

**McLennan County Junior College District**  
Annual Financial Report  
August 31, 2011 and 2010

## **Introductory Section**

# McLennan County Junior College District

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## McLennan County Junior College District

### *Board of Trustees*

	<u>Term Expires</u>
Officers:	
Randy Cox - Chairman Waco, Texas	2014
Members:	
Pauline Chavez, Waco, Texas	2016
Donald Hay, Waco, Texas	2014
K. Paul Holt, Waco, Texas	2014
James Lewis, Waco, Texas	2016
Bob Sheehy, Jr., Waco, Texas	2012
Geneva Watley, Waco, Texas	2012

### *Principal Administrative Officers*

Johnette McKown	President
Gene Gooch	Vice President, Finance and Administration
Donnie Balmos	Vice President, Instruction
Al Pollard	Vice President, Program Development
Santos Martinez	Vice President, Student Services
Paul Illich	Vice President, Research, Planning and Information Technology
Terry Lechler	Director of Financial Services

## **Financial Section**



### Independent Auditors' Report

The Board of Trustees  
McLennan County Junior College District:

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, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits. The financial statements of the McLennan Community College Foundation (the Foundation), a discretely presented component unit of the District, as of and for the years ended August 31, 2011 and 2010 were not audited in accordance with *Government Auditing Standards*.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis on pages 3 through 17 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information on pages 43 through 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards on pages 47 through 51 are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the *Uniform Grant Management Standards*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The statistical section on pages 52 through 72 have not been subjected to the auditing procedures applied in the audit of the basic financial statements; and, accordingly, we express no opinion on them.

November 21, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

McLennan County Junior College District's management discussion and analysis (MD&A) of its financial condition and operating results provides an overview of its financial activity and assists the reader in understanding noteworthy financial issues for the year ending August 31, 2011 and 2010.

McLennan County Junior College District (the District) is a two-year public community college district, a political subdivision of the State of Texas. To accomplish its mission on a continuing basis, the District must maintain its financial health for the long term. In order to accomplish this financial stability, the District strives to accumulate net assets to ensure sufficient reserves are available for new program implementation, to expand existing programs, and to be prepared for operational risks that might occur.

As stipulated by the Texas Higher Education Coordinating Board, the District has adopted the special purpose governments engaged only in business-type activities (BTA) format, as permitted in Governmental Accounting Standards Board (GASB) Statement No. 35. Business-type activity reporting is a category of proprietary funds referred to as enterprise funds. Under this conceptual model, Texas public community colleges, including the District, are considered "special purpose governments" formed to provide a single program for which fees are charged to external users for goods and services.

The District has prepared the financial statements using the economic resources measurement focus and the accrual basis of accounting. This model provides information about the long-term effects of short-term decisions, primarily by including the cost of consuming the capital assets used in providing services. Reporting is based upon all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements:

- a. Financial Accounting Standards Board (FASB) Statements and Interpretations (through FASB Statement No. 102)
- b. Accounting Principles Board (APB) Opinions
- c. Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

Financial statements for the District's component unit, McLennan Community College Foundation (Foundation), are issued independently of the District. The Foundation's financial information for fiscal years 2011 and 2010 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.

## **Brief Discussion of Basic Financial Statements**

The required financial statements, according to GASB Statement No. 34, under business-type activity reporting are:

1. Statement of Net Assets
2. Statement of Revenues, Expenses, and Changes in Net Assets
3. Statement of Cash Flows

Relationships among the statements are: (1) the Statement of Net Assets shows the status of the financial resources after the revenues and expenses have been recorded for the year; (2) the Statement of Revenues, Expenses, and Changes in Net Assets describes the “why” of how net assets increased or decreased during the year; and (3) the Statement of Cash Flows uses the cash and cash equivalents from the Statement of Net Assets and details the types of inflows and outflows that occur during the year. A brief description of each statement, which explains the differences in the information provided, follows.

### **Statement of Net Assets**

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting. The District’s net assets are one indicator of its financial health. Over time, increases or decreases in net assets are indicators of the improvement or erosion of the District’s financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

### **Statement of Revenues, Expenses, and Changes in Net Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities performed by the District are classified as either operating or non-operating activities. Revenues received from taxpayers in the form of tax levies are considered non-operating revenues. In addition, state appropriations are treated as non-operating revenues. Since maintenance and operation taxes and state appropriations are two of the three primary sources of revenue (student tuition and fees are the third source) for general District operations, it is not unusual and will likely be a typical picture to have an operating loss on the Statement of Revenues, Expenses, and Changes in Net Assets. This deficit represents the net costs of services to students that must be covered by other sources of revenue such as local taxes and state appropriations. Depreciation, which expenses the cost of the asset over its expected useful life, is recognized as an operating expense.

### *Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, capital, and noncapital financing and investing activities. This statement helps users assess : (1) the District’s ability to generate future cash flows; (2) its ability to meet obligations as they come due; and (3) its need for external financing.

## Condensed Financial Information

The statements below present condensed financial statements.

The following summary shows a condensed version of the Statement of Net Assets:

### Statements of Net Assets

(Dollars in Millions)

	August 31,					
	2011		2010		2009	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>Assets</b>						
Current assets	\$ 29.9	17.90%	\$ 32.5	19.96%	\$ 31.5	20.38%
Noncurrent assets:						
Capital assets, net	135.8	81.32%	126.9	77.95%	117.1	75.74%
Other assets	1.3	0.78%	3.4	2.09%	6.0	3.88%
Total assets	<u>167.0</u>	<u>100.00%</u>	<u>162.8</u>	<u>100.00%</u>	<u>154.6</u>	<u>100.00%</u>
<b>Liabilities</b>						
Current liabilities	21.5	17.87%	18.4	15.30%	18.0	15.86%
Noncurrent liabilities	<u>98.8</u>	<u>82.13%</u>	<u>101.9</u>	<u>84.70%</u>	<u>95.5</u>	<u>84.14%</u>
Total liabilities	<u>120.3</u>	<u>100.00%</u>	<u>120.3</u>	<u>100.00%</u>	<u>113.5</u>	<u>100.00%</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	37.9	81.16%	33.2	78.12%	29.4	71.53%
Restricted, expendable	2.2	4.71%	5.1	12.00%	4.4	10.71%
Unrestricted	<u>6.6</u>	<u>14.13%</u>	<u>4.2</u>	<u>9.88%</u>	<u>7.3</u>	<u>17.76%</u>
Total net assets	<u>\$ 46.7</u>	<u>100.00%</u>	<u>\$ 42.5</u>	<u>100.00%</u>	<u>\$ 41.1</u>	<u>100.00%</u>

A description of each category follows.

**ASSETS:**Current Assets***Cash, Cash Equivalents, and Investments***

Cash and cash equivalents consist of cash in the District's bank accounts and investments in cash equivalents including certificates of deposit, TexPool, Texas Term, and Lone Star Investment Pool and the Merrill Lynch cash management account. In addition, all of the proceeds from the bonds that will be used within the next fiscal year are classified as current assets.

***Accounts Receivable, Net***

Accounts receivable relates to several transactions including student installment plans for tuition and fee billings, third-party student and fee billings, and receivables from grant awards and financial aid. The receivables are reported net of allowance for doubtful accounts.

***Prepaid Expenses***

Prepaid expenses are costs that relate to activities applicable to future periods. Examples include student scholarships for the subsequent fall semester, prepaid insurance premiums, and any other miscellaneous expenditures that relate to the subsequent fiscal year .

***Inventories***

The District maintains inventories for internal departmental use (e.g., postage, stationery, and paper.)

Noncurrent Assets***Restricted Cash, Cash Equivalents, and Investments***

Restricted cash and cash equivalents include proceeds from the bonds that are dedicated to capital projects and are not projected to be used during the next fiscal year.

***Capital assets, Net***

Capital assets consist of land, infrastructure, buildings, equipment, collections, and library books, and are reported net of accumulated depreciation.

***Other Assets***

Other assets represent the bond issuance costs for the Series 2005 Refunding Limited Tax bonds, the Series 2006 Refunding Revenue bonds, the Series 2007 Tax bonds, the Series 2009 Revenue bonds and the Series 2010 Revenue bonds. These costs will be amortized over the life of the bonds.

**LIABILITIES:**Current Liabilities***Accounts Payable and Accrued Liabilities***

Accounts payable and accrued liabilities represent amounts due for goods and services received prior to the end of the fiscal year and salaries that accrued during the last week of August, but were not paid until September.

***Funds Held for Others***

Funds Held for Others are agency funds for which the District acts as custodian. Examples are various student clubs and organizations.

***Deferred Revenue***

Deferred Revenue represents tuition and fees for students who registered in the summer for fall classes and student federal awards for the subsequent fall semester.

***Bonds Payable—Current Portion***

Current portion represents the principal portion of the District's long-term debt payable in the next fiscal year for both tax and revenue bonds.

Noncurrent Liabilities***Bonds Payable***

Bonds Payable in Noncurrent Liabilities represents the principal portion of the tax and revenue bonds that are due more than one year from year-end. This amount, when added to the current portion of long-term debt, represents the outstanding debt of the District.

**NET ASSETS:**

Net assets are classified according to restrictions or availability of assets for satisfaction of District obligations.

**Invested in Capital Assets, Net of Related Debt**

Invested in capital assets, net of related debt represents the net value of the District's capital assets (land, buildings, and equipment) less the related debt.

**Restricted Expendable**

Restricted Expendable net assets include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Examples are: (1) scholarships and fellowships, (2) debt service funds to service the Series 1999 Limited Tax bonds, the Series 2005 Refunding Limited Tax bonds, the Series 2007 Limited Tax bonds, the Series 2009 Revenue bonds and the Series 2010 Revenue bonds, (3)

accumulated unspent capital funds from the Series 2007 Limited Tax bonds and the Series 2010 revenue bonds.

### Unrestricted

Unrestricted net assets represent those balances from operational activities that have not been restricted by external parties to the District such as donors or grant agencies. This includes the District's capital improvement accounts since this board-designated balance is not restricted by external parties.

The following chart reflects a condensed version of the Statement of Revenues, Expenses, and Changes in Net Assets.

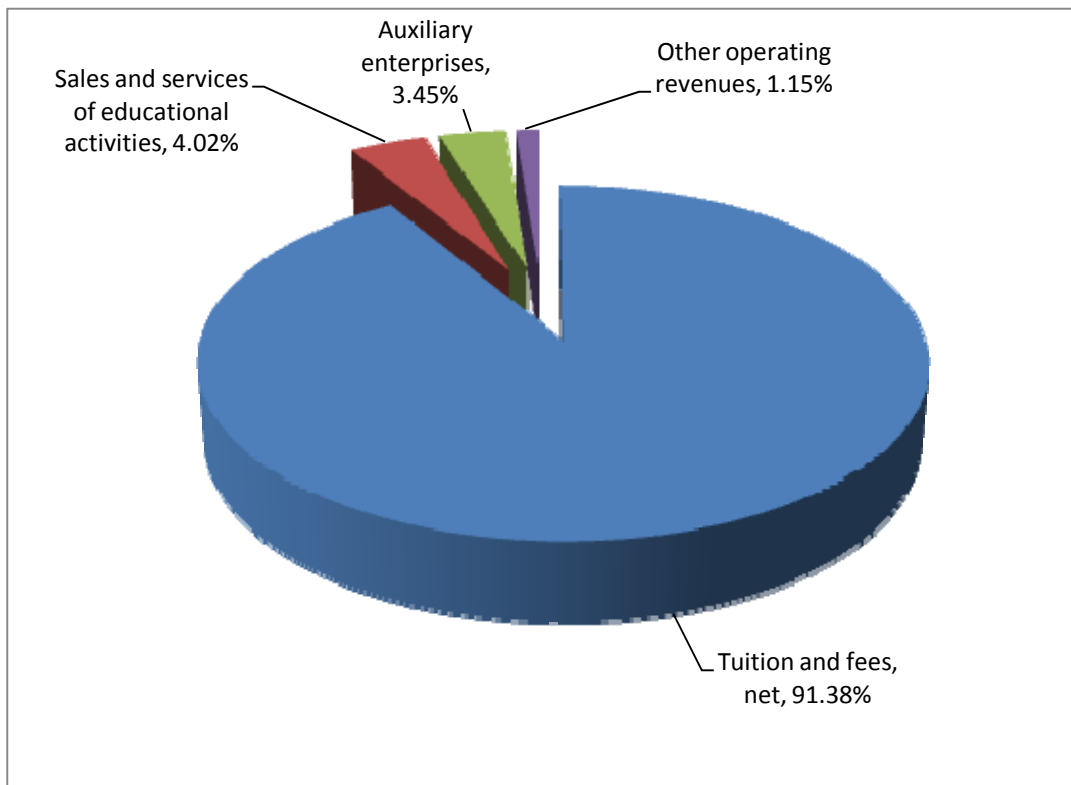
### Statements of Revenues, Expenses, and Changes in Net Assets (In Millions)

	Year Ended August 31,		
	2011	2010	2009
Operating revenues	\$ 17.4	14.1	12.1
Operating expenses	<u>(77.2)</u>	<u>(70.1)</u>	<u>(61.5)</u>
Operating loss	(59.8)	(56.0)	(49.4)
Nonoperating revenues	<u>64.0</u>	<u>57.4</u>	<u>50.0</u>
Increase in net assets	4.2	1.4	0.6
Net assets, beginning of year	<u>42.5</u>	<u>41.1</u>	<u>40.5</u>
Net assets, end of year	<u>\$ 46.7</u>	<u>42.5</u>	<u>41.1</u>

**Operating revenues** represent tuition and fees (**minus** scholarships, financial aid awards, exemptions, and remissions,) sales and services of educational activities, and auxiliary enterprises.

	2011		2010		2009	
	Amount	Percent	Amount	Percent	Amount	Percent
Operating revenues (in millions):						
Tuition and fees, net	\$ 15.9	91.38%	\$ 12.6	89.36%	\$ 10.6	87.60%
Sales and services of educational activities	0.7	4.02%	0.7	4.96%	0.8	6.61%
Auxiliary enterprises	0.6	3.45%	0.6	4.26%	0.5	4.13%
Other	<u>0.2</u>	<u>1.15%</u>	<u>0.2</u>	<u>1.42%</u>	<u>0.2</u>	<u>1.65%</u>
	<u>\$ 17.4</u>	<u>100.00%</u>	<u>\$ 14.1</u>	<u>100.00%</u>	<u>\$ 12.1</u>	<u>100.00%</u>

## 2011 Operating Revenues

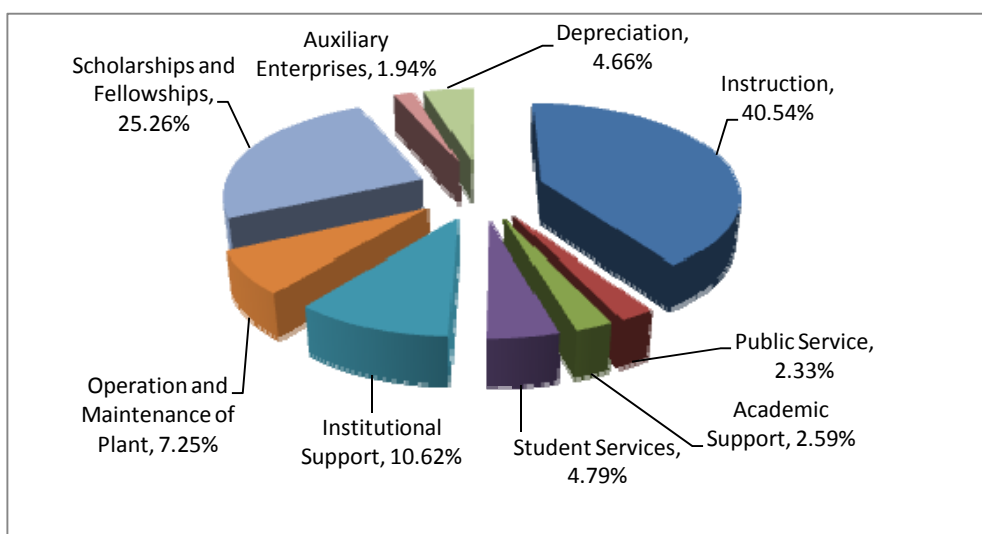


**Operating expenses** represent salaries, benefits, and other operating expenses listed by function. Depreciation is also included.

	2011		2010		2009	
	Amount	Percent	Amount	Percent	Amount	Percent
Operating expenses (in millions):						
Instruction	\$ 31.3	40.54%	\$ 28.0	39.94%	\$ 28.2	45.85%
Public service	1.8	2.33%	1.8	2.57%	1.8	2.93%
Academic support	2.0	2.59%	2.0	2.85%	2.0	3.25%
Student services	3.7	4.79%	3.4	4.85%	3.0	4.88%
Institutional support	8.2	10.62%	7.9	11.27%	8.6	13.98%
Operation and maintenance of plant	5.6	7.25%	5.3	7.56%	4.6	7.48%
Scholarships and fellowships	19.5	25.26%	16.7	23.82%	9.6	15.61%
Auxiliary enterprises	1.5	1.94%	1.5	2.14%	1.6	2.60%
Depreciation	3.6	4.66%	3.5	4.99%	2.1	3.41%
	<u>\$ 77.2</u>	<u>100.00%</u>	<u>\$ 70.1</u>	<u>100.00%</u>	<u>\$ 61.5</u>	<u>100.00%</u>

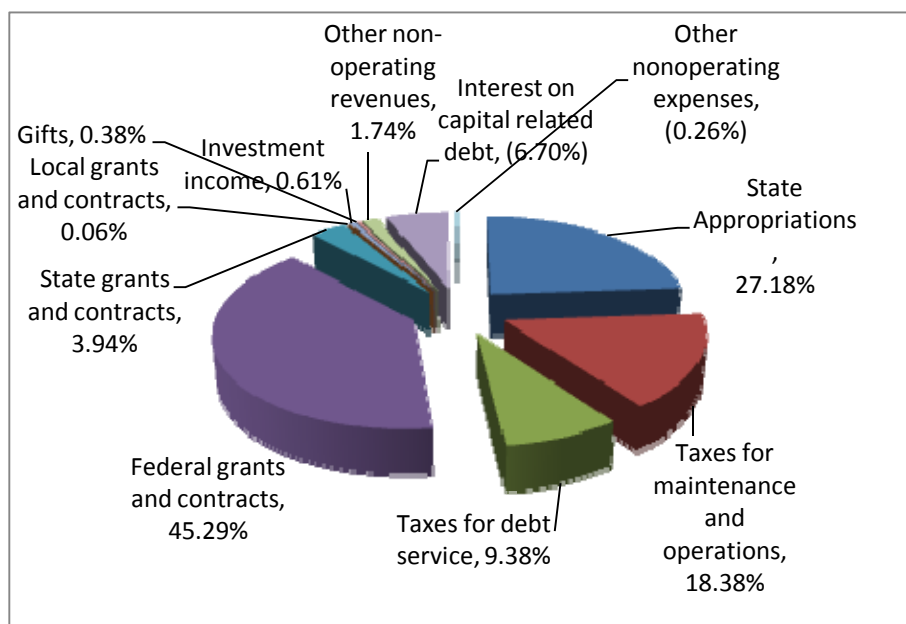


## 2011 Operating Expenses



**Nonoperating revenues** represent state appropriations, taxes for maintenance and operation, and taxes for debt service, and federal, state, and local grants and contracts. In addition, investment income and gifts are included in nonoperating revenues. **Nonoperating expenses** include interest on debt service, loss of disposal of capital assets and bond issuance costs. The following chart illustrates the non-operating revenues and expenses by source:

## 2011 Nonoperating Revenue (Expenses)



All categories are revenue except those with ( ) around the percentage which represent expenses.

### Statement of Cash Flows

The primary cash receipts from **operating activities** consist of tuition and fees, third-party student loans, and auxiliary enterprises and educational activities. Cash outlays include payment of wages, benefits, supplies, utilities, scholarships and loans.

State appropriations, taxes for maintenance and operation, and grants and contracts are the primary sources of **non-capital financing**. State appropriations and taxes are required to be reflected as sources of revenue as non-operating, even though the District's budget depends on these funds to continue the current level of operations.

The main cash receipts for **capital and related financing activities** are the taxes for debt service and proceeds from issuance of revenue bonds. Primary cash outlays include the payments of bond principal and interest and the purchase of capital assets.

The main **investing activity** is the receipt of interest on investments.

The following schedule highlights the major components of the Statement of Cash Flows.

### **Statements of Cash Flows**

(In Millions)

	Year Ended August 31,		
	2011	2010	2009
Cash used in operating activities	\$ (63.7)	(51.1)	(51.1)
Cash provided by non-capital financing activities	68.5	51.6	43.6
Cash used in capital-related financing activities	(13.2)	(5.3)	(36.8)
Cash provided by investing activities	0.5	0.9	1.6
Net decrease in cash and cash equivalents	(7.9)	(3.9)	(42.7)
Cash and cash equivalents, beginning of year	23.5	27.4	70.1
Cash and cash equivalents, end of year	\$ <u>15.6</u>	<u>23.5</u>	<u>27.4</u>

### **Analysis of the District's Overall Financial Position and Results of Operations**

The District continues to maintain a strong financial position. Its major revenue sources are state appropriations, property taxes, and student tuition and fees. While challenging the administration to maximize existing resources, the Board of Trustees has historically ensured the preservation of the District's resources and its ability to adequately fund its mission through a willingness to exercise its authority to increase property taxes and student tuition and fees when additional funds were required. They have further ensured the investment in the Physical Plant by supporting the sale of revenue bonds and tax bonds as well as dedicating \$250,000 annually from the maintenance and operation property tax collections for capital improvements. The following analysis includes data from the fiscal years 2011, 2010, and 2009. Specifically addressed areas are those where significant changes occurred between the two audits.

- The unrestricted net assets amount in fiscal year 2011 of \$6,571,874 represent an increase of \$2,383,186 of the prior year's net assets. Of this amount, \$6,151,982 is available for general operations and it reflects an increase of \$1,447,534 from fiscal year 2011. The increase in total unrestricted net assets is due to (1) tuition and fees were more than anticipated due to strong enrollment and tuition increase; (2) taxes and interest were more than the budgeted amount; (3) utilities and departmental supplies were less than budgeted and (4) a special contingency of \$1,086,435 was budgeted for possible appropriation cuts and these reductions did not happen. The unrestricted net assets amount in fiscal year 2010 of \$4,188,688 represented a decrease of \$3,087,235 over the prior year's net assets. Of this amount, \$4,704,448 is available for general operations, and it reflects a decrease of \$1,679,844 from fiscal year 2009. Unrestricted net assets were \$7,275,923 in 2009.
- During 2011, the District generated a non-discounted total of \$25,132,982 for tuition and fees charged to credit and non-credit students attending classes at the District. This is an increase of \$5,266,728 or 26.51 % from fiscal year 2010. The tuition rate increased \$3 per semester hour starting with the Spring semester 2011 and \$16 per semester hour starting in the first summer session in 2011. Headcount enrollment increased 3.2% in fiscal year 2011 from fiscal year 2010. During 2010, the District generated a non-discounted total of \$19,866,254 for tuition and fees charged to credit and non-credit students attending classes at the District. This is an increase of \$4,485,104 or 29.16% from fiscal year 2009. The headcount enrollment increased 13.2% in fiscal year 2010 from fiscal year 2009. During 2009, the District generated a non-discounted total of \$15,381,150 for tuition and fees charged to credit and non-credit students.
- The District received \$29,005,549 from the federal government for 2011 for federal grants and contracts. This amount represents an increase of \$4,787,297 or 19.77% over fiscal year 2010. Of the amount received in fiscal year 2011, \$25,406,863 was for Title IV financial aid to students. The majority of this increase is in Pell awards which increased \$4,362,545. The District has an approximate 14% increase in the number of financial aid applications for the fiscal year. In fiscal year 2010, the District received \$24,218,252 in federal grants and contracts. Total federal grant and contract dollars in fiscal year 2009 were \$15,200,693.
- In 2011, the District received \$2,524,356 for state grants and contracts. This resulted in an increase of \$443,466 or 21.31% increase over fiscal year 2010. The primary reasons were an increase in Skills Development grants and the Jobs and Education for Texans (JET) Respiratory grant. The District also received a new JET grant for nursing in 2011. State grants were \$2,080,890 in 2010 and \$1,328,222 in 2009.
- The State appropriates dollars by formula reimbursement through student contact hour funding, plus a specific insurance allocation and funding for professional nursing shortage reduction. For fiscal year 2011 of the \$17,407,645 in State allocations, \$13,036,882 was available for education and general purposes by formula reimbursement, \$4,322,610 was restricted for insurance premiums and retirement, and \$48,153 was for enrollment growth. For fiscal year 2010, of the \$17,580,631 in State allocations, \$13,214,849 was available for education and general purposes and

\$4,365,782 was restricted for insurance premiums and retirement. For fiscal year 2009, of the \$18,045,521 in State allocations, \$4,241,915 was restricted for insurance premiums and \$13,803,606 was available for education and general purposes.

- Property tax revenue was \$11,767,022 for maintenance and operations and \$6,003,696 for debt service in fiscal year 2011. The tax rate for maintenance and operations decreased by 1.36% and the tax rate for debt service increased by 2.72%. Total tax revenues increased by \$546,087 from fiscal year 2010. Total taxable property values increased by 2.26% in 2011. Property tax revenue was \$11,558,822 for maintenance and operations and \$5,665,809 for debt service in 2010. The tax rate for maintenance and operations increased by 4.8% and the tax rate for debt service increased by 0.85%. In 2009 tax revenue for maintenance and operations was \$10,659,655 and \$5,412,602 for debt service.

Total operating expenses were \$77,232,367 in fiscal year 2011 and were \$70,195,051 in 2010. Total operating expenses in fiscal year 2009 were \$61,492,709.

- Salaries were \$33,298,539 in fiscal year 2011, compared to \$32,042,662 fiscal year 2010, for an increase of \$1,255,877 or 3.92%. This resulted from a total salary increase of 2% for all faculty and staff and the hiring of two testing assistants, two financial aid technicians, a tutoring specialist and an instructor in Education. In fiscal year 2010, salaries increased \$3,057,486 or 10.55%. This resulted from 2% salary increases for all faculty and staff. Salaries were \$28,985,176 in 2009.
- Staff benefits were \$7,138,102 in 2011 and \$6,688,692 in 2010. This is an increase of \$449,410 or 6.72%. This increase is a result of the additional staff and faculty hired during the year and a 9% increase in the premiums for Health Select and 3% increase for Scott & White. In fiscal year 2010, staff benefits increased \$739,858 or 12.44%. Staff benefits were \$5,948,834 in fiscal year 2009.
- Other operating expenses (excluding depreciation) were \$33,232,038 in 2011 and \$27,423,668 in 2010. This increase in 2011 of \$5,808,370 or 21.18%, and is attributable to increased scholarships and purchasing furniture and technology for the renovated buildings during the year. Other operating expenses increased \$2,994,046 or 12.26% in 2010 because of an increase in scholarships. Other operating expenses increased by \$6,230,501 or 34.24% in 2009.

Depreciation was \$3,563,688 in fiscal year 2011 compared to \$3,451,058 in fiscal year 2010. This increase of \$112,630 is the result of the three new buildings and parking garage that had full depreciation in 2011 and 2010. They were put in service during 2009 and were only depreciated for part of that year. Depreciation was \$2,129,077 in fiscal year 2009.

### Economic Factors

Approximately 85% of the District's students reside in the Waco MSA, which encompasses McLennan County. Local economic forecasters project employment growth in health care, educational services, and the leisure and hospitality industry. Growth in retail sales is projected

to be relatively low at least partly due to a decline in local economic conditions. The District's job placement rates for its workforce education program have remained well over 90% over the past several years. The District expects this strong demand for its graduates to continue. It is also anticipated that the potential for rising unemployment will likely lead to greater demand for higher education. These factors should ensure that the District continues to experience strong demand for its courses.

### **Description of Significant Capital Asset and Long-Term Debt Activity**

Significant additions to capital assets that were funded through the Capital Improvement Fund in fiscal year 2011 were renovations to the Liberal Arts building and renovations to Module C of the Community Service Center, which included the remodeling of the Radiologic Technology area by adding two extra X-ray rooms, three office areas, and a student computer room. Also, the District remodeled an area in the Community Service Center for a Family Practice Clinic to serve students, staff and the local neighborhood. Other improvements were a new elevator in the HPE building, and a new boiler in the Community Service Center. One house that is adjacent to District-owned property was purchased in 2011. Additions to capital assets funded from the 2007 Series Bonds were a complete renovation of the Student Services Center, and the first phase of the Health Science Expansion (remodeling the old Science Building which has been renamed to Health Careers). Finally, the Cameron Parking Garage was completed with the Series 2010 Bonds. Total amount of capital asset additions was \$12,165,203 which is the combination of capital assets not being depreciated and those being depreciated as described in Note 6.

As of August 31, 2011, the District had a total of \$81,270,000 of general obligation bonds outstanding. Of this amount, the District had \$9,295,000 of Limited Tax Bonds, Series 2005 outstanding, and \$71,975,000 of Limited Tax Bonds, Series 2007 outstanding. The District also had \$3,940,000 of Revenue Refunding Bonds, Series 2006 outstanding and \$5,455,000 of Series 2009 Revenue Bonds outstanding and \$9,450,000 of Series 2010 Bonds outstanding as of August 31, 2011. The District continues to meet all of its debt service requirements, including timely repayment of its debt, and its capacity to meet its financial obligations is considered strong based on the affirmation of its investment grade credit ratings

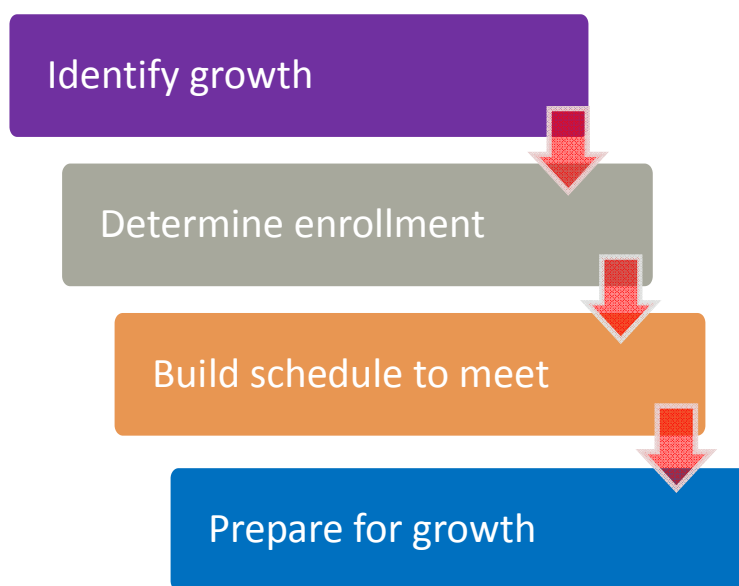
The District tracks its capital assets with the goal of replacing those assets when their useful life has expired in order to stay current with technology and to assure well-maintained facilities.

### **Currently Known Facts, Decisions, or Conditions**

The District is confident that its long-term financial planning will allow it to effectively meet the financial needs of its future operations. The low property tax rate currently in place allows future flexibility to address the needs of the District. The District's maintenance and operation rate for fiscal year 2011 is \$.100255 with a \$.25 cap. The District ranks among the lower half of Texas community colleges in terms of local tax rate. The District's debt service for the fiscal year is \$.052568 with a \$.50 cap.

### Impact of Enrollment on Financial Stability

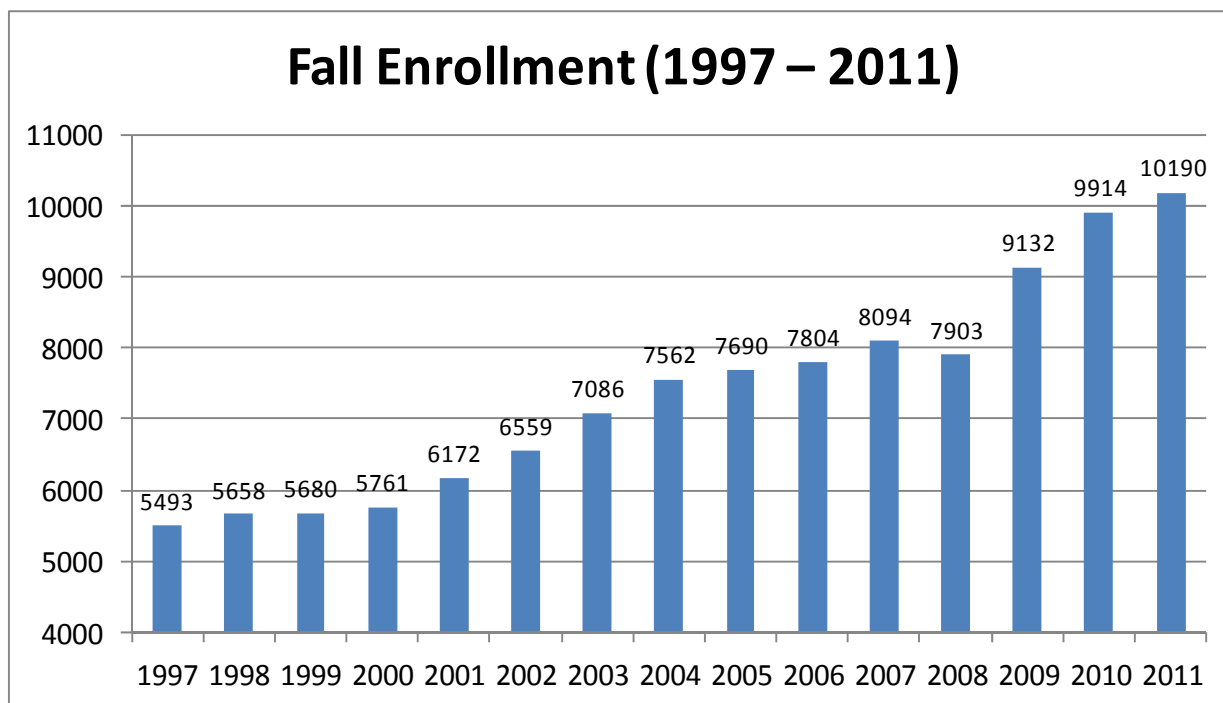
The District's financial stability is closely tied to its enrollment. State appropriations combined with tuition and fees account for about 75% of the District's unrestricted revenue. The key to financial stability is continued enrollment growth. The District has experienced steady growth from its inception in 1966 through the early 1990s, with an average annual growth rate of approximately 6%. However, beginning in 1993, the District experienced a period of flat enrollment for the first time in its history, with enrollment remaining relatively constant until the late 1990s. In 2000, the District implemented a variety of strategies to



boost enrollment and reestablish a pattern of strong enrollment growth. One of the primary strategies was the development and implementation of a data-driven enrollment management model. The model, which was developed by the District's Office of Institutional Research, utilizes basic regression methodology to allow for control and prediction of enrollment. The model allows the District to identify areas of high course demand, build a course schedule to meet the demand, and prepare for the resulting enrollment growth months before it actually occurs. The enrollment model was also designed to address the goals established by the Texas Higher Education Coordinating Board's Closing the Gaps by 2015 report, which calls for dramatic increases in enrollment among all colleges and universities in Texas. At the same time that the District implemented its data-driven enrollment model, it also initiated strategies designed to maximize demand for its programs and services. The District added several new course formats where students could complete courses within an abbreviated time frame. In addition, the District implemented an integrated marketing plan in 2000 that included focusing marketing efforts on areas and programs experiencing declining enrollments. The District also revised its academic advising process, expanded its distance learning program, and implemented the University Center Initiative, a partnership between the District and four-year institutions offering bachelor's degree programs on the District's campus. The initiative has experienced tremendous growth and now includes 27 bachelor degrees, 10 master degrees, and one doctoral degree.

This multifaceted approach has led to record enrollments for the past several years. Since the Fall 1997 semester, enrollment increased 66% to a record enrollment of 7,690 students during the Fall 2005 semester. At that time, it was clear that the District would not be able to continue its strong enrollment growth due to the lack of classroom space for both its core transfer courses and for its health sciences courses. In November 2006, the District addressed these issues by successfully passing a \$74,465,000 tax bond for the construction of three major buildings and the renovation of several existing buildings. The new buildings include a science building, a classroom/university center building, and an emergency services center. Now that the three buildings have been completed, the District will be able to support well over 12,000 students, double the number health science graduates, and expand its University Center programs

significantly. With all three buildings officially opening during the Fall 2009 semester, the District continued its enrollment growth with a record enrollment of 9,132. This enrollment represented the largest percentage annual increase since 1975. The District surpassed this record again by enrolling more than 10,000 students during the fall 2010 semester before reaching a final headcount of 9,914. The District again set a record during the fall 2011 semester with a preliminary headcount of over 10,100.

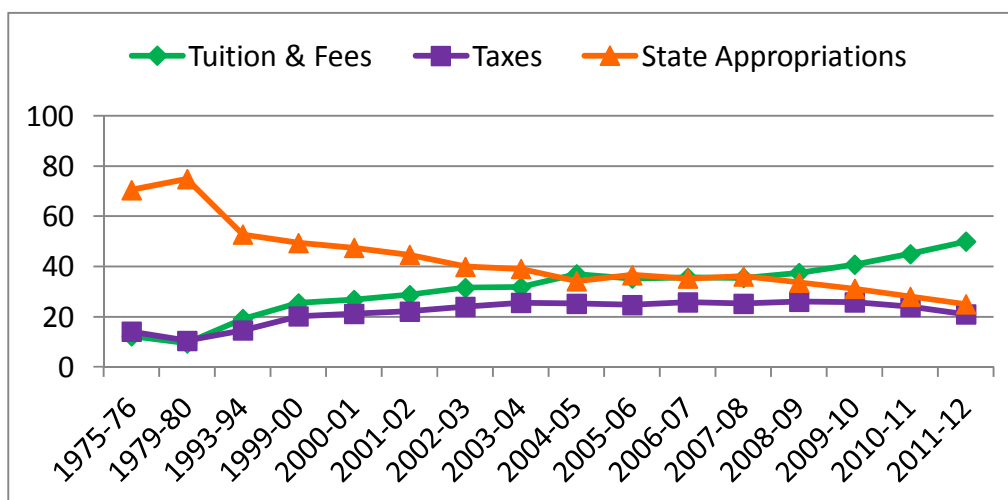


Results from a community survey conducted by the District in 2005, showed that nearly 40% of the local community has an interest in enrolling in one of the University Center programs. Based on this finding, coupled with the District's expected expansion to University Center day programs, the District should have an almost unlimited demand for its first and second year courses. This demand is expected to increase with the addition of our newest University Center partner, Texas Tech University. Approximately 1,000 students are enrolled in University Center programs and the District is seeking strategies to grow enrollment in these programs. In addition, the District recently initiated a new partnership with Baylor University that would allow select Baylor students to take up to 48 hours of their coursework on the MCC campus. The program is initially targeting between 50 and 100 students, but enrollment in the program could be expanded substantially based on the results from the pilot program.

The District's enrollment management model will ensure that the District maintains financial stability even while State appropriations continue to decline. The enrollment management model allows the District to not only identify high demand courses, but to determine which high demand courses produce the greatest revenue when considering tuition and fees only. This level of precision will allow the District to grow enrollment in a financially responsible fashion. For each semester, the predicted headcount is determined approximately 5 months prior to the start of the spring semester. The forecasting model has accurately projected spring semester enrollment within 2% over the past 6 years with the exception of 2006 which was associated with a tremendous spike in gas prices. Early forecasting of enrollment has allowed the District to

effectively prepare for enrollment growth by hiring full-time instructors and the necessary support staff.

The District made the decision in 2009 to implement a systematic plan to offset declining State funds to ensure the District can meet student demand for its courses and programs. The plan is based around consistent increases in tuition each year coupled with systematic enrollment growth based on course demand. The District increased its tuition \$16 beginning this past summer and increased tuition another \$3 during the spring 2011 semester. The plan includes similar annual increases (i.e., \$12 to \$15) for the next four years. This strategy is anticipated to increase tuition revenue by \$15 million over a five-year period. The District will monitor the state funding situation carefully to determine whether modifications are necessary. The District anticipates that State funding will represent between 15% and 20% of unrestricted revenue by FY 2014. The District's financial plan represents a strategy that will allow for this decline to be systematically offset by a stable revenue source. Tuition and fees now represent 50% of the District's unrestricted revenue while State appropriations account for approximately 25% of unrestricted revenue.





## McLennan County Junior College District

### Statements of Net Assets (Exhibit 1)

August 31, 2011 and 2010

	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2011	2010	2011	2010
<b><u>Assets</u></b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 10,090,572	8,072,141	94,527	185,079
Accounts receivable, net	14,039,129	10,780,822	1,289,481	425,155
Prepaid expenses	224,156	263,823	-	-
Restricted cash and cash equivalents	5,561,442	13,312,057	-	-
Inventories	43,173	29,573	-	-
Total current assets	29,958,472	32,458,416	1,384,008	610,234
<b>Noncurrent assets:</b>				
Restricted cash, cash equivalents, and investments	-	2,130,581	7,792,998	6,745,759
Capital assets, net	135,781,860	126,878,748	577,936	598,332
Other assets	1,265,586	1,380,368	53,750	51,323
Total noncurrent assets	137,047,446	130,389,697	8,424,684	7,395,414
Total assets	167,005,918	162,848,113	9,808,692	8,005,648
<b><u>Liabilities</u></b>				
<b>Current liabilities:</b>				
Accounts payable	3,771,627	3,635,860	4,051	134,864
Accrued liabilities	2,349,810	2,063,477	6,693	11,988
Funds held for others	182,570	230,895	-	-
Deferred revenue	12,136,899	9,717,945	-	-
Note payable	-	-	148,308	343,930
Bonds payable - current portion	3,100,000	2,735,000	-	-
Total current liabilities	21,540,906	18,383,177	159,052	490,782
<b>Noncurrent liabilities:</b>				
Bonds payable	98,763,409	101,936,869	-	-
Total noncurrent liabilities	98,763,409	101,936,869	-	-
Total liabilities	120,304,315	120,320,046	159,052	490,782
<b><u>Net Assets</u></b>				
<b>Net assets:</b>				
Invested in capital assets, net of related debt	37,902,981	33,237,522	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	5,069,219	3,672,859
Expendable:				
Scholarships and fellowships	1,176,879	984,248	4,248,874	3,454,194
Capital projects	468,978	3,392,856	-	-
Debt service	580,891	724,753	-	-
Unrestricted	6,571,874	4,188,688	331,547	387,813
Total net assets	\$ 46,701,603	42,528,067	9,649,640	7,514,866

See accompanying notes to the financial statements.

## McLennan County Junior College District

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

Years Ended August 31, 2011 and 2010

	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2011	2010	2011	2010
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Operating revenues:</b>				
Tuition and fees (net of scholarship allowances and discounts of \$9,256,948 and \$7,189,577, respectively)	\$ 15,876,034	12,676,677	-	-
Gifts	-	-	2,788,951	1,436,280
Sales and services of educational activities	674,992	718,466	-	-
Auxiliary enterprises	587,810	576,013	-	-
Other operating revenues	231,517	157,232	-	-
Total operating revenues	<u>17,370,353</u>	<u>14,128,388</u>	<u>2,788,951</u>	<u>1,436,280</u>
<b>Operating expenses:</b>				
Instruction	31,273,190	28,071,019	-	-
Public service	1,801,547	1,784,680	-	-
Academic support	2,062,451	2,049,259	-	-
Student services	3,725,825	3,428,001	-	-
Institutional support	8,243,709	7,853,963	334,970	269,402
Operation and maintenance of plant	5,570,715	5,311,223	138,905	148,166
Scholarships and fellowships	19,463,728	16,714,927	914,721	730,728
Auxiliary enterprises	1,527,514	1,530,921	-	-
Depreciation	3,563,688	3,451,058	-	-
Total operating expenses	<u>77,232,367</u>	<u>70,195,051</u>	<u>1,388,596</u>	<u>1,148,296</u>
Operating income (loss)	<u>(59,862,014)</u>	<u>(56,066,663)</u>	<u>1,400,355</u>	<u>287,984</u>
<b>Nonoperating revenues (expenses):</b>				
State appropriations	17,407,645	17,580,631	-	-
Ad valorem taxes for maintenance and operations	11,767,022	11,558,822	-	-
Ad valorem taxes for debt service	6,003,696	5,665,809	-	-
Federal grants and contracts	29,005,549	24,218,252	-	-
State grants and contracts	2,524,356	2,080,890	-	-
Local grants and contracts	36,092	45,491	-	-
Investment income	389,778	613,496	731,430	440,985
Gifts	243,267	191,927	-	-
Interest on capital asset-related debt	(4,291,836)	(4,663,552)	-	-
Other nonoperating revenues (expenses), net	949,981	153,184	2,989	5,095
Net nonoperating revenues	<u>64,035,550</u>	<u>57,444,950</u>	<u>734,419</u>	<u>446,080</u>
Increase in net assets	4,173,536	1,378,287	2,134,774	734,064
Net assets - beginning of year	<u>42,528,067</u>	<u>41,149,780</u>	<u>7,514,866</u>	<u>6,780,802</u>
Net assets - end of year	<u>\$ 46,701,603</u>	<u>42,528,067</u>	<u>9,649,640</u>	<u>7,514,866</u>

See accompanying notes to the financial statements.

## McLennan County Junior College District

### Statements of Cash Flows (Exhibit 3)

Years Ended August 31, 2011 and 2010

	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2011	2010	2011	2010
<b>Cash flows from operating activities</b>				
Receipts from students and other customers:				
Tuition and fees	\$ 15,937,892	12,786,844	-	-
Auxiliary enterprises and educational activities	1,152,611	1,011,184	-	-
Receipts from third-party student loans	30,235,303	25,643,460		
Other receipts	231,517	157,232	1,685,440	1,256,756
Loans issued to students	(30,235,303)	(25,643,460)	-	-
Payments to employees	(33,236,299)	(31,969,790)	-	-
Payments to suppliers and students	(47,768,700)	(33,062,970)	(1,264,561)	(748,820)
Net cash provided by (used in) operating activities	<u>(63,682,979)</u>	<u>(51,077,500)</u>	<u>420,879</u>	<u>507,936</u>
<b>Cash flows from noncapital financing activities</b>				
Receipts of state appropriations	13,085,035	13,214,849	-	-
Receipts from ad valorem taxes for maintenance and operation	11,738,496	11,498,660	-	-
Receipts of grants and contracts	42,694,246	26,566,691	-	-
Receipts from gifts for other than capital purposes	983,849	295,762	-	-
Net cash provided by noncapital financing activities	<u>68,501,626</u>	<u>51,575,962</u>	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>				
Receipts from taxes for debt service	5,981,821	5,628,018	-	-
Other receipts	130,761	120,000	-	-
Proceeds from issuance of revenue bonds	-	9,200,000		
Purchases of capital assets	(12,165,203)	(13,233,120)	-	(135,000)
Payments on capital debt principal	(2,735,000)	(1,765,000)	(195,622)	(133,000)
Payments on capital debt interest	(4,376,593)	(4,956,799)	-	-
Other payments	(704)	(272,362)	-	-
Net cash used in capital and related financing activities	<u>(13,164,918)</u>	<u>(5,279,263)</u>	<u>(195,622)</u>	<u>(268,000)</u>
<b>Cash flows from investing activities</b>				
Proceeds from sale of investments	-	1,709	-	-
Receipts from interest on investments	485,333	889,656	145,559	146,573
Purchase of investments	-	-	(461,368)	(471,887)
Net cash provided by (used in) investing activities	<u>485,333</u>	<u>891,365</u>	<u>(315,809)</u>	<u>(325,314)</u>
Net decrease in cash and cash equivalents	(7,860,938)	(3,889,436)	(90,552)	(85,378)
Cash and cash equivalents - beginning of year	<u>23,506,085</u>	<u>27,395,521</u>	<u>185,079</u>	<u>270,457</u>
Cash and cash equivalents - end of year	<u>\$ 15,645,147</u>	<u>23,506,085</u>	<u>94,527</u>	<u>185,079</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (59,862,014)	(56,066,663)	1,400,355	287,984
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	3,563,688	3,451,058	20,396	13,598
On-behalf payments	4,322,610	4,365,782	-	-
Change in assets and liabilities:				
Receivables, net	(14,508,058)	(2,357,941)	(864,326)	65,845
Inventories	(13,600)	7,490	-	-
Prepaid expenses	39,667	(34,754)	-	-
Other assets	-	-	562	569
Accounts payable	135,767	(2,676,415)	(130,813)	127,952
Accrued liabilities	379,236	49,130	(5,295)	11,988
Funds held for others	(48,325)	16,452	-	-
Deferred revenue	2,308,050	2,168,361	-	-
Net cash provided by (used in) operating activities	<u>\$ (63,682,979)</u>	<u>(51,077,500)</u>	<u>420,879</u>	<u>507,936</u>
<b>Noncash capital, financing and investing activities:</b>				
Contributed land and buildings	<u>\$ 25,761</u>	<u>-</u>	<u>-</u>	<u>-</u>
Equipment financed by note payable	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>476,930</u>
State appropriations on-behalf payments	<u>\$ 4,322,610</u>	<u>4,365,782</u>	<u>-</u>	<u>-</u>

See accompanying notes to the financial statements.

## McLennan County Junior College District

### Notes to Financial Statements

August 31, 2011 and 2010

(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. 14, *The Financial Reporting Entity*. 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 assets of the Foundation compared to the District are 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, 2011 and 2010, the Foundation expended \$1,053,626 and \$878,894, respectively, directly to the District or to the District on behalf of students for scholarships and facilities development. Complete financial statements for the Foundation can be obtained from the Foundation office at 1400 College Drive, Waco, Texas 78708.

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. The District applies all applicable GASB pronouncements and all applicable Financial Accounting Standards Board (FASB)

**McLennan County Junior College District**Notes to Financial Statements  
(Continued)(1) Nature of Operations and Reporting Entity (continued)

standards issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB.

(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 FASB 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.

**McLennan County Junior College District**Notes to Financial Statements  
(Continued)(2) Summary of Significant Accounting Policies (continued)(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 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 assets 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 assets. 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 \$123,861 and \$190,830 at August 31, 2011 and 2010, respectively, consist of public funds investment pools and money market mutual funds. Cash equivalents are considered to be highly liquid debt instruments with original maturities of three months or less from the date of acquisition.

## McLennan County Junior College District

### Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(d) Cash and Cash Equivalents (continued)

Restricted cash, cash equivalents and investments represent resources accumulated for debt service payments for the Series 1999, 2005, and 2007 limited tax bonds payable and 2009 and 2010 revenue bonds payable, as well as remaining bond proceeds from the Series 2007 limited tax bond and 2010 revenue bond for various construction projects.

(e) Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value, 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.

(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 estimated fair market 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

## McLennan County Junior College District

### Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(h) Deferred Revenue

Deferred revenue of the District at August 31, 2011 and 2010 consists of the following:

	2011	2010
Tuition and fees	\$ 11,418,565	9,276,512
Contributions	280,000	320,000
Federal grants	1,663	2,150
Scholarships	204,841	38,844
State grants	4,375	-
Local grants	227,455	80,439
	\$ 12,136,899	9,717,945

(i) 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, and certain accrued liabilities. Actual results could differ from those estimates.

(j) Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

(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 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.



## McLennan County Junior College District

### Notes to Financial Statements (Continued)

#### (4) Deposits and Investments

Deposits and investments of the District at August 31, 2011 and 2010 consist of the following:

	2011	2010
<u>Deposits</u>		
Cash - demand deposits	\$ 774,504	6,209,215
Cash - certificates of deposit	14,740,889	17,100,147
Cash - petty cash on hand	5,893	5,893
Total deposits	15,521,286	23,315,255
<u>Investments - cash equivalents</u>		
TexasTERM Local Government		
Investment Pool	8,305	8,294
Texas Local Government Investment Pool	115,280	130,800
Lone Star Investment Pool	276	275
Money market mutual funds	-	51,461
Total cash and cash equivalents	15,645,147	23,506,085
<u>Investments</u>		
Other investments	6,867	8,694
Total investments	6,867	8,694
Total deposits and investments	\$ 15,652,014	23,514,779

Deposits and investments of the Foundation at August 31, 2011 and 2010 consist of the following:

	2011	2010
<u>Deposits</u>		
Cash - demand deposits	\$ 19,551	64,871
Cash - certificates of deposit	74,976	120,208
Total deposits	94,527	185,079
<u>Investments</u>		
Mutual funds	7,788,040	6,741,331
Other investments	4,958	4,428
Total investments	7,792,998	6,745,759
Total deposits and investments	\$ 7,887,525	6,930,838

## McLennan County Junior College District

### Notes to Financial Statements

(4) Deposits and Investments (continued)

The weighted average maturity of investments (in days) of the District at August 31, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
TexasTERM Local Government Investment Pool	55	50
Texas Local Government Investment Pool	46	28
Lone Star Investment Pool	38	52
Money market mutual funds	-	53

*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, money market mutual funds and 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, 2011 and 2010, money market mutual funds and public funds investment pools held by the District were rated AAAM by Standard & Poor's.

As indicated above, investments of the District at August 31, 2011 and 2010 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.

**McLennan County Junior College District**Notes to Financial Statements  
(Continued)(4) Deposits and Investments (continued)

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 operates in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. TexasDAILY uses amortized cost rather than the market value to report net assets to compute share prices. Accordingly, the fair value of the position of TexasDAILY is the same as the value of the TexasDAILY shares.

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. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

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 operates in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. The Liquidity Fund uses amortized cost rather than the market value to report net assets to compute share prices. Accordingly, the fair value of the position of the Liquidity Fund is the same as the value of the Liquidity Fund shares.

*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.

## McLennan County Junior College District

### Notes to Financial Statements (Continued)

(4) Deposits and Investments (continued)

*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 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) Desegregation of Accounts Receivable and Accrued Liabilities

Accounts receivable at August 31, 2011 and 2010 consisted of the following:

	2011	2010
Auxiliary and other	\$ 1,403,617	1,586,277
Tuition and fees	11,386,513	7,988,646
Taxes	1,063,469	990,423
Federal and state grants	773,699	751,044
Interest	34,086	49,862
	14,661,384	11,366,252
Less allowance for doubtful accounts	(622,255)	(585,430)
Accounts receivable, net	\$ 14,039,129	10,780,822

Accrued liabilities at August 31, 2011 and 2010 consisted of the following:

	2011	2010
Salaries and benefits payable	\$ 790,388	728,148
Claims liability	200,628	200,628
Interest payable	447,438	458,735
Other payables	911,356	675,966
Accrued liabilities	\$ 2,349,810	2,063,477

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

(6) Capital Assets

Capital asset activity for the year ended August 31, 2011 was as follows:

	Balance September 1, 2010	Additions	Transfers and Retirements	Balance August 31, 2011
Capital assets not being depreciated:				
Land	\$ 6,739,998	7,042	-	6,747,040
Construction in progress	7,027,598	1,141,281	(7,027,598)	1,141,281
	<u>13,767,596</u>	<u>1,148,323</u>	<u>(7,027,598)</u>	<u>7,888,321</u>
Capital assets, being depreciated				
Buildings and building improvements	121,173,509	17,146,088	(54,946)	138,264,651
Other real estate improvements	16,559,454	382,510	(81,479)	16,860,485
Total buildings and other real estate improvements	137,732,963	17,528,598	(136,425)	155,125,136
Library books	2,700,568	80,395	-	2,780,963
Furniture and equipment	4,313,574	775,172	50,729	5,139,475
	<u>144,747,105</u>	<u>18,384,165</u>	<u>(85,696)</u>	<u>163,045,574</u>
Less accumulated depreciation:				
Buildings and building improvements	20,926,211	2,380,835	-	23,307,046
Other real estate improvements	5,379,333	795,970	-	6,175,303
Total buildings and other real estate improvements	26,305,544	3,176,805	-	29,482,349
Library books	2,113,229	76,654	-	2,189,883
Furniture and equipment	3,217,180	310,229	(47,606)	3,479,803
	<u>31,635,953</u>	<u>3,563,688</u>	<u>(47,606)</u>	<u>35,152,035</u>
	<u>113,111,152</u>	<u>14,820,477</u>	<u>(38,090)</u>	<u>127,893,539</u>
	\$ <u>126,878,748</u>	<u>15,968,800</u>	<u>(7,065,688)</u>	<u>135,781,860</u>

## McLennan County Junior College District

### Notes to Financial Statements (Continued)

#### (6) Capital Assets (continued)

Capital asset activity for the year ended August 31, 2010 was as follows:

	Balance September 1, 2009	Additions	Transfers and Retirements	Balance August 31, 2010
Capital assets not being depreciated:				
Land	\$ 3,417,989	3,322,009	-	6,739,998
Construction in progress	3,756,234	6,904,767	(3,633,403)	7,027,598
	<u>7,174,223</u>	<u>10,226,776</u>	<u>(3,633,403)</u>	<u>13,767,596</u>
Capital assets, being depreciated				
Buildings and building improvements	116,197,441	5,020,113	(44,045)	121,173,509
Other real estate improvements	15,425,032	1,090,377	44,045	16,559,454
Total buildings and other real estate improvements	131,622,473	6,110,490	-	137,732,963
Library books	2,621,218	79,350	-	2,700,568
Furniture and equipment	4,065,268	449,907	(201,601)	4,313,574
	<u>138,308,959</u>	<u>6,639,747</u>	<u>(201,601)</u>	<u>144,747,105</u>
Less accumulated depreciation:				
Buildings and building improvements	18,614,059	2,312,152	-	20,926,211
Other real estate improvements	4,611,983	767,350	-	5,379,333
Total buildings and other real estate improvements	23,226,042	3,079,502	-	26,305,544
Library books	2,037,674	75,555	-	2,113,229
Furniture and equipment	3,084,156	296,001	(162,977)	3,217,180
	<u>28,347,872</u>	<u>3,451,058</u>	<u>(162,977)</u>	<u>31,635,953</u>
	<u>109,961,087</u>	<u>3,188,689</u>	<u>(38,624)</u>	<u>113,111,152</u>
	<u>\$ 117,135,310</u>	<u>13,415,465</u>	<u>(3,672,027)</u>	<u>126,878,748</u>

## McLennan County Junior College District

### Notes to Financial Statements (Continued)

(6) Capital Assets (continued)

Construction in progress at August 31, 2011 is composed of the following:

	<u>Spent to Date</u>	<u>Remaining Committed</u>	<u>Required Future Financing</u>
Simulation Lab	\$ <u>1,141,281</u>	<u>2,130,685</u>	None

(7) Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2011 was as follows:

	<u>Balance September 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance August 31, 2011</u>	<u>Current Portion</u>
Bonds payable:					
Refunding revenue bonds payable	\$ 4,430,000	-	490,000	3,940,000	500,000
Revenue bonds payable	15,125,000	-	220,000	14,905,000	200,000
Limited tax bonds payable	73,035,000	-	1,060,000	71,975,000	1,400,000
Refunding limited tax bonds	10,260,000	-	965,000	9,295,000	1,000,000
Deferred amounts:					
For issuance premiums and discounts	2,471,414	-	209,910	2,261,504	-
On refunding	(649,545)	-	(136,450)	(513,095)	-
	<u>\$ 104,671,869</u>	<u>-</u>	<u>2,808,460</u>	<u>101,863,409</u>	<u>3,100,000</u>

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

(7) Long-Term Liabilities (continued)

Long-term liability activity for the year ended August 31, 2010 was as follows:

	Balance September 1, 2009	Additions	Reductions	Balance August 31, 2010	Current Portion
Bonds payable:					
Refunding revenue bonds payable	\$ 4,900,000	-	470,000	4,430,000	490,000
Revenue bonds payable	5,700,000	9,545,000	120,000	15,125,000	220,000
Limited tax bonds payable	73,780,000	-	745,000	73,035,000	1,060,000
Refunding limited tax bonds	10,690,000	-	430,000	10,260,000	965,000
Deferred amounts:					
For issuance premiums and discounts	2,921,497	(70,444)	379,639	2,471,414	-
On refunding	(785,997)	-	(136,452)	(649,545)	-
	<u>\$ 97,205,500</u>	<u>9,474,556</u>	<u>2,008,187</u>	<u>104,671,869</u>	<u>2,735,000</u>

Bonds payable are comprised of the following individual issues:

\$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

\$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



## McLennan County Junior College District

### Notes to Financial Statements (Continued)

(7) Long-Term Liabilities (continued)

\$74,435,000 Limited Tax Bonds – Series 2007

To construct and equip school buildings and to rehabilitate, renovate, improve and repair certain District facilities; issued January 15, 2007; all authorized bonds have been issued; due in installments through 2032; secured by property tax revenues; no bond reserve fund is required; call year 2016

\$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

\$11,170,000 Refunding Limited Tax Bonds – Series 2005

To advance refund \$11,170,000 of outstanding Limited Tax Bonds – Series 1999; issued July 28, 2005; all authorized bonds have been issued; due in installments through 2019; secured by property tax revenues; no bond reserve fund is required; call year 2014

Bonds payable are due in annual installments varying from \$65,000 to \$3,525,000 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, 2011, are as follows:

For the Year Ended August 31,	Revenue Bonds		Tax Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 700,000	741,046	2,400,000	3,875,981
2013	720,000	716,946	2,495,000	3,779,981
2014	750,000	690,696	2,595,000	3,680,181
2015	775,000	663,446	2,700,000	3,576,381
2016	805,000	634,921	2,820,000	3,457,181
2017 - 2021	6,350,000	2,823,079	16,105,000	15,267,656
2022 - 2026	3,550,000	1,685,350	20,305,000	11,069,700
2027 - 2031	5,195,000	570,235	25,875,000	5,500,750
2032	-	-	5,975,000	298,750
	<u>\$ 18,845,000</u>	<u>8,525,719</u>	<u>81,270,000</u>	<u>50,506,561</u>

## McLennan County Junior College District

### Notes to Financial Statements (Continued)

(7) Long-Term Liabilities (continued)

The District has pledged certain future tuition and fees to repay \$18.8 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 \$27.4 million. Principal and interest paid for the current year and total of pledged tuition and fees were approximately \$1.5 million and \$3.8 million, respectively.

(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, 2011, the following bonds outstanding are considered defeased:

	Year Refunded	Balance Outstanding
Refunding and Improvement Revenue		
Bonds - Series 1992	1995	\$ 3,925,000
Limited Tax Bonds - Series 1999	2005	9,365,000
Refunding Revenue Bonds - Series 1995	2006	3,985,000
		\$ 17,275,000

(9) Employees' Retirement Plan

*Plan Description.* The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfers under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special

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

authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The State funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions 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. State law provides for a member contribution rate of 6.4% for fiscal years 2011, 2010, and 2009, and a state contribution rate of 6.644% for fiscal years 2011 and 2010 and 6.58% for fiscal year 2009. In certain instances, the District is required to make all or a portion of the state's 6.644% contribution for fiscal years 2011 and 2010 and 6.58% for 2009. State contributions to TRS made on behalf of the District for the years ended August 31, 2011, 2010, and 2009 were \$939,260, \$916,970, and \$826,359, respectively, and are reported as revenues and expenses in the accompanying financial statements.

*Optional Retirement Program.* The State has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System of Texas. The optional retirement program provides for the purchase of annuity contracts. The percentages of participant salaries currently contributed by the State and each participant are 6.644% and 6.65%, respectively. The District supplements an additional 2.10%. Since these are individual annuity contracts, the State and the District have no additional or unfunded liability for this program. District contributions were \$253,476, \$242,903, and \$206,277, for the years ended August 31, 2011, 2010, and 2009, respectively. State contributions made on behalf of the District for the years ended August 31, 2011, 2010, and 2009 were \$755,393, \$721,736, and \$687,660, respectively, and are reported as revenues and expenses in the accompanying financial statements.

## McLennan County Junior College District

### Notes to Financial Statements (Continued)

(9) Employees' Retirement Plan (continued)

The total payroll for all College employees was \$33,298,539, \$32,042,662, and \$28,985,176 for the years ended August 31, 2011, 2010, and 2009, respectively. The total payroll of employees covered by TRS was \$16,378,034, \$16,010,503, and \$14,725,829; and the total payroll of employees covered by the optional retirement program was \$12,070,306, \$11,566,798, and \$10,743,592 for the years ended August 31, 2011, 2010, and 2009, 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 \$603,795 and \$568,656 at August 31, 2011 and 2010, 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 Assets. 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 2014. Included in operating expenses for the years ended August 31, 2011 and 2010 is \$86,333 and \$87,328, 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, 2011 for each of the next three years are as follows:

<u>Year Ended</u> <u>August 31</u>	
2012	\$ 12,574
2013	6,886
2014	799

## McLennan County Junior College District

### Notes to Financial Statements (Continued)

#### (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 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 \$151,685. 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:

	2011	2010
Unpaid claims, beginning of year	\$ 200,628	200,628
Incurred claims (including IBNR) and changes to prior year estimates	47,636	57,206
Claim payments	(47,636)	(57,206)
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](http://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.

## McLennan County Junior College District

### Notes to Financial Statements (Continued)

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

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 determined on a pay-as-you-go basis. State contributions to SRHP made on behalf of the District for the years ended August 31, 2011, 2010, and 2009 were \$810,716, \$840,104, and \$743,374, 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, 2011, 2010, and 2009 were \$106,565, \$89,229, and \$88,681, respectively, which equaled the remaining required contributions each year.

(14) Related Parties

During the years ended August 31, 2011 and 2010, the District furnished office space, utilities and staffing amounting to approximately \$242,000 and \$247,000, 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:

	2011	2010
Assessed valuation of the District	\$ 14,571,461,358	13,920,200,903
Less: Abatements	71,584,812	47,047,590
Less: Exemptions	3,019,610,507	2,646,385,171
Net assessed valuation of the District	\$ 11,480,266,039	11,226,768,142

Tax rates authorized and assessed during fiscal year 2011 are as follows:

	Current Operations	Debt Service	Total
Tax rate per \$100 valuation for authorized	\$ 0.250000	0.500000	0.750000
Tax rate per \$100 valuation for assessed	0.103439	0.052867	0.156306

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

(15) Ad Valorem Property Taxes (continued)

Tax rates authorized and assessed during fiscal year 2010 were as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized	\$ 0.250000	0.500000	0.750000
Tax rate per \$100 valuation for assessed	0.104866	0.051466	0.156332

Taxes levied for the year ended August 31, 2011 are \$17,969,029. 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, 2011 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 11,587,759	5,922,428	17,510,187
Delinquent taxes collected	188,086	83,991	272,077
Penalties and interest collected	<u>136,135</u>	<u>64,217</u>	<u>200,352</u>
Total collections	\$ <u><u>11,911,980</u></u>	<u><u>6,070,636</u></u>	<u><u>17,982,616</u></u>

Taxes levied for the year ended August 31, 2010 were \$17,581,006. Tax collections for the year ended August 31, 2010 were as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 11,377,856	5,584,006	16,961,862
Delinquent taxes collected	152,291	66,221	218,512
Penalties and interest collected	<u>139,541</u>	<u>61,169</u>	<u>200,710</u>
Total collections	\$ <u><u>11,669,688</u></u>	<u><u>5,711,396</u></u>	<u><u>17,381,084</u></u>

**McLennan County Junior College District**Notes to Financial Statements  
(Continued)(15) Ad Valorem Property Taxes (continued)

Current tax collections for each of the years ended August 31, 2011 and 2010 were approximately 97% of the current tax levy, respectively. An allowance for uncollectible taxes is based upon the historical experience in collecting property taxes.

(16) 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.

(17) 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 2011 or 2010.

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

(18) 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.

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.

(19) Contracts and Grants

Contract and grant revenues are recognized as earned in the accompanying Statements of Revenues, Expenses, and Changes in Net Assets. For contract and grant awards, funds expended but not collected are reported as accounts receivable in the accompanying



**McLennan County Junior College District**Notes to Financial Statements  
(Continued)(19) Contracts and Grants (continued)

Statements of Net Assets. 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 \$1,561,465 and \$1,974,987 at August 31, 2011 and 2010 respectively for federal contract and grant awards and \$245,884 and \$327,305 at August 31, 2011 and 2010, respectively for state contract and grant awards.

(20) 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.

(21) 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. 61, *The Financial Reporting Entity: Omnibus- an amendment of GASB Statements No. 14 and No.34* (Statement 61) – The objective of Statement 61 is to improve financial reporting for a governmental financial reporting entity related to its component units. The provisions of Statement 61 are effective for financial statements for periods beginning after June 15, 2012.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (Statement 62) – The objective of Statement 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedures issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The provisions of Statement 62 are effective for financial statements for periods beginning after December 15, 2011.

(22) Subsequent Events

The District has evaluated subsequent events from the date of the statements of net assets through November 21, 2011, the date on which the financial statements were available to be issued, and has determined that there are no other items to disclose.

## **Supplemental Information**

## McLennan County Junior College District

### Schedule of Operating Revenues (Schedule A)

Year Ended August 31, 2011  
(With Memorandum Totals for the Year Ended August 31, 2010)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total	
					2011	2010
<b>Tuition and fees:</b>						
State funded credit courses:						
In-district resident tuition	\$ 14,821,228	-	14,821,228	-	14,821,228	11,324,765
Out-of-district resident tuition	3,333,832	-	3,333,832	-	3,333,832	2,566,319
Non-resident tuition	1,139,030	-	1,139,030	-	1,139,030	849,026
TPEG - credit (set aside)	1,111,950	-	1,111,950	-	1,111,950	841,898
State funded continuing education	577,404	-	577,404	-	577,404	315,457
TPEG - non-credit (set aside)	10,154	-	10,154	-	10,154	9,829
Non-state funded educational programs	31,365	-	31,365	-	31,365	28,544
<b>Total tuition</b>	<b>21,024,963</b>	<b>-</b>	<b>21,024,963</b>	<b>-</b>	<b>21,024,963</b>	<b>15,935,838</b>
<b>Fees:</b>						
Installment plan fees	60,525	-	60,525	-	60,525	55,275
Facility fees	1,380,368	-	1,380,368	-	1,380,368	1,274,389
General fees	688,745	-	688,745	-	688,745	637,194
Laboratory fees	696,760	-	696,760	-	696,760	546,993
Other fees	1,281,621	-	1,281,621	-	1,281,621	1,416,565
<b>Total fees</b>	<b>4,108,019</b>	<b>-</b>	<b>4,108,019</b>	<b>-</b>	<b>4,108,019</b>	<b>3,930,416</b>
<b>Scholarship allowances and discounts:</b>						
Title IV federal grants	(7,114,859)	-	(7,114,859)	-	(7,114,859)	(5,461,491)
Other federal grants	(11,758)	-	(11,758)	-	(11,758)	(10,110)
TPEG awards	(923,614)	-	(923,614)	-	(923,614)	(724,986)
Other state grants	(321,483)	-	(321,483)	-	(321,483)	(339,883)
Other local grants	(885,234)	-	(885,234)	-	(885,234)	(653,107)
<b>Total scholarship allowances</b>	<b>(9,256,948)</b>	<b>-</b>	<b>(9,256,948)</b>	<b>-</b>	<b>(9,256,948)</b>	<b>(7,189,577)</b>
<b>Total net tuition and fees</b>	<b>15,876,034</b>	<b>-</b>	<b>15,876,034</b>	<b>-</b>	<b>15,876,034</b>	<b>12,676,677</b>
<b>Additional operating revenues:</b>						
Sales and services of educational activities	674,992	-	674,992	-	674,992	718,466
General operating revenues	231,517	-	231,517	-	231,517	157,232
<b>Total additional operating revenues</b>	<b>906,509</b>	<b>-</b>	<b>906,509</b>	<b>-</b>	<b>906,509</b>	<b>875,698</b>
<b>Auxiliary enterprises:</b>						
Bookstore (outsourced)	-	-	-	487,985	487,985	474,885
Other auxiliary enterprises	-	-	-	99,825	99,825	101,128
<b>Total net auxiliary enterprises</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>587,810</b>	<b>587,810</b>	<b>576,013</b>
<b>Total operating revenues</b>	<b>\$ 16,782,543</b>	<b>-</b>	<b>16,782,543</b>	<b>587,810</b>	<b>17,370,353</b>	<b>14,128,388</b>

In accordance with Education Code 56.033, \$1,122,104 and \$851,727 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2011 and 2010, respectively.

See accompanying independent auditors' report.

## McLennan County Junior College District

### Schedule of Operating Expenses by Object (Schedule B)

Year Ended August 31, 2011  
(With Memorandum Totals for the Year Ended August 31, 2010)

	Operating Expenses			Total		
	Salaries and Wages	Benefits		Other Expenses	2011	2010
		State	Local			
<b>Unrestricted - educational activities:</b>						
Instruction	\$ 22,087,444	-	1,374,369	2,813,942	26,275,755	23,830,010
Public service	186,859	-	15,404	87,929	290,192	299,531
Academic support	1,387,647	-	88,401	362,174	1,838,222	1,816,689
Student services	1,808,532	-	117,492	955,185	2,881,209	2,507,140
Institutional support	4,077,428	-	264,832	2,837,366	7,179,626	6,579,300
Operation and maintenance of plant	1,357,695	-	500,585	3,706,911	5,565,191	5,306,320
Scholarships and fellowships	-	-	-	1,360,805	1,360,805	1,035,338
Total unrestricted educational activities	<u>30,905,605</u>	<u>-</u>	<u>2,361,083</u>	<u>12,124,312</u>	<u>45,391,000</u>	<u>41,374,328</u>
<b>Restricted - educational activities:</b>						
Instruction	387,661	3,251,770	53,523	1,304,481	4,997,435	4,241,009
Public service	1,114,546	-	161,794	235,015	1,511,355	1,485,149
Academic support	19,936	204,293	-	-	224,229	232,570
Student services	348,778	266,257	56,459	173,122	844,616	920,861
Institutional support	145,207	600,290	16,325	302,261	1,064,083	1,274,663
Operation and maintenance of plant	5,524	-	-	-	5,524	4,903
Scholarships and fellowships	-	-	-	18,102,923	18,102,923	15,679,589
Total restricted educational activities	<u>2,021,652</u>	<u>4,322,610</u>	<u>288,101</u>	<u>20,117,802</u>	<u>26,750,165</u>	<u>23,838,744</u>
Total educational activities	<u>32,927,257</u>	<u>4,322,610</u>	<u>2,649,184</u>	<u>32,242,114</u>	<u>72,141,165</u>	<u>65,213,072</u>
<b>Auxiliary enterprises</b>	<u>371,282</u>	<u>-</u>	<u>166,308</u>	<u>989,924</u>	<u>1,527,514</u>	<u>1,530,921</u>
<b>Depreciation expense:</b>						
Buildings and other improvements	-	-	-	3,176,805	3,176,805	3,079,502
Equipment and furniture	-	-	-	310,229	310,229	296,001
Library books	-	-	-	76,654	76,654	75,555
Total depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,563,688</u>	<u>3,563,688</u>	<u>3,451,058</u>
Total operating expenses	<u>\$ 33,298,539</u>	<u>4,322,610</u>	<u>2,815,492</u>	<u>36,795,726</u>	<u>77,232,367</u>	<u>70,195,051</u>

See accompanying independent auditors' report.

**McLennan County Junior College District**

Schedule of Nonoperating Revenues and Expenses  
(Schedule C)

Year Ended August 31, 2011  
(With Memorandum Totals for the Year Ended August 31, 2010)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Total</u>	
				2011	2010
<b>Nonoperating revenues:</b>					
State Appropriations:					
Education and general state support	\$ 13,036,882	-	-	13,036,882	13,214,849
State group insurance	-	2,627,957	-	2,627,957	2,727,075
State retirement matching	-	1,694,653	-	1,694,653	1,638,707
Enrollment growth	48,153	-	-	48,153	-
Total state appropriations	<u>13,085,035</u>	<u>4,322,610</u>	<u>-</u>	<u>17,407,645</u>	<u>17,580,631</u>
Maintenance ad valorem taxes	11,767,022	-	-	11,767,022	11,558,822
Debt service ad valorem taxes	-	6,003,696	-	6,003,696	5,665,809
Federal grants and contracts	-	29,005,549	-	29,005,549	24,218,252
State grants and contracts	-	2,524,356	-	2,524,356	2,080,890
Local grants and contracts	36,092	-	-	36,092	45,491
Investment income	172,249	217,529	-	389,778	613,496
Gifts	112,506	130,761	-	243,267	191,927
Other nonoperating revenues	<u>-</u>	<u>1,117,016</u>	<u>-</u>	<u>1,117,016</u>	<u>263,835</u>
Total nonoperating revenues	<u>25,172,904</u>	<u>43,321,517</u>	<u>-</u>	<u>68,494,421</u>	<u>62,219,153</u>
<b>Nonoperating expenses:</b>					
Interest on capital related debt	-	4,291,836	-	4,291,836	4,663,552
Loss on disposal of capital assets	48,937	-	-	48,937	5,818
Other nonoperating expenses	<u>-</u>	<u>118,098</u>	<u>-</u>	<u>118,098</u>	<u>104,833</u>
Total nonoperating expenses	<u>48,937</u>	<u>4,409,934</u>	<u>-</u>	<u>4,458,871</u>	<u>4,774,203</u>
Net nonoperating revenues	<u>\$ 25,123,967</u>	<u>38,911,583</u>	<u>-</u>	<u>64,035,550</u>	<u>57,444,950</u>

See accompanying independent auditors' report.

**McLennan County Junior College District**

Schedule of Net Assets by Source and Availability  
(Schedule D)

Year Ended August 31, 2011

	Detail by Source				Available for Current Operation		
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Total	Yes	No
		Expendable	Non- Expendable				
Current:							
Unrestricted	\$ 6,151,982	-	-	-	6,151,982	6,151,982	-
Scholarships and fellowships	-	1,176,879	-	-	1,176,879	-	1,176,879
Loan	(54,799)	-	-	-	(54,799)	-	(54,799)
Plant:							
Capital projects	1,371,054	468,978	-	-	1,840,032	-	1,840,032
Debt service	951,252	580,891	-	-	1,532,143	-	1,532,143
Investment in plant	(1,847,615)	-	-	37,902,981	36,055,366	-	36,055,366
Total net assets, August 31, 2011	6,571,874	2,226,748	-	37,902,981	46,701,603	6,151,982	40,549,621
Total net assets, August 31, 2010	<u>4,188,688</u>	<u>5,101,857</u>	<u>-</u>	<u>33,237,522</u>	<u>42,528,067</u>	<u>4,704,448</u>	<u>37,823,619</u>
Net increase (decrease) in net assets	\$ <u>2,383,186</u>	<u>(2,875,109)</u>	<u>-</u>	<u>4,665,459</u>	<u>4,173,536</u>	<u>1,447,534</u>	<u>2,726,002</u>

See accompanying independent auditors' report.

**McLennan County Junior College District**

Schedule of Expenditures of Federal Awards  
(Schedule E)

Year Ended August 31, 2011

Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Indirect Costs, Pass Through Disbursements and Expenditures
<u>U.S. Department of Education:</u>			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Education Opportunity Grant Program	84.007		\$ 141,219
Federal Family Education Loans	84.032		8,463
Federal Work Study Program	84.033		257,636
Federal Pell Grant Program	84.063		24,662,549
Federal Direct Student Loans	84.268		30,226,840
Academic Competitiveness Grant	84.375		337,459
Teacher Education Assistance for College and Higher Education Grants	84.379		<u>8,000</u>
Total Student Financial Assistance Cluster			55,642,166
Strengthening Institutions Program - eCampus	84.031A		387,126
TRIO Cluster:			
TRIO - Student Support Services	84.042		289,110
TRIO - Upward Bound	84.047		<u>353,691</u>
Total TRIO Cluster			642,801
Total Direct Programs			<u>56,672,093</u>
Pass Through From:			
Texas State Comptroller's Office:			
ARRA -SECO Grant	81.041	DE-EE-0000116	73,511
SECO Grant- Alt Fuel	81.041	DE-EE-0000116	<u>19,272</u>
Total SECO			<u>92,783</u>
Texas Education Agency:			
Adult Education	84.002A	10410001711305	528,892
Adult Education - Institutionalized	84.002A	10410001711305	<u>20,645</u>
Total Adult Education			<u>549,537</u>
Texas Higher Education Coordinating Board:			
Vocational Education - State Basic Grant Program	84.048	114230	<u>765,958</u>
Leverage Education Assistance Partnership	84.069A	17415412604000	<u>15,454</u>
Special Leveraging Educational Assistance Partnership	84.069B	17415412604000	<u>21,076</u>
Robert C. Byrd Honor Scholarship Program	84.185	17415412604000	<u>5,000</u>
Total U. S. Department of Education			<u>58,121,901</u>

## McLennan County Junior College District

### Schedule of Expenditures of Federal Awards (Schedule E) (Continued)

Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Indirect Costs, Pass Through Disbursements and Expenditures
<u>U. S. Department of Labor</u>			
Pass Through From:			
Texas Workforce Commission:			
Employment Service Cluster:			
ARRA- Employment Service/Wagner-Peyser Funded Activities	17.207	1311WPB000	\$ <u>1,351</u>
WIA Cluster:			
ARRA -WIA Adult Program (Skills Development)	17.258	1310XSD000	<u>842,427</u>
Total U.S. Department of Labor			<u>843,778</u>
<u>U. S. Small Business Administration</u>			
Pass Through From:			
Dallas County Community College District:			
Small Business Development Center	59.037	10-603001-Z-0076-2	15,132
Small Business Development Center	59.037	10-603001-Z-0076-24	<u>113,760</u>
Total U. S. Small Business Administration			<u>128,892</u>
<u>U. S. Department of Health and Human Services</u>			
Pass Through From:			
Texas Education Agency:			
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	113625017110315	<u>66,067</u>
HOT Workforce Development Board:			
CCDF Cluster:			
Childcare Early Learning Training	93.596	07150C16FY10	6,776
Childcare Quality Improvement	93.596	07150C16FY11	<u>1,427</u>
Total CCDF Cluster			<u>8,203</u>
Total U.S. Department of Health and Human Services			<u>74,270</u>
<u>Corporation for National and Community Service</u>			
Direct Programs:			
Heart of Texas Retired Senior Volunteer Program	94.002		29,958
Heart of Texas Retired Senior Volunteer Program	94.002		<u>42,053</u>
Total Corporation for National and Community Service			<u>72,011</u>
Total Federal Awards			<u>\$ 59,240,852</u>

See accompanying independent auditors' 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, 2011

(1) Federal Revenue Reconciliation

Federal revenues for 2011 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	\$ 29,005,549
Add: Federal Family Education Loans made	8,463
Add: Federal Direct Student Loans made	<u>30,226,840</u>
Total per Schedule of Expenditures of Federal Awards	<u><u>\$ 59,240,852</u></u>

(2) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of McLennan County Junior College District (the District) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**McLennan County Junior College District**

Schedule of Expenditures of State Awards  
(Schedule F)

Year Ended August 31, 2011

Grantor Agency/Program Title	Grant Contract Number	Indirect Costs and Expenditures
Texas Higher Education Coordinating Board		
State Work Study		\$ 43,436
Nursing Shortage Reduction		102,944
NGIP At Risk Tracking		3,935
Texas Education Opportunity Grants		199,672
Alternative Teacher Certification		116,685
Texas Grant Program		935,866
Total Texas Higher Education Coordinating Board		<u>1,402,538</u>
Texas Workforce Commission		
Skills Development	1311SDF000	371,311
Skills Development	1310XSD000	187,001
Total Texas Workforce Commission		<u>558,312</u>
Texas Education Agency		
State Adult Education	100100017110305	23,067
State Adult Education	110100017110336	178,414
Total Texas Education Agency		<u>201,481</u>
Small Business Development Center	10-603001-Z-0076-24	13,582
Small Business Development Center	1-603001-Z-0046-24	131,707
Total Small Business Development Center		<u>145,289</u>
Texas Department on Aging		
RSVP	09RZWTX001	29,098
Texas State Comptroller		
Jobs and Education for Texans (JET) - Respiratory Care	Contract # 4807-14	142,638
Jobs and Education for Texans (JET) - Nursing	Contract # 4814-5	45,000
Total Texas State Comptroller		<u>187,638</u>
Total State Awards		<u>\$ 2,524,356</u>

See accompanying independent auditors' 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, 2011

(1) State Revenue Reconciliation

State revenues for 2011 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	\$ <u>2,524,356</u>
Total per Schedule of Expenditures of State Awards	\$ <u><u>2,524,356</u></u>

(2) Basis of Presentation

The accompanying schedule of expenditures of state awards includes the state grant activity of McLennan County Junior College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Uniform Grant Management Standards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

## **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 Assets by Component  
Revenues by Source  
Expenses by Function and Changes in Net Assets

### **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 Assets by Component

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

	For the Year Ended August 31,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Invested in capital assets, net of related debt	\$ 37,903	33,238	29,429	29,351	25,283	23,967	21,222	19,922	20,491
Restricted	2,227	5,101	4,445	3,807	1,232	1,198	945	1,212	3,092
Unrestricted	6,572	4,189	7,276	7,380	8,139	6,730	6,512	5,083	2,261
Total primary government net assets	\$ 46,702	42,528	41,150	40,538	34,654	31,895	28,679	26,217	25,844





## 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	
2010	\$ 79	93	3	6	-	948	1,116	8.22%	9.41%	174,473
2009	64	76	3	6	-	876	1,020	4.29%	3.66%	164,345
2008	61	73	3	6	-	840	984	7.69%	6.49%	149,569
2007	56	68	3	6	-	780	924	-	-	145,210
2006	56	68	3	6	-	780	924	4.84%	4.05%	144,632
2005	53	65	3	6	-	744	888	-	-	141,711
2004	53	65	3	6	-	744	888	19.23%	29.82%	143,837
2003	43	48	3	6	-	624	684	10.64%	9.62%	136,687
2002	34	39	3	6	4	564	624	2.17%	1.96%	128,777
2001	29	34	3	6	8	552	612	9.25%	8.51%	117,614

##### Non-Resident Students

Fees per Semester Credit Hour (SCH)

Year	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	
2010	\$ 141	141	3	6	-	1,692	1,692	6.02%	6.02%	55,602
2009	124	124	3	6	-	1,596	1,596	2.31%	2.31%	49,000
2008	121	121	3	6	-	1,560	1,560	4.00%	4.00%	31,093
2007	116	116	3	6	-	1,500	1,500	-	-	32,326
2006	116	116	3	6	-	1,500	1,500	2.46%	2.46%	28,252
2005	113	113	3	6	-	1,464	1,464	-	-	30,009
2004	113	113	3	6	-	1,464	1,464	8.93%	8.93%	30,138
2003	103	103	3	6	-	1,344	1,344	4.67%	4.67%	27,147
2002	94	94	3	6	4	1,284	1,284	0.94%	0.94%	25,289
2001	89	89	3	6	8	1,272	1,272	3.92%	3.92%	24,028
2000	85	85	3	6	8	1,224	1,224	4.08%	4.08%	22,026

##### 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
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
2007	9,446,522	2,103,258	11,549,780	2,262,518	9,287,262	80.41%	9,476,798	0.105039	0.015323	0.120362
2006	8,710,431	2,038,107	10,748,538	2,100,489	8,648,049	80.46%	8,824,540	0.104593	0.016483	0.121076
2005	7,924,047	2,284,481	10,208,528	1,970,958	8,237,570	80.69%	8,405,684	0.108545	0.017501	0.126046
2004	7,621,241	1,665,205	9,286,446	1,810,387	7,476,059	80.51%	7,628,632	0.106193	0.019853	0.126046
2003	6,861,995	1,848,083	8,711,078	1,651,522	7,059,556	81.04%	7,203,629	0.094770	0.021757	0.116527
2002	5,544,965	2,018,860	7,563,825	1,442,142	6,121,683	80.93%	6,246,615	0.095603	0.024107	0.11971

**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)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
McLennan County College District	\$ 0.1528	0.1563	0.1511	0.153	0.1204	0.1212	0.1261	0.1261	0.1165	0.1197
Overlapping Rates										
McLennan County	0.4427	0.44271	0.4431	0.4505	0.044	0.4486	0.4449	0.4407	0.4286	0.4696
Special Districts:										
McLennan and Hill Counties Tehuacana										
Creek Water Control and Improvement										
District No. 1	0.0237	0.0237	0.0237	0.0250	0.0284	0.0283	0.0283	0.0283	0.0241	0.0241
Castleman Creek Special Improvement District	0.1000	0.1000	0.1000	0.1304	0.0130	0.1370	0.1370	0.1370	0.1200	0.1200
Cities:										
Bellmead	0.03456	0.2656	0.2470	0.2533	0.0279	0.2964	0.3052	0.3103	0.3107	0.3529
Beverly Hills	0.32664	0.3299	0.2829	0.2829	0.0283	0.2829	0.2500	-	-	-
Bruceville-Eddy	0.48412	0.4822	0.4637	0.4426	0.0450	0.4495	0.4239	0.4338	0.4644	0.4929
Crawford	0.4999	0.4999	0.4012	0.3822	0.0340	0.3267	0.3341	0.3543	0.3678	0.4557
Gholson	0.21348	0.2135	0.2179	0.2179	0.0234	0.2454	0.2454	0.2454	0.2334	0.2500
Hewitt	0.51498	0.4998	0.4842	0.4842	0.4842	0.4842	0.4842	0.4842	0.4550	0.5000
Lacy-Lakeview	0.35917	0.3659	0.3285	0.3285	0.3285	0.2921	0.2810	0.2927	0.2883	0.3033
Lorena	0.5389	0.5055	0.5123	0.5068	0.5004	0.5247	0.4353	0.4314	0.4234	0.4239
Mart	0.80673	0.8253	0.8513	0.7988	0.7842	0.8320	0.7099	0.8000	0.8000	0.9085
McGregor	0.53018	0.5413	0.5400	0.5577	0.5650	0.5700	0.5400	0.5349	0.5402	0.5567
Moody	0.63353	0.6173	0.5330	0.5396	0.5004	0.4886	0.6130	0.5973	0.6010	0.6010
Robinson	0.41545	0.4065	0.4065	0.417	0.3870	0.3870	0.3570	0.3570	0.3590	0.3960
Waco	0.78623	0.7862	0.7862	0.7862	0.6997	0.6997	0.6997	0.6997	0.7148	0.7148
West	0.47252	0.4548	0.4548	0.4140	0.3676	0.3590	0.3390	0.2990	0.6925	0.3247
Woodway	0.04569	0.4572	0.4572	0.4572	0.4572	0.4572	0.4572	0.4572	0.2900	0.4829

## McLennan County Junior College District

### Direct and Overlapping Property Tax Rates Per \$100 of Assessed Value (Continued)

#### Last Ten Fiscal Years (Unaudited)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
School Districts:										
Axtell Independent School District	\$ 1.1700	1.1700	1.1700	1.1700	1.3700	1.5000	1.4970	1.5000	1.3800	1.4200
Bosqueville Independent School District	1.5376	1.5500	1.5550	1.5613	1.4198	1.5301	1.4921	1.5898	1.5910	1.4989
Bruceville-Eddy Independent School District	1.3250	1.3250	1.3250	1.3250	1.3257	1.4500	1.4500	1.4100	1.4100	1.3800
China Spring Independent School District	1.4114	1.4070	1.4372	1.4296	1.4595	1.5900	1.5380	1.5725	1.5600	1.5000
Connally Independent School District	1.2811	1.2888	1.2700	1.2300	1.5118	1.6525	1.6470	1.6243	1.4985	1.6496
Crawford Independent School District	1.2266	1.2688	1.2454	1.3778	1.4915	1.6199	1.5492	1.5492	1.5299	1.5299
Gholson Independent School District	1.0400	1.0400	1.0400	1.0400	1.3278	1.4524	1.4524	1.4500	1.4052	1.5000
Hallsburg Independent School District	1.0400	1.0400	1.0400	1.0401	1.3700	1.5000	1.5000	1.5000	1.5000	1.5000
LaVega Independent School District	1.3650	1.3600	1.2389	1.3128	1.5366	1.6925	1.7200	1.5400	1.5080	1.5360
Lorena Independent School District	1.2900	1.2700	1.3774	1.2474	1.5815	1.7000	1.7546	1.6894	1.6894	1.5910
Mart Independent School District	1.2018	1.9120	1.2200	1.1954	1.4204	1.5380	1.6329	1.6500	1.6500	1.6850
McGregor Independent School District	1.1900	1.1900	1.1900	1.2100	1.5211	1.6500	1.6500	1.6500	1.6500	1.6500
Midway Independent School District	1.3200	1.3200	1.3200	1.3200	1.5065	1.6220	1.6220	1.6220	1.6020	1.6400
Moody Independent School District	N/A	N/A	N/A	N/A	1.2591	1.4200	1.4200	1.4200	1.3800	1.3800
Oglesby Independent School District	N/A	N/A	N/A	N/A	1.3041	1.5049	1.5000	1.5000	1.5000	1.4000
Riesel Independent School District	1.2983	1.1082	1.1499	1.3263	1.5126	1.6455	1.6271	1.6334	1.6486	1.5537
Robinson Independent School District	1.3150	1.3150	1.3160	1.1800	1.5109	1.6275	1.6510	1.6571	1.6403	1.6615
Valley Mills Independent School District	N/A	N/A	N/A	N/A	1.5100	1.6600	1.6750	1.6750	1.6950	1.6400
Waco Independent School District	1.3610	1.3650	1.3664	1.3591	1.4438	1.5641	1.5383	1.5242	1.4850	1.5920
West Independent School District	1.2250	1.2300	1.2253	1.2253	1.5510	1.7364	1.6964	1.6293	1.4974	1.5800

**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)									
		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Sandy Creek Energy	Utility	\$ 417,814	-	-	-	-	-	-	-	-	-
Oncor/TXU Electric	Utility	122,468	118,632	187,974	183,329	119,940	113,020	104,938	100,771	97,967	145,805
Mars SnackFoods US	Processing	117,838	110,584	158,527	162,909	92,810	77,282	81,983	83,936	84,815	113,539
Caterpillar Logistics	Manufacturing	103,487	-	-	-	-	-	-	-	-	-
Coca-Cola	Processing	82,569	78,061	112,011	119,415	56,616	57,040	57,569	59,065	49,715	66,553
Sanderson Farms	Processing	68,389	71,806	105,387	-	-	-	-	-	-	-
Allergan	Manufacturing	71,108	64,610	101,931	67,001	43,662	42,624	42,464	41,405	37,915	38,690
Raytheon E-Systems/L3	Manufacturing	71,803	63,436	89,611	75,960	-	-	-	29,867	-	59,833
Inland Western	Real estate	50,860	57,642	89,578	78,223	51,125	43,796	-	-	-	-
Southwestern Bell	Utility	44,744	57,479	84,576	120,907	76,313	76,483	73,296	81,321	89,603	86,087
Ferguson Enterprises	Distributor	-	49,807	77,284	101,794	66,531	39,623	-	-	-	-
Sherwin Williams	Distributor	-	46,933	59,350	59,453	38,858	-	-	-	30,747	28,188
Pilgrim's Pride	Processing	-	-	-	67,719	37,130	-	34,280	-	-	-
Richland Mall	Real estate	-	-	-	-	37,870	35,842	38,881	38,411	-	-
Huck International	Manufacturing	-	-	-	-	-	33,758	35,858	31,397	41,270	41,953
Owens Brockway	Manufacturing	-	-	-	-	-	32,703	39,682	40,533	58,760	56,154
Tyco Healthcare	Manufacturing	-	-	-	-	-	-	39,674	39,208	-	-
Paragon Manufacturing	Manufacturing	-	-	-	-	-	-	-	-	34,731	35,325
TXU Trading House	Utility	-	-	-	-	-	-	-	-	32,890	-
Totals		\$ <u>1,151,080</u>	<u>718,990</u>	<u>1,066,229</u>	<u>1,036,710</u>	<u>620,855</u>	<u>552,171</u>	<u>548,625</u>	<u>545,914</u>	<u>558,413</u>	<u>672,127</u>
Total taxable assessed value		\$ <u>11,480,266</u>	<u>11,226,768</u>	<u>10,778,692</u>	<u>9,960,006</u>	<u>9,287,262</u>	<u>8,648,049</u>	<u>8,237,570</u>	<u>7,476,059</u>	<u>7,059,557</u>	<u>6,121,683</u>

## McLennan County Junior College District

### Principal Taxpayers (Continued)

### Last Ten Years (Unaudited)

Taxpayer	Type of Business	Percentage of Taxable Assessed Value									
		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Sandy Creek Energy	Utility	3.64%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Oncor/TXU Electric	Utility	1.07%	1.06%	1.74%	1.84%	1.29%	1.31%	1.27%	1.35%	1.39%	2.38%
Mars SnackFoods US	Processing	1.03%	0.99%	1.47%	1.64%	1.00%	0.89%	1.00%	1.12%	1.20%	1.85%
Caterpillar Logistics	Manufacturing	0.90%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Coca-Cola	Processing	0.72%	0.70%	1.04%	1.20%	0.61%	0.66%	0.70%	0.79%	0.70%	1.09%
Sanderson Farms	Processing	0.60%	0.64%	0.98%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Allergan	Manufacturing	0.62%	0.58%	0.95%	0.67%	0.47%	0.49%	0.52%	0.55%	0.54%	0.63%
Raytheon E-Systems/L3	Manufacturing	0.63%	0.57%	0.83%	0.76%	0.00%	0.00%	0.00%	0.40%	0.00%	0.98%
Inland Western	Real Estate	0.44%	0.51%	0.83%	0.79%	0.55%	0.51%	0.00%	0.00%	0.00%	0.00%
Southwestern Bell	Utility	0.39%	0.51%	0.78%	1.21%	0.82%	0.88%	0.89%	1.09%	1.27%	1.41%
Ferguson Enterprises	Distributor	0.00%	0.44%	0.72%	1.02%	0.72%	0.46%	0.00%	0.00%	0.00%	0.00%
Sherwin Williams	Distributor	0.00%	0.42%	0.55%	0.60%	0.42%	0.00%	0.00%	0.00%	0.44%	0.46%
Pilgrim's Pride	Processing	0.00%	0.00%	0.00%	0.68%	0.40%	0.00%	0.42%	0.00%	0.00%	0.00%
Richland Mall	Real Estate	0.00%	0.00%	0.00%	0.00%	0.41%	0.41%	0.47%	0.51%	0.00%	0.00%
Huck International	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.39%	0.44%	0.42%	0.58%	0.69%
Owens Brockway	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.38%	0.48%	0.54%	0.83%	0.92%
Tyco Healthcare	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.48%	0.52%	0.00%	0.00%
Paragon Manufacturing	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.49%	0.58%
TXU Trading House	Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.47%	0.00%
	Totals	10.03%	6.40%	9.89%	10.41%	6.69%	6.38%	6.66%	7.30%	7.91%	10.98%

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
2011	\$ 17,969	17,510	97.45%	\$ 272	17,771	98.90%
2010	17,581	16,962	96.48%	218	17,225	97.98%
2009	16,328	15,835	96.98%	204	16,222	99.35%
2008	15,239	14,909	97.83%	202	15,178	99.60%
2007	11,289	11,019	97.61%	206	11,275	99.88%
2006	10,561	10,250	97.06%	262	10,512	99.54%
2005	10,383	10,097	97.25%	182	10,279	99.00%
2004	9,423	9,234	97.99%	177	9,411	99.87%
2003	8,226	7,939	96.51%	111	8,050	97.86%
2002	7,328	7,066	96.42%	83	7,149	97.56%

**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)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>General Bonded Debt</b>										
General obligation bonds	\$ 81,270	83,295	84,470	85,845	86,915	13,310	14,105	14,955	15,605	16,220
<b>Other Debt</b>										
Revenue bonds	<u>18,845</u>	<u>19,555</u>	<u>10,600</u>	<u>5,355</u>	<u>5,790</u>	<u>6,205</u>	<u>6,550</u>	<u>7,020</u>	<u>7,465</u>	<u>7,895</u>
Total outstanding debt	<u>\$ 100,115</u>	<u>102,850</u>	<u>95,070</u>	<u>91,200</u>	<u>92,705</u>	<u>19,515</u>	<u>20,655</u>	<u>21,975</u>	<u>23,070</u>	<u>24,115</u>
<b>General Bonded Debt Ratios</b>										
Per capita	Not available	355	362	373	381	59	64	68	71	74
Per student	\$ 10,599	17,079	15,787	14,506	15,158	2,321	2,450	2,797	3,038	3,324
As a percentage of taxable assessed value	0.71%	0.97%	0.90%	0.86%	0.94%	0.15%	0.17%	0.20%	0.22%	0.26%
<b>Total Outstanding Debt Ratios</b>										
Per capita	Not available	438	407	396	406	86	94	100	105	111
Per student	\$ 13,056	17,079	15,787	15,411	16,168	3,403	3,587	4,111	4,492	4,943
As a percentage of taxable assessed value	0.87%	0.97%	0.90%	0.95%	1.00%	0.23%	0.25%	0.29%	0.33%	0.39%
As a percentage of personal income	Not available	0.0130%	0.0133%	0.0127%	0.0014%	0.0003%	0.0003%	0.0004%	0.0004%	0.0005%

**Note:**

Debt per student calculated using full time equivalent enrollment.

## McLennan County Junior College District

### Legal Debt Margin Information

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Taxable assessed value	\$ <u>11,480,266</u>	<u>11,226,768</u>	<u>10,778,692</u>	<u>9,960,006</u>	<u>9,287,262</u>	<u>8,648,049</u>	<u>8,237,570</u>	<u>7,476,029</u>	<u>7,059,557</u>	<u>6,121,683</u>
Statutory tax levy limit for general obligation debt service	\$ 57,401	56,134	53,893	49,800	46,436	43,240	41,188	37,380	35,298	30,608
Current year debt service requirements	<u>5,977</u>	<u>5,692</u>	<u>5,750</u>	<u>5,165</u>	<u>1,422</u>	<u>1,425</u>	<u>1,423</u>	<u>1,470</u>	<u>1,441</u>	<u>1,482</u>
Excess of statutory tax levy limit for debt service over current requirements	\$ <u>51,424</u>	<u>50,442</u>	<u>48,143</u>	<u>44,635</u>	<u>45,014</u>	<u>41,815</u>	<u>39,765</u>	<u>35,910</u>	<u>33,857</u>	<u>29,126</u>
Current requirements as a percentage of statutory limit	<u>10.41%</u>	<u>10.14%</u>	<u>10.67%</u>	<u>10.37%</u>	<u>3.06%</u>	<u>3.30%</u>	<u>3.45%</u>	<u>3.93%</u>	<u>4.08%</u>	<u>4.84%</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	
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
2006	323	1,023	45	469	47	308	2,215	495	364	859	2.58
2005	378	1,035	64	248	46	277	2,048	470	386	856	2.39
2004	320	980	61	54	45	247	1,707	445	408	853	2.00
2003	316	834	117	64	38	242	1,611	430	428	858	1.88
2002	290	868	57	193	43	218	1,669	410	448	858	1.95

## 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>
2010	234,906	\$ 7,888,000	\$ 33,579	7.4%
2009	233,378	7,172,056	30,731	4.6%
2008	230,213	7,153,670	31,074	4.6%
2007	228,123	6,772,688	29,689	3.9%
2006	226,192	6,399,000	28,290	4.8%
2005	220,364	6,006,016	27,255	5.2%
2004	219,763	5,683,075	25,860	4.0%
2003	220,123	5,398,617	24,525	5.1%
2002	217,826	5,174,555	23,755	4.7%
2001	215,532	4,983,256	23,121	3.9%

**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 2011 not yet available.

## McLennan County Junior College District

### Principal Employers

Fiscal Years 2007 - 2011  
(Unaudited)

Employer	Number of Employees					
	2011	2010	2009	2008	2007	2006
Providence Health Center	2,618	2,434	2,434	2,182	1,565	1,000+
Baylor University	2,583	2,360	2,360	2,360	2,300	Not Available
Waco Independent School District	2,276	2,350	2,350	2,300	2,300	1,000+
City of Waco, Texas	1,506	1,729	1,729	1,729	1,460	1,000+
Hillcrest Health System	1,793	1,700	1,700	1,700	1,836	1,000+
L-3 Communications Integrated Systems	2,079	1,619	1,619	1,620	1,706	1,000+
HEB	1,500	1,350	Not Available	Not Available	Not Available	Not Available
Wal-Mart	2,561	1,290	1,290	Not Available	Not Available	Not Available
Sanderson Farms	1,041	1,170	1,170	Not Available	Not Available	Not Available
Midway Independent School District	1,067	955	955	877	885	700+
McLennan County	830	850	850	893	880	700+
EMSI, Inc.	861	750	750	Not Available	Not Available	Not Available
Veterans Administration Medical Center	800	735	Not Available	Not Available	Not Available	Not Available
McLennan County Juvenile Correctional Center	527	721	Not Available	Not Available	Not Available	Not Available
Cargill Foods, Inc.	685	694	694	775	Not Available	700+
Texas State Technical Institute	672	684	Not Available	Not Available	Not Available	Not Available
McLennan Community College	826	677	Not Available	Not Available	Not Available	Not Available
Masterfoods, USA	650	-	580	625	750	700+
Veterans Regional Office	650	Not Available	Not Available	Not Available	Not Available	Not Available

**Source:** Greater Waco Area Chamber of Commerce

**Notes:**

Detailed information on employer size and total employment for 2006 was not available, and for certain employers in years subsequent to 2005

**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
2011	\$ 13,085,035	7,668	\$ 1,706	3,398,541	1,491,638	4,890,179	\$ 2.68
2010	13,214,849	7,116	1,857	2,628,185	1,315,076	3,943,261	3.35
2009	13,803,606	6,022	2,292	2,418,587	1,467,037	3,885,624	3.55
2008	13,803,602	5,918	2,332	2,536,907	1,047,336	3,584,243	3.85
2007	13,286,922	5,762	2,306	2,400,348	1,166,588	3,566,936	3.73
2006	13,286,922	5,734	2,317	2,389,842	1,205,408	3,595,250	3.70
2005	11,875,795	5,758	2,062	2,380,570	1,250,624	3,631,194	3.27
2004	11,875,990	5,346	2,221	2,283,669	1,156,048	3,439,717	3.45
2003	10,814,452	5,136	2,106	2,127,111	1,149,296	3,276,407	3.30
2002	11,582,600	4,879	2,374	2,019,824	1,098,624	3,118,448	3.71

**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)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Faculty</b>										
Full-time	215	200	224	196	195	192	181	177	176	168
Part-time	242	245	218	209	194	186	170	163	146	139
Total	<u>457</u>	<u>445</u>	<u>442</u>	<u>405</u>	<u>389</u>	<u>378</u>	<u>351</u>	<u>340</u>	<u>322</u>	<u>307</u>
Percent:										
Full-time	<u>47.0%</u>	<u>44.9%</u>	<u>50.7%</u>	<u>48.4%</u>	<u>50.1%</u>	<u>50.8%</u>	<u>51.6%</u>	<u>52.1%</u>	<u>54.7%</u>	<u>54.7%</u>
Part-time	<u>53.0%</u>	<u>55.1%</u>	<u>49.3%</u>	<u>51.6%</u>	<u>49.9%</u>	<u>49.2%</u>	<u>48.4%</u>	<u>47.9%</u>	<u>45.3%</u>	<u>45.3%</u>
<b>Staff and Administrators</b>										
Full-time	318	341	367	338	319	319	309	299	295	280
Part-time	90	30	26	14	10	13	6	4	8	12
Total	<u>408</u>	<u>371</u>	<u>393</u>	<u>352</u>	<u>329</u>	<u>332</u>	<u>315</u>	<u>303</u>	<u>303</u>	<u>292</u>
Percent:										
Full-Time	<u>77.9%</u>	<u>91.9%</u>	<u>93.4%</u>	<u>96.0%</u>	<u>97.0%</u>	<u>96.1%</u>	<u>98.1%</u>	<u>98.7%</u>	<u>97.4%</u>	<u>95.9%</u>
Part-Time	<u>22.1%</u>	<u>8.1%</u>	<u>6.6%</u>	<u>4.0%</u>	<u>3.0%</u>	<u>3.9%</u>	<u>1.9%</u>	<u>1.3%</u>	<u>2.6%</u>	<u>4.1%</u>
Students per full-time faculty	<u>47</u>	<u>50</u>	<u>35</u>	<u>41</u>	<u>40</u>	<u>40</u>	<u>42</u>	<u>40</u>	<u>37</u>	<u>36</u>
Students per full-time staff member	<u>32</u>	<u>29</u>	<u>21</u>	<u>24</u>	<u>27</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>22</u>	<u>22</u>
Average annual faculty salary	\$ <u>61,432</u>	<u>61,403</u>	<u>59,074</u>	<u>54,980</u>	<u>54,858</u>	<u>53,281</u>	<u>50,501</u>	N/A	N/A	N/A

**Note:**

Average annual faculty salary data not available for all years.

## McLennan County Junior College District

### Enrollment Details

#### Last Ten Fiscal Years (Unaudited)

Student Classification	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	5,498	55.46%	5,316	58.24%	4,278	54.26%	4,601	56.95%	4,275	54.85%	4,457	58.16%	4,428	58.80%	4,234	60.01%	4,122	63.10%	3,978	64.86%
Sophomore	2,678	27.02%	2,771	30.36%	2,175	27.59%	2,115	26.18%	2,212	28.38%	2,012	26.26%	2,021	26.84%	1,866	26.45%	1,617	24.76%	1,451	23.66%
Unclassified	1,737	17.52%	1,041	11.40%	1,431	18.15%	1,363	16.87%	1,307	16.77%	1,194	15.58%	1,082	14.37%	955	13.54%	793	12.14%	704	11.48%
<b>Total</b>	<b>9,913</b>	<b>100.00%</b>	<b>9,128</b>	<b>100.00%</b>	<b>7,884</b>	<b>100.00%</b>	<b>8,079</b>	<b>100.00%</b>	<b>7,794</b>	<b>100.00%</b>	<b>7,663</b>	<b>100.00%</b>	<b>7,531</b>	<b>100.00%</b>	<b>7,055</b>	<b>100.00%</b>	<b>6,532</b>	<b>100.00%</b>	<b>6,133</b>	<b>100.00%</b>
<b>Semester Hour Load</b>																				
Less than 3	82	0.83%	69	0.76%	94	1.19%	84	1.04%	81	1.04%	76	1.00%	68	0.90%	86	1.22%	77	1.18%	74	1.20%
3-5 semester hours	1,533	15.46%	1,496	16.39%	1,480	18.77%	1,389	17.19%	1,392	17.86%	1,242	16.27%	1,379	18.31%	1,246	17.66%	1,306	19.99%	1,085	17.63%
6-8 Semester hours	1,809	18.25%	1,726	18.91%	1,515	19.22%	1,519	18.80%	1,461	18.75%	1,393	18.25%	1,350	17.93%	1,276	18.08%	1,128	17.27%	1,068	17.36%
9-11 semester hours	1,605	16.19%	1,494	16.37%	1,373	17.42%	1,425	17.64%	1,393	17.87%	1,381	18.09%	1,410	18.72%	1,374	19.47%	1,223	18.72%	1,071	17.41%
12-14 semester hours	4,082	41.18%	3,640	39.88%	2,752	34.91%	2,903	35.93%	2,775	35.60%	2,850	37.34%	2,607	34.62%	2,422	34.32%	2,167	33.18%	2,168	35.23%
15-17 semester hours	699	7.05%	613	6.72%	593	7.52%	680	8.42%	609	7.81%	606	7.94%	623	8.27%	577	8.18%	544	8.33%	599	9.74%
18 & over	103	1.04%	90	0.99%	77	0.98%	79	0.98%	83	1.06%	85	1.11%	94	1.25%	76	1.08%	87	1.33%	88	1.43%
<b>Total</b>	<b>9,913</b>	<b>100.00%</b>	<b>9,128</b>	<b>100.00%</b>	<b>7,884</b>	<b>100.00%</b>	<b>8,079</b>	<b>100.00%</b>	<b>7,794</b>	<b>100.00%</b>	<b>7,633</b>	<b>100.00%</b>	<b>7,531</b>	<b>100.00%</b>	<b>7,057</b>	<b>100.00%</b>	<b>6,532</b>	<b>100.00%</b>	<b>6,153</b>	<b>100.00%</b>
Average course load	9.7		9.6		9.3		9.5		9.4		9.7		9.7		9.9		9.9		10.2	
<b>Tuition Status</b>																				
Texas Resident (in-District)	7,739	82.78%	7,602	84.04%	6,672	85.47%	6,573	85.16%	6,369	84.37%	6,304	85.04%	6,392	85.07%	5,988	85.03%	5,547	85.33%	5,166	84.66%
Texas Resident (out-of-District)	1,392	14.89%	1,272	14.06%	1,003	12.85%	1,025	13.28%	1,041	13.79%	983	13.26%	1,016	13.52%	950	13.49%	872	13.41%	827	13.55%
Non-Resident Tuition	218	2.33%	172	1.90%	131	1.68%	120	1.55%	139	1.84%	126	1.70%	106	1.41%	104	1.48%	82	1.26%	109	1.79%
<b>Total</b>	<b>9,349</b>	<b>100.00%</b>	<b>9,046</b>	<b>100.00%</b>	<b>7,806</b>	<b>100.00%</b>	<b>7,718</b>	<b>100.00%</b>	<b>7,549</b>	<b>100.00%</b>	<b>7,413</b>	<b>100.00%</b>	<b>7,514</b>	<b>100.00%</b>	<b>7,042</b>	<b>100.00%</b>	<b>6,501</b>	<b>100.00%</b>	<b>6,102</b>	<b>100.00%</b>

## McLennan County Junior College District

### Student Profile

#### Last Ten Fiscal Years (Unaudited)

Gender	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	6,515	65.72%	6,086	66.67%	5,294	67.15%	5,396	66.79%	5,231	67.12%	5,179	67.58%	5,143	68.25%	4,803	68.04%	4,427	67.51%	4,074	66.43%
Male	3,398	34.28%	3,042	33.33%	2,590	32.85%	2,683	33.21%	2,563	32.88%	2,484	32.42%	2,393	31.75%	2,256	31.96%	2,131	32.49%	2,059	33.57%
<b>Total</b>	<b>9,913</b>	<b>100.00%</b>	<b>9,128</b>	<b>100.00%</b>	<b>7,884</b>	<b>100.00%</b>	<b>8,079</b>	<b>100.00%</b>	<b>7,794</b>	<b>100.00%</b>	<b>7,663</b>	<b>100.00%</b>	<b>7,536</b>	<b>100.00%</b>	<b>7,059</b>	<b>100.00%</b>	<b>6,558</b>	<b>100.00%</b>	<b>6,133</b>	<b>100.00%</b>
<b>Ethnic Origin</b>																				
White	5,915	59.67%	5,726	62.73%	5,051	64.07%	5,239	64.85%	5,023	64.45%	4,992	65.14%	4,999	66.33%	4,786	67.80%	4,448	67.83%	4,220	68.81%
Hispanic	1,934	19.51%	1,559	17.08%	1,299	16.48%	1,319	16.33%	1,230	15.78%	1,142	14.90%	1,095	14.53%	983	13.93%	857	13.07%	799	13.03%
African American	1,753	17.68%	1,666	18.25%	1,382	17.53%	1,364	16.88%	1,396	17.91%	1,373	17.92%	1,295	17.18%	1,154	16.35%	1,126	17.17%	991	16.16%
Asian	121	1.22%	109	1.19%	94	1.19%	91	1.13%	83	1.06%	97	1.27%	92	1.22%	73	1.03%	66	1.01%	61	0.99%
Foreign	-	0.00%	43	0.47%	36	0.46%	27	0.33%	34	0.44%	29	0.38%	31	0.41%	43	0.61%	34	0.52%	34	0.55%
Native American	6	0.06%	19	0.21%	22	0.28%	39	0.48%	28	0.36%	30	0.39%	24	0.32%	20	0.28%	27	0.41%	28	0.46%
American Indian	39	0.39%																		
Multiracial	57	0.58%																		
Unknown/unreported	88	0.89%	6	0.07%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
<b>Total</b>	<b>9,913</b>	<b>100.00%</b>	<b>9,128</b>	<b>100.00%</b>	<b>7,884</b>	<b>100.00%</b>	<b>8,079</b>	<b>100.00%</b>	<b>7,794</b>	<b>100.00%</b>	<b>7,663</b>	<b>100.00%</b>	<b>7,536</b>	<b>100.00%</b>	<b>7,059</b>	<b>100.00%</b>	<b>6,558</b>	<b>100.00%</b>	<b>6,133</b>	<b>100.00%</b>
<b>Age</b>																				
Under 18	1,113	12.19%	988	10.82%	977	12.39%	912	11.29%	729	9.35%	637	8.31%	726	9.63%	663	9.39%	577	8.80%	530	8.64%
18 - 21	3,636	39.83%	3,407	37.32%	3,066	38.89%	3,260	40.35%	3,163	40.58%	3,134	40.90%	3,117	41.36%	2,981	42.23%	2,854	43.52%	2,854	46.54%
22 - 24	1,323	14.49%	1,243	13.62%	1,110	14.08%	1,075	13.31%	1,051	13.48%	1,028	13.42%	947	12.57%	871	12.34%	784	11.95%	720	11.74%
25 - 35	2,410	26.40%	2,161	23.67%	1,660	21.06%	1,707	21.13%	1,692	21.71%	1,710	22.32%	1,660	22.03%	1,480	20.97%	1,343	20.48%	1,157	18.87%
36 - 50	1,154	12.64%	1,065	11.67%	843	10.69%	918	11.36%	955	12.25%	957	12.49%	910	12.08%	863	12.23%	821	12.52%	719	11.72%
51 & over	277	3.03%	264	2.89%	228	2.89%	207	2.56%	204	2.62%	197	2.57%	176	2.34%	201	2.85%	179	2.73%	153	2.49%
<b>Total</b>	<b>9,913</b>	<b>108.60%</b>	<b>9,128</b>	<b>100.00%</b>	<b>7,884</b>	<b>100.00%</b>	<b>8,079</b>	<b>100.00%</b>	<b>7,794</b>	<b>100.00%</b>	<b>7,663</b>	<b>100.00%</b>	<b>7,536</b>	<b>100.00%</b>	<b>7,059</b>	<b>100.00%</b>	<b>6,558</b>	<b>100.00%</b>	<b>6,133</b>	<b>100.00%</b>
Average Age	25		26		25		25		25		26		25		25		25		25	

## McLennan County Junior College District

### Student Transfers to Senior Institutions

#### Last Ten Fiscal Years (Unaudited)

	Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
	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	132	13.78%	151	15.91%	79	19.36%	173	20.47%	162	19.71%	146	17.59%	144	19.07%	149	20.08%	152	26.71%	137	23.38%
University of Texas at Austin	68	7.10%	66	6.95%	0	0.00%	71	8.40%	57	6.93%	54	6.51%	42	5.56%	52	7.01%	68	11.95%	60	10.24%
Texas Tech University	71	7.41%	61	6.43%	20	4.90%	53	6.27%	58	7.06%	68	8.19%	69	9.14%	68	9.16%	41	7.21%	46	7.85%
Texas State University	83	8.66%	86	9.06%	29	7.11%	79	9.35%	83	10.10%	86	10.36%	83	10.99%	87	11.73%	62	10.90%	59	10.07%
Tarleton State University	345	36.01%	302	31.82%	166	40.69%	211	24.97%	173	21.05%	168	20.24%	147	19.47%	138	18.60%	68	11.95%	98	16.72%
Sam Houston State University	47	4.91%	26	2.74%	9	2.21%	22	2.60%	36	4.38%	46	5.54%	29	3.84%	27	3.64%	28	4.92%	30	5.12%
University of North Texas	66	6.89%	60	6.32%	28	6.86%	69	8.17%	71	8.64%	75	9.04%	86	11.39%	74	9.97%	47	8.26%	48	8.19%
University of Texas at Arlington	106	11.06%	149	15.70%	63	15.44%	121	14.32%	150	18.25%	150	18.07%	115	15.23%	104	14.02%	50	8.79%	59	10.07%
Stephen F. Austin State University	23	2.40%	38	4.00%	10	2.45%	34	4.02%	18	2.19%	29	3.49%	30	3.97%	29	3.91%	39	6.85%	36	6.14%
University of Houston	17	1.77%	10	1.05%	4	0.98%	12	1.42%	14	1.70%	8	0.96%	10	1.32%	14	1.89%	14	2.46%	13	2.22%
	<u>958</u>	<u>100.00%</u>	<u>949</u>	<u>100.00%</u>	<u>408</u>	<u>100.00%</u>	<u>845</u>	<u>100.00%</u>	<u>822</u>	<u>100.00%</u>	<u>830</u>	<u>100.00%</u>	<u>755</u>	<u>100.00%</u>	<u>742</u>	<u>100.00%</u>	<u>569</u>	<u>100.00%</u>	<u>586</u>	<u>100.00%</u>

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

**Notes:**

Does not include private institutions or individuals who could not be located.



## McLennan County Junior College District

### Capital Asset Information

#### Last Ten Fiscal Years (Unaudited)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Academic buildings	16	15	16	13	13	13	13	13	13	13
Square footage*	549	538	549	304	304	304	304	304	304	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*	79	78	84	83	83	82	80	80	80	80
Administrative and support buildings	18	18	16	12	12	12	11	11	11	11
Square footage*	676	493	458	240	240	240	222	222	222	222
Dining facilities	2	2	2	2	2	2	2	2	2	2
Square footage*	15	15	15	15	15	15	15	15	15	15
Average daily customers	803	1,000	900	750	700	500	500	500	500	500
Athletic facilities										
Square footage*	43	43	43	43	43	43	25	25	25	25
Stadiums	2	2	2	2	2	2	2	2	2	2
Gymnasiums	2	2	2	2	2	2	2	2	2	2
Fitness centers	2	2	2	2	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	614	614	614	596	596	596	596
Transportation										
Cars	6	5	6	6	6	5	5	6	6	3
Light trucks/vans	10	10	10	12	11	12	14	14	14	13
SUV's	10	7	6	5	5	4	3	2	2	2
Buses	2	2	2	3	3	3	3	2	2	1

\* in thousands

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



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 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, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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*.

Internal Control over Financial Reporting

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

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 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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

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

*Jayne, Reitzman, Boyd & Threlk, A.C.*

November 21, 2011



Report on Compliance with Requirements  
Applicable to Each Major Federal and State Program and  
Internal Control over Compliance in Accordance with  
OMB Circular A-133 and  
Uniform Grant Management Standards

The Board of Trustees  
McLennan County Junior College District:

Compliance

We have audited the compliance of McLennan County Junior College District (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 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, 2011. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Uniform Grant Management Standards*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal 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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2011.

### Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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

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

*Jayne, Reitzman, Boyd & Threlk, A.C.*

November 21, 2011

**McLennan County Junior College District**  
**Schedule of Findings and Questioned Costs**  
**Year Ended August 31, 2011**

(1) Summary of Auditors' Results**Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified?                           yes          x   no  
 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:

Material weakness(es) identified?                           yes          x   no  
 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: unqualified

Any audit findings disclosed that are required to be reported

in accordance with section 510(a) of Circular A-133

and the Uniform Grant Management Standards?                           yes          x   no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Student Financial Assistance Cluster:	
84.007	Federal Supplemental Educational Opportunity Grant Program
84.032	Federal Family Educational Loan Program
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans Program
84.375	Academic Competitiveness Grant
84.379	Teacher Education Assistance for College and Higher Education
TRIO Cluster:	
84.042	TRIO- Student Support Services
84.047	TRIO- Upward Bound
WIA Cluster:	
17.258	ARRA - WIA Adult Program (Skills Development)

Identification of major state programs:

<u>Grant Number(s)</u>	<u>Name of State Program or Cluster</u>
--	Texas Grant Program
--	Skills Development

Dollar threshold used to distinguish between type A and  
type B federal programs:          \$300,000          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

None noted

(4) State Award Findings

None Noted