

McLennan County Junior College District
Annual Financial Report
August 31, 2016 and 2015

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
Bob Sheehy, Jr. – Vice Chairman Waco, Texas	2019
Geneva Watley – Secretary Waco, Texas	2019
Members:	
Pauline Chavez, Waco, Texas	2017
Doug McDurham, Waco, Texas	2017
Earl Stinnett, Sr., Waco, Texas	2021
Ricky Turman, Waco, Texas	2021

Principal Administrative Officers

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

Financial Section



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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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2016 and 2015, 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, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the schedule of the District's proportionate share of the net pension liability on page 49, and the schedule of the District's contributions to the Teacher Retirement System of Texas on page 50 (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Uniform Grant Management Standards* and are also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, 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 21, 2016

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, 2016 and 2015. 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 recognized 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 (August 31, 2014). 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 improved the decision-usefulness of reported pension information and increased 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 \$52.0 million, \$49.9 million, and \$57.7 million as of August 31, 2016, 2015, and 2014, respectively. Of these amounts, unrestricted net position was \$3.2 million for 2016, \$2.9 million for 2015, and \$12.0 million for 2014. The decrease in unrestricted net position in 2015 is the result of the adoption of GASB No. 68 and GASB No. 71.
- The District's total net position increased by approximately \$2.1 million for 2016 and decreased by approximately \$7.7 million in 2015. In 2014, the total net position increased by approximately \$3.1 million. Of these amounts, unrestricted net position increased by approximately \$253,000 for 2016 and decreased by approximately \$9.1 million in 2015. Unrestricted net position increased by \$1.0 million for 2014. The

decreases in total net position and unrestricted net position in 2015 include the cumulative effects of the adoption of GASB No. 68 and GASB No. 71 effective September 1, 2014.

- The total assessed value of property in the District increased by approximately \$1.2 billion, or 6.8%, from 2015 to 2016 and by approximately \$1.3 billion, or 7.8%, from 2014 to 2015. From 2013 to 2014 the total assessed value increased by \$300 million, or 1.9%.
- Capital assets (net) decreased by approximately \$2.6 million and \$1.7 million in 2016 and 2015, respectively.
- Bonds decreased by approximately \$3.7 million and \$267,000 in 2016 and 2015, respectively.
- During 2016, the unduplicated head count of credit students increased by 349 students, duplicated head count of credit students increased by 1,178 students, and contact hours decreased by 1,002 contact hours. 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.

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)

				<u>Increase (Decrease)</u>	
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2015 to</u>	<u>2014 to</u>
				<u>2016</u>	<u>2015</u>
Assets					
Current assets	\$ 31,935	30,292	30,844	1,643	(552)
Noncurrent assets:					
Capital assets, net of depreciation	<u>130,063</u>	<u>132,666</u>	<u>134,347</u>	<u>(2,603)</u>	<u>(1,681)</u>
Total assets	<u>161,998</u>	<u>162,958</u>	<u>165,191</u>	<u>(960)</u>	<u>(2,233)</u>
Deferred outflows of resources	<u>7,323</u>	<u>5,332</u>	<u>459</u>	<u>1,991</u>	<u>4,873</u>

	2016	2015	2014	Increase (Decrease)	
				2015 to 2016	2014 to 2015
Liabilities					
Current liabilities	20,352	19,068	19,275	1,284	(207)
Noncurrent liabilities	93,054	96,313	88,285	(3,259)	8,028
Total liabilities	113,406	115,381	107,560	(1,975)	7,821
Deferred inflows of resources	3,925	2,973	437	952	2,536
Net Position					
Net investment in capital assets	46,140	44,495	42,479	1,645	2,016
Restricted, expendable	2,698	2,542	3,166	156	(624)
Unrestricted	3,152	2,899	12,008	253	(9,109)
Total net position	\$ 51,990	49,936	57,653	2,054	(7,717)

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

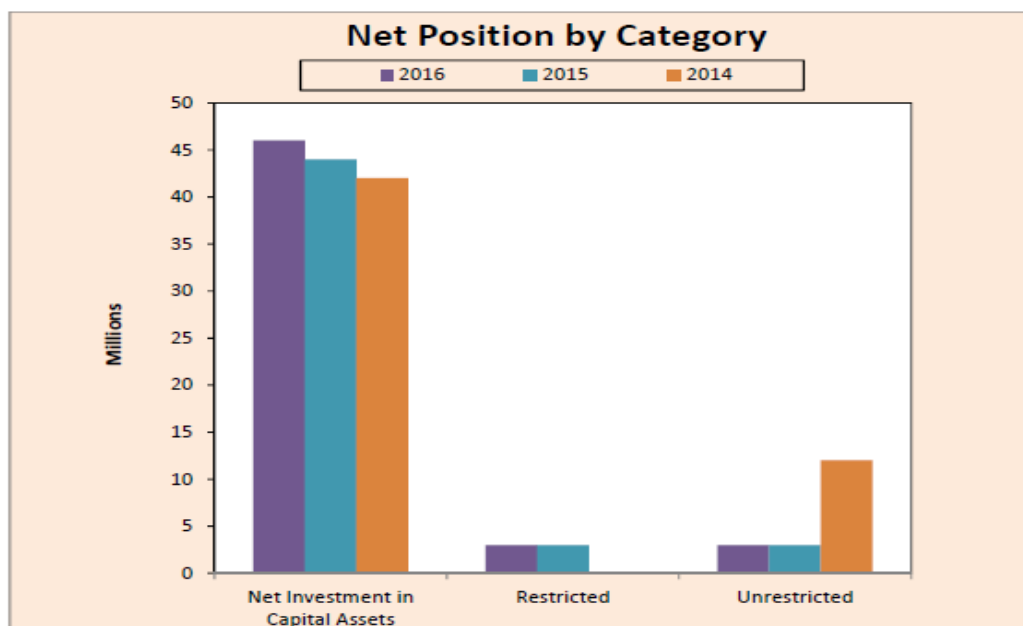
Total deferred outflows of resources increased by \$2.0 million from 2015 to 2016. Due to poor investment performance of the pension plan assets during 2015, the District recognized approximately \$2.4 million in deferred outflows during 2016 related to the difference between projected and actual investment earnings. This difference represented a deferred inflow of \$2.6 million in fiscal year 2015. This increase was offset by 2016 amortization on prior year deferred outflows and deferred charges on bond refundings. 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 decreased by approximately \$2.0 million from 2015 to 2016. Principal payments on bonds approximated \$3.7 million in 2016. The District's net pension liability increased \$1.3 million from 2015. Total 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.

Total deferred inflows of resources increased by \$952,000 from 2015 to 2016. The District recognized \$1.6 million in deferred inflows in 2016 related to the difference between expected and actual experience, change in assumptions, and change in proportionate contributions related to the pension plan. This increase was offset by 2016 amortization on prior year deferred inflows and deferred gains on bond refundings. 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 \$52.0 million in net position at August 31, 2016, approximately \$46.0 million is net investment in capital assets. This is an increase of \$1.6 million from 2015. Net position related to net investment in capital assets increased \$2.0 million from 2014 to 2015.

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, 2016, 2015 and 2014. 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>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues:			
Tuition and fees, net	\$ 16,062	15,666	17,003
Other	1,551	1,505	1,469
	<u>17,613</u>	<u>17,171</u>	<u>18,472</u>
Operating expenses:			
Instruction	32,344	31,286	31,310
Public service	1,912	1,806	1,890
Academic support	2,526	2,775	2,740
Student services	4,149	3,932	3,753
Institutional support	8,962	9,123	8,693
Operation and maintenance of plant	5,269	5,335	5,409
Scholarships and fellowships	10,497	11,827	12,092
Auxiliary enterprises	1,718	1,638	1,619
Depreciation	3,897	4,196	4,128
	<u>71,274</u>	<u>71,918</u>	<u>71,634</u>
Operating loss	<u>(53,661)</u>	<u>(54,747)</u>	<u>(53,162)</u>
Non-operating revenues (expenses):			
State appropriations	15,687	16,749	17,204
Ad valorem taxes	20,999	19,956	19,282
Grants and contracts	22,087	23,314	23,537
Interest on debt	(2,970)	(3,434)	(3,950)
Other	(88)	(10)	148
	<u>55,715</u>	<u>56,575</u>	<u>56,221</u>
Increase in net position	<u>\$ 2,054</u>	<u>1,828</u>	<u>3,059</u>

Operating and Non-operating Revenues

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

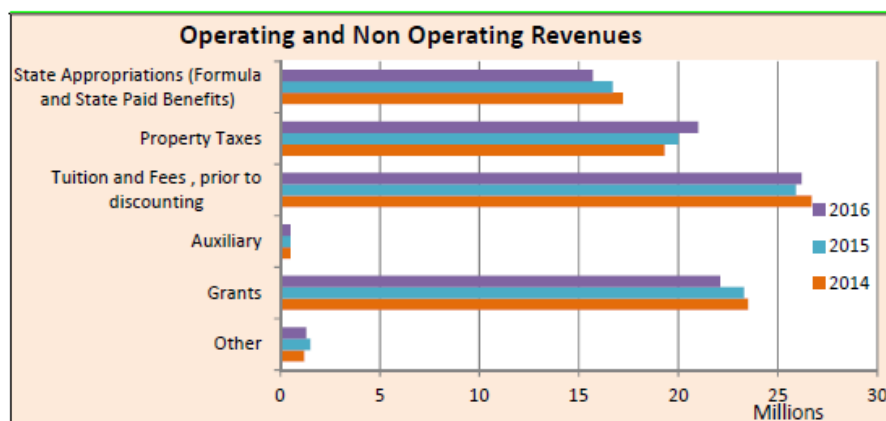
- Gross tuition and fee revenue for 2016 was \$26,231,668 and increased from 2015 amounts by approximately \$287,000 or 1.1%. Tuition rates remained the same from 2015 to 2016.

During 2015, the District generated a gross total of \$25,944,276 for tuition and fees charged to credit and non-credit students attending classes at the District. This is a decrease of \$734,000 or 2.8% from fiscal year 2014. 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.

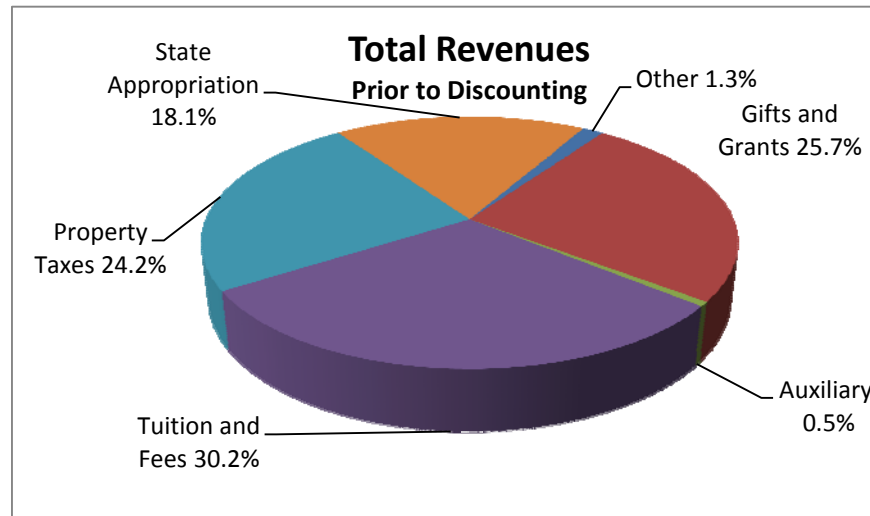
- State appropriated revenue for 2016 was \$1,062,444 less than 2015 due to decreased funding for the District. State appropriated revenue for 2015 was \$16,749,538, which was \$454,749 less than 2014. State appropriations were \$17,204,287 in 2014.
- Property tax revenue in 2016 exceeded the prior year by approximately \$1.0 million, or 5.2%, while 2015 revenues exceeded 2014 amounts by \$673,492, or 3.5%. The increase in revenue in 2016 is attributable to an increase in taxable assessed values of 5.8%. Property tax revenue in 2015 was \$19,955,929. The combined tax rate was \$0.149724 per \$100 of valuation for 2016 and \$0.149530 per \$100 valuation for 2015.
- 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 2016, Pell grants decreased by approximately \$1.6 million from the 2015 amount. In 2015, Pell grants decreased by approximately \$392,000 from the 2014 amount. Pell grants continue to be affected by the change in appeals process for students denied a Pell grant due to satisfactory academic progress and the removal of the consecutive appeal approvals as well as limitations on the number of years a student can receive a Pell grant. Based on these factors and the number of Pell-eligible students in any given semester, Pell grant revenue can significantly alter from year to year.

State grants increased by \$422,000 in 2016. Skills Development grant revenue increased \$747,000 in 2016 as a result of additional grant funding for training programs. This increase was offset by decreases in funding for the Texas Education Opportunity Grants and the termination of the Texas Grant. State grants decreased by \$19,000 in 2015.

The following presentation graphically displays revenue trends.

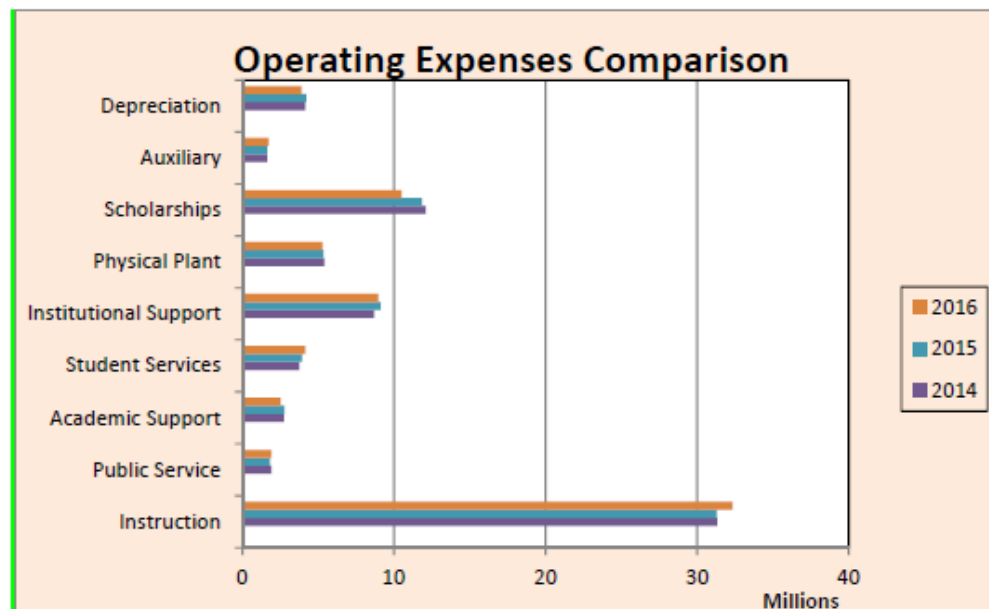


The following chart reflects revenues from all sources for fiscal year 2016. For purposes of this presentation, tuition and fees revenues are shown prior to scholarship discounts. The Statements of Revenues, Expenses and Changes in Net Position reflect these revenues net of scholarship discounts.



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 2016 expenses compared to the 2015 and 2014 expenses.



Total operating expenses for 2016 decreased by approximately \$644,000 or 0.9%. The decrease is attributable to the decline in Pell grant awards in 2016 offset by the increase in Skills Development grant awards further described in the Operating and Non-operating Revenues section above. Total operating expenses were \$71.9 million in 2015 and \$71.6 million in 2014.

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>2016</u>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents provided by (used in):			
Operating activities	\$ (51,988)	(47,883)	(47,126)
Noncapital financing activities	59,246	41,856	58,918
Capital and related financing activities	(3,028)	(3,689)	(3,723)
Investing activities	<u>14,085</u>	<u>(13,963)</u>	<u>34</u>
Changes in cash and cash equivalents	<u>\$ 18,315</u>	<u>(23,679)</u>	<u>8,103</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>2016</u>	<u>2015</u>	<u>2014</u>
Land	\$ 6,757	6,747	6,747
Library books	3,210	3,122	3,036
Construction in progress	113	-	-
Buildings	142,177	142,367	142,366
Improvements	24,859	23,756	21,811
Furniture, equipment and vehicles	<u>7,310</u>	<u>7,209</u>	<u>6,764</u>
	<u>\$ 184,426</u>	<u>183,201</u>	<u>180,724</u>

Capital assets additions totaled approximately \$1.6 million and \$2.5 million in 2016 and 2015, respectively. Major additions in 2016 included the Highland Gym locker room renovation, the Success Center renovations, and a new boiler in the Central Plant. Depreciation of \$3,897,336 was incurred in fiscal year 2016. 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.

The District had outstanding debt of approximately \$79.5 million and \$83.3 million as of August 31, 2016 and 2015, respectively.

Schedule of Outstanding Debt

(In Thousands)

	2016	2015	2014
General obligation bonds	\$ 64,440	67,370	73,605
Revenue bonds	15,095	15,900	16,675
	\$ 79,535	83,270	90,280

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 revenue from 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 24% and 22%, 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 approximately 8,800 students during the fall 2016 semester. The District's Office of Institutional Research monitors course demand and utilization on a daily basis to tailor offerings to demand.

The District has one of the lower maintenance and operations tax rates with a current rate of \$0.108894 per \$100 valuation. The District is ranked 36th out of 50 community college districts for 2015-2016 (with a ranking of 1 representing the highest tax rate). The District has the authority to raise its tax rate to as much as \$0.25 cents per \$100 valuation. Consequently, the District has considerable capability to offset declining state funds with tax increases, if necessary.

Declining state funds, changes in Pell grant and loan requirements and the continuation of a slow economic recovery represent potential challenges for Texas community colleges. However, enrollment trends are changing. During the fall 2015 semester, headcounts show 60% of the 50

Texas community colleges (29 out of 50) experienced an increase in enrollment. The District experienced flat enrollment during the fall 2015 semester when compared to the previous year. The large drops in previous years related to the changes in Pell grant rules have leveled off. This change in enrollment also coincides with the implementation of a comprehensive student success initiative that requires all first-time-in-college students to enroll in a one-hour student success class. This initiative and other success strategies are designed to improve retention on campus. Thus, it is anticipated that improvements in retention will to some degree offset recent enrollment declines. The spring 2016 enrollments (9,260 students) reported only a slight increase over spring 2015 enrollment of 9,214 students. In addition, summer enrollments increased from 6,408 students in 2015 to 7,025 students in 2016.

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 continues the process of expanding its University Center by adding new bachelor degree programs with Texas Tech University and by adding to its offerings through Tarleton State University. The District is planning for the continued expansion of these initiatives, which is expected to increase demand for the District's current course offerings.

Beginning in the 2014-15 biennium, Texas community colleges were funded on a new model that allocates \$500,000 for core operations and then, 10% of the appropriations on the basis of student success points and 90% on contact hours. The District was actively engaged in the development of the new model. For the 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 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, 2016 and 2015

<u>Assets</u>	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2016	2015	2016	2015
Current assets:				
Cash and cash equivalents	\$ 18,034,763	290,914	384,324	167,498
Short-term investments	-	14,001,129	-	-
Accounts receivable, net	11,901,741	14,320,984	229,059	882,871
Prepaid expenses	605,180	838,638	14,592	-
Restricted cash and cash equivalents	1,386,496	814,863	-	-
Inventories	7,382	25,037	-	-
Total current assets	31,935,562	30,291,565	627,975	1,050,369
Noncurrent assets:				
Restricted cash, cash equivalents, and investments	-	-	15,532,846	14,220,144
Capital assets, net	130,062,624	132,663,532	-	-
Other assets	-	2,837	50,520	49,148
Total noncurrent assets	130,062,624	132,666,369	15,583,366	14,269,292
Total assets	161,998,186	162,957,934	16,211,341	15,319,661
<u>Deferred Outflows of Resources</u>				
Deferred outflows of resources	7,322,921	5,332,032	-	-
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	2,099,215	1,947,958	12,973	10,953
Accrued liabilities	3,015,940	2,897,371	-	-
Funds held for others	226,862	205,740	-	-
Unearned revenue	11,230,099	10,281,632	-	-
Bonds payable - current portion	3,780,000	3,735,000	-	-
Total current liabilities	20,352,116	19,067,701	12,973	10,953
Noncurrent liabilities:				
Bonds payable	83,320,021	87,888,064	-	-
Net pension liability	9,733,576	8,425,251	-	-
Total noncurrent liabilities	93,053,597	96,313,315	-	-
Total liabilities	113,405,713	115,381,016	12,973	10,953
<u>Deferred Inflows of Resources</u>				
Deferred inflows of resources	3,925,255	2,973,274	-	-
<u>Net Position</u>				
Net position:				
Net investment in capital assets	46,139,956	44,495,078	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	8,203,283	7,887,924
Other	-	-	819,287	818,000
Expendable:				
Scholarships and fellowships	1,638,889	2,000,000	6,753,941	6,194,277
Debt service	1,058,925	541,655	-	-
Other	-	-	142,911	135,057
Unrestricted	3,152,369	2,898,943	278,946	273,450
Total net position	\$ 51,990,139	49,935,676	16,198,368	15,308,708

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, 2016 and 2015

	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2016	2015	2016	2015
Operating revenues:				
Tuition and fees (net of scholarship allowances and discounts of \$10,170,081 and \$10,277,778, respectively)	\$ 16,061,587	15,666,498	-	-
Gifts	-	-	870,866	876,202
Sales and services of educational activities	945,528	845,888	-	-
Auxiliary enterprises	475,786	502,710	-	-
Other operating revenues	129,863	156,251	-	-
Total operating revenues	<u>17,612,764</u>	<u>17,171,347</u>	<u>870,866</u>	<u>876,202</u>
Operating expenses:				
Instruction	32,343,911	31,285,925	-	-
Public service	1,912,193	1,805,885	-	-
Academic support	2,525,778	2,774,907	-	-
Student services	4,148,423	3,932,444	-	-
Institutional support	8,962,131	9,123,094	644,440	523,874
Operation and maintenance of plant	5,269,456	5,334,620	5,643	62,104
Scholarships and fellowships	10,496,813	11,826,977	378,516	313,615
Auxiliary enterprises	1,717,880	1,637,909	-	-
Depreciation	3,897,336	4,196,129	-	-
Total operating expenses	<u>71,273,921</u>	<u>71,917,890</u>	<u>1,028,599</u>	<u>899,593</u>
Operating income (loss)	<u>(53,661,157)</u>	<u>(54,746,543)</u>	<u>(157,733)</u>	<u>(23,391)</u>
Nonoperating revenues (expenses):				
State appropriations	15,687,094	16,749,538	-	-
Ad valorem taxes for maintenance and operations	15,266,357	13,919,725	-	-
Ad valorem taxes for debt service	5,733,094	6,036,204	-	-
Federal grants and contracts	18,596,672	20,369,944	-	-
State grants and contracts	3,272,034	2,849,666	-	-
Local grants and contracts	217,935	94,095	-	-
Investment income (loss)	61,792	47,053	1,046,539	(216,548)
Gifts	181,346	465,821	-	-
Interest on capital asset-related debt	(2,970,301)	(3,434,152)	-	-
Other nonoperating revenues (expenses), net	(330,403)	(523,236)	854	225
Net nonoperating revenues	<u>55,715,620</u>	<u>56,574,658</u>	<u>1,047,393</u>	<u>(216,323)</u>
Increase (decrease) in net position	<u>2,054,463</u>	<u>1,828,115</u>	<u>889,660</u>	<u>(239,714)</u>
Net position - beginning of year	49,935,676	57,653,407	15,308,708	15,548,422
Cumulative effect of changes in accounting principles	-	(9,545,846)	-	-
Net position - beginning of year, as restated	<u>49,935,676</u>	<u>48,107,561</u>	<u>15,308,708</u>	<u>15,548,422</u>
Net position - end of year	<u>\$ 51,990,139</u>	<u>49,935,676</u>	<u>16,198,368</u>	<u>15,308,708</u>

See accompanying notes to the financial statements.

McLennan County Junior College District
Statements of Cash Flows
(Exhibit 3)
Years Ended August 31, 2016 and 2015

	Primary Government	
	2016	2015
Cash flows from operating activities		
Receipts from students and other customers:		
Tuition and fees	\$ 10,042,926	15,917,834
Auxiliary enterprises and educational activities	1,197,773	1,103,494
Receipts from third-party student loans	13,200,474	15,170,332
Other receipts	129,863	156,251
Loans issued to students	(13,200,474)	(15,170,332)
Payments to employees	(33,703,104)	(33,900,189)
Payments to suppliers and students	(29,655,029)	(31,159,936)
Net cash used in operating activities	(51,987,571)	(47,882,546)
Cash flows from noncapital financing activities		
Receipts of state appropriations	12,142,764	13,456,451
Receipts from ad valorem taxes for maintenance and operation	15,293,464	13,894,633
Receipts of grants and contracts	31,671,557	14,363,038
Receipts from gifts for other than capital purposes	137,755	141,997
Net cash provided by noncapital financing activities	59,245,540	41,856,119
Cash flows from capital and related financing activities		
Receipts from ad valorem taxes for debt service	5,749,341	6,025,008
Other receipts	18,581	17,019
Purchases of capital assets	(1,621,621)	(2,187,124)
Payments on capital debt principal	(3,735,000)	(3,950,000)
Payments on capital debt interest	(3,434,271)	(3,596,047)
Other receipts (payments)	(4,750)	2,118
Net cash used in capital and related financing activities	(3,027,720)	(3,689,026)
Cash flows from investing activities		
Receipts from interest on investments	64,130	37,813
Proceeds from sales or maturities of investments	27,799,299	1,998,460
Purchases of investments	(13,778,196)	(15,999,589)
Net cash provided by (used in) investing activities	14,085,233	(13,963,316)
Net increase (decrease) in cash and cash equivalents	18,315,482	(23,678,769)
Cash and cash equivalents - beginning of year	1,105,777	24,784,546
Cash and cash equivalents - end of year	\$ 19,421,259	1,105,777
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (53,661,157)	(54,746,543)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	3,897,336	4,196,129
On-behalf payments	3,544,330	3,293,087
Change in assets and liabilities:		
Receivables, net	(7,018,276)	429,536
Inventories	17,655	(668)
Prepaid expenses	233,458	(135,050)
Deferred outflows of resources	-	(803,507)
Accounts payable	151,257	(522,180)
Accrued liabilities	71,753	51,190
Funds held for others	21,122	(19,390)
Unearned revenue	754,951	(403,914)
Net pension liability	-	778,764
Net cash used in operating activities	\$ (51,987,571)	(47,882,546)
Noncash capital, financing and investing activities:		
Contributed equipment	\$ -	325,303
State appropriations on-behalf payments	\$ 3,544,330	3,293,087
Deferred charge on refunding	\$ -	3,586,036

See accompanying notes to the financial statements.

McLennan County Junior College District

Notes to Financial Statements

August 31, 2016 and 2015

(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, 2016 and 2015, the Foundation expended \$690,198 and \$564,611, respectively, directly to the District or to the District on behalf of students. Complete financial statements for the Foundation can be obtained from the Foundation office at 1400 College Drive, Waco, Texas 76708.

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

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

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

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

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

(b) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal

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 \$735,549 and \$537,828 at August 31, 2016 and 2015, 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, 2016 and 2015.

(e) Investments

Investments are reported at fair value, except for money market funds and participating interest-earning investment contracts that mature within one year of the date of their acquisition and nonparticipating investment contracts which are stated at cost. Fair values are based on published market prices. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. The governmental investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair values of the pool shares.

(f) Inventories

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

(g) Capital Assets

Capital assets, which include land, buildings, library books, furniture, equipment and other improvements, are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of one or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 DistrictNotes to Financial Statements
(Continued)(2) Summary of Significant Accounting Policies (continued)(h) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resource (expense) until then. The District has the following items that qualify for reporting in this category:

- Deferred charges on bond refundings resulting from the differences in carrying values of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions made by the District subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the following year.
- Differences between expected and actual economic experience. This amount will be amortized ratably into pension expense.
- Changes in assumptions for the net pension liability. This amount will be amortized ratably into pension expense.
- Difference between projected and actual investment earnings for the net pension liability. This amount will be amortized ratably into pension expense.

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

- Deferred gains on bond refundings resulting from the differences in carrying values of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Changes in proportion and differences in District contributions and proportionate share of contributions to the pension plan. This amount will be amortized ratably into pension expense.
- Differences between expected and actual economic experience. This amount will be amortized ratably into pension expense.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

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

- Changes in assumptions for the net pension liability. This amount will be amortized ratably into pension expense.
- Difference between projected and actual investment earnings for the net pension liability. This amount will be amortized ratably into pension expense.

Deferred outflows and inflows at August 31, 2016 and 2015 consist of the following:

	2016	2015
Deferred Outflows		
Deferred charges on bond refundings	\$ 3,532,357	3,850,575
Pension related:		
Pension contributions subsequent to measurement date	829,573	803,507
Differences between expected and actual economic experience	108,365	130,299
Changes in assumptions	455,463	547,651
Differences between projected and actual investment earnings	2,397,163	-
	\$ 7,322,921	5,332,032
Deferred Inflows		
Deferred gains on bond refundings	\$ 355,001	395,965
Pension related:		
Changes in proportion and differences between District contributions and proportionate share of contributions	917,607	2,208
Differences between expected and actual economic experience	374,070	-
Changes in assumptions	347,251	-
Differences between projected and actual investment earnings	1,931,326	2,575,101
	\$ 3,925,255	2,973,274

McLennan County Junior College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(i) Unearned Revenue

Unearned revenue of the District at August 31, 2016 and 2015 consists of the following:

	2016	2015
Tuition and fees	\$ 9,797,381	9,228,880
Contributions	80,000	120,000
Federal grants	244,693	163,150
Scholarships	275,747	49,296
State grants	832,278	720,306
	\$ 11,230,099	10,281,632

(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.

(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.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(3) Changes in Accounting Principles (continued)

GASB No. 68 provided 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 provided 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 of resources related to pensions (except for pension contributions made subsequent to the measurement date of the beginning 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, 2016 and 2015 consist of the following:

	2016	2015
<u>Deposits</u>		
Cash - demand deposits	\$ 6,686,244	187,160
Cash - certificates of deposit	11,997,216	378,507
Cash - petty cash on hand	2,250	2,282
Total deposits	18,685,710	567,949

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(5) Deposits and Investments (continued)

	<u>2016</u>	<u>2015</u>
<u>Investments - cash equivalents</u>		
TexasTERM Local Government Investment Pool	\$ 8,359	8,330
Texas Local Government Investment Pool	726,911	529,220
Lone Star Investment Pool	279	278
Total cash and cash equivalents	<u>19,421,259</u>	<u>1,105,777</u>
<u>Investments</u>		
U.S. government agency securities	-	14,001,129
Other investments	-	2,837
Total investments	<u>-</u>	<u>14,003,966</u>
Total deposits and investments	<u>\$ 19,421,259</u>	<u>15,109,743</u>

Deposits and investments of the Foundation at August 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
<u>Deposits</u>		
Cash - demand deposits	\$ 324,349	97,489
Cash - certificates of deposit	59,975	70,009
Total deposits	<u>384,324</u>	<u>167,498</u>
<u>Investments</u>		
Funds of a management investment company	\$ 13,265,000	12,602,353
Equity securities	1,695,402	1,064,760
Other investments	572,444	553,031
Total investments	<u>15,532,846</u>	<u>14,220,144</u>
Total deposits and investments	<u>\$ 15,917,170</u>	<u>14,387,642</u>

The weighted average maturity of investments (in days) of the District at August 31, 2016 and 2015 consists of the following:

McLennan County Junior College District

Notes to Financial Statements (Continued)

(5) Deposits and Investments (continued)

	2016	2015
TexasTERM Local Government Investment Pool	43	33
Texas Local Government Investment Pool	42	41
Lone Star Investment Pool	37	37
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 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, 2016 and 2015, 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, 2016 and 2015 include deposits in the Texas Local Government Investment Pool, TexasTERM Local Government Investment Pool, and Lone Star Investment Pool (collectively, the Pools). These pools are public funds investment pools created pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to the Pools as custodians and to make investment purchases with the District's funds. The District does not own specific, identifiable investment securities with the Pools.

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

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

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

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

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

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

McLennan County Junior College District

Notes to Financial Statements (Continued)

(6) Disaggregation of Accounts Receivable and Accrued Liabilities

Accounts receivable at August 31, 2016 and 2015 consisted of the following:

	2016	2015
Auxiliary and other	\$ 5,720,748	5,307,747
Tuition and fees	4,225,243	8,030,508
Taxes	1,062,986	1,525,913
Federal and state grants	1,781,006	737,348
Interest	7,194	9,958
	12,797,177	15,611,474
Less allowance for doubtful accounts	(895,436)	(1,290,490)
Accounts receivable, net	\$ 11,901,741	14,320,984

Accrued liabilities at August 31, 2016 and 2015 consisted of the following:

	2016	2015
Salaries and benefits payable	\$ 880,476	801,288
Claims liability	200,628	200,628
Interest payable	576,603	529,787
Other payables	1,358,233	1,365,668
Accrued liabilities	\$ 3,015,940	2,897,371

(7) Capital Assets

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

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

McLennan County Junior College District

Notes to Financial Statements (Continued)

(7) Capital Assets (continued)

	Balance September 1, 2015	Additions	Transfers and Retirements	Balance August 31, 2016
Less accumulated depreciation:				
Buildings and building improvements \$	33,963,497	2,457,823	-	36,421,320
Other real estate improvements	9,574,519	877,784	-	10,452,303
Total buildings and other real estate improvements	43,538,016	3,335,607	-	46,873,623
Library books	2,504,952	80,722	-	2,585,674
Furniture and equipment	4,495,256	481,007	(71,776)	4,904,487
Total accumulated depreciation	50,538,224	3,897,336	(71,776)	54,363,784
	<u>125,916,492</u>	<u>(2,399,255)</u>	<u>(325,193)</u>	<u>123,192,044</u>
Net capital assets	\$ <u>132,663,532</u>	<u>(2,275,715)</u>	<u>(325,193)</u>	<u>130,062,624</u>

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

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

McLennan County Junior College District

Notes to Financial Statements (Continued)

(7) Capital Assets (continued)

Construction in progress at August 31, 2016, consisted of the campus signage project of which \$113,540 has been spent to date with a remaining commitment of \$282,574. No required future financing is expected for this project.

(8) Long-Term Liabilities

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

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

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>

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, 2016, are as follows:

For the Year Ended August 31,	Revenue Bonds		Tax Bonds	
	Principal	Interest	Principal	Interest
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	960,000	479,151	3,430,000	2,287,050
2022 - 2026	5,410,000	1,797,749	18,745,000	10,063,700
2027 - 2031	5,195,000	570,235	24,370,000	4,690,600
2032	-	-	5,535,000	276,750
	<u>\$ 15,095,000</u>	<u>5,078,662</u>	<u>64,440,000</u>	<u>27,599,575</u>

The District has pledged certain future tuition and fees to repay \$15.1 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 \$20.2 million. Principal and interest paid for the current year and total of pledged tuition and fees were approximately \$1.4 million and \$3.1 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 was considered defeased, and the District 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, 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, 2016, the following bonds outstanding are considered defeased:

	<u>Year</u> <u>Refunded</u>	<u>Balance</u> <u>Outstanding</u>
Refunding and Improvement Revenue		
Bonds - Series 1992	1995	\$ 1,295,000
Limited Tax Bonds - Series 1999	2005	3,975,000
Refunding Revenue Bonds - Series 1995	2006	1,300,000
Refunding Limited Tax Bonds - Series 2005	2013	3,885,000
Limited Tax Bonds - Series 2007	2013	8,550,000
Limited Tax Bonds - Series 2007	2015	<u>55,825,000</u>
		<u>\$ 74,830,000</u>

(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 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

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

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 on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling TRS at (512) 542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 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 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.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(11) Employees' Retirement Plan (continued)

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. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employee contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, GAA established the employer contribution rates for fiscal years 2016 and 2017. Contribution rates were as follows:

<u>Year</u>	<u>Member</u>		<u>State</u>		<u>District</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2016	7.2%	\$ 1,319,274	6.8%	\$ 427,101	6.8%	\$ 829,573
2015	6.7%	1,209,885	6.8%	424,586	6.8%	803,507
2014	6.4%	1,123,007	6.8%	402,569	6.8%	799,672

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, there are two additional surcharges an employer is subject to:

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

Actuarial Assumptions. The total pension liability in the August 31, 2015 and 2014 actuarial valuations was determined using the following actuarial assumptions:

	Valuation Date	
	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Actuarial cost method	Individual entry age, normal	Individual entry age, normal
Asset valuation method	5 year market value	5 year market value
Actuarial assumptions:		
Discount rate	8.00%	8.00%
Long-term expected investment rate of return	8% (includes inflation of 2.5%)	8% (includes inflation of 3%)
Salary increases	3.5% to 9.5% (includes inflation of 2.5%)	4.25% to 7.25% (includes inflation of 3%)
Benefit changes during the year	None	Not applicable
Ad hoc post-employment benefit changes	None	None

The 2015 actuarial methods and assumptions are primarily based on a study of actuarial experience for the four-year period ended August 31, 2014 and adopted on September 24, 2015. The 2014 actuarial methods and assumptions were primarily based on a study of actuarial experience for the four-year period ending August 31, 2010 and adopted on April 8, 2011.

The long-term expected rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation

McLennan County Junior College District

Notes to Financial Statements (Continued)

(11) Employees' Retirement Plan (continued)

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, 2015 are summarized below:

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

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

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

McLennan County Junior College District

Notes to Financial Statements (Continued)

(11) Employees' Retirement Plan (continued)

current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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 2014 net pension liability:

	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, 2016 and 2015, the District reported a liability of \$9,733,576 and \$8,425,251, respectively, for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District at August 31, 2016 and 2015 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:

	2016	2015
District's proportionate share of the net pension liability	\$ 9,733,576	8,425,251
State's proportionate share of the net pension liability associated with the District	5,097,186	4,294,738
Total	\$ 14,830,762	12,719,989

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

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

Changes From the 2014 Actuarial Valuation: The following are changes to the actuarial assumptions or other inputs that affected measurement of the 2015 total pension liability since the prior measurement period:

Economic Assumptions

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

- The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

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

- Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the years ended August 31, 2016 and 2015, the District recognized pension expense of \$2,077,972 and \$1,175,805, respectively, and revenue of \$427,101 and \$424,586, respectively, for support provided by the State.

At August 31, 2016 and 2015, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to the defined benefit pension plan from the following sources:

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(11) Employees' Retirement Plan (continued)

	<u>2016</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 108,365	374,070
Changes in actuarial assumptions	455,463	347,251
Differences between projected and actual investment earnings	2,397,163	1,931,326
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	-	917,607
Contributions paid to TRS subsequent to the measurement date	<u>829,573</u>	<u>-</u>
Total	<u>\$ 3,790,564</u>	<u>3,570,254</u>
	<u>2015</u>	
	<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 \$829,573 reported as deferred outflows of resources related to contributions paid to TRS subsequent to the measurement date at August 31, 2016 will be recognized as a reduction of the net pension liability in fiscal year 2017. 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>
2017	\$ (208,010)
2018	(208,010)
2019	(208,010)
2020	435,765
2021	(170,604)
Thereafter	(250,394)

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. The state legislature limits the state contribution rate to 50% of the member rate. The percentages of participant salaries currently contributed by the state and each participant are 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 2014, 2015 and 2016 are shown in the table below.

<u>Year</u>	Member		State	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2016	6.6%	\$ 753,755	3.3%	\$ 337,188
2015	6.6%	774,227	3.3%	381,980
2014	6.6%	773,873	3.3%	381,847

The total payroll for all College employees was \$33,782,292, \$33,893,112, and \$33,593,890 for the years ended August 31, 2016, 2015, and 2014, respectively. The total payroll of employees covered by ORP was \$11,420,537, \$11,730,718, and \$11,725,355 for the years ended August 31, 2016, 2015, and 2014, 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 \$582,555 and \$593,550 at both August 31, 2016 and 2015, 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, 2016 and 2015 is \$40,692 and \$46,164, 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, 2016 for each of the next three years are as follows:

Year Ended <u>August 31,</u>	
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 \$183,095. 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:

	<u>2016</u>	<u>2015</u>
Unpaid claims, beginning of year	\$ 200,628	200,628
Incurred claims (including IBNR) and changes to prior year estimates	(89,882)	(44,920)
Claim payments	<u>89,882</u>	<u>44,920</u>
Unpaid claims, end of year	<u><u>\$ 200,628</u></u>	<u><u>200,628</u></u>

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, 2016, 2015, and 2014 were \$716,855, \$650,683, and \$1,169,534, 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, 2016, 2015, and 2014 were \$840,485, \$800,432, and \$128,812, respectively, which equaled the remaining required contributions each year.

(16) Related Parties

During the years ended August 31, 2016 and 2015, the District furnished office space, utilities and staffing amounting to approximately \$285,000 and \$277,000, 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:

	2016	2015
Assessed valuation of the District	\$ 19,022,555,830	17,815,208,422
Less: Abatements	31,973,520	49,954,264
Less: Exemptions	4,455,373,763	4,022,291,767
Net assessed valuation of the District	\$ 14,535,208,547	13,742,962,391

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(17) Ad Valorem Property Taxes (continued)

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

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

Tax rates authorized and assessed during fiscal year 2015 were as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized	\$ 0.250000	0.500000	0.750000
Tax rate per \$100 valuation for assessed	0.104343	0.045187	0.149530

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

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

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

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
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	<u>141,418</u>	<u>61,769</u>	<u>203,187</u>
Total collections	\$ <u><u>14,129,065</u></u>	<u><u>6,126,649</u></u>	<u><u>20,255,714</u></u>

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, 2016 and 2015 were approximately 96% 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 2016 or 2015.

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 \$1,319,754 and \$2,138,089 at August 31, 2016 and 2015, respectively, for federal contract and grant awards; \$778,564 and \$300,081 at August 31, 2016 and 2015, respectively, for state contract and grant awards; and \$78,037 and \$-0-, respectively at August 31, 2016 and 2015, respectively, for local 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. 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 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.

GASB Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73 (Statement 82) – The objective of Statement 82 is to address certain issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and treatment of deviations from the guidance in

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

the Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. These issues have been raised as a result of implementation of GASB Nos. 67, 68, and 73. The requirements of Statement 82 will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The provisions of Statement 82 are effective for financial statements for periods beginning after June 15, 2016, except for the requirements for the selection of assumptions in circumstances in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In those circumstances, the requirements for the selection of assumptions are effective for the employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

(24) Subsequent Events

The District has evaluated subsequent events from the date of the statements of net position through November 21, 2016, 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

	2016	2015
District's proportion of the net pension liability	0.000275359	0.000315418
District's proportionate share of the net pension liability	\$ 9,733,576	8,425,251
State's proportionate share of the net pension liability associated with the District	5,097,186	4,294,738
Total	\$ 14,830,762	12,719,989
District's covered-employee payroll	\$ 18,057,981	17,546,985
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	53.9%	48.0%
Plan's fiduciary net position as a percentage of the total pension liability	78.4%	83.3%

Note:

Information for fiscal years prior to 2015 is not available.

See accompanying independent auditor's report.

McLennan County Junior College District

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

Last Ten Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contributions	\$ 829,573	803,507	799,672	786,873	724,308	939,260	916,970	826,359	734,695	638,637
Contributions in relation to the contractually required contribution	<u>829,573</u>	<u>803,507</u>	<u>799,672</u>	<u>786,873</u>	<u>724,308</u>	<u>939,260</u>	<u>916,970</u>	<u>826,359</u>	<u>734,695</u>	<u>638,637</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>18,323,250</u>	<u>18,057,981</u>	<u>17,546,985</u>	<u>17,323,138</u>	<u>16,758,099</u>	<u>16,738,034</u>	<u>16,010,503</u>	<u>14,725,829</u>	<u>13,186,814</u>	<u>12,477,123</u>
Contributions as a percentage of covered employee payroll	\$ <u>4.53%</u>	<u>4.45%</u>	<u>4.56%</u>	<u>4.54%</u>	<u>4.32%</u>	<u>5.61%</u>	<u>5.73%</u>	<u>5.61%</u>	<u>5.57%</u>	<u>5.12%</u>

See accompanying independent auditor's report.

Supplemental Information

McLennan County Junior College District

Schedule of Operating Revenues (Schedule A)

Year Ended August 31, 2016
(With Memorandum Totals for the Year Ended August 31, 2015)

	Unrestricted	Restricted	Total		Total	
			Educational Activities	Auxiliary Enterprises	2016	2015
Tuition and fees:						
State funded credit courses:						
In-district resident tuition	\$ 14,104,225	-	14,104,225	-	14,104,225	14,245,293
Out-of-district resident tuition	4,010,184	-	4,010,184	-	4,010,184	3,839,450
Non-resident tuition	1,651,061	-	1,651,061	-	1,651,061	1,472,129
TPEG - credit (set aside)	1,077,667	-	1,077,667	-	1,077,667	1,079,881
State funded continuing education	1,067,845	-	1,067,845	-	1,067,845	1,121,004
TPEG - non-credit (set aside)	9,592	-	9,592	-	9,592	9,697
Non-state funded educational programs	18,780	-	18,780	-	18,780	27,185
Total tuition	<u>21,939,354</u>	<u>-</u>	<u>21,939,354</u>	<u>-</u>	<u>21,939,354</u>	<u>21,794,639</u>
Fees:						
Installment plan fees	87,800	-	87,800	-	87,800	82,500
Facility fees	1,099,443	-	1,099,443	-	1,099,443	1,093,007
General fees	549,721	-	549,721	-	549,721	546,504
Laboratory fees	868,622	-	868,622	-	868,622	804,941
Other fees	1,686,728	-	1,686,728	-	1,686,728	1,622,685
Total fees	<u>4,292,314</u>	<u>-</u>	<u>4,292,314</u>	<u>-</u>	<u>4,292,314</u>	<u>4,149,637</u>
Scholarship allowances and discounts:						
Remissions and exemptions	(1,322,591)	-	(1,322,591)	-	(1,322,591)	(1,069,183)
Title IV federal grants	(6,251,406)	-	(6,251,406)	-	(6,251,406)	(6,711,631)
TPEG awards	(1,447,896)	-	(1,447,896)	-	(1,447,896)	(1,288,283)
Other state grants	(281,920)	-	(281,920)	-	(281,920)	(381,579)
Other local grants	(866,268)	-	(866,268)	-	(866,268)	(827,102)
Total scholarship allowances	<u>(10,170,081)</u>	<u>-</u>	<u>(10,170,081)</u>	<u>-</u>	<u>(10,170,081)</u>	<u>(10,277,778)</u>
Total net tuition and fees	<u>16,061,587</u>	<u>-</u>	<u>16,061,587</u>	<u>-</u>	<u>16,061,587</u>	<u>15,666,498</u>
Additional operating revenues:						
Sales and services of educational activities	945,528	-	945,528	-	945,528	845,888
General operating revenues	129,863	-	129,863	-	129,863	156,251
Total additional operating revenues	<u>1,075,391</u>	<u>-</u>	<u>1,075,391</u>	<u>-</u>	<u>1,075,391</u>	<u>1,002,139</u>
Auxiliary enterprises:						
Bookstore (outsourced)	-	-	-	405,937	405,937	435,431
Other auxiliary enterprises	-	-	-	69,849	69,849	67,279
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>475,786</u>	<u>475,786</u>	<u>502,710</u>
Total operating revenues	<u>\$ 17,136,978</u>	<u>-</u>	<u>17,136,978</u>	<u>475,786</u>	<u>17,612,764</u>	<u>17,171,347</u>

In accordance with Education Code 56.033, \$1,087,259 and \$1,089,578 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2016 and 2015, respectively.

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Operating Expenses by Object (Schedule B)

Year Ended August 31, 2016
(With Memorandum Totals for the Year Ended August 31, 2015)

	Operating Expenses			Total		
	Salaries and Wages	Benefits		Other Expenses		
		State	Local		2016	2015
Unrestricted - educational activities:						
Instruction	\$ 21,844,851	-	3,263,316	2,770,042	27,878,209	27,610,841
Public service	121,599	-	18,938	111,018	251,555	323,460
Academic support	1,482,785	-	216,152	581,480	2,280,417	2,465,085
Student services	2,433,759	-	363,570	528,839	3,326,168	3,111,153
Institutional support	4,194,198	-	631,910	3,350,209	8,176,317	8,146,780
Operation and maintenance of plant	1,430,709	-	668,233	3,154,595	5,253,537	5,318,304
Scholarships and fellowships	-	-	-	2,175,418	2,175,418	1,923,989
Total unrestricted educational activities	<u>31,507,901</u>	<u>-</u>	<u>5,162,119</u>	<u>12,671,601</u>	<u>49,341,621</u>	<u>48,899,612</u>
Restricted - educational activities:						
Instruction	208,486	2,584,671	27,761	1,644,784	4,465,702	3,675,084
Public service	1,216,806	-	205,853	237,979	1,660,638	1,482,425
Academic support	44,486	175,443	401	25,031	245,361	309,822
Student services	311,162	287,961	68,700	154,432	822,255	821,291
Institutional support	79,020	496,256	8,904	201,634	785,814	976,314
Operation and maintenance of plant	15,919	-	-	-	15,919	16,316
Scholarships and fellowships	-	-	-	8,321,395	8,321,395	9,902,988
Total restricted educational activities	<u>1,875,879</u>	<u>3,544,331</u>	<u>311,619</u>	<u>10,585,255</u>	<u>16,317,084</u>	<u>17,184,240</u>
Total educational activities	<u>33,383,780</u>	<u>3,544,331</u>	<u>5,473,738</u>	<u>23,256,856</u>	<u>65,658,705</u>	<u>66,083,852</u>
Auxiliary enterprises	<u>398,512</u>	<u>-</u>	<u>240,701</u>	<u>1,078,667</u>	<u>1,717,880</u>	<u>1,637,909</u>
Depreciation expense:						
Buildings and other improvements	-	-	-	3,335,607	3,335,607	3,548,308
Equipment and furniture	-	-	-	481,007	481,007	568,266
Library books	-	-	-	80,722	80,722	79,555
Total depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,897,336</u>	<u>3,897,336</u>	<u>4,196,129</u>
Total operating expenses	<u>\$ 33,782,292</u>	<u>3,544,331</u>	<u>5,714,439</u>	<u>28,232,859</u>	<u>71,273,921</u>	<u>71,917,890</u>

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Nonoperating Revenues and Expenses (Schedule C)

Year Ended August 31, 2016
(With Memorandum Totals for the Year Ended August 31, 2015)

	Unrestricted	Restricted	Auxiliary Enterprises	Total	
				2016	2015
Nonoperating revenues:					
State appropriations:					
Education and general state support	\$ 12,099,894	-	-	12,099,894	13,456,451
State group insurance	-	2,480,876	-	2,480,876	2,486,521
State retirement matching	-	1,063,454	-	1,063,454	806,566
Hazelwood Legacy Act	42,870	-	-	42,870	-
Total state appropriations	<u>12,142,764</u>	<u>3,544,330</u>	<u>-</u>	<u>15,687,094</u>	<u>16,749,538</u>
Maintenance ad valorem taxes	15,266,357	-	-	15,266,357	13,919,725
Debt service ad valorem taxes	-	5,733,094	-	5,733,094	6,036,204
Federal grants and contracts	-	18,596,672	-	18,596,672	20,369,944
State grants and contracts	-	3,272,034	-	3,272,034	2,849,666
Local grants and contracts	217,935	-	-	217,935	94,095
Investment income	50,068	11,724	-	61,792	47,053
Gifts	181,346	-	-	181,346	465,821
Other nonoperating revenues	-	-	-	-	19,383
Total nonoperating revenues	<u>27,858,470</u>	<u>31,157,854</u>	<u>-</u>	<u>59,016,324</u>	<u>60,551,429</u>
Nonoperating expenses:					
Interest on capital related debt	-	2,970,301	-	2,970,301	3,434,152
Loss on disposal of capital assets	322,086	-	-	322,086	-
Other nonoperating expenses	-	8,317	-	8,317	542,619
Total nonoperating expenses	<u>322,086</u>	<u>2,978,618</u>	<u>-</u>	<u>3,300,704</u>	<u>3,976,771</u>
Net nonoperating revenues	<u>\$ 27,536,384</u>	<u>28,179,236</u>	<u>-</u>	<u>55,715,620</u>	<u>56,574,658</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, 2016

	Detail by Source					Available for Current Operation	
	Unrestricted	Restricted		Net Investment in Capital Assets	Total	Yes	No
		Expendable	Non- Expendable				
Current:							
Unrestricted	\$ 3,271,765	-	-	-	3,271,765	3,271,765	-
Scholarships and fellowships	-	1,638,889	-	-	1,638,889	-	1,638,889
Loan	(54,783)	-	-	-	(54,783)	-	(54,783)
Plant:							
Capital projects	201,024	-	-	-	201,024	-	201,024
Debt service	947,349	1,058,925	-	-	2,006,274	-	2,006,274
Investment in plant	(1,212,986)	-	-	46,139,956	44,926,970	-	44,926,970
 Total net position, August 31, 2016	 3,152,369	 2,697,814	 -	 46,139,956	 51,990,139	 3,271,765	 48,718,374
 Total net position, August 31, 2015	 <u>2,898,943</u>	 <u>2,541,655</u>	 <u>-</u>	 <u>44,495,078</u>	 <u>49,935,676</u>	 <u>2,764,779</u>	 <u>47,170,897</u>
 Net increase in net position	 <u>\$ 253,426</u>	 <u>156,159</u>	 <u>-</u>	 <u>1,644,878</u>	 <u>2,054,463</u>	 <u>506,986</u>	 <u>1,547,477</u>

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Expenditures of Federal Awards (Schedule E)

Year Ended August 31, 2016

Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Total Federal 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		\$ 230,330
Federal Work Study Program	84.033		180,584
Federal Pell Grant Program	84.063		15,433,760
Federal Direct Student Loans	84.268		<u>13,180,894</u>
Total Student Financial Assistance Cluster			29,025,568
Federal Family Education Loans	84.032		23,259
TRIO Cluster:			
TRIO - Student Support Services	84.042A		269,588
TRIO - Upward Bound	84.047A		<u>344,692</u>
Total TRIO Cluster			<u>614,280</u>
Total Direct Programs			<u>29,663,107</u>
Pass Through From:			
Texas Workforce Commission:			
Adult Education & Family Literacy Act	84.002A	1316AEL001	155,826
Adult Education & Family Literacy Act	84.002A	1314AELA00	68,785
Adult Education & Family Literacy Act	84.002A	1314AELB00	<u>488,103</u>
Total Adult Education & Family Literacy Act			<u>712,714</u>
Texas Higher Education Coordinating Board:			
Vocational Education - State Basic Grant Program	84.048	14897	<u>523,082</u>
RAND Study	84.305H	R305H150094	<u>5,000</u>
Total U. S. Department of Education			<u>30,903,903</u>
<u>U. S. Department of Commerce</u>			
Pass Through From:			
National Institute of Standards & Technology:			
Summer Undergraduate Research Fellowship	11.620	70NANB16H113	<u>8,721</u>
Total U.S. Department of Commerce			<u>8,721</u>

McLennan County Junior College District

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

<u>Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor Number</u>	<u>Total Federal Indirect Costs, Pass Through Disbursements and Expenditures</u>
<u>U. S. Small Business Administration</u>			
Pass Through From:			
Dallas County Community College District:			
Small Business Development Center	59.037	SBAHQ-15-B-0018	11,328
Small Business Development Center	59.037	SBAHQ-16-B-0004	129,855
			<u>141,183</u>
Total U. S. Small Business Administration			<u>141,183</u>
<u>U. S. Department of Veterans Affairs</u>			
Direct Program:			
Post 9/11 Veterans Educational Assistance	64.027		536,688
Total U. S. Department of Veterans Affairs			<u>536,688</u>
<u>U. S. Department of Health and Human Services</u>			
Pass Through From:			
Texas Workforce Commission:			
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	1316AEL001	16,345
Temporary Assistance for Needy Families	93.558	1314AELA00	56,692
Temporary Assistance for Needy Families	93.558	1314AELB00	52,978
			<u>126,015</u>
Total Temporary Assistance for Needy Families			
HOT Workforce Development Board:			
CCDF Cluster:			
Childcare Quality Improvement	93.596	1315CCMC14	150
Childcare Quality Improvement	93.596	1316CCMC14	9,768
			<u>9,918</u>
Total Childcare Quality Improvement			<u>9,918</u>
Total U.S. Department of Health and Human Services			<u>135,933</u>
<u>Corporation for National and Community Service</u>			
Direct Programs:			
Heart of Texas Retired Senior Volunteer Program	94.002		44,639
Heart of Texas Retired Senior Volunteer Program	94.002		29,758
Total Corporation for National and Community Service			<u>74,397</u>
Total Federal Awards			<u>\$ 31,800,825</u>

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

McLennan County Junior College District

Notes to Schedule of Expenditures of Federal Awards

Year Ended August 31, 2016

(1) Federal Revenue Reconciliation

Federal revenues for 2016 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	\$ 18,596,672
Add: Federal Family Education Loans made	23,259
Add: Federal Direct Student Loans made	<u>13,180,894</u>
Total per Schedule of Expenditures of Federal Awards	<u>\$ 31,800,825</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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(3) Summary of Significant Accounting Policies

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

McLennan County Junior College District

Schedule of Expenditures of State Awards
(Schedule F)

Year Ended August 31, 2016

Grantor Agency/Program Title	Grant Contract Number	Indirect Costs and Expenditures
Texas Higher Education Coordinating Board		
State Work Study		\$ 54,559
Nursing Shortage Reduction Regular Programs		12,174
Nursing Shortage Over 70		17,116
Nursing Shortage Under 70 Over Target		115,925
Texas Education Opportunity Grant		648,334
Developmental Ed (S3)	10894	25,493
Texas Grant Program		57,965
T-STEM	13499	135,000
Total Texas Higher Education Coordinating Board		<u>1,066,566</u>
Texas Workforce Commission		
Skills Development	1314SDF000	297,398
Skills Development	1315SDF000	810,193
Skills Development	1315SDF001	816,488
Adult Education & Family Literacy Act	1314AELA00	15,701
Adult Education & Family Literacy Act	1314AELB00	84,066
Total Texas Workforce Commission		<u>2,023,846</u>
Small Business Development Center	SBAHQ-15-B-0018	16,674
Small Business Development Center	SBAHQ-16-B-0018	106,791
Total Small Business Development Center		<u>123,465</u>
Texas Department on Aging		
RSVP	15SRWTX016	58,157
Total State Awards		<u>\$ 3,272,034</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, 2016

(1) State Revenue Reconciliation

State revenues for 2016 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	\$ <u>3,272,034</u>
Total per Schedule of Expenditures of State Awards	\$ <u><u>3,272,034</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, 2016. 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,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net investment in capital assets	\$ 46,140	44,495	42,479	40,711	37,524	37,903	33,238	29,429	29,351	25,283
Restricted	2,698	2,542	3,166	2,850	2,587	2,227	5,101	4,445	3,807	1,232
Unrestricted	3,152	2,899	12,008	11,033	9,957	5,306	4,189	7,276	7,380	8,139
 Total primary government net position	\$ 51,990	49,936	57,653	54,594	50,068	45,436	42,528	41,150	40,538	34,654

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)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating expenses:										
Instruction	\$ 32,344	31,286	31,310	32,287	31,206	31,273	28,071	28,227	22,114	21,296
Public service	1,912	1,806	1,890	1,741	1,705	1,801	1,785	1,749	1,658	1,794
Academic support	2,526	2,775	2,740	2,591	2,374	2,062	2,049	1,990	1,822	1,984
Student services	4,148	3,932	3,753	3,658	3,494	3,726	3,428	3,037	2,985	3,024
Institutional support	8,962	9,123	8,693	8,707	8,372	8,244	7,854	8,642	7,997	7,345
Operation and maintenance of plant	5,270	5,335	5,409	5,356	5,164	5,570	5,311	4,644	4,747	4,008
Scholarships and fellowships	10,497	11,827	12,092	14,264	16,911	19,464	16,715	9,526	8,175	6,844
Auxiliary enterprises	1,718	1,638	1,619	1,580	1,572	1,528	1,531	1,549	1,509	1,545
Depreciation	3,897	4,196	4,128	4,030	3,886	3,564	3,451	2,129	1,726	1,687
Total operating expenses	71,274	71,918	71,634	74,214	74,684	77,232	70,195	61,493	52,733	49,527
Nonoperating expenses:										
Interest on capital related debt	2,970	3,434	3,950	4,189	4,584	4,292	4,664	2,520	3,338	2,526
Loss on disposal of fixed assets	322	-	58	19	-	49	6	11	9	100
Other nonoperating expenses	9	543	4	253	10	40	103	65	92	63
Total nonoperating expenses	3,301	3,977	4,012	4,461	4,594	4,381	4,773	2,596	3,439	2,689
Total expenses	\$ 74,575	75,895	75,646	78,675	79,278	81,613	74,968	64,089	56,172	52,216
Change in net position	\$ 2,054	1,828	3,059	4,526	4,632	4,248	1,378	612	5,884	2,759

For the Year Ended August 31,

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating expenses:										
Instruction	43.37%	41.22%	41.39%	41.04%	39.36%	38.32%	37.44%	44.04%	39.37%	40.78%
Public service	2.56%	2.38%	2.50%	2.21%	2.15%	2.21%	2.38%	2.73%	2.95%	3.44%
Academic support	3.39%	3.66%	3.62%	3.29%	2.99%	2.53%	2.73%	3.11%	3.24%	3.80%
Student services	5.56%	5.18%	4.96%	4.65%	4.41%	4.57%	4.57%	4.74%	5.31%	5.79%
Institutional support	12.02%	12.02%	11.49%	11.07%	10.56%	10.10%	10.48%	13.48%	14.24%	14.07%
Operation and maintenance of plant	7.07%	7.03%	7.15%	6.81%	6.51%	6.82%	7.08%	7.25%	8.45%	7.68%
Scholarships and fellowships	14.08%	15.58%	15.98%	18.13%	21.33%	23.85%	22.30%	14.86%	14.55%	13.11%
Auxiliary enterprises	2.30%	2.16%	2.14%	2.01%	1.98%	1.87%	2.04%	2.42%	2.69%	2.96%
Depreciation	5.23%	5.53%	5.46%	5.12%	4.90%	4.37%	4.60%	3.32%	3.07%	3.23%
Total operating expenses	95.57%	94.76%	94.70%	94.33%	94.21%	94.63%	93.63%	95.95%	93.88%	94.85%
Nonoperating expenses:										
Interest on capital related debt	3.98%	4.52%	5.22%	5.32%	5.78%	5.26%	6.22%	3.93%	5.94%	4.84%
Loss on disposal of fixed assets	0.43%	0.00%	0.08%	0.02%	0.00%	0.06%	0.01%	0.02%	0.02%	0.19%
Other non-operating expenses	0.01%	0.72%	0.01%	0.32%	0.01%	0.05%	0.14%	0.10%	0.16%	0.12%
Total nonoperating expenses	4.43%	5.24%	5.30%	5.67%	5.79%	5.37%	6.37%	4.05%	6.12%	5.15%
Total expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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	
2015	\$ 106	124	3	6	-	1,380	1,596	-	-	136,874
2014	106	124	3	6	-	1,380	1,596	-	-	132,964
2013	106	124	3	6	-	1,380	1,596	-	-	147,574
2012	106	124	3	6	-	1,380	1,596	7.48%	8.13%	164,400
2011	98	114	3	6	-	1,284	1,476	21.59%	20.59%	174,473
2010	79	93	3	6	-	1,056	1,224	20.55%	20.00%	164,345
2009	64	76	3	6	-	876	1,020	4.29%	3.66%	142,585
2008	61	73	3	6	-	840	984	7.69%	6.49%	147,572
2007	56	68	3	6	-	780	924	-	-	146,031
2006	56	68	3	6	-	780	924	4.84%	4.05%	149,258

Non-Resident Students

Fees per Semester Credit Hour (SCH)

Year	Tuition - Out of State	Tuition - International	General Services Fees	Facility Fees	Technology Fee	Cost for 12 SCH		Increase from Prior Year		SCH Non-Resident
						Out of State	International	Out of State	International	
2015	\$ 181	181	3	6	-	2,280	2,280	-	-	45,329
2014	181	181	3	6	-	2,280	2,280	-	-	54,909
2013	181	181	3	6	-	2,280	2,280	-	-	55,671
2012	181	181	3	6	-	2,280	2,280	5.56%	5.56%	56,344
2011	171	171	3	6	-	2,160	2,160	20.00%	20.00%	55,605
2010	141	141	3	6	-	1,800	1,800	12.78%	12.78%	49,000
2009	124	124	3	6	-	1,596	1,596	2.31%	2.31%	38,086
2008	121	121	3	6	-	1,560	1,560	4.00%	4.00%	29,998
2007	116	116	3	6	-	1,500	1,500	-	-	26,714
2006	116	116	3	6	-	1,500	1,500	2.46%	2.46%	21,324

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
2016	\$ 16,134,308	2,888,248	19,022,556	4,487,347	14,535,209	76.41%	\$ 14,831,846	0.108894	0.040830	0.149724
2015	15,115,891	2,699,317	17,815,208	4,072,246	13,742,962	77.14%	14,023,431	0.104343	0.045187	0.149530
2014	13,983,364	2,548,506	16,531,870	3,701,898	12,829,972	77.61%	13,091,808	0.103322	0.048208	0.151530
2013	13,531,650	2,700,629	16,232,279	3,585,542	12,646,737	77.91%	12,904,834	0.101199	0.050331	0.151530
2012	13,048,931	2,445,439	15,494,370	3,375,915	12,118,455	78.21%	12,365,770	0.100255	0.052568	0.152823
2011	12,228,481	2,342,980	14,571,461	3,091,195	11,480,266	78.79%	11,714,557	0.103439	0.052867	0.156306
2010	11,550,239	2,369,962	13,920,201	2,693,433	11,226,768	80.65%	11,455,886	0.104866	0.051466	0.156332
2009	11,021,839	2,296,162	13,318,001	2,539,309	10,778,692	80.93%	10,998,665	0.100101	0.051033	0.151134
2008	10,112,198	2,225,557	12,337,755	2,377,749	9,960,006	80.73%	10,163,271	0.100543	0.052459	0.153002
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

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)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
McLennan County Junior College District	\$ 0.1497	0.1495	0.1515	0.1515	0.1528	0.1563	0.1563	0.1511	0.1530	0.1204
Overlapping Rates										
McLennan County	0.0525	0.5353	0.5353	0.5353	0.4606	0.4427	0.4427	0.4431	0.4505	0.0440
Special Districts:										
McLennan and Hill Counties Tehuacana Creek Water Control and Improvement District No. 1	0.0252	0.0252	0.0252	0.0252	0.0252	0.0237	0.0237	0.0237	0.0250	0.0284
Castleman Creek Special Improvement District	0.1000	0.1010	0.1010	0.1010	0.1000	0.1000	0.1000	0.1000	0.1304	0.0130
Cities:										
Bellmead	0.3038	0.3187	0.2986	0.2986	0.2986	0.3460	0.2656	0.2470	0.2533	0.2790
Beverly Hills	0.4902	0.4902	0.4527	0.4036	0.3625	0.3266	0.3299	0.2829	0.2829	0.2830
Bruceville-Eddy	0.4982	0.4982	0.4982	0.4982	0.4982	0.4841	0.4822	0.4637	0.4426	0.4500
Crawford	0.5000	0.5000	0.5000	0.5000	0.4999	0.4999	0.4999	0.4012	0.3822	0.3400
Gholson	0.2095	0.2135	0.2135	0.2135	0.2135	0.2135	0.2135	0.2179	0.2179	0.2340
Hewitt	0.5397	0.5397	0.5397	0.5397	0.5150	0.5150	0.4998	0.4842	0.4842	0.4842
Lacy-Lakeview	0.3526	0.3595	0.3572	0.3592	0.3592	0.3592	0.3659	0.3285	0.3285	0.3285
Lorena	0.6090	0.5900	0.5614	0.5614	0.5389	0.5389	0.5055	0.5123	0.5068	0.5004
Mart	0.7592	0.7592	0.7399	0.7802	0.8024	0.8067	0.8253	0.8513	0.7988	0.7842
McGregor	0.5950	0.5950	0.5950	0.6000	0.6000	0.5302	0.5413	0.5400	0.5577	0.5650
Moody	0.5996	0.6185	0.6349	0.6728	0.6261	0.6335	0.6173	0.5330	0.5396	0.5004
Robinson	0.4995	0.5053	0.4804	0.4700	0.4538	0.4155	0.4065	0.4065	0.4170	0.3870
Waco	0.7762	0.7762	0.7762	0.7762	0.7862	0.7862	0.7862	0.7862	0.7862	0.6997
West	0.6065	0.6065	0.5770	0.5770	0.4925	0.4725	0.4548	0.4548	0.4140	0.3676
Woodway	0.4700	0.4700	0.4700	0.4569	0.4569	0.4570	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)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
School Districts:										
Axtell Independent School District	\$ 1.1700	1.1700	1.1700	1.1700	1.1700	1.1700	1.1700	1.1700	1.1700	1.3700
Bosqueville Independent School District	1.4415	1.5034	1.4782	1.4879	1.4785	1.5376	1.5500	1.5550	1.5613	1.4198
Bruceville-Eddy Independent School District	1.3250	1.3250	1.3250	1.3250	1.3250	1.3250	1.3250	1.3250	1.3250	1.3257
China Spring Independent School District	1.4214	1.5161	1.5388	1.5400	1.3744	1.4114	1.4070	1.4372	1.4296	1.4595
Connally Independent School District	1.2512	1.2816	1.2744	1.2657	1.2691	1.2811	1.2888	1.2700	1.2300	1.5118
Crawford Independent School District	1.2305	1.2305	1.2414	1.2807	1.2131	1.2266	1.2688	1.2454	1.3778	1.4915
Gholson Independent School District	1.0400	1.0400	1.0400	1.0400	1.0400	1.0400	1.0400	1.0400	1.0400	1.3278
Hallsburg Independent School District	1.2505	1.2939	1.2910	1.0400	1.0400	1.0400	1.0400	1.0400	1.0401	1.3700
LaVega Independent School District	1.4221	1.4590	1.4650	1.4200	1.4200	1.3650	1.3600	1.2389	1.3128	1.5366
Lorena Independent School District	1.5791	1.6400	1.6400	1.6200	1.3100	1.2900	1.2700	1.3774	1.2474	1.5815
Mart Independent School District	1.2095	1.2388	1.2295	1.2071	1.2178	1.2018	1.9120	1.2200	1.1954	1.4204
McGregor Independent School District	1.3338	1.3550	1.3550	1.3550	1.1850	1.1900	1.1900	1.1900	1.2100	1.5211
Midway Independent School District	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.5065
Moody Independent School District	1.3910	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.2591
Oglesby Independent School District	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.3041
Riesel Independent School District	1.4682	1.3950	1.3100	1.3364	1.3029	1.2983	1.1082	1.1499	1.3263	1.5126
Robinson Independent School District	1.4700	1.5100	1.5100	1.3150	1.3150	1.3150	1.3150	1.3160	1.1800	1.5109
Valley Mills Independent School District	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.5100
Waco Independent School District	1.4000	1.4000	1.3532	1.3548	1.3552	1.3610	1.3650	1.3664	1.3591	1.4438
West Independent School District	1.3175	1.2831	1.2700	1.2700	1.2232	1.2250	1.2300	1.2253	1.2253	1.5510

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)									
		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Sandy Creek Energy	Utility	\$ 524,137	524,137	545,373	450,272	402,237	417,814	-	-	-	-
Oncor/TXU Electric	Utility	141,952	148,047	144,211	135,768	126,459	122,468	118,632	187,974	183,329	119,940
Caterpillar Logistics	Manufacturing	133,346	144,579	134,587	150,152	133,297	103,487	-	-	-	-
Allergan	Manufacturing	111,584	94,810	88,235	79,152	69,984	71,108	64,610	101,931	67,001	43,662
Mars SnackFoods US	Processing	105,111	95,268	97,170	-	90,346	117,838	110,584	158,527	162,909	92,810
Owens Brockway	Manufacturing	77,743	-	-	-	-	-	-	-	-	-
Sanderson Farms	Processing	75,821	74,492	68,830	67,825	64,675	68,389	71,806	105,387	-	-
Coca-Cola	Processing	75,294	84,428	81,431	75,673	83,185	82,569	78,061	112,011	119,415	56,616
Ferguson Enterprises	Distributor	72,242	63,516	55,919	-	-	-	49,807	77,284	101,794	66,531
Raytheon E-Systems/L3	Manufacturing	70,646	69,480	76,264	71,799	69,209	71,803	63,436	89,611	75,960	-
Associated Hygiene Products	Manufacturing	-	72,507	-	53,025	-	-	-	-	-	-
Sandy Creek Energy (personal property)	Utility	-	-	57,325	-	-	-	-	-	-	-
Sherwin Williams	Distributor	-	-	-	51,798	62,264	-	46,933	59,350	59,453	38,858
Inland Western	Real estate	-	-	-	50,721	-	50,860	57,642	89,578	78,223	51,125
Space X	Technology	-	-	-	-	178,138	-	-	-	-	-
Southwestern Bell	Utility	-	-	-	-	-	44,744	57,479	84,576	120,907	76,313
Pilgrim's Pride	Processing	-	-	-	-	-	-	-	-	67,719	37,130
Richland Mall	Real estate	-	-	-	-	-	-	-	-	-	37,870
Totals		\$ <u>1,387,876</u>	<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>
Total taxable assessed value		\$ <u>14,535,209</u>	<u>13,742,962</u>	<u>12,829,972</u>	<u>12,646,737</u>	<u>12,118,455</u>	<u>11,480,266</u>	<u>11,226,768</u>	<u>10,778,692</u>	<u>9,960,006</u>	<u>9,287,262</u>

McLennan County Junior College District

Principal Taxpayers
(Continued)

Last Ten Years
(Unaudited)

Taxpayer	Type of Business	Percentage of Taxable Assessed Value									
		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Sandy Creek Energy	Utility	3.61%	3.81%	4.25%	3.56%	3.32%	3.64%	0.00%	0.00%	0.00%	0.00%
Oncor/TXU Electric	Utility	0.98%	1.08%	1.12%	1.07%	1.04%	1.07%	1.06%	1.74%	1.84%	1.29%
Caterpillar Logistics	Manufacturing	0.92%	1.05%	1.05%	1.19%	1.10%	0.90%	0.00%	0.00%	0.00%	0.00%
Allergan	Manufacturing	0.77%	0.69%	0.69%	0.63%	0.58%	0.62%	0.58%	0.95%	0.67%	0.47%
Mars SnackFoods US	Processing	0.72%	0.69%	0.76%	0.00%	0.75%	1.03%	0.99%	1.47%	1.64%	1.00%
Owens Brockway	Manufacturing	0.53%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sanderson Farms	Processing	0.52%	0.54%	0.54%	0.54%	0.53%	0.60%	0.64%	0.98%	0.00%	0.00%
Coca-Cola	Processing	0.52%	0.61%	0.63%	0.60%	0.69%	0.72%	0.70%	1.04%	1.20%	0.61%
Ferguson Enterprises	Distributor	0.50%	0.46%	0.44%	0.00%	0.00%	0.00%	0.44%	0.72%	1.02%	0.72%
Raytheon E-Systems/L3	Manufacturing	0.49%	0.51%	0.59%	0.57%	0.57%	0.63%	0.57%	0.83%	0.76%	0.00%
Associated Hygiene Products	Manufacturing	0.00%	0.53%	0.00%	0.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sandy Creek Energy (personal property)	Utility	0.00%	0.00%	0.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sherwin Williams	Distributor	0.00%	0.00%	0.00%	0.41%	0.51%	0.00%	0.42%	0.55%	0.60%	0.42%
Inland Western	Real estate	0.00%	0.00%	0.00%	0.40%	0.00%	0.44%	0.51%	0.83%	0.79%	0.55%
Space X	Technology	0.00%	0.00%	0.00%	0.00%	1.47%	0.00%	0.00%	0.00%	0.00%	0.00%
Southwestern Bell	Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.39%	0.51%	0.78%	1.21%	0.82%
Pilgrim's Pride	Processing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.68%	0.40%
Richland Mall	Real estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.41%
	Totals	<u>9.55%</u>	<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>

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
2016	\$ 21,773	20,987	96.39%	\$ 342	21,239	97.55%
2015	20,562	19,777	96.18%	276	20,053	97.52%
2014	19,468	19,113	98.18%	250	19,363	99.46%
2013	19,178	18,519	96.56%	310	18,829	98.18%
2012	18,574	18,076	97.32%	207	18,283	98.43%
2011	17,969	17,510	97.45%	261	17,771	98.90%
2010	17,581	16,962	96.48%	263	17,225	97.98%
2009	16,328	15,835	96.98%	387	16,222	99.35%
2008	15,239	14,909	97.83%	269	15,178	99.60%
2007	11,289	11,019	97.61%	256	11,275	99.88%

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)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Bonded Debt										
General obligation bonds	\$ 64,440	67,370	73,605	76,330	78,870	81,270	83,295	84,470	85,845	86,915
Other Debt										
Revenue bonds	15,095	15,900	16,675	17,425	18,145	18,845	19,555	10,600	5,355	5,790
Total outstanding debt	\$ 79,535	83,270	90,280	93,755	97,015	100,115	102,850	95,070	91,200	92,705
General Bonded Debt Ratios										
Per capita	Not available	\$ 274	302	316	332	341	355	362	373	381
Per student	\$ 9,652	11,125	11,747	11,270	10,717	10,599	17,079	15,787	14,506	15,158
As a percentage of taxable assessed value	0.44%	0.49%	0.61%	0.65%	0.71%	0.97%	0.90%	0.86%	0.94%	0.15%
Total Outstanding Debt Ratios										
Per capita	Not available	\$ 338.95	371	388	408	420	438	407	396	406
Per student	\$ 11,755	13,750	14,408	13,841	13,183	13,056	17,079	15,787	15,411	16,168
As a percentage of taxable assessed value	0.55%	0.61%	0.75%	0.81%	0.87%	0.97%	0.90%	0.95%	1.00%	0.23%
As a percentage of personal income	Not available	Not available	0.0388%	0.0132%	0.0130%	0.0130%	0.0133%	0.0127%	0.0014%	0.0003%

Note:

Debt per student calculated using full time equivalent enrollment.

Information for per capita not available for 2016.

Information for total outstanding debt as a percentage of personal income not available for 2015 and 2016.

McLennan County Junior College District

Legal Debt Margin Information

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Taxable assessed value	\$ <u>14,535,209</u>	<u>13,742,962</u>	<u>12,829,972</u>	<u>12,646,737</u>	<u>12,118,455</u>	<u>11,480,266</u>	<u>11,226,768</u>	<u>10,778,692</u>	<u>9,960,006</u>	<u>9,287,262</u>
Statutory tax levy limit for general obligation debt service	\$ 72,676	68,715	64,150	63,234	60,592	57,401	56,134	53,893	49,800	46,436
Current year debt service requirements	<u>5,729</u>	<u>6,110</u>	<u>6,112</u>	<u>6,034</u>	<u>6,275</u>	<u>5,977</u>	<u>5,692</u>	<u>5,750</u>	<u>5,165</u>	<u>1,422</u>
Excess of statutory tax levy limit for debt service over current requirements	\$ <u>66,947</u> ⁰	<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>
Current requirements as a percentage of statutory limit	<u>7.88%</u>	<u>8.89%</u>	<u>9.53%</u>	<u>9.54%</u>	<u>10.36%</u>	<u>10.41%</u>	<u>10.14%</u>	<u>10.67%</u>	<u>10.37%</u>	<u>3.06%</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	
2016	\$ 1,233	1,100	222	50	39	406	3,050	805	636	1,441	2.12
2015	1,207	1,093	204	40	33	435	3,012	775	663	1,438	2.09
2014	1,249	1,137	321	29	39	420	3,195	750	691	1,441	2.22
2013	1,391	1,227	228	205	44	439	3,534	720	717	1,437	2.46
2012	1,483	1,327	126	190	44	451	3,621	700	741	1,441	2.51
2011	1,595	1,380	146	172	45	488	3,826	710	765	1,475	2.59
2010	965	1,275	50	135	47	475	2,947	590	394	984	2.99
2009	762	1,076	51	155	48	395	2,487	740	263	1,003	2.48
2008	359	1,056	49	425	49	369	2,307	435	225	660	3.50
2007	346	1,030	56	618	41	317	2,408	415	239	654	3.68

McLennan County Junior College District

Demographic and Economic Statistics

Last Ten Fiscal Years
(Unaudited)

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Personal Income Per Capita</u>	<u>Unemployment Rate</u>
2015	245,671	Not available	Not available	4.1%
2014	243,441	\$ 8,634,139	\$ 35,467	5.1%
2013	241,481	8,245,255	34,145	6.1%
2012	237,811	8,350,456	35,114	7.4%
2011	238,564	7,673,685	32,166	7.4%
2010	234,906	7,888,000	33,579	4.6%
2009	233,378	7,172,056	30,731	4.6%
2008	230,213	7,153,670	31,074	3.9%
2007	228,123	6,772,688	29,689	4.8%
2006	226,192	6,399,000	28,290	5.2%

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

Note:
Information for 2015 not yet available.

McLennan County Junior College District

Principal Employers

Last Ten Fiscal Years (Unaudited)

Employer	Number of Employees									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Baylor University	2,746	2,675	2,675	2,583	2,583	2,583	2,360	2,360	2,360	2,300
Providence Health Center	2,311	2,397	2,397	2,538	2,538	2,618	2,434	2,434	2,182	1,565
Waco Independent School District	2,290	2,500	2,500	2,276	2,276	2,276	2,350	2,350	2,300	2,300
Baylor Scott & White/Hillcrest Health System	1,970	1,800	1,800	1,800	1,800	1,793	1,700	1,700	1,700	1,836
L-3 Communications Integrated Systems	1,850	2,300	2,300	2,079	2,079	2,079	1,619	1,619	1,620	1,706
HEB	1,500	1,500	1,500	1,500	1,500	1,500	1,350	Not Available	Not Available	Not Available
City of Waco, Texas	1,487	1,506	1,506	1,506	1,506	1,506	1,729	1,729	1,729	1,460
Midway Independent School District	1,102	1,067	1,067	1,067	1,067	1,067	955	955	877	885
Sanderson Farms	1,041	1,041	1,041	1,041	1,041	1,041	1,170	1,170	Not Available	Not Available
Wal-Mart	1,015	1,656	1,656	2,561	2,561	2,561	1,290	1,290	Not Available	Not Available
McLennan County	891	830	830	830	860	830	850	850	893	880
EMSI, Inc.	850	850	850	850	850	861	750	750	Not Available	Not Available
Veterans Regional Office	788	650	650	650	800	650	Not Available	Not Available	Not Available	Not Available
McLennan Community College Veterans Administration Medical Center	869	793	826	826	871	805	816	835	757	718
	777	800	800	800	650	800	735	Not Available	Not Available	Not Available
Cargill Foods, Inc.	708	685	685	685	685	685	694	694	775	Not Available
Texas State Technical Institute	600	672	672	672	672	672	684	Not Available	Not Available	Not Available
McLennan County Juvenile Correctional Center	582	527	527	527	527	527	721	Not Available	Not Available	Not Available
Masterfoods, USA	575	525	525	650	525	650	580	580	625	750

Source: Greater Waco Area Chamber of Commerce

Note:

Detailed information on employer size and total employment for 2007 to 2010 was not available for certain employers

McLennan County Junior College District

State Appropriations – Operating Information

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	State Appropriation	Appropriation per FTSE		Appropriation per Contact Hour			
		Full-Time Student Equivalent	Appropriation Per FTSE	Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	Appropriation Per Contact Hour
2016	\$ 12,099,894	6,676	\$ 1,812	2,624,792	990,464	3,615,256	\$ 3.35
2015	13,456,451	6,056	2,222	2,640,603	1,214,919	3,855,522	3.49
2014	13,456,451	6,266	2,148	2,720,076	1,293,954	4,014,030	3.35
2013	13,677,168	6,777	2,018	2,975,848	1,376,424	4,352,272	3.14
2012	13,889,811	7,359	1,887	3,288,502	1,442,243	4,730,745	2.94
2011	13,085,035	7,668	1,706	3,430,424	1,464,536	4,894,960	2.67
2010	13,214,849	7,116	1,857	3,205,976	1,452,946	4,658,922	2.84
2009	13,803,606	6,022	2,292	2,660,448	1,329,700	3,990,148	3.46
2008	13,803,602	5,918	2,332	2,595,456	1,265,639	3,861,095	3.58
2007	13,286,922	5,762	2,306	2,452,328	1,390,432	3,842,760	3.46

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Faculty										
Full-time	220	225	232	238	240	215	200	224	196	195
Part-time	<u>174</u>	<u>189</u>	<u>211</u>	<u>225</u>	<u>299</u>	<u>242</u>	<u>245</u>	<u>218</u>	<u>209</u>	<u>194</u>
Total	<u><u>394</u></u>	<u><u>414</u></u>	<u><u>443</u></u>	<u><u>463</u></u>	<u><u>539</u></u>	<u><u>457</u></u>	<u><u>445</u></u>	<u><u>442</u></u>	<u><u>405</u></u>	<u><u>389</u></u>
Percent:										
Full-time	<u>55.8%</u>	<u>54.3%</u>	<u>52.4%</u>	<u>51.4%</u>	<u>44.5%</u>	<u>47.0%</u>	<u>44.9%</u>	<u>50.7%</u>	<u>48.4%</u>	<u>50.1%</u>
Part-time	<u>44.2%</u>	<u>45.7%</u>	<u>47.6%</u>	<u>48.6%</u>	<u>55.5%</u>	<u>53.0%</u>	<u>55.1%</u>	<u>49.3%</u>	<u>51.6%</u>	<u>49.9%</u>
Staff and Administrators										
Full-time	325	326	327	314	310	318	341	367	338	319
Part-time	<u>108</u>	<u>53</u>	<u>57</u>	<u>52</u>	<u>22</u>	<u>30</u>	<u>30</u>	<u>26</u>	<u>14</u>	<u>10</u>
Total	<u><u>433</u></u>	<u><u>379</u></u>	<u><u>384</u></u>	<u><u>366</u></u>	<u><u>332</u></u>	<u><u>348</u></u>	<u><u>371</u></u>	<u><u>393</u></u>	<u><u>352</u></u>	<u><u>329</u></u>
Percent:										
Full-Time	<u>75.1%</u>	<u>86.0%</u>	<u>85.2%</u>	<u>85.8%</u>	<u>93.4%</u>	<u>91.4%</u>	<u>91.9%</u>	<u>93.4%</u>	<u>96.0%</u>	<u>97.0%</u>
Part-Time	<u>24.9%</u>	<u>14.0%</u>	<u>14.8%</u>	<u>14.2%</u>	<u>6.6%</u>	<u>8.6%</u>	<u>8.1%</u>	<u>6.6%</u>	<u>4.0%</u>	<u>3.0%</u>
Students per full-time faculty	<u>38</u>	<u>37</u>	<u>36</u>	<u>36</u>	<u>39</u>	<u>47</u>	<u>50</u>	<u>35</u>	<u>41</u>	<u>40</u>
Students per full-time staff member	<u>26</u>	<u>25</u>	<u>25</u>	<u>27</u>	<u>30</u>	<u>32</u>	<u>29</u>	<u>21</u>	<u>24</u>	<u>27</u>
Average annual faculty salary	\$ <u>66,392</u>	<u>64,162</u>	<u>62,795</u>	<u>61,029</u>	<u>60,272</u>	<u>61,432</u>	<u>61,403</u>	<u>59,074</u>	<u>54,980</u>	<u>54,858</u>

McLennan County Junior College District

Enrollment Details

Last Ten Fiscal Years (Unaudited)

Student Classification	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	4,547	54.75%	4,418	53.27%	4,498	52.58%	4,949	53.20%	5,613	55.11%	5,498	55.46%	5,316	58.24%	4,278	54.26%	4,601	56.95%	4,275	54.85%
Sophomore	2,271	27.34%	2,249	27.12%	2,450	28.64%	2,587	27.81%	2,758	27.08%	2,678	27.02%	2,771	30.36%	2,175	27.59%	2,115	26.18%	2,212	28.38%
Unclassified	1,487	17.90%	1,627	19.62%	1,607	18.78%	1,766	18.99%	1,814	17.81%	1,737	17.52%	1,041	11.40%	1,431	18.15%	1,363	16.87%	1,307	16.77%
Total	8,305	100.00%	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%	7,884	100.00%	8,079	100.00%	7,794	100.00%
Semester Hour Load																				
Less than 3	61	0.73%	43	0.52%	73	0.85%	79	0.85%	91	0.89%	82	0.83%	69	0.76%	94	1.19%	84	1.04%	81	1.04%
3-5 semester hours	1,615	19.45%	1,493	18.00%	1,364	15.94%	1,497	16.09%	1,497	14.70%	1,533	15.46%	1,496	16.39%	1,480	18.77%	1,389	17.19%	1,392	17.86%
6-8 Semester hours	1,773	21.35%	1,703	20.53%	1,771	20.70%	1,753	18.85%	2,015	19.78%	1,809	18.25%	1,726	18.91%	1,515	19.22%	1,519	18.80%	1,461	18.75%
9-11 semester hours	1,401	16.87%	1,489	17.95%	1,501	17.55%	1,706	18.34%	1,943	19.08%	1,605	16.19%	1,494	16.37%	1,373	17.42%	1,425	17.64%	1,393	17.87%
12-14 semester hours	2,817	33.92%	2,952	35.59%	3,202	37.43%	3,555	38.22%	3,922	38.51%	4,082	41.18%	3,640	39.88%	2,752	34.91%	2,903	35.93%	2,775	35.60%
15-17 semester hours	558	6.72%	535	6.45%	544	6.36%	636	6.84%	627	6.16%	699	7.05%	613	6.72%	593	7.52%	680	8.42%	609	7.81%
18 & over	80	0.96%	79	0.95%	100	1.17%	76	0.82%	90	0.88%	103	1.04%	90	0.99%	77	0.98%	79	0.98%	83	1.06%
Total	8,305	100.00%	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%	7,884	100.00%	8,079	100.00%	7,794	100.00%
Average course load	9.2		9.4		9.6		9.5		9.6		9.7		9.6		9.3		9.5		9.4	
Tuition Status																				
Texas Resident (in-District)	6,518	82.05%	6,528	82.24%	6,768	82.97%	7,328	82.24%	8,393	83.75%	7,739	82.78%	7,602	84.04%	6,672	85.47%	6,573	85.16%	6,369	84.37%
Texas Resident (out-of-District)	1,230	15.48%	1,224	15.42%	1,209	14.82%	1,375	15.43%	1,414	14.11%	1,392	14.89%	1,272	14.06%	1,003	12.85%	1,025	13.28%	1,041	13.79%
Non-Resident Tuition	196	2.47%	186	2.34%	180	2.21%	208	2.33%	214	2.14%	218	2.33%	172	1.90%	131	1.68%	120	1.55%	139	1.84%
Total	7,944	100.00%	7,938	100.00%	8,157	100.00%	8,911	100.00%	10,021	100.00%	9,349	100.00%	9,046	100.00%	7,806	100.00%	7,718	100.00%	7,549	100.00%

McLennan County Junior College District

Student Profile

Last Ten Fiscal Years (Unaudited)

Gender	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	5,427	65.35%	5,450	65.71%	5,568	65.08%	6,040	64.93%	6,656	65.35%	6,515	65.72%	6,086	66.67%	5,294	67.15%	5,396	66.79%	5,231	67.12%
Male	2,878	34.65%	2,844	34.29%	2,987	34.92%	3,262	35.07%	3,529	34.65%	3,398	34.28%	3,042	33.33%	2,590	32.85%	2,683	33.21%	2,563	32.88%
Total	8,305	100.00%	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%	7,884	100.00%	8,079	100.00%	7,794	100.00%
Ethnic Origin																				
White	4,449	53.57%	4,602	55.49%	4,966	58.05%	5,370	57.73%	5,920	58.12%	5,915	59.67%	5,726	62.73%	5,051	64.07%	5,239	64.85%	5,023	64.45%
Hispanic	2,352	28.32%	2,142	25.83%	2,087	24.40%	1,434	15.42%	2,139	21.00%	1,934	19.51%	1,559	17.08%	1,299	16.48%	1,319	16.33%	1,230	15.78%
African American	1,072	12.91%	1,156	13.94%	1,318	15.41%	2,156	23.18%	1,781	17.49%	1,753	17.68%	1,666	18.25%	1,382	17.53%	1,364	16.88%	1,396	17.91%
Asian	113	1.36%	118	1.42%	103	1.20%	103	1.11%	113	1.11%	121	1.22%	109	1.19%	94	1.19%	91	1.13%	83	1.06%
Foreign	4	0.05%	2	0.02%	11	0.13%	16	0.17%	8	0.08%	-	0.00%	43	0.47%	36	0.46%	27	0.33%	34	0.44%
Native American	6	0.07%	4	0.05%	4	0.05%	5	0.05%	10	0.10%	6	0.06%	19	0.21%	22	0.28%	39	0.48%	28	0.36%
American Indian	17	0.20%	21	0.25%	25	0.29%	23	0.25%	39	0.38%	39	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Multiracial	249	3.00%	213	2.57%	5	0.06%	160	1.72%	122	1.20%	57	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Unknown/unreported	43	0.52%	36	0.43%	36	0.42%	35	0.38%	53	0.52%	88	0.89%	6	0.07%	-	0.00%	-	0.00%	-	0.00%
Total	8,305	100.00%	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	99.03%	9,128	100.00%	7,884	100.00%	8,079	100.00%	7,794	100.00%
Age																				
Under 18	1,411	16.99%	1,167	14.07%	1,061	12.40%	1,117	12.01%	1,158	11.37%	1,113	11.23%	988	10.82%	977	12.39%	912	11.29%	729	9.35%
18 -21	3,294	39.66%	3,155	38.04%	3,282	38.36%	3,517	37.81%	3,747	36.79%	3,636	36.68%	3,407	37.32%	3,066	38.89%	3,260	40.35%	3,163	40.58%
22 - 24	1,015	12.22%	1,084	13.07%	1,104	12.90%	1,192	12.81%	1,365	13.40%	1,323	13.35%	1,243	13.62%	1,110	14.08%	1,075	13.31%	1,051	13.48%
25 - 35	1,597	19.23%	1,750	21.10%	1,879	21.96%	2,020	21.72%	2,264	22.23%	2,410	24.31%	2,161	23.67%	1,660	21.06%	1,707	21.13%	1,692	21.71%
36 - 50	764	9.20%	864	10.42%	934	10.92%	1,122	12.06%	1,336	13.12%	1,154	11.64%	1,065	11.67%	843	10.69%	918	11.36%	955	12.25%
51 & over	224	2.70%	274	3.30%	295	3.45%	334	3.59%	315	3.09%	277	2.79%	264	2.89%	228	2.89%	207	2.56%	204	2.62%
Total	8,305	100.00%	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%	7,884	100.00%	8,079	100.00%	7,794	100.00%
Average Age	24		25		25		26		26		25		26		25		25		25	

McLennan County Junior College District

Student Transfers to Senior Institutions

Last Ten Fiscal Years (Unaudited)

	Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	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	182	13.51%	133	13.42%	132	13.05%	137	13.44%	170	15.55%	132	13.78%	151	15.91%	79	19.36%	173	20.47%	162	19.71%
University of Texas at Austin	74	5.49%	61	6.16%	61	6.03%	85	8.33%	75	6.86%	68	7.10%	66	6.95%	0	0.00%	71	8.40%	57	6.93%
Texas Tech University	53	3.93%	98	9.89%	99	9.78%	93	9.12%	107	9.79%	71	7.41%	61	6.43%	20	4.90%	53	6.27%	58	7.06%
Texas State University	88	6.53%	81	8.17%	66	6.52%	93	9.12%	73	6.68%	83	8.66%	86	9.06%	29	7.11%	79	9.35%	83	10.10%
Tarleton State University	655	48.63%	411	41.47%	427	42.19%	400	39.22%	450	41.17%	345	36.01%	302	31.82%	166	40.69%	211	24.97%	173	21.05%
Sam Houston State University	58	4.31%	47	4.74%	55	5.43%	52	5.10%	48	4.39%	47	4.91%	26	2.74%	9	2.21%	22	2.60%	36	4.38%
University of North Texas	58	4.31%	56	5.65%	56	5.53%	53	5.20%	42	3.84%	66	6.89%	60	6.32%	28	6.86%	69	8.17%	71	8.64%
University of Texas at Arlington	102	7.57%	58	5.85%	64	6.32%	64	6.27%	85	7.78%	106	11.06%	149	15.70%	63	15.44%	121	14.32%	150	18.25%
Stephen F. Austin State University	34	2.52%	22	2.22%	32	3.16%	30	2.94%	27	2.47%	23	2.40%	38	4.00%	10	2.45%	34	4.02%	18	2.19%
University of Texas at San Antonio	22	1.63%	12	1.21%	20	1.98%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
University of Houston	21	1.56%	12	1.21%	-	0.00%	13	1.27%	16	1.46%	17	1.77%	10	1.05%	4	0.98%	12	1.42%	14	1.70%
	<u>1,347</u>	<u>100.00%</u>	<u>991</u>	<u>100.00%</u>	<u>1,012</u>	<u>100.00%</u>	<u>1,020</u>	<u>100.00%</u>	<u>1,093</u>	<u>100.00%</u>	<u>958</u>	<u>100.00%</u>	<u>949</u>	<u>100.00%</u>	<u>408</u>	<u>100.00%</u>	<u>845</u>	<u>100.00%</u>	<u>822</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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Academic buildings	17	17	17	17	17	16	15	16	13	13
Square footage*	564	564	564	564	564	549	538	549	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*	76	82	82	82	81	79	78	84	83	83
Administrative and support buildings	18	18	18	18	18	18	18	16	12	12
Square footage*	676	676	676	676	678	676	493	458	240	240
Dining facilities	3	2	2	2	2	2	2	2	2	2
Square footage*	15	15	15	15	15	15	15	15	15	15
Average daily customers	853	926	926	928	999	803	1,000	900	750	700
Athletic facilities										
Square footage*	43	43	43	43	43	43	43	43	43	43
Stadiums	2	2	2	2	2	2	2	2	2	2
Gymnasiums	2	2	2	2	2	2	2	2	2	2
Fitness centers	3	3	3	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	1,077	614	614
Transportation										
Cars	4	4	4	4	4	6	5	6	6	6
Light trucks/vans	8	8	6	6	6	10	10	10	12	11
SUV's	8	9	9	9	9	10	7	6	5	5
Buses	2	2	2	2	2	2	2	2	3	3

* in thousands

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



JAYNES REITMEIER BOYD & THERRELL, P.C.
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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, 2016, 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 21, 2016. 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* or the *Public Funds Investment Act*.

Purpose of this Report

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

November 21, 2016



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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 THE *UNIFORM GUIDANCE AND UNIFORM
 GRANT MANAGEMENT STANDARDS***

The Board of Trustees
 McLennan County Junior College District:

Report on Compliance for Each Major Federal and State Program

We have audited McLennan County Junior College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Uniform Grant Management Standards* that could have a direct and material effect on each of the District's major federal and state programs for the year ended August 31, 2016. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2016.

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 Uniform Guidance and *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

November 21, 2016

McLennan County Junior College District

Schedule of Findings and Questioned Costs

Year Ended August 31, 2016

(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 2 CFR section 200.516(a) of the Uniform

Guidance and the Uniform Grant Management Standards? _____ yes x no

Identification of major federal programs:

CFDA Number(s) Name of Federal Program or Cluster

Student Financial Assistance Cluster:	
84.007	Federal Supplemental Educational Opportunity Grant Program
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans Program

Identification of major state programs:

Grant Number(s) Name of State Program or Cluster

1314SDF000	Skills Development Grant
1315SDF000	Skills Development Grant
1314SDF001	Skills Development Grant

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

_____ \$750,000

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

_____ \$750,000

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