

McLennan County Junior College District
Annual Financial Report
August 31, 2015 and 2014

Introductory Section

McLennan County Junior College District

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McLennan County Junior College District

Board of Trustees

	<u>Term Expires</u>
Officers:	
K. Paul Holt - Chairman Waco, Texas	2021
Members:	
Pauline Chavez, Waco, Texas	2017
Randy Cox, Waco, Texas	2021
Doug McDurham, Waco, Texas	2017
Bob Sheehy, Jr., Waco, Texas	2019
Earl Stinnett, Sr., Waco, Texas	2021
Geneva Watley, Waco, Texas	2019

Principal Administrative Officers

Johnette McKown	President
Gene Gooch	Vice President, Finance and Administration
Donald Balmos	Vice President, Instruction
Al Pollard	Vice President, Program Development
Drew Canham	Vice President, Student Success
Phil Rhodes	Vice President, Research, Effectiveness and Information Technology
Terry Lechler	Director of Financial Services

Financial Section



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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
McLennan County Junior College District:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of McLennan County Junior College District (the District) as of and for the years ended August 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the McLennan Community College Foundation, a discretely presented component unit of the District, as of and for the years ended August 31, 2015 and 2014, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of McLennan County Junior College District as of August 31, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note 3 to the financial statements, in 2015 the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, the schedule of the District's proportionate share of the net pension liability on page 47, and the schedule of the District's contributions to the Teacher Retirement System of Texas on page 48 (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 25, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

The Management's Discussion and Analysis (MD&A) is designed to provide an easy to read analysis of McLennan County Junior College District's (the District) financial activities for the years ended August 31, 2015 and 2014. This overview is based on facts, decisions and conditions known as of the date of the independent auditor's report. There are three financial statements presented: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. These statements provide both long-term and short-term financial information on the District as a whole and should be read in conjunction with the Notes to Financial Statements.

Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers. The District adopted GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68* effective September 1, 2014. With the adoption of GASB No. 68, the District now recognizes a net pension liability in the statement of net position for its proportionate share of participation in the Teacher Retirement System of Texas defined benefit pension plan. With the adoption of GASB No. 71, the District recognized deferred outflows of resources in the statement of net position for contributions made to this defined benefit pension plan after the measurement date (currently, August 31 of the previous year). The cumulative effect of these changes in accounting principles decreased unrestricted net position by \$9,545,846 at September 1, 2014. The adoption of these accounting principles improves the decision-usefulness of reported pension information and increases the transparency, consistency, and comparability of pension information across government entities.

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

Financial and Enrollment Highlights

- The District's assets exceeded liabilities by approximately \$49.9 million, \$57.7 million, and \$54.6 million as of August 31, 2015, 2014, and 2013, respectively. Of these amounts, unrestricted net position was \$2.9 million for 2015, \$12.0 million for 2014, and \$11.0 million for 2013. As noted above, the decrease in unrestricted net position is the result of the adoption of GASB No. 68 and GASB No. 71.
- The District's total net position decreased by approximately \$7.7 million and increased by approximately \$3.1 million and \$4.5 million during fiscal years 2015, 2014, and 2013, respectively. Of these amounts, unrestricted net position decreased by approximately \$9.1 million and increased by approximately \$1.0 million for 2015 and 2014, respectively. The decreases in total net position and unrestricted net position for 2015 include the cumulative effects of the adoption of GASB No. 68 and GASB No. 71 effective September 1, 2014 of \$9,545,846 as noted above.

- The total assessed value of property in the District increased by approximately \$1.3 billion, or 7.8%, from 2014 to 2015 and by \$300 million, or 1.9%, from 2013 to 2014. From 2012 to 2013 the total taxable value increased by 4.8% or \$738 million.
- Capital assets (net) decreased by approximately \$1.7 million and \$1.8 million in 2015 and 2014, respectively.
- Bonds decreased by approximately \$267,000 and \$3.5 million in 2015 and 2014, respectively.
- During 2015, the unduplicated head count of credit students increased by 399 students, duplicated head count of credit students decreased by 511 students, and contact hours decreased by 158,508 contact hours. During 2014, the unduplicated head count of credit students decreased by 811 students, duplicated head count of credit students decreased by 1,565 students, and contact hours decreased by 338,242 contact hours.

Statement of Net Position

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

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

Condensed Statements of Net Position (In Thousands)

	2015	2014	2013	Increase (Decrease)	
				2014 to 2015	2013 to 2014
Assets					
Current assets	\$ 30,292	30,844	30,934	(552)	(90)
Noncurrent assets:					
Capital assets, net of depreciation	<u>132,666</u>	<u>134,347</u>	<u>136,173</u>	<u>(1,681)</u>	<u>(1,826)</u>
Total assets	<u>162,958</u>	<u>165,191</u>	<u>167,107</u>	<u>(2,233)</u>	<u>(1,916)</u>
Deferred outflows of resources	<u>5,332</u>	<u>459</u>	<u>567</u>	<u>4,873</u>	<u>(108)</u>

	2015	2014	2013	Increase (Decrease)	
				2014 to 2015	2013 to 2014
Liabilities					
Current liabilities	19,068	19,275	20,526	(207)	(1,251)
Noncurrent liabilities	96,313	88,285	92,076	8,028	(3,791)
Total liabilities	115,381	107,560	112,602	7,821	(5,042)
Deferred inflows of resources	2,973	437	478	2,536	(41)
Net Position					
Net investment in capital assets	44,495	42,479	40,711	2,016	1,768
Restricted, expendable	2,542	3,166	2,850	(624)	316
Unrestricted	2,899	12,008	11,033	(9,109)	975
Total net position	\$ 49,936	57,653	54,594	(7,717)	3,059

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

Total assets decreased \$2.2 million from 2014 to 2015. There were approximately \$2.5 million in capital assets added during 2015. The largest of these were the Ball Performing Art Center roof, Lecture Hall renovations, and HVAC renovations in CSC Module A. Depreciation expense of \$4.2 million was incurred which resulted in a \$1.7 million decrease in total capital assets, net of depreciation. Total assets decreased \$1.9 million from 2013 to 2014. There were approximately \$2.4 million in capital assets added during 2014. The largest of these were the renovations to the Math/Wellness/Fitness building and the completion of the fire loop at the Emergency Services Education Center. Depreciation expense of \$4.1 million was incurred which resulted in a \$1.8 million decrease in total capital assets, net of depreciation.

Total deferred outflows of resources increased \$4.9 million from 2014 to 2015. The District issued bonds during 2015 as a partial refunding of certain outstanding 2007 Limited Tax Bonds resulting in a deferred charge on refunding of approximately \$3.6 million. In addition, with the adoption of GASBs No. 68 and 71, the District recorded pension contributions made subsequent to the plan's measurement date and differences between expected and actual economic experience of the plan totaling \$1.5 million at August 31, 2015.

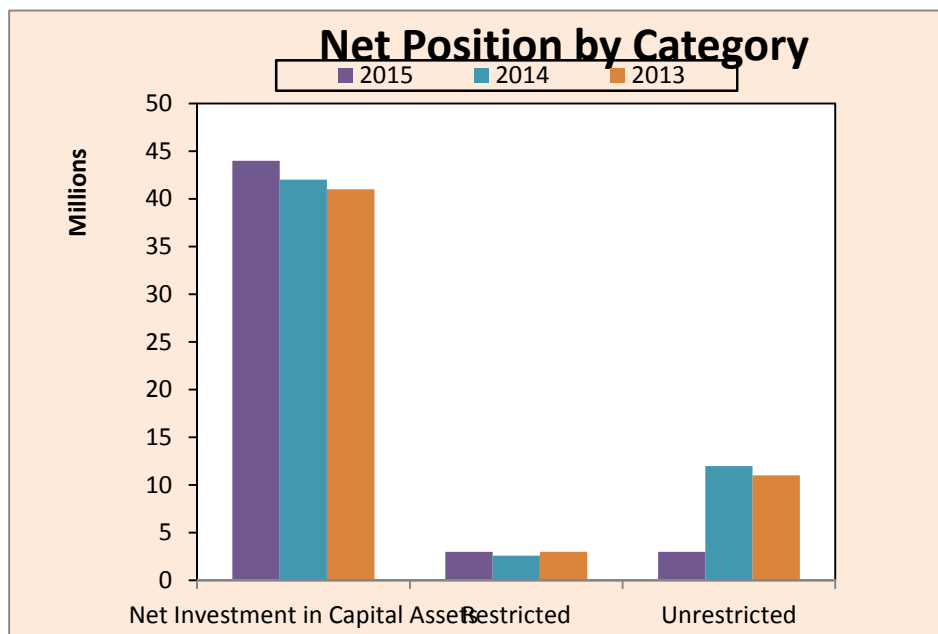
Total liabilities increased by approximately \$7.8 million from 2014 to 2015. Accounts payable decreased approximately \$500,000, consistent with the decrease in capital asset additions from 2014 to 2015. The District reflected a net pension liability of approximately \$8.4 million at August 31, 2015 with the adoption of GASB No. 68 at September 1, 2014 as noted above (the

District recorded this adoption as a cumulative effect of change in accounting principle rather than as a restatement of 2014 balances in the statement of net position and statement of revenues, expenses, and changes in net position). Total liabilities decreased by approximately \$5.0 million from 2013 to 2014. Accounts payable decreased approximately \$1.0 million as there was no significant construction activity at the end of fiscal year 2014. Unearned revenue decreased approximately \$0.8 million due to enrollment declines and completion of state grants in 2014. The remaining decrease was mainly due to the decrease in bonds payable as a result of scheduled debt service payments.

Total deferred inflows of resources increased \$2.5 million from 2014 to 2015. With the adoption of GASB No. 68, the District recorded the difference between projected and actual investment earnings for the net pension liability and changes in proportion and differences in District contributions and proportionate share of contributions to the pension plan totaling \$2.6 million at August 31, 2015.

Of the \$49.9 million in net position in 2015, approximately \$44.5 million is net investment in capital assets. This is an increase of \$2.0 million from 2014. Net position related to net investment in capital assets increased \$1.8 million from 2013 to 2014.

The following graph illustrates the comparative changes in net position by category over the past three years. The District's financial position is strong and stable as reflected in the chart. Unrestricted net position is critical to support the District's overall mission; therefore, it is important that unrestricted net position be adequately maintained. The chart illustrates that unrestricted net position has grown in a consistent manner (exclusive of the adoption of GASBs No. 68 and 71) and that the District has not been required to use these resources to fund operations. Further, the adoption of GASBs No. 68 and 71 did not put the District in a deficit unrestricted net position. Restricted net position represent balances of funds that have been received to fund specific projects. Accordingly, these balances will increase and decrease as funds are received and subsequently disbursed to fund these specific projects.



Statement of Revenues, Expenses and Changes in Net Position

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

The following table reflects a condensed version of the Statement of Revenues, Expenses and Changes in Net Position for the years ended August 31, 2015, 2014 and 2013. This summary indicates the operating loss and the overall increase in net position for each of the years displayed.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues:			
Tuition and fees, net	\$ 15,666	17,003	19,437
Other	1,505	1,469	1,570
	<u>17,171</u>	<u>18,472</u>	<u>21,007</u>
Operating expenses:			
Instruction	31,286	31,310	32,287
Public service	1,806	1,890	1,741
Academic support	2,775	2,740	2,592
Student services	3,932	3,753	3,658
Institutional support	9,123	8,693	8,707
Operation and maintenance of plant	5,335	5,409	5,356
Scholarships and fellowships	11,827	12,092	14,264
Auxiliary enterprises	1,638	1,619	1,580
Depreciation	4,196	4,128	4,029
	<u>71,918</u>	<u>71,634</u>	<u>74,214</u>
Operating loss	<u>(54,747)</u>	<u>(53,162)</u>	<u>(53,207)</u>
Non-operating revenues (expenses):			
State appropriations	16,749	17,204	16,309
Ad valorem taxes	19,956	19,282	18,697
Grants and contracts	23,314	23,537	26,246
Interest on debt	(3,434)	(3,950)	(4,189)
Other	(10)	148	670
	<u>56,575</u>	<u>56,221</u>	<u>57,733</u>
Increase in net position	<u>\$ 1,828</u>	<u>3,059</u>	<u>4,526</u>

Operating and Non-operating Revenues

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

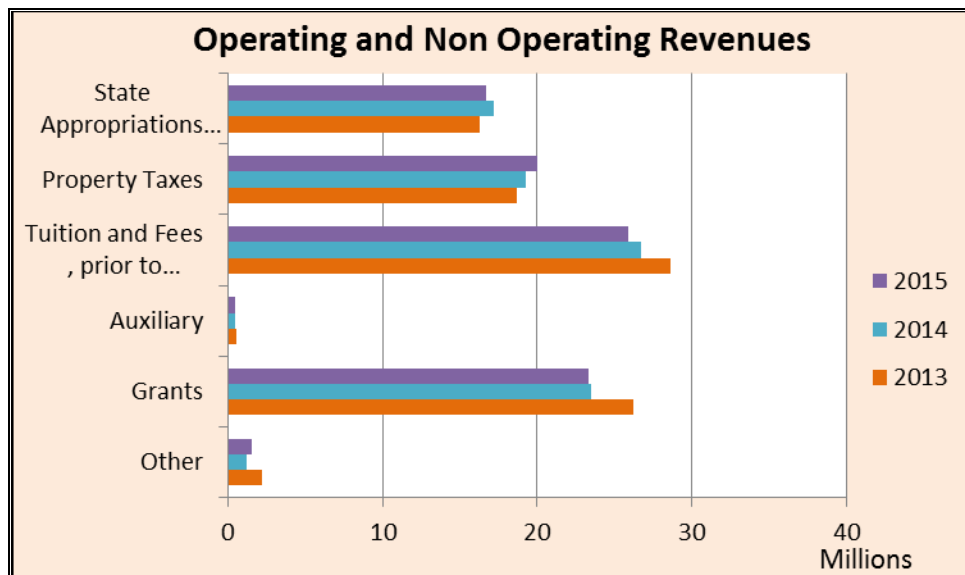
- Gross tuition and fee revenue for 2015 was \$25,944,276 and decreased from 2014 amounts by approximately \$734,000 or 2.8%. The decrease is attributable to head count declines as tuition rates remained the same from 2014 to 2015.

During 2014, the District generated a gross total of \$26,678,876 for tuition and fees charged to credit and non-credit students attending classes at the District. This is a decrease of \$1.9 million or 6.7% from fiscal year 2013. During 2013, the District generated a gross total of \$28,586,260 for tuition and fees charged to credit and non-credit students attending classes at the District.

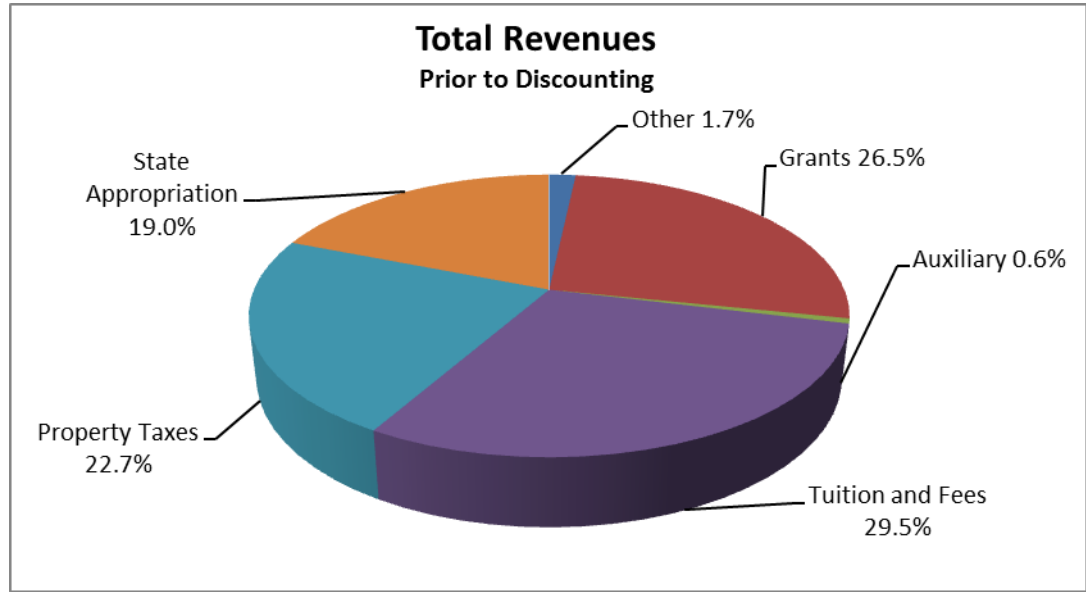
- State appropriated revenue for 2015 was \$454,749 less than 2014 due to increased funding by the District. State appropriated revenue for 2014 was \$895,286 higher than 2013 due to increased funding by the legislature. State appropriations were \$16,309,001 in 2013.
- Property tax revenue in 2015 exceeded the prior year by \$673,492, or 3.5%, while 2014 revenues exceeded 2013 amounts by \$585,457, or 3.1%. Property tax revenue in 2013 was \$18,696,980. The combined tax rate was \$0.149530 per \$100 of valuation for 2015 and \$0.151530 per \$100 valuation for 2014.
- Revenues from gifts, grants and contracts are not consistent from year to year, as private funds are given for specific purposes and many governmental grants are non-recurring. In 2015, Pell grants decreased by approximately \$392,000 from the 2014 amount. In 2014, Pell grants decreased by approximately \$1.9 million from the 2013 amount due to the continued impact from 2013 which significantly changed the appeals process for students denied a Pell grant due to satisfactory academic progress and the removal of consecutive appeal approvals.

State grants decreased by \$19,000 in 2015. State grants decreased by \$1.0 million in 2014 due to decreases in the Skills Development Grants and Jobs and Education for Texans (JET) grants.

The following presentation graphically displays revenue trends.

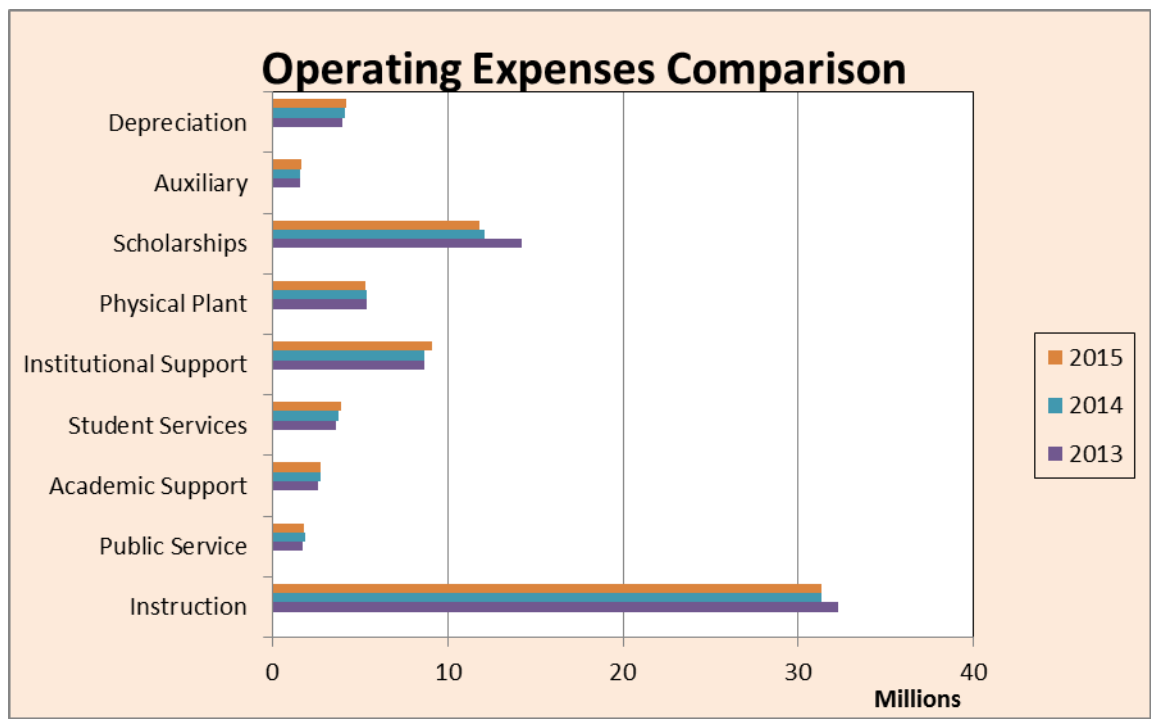


The following chart reflects revenues from all sources for fiscal year 2015. For purposes of this presentation, tuition and fees revenues are shown prior to scholarship discounts. The Statements of Revenues, Expenses and Changes in Net Position reflect these revenues net of scholarship discounts.



Operating Expenses

Functional classifications are the traditional categories that have been used to show expenses. They represent the type of programs and services provided. The following chart shows the District's 2015 expenses compared to the 2014 and 2013 expenses.



Total operating expenses for 2015 increased by approximately \$284,000 or 0.4%. Total operating expenses were \$71.6 million in 2014 and \$74.2 million in 2013. This decrease of \$2.6 million was due to decreases in Pell scholarships.

Statement of Cash Flows

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

Condensed Statements of Cash Flows

(In Thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash and cash equivalents provided by (used in):			
Operating activities	\$ (47,883)	(47,126)	(46,796)
Noncapital financing activities	41,856	58,918	51,708
Capital and related financing activities	(3,689)	(3,723)	(4,999)
Investing activities	<u>(13,963)</u>	<u>34</u>	<u>220</u>
Changes in cash and cash equivalents	<u>\$ (23,679)</u>	<u>8,103</u>	<u>133</u>

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

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

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

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

Capital Assets and Debt Administration

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

Schedule of Capital Assets
(In Thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land	\$ 6,747	6,747	6,747
Library books	3,122	3,036	2,951
Construction in progress	-	-	558
Buildings	142,367	142,366	142,365
Improvements	23,756	21,811	19,680
Furniture, equipment and vehicles	<u>7,209</u>	<u>6,764</u>	<u>6,179</u>
	<u>\$ 183,201</u>	<u>180,724</u>	<u>178,480</u>

Capital assets additions totaled approximately \$2.5 million and \$2.4 million in 2015 and 2014, respectively. Major additions in 2015 included the Lecture Hall renovations, roof renovations at the Ball Performing Arts Center, and HVAC renovations in CSC Module A. Depreciation of \$4,196,129 was incurred in fiscal year 2015. Capital assets additions totaled approximately \$4.0 million in 2013. Major additions in 2014 included the completion of the renovations to the Math/Wellness/Fitness building – Phase 2 and a new fire loop at the Emergency Services Education Center. Disposals of capital assets approximated \$117,000 in 2014. Depreciation of \$4,128,077 was incurred in fiscal year 2014.

The District had outstanding debt of approximately \$83.3 million and \$90.3 million as of August 31, 2015 and 2014, respectively.

Schedule of Outstanding Debt
(In Thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 67,370	73,605	76,330
Revenue bonds	<u>15,900</u>	<u>16,675</u>	<u>17,425</u>
	<u>\$ 83,270</u>	<u>90,280</u>	<u>93,755</u>

For additional information concerning capital assets and debt administration, see Notes 7, 8, 9, and 10 in the Notes to the Financial Statements.

Economic Factors That Will Affect the Future

The District relies upon three primary revenue sources: local taxes, tuition and fees, and state appropriations. Over the past several years, the District has responded to declining state funds by reducing costs and increasing tuition and fees and local taxes. Currently, tuition and fees account for approximately 33% of the District's total (operating and non-operating) revenue, while state appropriations and local taxes account for 22% and 26%, respectively. The District expects state funding to continue to decline and has several options to address this trend. The District

continues to rely on a proactive enrollment model to expand its course offerings based on student demand. Since its implementation in 2000, the District's enrollment has increased from approximately 5,800 students to over 8,300 students during the fall 2014 semester. The District's enrollment model identifies drops in course demand so that the District can respond accordingly. The District recently created a new research analyst position that will formalize the application of the enrollment model in relation to scheduling and building utilization.

The District has one of the lower maintenance and operations tax rates with a current rate of \$0.104343 per \$100 valuation. The District is ranked 40th out of 50 community districts with a ranking of 1 representing the highest tax rate. The District has the authority to raise its tax rate to as much as \$0.25 cents per \$100 valuation. Consequently, the District has considerable capability to offset declining state funds with tax increases, if necessary.

In addition to declining state funds, changes in Pell grant and loan requirements and the continuation of a slow economic recovery represent potential challenges for Texas community colleges. During the fall 2014 semester, headcounts show more than 70% of the 50 Texas community colleges experienced a decline in enrollment. The District experienced a 3.05% decline in enrollment during the fall 2014 semester. The large drops in previous years related to the changes in Pell grant rules appear to be leveling off. This change in enrollment also coincides with the implementation of a comprehensive student success initiative that requires all first-time-in-college students to enroll in a 1-hour student success class. This initiative and other success strategies are designed to improve retention on campus. Thus, it is anticipated that improvements in retention will to some degree offset recent enrollment declines. Although the District has experienced declines the last few fall semesters, these changes were anticipated through the use of predictive analytics. For example, the District budgeted for a 3% decline in tuition revenue this year. The decline in enrollment effectively aligns with this projection.

The District is also seeking new opportunities. The cost of attending the District is approximately 36% of the cost to attend a typical four-year state institution. In response to these findings, the District is in the process of expanding its University Center by adding new bachelor degree programs with Texas Tech University and by adding engineering courses to its offerings through Tarleton State University. The District also continued a new partnership with Baylor University, Baylor Bound, which allows students to realize substantial savings by completing their first year at the District before transferring to Baylor University. The District is planning for the continued expansion of these initiatives, which is expected to increase demand for the District's current course offerings.

Beginning in the 2014-15 biennium, Texas community colleges are funded on a new model that allocates 10% of the appropriations on the basis of student success points and 90% on contact hours. The District has been actively engaged in the development of the new model. For the 2016-17 biennium, success point funding will be based on changes in total success points for each district. That is, the District will receive additional funds if success points increase and fewer funds if success points decrease. Preliminary analyses of the proposed success point model suggest that the District will earn all of the 10% of appropriations through the success points.

The District's reliance on data-driven decision making ensures it remains in a strong financial position. Aggressive cost efficiency strategies, coupled with increases in tuition, have allowed the District to not only address declining state funds, but to invest significantly in various student

success initiatives and to substantially increase the District's net position. The District continually monitors its internal and external environments for factors that may affect the District's financial position in either the short-term or long-term.

The District is aware that in September 2014, a principal taxpayer of the District filed a lawsuit against the McLennan County Appraisal District to seek a reduction in their taxable appraised value. The impact of this lawsuit on property tax revenues of the District is unknown at this time. The District is not aware of any other additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during subsequent fiscal years.

McLennan County Junior College District

Statements of Net Position (Exhibit 1)

August 31, 2015 and 2014

<u>Assets</u>	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2015	2014	2015	2014
Current assets:				
Cash and cash equivalents	\$ 290,914	23,669,765	167,498	291,036
Short-term investments	14,001,129	-	-	-
Accounts receivable, net	14,320,984	5,328,075	882,871	1,891,144
Prepaid expenses	838,638	703,588	-	-
Restricted cash and cash equivalents	814,863	1,114,781	-	-
Inventories	25,037	24,369	-	-
Total current assets	30,291,565	30,840,578	1,050,369	2,182,180
Noncurrent assets:				
Restricted cash, cash equivalents, and investments	-	-	14,220,144	13,307,544
Capital assets, net	132,663,532	134,347,235	-	-
Other assets	2,837	3,351	49,148	60,802
Total noncurrent assets	132,666,369	134,350,586	14,269,292	13,368,346
Total assets	162,957,934	165,191,164	15,319,661	15,550,526
<u>Deferred Outflows of Resources</u>				
Deferred outflows of resources	5,332,032	459,707	-	-
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	1,947,958	2,470,138	10,953	2,104
Accrued liabilities	2,897,371	2,716,396	-	-
Funds held for others	205,740	225,130	-	-
Unearned revenue	10,281,632	10,258,332	-	-
Bonds payable - current portion	3,735,000	3,605,000	-	-
Total current liabilities	19,067,701	19,274,996	10,953	2,104
Noncurrent liabilities:				
Bonds payable	87,888,064	88,285,541	-	-
Net pension liability	8,425,251	-	-	-
Total noncurrent liabilities	96,313,315	88,285,541	-	-
Total liabilities	115,381,016	107,560,537	10,953	2,104
<u>Deferred Inflows of Resources</u>				
Deferred inflows of resources	2,973,274	436,927	-	-
<u>Net Position</u>				
Net position:				
Net investment in capital assets	44,495,078	42,479,474	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	7,887,924	7,630,582
Other	-	-	818,000	818,000
Expendable:				
Scholarships and fellowships	2,000,000	2,197,579	6,194,277	6,631,890
Debt service	541,655	968,562	-	-
Other	-	-	135,057	191,909
Unrestricted	2,898,943	12,007,792	273,450	276,041
Total net position	\$ 49,935,676	57,653,407	15,308,708	15,548,422

See accompanying notes to the financial statements.

McLennan County Junior College District

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

Years Ended August 31, 2015 and 2014

	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2015	2014	2015	2014
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Operating revenues:				
Tuition and fees (net of scholarship allowances and discounts of \$10,277,778 and \$9,675,862, respectively)	\$ 15,666,498	17,003,014	-	-
Gifts	-	-	876,202	2,750,641
Sales and services of educational activities	845,888	839,538	-	-
Auxiliary enterprises	502,710	502,624	-	-
Other operating revenues	156,251	126,978	-	-
Total operating revenues	<u>17,171,347</u>	<u>18,472,154</u>	<u>876,202</u>	<u>2,750,641</u>
Operating expenses:				
Instruction	31,285,925	31,310,353	-	-
Public service	1,805,885	1,889,963	-	-
Academic support	2,774,907	2,740,485	-	-
Student services	3,932,444	3,753,039	-	-
Institutional support	9,123,094	8,692,518	523,874	508,341
Operation and maintenance of plant	5,334,620	5,408,840	62,104	22,254
Scholarships and fellowships	11,826,977	12,091,711	313,615	320,804
Auxiliary enterprises	1,637,909	1,618,837	-	-
Depreciation	4,196,129	4,128,077	-	-
Total operating expenses	<u>71,917,890</u>	<u>71,633,823</u>	<u>899,593</u>	<u>851,399</u>
Operating income (loss)	<u>(54,746,543)</u>	<u>(53,161,669)</u>	<u>(23,391)</u>	<u>1,899,242</u>
Nonoperating revenues (expenses):				
State appropriations	16,749,538	17,204,287	-	-
Ad valorem taxes for maintenance and operations	13,919,725	13,148,553	-	-
Ad valorem taxes for debt service	6,036,204	6,133,884	-	-
Federal grants and contracts	20,369,944	20,375,599	-	-
State grants and contracts	2,849,666	2,868,745	-	-
Local grants and contracts	94,095	290,796	-	-
Investment income (loss)	47,053	34,643	(216,548)	2,062,181
Gifts	465,821	173,114	-	-
Interest on capital asset-related debt	(3,434,152)	(3,949,560)	-	-
Other nonoperating revenues (expenses), net	(523,236)	(59,366)	225	3,071
Net nonoperating revenues	<u>56,574,658</u>	<u>56,220,695</u>	<u>(216,323)</u>	<u>2,065,252</u>
Increase (decrease) in net position	<u>1,828,115</u>	<u>3,059,026</u>	<u>(239,714)</u>	<u>3,964,494</u>
Net position - beginning of year	57,653,407	54,594,381	15,548,422	11,583,928
Cumulative effect of changes in accounting principles	(9,545,846)	-	-	-
Net position - beginning of year, as restated	<u>48,107,561</u>	<u>54,594,381</u>	<u>15,548,422</u>	<u>11,583,928</u>
Net position - end of year	<u>\$ 49,935,676</u>	<u>57,653,407</u>	<u>15,308,708</u>	<u>15,548,422</u>

See accompanying notes to the financial statements.

McLennan County Junior College District
Statements of Cash Flows
(Exhibit 3)
Years Ended August 31, 2015 and 2014

	Primary Government	
	2015	2014
Cash flows from operating activities		
Receipts from students and other customers:		
Tuition and fees	\$ 15,917,834	16,660,527
Auxiliary enterprises and educational activities	1,103,494	827,131
Receipts from third-party student loans	15,170,332	21,604,992
Other receipts	156,251	126,978
Loans issued to students	(15,170,332)	(21,604,992)
Payments to employees	(33,900,189)	(33,610,661)
Payments to suppliers and students	(31,159,936)	(31,130,259)
Net cash used in operating activities	<u>(47,882,546)</u>	<u>(47,126,284)</u>
Cash flows from noncapital financing activities		
Receipts of state appropriations	13,456,451	13,456,451
Receipts from ad valorem taxes for maintenance and operation	13,894,633	13,138,165
Receipts of grants and contracts	14,363,038	32,205,675
Receipts from gifts for other than capital purposes	141,997	118,059
Net cash provided by noncapital financing activities	<u>41,856,119</u>	<u>58,918,350</u>
Cash flows from capital and related financing activities		
Receipts from ad valorem taxes for debt service	6,025,008	6,133,913
Other receipts	17,019	2,000
Purchases of capital assets	(2,187,124)	(2,360,250)
Payments on capital debt principal	(3,950,000)	(3,475,000)
Payments on capital debt interest	(3,596,047)	(4,077,828)
Other payments	2,118	54,536
Net cash used in capital and related financing activities	<u>(3,689,026)</u>	<u>(3,722,629)</u>
Cash flows from investing activities		
Receipts from interest on investments	37,813	33,536
Proceeds from sales or maturities of investments	1,998,460	-
Purchases of investments	(15,999,589)	-
Net cash provided by (used in) investing activities	<u>(13,963,316)</u>	<u>33,536</u>
Net increase (decrease) in cash and cash equivalents	(23,678,769)	8,102,973
Cash and cash equivalents - beginning of year	<u>24,784,546</u>	<u>16,681,573</u>
Cash and cash equivalents - end of year	<u>\$ 1,105,777</u>	<u>24,784,546</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (54,746,543)	(53,161,669)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	4,196,129	4,128,077
On-behalf payments	3,293,087	3,747,836
Change in assets and liabilities:		
Receivables, net	429,536	(462,756)
Inventories	(668)	3,568
Prepaid expenses	(135,050)	(429,120)
Deferred outflows of resources	(803,507)	-
Accounts payable	(522,180)	(999,920)
Accrued liabilities	51,190	442,462
Funds held for others	(19,390)	(2,242)
Unearned revenue	(403,914)	(392,520)
Net pension liability	778,764	-
Net cash used in operating activities	<u>\$ (47,882,546)</u>	<u>(47,126,284)</u>
Noncash capital, financing and investing activities:		
Contributed equipment	<u>\$ 325,303</u>	<u>-</u>
State appropriations on-behalf payments	<u>\$ 3,293,087</u>	<u>3,747,836</u>
Deferred charge on refunding	<u>\$ 3,586,036</u>	<u>-</u>

See accompanying notes to the financial statements.

McLennan County Junior College District

Notes to Financial Statements

August 31, 2015 and 2014

(1) Nature of Operations and Reporting Entity

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

McLennan Community College Foundation (the Foundation) is a legally separate, tax-exempt entity organized to solicit and receive support for purposes of developing and extending the facilities of the District and enhancing the educational opportunities of residents in the geographical area the District serves. The Foundation receives a significant portion of its revenue from individuals and businesses in the Central Texas area. The District does not control the timing or amount of receipts from the Foundation. However, the majority of resources or income thereon that the Foundation holds and invests is for the benefit of the District or its constituents. Because the net position of the Foundation compared to the District is significant, because substantially all resources held by the Foundation can only be used by, or for the benefit of, the District, and because the Foundation has historically provided resources to the District or its constituents, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements. During the years ended August 31, 2015 and 2014, the Foundation expended \$564,611 and \$534,823, respectively, directly to the District or to the District on behalf of students. Complete financial statements for the Foundation can be obtained from the Foundation office at 1400 College Drive, Waco, Texas 76708.

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

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

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

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

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences. Certain reclassifications have been made to the 2014 financial statements to make them comparable to those in the current year.

(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

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

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 position since they do not constitute expenditures or liabilities.

(c) Scholarship Allowances and Discounts

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

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

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

(d) Cash and Cash Equivalents

Cash equivalents of \$537,828 and \$882,595 at August 31, 2015 and 2014, respectively, consist of public funds investment pools. Cash equivalents are considered to be highly liquid debt instruments with original maturities of three months or less from the date of acquisition.

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 and cash equivalents represent resources accumulated for debt service payments for the Series 2007, 2013, and 2015 limited tax bonds payable and 2009 and 2010 revenue bonds payable at August 31, 2015 and 2014.

(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. Short-term investments have an original maturity greater than three months but less than one year at time of purchase.

(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 Outflows and Inflows of Resources

The District reports decreases in net position that relate to future periods as deferred outflows of resources and increases in net position that relate to future periods as deferred inflows of resources. Deferred outflows of resources at August 31, 2015 and 2014 represent the following: (1) deferred charges on bond refundings resulting from the differences in carrying values of the refunded debt and its reacquisition price (\$3,850,575 and \$459,707, respectively). This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt; (2) pension contributions made by the District subsequent to the measurement date (\$803,507 and \$-0-, respectively). This amount will be recognized as a reduction of the net pension liability in the following year; (3) differences between expected and actual economic experience (\$130,299 and \$-0-, respectively). This amount will be amortized ratably into pension expenses; and (4) changes in assumptions for the net pension liability (\$547,651 and \$-0-, respectively). This amount will be amortized ratably into pension expense. Deferred inflows of resources at August 31, 2015 and 2014 represent the following: (1) deferred gains on bond refundings resulting from the differences in carrying values of the refunded debt and its reacquisition price (\$395,965 and \$436,927, respectively). This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt; (2) difference between projected and actual investment earnings for the net pension liability (\$2,575,101 and \$-0-, respectively). This amount will be amortized ratably into pension expense; and (3) changes in proportion and differences in District contributions and proportionate share of contributions to the pension plan (\$2,208 and \$-0-, respectively). This amount will be amortized ratably into pension expense.

(i) Unearned Revenue

Unearned revenue of the District at August 31, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Tuition and fees	\$ 9,228,880	9,551,234
Contributions	120,000	160,000
Federal grants	163,150	20,337
Scholarships	49,296	90,856
State grants	<u>720,306</u>	<u>435,905</u>
	<u>\$ 10,281,632</u>	<u>10,258,332</u>

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

For purposes of measuring the net pension liability, related deferred outflows and inflows of resources, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(k) Use of Estimates

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

(l) Reclassifications

Certain reclassifications have been made to the 2014 financial statements to make them comparable to those in the current year.

(3) Changes in Accounting Principles

The District adopted the provisions of Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68* effective September 1, 2014. GASB No. 68 provides new requirements for accounting for defined benefit pension plans, primarily focusing on the recognition of a net pension liability in the statement of net position. The cumulative effect of this change in accounting principle decreased unrestricted net position by \$10,345,518 at September 1, 2014. GASB No. 71 provides requirements on accounting and reporting for contributions made to defined benefit pension plans after the measurement date, primarily focusing on the recognition of a deferred outflow of resources in the statement of net position. The cumulative effect of this change in accounting principle increased unrestricted net position by \$799,672 at September 1, 2014. It was not practical to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions at September 1, 2014; consequently, beginning balances for deferred inflows of resources and deferred outflows

McLennan County Junior College District

Notes to Financial Statements (Continued)

(3) Changes in Accounting Principles (continued)

of resources related to pensions (except for pension contributions made subsequent to the measurement date of the beginning net pension liability) were not reported. Further, restatement of the 2014 financial statements was not practical, consequently, the cumulative effect of applying GASB Nos. 68 and 71 was reported as a restatement of net position at September 1, 2014.

(4) 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.

(5) Deposits and Investments

Deposits and investments of the District at August 31, 2015 and 2014 consist of the following:

	2015	2014
<u>Deposits</u>		
Cash - demand deposits	\$ 187,160	10,257,484
Cash - certificates of deposit	378,507	13,642,217
Cash - petty cash on hand	2,282	2,250
Total deposits	567,949	23,901,951
<u>Investments - cash equivalents</u>		
TexasTERM Local Government		
Investment Pool	8,330	8,324
Texas Local Government Investment Pool	529,220	873,994
Lone Star Investment Pool	278	277
Total cash and cash equivalents	1,105,777	24,784,546
<u>Investments</u>		
U.S. government agency securities	14,001,129	-
Other investments	2,837	3,351
Total investments	14,003,966	3,351
Total deposits and investments	\$ 15,109,743	24,787,897

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(5) Deposits and Investments (continued)

Deposits and investments of the Foundation at August 31, 2015 and 2014 consist of the following:

Cash - demand deposits	\$	97,489	221,027
Cash - certificates of deposit		70,009	70,009
Total deposits		<u>167,498</u>	<u>291,036</u>
 <u>Investments</u>			
Funds of a management investment company	\$	12,602,353	12,745,106
Equity securities		1,064,760	301,374
Other investments		553,031	261,064
Total investments		<u>14,220,144</u>	<u>13,307,544</u>
 Total deposits and investments	\$	<u>14,387,642</u>	<u>13,598,580</u>
		<u>2015</u>	<u>2014</u>

The weighted average maturity of investments (in days) of the District at August 31, 2015 and 2014 consists of the following:

Investment Pool	33	45
Texas Local Government Investment Pool	41	53
Lone Star Investment Pool	37	49
U.S. government agency securities	336	-

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

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(5) Deposits and Investments (continued)

for such investment cannot exceed five years except for the purchase of investments related to the refunding of bonds in which case the maturity of the escrowed amount cannot exceed the life of the bond.

Credit Risk. Credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill obligations related to the investment. It is the District's policy to limit its investments in a manner that ensures the preservation of capital in the overall portfolio. Specifically, public funds investment pools must be rated not less than AAA or an equivalent rating by at least one nationally recognized rating service. At August 31, 2015 and 2014, 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, 2015 and 2014 include deposits in the Texas Local Government Investment Pool, TexasTERM Local Government Investment Pool, and Lone Star Investment Pool (collectively, the Pools). These pools are public funds investment pools created pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to the Pools as custodians and to make investment purchases with the District's funds. The District does not own specific, identifiable investment securities with the Pools.

TexasTERM Local Government Investment Pool is a public funds investment pool organized under a common investment contract managed by an elected advisory board. TexasTERM Local Government Investment Pool is a non-taxable investment fund established for local governments in Texas under the provisions of the Texas Interlocal Cooperation Act. The pool offers two investment portfolios, TexasTERM and TexasDAILY. The District has investments in the TexasDAILY portfolio. TexasDAILY 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.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(5) Deposits and Investments (continued)

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.

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.

(6) Disaggregation of Accounts Receivable and Accrued Liabilities

Accounts receivable at August 31, 2015 and 2014 consisted of the following:

	2015	2014
Auxiliary and other	\$ 5,307,747	4,611,746
Tuition and fees	8,030,508	(294,852)
Taxes	1,525,913	1,080,472
Federal and state grants	737,348	689,861
Interest	9,958	1,682
	15,611,474	6,088,909
Less allowance for doubtful accounts	(1,290,490)	(760,834)
Accounts receivable, net	\$ 14,320,984	5,328,075

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(6) Disaggregation of Accounts Receivable and Accrued Liabilities (continued)

Accrued liabilities at August 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Salaries and benefits payable	\$ 801,288	808,365
Claims liability	200,628	200,628
Interest payable	529,787	400,002
Other payables	<u>1,365,668</u>	<u>1,307,401</u>
Accrued liabilities	\$ <u><u>2,897,371</u></u>	<u><u>2,716,396</u></u>

(7) Capital Assets

Capital asset activity for the year ended August 31, 2015 was as follows:

	<u>Balance September 1, 2014</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance August 31, 2015</u>
Capital assets not being depreciated:				
Land	\$ 6,747,040	-	-	<u>6,747,040</u>
Capital assets, being depreciated:				
Buildings and building improvements	142,366,299	-	894	142,367,193
Other real estate improvements	<u>21,811,902</u>	<u>1,944,120</u>	-	<u>23,756,022</u>
Total buildings and other real estate improvements	164,178,201	1,944,120	894	166,123,215
Library books	3,035,559	86,873	-	3,122,432
Furniture and equipment	<u>6,763,586</u>	<u>481,433</u>	<u>(35,950)</u>	<u>7,209,069</u>
Total buildings and other capital assets	<u>173,977,346</u>	<u>2,512,426</u>	<u>(35,056)</u>	<u>176,454,716</u>
Less accumulated depreciation:				
Buildings and building improvements	31,283,159	2,679,444	894	33,963,497
Other real estate improvements	<u>8,705,655</u>	<u>868,864</u>	-	<u>9,574,519</u>
Total buildings and other real estate improvements	39,988,814	3,548,308	894	43,538,016
Library books	2,425,397	79,555	-	2,504,952
Furniture and equipment	<u>3,962,940</u>	<u>568,266</u>	<u>(35,950)</u>	<u>4,495,256</u>
Total accumulated depreciation	<u>46,377,151</u>	<u>4,196,129</u>	<u>(35,056)</u>	<u>50,538,224</u>
	<u>127,600,195</u>	<u>(1,683,703)</u>	-	<u>125,916,492</u>
Net capital assets	\$ <u><u>134,347,235</u></u>	<u><u>(1,683,703)</u></u>	-	<u><u>132,663,532</u></u>

McLennan County Junior College District

Notes to Financial Statements (Continued)

(7) Capital Assets (continued)

Capital asset activity for the year ended August 31, 2014 was as follows:

	Balance September 1, 2013	Additions	Transfers and Retirements	Balance August 31, 2014
Capital assets not being depreciated				
Land	\$ 6,747,040	-	-	6,747,040
Construction in progress	557,596	-	(557,596)	-
	<u>7,304,636</u>	<u>-</u>	<u>(557,596)</u>	<u>6,747,040</u>
Capital assets, being depreciated				
Buildings and building improvements	142,365,404	895	-	142,366,299
Other real estate improvements	19,680,208	2,131,694	-	21,811,902
Total buildings and other real estate improvements	162,045,612	2,132,589	-	164,178,201
Library books	2,950,523	85,036	-	3,035,559
Furniture and equipment	6,178,778	701,476	(116,668)	6,763,586
Total buildings and other capital assets	<u>171,174,913</u>	<u>2,919,101</u>	<u>(116,668)</u>	<u>173,977,346</u>
Less accumulated depreciation:				
Buildings and building improvements	28,603,715	2,679,444	-	31,283,159
Other real estate improvements	7,852,402	853,253	-	8,705,655
Total buildings and other real estate improvements	36,456,117	3,532,697	-	39,988,814
Library books	2,346,251	79,146	-	2,425,397
Furniture and equipment	3,503,832	516,234	(57,126)	3,962,940
Total accumulated depreciation	<u>42,306,200</u>	<u>4,128,077</u>	<u>(57,126)</u>	<u>46,377,151</u>
	<u>128,868,713</u>	<u>(1,208,976)</u>	<u>(59,542)</u>	<u>127,600,195</u>
Net capital assets	<u>\$ 136,173,349</u>	<u>(1,208,976)</u>	<u>(617,138)</u>	<u>134,347,235</u>

McLennan County Junior College District

Notes to Financial Statements (Continued)

(8) Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2015 was as follows:

	Balance September 1, 2014	Additions	Reductions	Balance August 31, 2015	Current Portion
Bonds payable:					
Refunding revenue					
bonds payable	\$ 2,375,000	-	560,000	1,815,000	580,000
Revenue bonds payable	14,300,000	-	215,000	14,085,000	225,000
Limited tax bonds payable	59,045,000	-	57,405,000	1,640,000	1,640,000
Refunding limited					
tax bonds payable	14,560,000	52,765,000	1,595,000	65,730,000	1,290,000
Bond issuance premiums					
and discounts	1,610,541	7,188,409	445,886	8,353,064	-
Net pension liability	10,345,518 *	5,668,286	7,588,553	8,425,251	-
	<u>\$ 102,236,059</u>	<u>65,621,695</u>	<u>67,809,439</u>	<u>100,048,315</u>	<u>3,735,000</u>

* As noted in Note 3 to the financial statements, the District adopted the provision of GASB No. 68, effective September 1, 2014, which resulted in the recognition of a net pension liability of \$10,345,518 at September 1, 2014.

Long-term liability activity for the year ended August 31, 2014 was as follows:

	Balance September 1, 2013	Additions	Reductions	Balance August 31, 2014	Current Portion
Bonds payable:					
Refunding revenue					
bonds payable	\$ 2,915,000	-	540,000	2,375,000	560,000
Revenue bonds payable	14,510,000	-	210,000	14,300,000	215,000
Limited tax bonds					
payable	60,565,000	-	1,520,000	59,045,000	1,580,000
Refunding limited					
tax bonds payable	15,765,000	-	1,205,000	14,560,000	1,250,000
Issuance premiums					
and discounts	1,796,107	-	185,566	1,610,541	-
	<u>\$ 95,551,107</u>	<u>-</u>	<u>3,660,566</u>	<u>91,890,541</u>	<u>3,605,000</u>

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(8) Long-Term Liabilities (continued)

Bonds payable are comprised of the following individual issues:

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

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

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

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

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

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

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

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

\$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.

\$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.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(8) Long-Term Liabilities (continued)

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

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

Bonds payable are due in annual installments varying from \$70,000 to \$5,535,000 with interest rates from 2% to 5.75% with the final installment in 2032. Debt service requirements to amortize bonds payable as of August 31, 2015, are as follows:

For the Year Ended August 31,	Revenue Bonds		Tax Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 805,000	634,921	2,930,000	2,799,350
2017	835,000	605,146	2,945,000	2,696,050
2018	870,000	573,821	3,035,000	2,608,700
2019	895,000	540,859	3,110,000	2,529,175
2020	930,000	511,701	3,270,000	2,447,550
2021 - 2025	5,200,000	2,004,955	17,920,000	10,789,650
2026 - 2030	6,365,000	842,180	23,305,000	5,762,150
2031 - 2032	-	-	10,855,000	766,300
	<u>\$ 15,900,000</u>	<u>5,713,583</u>	<u>67,370,000</u>	<u>30,398,925</u>

The District has pledged certain future tuition and fees to repay \$15.9 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 \$21.6 million. Principal and interest paid for the current year and total of pledged tuition and fees were approximately \$1.4 million and \$3.0 million, respectively.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(9) Advance Refunding

On May 10, 2015, the District issued \$52,765,000 of Refunding Limited Tax Bonds – Series 2015 with interest rates ranging from 2% to 5%. The District issued the bonds to advance refund \$55,825,000 of the outstanding Limited Tax Bonds – Series 2007. Approximately \$59.9 million of the proceeds were deposited in an irremovable trust to provide for all future debt service on the refunding portion of the 2007 bonds. As a result, that portion of the 2007 series bond is considered defeased, and the District has removed the liability from the accompanying Statement of Net Position. The reacquisition price exceeded the net carrying amount on the refunded portion of the 2007 series bond by \$3,586,036. This amount is reflected as a deferred charge on refunding and amortized over the remaining life of the refunded debt which is equal to the life of the new debt. This advance refunding was undertaken to reduce total debt service payments over the next seventeen years by \$7,588,118 and resulted in an economic gain of \$5,956,196.

(10) Defeased Bonds Outstanding

In prior years and during 2015, 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, 2015, the following bonds outstanding are considered defeased:

	Year Refunded	Balance Outstanding
Refunding and Improvement Revenue		
Bonds - Series 1992	1995	\$ 1,885,000
Limited Tax Bonds - Series 1999	2005	5,170,000
Refunding Revenue Bonds - Series 1995	2006	1,895,000
Refunding Limited Tax Bonds - Series 2005	2013	5,065,000
Limited Tax Bonds - Series 2007	2013	8,550,000
Limited Tax Bonds - Series 2017	2015	55,825,000
		\$ 78,390,000

(11) Employees' Retirement Plan

Plan Description. The District participates in a cost-sharing, multiple employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(11) Employees' Retirement Plan (continued)

established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas state legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to TRS, 1000 Red River Street, Austin, Texas 78701, by calling TRS at (512) 542-6592, or by downloading the report from the TRS Internet website, www.trns.state.tx.us, under the TRS Publications heading.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 % (multiplier) times the average of the five highest creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on the date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas legislature as noted in the plan description above.

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

McLennan County Junior College District

Notes to Financial Statements (Continued)

(11) Employees' Retirement Plan (continued)

the General Appropriations Act of the state. In certain instances, the District is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceed the statutory minimum.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employee contribution rates for fiscal years 2014 and 2015. Contribution rates were as follows:

<u>Year</u>	<u>Member</u>		<u>State</u>		<u>District</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2015	6.7%	\$ 1,209,885	6.8%	\$ 424,586	6.8%	\$ 803,507
2014	6.4%	1,123,007	6.8%	402,569	6.8%	799,672
2013	6.4%	1,108,681	N/A	952,134	6.4%	786,873

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

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

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

McLennan County Junior College District

Notes to Financial Statements (Continued)

(11) Employees' Retirement Plan (continued)

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

Actuarial Assumptions. The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2014
Actuarial cost method	Individual entry age, normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	5 year market value
Actuarial assumptions:	
Discount rate	8.00%
Long-term expected investment rate of return	8% (includes inflation of 3%)
Salary increases	4.25% to 7.25% (includes inflation of 3%)
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are primarily based on a study of actuarial experience for the four-year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011, they contained a significant margin for possible future mortality improvements. As of the date of the valuation, there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees have decreased to add additional margin for future improvements in mortality in accordance with the Actuarial Standards Practice No. 35.

The long-term expected rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2014 are summarized below:

McLennan County Junior College District

Notes to Financial Statements (Continued)

(11) Employees' Retirement Plan (continued)

Asset Class	Target Allocation	Real Return Geometric Basis	Expected Portfolio Real Rate of Return *
Global Equity:			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value:			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return:			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity:			
Risk Parity	5%	8.9%	0.4%
Alpha	0%		1.0%
Total	<u>100%</u>		<u>8.7%</u>

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(11) Employees' Retirement Plan (continued)

Discount Rate Sensitivity Analysis. The following schedule shows the impact to the District's net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the net pension liability at August 31, 2015:

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
District's proportionate share of the net pension liability	\$ 15,055,413	8,425,251	3,467,125

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, the District reported a liability of \$8,425,251 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District is as follows:

District's proportionate share of the net pension liability	\$ 8,425,251
State's proportionate share of the net pension liability associated with the District	4,294,738
Total	\$ 12,719,989

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all participating employers and the State to the plan for the period September 1, 2013 to August 31, 2014. The District's proportion of the collective net pension liability was 0.0315%.

There were no changes of assumptions, benefit terms, or other inputs that affected measurement of the total pension liability during the measurement period. There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the District's reporting date. A 1.5% contribution for

McLennan County Junior College District

Notes to Financial Statements (Continued)

(11) Employees' Retirement Plan (continued)

employers not paying Old Age Survivor and Disability Insurance on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the District's proportion cannot be determined at this time.

For the year ended August 31, 2015, the District recognized pension expense of \$1,175,805 and revenue of \$424,586 for support provided by the State.

At August 31, 2015, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to the defined benefit pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 130,299	-
Changes in actuarial assumptions	547,651	-
Differences between projected and actual investment earnings	-	2,575,101
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	-	2,208
Contributions paid to TRS subsequent to the measurement date	<u>803,507</u>	<u>-</u>
Total	<u>\$ 1,481,457</u>	<u>2,577,309</u>

The \$803,507 reported as deferred outflows of resources related to contributions paid to TRS subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year 2016. The other net amounts of reported deferred outflows of resources and deferred inflows of resources related to the plan will be recognized in pension expense as follows:

<u>For the Year Ended August 31,</u>	<u>Pension Expense</u>
2016	\$ (529,778)
2017	(529,778)
2018	(529,778)
2019	(529,778)
2020	113,997
Thereafter	<u>105,756</u>
	<u>\$ (1,899,359)</u>

McLennan County Junior College District

Notes to Financial Statements (Continued)

(11) Employees' Retirement Plan (continued)

Optional Retirement Program. The state has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program (ORP) is in lieu of participation in TRS. ORP provides for the purchase of annuity contracts. Beginning September 1, 2013, the state legislature limited the state contribution rate to 50% of the member rate. The percentages of participant salaries currently contributed by the state and each participant are 3.3% and 6.6%, respectively. The District supplements an additional 5.2%. Since these are individual annuity contracts, the state and the District have no additional or unfunded liability for this program.

Actual Funding. Contribution rates as a percentage of compensation and contributions made for ORP for 2013, 2014 and 2015 are shown in the table below.

<u>Year</u>	Member		State	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2015	6.6%	\$ 774,227	3.3%	\$ 381,980
2014	6.6%	773,873	3.3%	381,847
2013	6.4%	745,037	N/A	687,103

The total payroll for all College employees was \$33,893,112, \$33,593,890, and \$33,751,856 for the years ended August 31, 2015, 2014, and 2013, respectively. The total payroll of employees covered by ORP was \$11,730,718, \$11,725,355, and \$11,641,203 for the years ended August 31, 2015, 2014, and 2013, respectively.

(12) 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 \$593,550 at both August 31, 2015 and 2014, respectively. It is the District's policy to classify the entire amount of compensated absences as a current liability since substantially all is used in the following fiscal year and is reflected as such in the accompanying Statements of Net Position. Sick leave, which can be accumulated up to 960 hours, is earned at the rate of eight hours per month. The District's policy is to recognize the cost of sick leave when paid. A liability for unpaid sick leave is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal and benefits are not vested.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(13) Operating Lease Commitments

The District leases certain equipment under operating leases through 2019. Included in operating expenses for the years ended August 31, 2015 and 2014 is \$46,164 and \$73,124, 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, 2015 for each of the next four years are as follows:

<u>Year Ended</u> <u>August 31</u>	
2016	\$ 40,692
2017	31,287
2018	28,152
2019	4,692

(14) 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 \$183,759. 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:

	2015	2014
Unpaid claims, beginning of year	\$ 200,628	200,628
Incurred claims (including IBNR) and changes to prior year estimates	(44,920)	(50,939)
Claim payments	44,920	50,939
Unpaid claims, end of year	\$ 200,628	200,628

McLennan County Junior College District

Notes to Financial Statements (Continued)

(15) Post-Retirement Health Care Benefits

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

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

The employer's share of the cost of retiree healthcare coverage above the cost charged using a blended rate is known as the implicit rate subsidy. It is measured as the difference between the claims costs for the retirees and the amounts contributed by the retirees determined on a pay-as-you-go basis. State contributions to SRHP made on behalf of the District for the years ended August 31, 2015, 2014, and 2013 were \$650,683, \$1,169,534, and \$1,062,669, 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, 2015, 2014, and 2013 were \$800,432, \$128,812, and \$109,335, respectively, which equaled the remaining required contributions each year.

(16) Related Parties

During the years ended August 31, 2015 and 2014, the District furnished office space, utilities and staffing amounting to approximately \$277,000 and \$263,000, respectively, at no cost to the Foundation.

(17) 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:

	2015	2014
Assessed valuation of the District	\$ 17,815,208,422	16,531,869,952
Less: Abatements	49,954,264	61,890,851
Less: Exemptions	4,022,291,767	3,640,007,310
Net assessed valuation of the District	\$ 13,742,962,391	12,829,971,791

McLennan County Junior College District

Notes to Financial Statements (Continued)

(17) Ad Valorem Property Taxes (continued)

Tax rates authorized and assessed during fiscal year 2015 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	0.104343	0.045187	0.149530

Tax rates authorized and assessed during fiscal year 2014 were 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	0.103322	0.048208	0.151530

Taxes levied for the year ended August 31, 2015 are \$20,562,417. 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, 2015 are as follows:

	Current Operations	Debt Service	Total
Current taxes collected	\$ 13,800,421	5,976,438	19,776,859
Delinquent taxes collected	187,226	88,441	275,668
Penalties and interest collected	141,418	61,769	203,187
Total collections	\$ 14,129,065	6,126,649	20,255,714

Taxes levied for the year ended August 31, 2014 were \$19,468,210. Tax collections for the year ended August 31, 2014 were as follows:

	Current Operations	Debt Service	Total
Current taxes collected	\$ 13,032,526	6,080,717	19,113,243
Delinquent taxes collected	167,165	82,213	249,378
Penalties and interest collected	141,517	65,282	206,799
Total collections	\$ 13,341,208	6,228,212	19,569,420

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(17) Ad Valorem Property Taxes (continued)

Current tax collections for each of the years ended August 31, 2015 and 2014 were approximately 96% and 98%, respectively, of the current tax levy. An allowance for uncollectible taxes is based upon the historical experience in collecting property taxes.

(18) 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.

(19) 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 2015 or 2014.

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

(20) 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.

(21) Contracts and Grants

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

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(21) Contracts and Grants (continued)

Statements of Net Position. Contract and grant awards that are not yet funded, and for which the District has not yet performed services, are not included in the financial statements. Such contract and grant awards already committed total \$2,138,089 and \$2,167,870 at August 31, 2015 and 2014, respectively, for federal contract and grant awards and \$300,081 and \$271,953 at August 31, 2015 and 2014, respectively, for state contract and grant awards.

(22) 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.

(23) 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. 72, Fair Value Measurement and Application (Statement 72) – The objective of Statement 72 is to enhance comparability of financial statements among entities by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques and to enhance fair value application guidance and disclosures in order to provide information to financial statement users about the impact of fair value measurements on an entity's financial position. The provisions of Statement 72 are effective for financial statements for periods beginning after June 15, 2015.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Statement 75) – The objective of Statement 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and to improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions of Statement 75 are effective for financial statements for periods beginning after June 15, 2017.

GASB Statement No. 77, Tax Abatement Disclosures (Statement 77) – The objective of Statement 77 is to improve disclosures on the nature and magnitude of tax abatements, specifically how tax abatements affect a government's future ability to raise resources and

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(23) Authoritative Pronouncements Not Yet Effective (continued)

meet its financial obligations and the impact those abatements have on a government's financial position and economic condition. The provisions of Statement 77 are effective for financial statements for periods beginning after December 15, 2015.

(24) Subsequent Events

The District has evaluated subsequent events from the date of the statements of net position through November 25, 2015, the date on which the financial statements were available to be issued, and has determined that there are no items to disclose.

Required Supplementary Information

McLennan County Junior College District

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

Last Ten Years

	2015
District's proportion of the net pension liability	0.000315418
District's proportionate share of the net pension liability	\$ 8,425,251
State's proportionate share of the net pension liability associated with the District	4,294,738
Total	\$ 12,719,989
District's covered-employee payroll	\$ 17,546,985
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	48.0%
Plan's fiduciary net position as a percentage of the total pension liability	83.3%

Note:

Information for fiscal years prior to 2015 is not available.

McLennan County Junior College District

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

Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contributions	\$ 803,507	799,672	786,873	724,308	939,260	916,970	826,359	734,695	638,637	595,772
Contributions in relation to the contractually required contribution	<u>803,507</u>	<u>799,672</u>	<u>786,873</u>	<u>724,308</u>	<u>939,260</u>	<u>916,970</u>	<u>826,359</u>	<u>734,695</u>	<u>638,637</u>	<u>595,772</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employee payroll	\$ <u>18,057,981</u>	<u>17,546,985</u>	<u>17,323,138</u>	<u>16,758,099</u>	<u>16,738,034</u>	<u>16,010,503</u>	<u>14,725,829</u>	<u>13,186,814</u>	<u>12,477,123</u>	<u>11,736,016</u>
Contributions as a percentage of covered employee payroll	<u>\$ 4.45%</u>	<u>4.56%</u>	<u>4.54%</u>	<u>4.32%</u>	<u>5.61%</u>	<u>5.73%</u>	<u>5.61%</u>	<u>5.57%</u>	<u>5.12%</u>	<u>5.08%</u>

Supplemental Information

McLennan County Junior College District

Schedule of Operating Revenues (Schedule A)

Year Ended August 31, 2015
(With Memorandum Totals for the Year Ended August 31, 2014)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total	
					2015	2014
Tuition and fees:						
State funded credit courses:						
In-district resident tuition	\$ 14,245,293	-	14,245,293	-	14,245,293	15,163,901
Out-of-district resident tuition	3,839,450	-	3,839,450	-	3,839,450	3,800,099
Non-resident tuition	1,472,129	-	1,472,129	-	1,472,129	1,297,011
TPEG - credit (set aside)	1,079,881	-	1,079,881	-	1,079,881	1,128,779
State funded continuing education						
TPEG - non-credit (set aside)	1,121,004	-	1,121,004	-	1,121,004	847,459
Non-state funded educational programs	9,697	-	9,697	-	9,697	13,645
	27,185	-	27,185	-	27,185	29,133
Total tuition	21,794,639	-	21,794,639	-	21,794,639	22,280,027
Fees:						
Installment plan fees	82,500	-	82,500	-	82,500	72,825
Facility fees	1,093,007	-	1,093,007	-	1,093,007	1,136,936
General fees	546,504	-	546,504	-	546,504	568,468
Laboratory fees	804,941	-	804,941	-	804,941	817,938
Other fees	1,622,685	-	1,622,685	-	1,622,685	1,802,682
Total fees	4,149,637	-	4,149,637	-	4,149,637	4,398,849
Scholarship allowances and discounts:						
Remissions and exemptions	(1,069,183)	-	(1,069,183)	-	(1,069,183)	(1,154,974)
Title IV federal grants	(6,711,631)	-	(6,711,631)	-	(6,711,631)	(6,325,190)
TPEG awards	(1,288,283)	-	(1,288,283)	-	(1,288,283)	(813,329)
Other state grants	(381,579)	-	(381,579)	-	(381,579)	(425,789)
Other local grants	(827,102)	-	(827,102)	-	(827,102)	(956,580)
Total scholarship allowances	(10,277,778)	-	(10,277,778)	-	(10,277,778)	(9,675,862)
Total net tuition and fees	15,666,498	-	15,666,498	-	15,666,498	17,003,014
Additional operating revenues:						
Sales and services of educational activities	845,888	-	845,888	-	845,888	839,538
General operating revenues	156,251	-	156,251	-	156,251	126,978
Total additional operating revenues	1,002,139	-	1,002,139	-	1,002,139	966,516
Auxiliary enterprises:						
Bookstore (outsourced)	-	-	-	435,431	435,431	419,505
Other auxiliary enterprises	-	-	-	67,279	67,279	83,119
Total net auxiliary enterprises	-	-	-	502,710	502,710	502,624
Total operating revenues	\$ 16,668,637	-	16,668,637	502,710	17,171,347	18,472,154

In accordance with Education Code 56.033, \$1,089,578 and \$1,142,424 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2015 and 2014, respectively.

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Operating Expenses by Object (Schedule B)

Year Ended August 31, 2015

(With Memorandum Totals for the Year Ended August 31, 2014)

	Operating Expenses				Total	
	Salaries and Wages	Benefits		Other Expenses	2015	2014
		State	Local			
Unrestricted - educational activities:						
Instruction	\$ 21,956,857	-	2,910,056	2,743,928	27,610,841	27,257,117
Public service	168,462	-	18,956	136,042	323,460	277,948
Academic support	1,663,529	-	216,688	584,868	2,465,085	2,409,729
Student services	2,293,449	-	303,963	513,741	3,111,153	2,980,431
Institutional support	4,272,531	-	570,049	3,304,200	8,146,780	7,676,366
Operation and maintenance of plant	1,368,220	-	620,018	3,330,066	5,318,304	5,395,751
Scholarships and fellowships	-	-	-	1,923,989	1,923,989	1,983,626
Total unrestricted educational activities	<u>31,723,048</u>	<u>-</u>	<u>4,639,730</u>	<u>12,536,834</u>	<u>48,899,612</u>	<u>47,980,968</u>
Restricted - educational activities:						
Instruction	242,865	2,395,315	24,623	1,012,281	3,675,084	4,053,236
Public service	1,091,015	-	197,580	193,830	1,482,425	1,612,015
Academic support	88,558	181,477	5,277	34,510	309,822	330,756
Student services	312,822	250,197	58,930	199,342	821,291	772,608
Institutional support	103,862	466,098	7,936	398,418	976,314	1,016,152
Operation and maintenance of plant	16,316	-	-	-	16,316	13,089
Scholarships and fellowships	-	-	-	9,902,988	9,902,988	10,108,085
Total restricted educational activities	<u>1,855,438</u>	<u>3,293,087</u>	<u>294,346</u>	<u>11,741,369</u>	<u>17,184,240</u>	<u>17,905,941</u>
Total educational activities	<u>33,578,486</u>	<u>3,293,087</u>	<u>4,934,076</u>	<u>24,278,203</u>	<u>66,083,852</u>	<u>65,886,909</u>
Auxiliary enterprises	<u>314,626</u>	<u>-</u>	<u>203,762</u>	<u>1,119,521</u>	<u>1,637,909</u>	<u>1,618,837</u>
Depreciation expense:						
Buildings and other improvements	-	-	-	3,548,308	3,548,308	3,532,997
Equipment and furniture	-	-	-	568,266	568,266	516,234
Library books	-	-	-	79,555	79,555	78,846
Total depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,196,129</u>	<u>4,196,129</u>	<u>4,128,077</u>
Total operating expenses	<u>\$ 33,893,112</u>	<u>3,293,087</u>	<u>5,137,838</u>	<u>29,593,853</u>	<u>71,917,890</u>	<u>71,633,823</u>

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Nonoperating Revenues and Expenses (Schedule C)

Year Ended August 31, 2015
(With Memorandum Totals for the Year Ended August 31, 2014)

	Unrestricted	Restricted	Auxiliary Enterprises	Total	
				2015	2014
Nonoperating revenues:					
State appropriations:					
Education and general state support	\$ 13,456,451	-	-	13,456,451	13,456,451
State group insurance	-	2,486,521	-	2,486,521	2,316,707
State retirement matching	-	806,566	-	806,566	1,431,129
Total state appropriations	<u>13,456,451</u>	<u>3,293,087</u>	<u>-</u>	<u>16,749,538</u>	<u>17,204,287</u>
Maintenance ad valorem taxes	13,919,725	-	-	13,919,725	13,148,553
Debt service ad valorem taxes	-	6,036,204	-	6,036,204	6,133,884
Federal grants and contracts	-	20,369,944	-	20,369,944	20,375,599
State grants and contracts	-	2,849,666	-	2,849,666	2,868,745
Local grants and contracts	94,095	-	-	94,095	290,796
Investment income	42,669	4,384	-	47,053	34,643
Gifts	465,821	-	-	465,821	173,114
Other nonoperating revenues	-	19,383	-	19,383	2,000
Total nonoperating revenues	<u>27,978,761</u>	<u>32,572,668</u>	<u>-</u>	<u>60,551,429</u>	<u>60,231,621</u>
Nonoperating expenses:					
Interest on capital related debt	-	3,434,152	-	3,434,152	3,949,560
Loss on disposal of capital assets	-	-	-	-	58,286
Other nonoperating expenses	-	542,619	-	542,619	3,080
Total nonoperating expenses	<u>-</u>	<u>3,976,771</u>	<u>-</u>	<u>3,976,771</u>	<u>4,010,926</u>
Net nonoperating revenues	<u>\$ 27,978,761</u>	<u>28,595,897</u>	<u>-</u>	<u>56,574,658</u>	<u>56,220,695</u>

See accompanying independent auditor's report.

McLennan County Junior College District

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

Year Ended August 31, 2015

	Detail by Source				Available for Current Operation		
	Unrestricted	Restricted		Net Investment in Capital Assets	Total	Yes	No
		Expendable	Non- Expendable				
Current:							
Unrestricted	\$ 2,764,779	-	-	-	2,764,779	2,764,779	-
Scholarships and fellowships	-	2,000,000	-	-	2,000,000	-	2,000,000
Loan	(54,779)	-	-	-	(54,779)	-	(54,779)
Plant:							
Capital projects	266,320	-	-	-	266,320	-	266,320
Debt service	946,909	541,655	-	-	1,488,564	-	1,488,564
Investment in plant	(1,024,286)	-	-	44,495,078	43,470,792	-	43,470,792
 Total net position, August 31, 2015	 2,898,943	 2,541,655	 -	 44,495,078	 49,935,676	 2,764,779	 47,170,897
 Total net position, August 31, 2014	 12,007,792	 3,166,141	 -	 42,479,474	 57,653,407	 11,804,400	 45,849,007
 Cumulative effect of changes in accounting principles	 (9,545,846)	 -	 -	 -	 (9,545,846)	 (9,545,846)	 -
 Net increase in net position	 \$ 436,997	 (624,486)	 -	 2,015,604	 1,828,115	 506,225	 1,321,890

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Expenditures of Federal Awards
(Schedule E)

Year Ended August 31, 2015

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		\$ 234,189
Federal Work Study Program	84.033		218,720
Federal Pell Grant Program	84.063		17,055,384
Federal Direct Student Loans	84.268		15,137,362
Total Student Financial Assistance Cluster			32,645,655
Federal Family Education Loans	84.032		32,970
TRIO Cluster:			
TRIO - Student Support Services	84.042A		336,224
TRIO - Upward Bound	84.047A		353,062
Total TRIO Cluster			689,286
Total Direct Programs			33,367,911
Pass Through From:			
Texas Workforce Commission:			
Adult Education & Family Literacy Act	84.002A	1314ABE000	12,358
Adult Education & Family Literacy Act	84.002A	1314AELA00	551,818
Adult Education & Family Literacy Act	84.002A	1314AELB00	39,897
Total Adult Education & Family Literacy Act			604,073
Texas Higher Education Coordinating Board:			
Vocational Education - State Basic Grant Program	84.048	154247	729,200
Total U. S. Department of Education			34,701,184
<u>U. S. Department of Commerce</u>			
Pass Through From:			
National Institute of Standards & Technology:			
Summer Undergraduate Research Fellowship	11.620	70NANB15H086	8,542
Total U.S. Department of Commerce			8,542

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>National Science Foundation</u>			
Pass Through From:			
Finger Lakes Community College:			
Community College Undergraduate Research Initiative	47.076	1118679	1,375
Yale University:			
Prevalence of Antibiotic Resistance in Environment	47.076	1432037	500
Total National Science Foundation			1,875
<u>U. S. Small Business Administration</u>			
Pass Through From:			
Dallas County Community College District:			
Small Business Development Center	59.037	SBAHQ-14-B-0018	7,899
Small Business Development Center	59.037	SBAHQ-15-B-0018	120,413
Total U. S. Small Business Administration			128,312
<u>U. S. Department of Veterans Affairs</u>			
Direct Program:			
Post 9/11 Veterans Educational Assistance	64.027		521,824
Total U. S. Department of Veterans Affairs			521,824
<u>U. S. Department of Health and Human Services</u>			
Pass Through From:			
Texas Workforce Commission:			
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	1314ABE000	4,507
Temporary Assistance for Needy Families	93.558	1314AELA00	36,336
Total Temporary Assistance for Needy Families			40,843
HOT Workforce Development Board:			
CCDF Cluster:			
Childcare Quality Improvement	93.596	07150C16FY14	4,287
Childcare Quality Improvement	93.596	1315CCMC14	9,850
Total Childcare Quality Improvement			14,137
Total U.S. Department of Health and Human Services			54,980
<u>Corporation for National and Community Service</u>			
Direct Programs:			
Heart of Texas Retired Senior Volunteer Program	94.002		93,333
Heart of Texas Retired Senior Volunteer Program	94.002		30,226
Total Corporation for National and Community Service			123,559
Total Federal Awards			\$ 35,540,276

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

McLennan County Junior College District

Notes to Schedule of Expenditures of Federal Awards

Year Ended August 31, 2015

(1) Federal Revenue Reconciliation

Federal revenues for 2015 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	\$ 20,369,944
Add: Federal Family Education Loans made	32,970
Add: Federal Direct Student Loans made	<u>15,137,362</u>
Total per Schedule of Expenditures of Federal Awards	<u><u>\$ 35,540,276</u></u>

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of McLennan County Junior College District (the District) under programs of the federal government for the year ended August 31, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(3) Summary of Significant Accounting Policies

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

McLennan County Junior College District

Schedule of Expenditures of State Awards
(Schedule F)

Year Ended August 31, 2015

Grantor Agency/Program Title	Grant Contract Number	Indirect Costs and Expenditures
Texas Higher Education Coordinating Board		
State Work Study		\$ 79,619
Nursing Shortage Reduction Regular Programs		33,049
Nursing Shortage Under 70 Over Target		102,026
Texas Education Opportunity Grant		776,896
Developmental Ed (S3)	10894	94,742
Texas Grant Program		204,300
T-STEM	13499	104,926
Total Texas Higher Education Coordinating Board		<u>1,395,558</u>
Texas Workforce Commission		
Skills Development	1313SDF000	245,347
Skills Development	1314SDF000	931,955
Adult Education & Family Literacy Act	1314ABE000	1,128
Adult Education & Family Literacy Act	1314AELA00	108,514
Total Texas Workforce Commission		<u>1,286,944</u>
Small Business Development Center	SBAHQ-14-B-0018	17,606
Small Business Development Center	SBAHQ-15-B-0018	103,836
Total Small Business Development Center		<u>121,442</u>
Texas Department on Aging		
RSVP	13SRWTX007	45,722
Total State Awards		<u>\$ 2,849,666</u>

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

McLennan County Junior College District

Notes to Schedule of Expenditures of State Awards

Year Ended August 31, 2015

(1) State Revenue Reconciliation

State revenues for 2015 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	\$ <u>2,849,666</u>
Total per Schedule of Expenditures of State Awards	\$ <u><u>2,849,666</u></u>

(2) Basis of Presentation

The accompanying Schedule of Expenditures of State Awards (the Schedule) includes the state grant activity of McLennan County Junior College District (the District) under programs of the state government for the year ended August 31, 2015. The information in this Schedule is presented in accordance with the requirements of the *State of Texas Single Audit Circular* contained in the state's *Uniform Grant Management Standards*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(3) Summary of Significant Accounting Policies

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

Statistical Section

Statistical Section

Financial Trends Information

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

Net Position by Component

Revenues by Source

Expenses by Function and Changes in Net Position

Revenue Capacity Information

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

Tuition and Fees

Assessed Value and Estimated Actual Value of Taxable Property

Direct and Overlapping Property Tax Rates

Principal Taxpayers

Property Tax Levies and Collections

Debt Capacity Information

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

Ratios of Outstanding Debt by Type

Legal Debt Margin Information

Pledged Revenue Coverage

Demographic and Economic Information

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

Demographic and Economic Statistics

Principal Employers

Operating Information

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

State Appropriation - Operating Information

Faculty, Staff, and Administrators Statistics

Enrollment Details

Student Profile

Student Transfers to Senior Institutions

Capital Asset Information

McLennan County Junior College District

Net Position by Component

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

	For the Year Ended August 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net investment in capital assets	\$ 44,495	42,479	40,711	37,524	37,903	33,238	29,429	29,351	25,283	23,967
Restricted	2,542	3,166	2,850	2,587	2,227	5,101	4,445	3,807	1,232	1,198
Unrestricted	<u>2,899</u>	<u>12,008</u>	<u>11,033</u>	<u>9,957</u>	<u>5,306</u>	<u>4,189</u>	<u>7,276</u>	<u>7,380</u>	<u>8,139</u>	<u>6,730</u>
 Total primary government net position	 <u>\$ 49,936</u>	 <u>57,653</u>	 <u>54,594</u>	 <u>50,068</u>	 <u>45,436</u>	 <u>42,528</u>	 <u>41,150</u>	 <u>40,538</u>	 <u>34,654</u>	 <u>31,895</u>

Note:

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

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

McLennan County Junior College District

Expenses by Function and Changes in Net Position

Last Ten Fiscal Years (Unaudited)

	For the Year Ended August 31, (dollars expressed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating expenses:										
Instruction	\$ 31,286	31,310	32,287	31,206	31,273	28,071	28,227	22,114	21,296	20,633
Public service	1,806	1,890	1,741	1,705	1,801	1,785	1,749	1,658	1,794	1,751
Academic support	2,775	2,740	2,591	2,374	2,062	2,049	1,990	1,822	1,984	1,780
Student services	3,932	3,753	3,658	3,494	3,726	3,428	3,037	2,985	3,024	2,955
Institutional support	9,123	8,693	8,707	8,372	8,244	7,854	8,642	7,997	7,345	6,635
Operation and maintenance of plant	5,335	5,409	5,356	5,164	5,570	5,311	4,644	4,747	4,008	4,104
Scholarships and fellowships	11,827	12,092	14,264	16,911	19,464	16,715	9,526	8,175	6,844	5,785
Auxiliary enterprises	1,638	1,619	1,580	1,572	1,528	1,531	1,549	1,509	1,545	1,332
Depreciation	4,196	4,128	4,030	3,886	3,564	3,451	2,129	1,726	1,687	1,587
Total operating expenses	<u>71,918</u>	<u>71,634</u>	<u>74,214</u>	<u>74,684</u>	<u>77,232</u>	<u>70,195</u>	<u>61,493</u>	<u>52,733</u>	<u>49,527</u>	<u>46,562</u>
Nonoperating expenses:										
Interest on capital related debt	3,434	3,950	4,189	4,584	4,292	4,664	2,520	3,338	2,526	821
Loss on disposal of fixed assets	-	58	19	-	49	6	11	9	100	12
Other nonoperating expenses	543	4	253	10	40	103	65	92	63	48
Total nonoperating expenses	<u>3,977</u>	<u>4,012</u>	<u>4,461</u>	<u>4,594</u>	<u>4,381</u>	<u>4,773</u>	<u>2,596</u>	<u>3,439</u>	<u>2,689</u>	<u>881</u>
Total expenses	<u>\$ 75,895</u>	<u>75,646</u>	<u>78,675</u>	<u>79,278</u>	<u>81,613</u>	<u>74,968</u>	<u>64,089</u>	<u>56,172</u>	<u>52,216</u>	<u>47,443</u>
Change in net position	<u>\$ 1,828</u>	<u>3,059</u>	<u>4,526</u>	<u>4,632</u>	<u>4,248</u>	<u>1,378</u>	<u>612</u>	<u>5,884</u>	<u>2,759</u>	<u>3,217</u>

	For the Year Ended August 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating expenses:										
Instruction	41.22%	41.39%	41.04%	39.36%	38.32%	37.44%	44.04%	39.37%	40.78%	43.49%
Public service	2.38%	2.50%	2.21%	2.15%	2.21%	2.38%	2.73%	2.95%	3.44%	3.69%
Academic support	3.66%	3.62%	3.29%	2.99%	2.53%	2.73%	3.11%	3.24%	3.80%	3.75%
Student services	5.18%	4.96%	4.65%	4.41%	4.57%	4.57%	4.74%	5.31%	5.79%	6.23%
Institutional support	12.02%	11.49%	11.07%	10.56%	10.10%	10.48%	13.48%	14.24%	14.07%	13.99%
Operation and maintenance of plant	7.03%	7.15%	6.81%	6.51%	6.82%	7.08%	7.25%	8.45%	7.68%	8.65%
Scholarships and fellowships	15.58%	15.98%	18.13%	21.33%	23.85%	22.30%	14.86%	14.55%	13.11%	12.19%
Auxiliary enterprises	2.16%	2.14%	2.01%	1.98%	1.87%	2.04%	2.42%	2.69%	2.96%	2.81%
Depreciation	5.53%	5.46%	5.12%	4.90%	4.37%	4.60%	3.32%	3.07%	3.23%	3.35%
Total operating expenses	<u>94.76%</u>	<u>94.70%</u>	<u>94.33%</u>	<u>94.21%</u>	<u>94.63%</u>	<u>93.63%</u>	<u>95.95%</u>	<u>93.88%</u>	<u>94.85%</u>	<u>98.14%</u>
Nonoperating expenses:										
Interest on capital related debt	4.52%	5.22%	5.32%	5.78%	5.26%	6.22%	3.93%	5.94%	4.84%	1.73%
Loss on disposal of fixed assets	0.00%	0.08%	0.02%	0.00%	0.06%	0.01%	0.02%	0.02%	0.19%	0.03%
Other non-operating expenses	0.72%	0.01%	0.32%	0.01%	0.05%	0.14%	0.10%	0.16%	0.12%	0.10%
Total nonoperating expenses	<u>5.24%</u>	<u>5.30%</u>	<u>5.67%</u>	<u>5.79%</u>	<u>5.37%</u>	<u>6.37%</u>	<u>4.05%</u>	<u>6.12%</u>	<u>5.15%</u>	<u>1.86%</u>
Total expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note:

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

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

McLennan County Junior College District

Tuition and Fees

Last Ten Academic Years (Unaudited)

Resident Students

Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	In- District Tuition	Out-of-District Tuition	General Services Fees	Facility Fees	Technology Fee	Cost for 12 SCH		Increase from Prior Year		SCH Resident
						In-District	Out-of- District	In-District	Out- of-District	
2014	\$ 106	124	3	6	-	1,380	1,596	-	-	132,964
2013	106	124	3	6	-	1,380	1,596	-	-	147,574
2012	106	124	3	6	-	1,380	1,596	7.48%	8.13%	164,400
2011	98	114	3	6	-	1,284	1,476	21.59%	20.59%	174,473
2010	79	93	3	6	-	1,056	1,224	20.55%	20.00%	164,345
2009	64	76	3	6	-	876	1,020	4.29%	3.66%	142,585
2008	61	73	3	6	-	840	984	7.69%	6.49%	147,572
2007	56	68	3	6	-	780	924	-	-	146,031
2006	56	68	3	6	-	780	924	4.84%	4.05%	149,258
2005	53	65	3	6	-	744	888	19.23%	29.82%	153,706

Non-Resident Students

Fees per Semester Credit Hour (SCH)

Academic	Tuition - Out of State	Tuition - International	General Services Fees	Facility Fees	Technology Fee	Cost for 12 SCH		Increase from Prior Year		SCH Non- Resident
						Out of State	International	Out of State	International	
2014	\$ 181	181	3	6	-	2,280	2,280	-	-	54,909
2013	181	181	3	6	-	2,280	2,280	-	-	55,671
2012	181	181	3	6	-	2,280	2,280	5.56%	5.56%	56,344
2011	171	171	3	6	-	2,160	2,160	20.00%	20.00%	55,605
2010	141	141	3	6	-	1,800	1,800	12.78%	12.78%	49,000
2009	124	124	3	6	-	1,596	1,596	2.31%	2.31%	38,086
2008	121	121	3	6	-	1,560	1,560	4.00%	4.00%	29,998
2007	116	116	3	6	-	1,500	1,500	-	-	26,714
2006	116	116	3	6	-	1,500	1,500	2.46%	2.46%	21,324
2005	113	113	3	6	-	1,464	1,464	8.93%	8.93%	20,551

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
2015	\$ 15,115,891	2,699,317	17,815,208	4,072,246	13,742,962	77.14%	\$ 14,023,431	0.104343	0.045187	0.149530
2014	13,983,364	2,548,506	16,531,870	3,701,898	12,829,972	77.61%	13,091,808	0.103322	0.048208	0.151530
2013	13,531,650	2,700,629	16,232,279	3,585,542	12,646,737	77.91%	12,904,834	0.101199	0.050331	0.151530
2012	13,048,931	2,445,439	15,494,370	3,375,915	12,118,455	78.21%	12,365,770	0.100255	0.052568	0.152823
2011	12,228,481	2,342,980	14,571,461	3,091,195	11,480,266	78.79%	11,714,557	0.103439	0.052867	0.156306
2010	11,550,239	2,369,962	13,920,201	2,693,433	11,226,768	80.65%	11,455,886	0.104866	0.051466	0.156332
2009	11,021,839	2,296,162	13,318,001	2,539,309	10,778,692	80.93%	10,998,665	0.100101	0.051033	0.151134
2008	10,112,198	2,225,557	12,337,755	2,377,749	9,960,006	80.73%	10,163,271	0.100543	0.052459	0.153002
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

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)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
McLennan County Junior College District	\$ 0.1495	0.1515	0.1515	0.1528	0.1563	0.1563	0.1511	0.1530	0.1204	0.1211
Overlapping Rates										
McLennan County	0.5353	0.5353	0.5353	0.4606	0.4427	0.4427	0.4431	0.4505	0.0440	0.4486
Special Districts:										
McLennan and Hill Counties Tehuacana										
Creek Water Control and Improvement										
District No. 1	0.0252	0.0252	0.0252	0.0252	0.0237	0.0237	0.0237	0.0250	0.0284	0.0283
Castleman Creek Special Improvement District	0.1010	0.1010	0.1010	0.1000	0.1000	0.1000	0.1000	0.1304	0.0130	0.1370
Cities:										
Bellmead	0.3187	0.2986	0.2986	0.2986	0.3460	0.2656	0.2470	0.2533	0.2790	0.2964
Beverly Hills	0.4902	0.4527	0.4036	0.3625	0.3266	0.3299	0.2829	0.2829	0.2830	0.2829
Bruceville-Eddy	0.4982	0.4982	0.4982	0.4982	0.4841	0.4822	0.4637	0.4426	0.4500	0.4495
Crawford	0.5000	0.5000	0.5000	0.4999	0.4999	0.4999	0.4012	0.3822	0.3400	0.3267
Gholson	0.2135	0.2135	0.2135	0.2135	0.2135	0.2135	0.2179	0.2179	0.2340	0.2454
Hewitt	0.5397	0.5397	0.5397	0.5150	0.5150	0.4998	0.4842	0.4842	0.4842	0.4842
Lacy-Lakeview	0.3595	0.3572	0.3592	0.3592	0.3592	0.3659	0.3285	0.3285	0.3285	0.2921
Lorena	0.5900	0.5614	0.5614	0.5389	0.5389	0.5055	0.5123	0.5068	0.5004	0.5247
Mart	0.7592	0.7399	0.7802	0.8024	0.8067	0.8253	0.8513	0.7988	0.7842	0.8320
McGregor	0.5950	0.5950	0.6000	0.6000	0.5302	0.5413	0.5400	0.5577	0.5650	0.5700
Moody	0.6185	0.6349	0.6728	0.6261	0.6335	0.6173	0.5330	0.5396	0.5004	0.4886
Robinson	0.5053	0.4804	0.4700	0.4538	0.4155	0.4065	0.4065	0.4170	0.3870	0.3870
Waco	0.7762	0.7762	0.7762	0.7862	0.7862	0.7862	0.7862	0.7862	0.6997	0.6997
West	0.6065	0.5770	0.5770	0.4925	0.4725	0.4548	0.4548	0.4140	0.3676	0.3590
Woodway	0.4700	0.4700	0.4569	0.4569	0.4570	0.4572	0.4572	0.4572	0.4572	0.4572

McLennan County Junior College District

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

Last Ten Fiscal Years (Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
School Districts:										
Axtell Independent School District	\$ 1.1700	1.1700	1.1700	1.1700	1.1700	1.1700	1.1700	1.1700	1.3700	1.5000
Bosqueville Independent School District	1.5034	1.4782	1.4879	1.4785	1.5376	1.5500	1.5550	1.5613	1.4198	1.5301
Bruceville-Eddy Independent School District	1.3250	1.3250	1.3250	1.3250	1.3250	1.3250	1.3250	1.3250	1.3257	1.4500
China Spring Independent School District	1.5161	1.5388	1.5400	1.3744	1.4114	1.4070	1.4372	1.4296	1.4595	1.5900
Connally Independent School District	1.2816	1.2744	1.2657	1.2691	1.2811	1.2888	1.2700	1.2300	1.5118	1.6525
Crawford Independent School District	1.2305	1.2414	1.2807	1.2131	1.2266	1.2688	1.2454	1.3778	1.4915	1.6199
Gholson Independent School District	1.0400	1.0400	1.0400	1.0400	1.0400	1.0400	1.0400	1.0400	1.3278	1.4524
Hallsburg Independent School District	1.2939	1.2910	1.0400	1.0400	1.0400	1.0400	1.0400	1.0401	1.3700	1.5000
LaVega Independent School District	1.4590	1.4650	1.4200	1.4200	1.3650	1.3600	1.2389	1.3128	1.5366	1.6925
Lorena Independent School District	1.6400	1.6400	1.6200	1.3100	1.2900	1.2700	1.3774	1.2474	1.5815	1.7000
Mart Independent School District	1.2388	1.2295	1.2071	1.2178	1.2018	1.9120	1.2200	1.1954	1.4204	1.5380
McGregor Independent School District	1.3550	1.3550	1.3550	1.1850	1.1900	1.1900	1.1900	1.2100	1.5211	1.6500
Midway Independent School District	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.5065	1.6220
Moody Independent School District	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.2591	1.4200
Oglesby Independent School District	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.3041	1.5049
Riesel Independent School District	1.3950	1.3100	1.3364	1.3029	1.2983	1.1082	1.1499	1.3263	1.5126	1.6455
Robinson Independent School District	1.5100	1.5100	1.3150	1.3150	1.3150	1.3150	1.3160	1.1800	1.5109	1.6275
Valley Mills Independent School District	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.5100	1.6600
Waco Independent School District	1.4000	1.3532	1.3548	1.3552	1.3610	1.3650	1.3664	1.3591	1.4438	1.5641
West Independent School District	1.2831	1.2700	1.2700	1.2232	1.2250	1.2300	1.2253	1.2253	1.5510	1.7364

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)									
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Sandy Creek Energy	Utility	\$ 524,137	545,373	450,272	402,237	417,814	-	-	-	-	-
Oncor/TXU Electric	Utility	148,047	144,211	135,768	126,459	122,468	118,632	187,974	183,329	119,940	113,020
Caterpillar Logistics	Manufacturing	144,579	134,587	150,152	133,297	103,487	-	-	-	-	-
Mars SnackFoods US	Processing	95,268	97,170	-	90,346	117,838	110,584	158,527	162,909	92,810	77,282
Allergan	Manufacturing	94,810	88,235	79,152	69,984	71,108	64,610	101,931	67,001	43,662	42,624
Coca-Cola	Processing	84,428	81,431	75,673	83,185	82,569	78,061	112,011	119,415	56,616	57,040
Sanderson Farms	Processing	74,492	68,830	67,825	64,675	68,389	71,806	105,387	-	-	-
Associated Hygiene Products	Manufacturing	72,507	-	53,025	-	-	-	-	-	-	-
Raytheon E-Systems/L3	Manufacturing	69,480	76,264	71,799	69,209	71,803	63,436	89,611	75,960	-	-
Ferguson Enterprises	Distributor	63,516	55,919	-	-	-	49,807	77,284	101,794	66,531	39,623
Sandy Creek Energy (personal property)	Utility	-	57,325	-	-	-	-	-	-	-	-
Sherwin Williams	Distributor	-	-	51,798	62,264	-	46,933	59,350	59,453	38,858	-
Inland Western	Real estate	-	-	50,721	-	50,860	57,642	89,578	78,223	51,125	43,796
Space X	Technology	-	-	-	178,138	-	-	-	-	-	-
Southwestern Bell	Utility	-	-	-	-	44,744	57,479	84,576	120,907	76,313	76,483
Pilgrim's Pride	Processing	-	-	-	-	-	-	-	67,719	37,130	-
Richland Mall	Real estate	-	-	-	-	-	-	-	-	37,870	35,842
Huck International	Manufacturing	-	-	-	-	-	-	-	-	-	33,758
Owens Brockway	Manufacturing	-	-	-	-	-	-	-	-	-	32,703
Tyco Healthcare	Manufacturing	-	-	-	-	-	-	-	-	-	-
Totals		\$ <u>1,371,264</u>	<u>1,349,345</u>	<u>1,186,185</u>	<u>1,279,794</u>	<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>
Total taxable assessed value		\$ <u>13,742,962</u>	<u>12,829,972</u>	<u>12,646,737</u>	<u>12,118,455</u>	<u>11,480,266</u>	<u>11,226,768</u>	<u>10,778,692</u>	<u>9,960,006</u>	<u>9,287,262</u>	<u>8,648,049</u>

McLennan County Junior College District

Principal Taxpayers (Continued)

Last Ten Years (Unaudited)

Taxpayer	Type of Business	Percentage of Taxable Assessed Value									
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Sandy Creek Energy	Utility	3.81%	4.25%	3.56%	3.32%	3.64%	0.00%	0.00%	0.00%	0.00%	0.00%
Oncor/TXU Electric	Utility	1.08%	1.12%	1.07%	1.04%	1.07%	1.06%	1.74%	1.84%	1.29%	1.31%
Caterpillar Logistics	Manufacturing	1.05%	1.05%	1.19%	1.10%	0.90%	0.00%	0.00%	0.00%	0.00%	0.00%
Mars SnackFoods US	Processing	0.69%	0.76%	0.00%	0.75%	1.03%	0.99%	1.47%	1.64%	1.00%	0.89%
Allergan	Manufacturing	0.69%	0.69%	0.63%	0.58%	0.62%	0.58%	0.95%	0.67%	0.47%	0.49%
Coca-Cola	Processing	0.61%	0.63%	0.60%	0.69%	0.72%	0.70%	1.04%	1.20%	0.61%	0.66%
Sanderson Farms	Processing	0.54%	0.54%	0.54%	0.53%	0.60%	0.64%	0.98%	0.00%	0.00%	0.00%
Associated Hygiene Products	Manufacturing	0.53%	0.00%	0.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Raytheon E-Systems/L3	Manufacturing	0.51%	0.59%	0.57%	0.57%	0.63%	0.57%	0.83%	0.76%	0.00%	0.00%
Ferguson Enterprises	Distributor	0.46%	0.44%	0.00%	0.00%	0.00%	0.44%	0.72%	1.02%	0.72%	0.46%
Sandy Creek Energy (personal property)	Utility	0.00%	0.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sherwin Williams	Distributor	0.00%	0.00%	0.41%	0.51%	0.00%	0.42%	0.55%	0.60%	0.42%	0.00%
Inland Western	Real estate	0.00%	0.00%	0.40%	0.00%	0.44%	0.51%	0.83%	0.79%	0.55%	0.51%
Space X	Technology	0.00%	0.00%	0.00%	1.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Southwestern Bell	Utility	0.00%	0.00%	0.00%	0.00%	0.39%	0.51%	0.78%	1.21%	0.82%	0.88%
Pilgrim's Pride	Processing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.68%	0.40%	0.00%
Richland Mall	Real estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.41%	0.41%
Huck International	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.39%
Owens Brockway	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.38%
Tyco Healthcare	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Totals	<u>9.98%</u>	<u>10.49%</u>	<u>9.38%</u>	<u>10.56%</u>	<u>10.03%</u>	<u>6.40%</u>	<u>9.89%</u>	<u>10.41%</u>	<u>6.69%</u>	<u>6.38%</u>

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
2015	\$ 20,562	19,777	96.18%	\$ 276	20,053	97.52%
2014	19,468	19,113	98.18%	250	19,363	99.46%
2013	19,178	18,519	96.56%	310	18,829	98.18%
2012	18,574	18,076	97.32%	207	18,283	98.43%
2011	17,969	17,510	97.45%	261	17,771	98.90%
2010	17,581	16,962	96.48%	263	17,225	97.98%
2009	16,328	15,835	96.98%	387	16,222	99.35%
2008	15,239	14,909	97.83%	269	15,178	99.60%
2007	11,289	11,019	97.61%	256	11,275	99.88%
2006	10,561	10,250	97.06%	262	10,512	99.54%

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)

		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Bonded Debt											
General obligation bonds	\$	67,370	73,605	76,330	78,870	81,270	83,295	84,470	85,845	86,915	13,310
Other Debt											
Revenue bonds		<u>15,900</u>	<u>16,675</u>	<u>17,425</u>	<u>18,145</u>	<u>18,845</u>	<u>19,555</u>	<u>10,600</u>	<u>5,355</u>	<u>5,790</u>	<u>6,205</u>
Total outstanding debt	\$	<u><u>83,270</u></u>	<u><u>90,280</u></u>	<u><u>93,755</u></u>	<u><u>97,015</u></u>	<u><u>100,115</u></u>	<u><u>102,850</u></u>	<u><u>95,070</u></u>	<u><u>91,200</u></u>	<u><u>92,705</u></u>	<u><u>19,515</u></u>
General Bonded Debt Ratios											
Per capita		Not available	\$ 302	316	332	341	355	362	373	381	59
Per student	\$	11,125	11,747	11,270	10,717	10,599	17,079	15,787	14,506	15,158	2,321
As a percentage of taxable assessed value		0.49%	0.61%	0.65%	0.71%	0.97%	0.90%	0.86%	0.94%	0.15%	0.17%
Total Outstanding Debt Ratios											
Per capita		Not available	\$ 371	388	408	420	438	407	396	406	86
Per student	\$	13,750	14,408	13,841	13,183	13,056	17,079	15,787	15,411	16,168	3,403
As a percentage of taxable assessed value		0.61%	0.75%	0.81%	0.87%	0.97%	0.90%	0.95%	1.00%	0.23%	0.25%
As a percentage of personal income		Not available	Not available	0.0132%	0.0130%	0.0130%	0.0133%	0.0127%	0.0014%	0.0003%	0.0003%

Note:

Debt per student calculated using full time equivalent enrollment.

Information for per capita not available for 2015.

Information for total outstanding debt as a percentage of personal income not available for 2014 and 2015.

McLennan County Junior College District

Legal Debt Margin Information

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Taxable assessed value	\$ <u>13,742,962</u>	<u>12,829,972</u>	<u>12,646,737</u>	<u>12,118,455</u>	<u>11,480,266</u>	<u>11,226,768</u>	<u>10,778,692</u>	<u>9,960,006</u>	<u>9,287,262</u>	<u>8,648,049</u>
Statutory tax levy limit for general obligation debt service	\$ 68,715	64,150	63,234	60,592	57,401	56,134	53,893	49,800	46,436	43,240
Current year debt service requirements	<u>6,110</u>	<u>6,112</u>	<u>6,034</u>	<u>6,275</u>	<u>5,977</u>	<u>5,692</u>	<u>5,750</u>	<u>5,165</u>	<u>1,422</u>	<u>1,425</u>
Excess of statutory tax levy limit for debt service over current requirements	\$ <u>62,605</u>	<u>58,038</u>	<u>57,200</u>	<u>54,317</u>	<u>51,424</u>	<u>50,442</u>	<u>48,143</u>	<u>44,635</u>	<u>45,014</u>	<u>41,815</u>
Current requirements as a percentage of statutory limit	<u>8.89%</u>	<u>9.53%</u>	<u>9.54%</u>	<u>10.36%</u>	<u>10.41%</u>	<u>10.14%</u>	<u>10.67%</u>	<u>10.37%</u>	<u>3.06%</u>	<u>3.30%</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	
2015	\$ 1,207	1,093	204	40	33	435	3,012	775	663	1,438	2.09
2014	1,249	1,137	321	29	39	420	3,195	750	691	1,441	2.22
2013	1,391	1,227	228	205	44	439	3,534	720	717	1,437	2.46
2012	1,483	1,327	126	190	44	451	3,621	700	741	1,441	2.51
2011	1,595	1,380	146	172	45	488	3,826	710	765	1,475	2.59
2010	965	1,275	50	135	47	475	2,947	590	394	984	2.99
2009	762	1,076	51	155	48	395	2,487	740	263	1,003	2.48
2008	359	1,056	49	425	49	369	2,307	435	225	660	3.50
2007	346	1,030	56	618	41	317	2,408	415	239	654	3.68
2006	323	1,023	45	469	47	308	2,215	495	364	859	2.58

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>
2014	243,441	Not available	Not available	5.1%
2013	241,481	Not available	Not available	6.1%
2012	237,811	\$ 8,350,456	\$ 35,114	7.4%
2011	238,564	7,673,685	32,166	7.4%
2010	234,906	7,888,000	33,579	4.6%
2009	233,378	7,172,056	30,731	4.6%
2008	230,213	7,153,670	31,074	3.9%
2007	228,123	6,772,688	29,689	4.8%
2006	226,192	6,399,000	28,290	5.2%
2005	220,364	6,006,016	27,255	4.0%

McLennan County Junior College District

Principal Employers

Last Ten Fiscal Years (Unaudited)

Employer	Number of Employees									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Baylor University	2,675	2,675	2,583	2,583	2,583	2,360	2,360	2,360	2,300	Not Available
Waco Independent School District	2,500	2,500	2,276	2,276	2,276	2,350	2,350	2,300	2,300	1,000+
Providence Health Center	2,397	2,397	2,538	2,538	2,618	2,434	2,434	2,182	1,565	1,000+
L-3 Communications										
Integrated Systems	2,300	2,300	2,079	2,079	2,079	1,619	1,619	1,620	1,706	1,000+
Hillcrest Health System	1,800	1,800	1,800	1,800	1,793	1,700	1,700	1,700	1,836	1,000+
Wal-Mart	1,656	1,656	2,561	2,561	2,561	1,290	1,290	Not Available	Not Available	Not Available
City of Waco, Texas	1,506	1,506	1,506	1,506	1,506	1,729	1,729	1,729	1,460	1,000+
HEB	1,500	1,500	1,500	1,500	1,500	1,350	Not Available	Not Available	Not Available	Not Available
Midway Independent School District	1,067	1,067	1,067	1,067	1,067	955	955	877	885	700+
Sanderson Farms	1,041	1,041	1,041	1,041	1,041	1,170	1,170	Not Available	Not Available	Not Available
EMSI, Inc.	850	850	850	850	861	750	750	Not Available	Not Available	Not Available
McLennan County	830	830	830	860	830	850	850	893	880	700+
McLennan Community College	793	826	826	871	805	816	835	757	718	710
Veterans Administration										
Medical Center	800	800	800	650	800	735	Not Available	Not Available	Not Available	Not Available
Cargill Foods, Inc.	685	685	685	685	685	694	694	775	Not Available	700+
Texas State Technical Institute	672	672	672	672	672	684	Not Available	Not Available	Not Available	Not Available
Veterans Regional Office	650	650	650	800	650	Not Available	Not Available	Not Available	Not Available	Not Available
McLennan County Juvenile										
Correctional Center	527	527	527	527	527	721	Not Available	Not Available	Not Available	Not Available
Masterfoods, USA	525	525	650	525	650	580	580	625	750	700+

Source: Greater Waco Area Chamber of Commerce

Note:

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

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
2015	\$ 13,456,451	6,056	\$ 2,222	2,640,603	1,214,919	3,855,522	\$ 3.49
2014	13,456,451	6,266	2,148	2,720,076	1,293,954	4,014,030	3.35
2013	13,677,168	6,777	2,018	2,975,848	1,376,424	4,352,272	3.14
2012	13,889,811	7,359	1,887	3,288,502	1,442,243	4,730,745	2.94
2011	13,085,035	7,668	1,706	3,430,424	1,464,536	4,894,960	2.67
2010	13,214,849	7,116	1,857	3,205,976	1,452,946	4,658,922	2.84
2009	13,803,606	6,022	2,292	2,660,448	1,329,700	3,990,148	3.46
2008	13,803,602	5,918	2,332	2,595,456	1,265,639	3,861,095	3.58
2007	13,286,922	5,762	2,306	2,452,328	1,390,432	3,842,760	3.46
2006	13,286,922	5,734	2,317	2,435,272	1,447,834	3,883,106	3.42

Note:

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

McLennan County Junior College District

Faculty, Staff, and Administrators Statistics

Last Ten Fiscal Years (Unaudited)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Faculty										
Full-time	225	232	238	240	215	200	224	196	195	192
Part-time	189	211	225	299	242	245	218	209	194	186
Total	<u>414</u>	<u>443</u>	<u>463</u>	<u>539</u>	<u>457</u>	<u>445</u>	<u>442</u>	<u>405</u>	<u>389</u>	<u>378</u>
Percent:										
Full-time	<u>54.3%</u>	<u>52.4%</u>	<u>51.4%</u>	<u>44.5%</u>	<u>47.0%</u>	<u>44.9%</u>	<u>50.7%</u>	<u>48.4%</u>	<u>50.1%</u>	<u>50.8%</u>
Part-time	<u>45.7%</u>	<u>47.6%</u>	<u>48.6%</u>	<u>55.5%</u>	<u>53.0%</u>	<u>55.1%</u>	<u>49.3%</u>	<u>51.6%</u>	<u>49.9%</u>	<u>49.2%</u>
Staff and Administrators										
Full-time	326	327	314	310	318	341	367	338	319	319
Part-time	53	57	52	22	30	30	26	14	10	13
Total	<u>379</u>	<u>384</u>	<u>366</u>	<u>332</u>	<u>348</u>	<u>371</u>	<u>393</u>	<u>352</u>	<u>329</u>	<u>332</u>
Percent:										
Full-Time	<u>86.0%</u>	<u>85.2%</u>	<u>85.8%</u>	<u>93.4%</u>	<u>91.4%</u>	<u>91.9%</u>	<u>93.4%</u>	<u>96.0%</u>	<u>97.0%</u>	<u>96.1%</u>
Part-Time	<u>14.0%</u>	<u>14.8%</u>	<u>14.2%</u>	<u>6.6%</u>	<u>8.6%</u>	<u>8.1%</u>	<u>6.6%</u>	<u>4.0%</u>	<u>3.0%</u>	<u>3.9%</u>
Students per full-time faculty	<u>37</u>	<u>36</u>	<u>36</u>	<u>39</u>	<u>47</u>	<u>50</u>	<u>35</u>	<u>41</u>	<u>40</u>	<u>40</u>
Students per full-time staff member	<u>25</u>	<u>25</u>	<u>27</u>	<u>30</u>	<u>32</u>	<u>29</u>	<u>21</u>	<u>24</u>	<u>27</u>	<u>24</u>
Average annual faculty salary	<u>\$ 64,162</u>	<u>62,795</u>	<u>61,029</u>	<u>60,272</u>	<u>61,432</u>	<u>61,403</u>	<u>59,074</u>	<u>54,980</u>	<u>54,858</u>	<u>53,281</u>

McLennan County Junior College District

Enrollment Details

Last Ten Fiscal Years (Unaudited)

Student Classification	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	4,418	53.27%	4,498	52.58%	4,949	53.20%	5,613	55.11%	5,498	55.46%	5,316	58.24%	4,278	54.26%	4,601	56.95%	4,275	54.85%	4,457	58.16%
Sophomore	2,249	27.12%	2,450	28.64%	2,587	27.81%	2,758	27.08%	2,678	27.02%	2,771	30.36%	2,175	27.59%	2,115	26.18%	2,212	28.38%	2,012	26.26%
Unclassified	1,627	19.62%	1,607	18.78%	1,766	18.99%	1,814	17.81%	1,737	17.52%	1,041	11.40%	1,431	18.15%	1,363	16.87%	1,307	16.77%	1,194	15.58%
Total	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%	7,884	100.00%	8,079	100.00%	7,794	100.00%	7,663	100.00%
Semester Hour Load																				
Less than 3	43	0.52%	73	0.85%	79	0.85%	91	0.89%	82	0.83%	69	0.76%	94	1.19%	84	1.04%	81	1.04%	76	1.00%
3-5 semester hours	1,493	18.00%	1,364	15.94%	1,497	16.09%	1,497	14.70%	1,533	15.46%	1,496	16.39%	1,480	18.77%	1,389	17.19%	1,392	17.86%	1,242	16.27%
6-8 Semester hours	1,703	20.53%	1,771	20.70%	1,753	18.85%	2,015	19.78%	1,809	18.25%	1,726	18.91%	1,515	19.22%	1,519	18.80%	1,461	18.75%	1,393	18.25%
9-11 semester hours	1,489	17.95%	1,501	17.55%	1,706	18.34%	1,943	19.08%	1,605	16.19%	1,494	16.37%	1,373	17.42%	1,425	17.64%	1,393	17.87%	1,381	18.09%
12-14 semester hours	2,952	35.59%	3,202	37.43%	3,555	38.22%	3,922	38.51%	4,082	41.18%	3,640	39.88%	2,752	34.91%	2,903	35.93%	2,775	35.60%	2,850	37.34%
15-17 semester hours	535	6.45%	544	6.36%	636	6.84%	627	6.16%	699	7.05%	613	6.72%	593	7.52%	680	8.42%	609	7.81%	606	7.94%
18 & over	79	0.95%	100	1.17%	76	0.82%	90	0.88%	103	1.04%	90	0.99%	77	0.98%	79	0.98%	83	1.06%	85	1.11%
Total	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%	7,884	100.00%	8,079	100.00%	7,794	100.00%	7,633	100.00%
Average course load	9.4		9.6		9.5		9.6		9.7		9.6		9.3		9.5		9.4		9.7	
Tuition Status																				
Texas Resident (in-District)	6,528	82.24%	6,768	82.97%	7,328	82.24%	8,393	83.75%	7,739	82.78%	7,602	84.04%	6,672	85.47%	6,573	85.16%	6,369	84.37%	6,304	85.04%
Texas Resident (out-of-District)	1,224	15.42%	1,209	14.82%	1,375	15.43%	1,414	14.11%	1,392	14.89%	1,272	14.06%	1,003	12.85%	1,025	13.28%	1,041	13.79%	983	13.26%
Non-Resident Tuition	186	2.34%	180	2.21%	208	2.33%	214	2.14%	218	2.33%	172	1.90%	131	1.68%	120	1.55%	139	1.84%	126	1.70%
Total	7,938	100.00%	8,157	100.00%	8,911	100.00%	10,021	100.00%	9,349	100.00%	9,046	100.00%	7,806	100.00%	7,718	100.00%	7,549	100.00%	7,413	100.00%

McLennan County Junior College District

Student Profile

Last Ten Fiscal Years (Unaudited)

Gender	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	5,450	65.71%	5,568	65.08%	6,040	64.93%	6,656	65.35%	6,515	65.72%	6,086	66.67%	5,294	67.15%	5,396	66.79%	5,231	67.12%	5,179	67.58%
Male	2,844	34.29%	2,987	34.92%	3,262	35.07%	3,529	34.65%	3,398	34.28%	3,042	33.33%	2,590	32.85%	2,683	33.21%	2,563	32.88%	2,484	32.42%
Total	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%	7,884	100.00%	8,079	100.00%	7,794	100.00%	7,663	100.00%
Ethnic Origin																				
White	4,602	55.49%	4,966	58.05%	5,370	57.73%	5,920	58.12%	5,915	59.67%	5,726	62.73%	5,051	64.07%	5,239	64.85%	5,023	64.45%	4,992	65.14%
Hispanic	2,142	25.83%	2,087	24.40%	1,434	15.42%	2,139	21.00%	1,934	19.51%	1,559	17.08%	1,299	16.48%	1,319	16.33%	1,230	15.78%	1,142	14.90%
African American	1,156	13.94%	1,318	15.41%	2,156	23.18%	1,781	17.49%	1,753	17.68%	1,666	18.25%	1,382	17.53%	1,364	16.88%	1,396	17.91%	1,373	17.92%
Asian	118	1.42%	103	1.20%	103	1.11%	113	1.11%	121	1.22%	109	1.19%	94	1.19%	91	1.13%	83	1.06%	97	1.27%
Foreign	2	0.02%	11	0.13%	16	0.17%	8	0.08%	-	0.00%	43	0.47%	36	0.46%	27	0.33%	34	0.44%	29	0.38%
Native American	4	0.05%	4	0.05%	5	0.05%	10	0.10%	6	0.06%	19	0.21%	22	0.28%	39	0.48%	28	0.36%	30	0.39%
American Indian	21	0.25%	25	0.29%	23	0.25%	39	0.38%	39	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Multiracial	213	2.57%	5	0.06%	160	1.72%	122	1.20%	57	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Unknown/unreported	36	0.43%	36	0.42%	35	0.38%	53	0.52%	88	0.89%	6	0.07%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	99.03%	9,128	100.00%	7,884	100.00%	8,079	100.00%	7,794	100.00%	7,663	100.00%
Age																				
Under 18	1,167	14.07%	1,061	12.40%	1,117	12.01%	1,158	11.37%	1,113	11.23%	988	10.82%	977	12.39%	912	11.29%	729	9.35%	637	8.31%
18 -21	3,155	38.04%	3,282	38.36%	3,517	37.81%	3,747	36.79%	3,636	36.68%	3,407	37.32%	3,066	38.89%	3,260	40.35%	3,163	40.58%	3,134	40.90%
22 - 24	1,084	13.07%	1,104	12.90%	1,192	12.81%	1,365	13.40%	1,323	13.35%	1,243	13.62%	1,110	14.08%	1,075	13.31%	1,051	13.48%	1,028	13.42%
25 - 35	1,750	21.10%	1,879	21.96%	2,020	21.72%	2,264	22.23%	2,410	24.31%	2,161	23.67%	1,660	21.06%	1,707	21.13%	1,692	21.71%	1,710	22.32%
36 - 50	864	10.42%	934	10.92%	1,122	12.06%	1,336	13.12%	1,154	11.64%	1,065	11.67%	843	10.69%	918	11.36%	955	12.25%	957	12.49%
51 & over	274	3.30%	295	3.45%	334	3.59%	315	3.09%	277	2.79%	264	2.89%	228	2.89%	207	2.56%	204	2.62%	197	2.57%
Total	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%	7,884	100.00%	8,079	100.00%	7,794	100.00%	7,663	100.00%
Average Age	25		25		26		26		25		26		25		25		25		26	

McLennan County Junior College District

Student Transfers to Senior Institutions

Last Ten Fiscal Years (Unaudited)

	Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005	
	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	133	13.42%	132	13.05%	137	13.44%	170	15.55%	132	13.78%	151	15.91%	79	19.36%	173	20.47%	162	19.71%	146	17.59%
University of Texas at Austin	61	6.16%	61	6.03%	85	8.33%	75	6.86%	68	7.10%	66	6.95%	0	0.00%	71	8.40%	57	6.93%	54	6.51%
Texas Tech University	98	9.89%	99	9.78%	93	9.12%	107	9.79%	71	7.41%	61	6.43%	20	4.90%	53	6.27%	58	7.06%	68	8.19%
Texas State University	81	8.17%	66	6.52%	93	9.12%	73	6.68%	83	8.66%	86	9.06%	29	7.11%	79	9.35%	83	10.10%	86	10.36%
Tarleton State University	411	41.47%	427	42.19%	400	39.22%	450	41.17%	345	36.01%	302	31.82%	166	40.69%	211	24.97%	173	21.05%	168	20.24%
Sam Houston State University	47	4.74%	55	5.43%	52	5.10%	48	4.39%	47	4.91%	26	2.74%	9	2.21%	22	2.60%	36	4.38%	46	5.54%
University of North Texas	56	5.65%	56	5.53%	53	5.20%	42	3.84%	66	6.89%	60	6.32%	28	6.86%	69	8.17%	71	8.64%	75	9.04%
University of Texas at Arlington	58	5.85%	64	6.32%	64	6.27%	85	7.78%	106	11.06%	149	15.70%	63	15.44%	121	14.32%	150	18.25%	150	18.07%
Stephen F. Austin State University	22	2.22%	32	3.16%	30	2.94%	27	2.47%	23	2.40%	38	4.00%	10	2.45%	34	4.02%	18	2.19%	29	3.49%
University of Texas at San Antonio	12	1.21%	20	1.98%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
University of Houston	12	1.21%	-	0.00%	13	1.27%	16	1.46%	17	1.77%	10	1.05%	4	0.98%	12	1.42%	14	1.70%	8	0.96%
	<u>991</u>	<u>100.00%</u>	<u>1,012</u>	<u>100.00%</u>	<u>1,020</u>	<u>100.00%</u>	<u>1,093</u>	<u>100.00%</u>	<u>958</u>	<u>100.00%</u>	<u>949</u>	<u>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>

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

Notes:

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

McLennan County Junior College District

Capital Asset Information

Last Ten Fiscal Years (Unaudited)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Academic buildings	17	17	17	17	16	15	16	13	13	13
Square footage*	564	564	564	564	549	538	549	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*	82	82	82	81	79	78	84	83	83	82
Administrative and support buildings	18	18	18	18	18	18	16	12	12	12
Square footage*	676	676	676	678	676	493	458	240	240	240
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	926	926	928	999	803	1,000	900	750	700	500
Athletic facilities										
Square footage*	43	43	43	43	43	43	43	43	43	43
Stadiums	2	2	2	2	2	2	2	2	2	2
Gymnasiums	2	2	2	2	2	2	2	2	2	2
Fitness centers	3	3	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	1,077	1,077	1,077	1,077	614	614	614
Transportation										
Cars	4	4	4	4	6	5	6	6	6	5
Light trucks/vans	8	6	6	6	10	10	10	12	11	12
SUV's	9	9	9	9	10	7	6	5	5	4
Buses	2	2	2	2	2	2	2	3	3	3

* in thousands

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



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

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, 2015, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated November 25, 2015. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of McLennan Community College Foundation, a discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with McLennan Community College Foundation.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Jaynes, Keitmeier, Boyd & Howell, P.C.

November 25, 2015



JAYNES REITMEIER BOYD & THERRELL, P.C.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
 MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL
 OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133* AND *UNIFORM
 GRANT MANAGEMENT STANDARDS***

The Board of Trustees
 McLennan County Junior College District:

Report on Compliance for Each Major Federal and State Program

We have audited McLennan County Junior College District's (the "District") compliance with the types of compliance requirements described in the *OMB 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, 2015. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Jaynes, Keitmeier, Boyd & Howell, P.C.

November 25, 2015

McLennan County Junior College District

Schedule of Findings and Questioned Costs

Year Ended August 31, 2015

(1) Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
 Significant 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: unmodified

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:

CFDA Number(s)

Name of Federal Program or Cluster

Student Financial Assistance Cluster:	
84.007	Federal Supplemental Educational Opportunity Grant Program
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans Program
84.002A	Adult Education & Family Literacy Act
64.027	Post-9/11 Veterans Educational Assistance

Identification of major state programs:

Grant Number(s)

Name of State Program or Cluster

--	Texas Education Opportunity Grant
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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 and Questioned Costs

None noted

(4) State Award Findings and Questioned Costs

None noted