,248 | 19,022,556 | 4,487,347 | 14,535,209 | 76.41% | 14,831,846 | 0.108894 | 0.040830 | 0.149724 |
| 2015 | 15,115,891 | 2,699,317 | 17,815,208 | 4,072,246 | 13,742,962 | 77.14% | 14,023,431 | 0.104343 | 0.045187 | 0.149530 |
| 2014 | 13,983,364 | 2,548,506 | 16,531,870 | 3,701,898 | 12,829,972 | 77.61% | 13,091,808 | 0.103322 | 0.048208 | 0.151530 |
| 2013 | 13,531,650 | 2,700,629 | 16,232,279 | 3,585,542 | 12,646,737 | 77.91% | 12,904,834 | 0.101199 | 0.050331 | 0.151530 |
| 2012 | 13,048,931 | 2,445,439 | 15,494,370 | 3,375,915 | 12,118,455 | 78.21% | 12,365,770 | 0.100255 | 0.052568 | 0.152823 |
| 2011 | 12,228,481 | 2,342,980 | 14,571,461 | 3,091,195 | 11,480,266 | 78.79% | 11,714,557 | 0.103439 | 0.052867 | 0.156306 |
| 2010 | 11,550,239 | 2,369,962 | 13,920,201 | 2,693,433 | 11,226,768 | 80.65% | 11,455,886 | 0.104866 | 0.051466 | 0.156332 |
| 2009 | 11,021,839 | 2,296,162 | 13,318,001 | 2,539,309 | 10,778,692 | 80.93% | 10,998,665 | 0.100101 | 0.051033 | 0.151134 |
| 2008 | 10,112,198 | 2,225,557 | 12,337,755 | 2,377,749 | 9,960,006 | 80.73% | 10,163,271 | 0.100543 | 0.052459 | 0.153002 |

Source: McLennan County Appraisal District

Note:

Taxable assessed value is approximately 98% of fair market value per McLennan County Appraisal District. Used this percentage to estimate actual value.

McLennan County Junior College District
 Direct and Overlapping Property Tax Rates
 per \$100 of Assessed Value

Last Ten Fiscal Years
 (Unaudited)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| McLennan County Junior College District | \$ 0.1489 | 0.1497 | 0.1495 | 0.1515 | 0.1515 | 0.1528 | 0.1563 | 0.1563 | 0.1511 | 0.1530 |
| Overlapping Rates | | | | | | | | | | |
| McLennan County | 0.5053 | 0.0525 | 0.5353 | 0.5353 | 0.5353 | 0.4606 | 0.4427 | 0.4427 | 0.4431 | 0.4505 |
| Special Districts: | | | | | | | | | | |
| McLennan and Hill Counties Tehuacana | | | | | | | | | | |
| Creek Water Control and Improvement | | | | | | | | | | |
| District No. 1 | 0.0252 | 0.0252 | 0.0252 | 0.0252 | 0.0252 | 0.0252 | 0.0237 | 0.0237 | 0.0237 | 0.0250 |
| Castleman Creek Special Improvement District | 0.0960 | 0.1000 | 0.1010 | 0.1010 | 0.1010 | 0.1000 | 0.1000 | 0.1000 | 0.1000 | 0.1304 |
| Cities: | | | | | | | | | | |
| Bellmead | 0.2999 | 0.3038 | 0.3187 | 0.2986 | 0.2986 | 0.2986 | 0.3460 | 0.2656 | 0.2470 | 0.2533 |
| Beverly Hills | 0.4901 | 0.4902 | 0.4902 | 0.4527 | 0.4036 | 0.3625 | 0.3266 | 0.3299 | 0.2829 | 0.2829 |
| Bruceville-Eddy | 0.5000 | 0.4982 | 0.4982 | 0.4982 | 0.4982 | 0.4982 | 0.4841 | 0.4822 | 0.4637 | 0.4426 |
| Crawford | 0.5000 | 0.5000 | 0.5000 | 0.5000 | 0.5000 | 0.4999 | 0.4999 | 0.4999 | 0.4012 | 0.3822 |
| Gholson | 0.2095 | 0.2095 | 0.2135 | 0.2135 | 0.2135 | 0.2135 | 0.2135 | 0.2135 | 0.2179 | 0.2179 |
| Hewitt | 0.5397 | 0.5397 | 0.5397 | 0.5397 | 0.5397 | 0.5150 | 0.5150 | 0.4998 | 0.4842 | 0.4842 |
| Lacy-Lakeview | 0.3526 | 0.3526 | 0.3595 | 0.3572 | 0.3592 | 0.3592 | 0.3592 | 0.3659 | 0.3285 | 0.3285 |
| Lorena | 0.5923 | 0.6090 | 0.5900 | 0.5614 | 0.5614 | 0.5389 | 0.5389 | 0.5055 | 0.5123 | 0.5068 |
| Mart | 0.7592 | 0.7592 | 0.7592 | 0.7399 | 0.7802 | 0.8024 | 0.8067 | 0.8253 | 0.8513 | 0.7988 |
| McGregor | 0.5940 | 0.5950 | 0.5950 | 0.5950 | 0.6000 | 0.6000 | 0.5302 | 0.5413 | 0.5400 | 0.5577 |
| Moody | 0.6402 | 0.5996 | 0.6185 | 0.6349 | 0.6728 | 0.6261 | 0.6335 | 0.6173 | 0.5330 | 0.5396 |
| Robinson | 0.4945 | 0.4995 | 0.5053 | 0.4804 | 0.4700 | 0.4538 | 0.4155 | 0.4065 | 0.4065 | 0.4170 |
| Waco | 0.7762 | 0.7762 | 0.7762 | 0.7762 | 0.7762 | 0.7862 | 0.7862 | 0.7862 | 0.7862 | 0.7862 |
| West | 0.6065 | 0.6065 | 0.6065 | 0.5770 | 0.5770 | 0.4925 | 0.4725 | 0.4548 | 0.4548 | 0.4140 |
| Woodway | 0.4700 | 0.4700 | 0.4700 | 0.4700 | 0.4569 | 0.4569 | 0.4570 | 0.4572 | 0.4572 | 0.4572 |

McLennan County Junior College District
Direct and Overlapping Property Tax Rates
per \$100 of Assessed Value
(Continued)

Last Ten Fiscal Years
(Unaudited)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| School Districts: | | | | | | | | | | |
| Axtell Independent School District | \$ 1.1700 | 1.1700 | 1.1700 | 1.1700 | 1.1700 | 1.1700 | 1.1700 | 1.1700 | 1.1700 | 1.1700 |
| Bosqueville Independent School District | 1.4298 | 1.4415 | 1.5034 | 1.4782 | 1.4879 | 1.4785 | 1.5376 | 1.5500 | 1.5550 | 1.5613 |
| Bruceville-Eddy Independent School District | 1.3250 | 1.3250 | 1.3250 | 1.3250 | 1.3250 | 1.3250 | 1.3250 | 1.3250 | 1.3250 | 1.3250 |
| China Spring Independent School District | 1.3872 | 1.4214 | 1.5161 | 1.5388 | 1.5400 | 1.3744 | 1.4114 | 1.4070 | 1.4372 | 1.4296 |
| Connally Independent School District | 1.3744 | 1.2512 | 1.2816 | 1.2744 | 1.2657 | 1.2691 | 1.2811 | 1.2888 | 1.2700 | 1.2300 |
| Crawford Independent School District | 1.2305 | 1.2305 | 1.2305 | 1.2414 | 1.2807 | 1.2131 | 1.2266 | 1.2688 | 1.2454 | 1.3778 |
| Gholson Independent School District | 1.0400 | 1.0400 | 1.0400 | 1.0400 | 1.0400 | 1.0400 | 1.0400 | 1.0400 | 1.0400 | 1.0400 |
| Hallsburg Independent School District | 1.2621 | 1.2505 | 1.2939 | 1.2910 | 1.0400 | 1.0400 | 1.0400 | 1.0400 | 1.0400 | 1.0401 |
| LaVega Independent School District | 1.4135 | 1.4221 | 1.4590 | 1.4650 | 1.4200 | 1.4200 | 1.3650 | 1.3600 | 1.2389 | 1.3128 |
| Lorena Independent School District | 1.5540 | 1.5791 | 1.6400 | 1.6400 | 1.6200 | 1.3100 | 1.2900 | 1.2700 | 1.3774 | 1.2474 |
| Mart Independent School District | 1.2270 | 1.2095 | 1.2388 | 1.2295 | 1.2071 | 1.2178 | 1.2018 | 1.9120 | 1.2200 | 1.1954 |
| McGregor Independent School District | 1.3300 | 1.3338 | 1.3550 | 1.3550 | 1.3550 | 1.1850 | 1.1900 | 1.1900 | 1.1900 | 1.2100 |
| Midway Independent School District | 1.3200 | 1.3200 | 1.3200 | 1.3200 | 1.3200 | 1.3200 | 1.3200 | 1.3200 | 1.3200 | 1.3200 |
| Moody Independent School District | 1.3618 | 1.3910 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Oglesby Independent School District | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Riesel Independent School District | 1.4503 | 1.4682 | 1.3950 | 1.3100 | 1.3364 | 1.3029 | 1.2983 | 1.1082 | 1.1499 | 1.3263 |
| Robinson Independent School District | 1.4061 | 1.4700 | 1.5100 | 1.5100 | 1.3150 | 1.3150 | 1.3150 | 1.3150 | 1.3160 | 1.1800 |
| Valley Mills Independent School District | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Waco Independent School District | 1.4100 | 1.4000 | 1.4000 | 1.3532 | 1.3548 | 1.3552 | 1.3610 | 1.3650 | 1.3664 | 1.3591 |
| West Independent School District | 1.2907 | 1.3175 | 1.2831 | 1.2700 | 1.2700 | 1.2232 | 1.2250 | 1.2300 | 1.2253 | 1.2253 |

Source: McLennan County Appraisal District

Note:

Overlapping rates are those of other governments that apply to property owners within the McLennan County Junior College District. Not all overlapping rates apply to all District property owners; for example, although the McLennan County tax rates apply to all District property owners, the Axtell Independent School District rates apply only to a small portion of District property owners whose property is located within the school district's geographic boundaries.

McLennan County Junior College District
Principal Taxpayers

Last Ten Years
(Unaudited)

| Taxpayer | Type of Business | Taxable Assessed Value (dollars expressed in thousands) | | | | | | | | | |
|---|------------------|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| | | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Sandy Creek Energy | Utility | \$ 247,151 | 524,137 | 524,137 | 545,373 | 450,272 | 402,237 | 417,814 | - | - | - |
| Oncor/TXU Electric | Utility | 144,123 | 141,952 | 148,047 | 144,211 | 135,768 | 126,459 | 122,468 | 118,632 | 187,974 | 183,329 |
| Allergan | Manufacturing | 124,375 | 111,584 | 94,810 | 88,235 | 79,152 | 69,984 | 71,108 | 64,610 | 101,931 | 67,001 |
| Caterpillar Logistics | Manufacturing | 123,748 | 133,346 | 144,579 | 134,587 | 150,152 | 133,297 | 103,487 | - | - | - |
| Mars SnackFoods US | Processing | 111,080 | 105,111 | 95,268 | 97,170 | - | 90,346 | 117,838 | 110,584 | 158,527 | 162,909 |
| Sanderson Farms | Processing | 77,641 | 75,821 | 74,492 | 68,830 | 67,825 | 64,675 | 68,389 | 71,806 | 105,387 | - |
| Coca-Cola | Processing | 75,644 | 75,294 | 84,428 | 81,431 | 75,673 | 83,185 | 82,569 | 78,061 | 112,011 | 119,415 |
| Ferguson Enterprises | Distributor | 75,147 | 72,242 | 63,516 | 55,919 | - | - | - | 49,807 | 77,284 | 101,794 |
| Owens Brockway | Manufacturing | 74,786 | 77,743 | - | - | - | - | - | - | - | - |
| Raytheon E-Systems/L3 | Manufacturing | 70,338 | 70,646 | 69,480 | 76,264 | 71,799 | 69,209 | 71,803 | 63,436 | 89,611 | 75,960 |
| Associated Hygiene Products | Manufacturing | - | - | 72,507 | - | 53,025 | - | - | - | - | - |
| Sandy Creek Energy (personal property) | Utility | - | - | - | 57,325 | - | - | - | - | - | - |
| Sherwin Williams | Distributor | - | - | - | - | 51,798 | 62,264 | - | 46,933 | 59,350 | 59,453 |
| Inland Western | Real estate | - | - | - | - | 50,721 | - | 50,860 | 57,642 | 89,578 | 78,223 |
| Space X | Technology | - | - | - | - | - | 178,138 | - | - | - | - |
| Southwestern Bell | Utility | - | - | - | - | - | - | 44,744 | 57,479 | 84,576 | 120,907 |
| Pilgrim's Pride | Processing | - | - | - | - | - | - | - | - | - | 67,719 |
| Richland Mall | Real estate | - | - | - | - | - | - | - | - | - | 0 |
| Totals | | \$ 1,124,033 | 1,387,876 | 1,371,264 | 1,349,345 | 1,186,185 | 1,279,794 | 1,151,080 | 718,990 | 1,066,229 | 1,036,710 |
| Total taxable assessed value | | \$ 15,590,137 | 14,535,209 | 13,742,962 | 12,829,972 | 12,646,737 | 12,118,455 | 11,480,266 | 11,226,768 | 10,778,692 | 9,960,006 |

McLennan County Junior College District
Principal Taxpayers
(Continued)
Last Ten Years
(Unaudited)

| Taxpayer | Type of Business | Percentage of Taxable Assessed Value | | | | | | | | | |
|---|------------------|--------------------------------------|-------|-------|--------|-------|--------|--------|-------|-------|--------|
| | | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Sandy Creek Energy | Utility | 1.59% | 3.61% | 3.81% | 4.25% | 3.56% | 3.32% | 3.64% | 0.00% | 0.00% | 0.00% |
| Oncor/TXU Electric | Utility | 0.92% | 0.98% | 1.08% | 1.12% | 1.07% | 1.04% | 1.07% | 1.06% | 1.74% | 1.84% |
| Allergan | Manufacturing | 0.80% | 0.77% | 0.69% | 0.69% | 0.63% | 0.58% | 0.62% | 0.58% | 0.95% | 0.67% |
| Caterpillar Logistics | Manufacturing | 0.79% | 0.92% | 1.05% | 1.05% | 1.19% | 1.10% | 0.90% | 0.00% | 0.00% | 0.00% |
| Mars SnackFoods US | Processing | 0.71% | 0.72% | 0.69% | 0.76% | 0.00% | 0.75% | 1.03% | 0.99% | 1.47% | 1.64% |
| Sanderson Farms | Processing | 0.50% | 0.52% | 0.54% | 0.54% | 0.54% | 0.53% | 0.60% | 0.64% | 0.98% | 0.00% |
| Coca-Cola | Processing | 0.49% | 0.52% | 0.61% | 0.63% | 0.60% | 0.69% | 0.72% | 0.70% | 1.04% | 1.20% |
| Ferguson Enterprises | Distributor | 0.48% | 0.50% | 0.46% | 0.44% | 0.00% | 0.00% | 0.00% | 0.44% | 0.72% | 1.02% |
| Owens Brockway | Manufacturing | 0.48% | 0.53% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Raytheon E-Systems/L3 | Manufacturing | 0.45% | 0.49% | 0.51% | 0.59% | 0.57% | 0.57% | 0.63% | 0.57% | 0.83% | 0.76% |
| Associated Hygiene Products | Manufacturing | 0.00% | 0.00% | 0.53% | 0.00% | 0.42% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Sandy Creek Energy (personal property) | Utility | 0.00% | 0.00% | 0.00% | 0.42% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Sherwin Williams | Distributor | 0.00% | 0.00% | 0.00% | 0.00% | 0.41% | 0.51% | 0.00% | 0.42% | 0.55% | 0.60% |
| Inland Western | Real estate | 0.00% | 0.00% | 0.00% | 0.00% | 0.40% | 0.00% | 0.44% | 0.51% | 0.83% | 0.79% |
| Space X | Technology | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 1.47% | 0.00% | 0.00% | 0.00% | 0.00% |
| Southwestern Bell | Utility | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.39% | 0.51% | 0.78% | 1.21% |
| Pilgrim's Pride | Processing | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.68% |
| Richland Mall | Real estate | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| | Totals | 7.21% | 9.55% | 9.98% | 10.49% | 9.38% | 10.56% | 10.03% | 6.40% | 9.89% | 10.41% |

Source: McLennan County Appraisal District

McLennan County Junior College District
Property Tax Levies and Collections

Last Ten Tax Years
(dollars expressed in thousands)
(Unaudited)

| Fiscal Year | Total Tax Levy for Fiscal Year | Collected Within Fiscal Year of Levy | | Collections in Subsequent Year | Total Collections to Date | |
|----------------|--------------------------------------|---|------------|--------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage | | Amount | Percentage of Levy |
| 2017 | \$ 23,274 | 22,381 | 96.16% | \$ 228 | 22,609 | 97.14% |
| 2016 | 21,773 | 20,987 | 96.39% | 342 | 21,239 | 97.55% |
| 2015 | 20,562 | 19,777 | 96.18% | 276 | 20,053 | 97.52% |
| 2014 | 19,468 | 19,113 | 98.18% | 250 | 19,363 | 99.46% |
| 2013 | 19,178 | 18,519 | 96.56% | 310 | 18,829 | 98.18% |
| 2012 | 18,574 | 18,076 | 97.32% | 207 | 18,283 | 98.43% |
| 2011 | 17,969 | 17,510 | 97.45% | 261 | 17,771 | 98.90% |
| 2010 | 17,581 | 16,962 | 96.48% | 263 | 17,225 | 97.98% |
| 2009 | 16,328 | 15,835 | 96.98% | 387 | 16,222 | 99.35% |
| 2008 | 15,239 | 14,909 | 97.83% | 269 | 15,178 | 99.60% |

Note:

Property tax collections only - does not include penalties and interest.

McLennan County Junior College District
Ratios of Outstanding Debt by Type

Last Ten Fiscal Years
(dollars expressed in thousands)
(Unaudited)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|------------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------|---------------|
| General Bonded Debt | | | | | | | | | | |
| General obligation bonds | \$ 61,495 | 64,440 | 67,370 | 73,605 | 76,330 | 78,870 | 81,270 | 83,295 | 84,470 | 85,845 |
| Other Debt | | | | | | | | | | |
| Revenue bonds | 14,260 | 15,095 | 15,900 | 16,675 | 17,425 | 18,145 | 18,845 | 19,555 | 10,600 | 5,355 |
| Total outstanding debt | \$ <u>75,755</u> | <u>79,535</u> | <u>83,270</u> | <u>90,280</u> | <u>93,755</u> | <u>97,015</u> | <u>100,115</u> | <u>102,850</u> | <u>95,070</u> | <u>91,200</u> |
| General Bonded Debt Ratios | | | | | | | | | | |
| Per capita | Not available | 260 | 274 | 302 | 316 | 332 | 341 | 355 | 362 | 373 |
| Per student | \$ 9,211 | 9,652 | 11,125 | 11,747 | 11,270 | 10,717 | 10,599 | 17,079 | 15,787 | 14,506 |
| As a percentage of taxable assessed value | 0.39% | 0.44% | 0.49% | 0.61% | 0.65% | 0.71% | 0.97% | 0.90% | 0.86% | 0.94% |
| Total Outstanding Debt Ratios | | | | | | | | | | |
| Per capita | Not available | 321 | 339 | 371 | 388 | 408 | 420 | 438 | 407 | 396 |
| Per student | \$ 11,196 | 11,755 | 13,750 | 14,408 | 13,841 | 13,183 | 13,056 | 17,079 | 15,787 | 15,411 |
| As a percentage of taxable assessed value | 0.49% | 0.55% | 0.61% | 0.75% | 0.81% | 0.87% | 0.97% | 0.90% | 0.95% | 1.00% |
| As a percentage of personal income | Not available | Not available | 0.0900% | 0.0388% | 0.0132% | 0.0130% | 0.0130% | 0.0133% | 0.0127% | 0.0014% |

Note:

Debt per student calculated using full time equivalent enrollment.

Information for per capita not available for 2017.

Information for total outstanding debt as a percentage of personal income not available for 2016 and 2017.

McLennan County Junior College District
Legal Debt Margin Information

Last Ten Fiscal Years
(dollars expressed in thousands)
(Unaudited)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Taxable assessed value | \$ <u>15,590,137</u> | <u>14,535,209</u> | <u>13,742,962</u> | <u>12,829,972</u> | <u>12,646,737</u> | <u>12,118,455</u> | <u>11,480,266</u> | <u>11,226,768</u> | <u>10,778,692</u> | <u>9,960,006</u> |
| Statutory tax levy limit for general obligation debt service | \$ 77,951 | 72,676 | 68,715 | 64,150 | 63,234 | 60,592 | 57,401 | 56,134 | 53,893 | 49,800 |
| Current year debt service requirements | <u>5,641</u> | <u>5,729</u> | <u>6,110</u> | <u>6,112</u> | <u>6,034</u> | <u>6,275</u> | <u>5,977</u> | <u>5,692</u> | <u>5,750</u> | <u>5,165</u> |
| Excess of statutory tax levy limit for debt service over current requirements | \$ <u>72,310</u> | <u>66,947</u> | <u>62,605</u> | <u>58,038</u> | <u>57,200</u> | <u>54,317</u> | <u>51,424</u> | <u>50,442</u> | <u>48,143</u> | <u>44,635</u> |
| Current requirements as a percentage of statutory limit | <u>7.24%</u> | <u>7.88%</u> | <u>8.89%</u> | <u>9.53%</u> | <u>9.54%</u> | <u>10.36%</u> | <u>10.41%</u> | <u>10.14%</u> | <u>10.67%</u> | <u>10.37%</u> |

Note:

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

McLennan County Junior College District
Pledged Revenue Coverage

Last Ten Fiscal Years
(dollars expressed in thousands)
(Unaudited)

| Fiscal Year | Pledged Revenues | | | | | | | Debt Service Requirements | | | Coverage |
|-------------|------------------|---------------|--------------------------|-----------------|--------------------|----------------------|-------|---------------------------|----------|-------|----------|
| | Tuition | Facility Fees | Community Education Fees | Interest Income | Vending Commission | Bookstore Commission | Total | Principal | Interest | Total | |
| 2017 | \$ 1,253 | 1,123 | 108 | 81 | 38 | 409 | 3,012 | 835 | 605 | 1,440 | 2.09 |
| 2016 | 1,233 | 1,100 | 222 | 50 | 39 | 406 | 3,050 | 805 | 636 | 1,441 | 2.12 |
| 2015 | 1,207 | 1,093 | 204 | 40 | 33 | 435 | 3,012 | 775 | 663 | 1,438 | 2.09 |
| 2014 | 1,249 | 1,137 | 321 | 29 | 39 | 420 | 3,195 | 750 | 691 | 1,441 | 2.22 |
| 2013 | 1,391 | 1,227 | 228 | 205 | 44 | 439 | 3,534 | 720 | 717 | 1,437 | 2.46 |
| 2012 | 1,483 | 1,327 | 126 | 190 | 44 | 451 | 3,621 | 700 | 741 | 1,441 | 2.51 |
| 2011 | 1,595 | 1,380 | 146 | 172 | 45 | 488 | 3,826 | 710 | 765 | 1,475 | 2.59 |
| 2010 | 965 | 1,275 | 50 | 135 | 47 | 475 | 2,947 | 590 | 394 | 984 | 2.99 |
| 2009 | 762 | 1,076 | 51 | 155 | 48 | 395 | 2,487 | 740 | 263 | 1,003 | 2.48 |
| 2008 | 359 | 1,056 | 49 | 425 | 49 | 369 | 2,307 | 435 | 225 | 660 | 3.50 |
| 2007 | 346 | 1,030 | 56 | 618 | 41 | 317 | 2,408 | 415 | 239 | 654 | 3.68 |

McLennan County Junior College District
Demographic and Economic Statistics

Last Ten Fiscal Years
(Unaudited)

| <u>Calendar Year</u> | <u>Population</u> | <u>Personal Income (thousands of dollars)</u> | <u>Personal Income Per Capita</u> | <u>Unemployment Rate</u> |
|--------------------------|-------------------|---|---|------------------------------|
| 2016 | 247,934 | Not available | Not available | 4.4% |
| 2015 | 245,671 | \$ 9,153,701 | \$ 37,260 | 4.1% |
| 2014 | 243,441 | 8,634,139 | 35,467 | 5.1% |
| 2013 | 241,481 | 8,245,255 | 34,145 | 6.1% |
| 2012 | 237,811 | 8,350,456 | 35,114 | 7.4% |
| 2011 | 238,564 | 7,673,685 | 32,166 | 7.4% |
| 2010 | 234,906 | 7,888,000 | 33,579 | 4.6% |
| 2009 | 233,378 | 7,172,056 | 30,731 | 4.6% |
| 2008 | 230,213 | 7,153,670 | 31,074 | 3.9% |
| 2007 | 228,123 | 6,772,688 | 29,689 | 4.8% |

Sources: Population from U.S. Bureau of the Census; personal income from U.S. Bureau of Economic Analysis; unemployment rate from Texas Workforce Commission

Note:

Information for 2016 not yet available.

McLennan County Junior College District
Principal Employers
Last Ten Fiscal Years
(Unaudited)

| Employer | Number of Employees | | | | | | | | | |
|--|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Baylor University | 2,901 | 2,746 | 2,675 | 2,675 | 2,583 | 2,583 | 2,583 | 2,360 | 2,360 | 2,360 |
| Waco Independent School District | 2,471 | 2,290 | 2,500 | 2,500 | 2,276 | 2,276 | 2,276 | 2,350 | 2,350 | 2,300 |
| Providence Health Center | 2,401 | 2,311 | 2,397 | 2,397 | 2,538 | 2,538 | 2,618 | 2,434 | 2,434 | 2,182 |
| Baylor Scott & White/Hillcrest Health System | 1,725 | 1,970 | 1,800 | 1,800 | 1,800 | 1,800 | 1,793 | 1,700 | 1,700 | 1,700 |
| HEB | 1,600 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,350 | Not Available | Not Available |
| City of Waco, Texas | 1,456 | 1,487 | 1,506 | 1,506 | 1,506 | 1,506 | 1,506 | 1,729 | 1,729 | 1,729 |
| L-3 Communications Integrated Systems | 1,349 | 1,850 | 2,300 | 2,300 | 2,079 | 2,079 | 2,079 | 1,619 | 1,619 | 1,620 |
| Midway Independent School District | 1,282 | 1,102 | 1,067 | 1,067 | 1,067 | 1,067 | 1,067 | 955 | 955 | 877 |
| Sanderson Farms | 1,215 | 1,041 | 1,041 | 1,041 | 1,041 | 1,041 | 1,041 | 1,170 | 1,170 | Not Available |
| Wal-Mart | 1,026 | 1,015 | 1,656 | 1,656 | 2,561 | 2,561 | 2,561 | 1,290 | 1,290 | Not Available |
| McLennan County | 934 | 891 | 830 | 830 | 830 | 860 | 830 | 850 | 850 | 893 |
| Veterans Regional Office | 849 | 788 | 650 | 650 | 650 | 800 | 650 | Not Available | Not Available | Not Available |
| Veterans Administration Medical Center | 831 | 777 | 800 | 800 | 800 | 650 | 800 | 735 | Not Available | Not Available |
| EMSI, Inc. | 824 | 850 | 850 | 850 | 850 | 850 | 861 | 750 | 750 | Not Available |
| Aramark | 781 | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available |
| American Income Life | 712 | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available |
| Allergan | 710 | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available |
| Cargill Foods, Inc. | 707 | 708 | 685 | 685 | 685 | 685 | 685 | 694 | 694 | 775 |
| McLennan Community College | 683 | 869 | 793 | 826 | 826 | 871 | 805 | 816 | 835 | 757 |
| McLennan County Juvenile Correctional Center | 652 | 582 | 527 | 527 | 527 | 527 | 527 | 721 | Not Available | Not Available |
| Texas State Technical Institute | 600 | 600 | 672 | 672 | 672 | 672 | 672 | 684 | Not Available | Not Available |
| Masterfoods, USA | 600 | 575 | 525 | 525 | 650 | 525 | 650 | 580 | 580 | 625 |

Source: Greater Waco Area Chamber of Commerce

Note:

Detailed information on employer size and total employment for 2008 to 2016 was not available for certain employers.

McLennan County Junior College District
State Appropriations – Operating Information

Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | State Appropriation | Appropriation per FTSE | | Appropriation per Contact Hour | | | |
|----------------|------------------------|------------------------------------|---------------------------|--------------------------------|------------------------------|---------------------------|--------------------------------------|
| | | Full-Time Student Equivalent | Appropriation Per FTSE | Academic Contact Hours | Voc/Tech Contact Hours | Total Contact Hours | Appropriation Per Contact Hour |
| 2017 | \$ 12,118,902 | 6,523 | \$ 1,858 | 2,698,812 | 967,253 | 3,666,065 | \$ 3.31 |
| 2016 | 12,099,894 | 6,676 | 1,812 | 2,624,792 | 990,464 | 3,615,256 | 3.35 |
| 2015 | 13,456,451 | 6,056 | 2,222 | 2,640,603 | 1,214,919 | 3,855,522 | 3.49 |
| 2014 | 13,456,451 | 6,266 | 2,148 | 2,720,076 | 1,293,954 | 4,014,030 | 3.35 |
| 2013 | 13,677,168 | 6,777 | 2,018 | 2,975,848 | 1,376,424 | 4,352,272 | 3.14 |
| 2012 | 13,889,811 | 7,359 | 1,887 | 3,288,502 | 1,442,243 | 4,730,745 | 2.94 |
| 2011 | 13,085,035 | 7,668 | 1,706 | 3,430,424 | 1,464,536 | 4,894,960 | 2.67 |
| 2010 | 13,214,849 | 7,116 | 1,857 | 3,205,976 | 1,452,946 | 4,658,922 | 2.84 |
| 2009 | 13,803,606 | 6,022 | 2,292 | 2,660,448 | 1,329,700 | 3,990,148 | 3.46 |
| 2008 | 13,803,602 | 5,918 | 2,332 | 2,595,456 | 1,265,639 | 3,861,095 | 3.58 |

Note:

Full time student equivalent (FTSE) is defined as the total number of semester credit hours divided by 30.

McLennan County Junior College District
Faculty, Staff, and Administrators Statistics

Last Ten Fiscal Years
(Unaudited)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|-------------------------------------|------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Faculty | | | | | | | | | | |
| Full-time | 218 | 220 | 225 | 232 | 238 | 240 | 215 | 200 | 224 | 196 |
| Part-time | 184 | 174 | 189 | 211 | 225 | 299 | 242 | 245 | 218 | 209 |
| Total | <u>402</u> | <u>394</u> | <u>414</u> | <u>443</u> | <u>463</u> | <u>539</u> | <u>457</u> | <u>445</u> | <u>442</u> | <u>405</u> |
| Percent: | | | | | | | | | | |
| Full-time | <u>54.2%</u> | <u>55.8%</u> | <u>54.3%</u> | <u>52.4%</u> | <u>51.4%</u> | <u>44.5%</u> | <u>47.0%</u> | <u>44.9%</u> | <u>50.7%</u> | <u>48.4%</u> |
| Part-time | <u>45.8%</u> | <u>44.2%</u> | <u>45.7%</u> | <u>47.6%</u> | <u>48.6%</u> | <u>55.5%</u> | <u>53.0%</u> | <u>55.1%</u> | <u>49.3%</u> | <u>51.6%</u> |
| Staff and Administrators | | | | | | | | | | |
| Full-time | 334 | 325 | 326 | 327 | 314 | 310 | 318 | 341 | 367 | 338 |
| Part-time | 64 | 108 | 53 | 57 | 52 | 22 | 30 | 30 | 26 | 14 |
| Total | <u>398</u> | <u>433</u> | <u>379</u> | <u>384</u> | <u>366</u> | <u>332</u> | <u>348</u> | <u>371</u> | <u>393</u> | <u>352</u> |
| Percent: | | | | | | | | | | |
| Full-Time | <u>83.9%</u> | <u>75.1%</u> | <u>86.0%</u> | <u>85.2%</u> | <u>85.8%</u> | <u>93.4%</u> | <u>91.4%</u> | <u>91.9%</u> | <u>93.4%</u> | <u>96.0%</u> |
| Part-Time | <u>16.1%</u> | <u>24.9%</u> | <u>14.0%</u> | <u>14.8%</u> | <u>14.2%</u> | <u>6.6%</u> | <u>8.6%</u> | <u>8.1%</u> | <u>6.6%</u> | <u>4.0%</u> |
| Students per full-time faculty | <u>40</u> | <u>38</u> | <u>37</u> | <u>36</u> | <u>36</u> | <u>39</u> | <u>47</u> | <u>50</u> | <u>35</u> | <u>41</u> |
| Students per full-time staff member | <u>26</u> | <u>26</u> | <u>25</u> | <u>25</u> | <u>27</u> | <u>30</u> | <u>32</u> | <u>29</u> | <u>21</u> | <u>24</u> |
| Average annual faculty salary | <u>\$ 66,018</u> | <u>66,392</u> | <u>64,162</u> | <u>62,795</u> | <u>61,029</u> | <u>60,272</u> | <u>61,432</u> | <u>61,403</u> | <u>59,074</u> | <u>54,980</u> |

McLennan County Junior College District
Enrollment Details
Last Ten Fiscal Years
(Unaudited)

| Student Classification | Fall 2016 | | Fall 2015 | | Fall 2014 | | Fall 2013 | | Fall 2012 | | Fall 2011 | | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | |
|-------------------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|---------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Freshman | 5,027 | 57.18% | 4,547 | 54.75% | 4,418 | 53.27% | 4,498 | 52.58% | 4,949 | 53.20% | 5,613 | 55.11% | 5,498 | 55.46% | 5,316 | 58.24% | 4,278 | 54.26% | 4,601 | 56.95% |
| Sophomore | 2,204 | 25.07% | 2,271 | 27.34% | 2,249 | 27.12% | 2,450 | 28.64% | 2,587 | 27.81% | 2,758 | 27.08% | 2,678 | 27.02% | 2,771 | 30.36% | 2,175 | 27.59% | 2,115 | 26.18% |
| Unclassified | 1,560 | 17.75% | 1,487 | 17.90% | 1,627 | 19.62% | 1,607 | 18.78% | 1,766 | 18.99% | 1,814 | 17.81% | 1,737 | 17.52% | 1,041 | 11.40% | 1,431 | 18.15% | 1,363 | 16.87% |
| Total | 8,791 | 100.00% | 8,305 | 100.00% | 8,294 | 100.00% | 8,555 | 100.00% | 9,302 | 100.00% | 10,185 | 100.00% | 9,913 | 100.00% | 9,128 | 100.00% | 7,884 | 100.00% | 8,079 | 100.00% |
| Semester Hour Load | | | | | | | | | | | | | | | | | | | | |
| Less than 3 | 66 | 0.75% | 61 | 0.73% | 43 | 0.52% | 73 | 0.85% | 79 | 0.85% | 91 | 0.89% | 82 | 0.83% | 69 | 0.76% | 94 | 1.19% | 84 | 1.04% |
| 3-5 semester hours | 1,767 | 20.10% | 1,615 | 19.45% | 1,493 | 18.00% | 1,364 | 15.94% | 1,497 | 16.09% | 1,497 | 14.70% | 1,533 | 15.46% | 1,496 | 16.39% | 1,480 | 18.77% | 1,389 | 17.19% |
| 6-8 Semester hours | 1,958 | 22.27% | 1,773 | 21.35% | 1,703 | 20.53% | 1,771 | 20.70% | 1,753 | 18.85% | 2,015 | 19.78% | 1,809 | 18.25% | 1,726 | 18.91% | 1,515 | 19.22% | 1,519 | 18.80% |
| 9-11 semester hours | 1,531 | 17.42% | 1,401 | 16.87% | 1,489 | 17.95% | 1,501 | 17.55% | 1,706 | 18.34% | 1,943 | 19.08% | 1,605 | 16.19% | 1,494 | 16.37% | 1,373 | 17.42% | 1,425 | 17.64% |
| 12-14 semester hours | 2,895 | 32.93% | 2,817 | 33.92% | 2,952 | 35.59% | 3,202 | 37.43% | 3,555 | 38.22% | 3,922 | 38.51% | 4,082 | 41.18% | 3,640 | 39.88% | 2,752 | 34.91% | 2,903 | 35.93% |
| 15-17 semester hours | 507 | 5.77% | 558 | 6.72% | 535 | 6.45% | 544 | 6.36% | 636 | 6.84% | 627 | 6.16% | 699 | 7.05% | 613 | 6.72% | 593 | 7.52% | 680 | 8.42% |
| 18 & over | 67 | 0.76% | 80 | 0.96% | 79 | 0.95% | 100 | 1.17% | 76 | 0.82% | 90 | 0.88% | 103 | 1.04% | 90 | 0.99% | 77 | 0.98% | 79 | 0.98% |
| Total | 8,791 | 100.00% | 8,305 | 100.00% | 8,294 | 100.00% | 8,555 | 100.00% | 9,302 | 100.00% | 10,185 | 100.00% | 9,913 | 100.00% | 9,128 | 100.00% | 7,884 | 100.00% | 8,079 | 100.00% |
| Average course load | 9.0 | | 9.2 | | 9.4 | | 9.6 | | 9.5 | | 9.6 | | 9.7 | | 9.6 | | 9.3 | | 9.5 | |
| Tuition Status | | | | | | | | | | | | | | | | | | | | |
| Texas Resident (in-District) | 7,145 | 81.28% | 6,518 | 82.05% | 6,528 | 82.24% | 6,768 | 82.97% | 7,328 | 82.24% | 8,393 | 83.75% | 7,739 | 82.78% | 7,602 | 84.04% | 6,672 | 85.47% | 6,573 | 85.16% |
| Texas Resident (out-of-District) | 1,362 | 15.49% | 1,230 | 15.48% | 1,224 | 15.42% | 1,209 | 14.82% | 1,375 | 15.43% | 1,414 | 14.11% | 1,392 | 14.89% | 1,272 | 14.06% | 1,003 | 12.85% | 1,025 | 13.28% |
| Non-Resident Tuition | 284 | 3.23% | 196 | 2.47% | 186 | 2.34% | 180 | 2.21% | 208 | 2.33% | 214 | 2.14% | 218 | 2.33% | 172 | 1.90% | 131 | 1.68% | 120 | 1.55% |
| Total | 8,791 | 100.00% | 7,944 | 100.00% | 7,938 | 100.00% | 8,157 | 100.00% | 8,911 | 100.00% | 10,021 | 100.00% | 9,349 | 100.00% | 9,046 | 100.00% | 7,806 | 100.00% | 7,718 | 100.00% |

McLennan County Junior College District
Student Profile

Last Ten Fiscal Years
(Unaudited)

| Gender | Fall 2016 | | Fall 2015 | | Fall 2014 | | Fall 2013 | | Fall 2012 | | Fall 2011 | | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | |
|----------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|---------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Female | 5,794 | 65.91% | 5,427 | 65.35% | 5,450 | 65.71% | 5,568 | 65.08% | 6,040 | 64.93% | 6,656 | 65.35% | 6,515 | 65.72% | 6,086 | 66.67% | 5,294 | 67.15% | 5,396 | 66.79% |
| Male | 2,997 | 34.09% | 2,878 | 34.65% | 2,844 | 34.29% | 2,987 | 34.92% | 3,262 | 35.07% | 3,529 | 34.65% | 3,398 | 34.28% | 3,042 | 33.33% | 2,590 | 32.85% | 2,683 | 33.21% |
| Total | 8,791 | 100.00% | 8,305 | 100.00% | 8,294 | 100.00% | 8,555 | 100.00% | 9,302 | 100.00% | 10,185 | 100.00% | 9,913 | 100.00% | 9,128 | 100.00% | 7,884 | 100.00% | 8,079 | 100.00% |
| Ethnic Origin | | | | | | | | | | | | | | | | | | | | |
| White | 4,597 | 52.29% | 4,449 | 53.57% | 4,602 | 55.49% | 4,966 | 58.05% | 5,370 | 57.73% | 5,920 | 58.12% | 5,915 | 59.67% | 5,726 | 62.73% | 5,051 | 64.07% | 5,239 | 64.85% |
| Hispanic | 2,629 | 29.91% | 2,352 | 28.32% | 2,142 | 25.83% | 2,087 | 24.40% | 1,434 | 15.42% | 2,139 | 21.00% | 1,934 | 19.51% | 1,559 | 17.08% | 1,299 | 16.48% | 1,319 | 16.33% |
| African American | 1,059 | 12.05% | 1,072 | 12.91% | 1,156 | 13.94% | 1,318 | 15.41% | 2,156 | 23.18% | 1,781 | 17.49% | 1,753 | 17.68% | 1,666 | 18.25% | 1,382 | 17.53% | 1,364 | 16.88% |
| Asian | 126 | 1.43% | 113 | 1.36% | 118 | 1.42% | 103 | 1.20% | 103 | 1.11% | 113 | 1.11% | 121 | 1.22% | 109 | 1.19% | 94 | 1.19% | 91 | 1.13% |
| Foreign | - | 0.00% | 4 | 0.05% | 2 | 0.02% | 11 | 0.13% | 16 | 0.17% | 8 | 0.08% | - | 0.00% | 43 | 0.47% | 36 | 0.46% | 27 | 0.33% |
| Native American | 3 | 0.03% | 6 | 0.07% | 4 | 0.05% | 4 | 0.05% | 5 | 0.05% | 10 | 0.10% | 6 | 0.06% | 19 | 0.21% | 22 | 0.28% | 39 | 0.48% |
| American Indian | 31 | 0.35% | 17 | 0.20% | 21 | 0.25% | 25 | 0.29% | 23 | 0.25% | 39 | 0.38% | 39 | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| Multiracial | 252 | 2.87% | 249 | 3.00% | 213 | 2.57% | 5 | 0.06% | 160 | 1.72% | 122 | 1.20% | 57 | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| Unknown/unreported | 94 | 1.07% | 43 | 0.52% | 36 | 0.43% | 36 | 0.42% | 35 | 0.38% | 53 | 0.52% | 88 | 0.89% | 6 | 0.07% | - | 0.00% | - | 0.00% |
| Total | 8,791 | 100.00% | 8,305 | 100.00% | 8,294 | 100.00% | 8,555 | 100.00% | 9,302 | 100.00% | 10,185 | 100.00% | 9,913 | 99.03% | 9,128 | 100.00% | 7,884 | 100.00% | 8,079 | 100.00% |
| Age | | | | | | | | | | | | | | | | | | | | |
| Under 18 | 1,433 | 16.30% | 1,411 | 16.99% | 1,167 | 14.07% | 1,061 | 12.40% | 1,117 | 12.01% | 1,158 | 11.37% | 1,113 | 11.23% | 988 | 10.82% | 977 | 12.39% | 912 | 11.29% |
| 18 - 21 | 3,542 | 40.29% | 3,294 | 39.66% | 3,155 | 38.04% | 3,282 | 38.36% | 3,517 | 37.81% | 3,747 | 36.79% | 3,636 | 36.68% | 3,407 | 37.32% | 3,066 | 38.89% | 3,260 | 40.35% |
| 22 - 24 | 1,117 | 12.71% | 1,015 | 12.22% | 1,084 | 13.07% | 1,104 | 12.90% | 1,192 | 12.81% | 1,365 | 13.40% | 1,323 | 13.35% | 1,243 | 13.62% | 1,110 | 14.08% | 1,075 | 13.31% |
| 25 - 35 | 1,711 | 19.46% | 1,597 | 19.23% | 1,750 | 21.10% | 1,879 | 21.96% | 2,020 | 21.72% | 2,264 | 22.23% | 2,410 | 24.31% | 2,161 | 23.67% | 1,660 | 21.06% | 1,707 | 21.13% |
| 36 - 50 | 760 | 8.65% | 764 | 9.20% | 864 | 10.42% | 934 | 10.92% | 1,122 | 12.06% | 1,336 | 13.12% | 1,154 | 11.64% | 1,065 | 11.67% | 843 | 10.69% | 918 | 11.36% |
| 51 & over | 228 | 2.59% | 224 | 2.70% | 274 | 3.30% | 295 | 3.45% | 334 | 3.59% | 315 | 3.09% | 277 | 2.79% | 264 | 2.89% | 228 | 2.89% | 207 | 2.56% |
| Total | 8,791 | 100.00% | 8,305 | 100.00% | 8,294 | 100.00% | 8,555 | 100.00% | 9,302 | 100.00% | 10,185 | 100.00% | 9,913 | 100.00% | 9,128 | 100.00% | 7,884 | 100.00% | 8,079 | 100.00% |
| Average Age | 24 | | 24 | | 25 | | 25 | | 26 | | 26 | | 25 | | 26 | | 25 | | 25 | |

McLennan County Junior College District
Student Transfers to Senior Institutions

Last Ten Fiscal Years
(Unaudited)

| | Fall 2016 | | Fall 2015 | | Fall 2014 | | Fall 2013 | | Fall 2012 | | Fall 2011 | | Fall 2010 | | Fall 2009 | | Fall 2008 | | Fall 2007 | |
|------------------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|
| | Total Transfer Students | % of Transfer Students | Total Transfer Students | % of Transfer Students | Total Transfer Students | % of Transfer Students | Total Transfer Students | % of Transfer Students | Total Transfer Students | % of Transfer Students | Total Transfer Students | % of Transfer Students | Total Transfer Students | % of Transfer Students | Total Transfer Students | % of Transfer Students | Total Transfer Students | % of Transfer Students | Total Transfer Students | % of Transfer Students |
| Texas A&M University | 198 | 15.62% | 182 | 13.51% | 133 | 13.42% | 132 | 13.05% | 137 | 13.44% | 170 | 15.55% | 132 | 13.78% | 151 | 15.91% | 79 | 19.36% | 173 | 20.47% |
| University of Texas at Austin | 29 | 2.29% | 74 | 5.49% | 61 | 6.16% | 61 | 6.03% | 85 | 8.33% | 75 | 6.86% | 68 | 7.10% | 66 | 6.95% | 0 | 0.00% | 71 | 8.40% |
| Texas Tech University | 60 | 4.73% | 53 | 3.93% | 98 | 9.89% | 99 | 9.78% | 93 | 9.12% | 107 | 9.79% | 71 | 7.41% | 61 | 6.43% | 20 | 4.90% | 53 | 6.27% |
| Texas State University | 46 | 3.63% | 88 | 6.53% | 81 | 8.17% | 66 | 6.52% | 93 | 9.12% | 73 | 6.68% | 83 | 8.66% | 86 | 9.06% | 29 | 7.11% | 79 | 9.35% |
| Tarleton State University | 667 | 52.60% | 655 | 48.63% | 411 | 41.47% | 427 | 42.19% | 400 | 39.22% | 450 | 41.17% | 345 | 36.01% | 302 | 31.82% | 166 | 40.69% | 211 | 24.97% |
| Sam Houston State University | 25 | 1.97% | 58 | 4.31% | 47 | 4.74% | 55 | 5.43% | 52 | 5.10% | 48 | 4.39% | 47 | 4.91% | 26 | 2.74% | 9 | 2.21% | 22 | 2.60% |
| University of North Texas | 67 | 5.28% | 58 | 4.31% | 56 | 5.65% | 56 | 5.53% | 53 | 5.20% | 42 | 3.84% | 66 | 6.89% | 60 | 6.32% | 28 | 6.86% | 69 | 8.17% |
| University of Texas at Arlington | 108 | 8.52% | 102 | 7.57% | 58 | 5.85% | 64 | 6.32% | 64 | 6.27% | 85 | 7.78% | 106 | 11.06% | 149 | 15.70% | 63 | 15.44% | 121 | 14.32% |
| Stephen F. Austin State University | 25 | 1.97% | 34 | 2.52% | 22 | 2.22% | 32 | 3.16% | 30 | 2.94% | 27 | 2.47% | 23 | 2.40% | 38 | 4.00% | 10 | 2.45% | 34 | 4.02% |
| University of Texas at San Antonio | 21 | 1.66% | 22 | 1.63% | 12 | 1.21% | 20 | 1.98% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| University of Houston | 22 | 1.74% | 21 | 1.56% | 12 | 1.21% | - | 0.00% | 13 | 1.27% | 16 | 1.46% | 17 | 1.77% | 10 | 1.05% | 4 | 0.98% | 12 | 1.42% |
| | <u>1,268</u> | <u>100.00%</u> | <u>1,347</u> | <u>100.00%</u> | <u>991</u> | <u>100.00%</u> | <u>1,012</u> | <u>100.00%</u> | <u>1,020</u> | <u>100.00%</u> | <u>1,093</u> | <u>100.00%</u> | <u>958</u> | <u>100.00%</u> | <u>949</u> | <u>#####</u> | <u>408</u> | <u>100.00%</u> | <u>845</u> | <u>100.00%</u> |

Source: Texas Higher Education Coordinating Board and National Student Clearinghouse.

Notes:

Does not include in-state private institutions, out-of-state institutions, or individuals who could not be located.

McLennan County Junior College District

Capital Asset Information

Last Ten Fiscal Years
(Unaudited)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Academic buildings | 17 | 17 | 17 | 17 | 17 | 17 | 16 | 15 | 16 | 13 |
| Square footage* | 564 | 564 | 564 | 564 | 564 | 564 | 549 | 538 | 549 | 304 |
| Libraries | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Square footage* | 70 | 70 | 70 | 70 | 70 | 70 | 70 | 70 | 70 | 70 |
| Number of volumes* | 75 | 76 | 82 | 82 | 82 | 81 | 79 | 78 | 84 | 83 |
| Administrative and support buildings | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 16 | 12 |
| Square footage* | 676 | 676 | 676 | 676 | 676 | 678 | 676 | 493 | 458 | 240 |
| Dining facilities | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Square footage* | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Average daily customers | 850 | 853 | 926 | 926 | 928 | 999 | 803 | 1,000 | 900 | 750 |
| Athletic facilities | | | | | | | | | | |
| Square footage* | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 |
| Stadiums | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Gymnasiums | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fitness centers | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 |
| Tennis courts | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Plant facilities | | | | | | | | | | |
| Square footage* | 1,077 | 1,077 | 1,077 | 1,077 | 1,077 | 1,077 | 1,077 | 1,077 | 1,077 | 614 |
| Transportation | | | | | | | | | | |
| Cars | 4 | 4 | 4 | 4 | 4 | 4 | 6 | 5 | 6 | 6 |
| Light trucks/vans | 8 | 8 | 8 | 6 | 6 | 6 | 10 | 10 | 10 | 12 |
| SUV's | 8 | 8 | 9 | 9 | 9 | 9 | 10 | 7 | 6 | 5 |
| Buses | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 |

* in thousands

**Overall Compliance, Internal Control and
Federal and State Awards Section**



JAYNES REITMEIER BOYD & THERRELL, P.C.
Certified Public Accountants

5400 Bosque Blvd., Ste. 500 | Waco, TX 76710
P.O. Box 7616 | Waco, TX 76714
Main 254.776.4190 | Fax 254.776.8489 | jrbt.com

**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***

The Board of Trustees
McLennan County Junior College District:

We have audited, 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, the financial statements of the business-type activities and the discretely presented component unit of McLennan County Junior College District (the District) as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated November 28, 2017. The financial statements of McLennan Community College Foundation, a discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with McLennan Community College Foundation.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’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 District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’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 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 District'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* or the *Public Funds Investment Act*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jaynes, Reitzmeier, Boyd & Threlkoff, P.C.

November 28, 2017



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

The Board of Trustees
McLennan County Junior College District:

Report on Compliance for Each Major Federal and State Program

We have audited McLennan County Junior College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Uniform Grant Management Standards* that could have a direct and material effect on each of the District's major federal and state programs for the year ended August 31, 2017. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state 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; the audit requirements of Title 2, U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Uniform Grant Management Standards*. 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 or state program occurred. An audit includes examining, on a test basis, evidence about the District'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 and state program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the District 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 and state programs for the year ended August 31, 2017.

Report on Internal Control Over Compliance

Management of the District 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state 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 and state program and to test and report on internal control over compliance in accordance with Uniform Guidance and *Uniform Grant Management Standards*, 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 District's internal control over compliance.

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

Our consideration of the internal control over compliance is 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 and *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Jaynes, Kestner, Boyd & Russell, P.C.

November 28, 2017

McLennan County Junior College District
Schedule of Findings and Questioned Costs

Year Ended August 31, 2017

(1) Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- | | | | | | |
|---|-------|-----|-------|---|---------------|
| o Material weakness(es) identified? | _____ | yes | _____ | x | no |
| o Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ | yes | _____ | x | none reported |
| Noncompliance material to financial statements noted? | _____ | yes | _____ | x | no |

Federal and State Awards

Internal control over major programs:

- | | | | | | |
|---|-------|-----|-------|---|---------------|
| o Material weakness(es) identified? | _____ | yes | _____ | x | no |
| o Significant deficiency(ies) 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 2 CFR section 200.516(a) of the Uniform Guidance and the Uniform Grant Management Standards?

| | | | | |
|-------|-----|-------|---|----|
| _____ | yes | _____ | x | no |
|-------|-----|-------|---|----|

Identification of major federal programs:

CFDA Number(s) Name of Federal Program or Cluster

| Student Financial Assistance Cluster: | |
|---------------------------------------|---|
| 84.007 | Federal Supplemental Educational Opportunity Grant Program |
| 84.033 | Federal Work-Study Program |
| 84.063 | Federal Pell Grant Program |
| 84.268 | Federal Direct Student Loans Program |
| 84.379 | Teacher Education Assistance for College and Higher Education Grant Program |

Identification of major state programs:

Grant Number(s) Name of State Program or Cluster

| Texas Education Opportunity Grant | |
|-----------------------------------|--|
| | |
| | |
| | |

Dollar threshold used to distinguish between type A and type B federal programs:

_____ \$750,000 _____

Dollar threshold used to distinguish between type A and type B state programs:

_____ \$300,000 _____

Auditee qualified as low-risk auditee?

_____ x _____ yes _____ no

McLennan County Junior College District
Schedule of Findings and Questioned Costs
(Continued)

(2) Financial Statement Findings

None noted.

(3) Federal Award Findings and Questioned Costs

None noted.

(4) State Award Findings and Questioned Costs

None noted.