McLennan County Junior College District
Annual Financial Report
August 31, 2022 and 2021

Discussion Draft

Introductory Section

Discussion Draft

McLennan County Junior College District

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McLennan County Junior College District

Board of Trustees

	Term Expires
Officers:	
K. Paul Holt - Chairman Waco, Texas	2027
Earl Stinnet, Sr. – Vice Chairman Waco, Texas	2027
Doug McDurham – Secretary Waco, Texas	2023
Members:	
Pauline Chavez, Waco, Texas	2023
Dr. Elizabeth Palacios, Waco, Texas	2025
Ricky Turman, Waco, Texas	2027
Geneva Watley, Waco, Texas	2025

Principal Administrative Officers

Johnette McKown	President
Stephen Benson	Vice President, Finance and Administration
Fred Hills	Vice President, Instruction and Student Engagement
Grayson Meek	Comptroller

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Financial Section

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
McLennan County Junior College District:

Report on the Audit of the Financial Statements

Opinions

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 years ended August 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 the District as of August 31, 2022 and 2021, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. 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, 2022 and 2021, were not audited in accordance with *Government Auditing Standards*.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Change in Accounting Principle

As discussed in Note 2m to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, effective September 1, 2021. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16, the schedule of the District's proportionate share of the net pension liability on page 62, the schedule of the District's contributions to the Teacher Retirement System of Texas on page 63, the schedule of the District's proportionate share of the net OPEB liability on page 64, and the schedule of the District's contributions to the Employee Retirement System of Texas on page 65 (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, 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.

December 8, 2022

Discussion Draft

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, 2022 and 2021. This overview is based on facts, decisions and conditions known as of the date of the independent auditor's report. There are three financial statements presented: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. These statements provide both long-term and short-term financial information on the District as a whole and should be read in conjunction with the Notes to Financial Statements.

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

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

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Financial and Enrollment Highlights

- The District's assets exceeded liabilities by approximately $27.8 million, $15.0 million, and $9.2 million as of August 31, 2022, 2021 and 2020 respectively. Of these amounts, unrestricted net position was ($35.8) million for 2022, ($40.5) million for 2021 and ($47.8) million for 2020.

- The District's total net position increased by approximately $12.7 million for 2022, $5.8 million for 2021, and decreased by approximately $0.8 million for 2020. Of these amounts, unrestricted net position decreased by approximately $4.7 million for 2022 and $7.3 million for 2021. Unrestricted net position increased by approximately $2.4 million for 2020.

- The total assessed value of property increased by approximately $1.7 billion or 6.5% from 2021 to 2022, by $1.1 billion or 4.3% from 2020 to 2021, and by $2.1 billion or 8.9% from 2019 to 2020.

- Capital assets (net) increased by approximately $3.0 million in 2022 and $1.0 million in 2020. Capital assets (net) decreased by approximately $2.3 million in 2021.

- Bonds decreased by approximately $6.2 million in 2022, $4.2 million in 2021 and by $4.5 million in 2020.

Financial and Enrollment Highlights (continued)

- During 2022 the unduplicated head count of credit students decreased by 843 students, and contact hours increased by 152,422 hours. During 2021, the unduplicated head count of credit students decreased by 1,410 students, and contact hours decreased by 513,252 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 inflow 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 institution. Finally, the Statement of Net Position provides a picture of net position and its availability for expenditures by the District.

Condensed Statements of Net Position
(In Thousands)

				Increase (Decrease)	
	2022	2021	2020	2021 to 2022	2020 to 2021
Assets					
Current assets	$ 41,531	35,932	30,682	5,599	5,250
Noncurrent assets:					
Capital assets, net of depreciation	124,636	121,658	123,967	2,978	(2,309)
Right-of-use lease assets, net of amortization	684	1,050	1,423	(366)	(373)
Total assets	166,851	158,640	156,072	8,211	2,568
Deferred outflows of resources	17,104	22,295	24,974	(5,191)	(2,679)
Liabilities					
Current liabilities	22,236	21,227	20,130	1,009	1,097
Noncurrent liabilities	118,410	130,108	136,274	(11,698)	(6,166)
Total liabilities	140,646	151,335	156,404	(10,689)	(5,069)
Deferred inflows of resources	15,543	14,576	15,437	967	(861)
Net Position					
Net investment in capital assets	62,958	54,140	51,211	8,818	2,929
Restricted, expendable	582	1,338	5,797	(756)	(4,459)
Unrestricted	(35,774)	(40,454)	(47,803)	4,680	7,349
Total net position	$ 27,766	15,024	9,205	12,742	5,819

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Statement of Net Position (continued)

Net position is divided into three major categories. The first category, net investment in capital assets, reflects the District's equity in capital assets less the related debt. The next category, restricted net assets, 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 increased by $8.2 million from 2021 to 2022. Cash and cash equivalents increased by $3.9 million as explained below in the "Statement of Cash Flow" section. There were approximately $6.5 million in capital assets added during 2022. Significant additions include renovation projects on the ballfields and BPAC Stage of $2.9 million that were not yet completed at year-end, HVAC system renovation at the CSC Module E wing of $1.6 million, LTC 3rd floor renovation of $0.4 million, and the restroom and floor renovation in the CSC Module E wing of $0.4 million. Depreciation expense of $4.4 million was incurred which resulted in a $3.0 million increase in total capital assets, net of depreciation. Total assets increased by $3.0 million from 2020 to 2021. Cash and cash equivalents increased by $6.2 million as explained below in the "Statement of Cash Flow" section. There were approximately $2.1 million in capital assets added during 2021. Significant additions included renovation projects on the Central Plant and Learning Technology Center buildings of $0.8 million that were not yet completed at year-end 2021, roof replacement for the ESC building of $0.2 million, and CSC Module B air handler unit for $0.2 million. Depreciation expense of $4.3 million was incurred which resulted in a $2.3 million decrease in total capital assets, net of depreciation.

Total deferred outflows of resources decreased by approximately $5.2 million from 2021 to 2022. Total deferred outflows of resources decreased by approximately $2.7 million from 2020 to 2021. These outflows for 2022 and 2021 include deferred charges on the 2015, 2017, and 2021 Refunding Bonds, changes in pension contributions, changes in assumptions, differences between projected and actual earnings, changes in proportion and differences in District contributions and proportionate share of contributions, and differences between expected and actual economic experience of the pension and OPEB plans.

Total liabilities decreased by approximately $10.7 million from 2021 to 2022. Principal payments on bonds approximated $5.1 million in 2022. The District's net pension liability decreased approximately $9.0 million and the net OPEB liability increased approximately $3.4 million from 2021 to 2022. Additionally, the District recognized $0.6 million more in accrued liabilities due to the timing of payments at year end. Total liabilities decreased by approximately $5.1 million from 2020 to 2021. Principal payments on bonds approximated $5.2 million in 2021. The District's net pension liability increased approximately $0.2 million and the net OPEB liability decreased approximately $1.5 million from 2020 to 2021. The District issued $26.6 million in refunding bonds in 2021 that resulted in the defeasance of $26.9 million in existing debt. Additionally, the District recognized $0.6 million more in accrued liabilities due to the timing of payments at year end.

Total deferred inflows of resources increased by approximately $1.0 million from 2021 to 2022. Total deferred inflows of resources decreased by approximately $0.9 million from 2020 to 2021.

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Statement of Net Position (continued)

These deferred inflows include deferred gains on bond refundings, deferred inflows from leases, differences between projected and actual investment earnings, differences between expected and actual economic experience, changes in assumptions and changes in proportion and differences in District contributions and proportionate share of contributions to the pension and OPEB plans.

Of the $27.8 million in net position in 2022, approximately $63.0 million is net investment in capital assets. This is an increase of $8.8 million from 2021. Net position in 2021 related to net investment in capital assets increased $2.9 million from 2020 to 2021.

The following graph illustrates the comparative changes in net assets by category over the past three years. Unrestricted net position is critical to support the District's overall mission; therefore, it is important that unrestricted net position be adequately maintained. The chart illustrates that unrestricted net position has grown in a consistent manner (exclusive of the adoption of GASB Nos. 68 and 75) and that the District has not been required to use these resources to fund operations. The adoption of GASB No. 68 did not put the District in a deficit unrestricted net position; however, the adoption of GASB No. 75 did result in a deficit net position. Restricted net position represents balances of funds that have been received to fund specific projects. Accordingly, these balances will increase and decrease as funds are received and subsequently disbursed to fund these specific projects.

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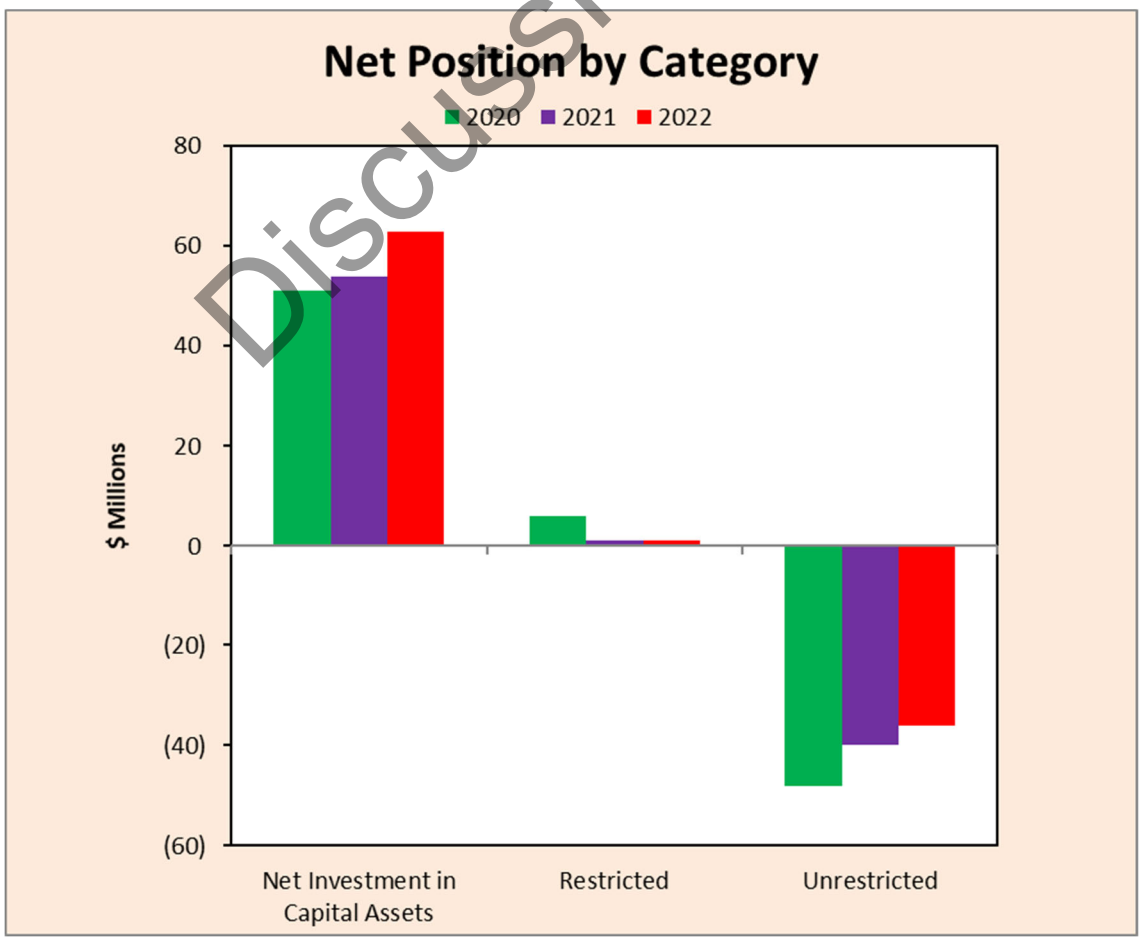

Statement of Revenues, Expenses and Changes in Net Position

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

The following table reflects a summary of the Statement of Revenues, Expenses and Changes in Net Position for the years ended August 31, 2022, 2021 and 2020. This summary indicates the operating loss and the overall increase (decrease) in net position for each of the years displayed.

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

	2022	2021	2020
Operating revenues:			
Tuition and fees, net	$ 11,610	12,876	12,672
Other	1,959	1,736	1,318
	13,569	14,612	13,990
Operating expenses:			
Instruction	30,071	32,101	34,173
Public service	2,154	2,257	2,097
Academic support	3,511	3,257	3,132
Student services	13,144	8,681	8,149
Institutional support	17,388	13,983	12,955
Operation and maintenance of plant	5,389	5,657	6,724
Scholarships and fellowships	8,277	9,096	9,738
Auxiliary enterprises	2,795	2,064	2,372
Depreciation and amortization	4,757	4,709	4,529
	87,486	81,805	83,869
Operating loss	(73,917)	(67,193)	(69,879)
Non-operating revenues (expenses):			
State appropriations	15,746	17,245	17,761
Ad valorem taxes	31,093	29,470	27,463
Grants and contracts	39,633	28,459	26,015
Interest on debt	(2,046)	(2,159)	(2,693)
Other	2,233	(3)	532
	86,659	73,012	69,078
Increase (decrease) in net position	$ 12,742	5,819	(801)

Operating and Non-operating Revenues

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

- Gross tuition and fee revenue for 2022 was $23.2 million and decreased from 2021 amounts by approximately $0.4 million or 2%. Credit tuition decreased by approximately $0.4 million, and state funded continuing education tuition decreased by $0.4 million. Tuition and general fee rates remained the same in 2022. Gross tuition and fee revenue for 2021 was $23.6 million and decreased from 2020 amounts by approximately $2.1 million or 8%. Credit tuition decreased by approximately $3.0 million, and state funded continuing education tuition increased by $0.2 million. Tuition and general fee rates remained the same in 2021. During 2020, the District generated a gross total of $25.8 million in tuition and fees charged to credit and non-credit students attending classes at the District.

- State appropriated revenue for 2022 was $15.7 million which was a decrease of $1.5 million from 2021. Of the total decrease, $1.0 million represents the portion of pension and OPEB expense that was recognized by the State of Texas on behalf of the District. The remaining decrease is the result of a decrease for state appropriations as determined by the legislature slightly offset by higher amounts paid by the State for insurance premiums on behalf of the District. State appropriated revenue for 2021 was $17.2 million which was a decrease of $0.6 million from 2020. State appropriated revenue for 2020 was $17.8 million.

- Property tax revenue was $31.1 million in 2022 which exceeded the prior year by approximately $1.6 million or 5.5%. Tax revenue was $29.5 million in 2021 which exceeded the prior year by approximately $2.0 million, or 7.3%. Tax revenue for 2020 was $27.5 million. The combined tax rate was $0.149782 per $100 of valuation for both 2022 and 2021. Tax rates for maintenance and operations and assessed taxable property values continue to increase each year resulting in increases to revenues.

- Revenues from gifts, grants and contracts are not consistent from year to year, as private funds are given for specific purposes and many governmental grants are non-recurring. In 2022 federal Pell grants were $14.4 million which was an increase of $0.6 million from 2021. Federal Pell grants were $13.8 million and $16.6 million, respectively in 2021 and 2020. Funding from the Higher Education Emergency Relief Fund increased by approximately $10.3 million from 2021 to 2022. The District first received this grant in 2020.

- State grants in 2022 were $1.1 million and decreased by approximately $0.3 million from 2021 to 2022 based on reductions in the Skills Development grants. There was an increase of approximately $0.4 million from 2020 to 2021. State grants were $1.1 million in 2020.

The following presentation graphically displays revenue trends.

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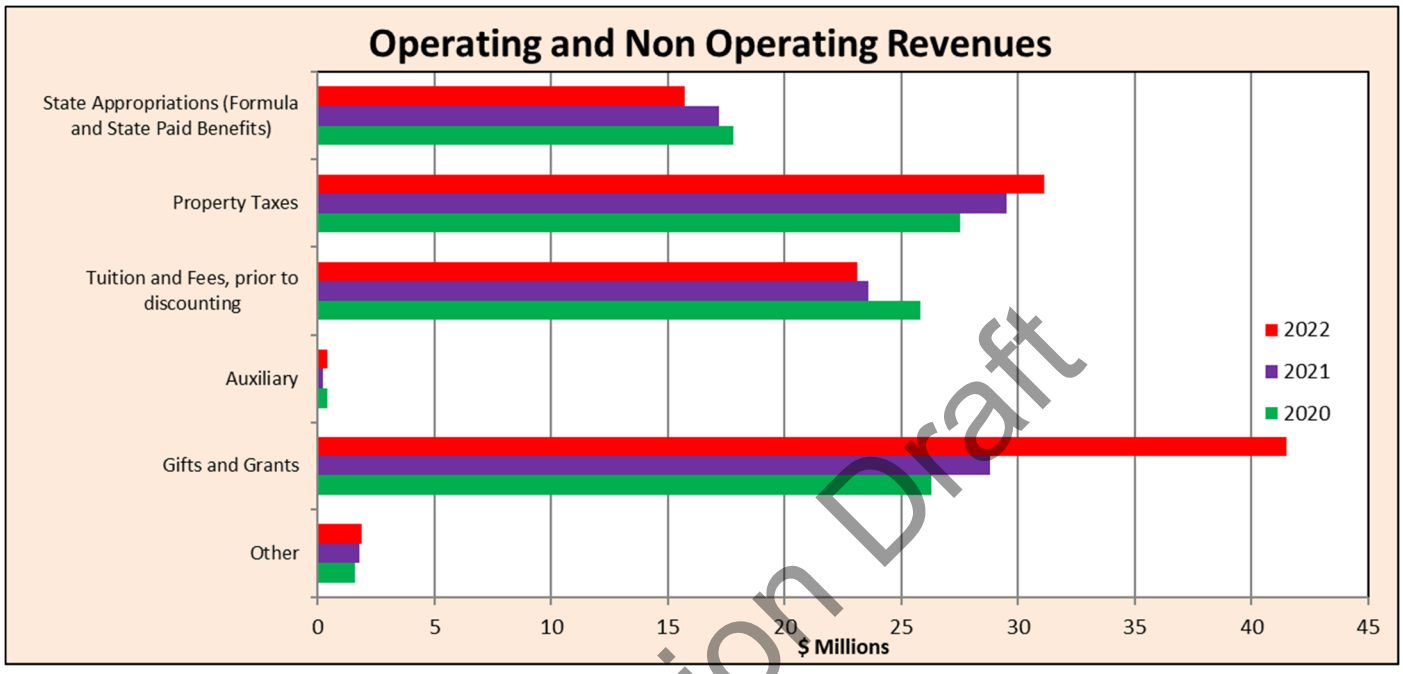
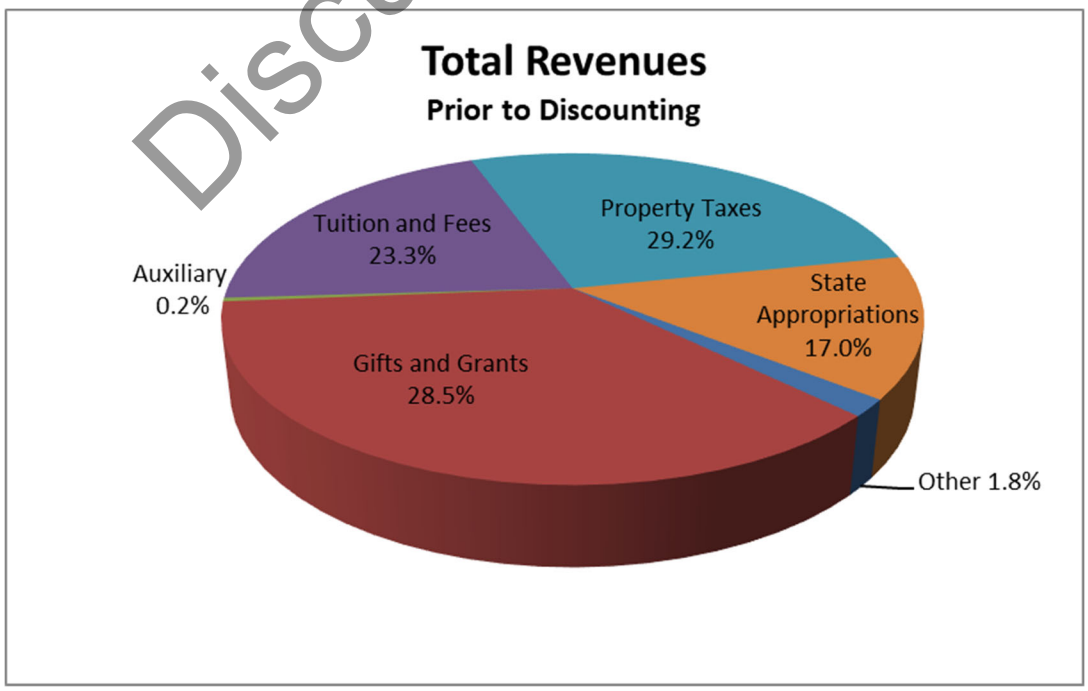
Operating and Non-operating Revenues (continued)



The following chart reflects revenues from all sources for 2022. 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 scholarships.



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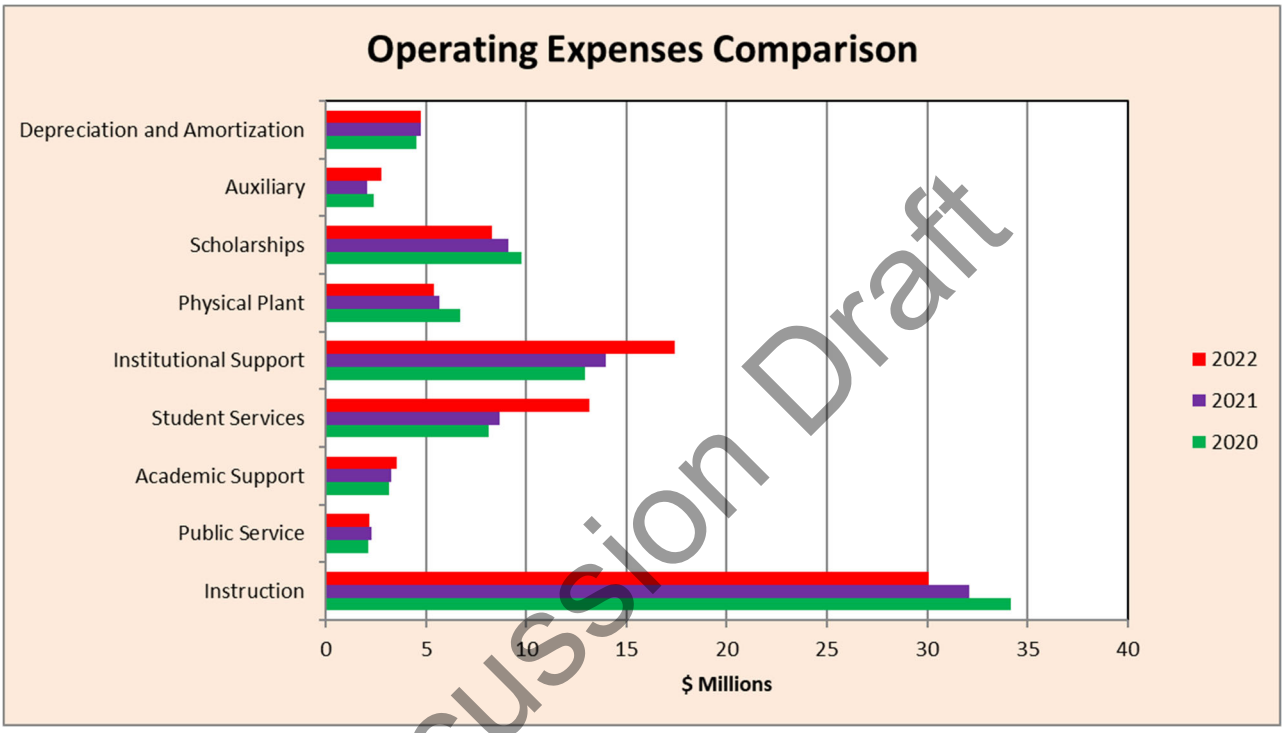
Operating Expenses

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 2022 expenses compared to the 2021 and 2020 expenses.



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Total operating expenses for 2022 increased by approximately $5.7 million. Total pension and OPEB expenses for the year were $0.2 million which included the District's portion of plan expenses as well as amounts incurred by the State of Texas on behalf of the District and were recorded as a result of changes in assumptions in the respective liabilities. The remaining increase was due to increase in institutional support and student services attributable to federal grant funding. Total operating expenses were $81.8 million for 2021, a decrease of approximately $2.1 million from 2020. Total pension and OPEB expenses for 2021 were $2.3 million. Total operating expenses were $83.9 million in 2020.

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.

Statement of Cash Flows (continued)

Condensed Statements of Cash Flows
(In Thousands)

		2022	2021	2020
Cash and cash equivalents provided by (used in):				
Operating activities	$	(63,460)	(55,830)	(57,148)
Noncapital financing activities		75,772	66,791	59,642
Capital and related financing activities		(8,565)	(4,886)	(7,642)
Investing activities		190	148	383
Changes in cash and cash equivalents	$	3,937	6,223	(4,765)

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

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

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

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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)

		2022	2021	2020
Land	$	6,815	6,815	6,815
Construction in progress		3,233	952	-
Buildings and building improvements		147,393	147,393	147,445
Other real estate improvements		33,037	29,005	28,655
Library books		2,675	2,590	2,780
Furniture and equipment		9,298	8,585	8,565
	$	202,451	195,340	194,260

Capital Assets and Debt Administration (continued)

Capital asset additions totaled $6.5 million and $2.1 million in 2022 and 2021, respectively. The major additions in 2022 was the CSC E HVAC upgrade, CSC E restroom and floor renovations, LTC 3rd floor renovation, BPAC plaza renovation, and construction in progress on the baseball and softball fields, BPAC stage replacement, and CSC F AHU replacement. Depreciation expense of $4.4 million was incurred in 2022. The major additions in 2021 were the ESC roof replacement, CSC Module B air handler unit replacement, and construction in progress on the Central Plant and LTC 3rd floor renovations. Depreciation expense of $4.3 million was incurred in 2021. The major addition in 2020 was the Business and Technology building renovation project. Depreciation expense of $4.5 million was incurred in 2020.

The District had outstanding debt of approximately $59.2 million and $64.3 million as of August 31, 2022 and 2021, respectively.

Schedule of Outstanding Debt
(In Thousands)

	2022	2021	2020
General obligation bonds	$ 44,450	48,245	52,080
Revenue bonds	14,705	16,035	17,600
	$ 59,155	64,280	69,680

The District issued $26.6 million in refunding bonds that resulted in the defeasance of $26.9 million in existing debt during 2021.

Effective September 1, 2021, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB 87 increases the usefulness of the District's financial statements by requiring recognition of certain lease assets, liabilities, and deferred inflows that previously were classified as operating leases. The standard is required to be adopted retroactively which resulted in an increase in net position of $12,003 as of September 1, 2020 reflected as a cumulative effect of change in accounting principle in the accompanying financial statements.

For additional information concerning capital assets and debt administration, see Notes 6 through 9 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 taking advantage of increased tax valuations. Currently, tuition and fees (before discounts) account for approximately 20% of the District's total (operating and non-operating) revenue, while state appropriations and local taxes account for 14% and 27%, respectively.

Discussion Draft

Economic Factors That Will Affect the Future (continued)

The District expects state funding to increase as state congress is working on addressing the steady decline in state funding to community colleges statewide. The District continues to evaluate its course offerings based on student demand. The District's enrollment peaked at 10,180 students in fall 2010 and currently stands at more than 7,100 students during the fall 2022 semester. The District's Office of Institutional Research and academic program chairs monitor course demand and utilization on a daily basis during registration to tailor offerings to demand. The District developed a Strategic Enrollment Management committee with various subcommittees to look at ways to increase enrollment. A consultant was hired to look at all parts of the student enrollment process to identify any areas of improvement. Committees in each department have been formed and are looking at implementing the recommended changes with the hopes to increase enrollment for future semesters.

The District has one of the lower maintenance and operations tax rates with a current rate of $0.124795 per $100 valuation. The District is ranked in the bottom half of the 50 community college districts in terms of tax rates. 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 as long as the Legislature does not reduce the cap on annual tax revenue increases (currently set at 8 %).

A change in the student enrollment represent potential challenges for Texas community colleges. Currently there is a decrease in overall enrollment experienced by nearly all community colleges in Texas. For fall 2022, total enrollment was down 3%. Additionally, graduation and transfer rates are increasing, leading to more students moving on to complete a bachelor's degree or going to work. The District is focused on retaining current students and beginning a strategic enrollment management process, and expects to begin to see impacts from the process starting in spring 2023.

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

Beginning in the 2018-19 biennium, the funding model of Texas community colleges was adjusted to allocate $680,406 for core operations and 12% of the remaining appropriations on the basis of student success points and 88% on contact hours. This was an overall increase in funding. Congress is currently looking at making another change for the 2024-25 biennium that will most likely result in an increase in funding for most Texas community colleges.

The most significant potential impacts are the action of the Texas Legislature in imposing adding additional unfunded mandates or limiting the ability of the college to increase revenue from taxes.

Discussion Draft

While community colleges currently have a tax rate increase cap of 8%, it is possible that there will be pressure on legislators in the future to reduce the cap to like other taxing entities have experienced. The District was able to use funds from the Higher Education Emergency Relief Fund to upgrade technology on campus and make other operational adjustments to remain financially stable. The District is not aware of any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during subsequent years.

Discussion Draft

McLennan County Junior College District

Statements of Net Position
(Exhibit 1)

August 31, 2022 and 2021

	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2022	2021	2022	2021
Assets				
Current assets:				
Cash and cash equivalents	$ 26,514,934	22,494,499	350,988	431,910
Accounts receivable, net	13,540,032	12,031,202	305,230	356,412
Prepaid expenses	1,018,185	887,254	-	-
Restricted cash and cash equivalents	435,778	519,502	-	-
Inventories	21,875	-	-	-
Total current assets	41,530,804	35,932,457	656,218	788,322
Noncurrent assets:				
Restricted cash, cash equivalents, and investments	-	-	29,146,519	30,789,528
Capital assets, net	124,636,533	121,657,717	-	-
Right-of-use lease assets, net	683,896	1,050,025		
Other assets	-	-	23,397	23,005
Total noncurrent assets	125,320,429	122,707,742	29,169,916	30,812,533
Total assets	166,851,233	158,640,199	29,826,134	31,600,855
Deferred Outflows of Resources				
Deferred outflows of resources	17,103,981	22,295,128	-	-
Liabilities				
Current liabilities:				
Accounts payable	3,329,637	1,430,248	1,466,130	63,568
Accrued liabilities	5,363,550	4,720,623	-	-
Funds held for others	109,010	184,370	-	-
Unearned revenue	8,457,596	9,399,992	-	-
Lease liabilities - current portion	366,367	366,863	-	-
Bonds payable - current portion	4,610,000	5,125,000	-	-
Total current liabilities	22,236,160	21,227,096	1,466,130	63,568
Noncurrent liabilities:				
Lease liabilities	333,932	700,299	-	-
Bonds payable	60,337,805	66,078,763	-	-
Net pension liability	7,293,846	16,261,639	-	-
Net OPEB liability	50,443,572	47,067,445	-	-
Total noncurrent liabilities	118,409,155	130,108,146	-	-
Total liabilities	140,645,315	151,335,242	1,466,130	63,568
Deferred Inflows of Resources				
Deferred inflows of resources	15,543,434	14,576,206	-	-
Net Position				
Net position:				
Net investment in capital assets	62,958,045	54,140,006	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	11,747,100	11,484,858
Other	-	-	832,059	831,939
Expendable:				
Scholarships and fellowships	1,274,067	1,353,709	14,521,949	18,291,386
Debt service	(692,109)	(15,940)	-	-
Other	-	-	1,213,423	883,631
Unrestricted	(35,773,538)	(40,453,896)	45,473	45,473
Total net position	$ 27,766,465	15,023,879	28,360,004	31,537,287

See accompanying notes to the financial statements.

Discussion Draft

McLennan County Junior College District

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

Years Ended August 31, 2022 and 2021

	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2022	2021	2022	2021
Operating revenues:				
Tuition and fees (net of scholarship allowances and discounts of $11,543,380 and $10,769,398, respectively)	$ 11,610,425	12,876,439	-	-
Gifts	-	-	3,340,999	1,899,584
Sales and services of educational activities	1,100,686	1,078,826	-	-
Auxiliary enterprises	408,217	244,135	-	-
Other operating revenues	450,462	413,388	-	-
Total operating revenues	13,569,790	14,612,788	3,340,999	1,899,584
Operating expenses:				
Instruction	30,070,935	32,101,405	-	-
Public service	2,154,057	2,257,139	-	-
Academic support	3,511,536	3,256,528	-	-
Student services	13,144,081	8,681,226	-	-
Institutional support	17,388,266	13,982,978	792,317	686,149
Operation and maintenance of plant	5,388,827	5,657,604	1,425,844	117,179
Scholarships and fellowships	8,277,366	9,095,547	537,391	463,230
Auxiliary enterprises	2,794,993	2,063,815	-	-
Depreciation and amortization	4,756,754	4,708,685	-	-
Total operating expenses	87,486,815	81,804,927	2,755,552	1,266,558
Operating income (loss)	(73,917,025)	(67,192,139)	585,447	633,026
Nonoperating revenues (expenses):				
State appropriations	15,746,346	17,245,234	-	-
Ad valorem taxes for maintenance and operations	25,810,450	23,947,224	-	-
Ad valorem taxes for debt service	5,282,242	5,521,883	-	-
Federal grants and contracts	38,094,661	26,897,574	-	-
State grants and contracts	1,132,991	1,461,420	-	-
Local grants and contracts	404,966	100,258	-	-
Investment income (loss)	224,327	148,333	(3,762,730)	6,151,417
Gifts	1,854,448	363,204	-	-
Interest on capital asset-related debt and leases	(2,046,400)	(2,159,099)	-	-
Other nonoperating revenues (expenses), net	155,580	(514,991)	-	-
Net nonoperating revenues	86,659,611	73,011,040	(3,762,730)	6,151,417
Increase (decrease) in net position	12,742,586	5,818,901	(3,177,283)	6,784,443
Net position - beginning of year, as previously reported	15,023,879	9,192,975	31,537,287	24,752,844
Cumulative effect of change in accounting principle	-	12,003	-	-
Net position - beginning of year, as restated	15,023,879	9,204,978	31,537,287	24,752,844
Net position - end of year	$ 27,766,465	15,023,879	28,360,004	31,537,287

See accompanying notes to the financial statements.

Discussion Draft

McLennan County Junior College District

Statements of Cash Flows
(Exhibit 3)

Years Ended August 31, 2022 and 2021

	Primary Government	
	2022	2021
Cash flows from operating activities		
Receipts from students and other customers:		
Tuition and fees	$ 11,318,131	12,593,545
Auxiliary enterprises and educational activities	989,922	2,275,161
Receipts from third-party student loans	7,419,997	7,844,264
Other receipts	507,962	413,388
Loans issued to students	(7,419,997)	(7,844,264)
Payments to employees	(37,506,600)	(37,091,032)
Payments to suppliers and students	(38,769,860)	(34,021,148)
Net cash used in operating activities	(63,460,445)	(55,830,086)
Cash flows from noncapital financing activities		
Receipts of state appropriations	11,935,019	12,523,114
Receipts from ad valorem taxes for maintenance and operation	26,174,129	24,106,710
Receipts of grants and contracts	37,402,304	29,539,999
Receipts from gifts for other than capital purposes	260,386	621,582
Net cash provided by noncapital financing activities	75,771,838	66,791,405
Cash flows from capital and related financing activities		
Receipts from ad valorem taxes for debt service	5,416,791	5,582,577
Purchases of capital assets	(6,461,534)	(2,085,308)
Payments on capital debt and lease principal	(5,491,863)	(5,540,953)
Payments on capital debt and lease interest	(3,716,654)	(2,950,487)
Other receipts	1,688,574	107,720
Net cash used in capital and related financing activities	(8,564,686)	(4,886,451)
Cash flows from investing activities		
Receipts from interest on investments	190,004	148,333
Net cash provided by investing activities	190,004	148,333
Net increase in cash and cash equivalents	3,936,711	6,223,201
Cash and cash equivalents - beginning of year	23,014,001	16,790,800
Cash and cash equivalents - end of year	$ 26,950,712	23,014,001
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (73,917,025)	(67,192,139)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	4,756,754	4,708,685
On-behalf payments	3,811,327	4,722,120
Contributions in excess of pension and OPEB expense	709,327	1,653,503
Change in assets and liabilities:		
Receivables, net	(206,324)	755,549
Inventories	(21,875)	3,431
Prepaid expenses	(130,931)	(647,415)
Accounts payable	1,899,389	(231,688)
Accrued liabilities	186,364	484,111
Funds held for others	(75,360)	66,464
Unearned revenue	(472,091)	(152,707)
Net cash used in operating activities	$ (63,460,445)	(55,830,086)
Noncash capital, financing and investing activities:		
State appropriations on-behalf payments	$ 3,811,327	4,722,120
Proceeds from issuance of refunding bonds	$ -	26,640,000

See accompanying notes to the financial statements.

Discussion Draft

McLennan County Junior College District

Notes to Financial Statements

August 31, 2022 and 2021

(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, 2022 and 2021, the Foundation expended $2,346,655 and $877,675, 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.

Discussion Draft

McLennan County Junior College District

Notes 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.

Discussion Draft

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(b) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. Encumbrances outstanding at year-end that were provided for in the subsequent year's budget are reported as designations of net 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.

Discussion Draft

(2) Summary of Significant Accounting Policies (continued)

(d) Cash and Cash Equivalents

Cash equivalents of $379,218 and $93,320 at August 31, 2022 and 2021, respectively, consist of public funds investment pools. Cash equivalents are considered to be highly liquid debt instruments with original maturities of three months or less from the date of acquisition.

Restricted cash and cash equivalents represent resources accumulated for debt service payments for the Series 2013, 2015, and 2021 limited tax bonds payable and 2017, 2019, and 2021 revenue bonds payable at August 31, 2022 and 2021.

(e) Investments

Investments are reported at fair value. Fair values are based on published market prices. The governmental investment pools operate in accordance with appropriate state laws and regulations. The value of the pools is reported at amortized cost which, in most cases, approximates the fair values of the pool shares.

(f) Inventories

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

(g) Capital Assets

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

Discussion Draft

(2) Summary of Significant Accounting Policies (continued)

(g) Capital Assets (continued)

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

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

(h) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then.

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

Deferred outflows and inflows as of August 31, 2022 and 2021 consist of the following:

	2022	2021
Deferred Outflows		
Deferred charges on bond refundings	$ 3,298,552	3,744,521
Pension related:		
Contributions subsequent to measurement date	1,292,233	1,210,521
Changes in assumptions	2,578,232	3,773,279
Change in proportionate contributions	682,938	914,435
Differences between projected and actual investment earnings, net	-	329,203

Discussion Draft

(2) Summary of Significant Accounting Policies (continued)

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

		2022	2021
Differences between expected and actual economic experience	$	12,206	29,692
OPEB related:			
Contributions subsequent to measurement date		720,680	2,503,305
Changes in assumptions		3,453,565	2,724,878
Changes in proportion and differences between District contributions and proportionate share of contributions		5,056,641	7,051,247
Differences between projected and actual investment earnings		8,934	14,047
	$	17,103,981	22,295,128
Deferred Inflows			
Deferred gains on bond refundings	$	29,235	58,469
Leases		29,539	40,280
Pension related:			
Changes in assumptions		1,123,888	1,604,372
Changes in proportion and differences between District contributions and proportionate share of contributions		875,875	437,340
Differences between expected and actual economic experience		513,493	453,819
Differences between projected and actual investment earnings, net		6,115,795	-
OPEB related:			
Changes in assumptions		5,618,285	10,141,095
Differences between expected and actual economic experience		1,237,324	1,840,831
	$	15,543,434	14,576,206

Discussion Draft

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, 2022 and 2021 consists of the following:

	2022	2021
Tuition and fees	$ 8,270,262	8,605,839
Federal grants	95,853	520,093
Scholarships	91,481	227,995
State grants	-	46,065
	$ 8,457,596	9,399,992

(j) Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(k) Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Employee Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) has been determined using the flow of economic resources measurement focus and the full accrual basis of accounting. This includes for purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities, and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and payable in accordance with benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Discussion Draft

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

(2) Summary of Significant Accounting Policies (continued)

(l) 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 and right-of-use assets, valuation allowances for receivables, certain accrued liabilities, interest rate assumptions for lease liabilities, and net pension liability and net OPEB liability and related deferred outflows and inflows of resources. Actual results could differ from those estimates.

(m) Change in Accounting Principle

Effective September 1, 2021, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB 87 increases the usefulness of the District's financial statements by requiring recognition of certain lease assets, liabilities, and deferred inflows that previously were classified as operating leases. The standard is required to be adopted retroactively which resulted in an increase in net position of $12,003 as of September 1, 2020 reflected as a cumulative effect of change in accounting principle in the accompanying financial statements.

(3) Authorized Investments

The District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute. The District is also required to follow specific investment practices prescribed by the Public Funds Investment Act (the Act) related to establishment of appropriate investment policies and management reports.

Discussion Draft

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

(4) Deposits and Investments

Deposits and investments of the District at August 31, 2022 and 2021 consist of the following:

		2022	2021
Deposits			
Cash - demand deposits	$	26,568,439	22,917,403
Cash - petty cash on hand		3,055	3,278
Total deposits		26,571,494	22,920,681
Investments - cash equivalents			
TexasTERM Local Government Investment Pool	$	8,890	8,847
Texas Local Government Investment Pool		370,129	84,176
Lone Star Investment Pool		199	297
Total investments-cash equivalents		379,218	93,320
Total deposits and investments	$	26,950,712	23,014,001

Deposits and investments of the Foundation at August 31, 2022 and 2021 consist of the following:

		2022	2021
Deposits			
Cash - demand deposits	$	248,762	329,916
Cash - certificates of deposit		102,226	101,994
Total deposits		350,988	431,910
Investments			
Equity securities	$	25,817,255	27,410,296
Other investments		3,329,264	3,379,232
Total investments		29,146,519	30,789,528
Total deposits and investments	$	29,497,507	31,221,438

Discussion Draft

(4) Deposits and Investments (continued)

The weighted average maturity of investments (in days) of the District at August 31, 2022 and 2021 consists of the following:

	2022	2021
Texas Local Government Investment Pool	23	31
TexasTERM Local Government Investment Pool	23	53
Lone Star Investment Pool	12	52

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 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, 2022 and 2021, 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, 2022 and 2021 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 within the Pools.

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.

Discussion Draft

(4) Deposits and Investments (continued)

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.

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.

Lone Star Investment Pool (Lone Star) is a member-owned, member-governed public funds investment pool offering three funds: Government Overnight Fund, Corporate Overnight Fund, and Corporate Overnight Fund Plus. 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 Corporate Overnight Fund of Lone Star. The Corporate Overnight 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.

Discussion Draft

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

(5) Disaggregation of Accounts Receivable and Accrued Liabilities

Accounts receivable at August 31, 2022 and 2021 consisted of the following:

	2022	2021
Auxiliary and other	$ 10,208,497	9,065,546
Tuition and fees	6,857,519	7,112,676
Taxes	1,233,426	1,329,994
Federal and state grants	2,752,415	991,181
	21,051,857	18,499,397
Less allowance for doubtful accounts	(7,511,825)	(6,468,195)
Accounts receivable, net	$ 13,540,032	12,031,202

Accrued liabilities at August 31, 2022 and 2021 consisted of the following:

	2022	2021
Salaries and benefits payable	$ 1,044,399	946,562
Claims liability	269,511	262,372
Interest payable	1,204,850	748,287
Other payables	2,844,790	2,763,402
Accrued liabilities	$ 5,363,550	4,720,623

(6) Capital Assets

Capital asset activity for the year ended August 31, 2022 was as follows:

	Balance September 1, 2021	Additions	Transfers and Retirements	Balance August 31, 2022
Capital assets not being depreciated:				
Land	$ 6,814,770	-	-	6,814,770
Construction in progress	951,871	3,232,708	(951,871)	3,232,708
	7,766,641	3,232,708	(951,871)	10,047,478

Discussion Draft

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

(6) Capital Assets (continued)

	Balance September 1, 2021	Additions	Transfers and Retirements	Balance August 31, 2022
Capital assets, being depreciated:				
Buildings and building improvements	$ 147,392,908	-	-	147,392,908
Other real estate improvements	29,005,125	3,080,576	951,871	33,037,572
Total buildings and other real estate improvements	176,398,033	3,080,576	951,871	180,430,480
Library books	2,590,034	84,988	-	2,675,022
Furniture and equipment	8,584,655	1,015,133	(301,251)	9,298,537
Total buildings and other capital assets	187,572,722	4,180,697	650,620	192,404,039
Less accumulated depreciation:				
Buildings and building improvements	$ 50,048,446	2,621,785	-	52,670,231
Other real estate improvements	15,531,717	1,099,102	-	16,630,819
Total buildings and other real estate improvements	65,580,163	3,720,887	-	69,301,050
Library books	1,954,105	79,122	-	2,033,227
Furniture and equipment	6,147,378	590,616	(257,287)	6,480,707
Total accumulated depreciation	73,681,646	4,390,625	(257,287)	77,814,984
	113,891,076	(209,928)	907,907	114,589,055
Net capital assets	$ 121,657,717	3,022,780	(43,964)	124,636,533

Discussion Draft

Capital asset activity for the year ended August 31, 2021 was as follows:

	Balance September 1, 2020	Additions	Transfers and Retirements	Balance August 31, 2021
Capital assets not being depreciated:				
Land	$ 6,814,770	-	-	6,814,770
Construction in progress	-	951,871	-	951,871
	6,814,770	951,871	-	7,766,641
Capital assets, being depreciated:				
Buildings and building improvements	$ 147,445,528	-	(52,620)	147,392,908
Other real estate improvements	28,655,178	686,073	(336,126)	29,005,125
Total buildings and other real estate improvements	176,100,706	686,073	(388,746)	176,398,033

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

(6) Capital Assets (continued)

	Balance September 1, 2020	Additions	Transfers and Retirements	Balance August 31, 2021
Library books	2,780,043	97,772	(287,781)	2,590,034
Furniture and equipment	8,564,685	398,606	(378,636)	8,584,655
Total buildings and other capital assets	187,445,434	1,182,451	(1,055,163)	187,572,722
Less accumulated depreciation:				
Buildings and building improvements $	47,417,096	2,631,876	(526)	50,048,446
Other real estate improvements	14,748,219	1,073,284	(289,786)	15,531,717
Total buildings and other real estate improvements	62,165,315	3,705,160	(290,312)	65,580,163
Library books	2,163,630	78,256	(287,781)	1,954,105
Furniture and equipment	5,964,501	552,227	(369,350)	6,147,378
Total accumulated depreciation	70,293,446	4,335,643	(947,443)	73,681,646
	117,151,988	(3,153,192)	(107,720)	113,891,076
Net capital assets $	123,966,758	(2,201,321)	(107,720)	121,657,717

Construction in progress at August 31, 2022 consists of:

	Cost	Remaining Commitment
Ballfield Renovations	$ 2,423,485	1,285,884
Cameron House Renovation/Replacement	50,139	4,000,000
Ball Performing Arts Center Stage Replacement	457,961	54,064
Gym HVAC Renovation	33,600	1,054,977
CSC F AHU Replacement	267,523	77,624
	$ 3,232,708	6,472,549

Discussion Draft

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2022 was as follows:

	Balance September 1, 2021	Additions	Reductions	Balance August 31, 2022	Current Portion
Bonds payable:					
Revenue bonds payable	$ 16,035,000	-	1,330,000	14,705,000	1,370,000
Refunding limited tax bonds payable	48,245,000	-	3,795,000	44,450,000	3,240,000
Bond issuance premiums and discounts	6,923,763	-	1,130,958	5,792,805	-
Lease liabilities	1,067,162	-	366,863	700,299	366,367
Net pension liability	16,261,639	-	8,967,793	7,293,846	-
Net OPEB liability	47,067,445	5,558,025	2,181,898	50,443,572	-
	$ 135,600,009	5,558,025	17,772,512	123,385,522	4,976,367

Long-term liability activity for the year ended August 31, 2021 was as follows:

	Balance September 1, 2020	Additions	Reductions	Balance August 31, 2021	Current Portion
Bonds payable:					
Revenue bonds payable	$ 17,600,000	2,135,000	3,700,000	16,035,000	1,330,000
Refunding limited tax bonds payable	52,080,000	24,505,000	28,340,000	48,245,000	3,795,000
Bond issuance premiums and discounts	5,674,480	4,077,882	2,828,599	6,923,763	-
Lease liabilities	1,425,395	-	358,233	1,067,162	366,863
Net pension liability	16,048,584	1,465,828	1,252,773	16,261,639	-
Net OPEB liability	48,545,614	4,885,127	6,363,296	47,067,445	-
	$ 141,374,073	37,068,837	42,842,901	135,600,009	5,491,863

Bonds

Bonds payable are comprised of the following individual issues:

$2,135,000 Refunding Revenue Bonds – Series 2021

To refund $2,385,000 of outstanding Revenue Bonds – Series 2010; issued May 15, 2021; all authorized bonds have been issued; due in installments through 2030; secured by pledged revenues of tuition, facility fees, net revenues from the District's bookstore, 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.

Discussion Draft

(7) Long-Term Liabilities (continued)

$24,505,000 Refunding Limited Tax Bonds – Series 2021

To advance refund $4,605,000 of outstanding Limited Tax Bonds – Series 2013 and $19,900,000 of outstanding Refunding Limited Tax Bonds – Series 2015; issued May 15, 2021; all authorized bonds have been issued; due in installments through 2032; secured by property tax revenues; no bond reserve fund is required.

$6,600,000 Revenue Bonds – Series 2019

To acquire, purchase, construct, improve, enlarge, equip, operate, and maintain structures, property, buildings and facilities; issued March 26, 2019; all authorized bonds have been issued; due in installments through 2034; secured by tuition revenue; call year 2029.

$9,050,000 Refunding Revenue Bonds – Series 2017

To advance refund $9,050,000 of outstanding Revenue Bonds – Series 2009 and 2010; issued August 11, 2017; all authorized bonds have been issued; due in installments through 2030; secured by pledged revenues of tuition, facility fees, net revenues from the District's bookstore, 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 2027.

$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.

Discussion Draft

(7) Long-Term Liabilities (continued)

Bonds payable are due in annual installments varying from $50,000 to $5,490,000 with interest rates from 0.3% to 5% with the final installment in 2034. Debt service requirements to amortize bonds payable as of August 31, 2022, are as follows:

For the Year Ended August 31,	Revenue Bonds		Tax Bonds	
	Principal	Interest	Principal	Interest
2023	$ 1,370,000	561,950	3,240,000	2,435,314
2024	1,440,000	507,150	2,660,000	2,818,600
2025	1,485,000	449,550	4,150,000	1,334,600
2026	1,535,000	399,000	4,345,000	1,262,226
2027	1,590,000	346,350	4,555,000	1,048,378
2028-2032	6,165,000	826,000	25,500,000	2,561,007
2033-2034	1,120,000	67,600	-	-
	$ 14,705,000	3,157,600	44,450,000	11,460,125

The District has pledged certain future tuition and fees to repay $14.7 million in revenue bonds issued in 2021, 2019, and 2017. Proceeds from the bonds provided financing for the remodel of the business and technology building, construction of parking garage facilities, and refunding of the 1995, 2009, and 2010 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 $17.9 million. Principal and interest paid for the current year and total of pledged tuition and fees were approximately $1.9 million and $3.2 million, respectively.

Leases

The District leases certain copier, register, and mowing equipment under lease agreements through 2024. In addition, the District leases housing for its athletes under a lease agreement with an initial lease term through July 31, 2021 with month-to-month lease renewals thereafter. Leases have imputed interest rates ranging from 2% to 6.66% and monthly payment terms ranging from $29.98 to $29,535.

Discussion Draft

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

Right-of-use asset activity for the year ended August 31, 2022 was as follows:

		Balance September 1, 2021	Increases	Decreases	Balance August 31, 2022
Building	$	1,380,775	-	-	1,380,775
Equipment		119,185	-	-	119,185
		1,499,960	-	-	1,499,960
Less accumulated amortization:					
Building		373,960	338,626	-	712,586
Equipment		75,975	27,503	-	103,478
		449,935	366,129	-	816,064
Net right-of-use assets	$	1,050,025	(366,129)	-	683,896

Right-of-use asset activity for the year ended August 31, 2021 was as follows:

		Balance September 1, 2020	Increases	Decreases	Balance August 31, 2021
Building	$	1,380,775	-	-	1,380,775
Equipment		119,185	-	-	119,185
		1,499,960	-	-	1,499,960
Less accumulated amortization:					
Building		28,766	345,194	-	373,960
Equipment		48,126	27,849	-	75,975
		76,892	373,043	-	449,935
Net right-of-use assets	$	1,423,068	(373,043)	-	1,050,025

Discussion Draft

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

Future principal and interest requirements for lease liabilites as of August 31, 2022, are as follows:

For the Year Ended August 31,		Principal	Interest
2023	$	366,367	10,606
2024		333,932	3,282
	$	700,299	13,888

(8) Current and Advance Refundings

In May 2021, the District issued $2.135 million of Refunding Revenue Bonds, Series 2021, which was used to refund $2.385 million of outstanding Revenue Bonds, Series 2010. The true interest cost of the refunding bonds was 4% with a final maturity date of April 2030. The reacquisition price was equal to the carrying amount of the old debt. The refunding transaction was undertaken to reduce total debt service payments over the next 9 years by $352,396 and resulted in an economic gain of $333,555.

In May 2021, the District issued $24.505 million of Refunding Limited Tax Bonds, Series 2021 to advance refund $4.605 million of outstanding Limited Tax Bonds, Series 2013 and $19.9 million of outstanding Refunding Limited Tax Bonds, Series 2015. Approximately $27.9 million of proceeds were deposited in an irrevocable trust to provide for all future debt service on the refunding portion of the 2013 and 2015 bonds. As a result, that portion of the 2013 and 2015 bonds were 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 2013 and 2015 bonds by $1,409,307. This amount is reflected as a deferred charge on refunding and will be amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next eleven years by $2,264,608 and resulted in an economic gain of $2,049,053.

Discussion Draft

(9) Defeased Bonds Outstanding

During 2021, 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, 2022, the following bond outstanding is considered defeased:

	Year Refunded	Balance Outstanding
Refunding Limited Tax Bonds - Series 2013	2021	$ 19,900,000

(10) Employees' Retirement Plan

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

All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard workload 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 Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/aboutpublications.aspx, by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698, or by calling (512) 542-6592.

Discussion Draft

(10) Employees' Retirement Plan (continued)

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on 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 cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas legislature as noted in the plan description above.

Texas Government Code Section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by TRS' actuary.

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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025. Contribution rates were as follows:

	Member		State		District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2022	8.0%	$ 2,055,309	7.8%	$ 665,351	7.8%	$ 1,991,081
2021	7.7%	1,927,005	7.5%	666,422	7.5%	1,876,953
2020	7.7%	1,951,924	7.5%	535,964	7.5%	1,901,225

Discussion Draft

(10) Employees' Retirement Plan (continued)

Contributors 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 General Appropriations Act (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 schools, junior colleges, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

Discussion Draft

(10) Employees' Retirement Plan (continued)

Actuarial Assumptions. The total pension liability in the August 31, 2021 and 2020 actuarial valuations was determined using the following actuarial assumptions:

	Valuation Date	
	August 31, 2020 rolled forward to August 31, 2021	August 31, 2019 rolled forward to August 31, 2020
Actuarial cost method	Individual entry age, normal	Individual entry age, normal
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Single discount rate	7.25%	7.25%
Long-term expected investment rate of return	7.25%	7.25%
Municipal bond rate	1.95%	2.33%
Salary increases	3.05% to 9.05% (includes inflation of 2.3%)	3.05% to 9.05% (includes inflation of 2.3%)
Benefit changes during the year	None	None
Ad hoc post-employment benefit changes	None	None

The actuarial methods and assumptions used in the determination of the total pension liability as of August 31, 2021 and 2020 are the same, except for the municipal bond rate. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

Discount Rate. A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discussion Draft

(10) Employees' Retirement Plan (continued)

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2021 are summarized below:

Asset Class*	Target Allocation % **	Long-Term Expected Geometric Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity:			
USA	18.0%	3.6%	0.94%
Non-U.S. Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Private Equity	14.0%	6.3%	1.36%
Stable Value:			
Government Bonds	16.0%	-0.20%	0.01%
Absolute Return	-	1.1%	-
Stable Value Hedge Funds	5.0%	2.2%	0.12%
Real Return:			
Real Estate	15.0%	4.5%	1.00%
Energy, Natural Resources and Infrastructure	6.0%	4.7%	0.35%
Commodities	-	1.7%	-
Risk Parity:			
Risk Parity	8.0%	2.8%	0.28%
Asset Allocation Leverage:			
Cash	2.0%	-0.7%	-0.01%
Asset Allocation Leverage	-6.0%	-0.50%	0.03%
Inflation Expectation			2.20%
Volatility Drag ****	-		-0.95%
Expected Return	100.00%		6.90%

* Absolute Return includes Credit Sensitive Investments.
* Target allocations are based on the FY 2021 policy model.
** Capital Market Assumptions come from Aon Hewitt (as of August 31, 2021).
*** The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discussion Draft

(10) Employees' Retirement Plan (continued)

Discount Rate Sensitivity Analysis. The following schedule shows the impact to the District's net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2021 net pension liability:

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	$ 15,938,211	7,293,846	280,642

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 (7.25%) in measuring the 2020 net pension liability:

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	$ 25,075,156	16,261,639	9,100,849

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2022 and 2021, the District reported a liability of $7,293,846 and $16,261,639, 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, 2022 and 2021 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:

	2022	2021
District's proportionate share of the net pension liability	$ 7,293,846	16,261,639
State's proportionate share of the net pension liability associated with the District	3,970,528	8,650,513
Total	$ 11,264,374	24,912,152

Discussion Draft

(10) Employees' Retirement Plan (continued)

The 2022 net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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 employers to the plan for the period September 1, 2020 through August 31, 2021. The District's proportion of the collective net pension liability was 0.029% which was consistent with its proportion measured as of August 31, 2021.

The 2021 net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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 to the plan for the period September 1, 2019 to August 31, 2020. The District's proportion of the collective net pension liability was 0.030% which was consistent with its proportion measured as of August 31, 2019.

There were no changes in assumptions since the prior measurement date.

For the years ended August 31, 2022 and 2021, the District recognized total pension expense (benefit) of $(1,126,878) and $1,984,255, respectively. Of the total pension expense, for the measurement periods ended August 31, 2022 and 2021, the District recognized pension expense of $15,874 and $1,040,465, respectively, and revenue of $665,351 and $666,422, respectively, for support provided by the State.

At August 31, 2022 and 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 12,206	513,493
Changes in actuarial assumptions	2,578,232	1,123,888
Differences between projected and actual investment earnings, net	-	6,115,795
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	682,938	875,875
Contributions paid to TRS subsequent to the measurement date	1,292,233	-
Total	$ 4,565,609	8,629,051

Discussion Draft

(10) Employees' Retirement Plan (continued)

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 29,692	453,819
Changes in actuarial assumptions	3,773,279	1,604,372
Differences between projected and actual investment earnings, net	329,203	-
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	914,435	437,340
Contributions paid to TRS subsequent to the measurement date	1,210,521	-
Total	$ 6,257,130	2,495,531

The $1,292,233 reported as deferred outflows of resources at August 31, 2022 related to contributions paid to TRS subsequent to the measurement date at August 31, 2021 will be recognized as a reduction of the net pension liability in fiscal year 2023.

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

For the Year Ended August 31,	Pension Expense
2023	$ (875,032)
2024	(869,575)
2025	(1,427,475)
2026	(1,943,274)
2027	(186,997)
Thereafter	(53,322)

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 and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

Discussion Draft

(10) Employees' Retirement Plan (continued)

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 3.3% and 6.6%, respectively.

The District supplements an additional 5.2%. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. Senate Bill 1812, 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

Contribution rates as a percentage of compensation and contributions made for ORP for 2020, 2021 and 2022 are shown in the table below.

	Member		State	
Year	Rate	Amount	Rate	Amount
2022	6.6%	$ 609,630	3.3%	$ 297,604
2021	6.6%	604,279	3.3%	301,758
2020	6.6%	638,148	3.3%	318,240

The total payroll for all District employees was $37,979,524, $37,099,177, and $38,856,925 for the years ended August 31, 2022, 2021, and 2020, respectively. The total payroll of employees covered by ORP was $9,236,821, $9,155,749, and $9,668,916 for the years ended August 31, 2022, 2021, and 2020, respectively.

(11) 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 $822,354 and $783,641 at both August 31, 2022 and 2021, 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.

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(12) Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years. The District has established a limited risk management program for workers' compensation. A liability for workers' compensation claims is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess commercial insurance policy covers individual workers' compensation claims in excess of $213,037. 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:

		2022	2021
Unpaid claims, beginning of year	$	262,372	200,628
Incurred claims (including IBNR) and changes to prior year estimates		82,279	153,175
Claim payments		(75,140)	(91,431)
Unpaid claims, end of year	$	269,511	262,372

(13) Other Post-Employment Benefits (OPEB)

Plan Description. The District participates in a cost-sharing, multiple-employer defined-benefit OPEB plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

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(13) Other Post-Employment Benefits (OPEB) (continued)

OPEB Plan Fiduciary Net Position. Detailed information about the GBP's fiduciary net position is available in a separately-issued ERS Annual Comprehensive Financial Report that includes financial statements, notes to the financial statements, and required supplementary information. That report may be obtained online; by writing to ERS at 200 East 18th Street, Austin, Texas, 78701; or by calling (877) 275-4377.

Benefits Provided. Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least 10 years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

Contributions. Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds. There are no long-term contracts for contributions to the plan.

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

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McLennan County Junior College District

Notes to Financial Statements
(Continued)

(13) Other Post-Employment Benefits (OPEB) (continued)

	2022	2021
Retiree only	$ 624.82	624.82
Retiree & Spouse	1,339.90	1,340.82
Retiree & Children	1,103.58	1,104.22
Retiree & Family	1,818.66	1,820.22

Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table.

Year	State Amount	District Amount
2022	$ 1,076,817	$ 1,317,050
2021	1,059,826	1,261,618
2020	1,001,868	1,210,216

Actuarial Assumptions. The total OPEB liability in the August 31, 2021 and 2020 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	Valuation Date	
	August 31, 2021	August 31, 2020
Actuarial cost method:	Entry age normal	Entry age normal
Amortization method	Level percent of payroll, open	Level percent of payroll, open
Amortization period	30 years	30 years
Actuarial assumptions:		
Discount rate	2.14%	2.20%
Salary increases	2.30% to 9.05% (includes inflation of 2.3%)	2.3% to 9.05% (includes inflation of 2.3%)
Annual healthcare trend rates	5.25% for fiscal year 2023, 5.15% for fiscal year 2024, 5.00% for fiscal year 2025, 4.75% for fiscal year 2026, 4.60% for fiscal year 2027, decreasing 10 basis point per year to an ultimate rate of 4.30% for fiscal year 2030 and later years	8.8% for fiscal year 2022, 5.25% for fiscal year 2023, 5.00% for fiscal year 2024, 4.75% for fiscal year 2025, 4.60% for fiscal year 2026, decreasing 10 basis point per year to an ultimate rate of 4.30% for fiscal year 2029 and later year
Mortality Assumptions:		
Service Retirees, Survivors, and Other Inactive Members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018
Disability Retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active Members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014

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(13) Other Post-Employment Benefits (OPEB) (continued)

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2010 to August 31, 2017 for higher education members.

Investment Policy. The SRHP is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The ERS's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

Discount Rate. Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.20%. The discount rate used to determine the total OPEB liability as of the end of the measurement year was 2.30%, which amounted to an increase of 0.10%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and, therefore, the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

Discount Rate Sensitivity Analysis. The following schedule shows the impact to the District's proportionate share of the collective net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.14%) in measuring the 2021 net OPEB liability:

	1% Decrease (1.14%)	Current Rate (2.14%)	1% Increase (3.14%)
District's proportionate share of the 2021 net OPEB liability	$ 60,080,208	50,443,572	42,904,343

Discussion Draft

(13) Other Post-Employment Benefits (OPEB) (continued)

The following schedule shows the impact to the District's proportionate share of the collective net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.20%) in measuring the 2020 net OPEB liability:

	1% Decrease (1.20%)	Current Rate (2.20%)	1% Increase (3.20%)
District's proportionate share of the 2020 net OPEB liability	$ 55,942,977	47,067,445	40,114,261

Healthcare Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 5.25% and the ultimate rate is 4.3%. The following schedule shows the impact to the District's proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used (5.25% decreasing to 4.3%) in measuring the 2021 net OPEB liability:

	Current Healthcare Cost Trend Rates (4.25% decreasing to	Current Healthcare Cost Trend Rates (5.25% decreasing to 4.3%)	Current Healthcare Cost Trend Rates (6.25% decreasing to 5.3%)
District's proportionate share of the 2021 net OPEB liability	$ 42,240,553	50,443,572	61,190,985

The initial healthcare trend rate is 8.8% and the ultimate rate is 4.3%. The following schedule shows the impact to the District's proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used (8.8% decreasing to 4.3%) in measuring the 2020 net OPEB liability:

	Current Healthcare Cost Trend Rates (7.8% decreasing to 3.3%)	Current Healthcare Cost Trend Rates (8.8% decreasing to 4.3%)	Current Healthcare Cost Trend Rates (9.8% decreasing to 5.3%)
District's proportionate share of the 2020 net OPEB liability	$ 39,392,355	47,067,445	57,128,686

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(13) Other Post-Employment Benefits (OPEB) (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2022 and 2021, the District reported a liability of $50,443,572 and $47,067,445, respectively, for its proportionate share of the ERS's net OPEB liability. This liability reflects a decrease in State support provided to the District for OPEB. The amount recognized by the District at August 31, 2022 and 2021 as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

		2022	2021
District's proportionate share of the net OPEB liability	$	50,443,572	47,067,445
State's proportionate share of the net OPEB liability associated with the District		37,216,564	34,272,215
Total	$	87,660,136	81,339,660

The 2022 net OPEB liability was measured as of August 31, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 to August 31, 2021. At the measurement date of August 31, 2021, the District's proportion of the collective net OPEB liability was 0.1406%, which was a decrease of 0.0018% from its proportion measured as of August 31, 2020.

The 2021 net OPEB liability was measured as of August 31, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2019 to August 31, 2020. At the measurement date of August 31, 2020, the District's proportion of the collective net OPEB liability was 0.1424%, which was an increase of 0.0019% from its proportion measured as of August 31, 2019.

For the years ended August 31, 2022 and 2021, the District recognized total OPEB expense of $851,622 and $305,345, respectively. Of the total expense, for the measurement period ended August 31, 2022 and 2020, the District recognized OPEB expense (benefit) of ($454,074) and ($404,369), respectively, and revenue of $1,076,817 and $1,059,826, respectively, for support provided by the State.

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(13) Other Post-Employment Benefits (OPEB) (continued)

Changes Since the 2020 Actuarial Valuation: The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period.

Demographic Assumptions: The following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to be married and electing coverage for their spouse.
- The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the opt-out credit at retirement.
- The percentage of higher education vested terminated members assumed to have terminated less than one year before the valuation date.

Economic Assumptions: Assumptions for expenses, assumed per capita health benefit costs and health benefit cost and retiree contribution and expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.

The discount rate assumption was changed from 2.20% as of August 31, 2020 to 2.14% as of August 31, 2021 as a result of requirements to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Benefit Terms: There are no significant changes to benefit terms.

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McLennan County Junior College District

Notes to Financial Statements
(Continued)

(13) Other Post-Employment Benefits (OPEB) (continued)

At August 31, 2022 and 2021, the District reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	1,237,324
Changes in actuarial assumptions	3,453,565	5,618,285
Differences between projected and actual investment earnings	8,934	-
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	5,056,641	-
Contributions paid to ERS subsequent to the measurement date	720,680	-
Total	$ 9,239,820	6,855,609

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	1,840,831
Changes in actuarial assumptions	2,724,878	10,141,095
Differences between projected and actual investment earnings	14,047	-
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	7,051,247	-
Contributions paid to ERS subsequent to the measurement date	2,503,305	-
Total	$ 12,293,477	11,981,926

The $720,680 reported as deferred outflows of resources related to contributions paid to ERS subsequent to the measurement date at August 31, 2021 will be recognized as a reduction of the net OPEB liability beginning in fiscal year 2023.

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McLennan County Junior College District

Notes to Financial Statements
(Continued)

(13) Other Post-Employment Benefits (OPEB) (continued)

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

For the Year Ended August 31,	OPEB Expense
2023	$ 88,160
2024	994,000
2025	221,997
2026	84,801
2027	274,573

(14) Related Parties

During the years ended August 31, 2022 and 2021, the District furnished office space, utilities and staffing amounting to approximately $348,000 and $324,000, respectively, at no cost to the Foundation. Amounts owed from the Foundation for scholarships and gifts at August 31, 2022 and 2021, respectively, approximated $1.5 million and $64,000.

(15) Ad Valorem Property Taxes

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

	2022	2021
Assessed valuation of the District	$ 27,353,105,991	26,213,502,231
Less: Exemptions	6,183,803,215	5,968,324,017
Net assessed valuation of the District	$ 21,169,302,776	20,245,178,214

Tax rates authorized and assessed during fiscal year 2022 are as follows:

	Current Operations	Debt Service	Total
Tax rate per $100 valuation authorized	$ 0.250000	0.500000	0.750000
Tax rate per $100 valuation for assessed	0.121741	0.028041	0.149782

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McLennan County Junior College District

Notes to Financial Statements
(Continued)

(15) Ad Valorem Property Taxes (continued)

Tax rates authorized and assessed during fiscal year 2021 were as follows:

	Current Operations	Debt Service	Total
Tax rate per $100 valuation authorized	$ 0.250000	0.500000	0.750000
Tax rate per $100 valuation for assessed	0.121741	0.028041	0.149782

Taxes levied for the year ended August 31, 2022 are $32,242,874. 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, 2022 are as follows:

	Current Operations	Debt Service	Total
Current taxes collected	$ 26,540,900	5,314,143	31,855,043
Delinquent taxes collected	171,703	45,429	217,132
Penalties and interest collected	250,336	58,448	308,784
Total collections	$ 26,962,939	5,418,020	32,380,959

Taxes levied for the year ended August 31, 2022were $30,166,630. Tax collections for the year ended August 31, 2021 were as follows:

	Current Operations	Debt Service	Total
Current taxes collected	$ 24,117,294	5,555,015	29,672,309
Delinquent taxes collected	378,380	106,228	484,608
Penalties and interest collected	247,243	65,329	312,572
Total collections	$ 24,742,917	5,726,572	30,469,489

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(15) Ad Valorem Property Taxes (continued)

Current tax collections for each of the years ended August 31, 2022 and 2021 were approximately 96% of the current tax levy. An allowance for uncollectible taxes is based upon the historical experience in collecting property taxes.

(16) Tax Abatements

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

For the fiscal years ended August 31, 2022 and 2021, the District, did not enter into any tax abatement agreements.

(17) Budgets

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

(18) Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). The District had no unrelated business income tax liability for 2022 or 2021.

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

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McLennan County Junior College District

Notes to Financial Statements
(Continued)

(19) Commitments and Contingencies

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

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. The agreement was renewed effective June 9, 2018 for an additional ten year term.

(20) Contracts and Grants

Contract and grant revenues are recognized as earned in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. For contract and grant awards, funds expended but not collected are reported as accounts receivable in the accompanying Statements of Net Position. Contract and grant awards that are not yet funded, and for which the District has not yet performed services, are not included in the financial statements. Such contract and grant awards already committed total $600,700 and $2,437,167 at August 31, 2022 and 2021, respectively, for federal contract and grant awards; and $59,530 and $179,530 at August 31, 2022 and 2021, respectively, for state contract and grant awards.

(21) Business Concentrations and Uncertainties

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.

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(22) Authoritative Pronouncements Not Yet Effective

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

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (issued May 2020) – the objective of this statement is to provide guidance for subscription-based information technology arrangements (SBITA). It will define SBITA contracts, provide guidance on the accounting for the SBITAs, and require disclosures regarding the SBITAs. The requirements of this statement are effective for financial statements for fiscal years beginning after June 15, 2022.

GASB Statement No. 99, *Omnibus 2022* (issued April 2022) – the objective of this statement is to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Specifically, provisions of GASB 87 related to leases have been clarified related to the determination of lease term, short-term lease classification, recognition and measurement of lease liability and lease asset, and identification of lease incentives. In addition, provisions of GASB 96 have been clarified related to SBITA term, short-term SBITA classification, and recognition and measurement of subscription liability. These requirements are effective for financial statements for fiscal years beginning after June 15, 2022.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB 62* (issued June 2022) – the objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for financial statements for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences* (issued June 2022) – the objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences through a unified recognition and measurement model and amendment of certain previously required disclosures. The requirements of this statement are effective for financial statements for fiscal years beginning after December 15, 2023.

Discussion Draft

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(23) Subsequent Events

The District has evaluated subsequent events from the date of the statements of net position through December 8, 2022 the date on which the financial statements were available to be issued, and has determined that there are no items to disclose.

Discussion Draft

Required Supplementary Information

Discussion Draft

McLennan County Junior College District

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

Last Ten Measurement Years

	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.000286410	0.000303627	0.000308727	0.000282722	0.000276629	0.000267743	0.000275359	0.000315418
District's proportionate share of the net pension liability	$ 7,293,846	16,261,639	16,048,584	15,561,725	8,845,093	10,117,620	9,733,576	8,425,251
State's proportionate share of the net pension liability associated with the District	3,970,528	8,650,513	7,960,368	8,157,571	4,484,587	5,023,253	5,097,186	4,294,738
Total	$ 11,264,374	24,912,152	24,008,952	23,719,296	13,329,680	15,140,873	14,830,762	12,719,989
District's covered-employee payroll	$ 25,026,038	25,349,666	23,661,343	21,172,101	19,754,585	18,323,250	18,057,981	17,546,985
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	29.1%	64.1%	67.8%	73.5%	44.8%	55.2%	53.9%	48.0%
Plan's fiduciary net position as a percentage of the total pension liability	88.8%	75.5%	75.2%	73.7%	82.2%	78.0%	78.4%	83.3%

Note:
Information for measurement years prior to 2014 is not available.

Discussion Draft

See accompanying independent auditor's report.

McLennan County Junior College District

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

Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	$ 1,292,233	1,210,521	1,222,284	1,046,048	931,282	884,894	829,573	803,507	799,672	786,873
Contributions in relation to the contractually required contribution	1,292,233	1,210,521	1,222,284	1,046,048	931,282	884,894	829,573	803,507	799,672	786,873
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	$ 25,691,368	25,026,038	25,349,666	23,661,343	21,172,101	19,754,585	18,323,250	18,057,981	17,546,985	17,323,138
Contributions as a percentage of covered-employee payroll	$ 5.03%	4.84%	4.82%	4.42%	4.40%	4.48%	4.53%	4.45%	4.56%	4.54%

Discussion Draft

See accompanying independent auditor's report.

McLennan County Junior College District

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

Last Ten Measurement Years

	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.001406073	0.001424360	0.001404568	0.001358867	0.001097339
District's proportionate share of the net OPEB liability	$ 50,443,572	47,067,445	48,545,614	40,273,748	37,389,647
State's proportionate share of the net OPEB liability associated with the District	37,216,564	34,272,215	36,655,189	30,841,481	30,343,586
Total	$ 87,660,136	81,339,660	85,200,803	71,115,229	67,733,233
District's covered-employee payroll	$ 29,605,912	30,153,598	28,661,998	27,333,296	26,351,878
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	170.4%	156.1%	169.4%	147.3%	141.9%
Plan's fiduciary net position as a percentage of the total OPEB liability	0.4%	0.3%	0.2%	1.3%	2.0%

Discussion Draft

Note:
Information for measurement years prior to 2017 is not available.

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of the District's Contributions to the
Employee Retirement System of Texas

Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	$ 720,680	1,261,618	1,210,216	1,186,782	1,127,197	1,034,845	840,485	800,432	128,812	109,335
Contributions in relation to the contractually required contribution	1,317,050	1,261,618	1,210,216	1,186,782	1,127,197	1,034,845	840,485	800,432	128,812	109,335
Contribution deficiency (excess)	(596,370)	-	-	-	-	-	-	-	-	-
Covered-employee payroll	$ 30,297,975	29,605,912	30,153,598	28,661,998	27,333,296	26,351,878	25,744,015	25,413,858	24,601,145	24,829,074
Contributions as a percentage of covered-employee payroll	$ 4.35%	4.26%	4.01%	4.14%	4.12%	3.93%	3.26%	3.15%	0.52%	0.44%

Discussion Draft

See accompanying independent auditor's report and notes to required supplementary information – Employee Retirement System of Texas.

McLennan County Junior College District

Notes to Required Supplementary Information – Employee Retirement System of Texas

Year Ended August 31, 2022

(1) Changes in Benefit Terms

Any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, this valuation reflects the benefit changes that will become effective September 1, 2021, since these changes were communicated to plan members in advance of the preparation of the latest valuation report.

There are no significant changes to benefit terms.

(2) Changes in Assumptions

Demographic Assumptions: The following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to be married and electing coverage for their spouse.
- The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the opt-out credit at retirement.
- The percentage of higher education vested terminated members assumed to have terminated less than one year before the valuation date.

Economic Assumptions: Assumptions for expenses, assumed per capita health benefit costs and health benefit cost and retiree contribution and expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.

The discount rate assumption was changed from 2.20% as of August 31, 2020 to 2.14% as of August 31, 2021 as a result of requirements to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Discussion Draft

Supplemental Information

Discussion Draft

McLennan County Junior College District

Schedule of Operating Revenues
(Schedule A)

Year Ended August 31, 2022
(With Memorandum Totals for the Year Ended August 31, 2021)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total 2022	Total 2021
Tuition and fees:						
State funded credit courses:						
In-district resident tuition	$ 10,895,463	-	10,895,463	-	10,895,463	11,551,109
Out-of-district resident tuition	4,360,191	-	4,360,191	-	4,360,191	4,235,617
Non-resident tuition	2,280,918	-	2,280,918	-	2,280,918	2,115,148
TPEG - credit (set aside)	959,168	-	959,168	-	959,168	994,550
State funded continuing education	172,352	-	172,352	-	172,352	378,030
TPEG - non-credit (set aside)	6,547	-	6,547	-	6,547	6,779
Non-state funded educational programs	18,979	-	18,979	-	18,979	15,316
Total tuition	18,693,618	-	18,693,618	-	18,693,618	19,296,549
Fees:						
Installment plan fees	67,700	-	67,700	-	67,700	74,650
Facility fees	943,388	-	943,388	-	943,388	972,447
General fees	1,554,731	-	1,554,731	-	1,554,731	1,600,938
Laboratory fees	779,947		779,947	-	779,947	625,594
Other fees	1,114,421	-	1,114,421	-	1,114,421	1,075,659
Total fees	4,460,187	-	4,460,187	-	4,460,187	4,349,288
Scholarship allowances and discounts:						
Remissions and exemptions	(2,108,575)	-	(2,108,575)	-	(2,108,575)	(2,495,924)
Title IV federal grants	(6,990,822)	-	(6,990,822)	-	(6,990,822)	(5,905,605)
TPEG awards	(1,045,353)	-	(1,045,353)	-	(1,045,353)	(1,120,768)
Other state grants	(370,629)	-	(370,629)	-	(370,629)	(313,011)
Other local grants	(1,028,001)	-	(1,028,001)	-	(1,028,001)	(934,090)
Total scholarship allowances	(11,543,380)	-	(11,543,380)	-	(11,543,380)	(10,769,398)
Total net tuition and fees	11,610,425	-	11,610,425	-	11,610,425	12,876,439
Additional operating revenues:						
Sales and services of educational activities	1,100,686	-	1,100,686	-	1,100,686	1,078,826
General operating revenues	450,462	-	450,462	-	450,462	413,388
Total additional operating revenues	1,551,148	-	1,551,148	-	1,551,148	1,492,214
Auxiliary enterprises:						
Bookstore (outsourced)	-	-	-	167,129	167,129	170,539
Other auxiliary enterprises	-	-	-	241,088	241,088	73,596
Total net auxiliary enterprises	-	-	-	408,217	408,217	244,135
Total operating revenues	$ 13,161,573	-	13,161,573	408,217	13,569,790	14,612,788

In accordance with Education Code 56.033, $965,715 and $1,001,329 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2021 and 2020, respectively.

Discussion Draft

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Operating Expenses by Object
(Schedule B)

Year Ended August 31, 2022
(With Memorandum Totals for the Year Ended August 31, 2021)

	Operating Expenses				Total	
	Salaries	Benefits		Other		
	and Wages	State	Local	Expenses	2022	2021
Unrestricted - educational activities:						
Instruction	$ 22,225,528	-	3,418,081	1,616,780	27,260,389	28,311,533
Public service	155,883	-	20,204	175,263	351,350	323,986
Academic support	1,921,606	-	295,438	473,345	2,690,389	2,752,451
Student services	2,902,446	-	446,238	336,831	3,685,515	3,739,140
Institutional support	5,702,138		876,678	5,369,836	11,948,652	11,425,611
Operation and maintenance of plant	1,591,738	-	767,800	3,024,469	5,384,007	5,656,288
Scholarships and fellowships	-	-	-	2,884,788	2,884,788	3,283,365
Total unrestricted educational activities	34,499,339	-	5,824,439	13,881,312	54,205,090	55,492,374
Restricted - educational activities:						
Instruction	89,594	2,440,455	5,238	275,259	2,810,546	3,789,872
Public service	1,329,348	-	285,328	188,031	1,802,707	1,933,153
Academic support	347,479	250,259	77,234	146,175	821,147	504,077
Student services	371,668	377,998	75,848	8,633,052	9,458,566	4,942,086
Institutional support	169,217	742,615	33,240	4,494,542	5,439,614	2,557,367
Operation and maintenance of plant	4,820	-	-	-	4,820	1,316
Scholarships and fellowships	-	-	-	5,392,578	5,392,578	5,812,182
Total restricted educational activities	2,312,126	3,811,327	476,888	19,129,637	25,729,978	19,540,053
Total educational activities	36,811,465	3,811,327	6,301,327	33,010,949	79,935,068	75,032,427
Auxiliary enterprises	1,168,059	-	410,255	1,216,679	2,794,993	2,063,815
Depreciation and amortization expense:						
Buildings and other improvements	-	-	-	4,059,513	4,059,513	4,051,648
Equipment and furniture	-	-	-	618,119	618,119	578,781
Library books	-	-	-	79,122	79,122	78,256
Total depreciation expense	-	-	-	4,756,754	4,756,754	4,708,685
Total operating expenses	$ 37,979,524	3,811,327	6,711,582	38,984,382	87,486,815	81,804,927

Discussion Draft

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Nonoperating Revenues and Expenses
(Schedule C)

Year Ended August 31, 2022
(With Memorandum Totals for the Year Ended August 31, 2021)

	Unrestricted	Restricted	Auxiliary Enterprises	Total 2022	Total 2021
Nonoperating revenues:					
State appropriations:					
Education and general state support	$ 11,913,320	-	-	11,913,320	12,503,711
State group insurance	-	2,832,498	-	2,832,498	2,713,475
State retirement matching	-	978,829	-	978,829	2,008,645
Hazelwood Legacy Act	21,699	-	-	21,699	19,403
Total state appropriations	11,935,019	3,811,327	-	15,746,346	17,245,234
Maintenance ad valorem taxes	25,810,450	-	-	25,810,450	23,947,224
Debt service ad valorem taxes	-	5,282,242	-	5,282,242	5,521,883
Federal grants and contracts	-	38,094,661	-	38,094,661	26,897,574
State grants and contracts	-	1,132,991	-	1,132,991	1,461,420
Local grants and contracts	404,966	-	-	404,966	100,258
Investment income	203,197	21,130	-	224,327	148,333
Gifts	1,854,448	-	-	1,854,448	363,204
Gain on disposal of capital assets	-	24,283	-	24,283	-
Other nonoperating revenues	136,297	-	-	136,297	-
Total nonoperating revenues	40,344,377	48,366,634	-	88,711,011	75,685,130
Nonoperating expenses:					
Interest on capital related debt and leases	-	2,046,400	-	2,046,400	2,159,099
Loss on disposal of capital assets	-	-	-	-	100,376
Other nonoperating expenses	-	5,000		5,000	414,615
Total nonoperating expenses	-	2,051,400	-	2,051,400	2,674,090
Net nonoperating revenues	$ 40,344,377	46,315,234	-	86,659,611	73,011,040

Discussion Draft

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, 2022

	Detail by Source					Available for Current Operation	
		Restricted					
	Unrestricted	Expendable	Non-Expendable	Net Investment in Capital Assets	Total	Yes	No
Current:							
Unrestricted	$ (37,952,665)	-	-	-	(37,952,665)	(37,952,665)	-
Scholarships and fellowships	-	1,274,067	-	-	1,274,067	-	1,274,067
Plant:							
Capital projects	2,191,876	-	-	-	2,191,876	-	2,191,876
Debt service	-	(692,109)	-	-	(692,109)	-	(692,109)
Investment in plant	(12,749)	-	-	62,958,045	62,945,296	-	62,945,296
Total net position, August 31, 2022	(35,773,538)	581,958	-	62,958,045	27,766,465	(37,952,665)	65,719,130
Total net position, August 31, 2021	(40,453,896)	1,337,769	-	54,140,006	15,023,879	(41,419,803)	56,451,714
Net increase (decrease) in net position	$ 4,680,358	(755,811)	-	8,818,039	12,742,586	3,467,138	9,267,416

Discussion Draft

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Expenditures of Federal Awards
(Schedule E)

Year Ended August 31, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education:				
Direct Programs:				
Student Financial Assistance Cluster:				
Federal Supplemental Education Opportunity Grant Program	84.007		$ -	$ 428,790
Federal Work Study Program	84.033		-	76,804
Federal Pell Grant Program	84.063		-	14,409,056
Federal Direct Student Loans	84.268		-	7,284,860
Total Student Financial Assistance Cluster			-	22,199,510
TRIO Cluster:				
TRIO - Student Support Services	84.042A		-	353,854
TRIO - Upward Bound	84.047A		-	443,054
TRIO - McLennan Educational Opportunity Center	84.066A		-	129,198
Total TRIO Cluster			-	926,106
Developing Hispanic-Serving Institutions Program - Title V	84.031S		-	473,482
Total Developing Hispanic-Serving Institutions Program - Title V			-	473,482
Basic Needs for Students Program	84.116N		-	46,869
Total Basic Needs for Students Program			-	46,869
Education Stabilization Fund:				
COVID-19 Higher Education Emergency Relief Fund - Student Aid	84.425E		-	8,325,939
COVID-19 Higher Education Emergency Relief Fund - Institutional Portion	84.425F		-	4,244,157
COVID-19 Higher Education Emergency Relief Fund - Institutional Portion	84.425F		-	6,295,232
COVID-19 Higher Education Emergency Relief Fund - Minority Serving Institutions	84.425L		-	14,685
COVID-19 Higher Education Emergency Relief Fund - Institutional Resilience	84.425P		-	378,739
Pass Through From:				
Texas Reskilling Support Fund Grant Program	84.425	24110	-	101,375
Texas Reskilling Support Fund Grant Program	84.425	24287	-	36,763
Governor's Emergency Education Relief Fund	84.425C	25908	-	69,610
Governor's Emergency Education Relief Fund	84.425C	24611	-	5,000
Governor's Emergency Education Relief Fund	84.425C	25555	-	36,309
Total Education Stabilization Fund			-	19,507,809
Pass Through From:				
Texas Workforce Commission:				
Adult Education & Family Literacy Act	84.002A	1318ALA000	-	392
Adult Education & Family Literacy Act	84.002A	1318ALAC00	-	47,943
Adult Education & Family Literacy Act	84.002A	1318ALAD00	-	895,070
Total Adult Education & Family Literacy Act			-	943,405
Texas Higher Education Coordinating Board:				
Carl Perkins - Career and Technical Education	84.048	24124	-	647,275
Total Carl Perkins - Career and Technical Education			-	647,275
Total U. S. Department of Education			-	44,744,456
U.S. Department of Treasury:				
Pass Through From:				
Texas Higher Education Coordinating Board:				
Texas Reskilling and Upskilling	21.027	27280	-	492
Total U.S. Department of Treasury			-	492

Discussion Draft

McLennan County Junior College District

Schedule of Expenditures of Federal Awards
(Schedule E)

(Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
National Science Foundation				
Pass Through From:				
Enhancing Network and Cybersecurity Technician				
Careers in Collaboration with Industry	47.076	1801147	$ -	$ 29,458
Baylor University	47.076	1001131-01	-	2,864
Total National Science Foundation			-	32,322
U. S. Small Business Administration				
Pass Through From:				
North Texas Small Business Development Center:				
Small Business Development Center	59.037	SBAHQ-21-B-0038	-	17,217
Small Business Development Center	59.037	SBAHQ-22-B-0006	-	154,304
COVID-19 - Small Business Development Center	59.037	SBAHQ-20-C-0059	-	61,268
Total U. S. Small Business Administration			-	232,789
U. S. Department of Veterans Affairs				
Direct Program:				
Post 9/11 Veterans Educational Assistance	64.027		-	287,486
Total U. S. Department of Veterans Affairs			-	287,486
Corporation for National and Community Service				
Direct Programs:				
Heart of Texas Retired Senior Volunteer Program	94.002	20SRWTX022	-	81,976
Total Corporation for National and Community Service			-	81,976
Total Federal Awards			$ -	$ 45,379,521

Discussion Draft

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, 2022

(1) Federal Revenue Reconciliation

Federal revenues for 2022 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	$ 38,094,661
Add: Federal Direct Student Loans made	7,284,860
Total per Schedule of Expenditures of Federal Awards	$ 45,379,521

(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, 2022. 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 "frequently asked questions" ("FAQs") and other guidance issued by the U.S. Department of Education, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

(4) Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Discussion Draft

McLennan County Junior College District

Schedule of Expenditures of State Awards
(Schedule F)

Year Ended August 31, 2022

Grantor Agency/Program Title	Grant Contract Number	Passed Through to Subrecipients	Indirect Costs and Expenditures
Texas Higher Education Coordinating Board			
State Work Study		$ -	$ 41,975
NGIP: Nursing and Allied Health-Supported Clinical Learning to Mitigate Impediment due to COVID-19	23829	-	12,369
Texas Education Opportunity Grant		-	785,691
NSRP Regular Program 2021	24553	-	7,437
CAL Loans		-	32,833
Total Texas Higher Education Coordinating Board		-	880,305
Texas Workforce Commission			
COVID-19 Skills Development Special Initiative	1320COS002	-	43,232
Child Care Apprenticeship		-	12,905
Manufacturing Consortium 2022	1322SDF001	-	21,943
Skills Development	1321SSD001	-	17,771
Skills Development	1322SSD001	-	12,494
Total Texas Workforce Commission		-	108,345
Small Business Development Center			
Small Business Development Center	SBAHQ-21-B-0038	-	10,538
Small Business Development Center	SBAHQ-22-B-0006	-	106,806
Total Small Business Development Center		-	117,344
Corporation for National and Community Services			
RSVP	HHS000871100015	-	59,830
Total State Awards		$ -	$ 1,165,824

Discussion Draft

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, 2022

(1) State Revenue Reconciliation

State revenues for 2022 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	$ 1,132,991
Add: CAL Loans made	32,833
Total per Schedule of Expenditures of State Awards	$ 1,165,824

(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, 2022. 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.

Discussion Draft

Statistical Section

Discussion Draft

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
State Appropriation per FTSE and Contact Hour
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.

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

Discussion Draft

McLennan County Junior College District
Net Position by Component

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

Discussion Draft

	For the Year Ended August 31,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net investment in capital assets	$ 62,958	54,140	51,211	45,097	49,289	47,878	46,140	44,495	42,479	40,711
Restricted	582	1,338	5,797	10,317	3,444	2,837	2,698	2,542	3,166	2,850
Unrestricted	(35,774)	(40,454)	(47,803)	(45,420)	(44,410)	2,720	3,152	2,899	12,008	11,033
Total primary government net position	$ 27,766	15,024	9,205	9,994	8,323	53,435	51,990	49,936	57,653	54,594

Note:

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.

It is not practical for the District to restate years prior to 2018 for adoption of GASB 75 in fiscal year 2018 which results in the recording of net OPEB liability and related deferred inflows and outflows of resources and OPEB expense for the OPEB plan with the Employees Retirement System of Texas.

McLennan County Junior College District

Revenues by Source

Last Ten Fiscal Years
(Unaudited)

	For the Year Ended August 31, (Dollars expressed in thousands)									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Operating revenues:										
Tuition and fees (net of discounts)	$ 11,610	12,876	12,672	13,454	13,493	14,191	16,062	15,666	17,003	19,437
Sales and services of educational activities	1,101	1,079	878	1,016	867	918	945	846	839	920
Auxiliary enterprises	408	244	354	403	456	476	476	503	503	526
Other operating revenues	450	414	86	137	213	232	130	156	127	124
Total operating revenues	13,569	14,613	13,990	15,010	15,029	15,817	17,613	17,171	18,472	21,007
Nonoperating revenues:										
State appropriations	15,746	17,245	17,761	17,139	18,241	15,659	15,687	16,750	17,205	16,309
Ad valorem taxes	31,093	29,470	27,463	25,824	24,227	22,275	20,999	19,956	19,282	18,697
Federal grants and contracts	38,095	26,898	24,774	20,420	19,903	18,609	18,597	20,370	20,376	22,308
State grants and contracts	1,133	1,461	1,045	1,488	1,949	1,950	3,272	2,850	2,869	3,827
Local grants and contracts	405	100	196	233	152	212	218	94	291	110
Investment income	224	148	314	479	318	99	62	47	35	209
Gifts	1,854	363	255	299	400	433	181	466	173	711
Other nonoperating revenues	161	-	-	-	-	19	-	19	2	23
Total nonoperating revenues	88,711	75,685	71,808	65,882	65,190	59,256	59,016	60,552	60,233	62,194
Total revenue	$ 102,280	90,298	85,798	80,892	80,219	75,073	76,629	77,723	78,705	83,201

	For the Year Ended August 31, (Dollars expressed in thousands)									
	2022	2021	2020	2019	2016	2015	2014	2013	2012	2011
Operating revenues:										
Tuition and fees (net of discounts)	11.35%	14.26%	14.77%	16.63%	16.82%	18.90%	20.96%	20.16%	21.60%	23.36%
Sales and services of educational activities	1.08%	1.19%	1.02%	1.26%	1.08%	1.22%	1.23%	1.09%	1.07%	1.11%
Auxiliary enterprises	0.40%	0.27%	0.41%	0.50%	0.57%	0.63%	0.62%	0.65%	0.64%	0.63%
Other operating revenues	0.44%	0.46%	0.10%	0.17%	0.27%	0.31%	0.17%	0.20%	0.16%	0.15%
Total operating revenues	13.27%	16.18%	16.31%	18.56%	18.73%	21.07%	22.98%	22.09%	23.47%	25.25%
Nonoperating revenues:										
State appropriations	15.39%	19.10%	20.70%	21.19%	22.74%	20.86%	20.47%	21.55%	21.86%	19.60%
Ad valorem taxes	30.40%	32.64%	32.01%	31.92%	30.20%	29.67%	27.40%	25.68%	24.50%	22.47%
Federal grants and contracts	37.25%	29.79%	28.87%	25.24%	24.81%	24.79%	24.27%	26.21%	25.89%	26.81%
State grants and contracts	1.11%	1.62%	1.22%	1.84%	2.43%	2.60%	4.27%	3.67%	3.65%	4.60%
Local grants and contracts	0.40%	0.11%	0.23%	0.29%	0.19%	0.28%	0.28%	0.12%	0.37%	0.13%
Investment income	0.22%	0.16%	0.37%	0.59%	0.40%	0.13%	0.08%	0.06%	0.04%	0.25%
Gifts	1.81%	0.40%	0.30%	0.37%	0.50%	0.58%	0.24%	0.60%	0.22%	0.85%
Other nonoperating revenues	0.16%	0.00%	0.00%	0.00%	0.00%	0.03%	0.00%	0.02%	0.00%	0.03%
Total nonoperating revenues	86.73%	83.82%	83.69%	81.44%	81.27%	78.93%	77.02%	77.91%	76.53%	74.75%
Total revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Discussion Draft

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)									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Operating expenses:										
Instruction	$ 30,071	32,101	34,173	32,987	33,616	30,934	32,344	31,286	31,310	32,287
Public service	2,154	2,257	2,097	2,265	2,186	2,058	1,912	1,806	1,890	1,741
Academic support	3,511	3,256	3,132	2,871	2,743	2,489	2,526	2,775	2,741	2,591
Student services	13,144	8,681	8,149	5,270	4,911	4,384	4,148	3,932	3,753	3,658
Institutional support	17,388	13,983	12,955	10,797	10,074	9,466	8,962	9,123	8,692	8,707
Operation and maintenance of plant	5,389	5,658	6,724	5,774	5,770	5,760	5,270	5,335	5,409	5,356
Scholarships and fellowships	8,277	9,096	9,738	9,895	9,841	9,459	10,497	11,827	12,092	14,264
Auxiliary enterprises	2,795	2,064	2,372	2,546	2,006	2,011	1,718	1,638	1,619	1,580
Depreciation and amortization	4,757	4,709	4,529	4,118	4,275	4,300	3,897	4,196	4,128	4,030
Total operating expenses	87,486	81,805	83,869	76,523	75,422	70,861	71,274	71,918	71,634	74,214
Nonoperating expenses:										
Interest on capital related debt	2,046	2,159	2,693	2,546	2,414	2,763	2,970	3,434	3,950	4,189
Loss on disposal of fixed assets	-	100	33	-	64	-	322	-	58	19
Gift expense	-	-	-	-	386	-	-	-	-	-
Other non-operating expenses	5	415	4	152	174	4	9	543	4	253
Total nonoperating expenses	2,051	2,674	2,730	2,698	3,038	2,767	3,301	3,977	4,012	4,461
Total expenses	$ 89,537	84,479	86,599	79,221	78,460	73,628	74,575	75,895	75,646	78,675
Change in net position	$ 12,743	5,819	(801)	1,671	1,759	1,445	2,054	1,828	3,059	4,526

	For the Year Ended August 31, (dollars expressed in thousands)									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Operating expenses:										
Instruction	33.58%	38.00%	39.46%	41.64%	42.84%	42.01%	43.37%	41.22%	41.39%	41.04%
Public service	2.41%	2.67%	2.42%	2.86%	2.79%	2.80%	2.56%	2.38%	2.50%	2.21%
Academic support	3.92%	3.85%	3.62%	3.62%	3.50%	3.38%	3.39%	3.66%	3.62%	3.29%
Student services	14.68%	10.28%	9.41%	6.65%	6.26%	5.95%	5.56%	5.18%	4.96%	4.65%
Institutional support	19.42%	16.55%	14.96%	13.63%	12.84%	12.86%	12.02%	12.02%	11.49%	11.07%
Operation and maintenance of plant	6.02%	6.70%	7.76%	7.29%	7.35%	7.82%	7.07%	7.03%	7.15%	6.81%
Scholarships and fellowships	9.24%	10.77%	11.24%	12.49%	12.54%	12.85%	14.08%	15.58%	15.98%	18.13%
Auxiliary enterprises	3.12%	2.44%	2.74%	3.21%	2.56%	2.73%	2.30%	2.16%	2.14%	2.01%
Depreciation	5.31%	5.57%	5.23%	5.20%	5.45%	5.84%	5.23%	5.53%	5.46%	5.12%
Total operating expenses	97.71%	96.83%	96.85%	96.59%	96.13%	96.24%	95.57%	94.76%	94.70%	94.33%
Nonoperating expenses:										
Interest on capital related debt	2.29%	2.56%	3.11%	3.21%	3.08%	3.75%	3.98%	4.52%	5.22%	5.32%
Loss on disposal of fixed assets	0.00%	0.12%	0.04%	0.00%	0.08%	0.00%	0.43%	0.00%	0.08%	0.02%
Gift expense	0.00%	0.00%	0.00%	0.00%	0.49%	0.00%	0.00%	0.00%	0.00%	0.00%
Other non-operating expenses	0.01%	0.49%	0.00%	0.19%	0.22%	0.01%	0.01%	0.72%	0.01%	0.32%
Total nonoperating expenses	2.29%	3.17%	3.15%	3.41%	3.87%	3.76%	4.43%	5.24%	5.30%	5.67%
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 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.

It is not practical for the District to restate years prior to 2018 for adoption of GASB 75 in fiscal year 2018 which results in the recording of net OPEB liability and related deferred inflows and outflows of resources and OPEB expense for the OPEB plan with the Employees Retirement System of Texas.

Discussion Draft

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	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District	SCH Resident
2021	$ 106	124	10	6	1,464	1,680	-	-	116,965
2020	106	124	10	6	1,464	1,680	6.09%	5.26%	112,154
2019	106	124	3	6	1,380	1,596	-	-	132,499
2018	106	124	3	6	1,380	1,596	-	-	136,987
2017	106	124	3	6	1,380	1,596	-	-	137,682
2016	106	124	3	6	1,380	1,596	-	-	137,033
2015	106	124	3	6	1,380	1,596	-	-	136,874
2014	106	124	3	6	1,380	1,596	-	-	132,964
2013	106	124	3	6	1,380	1,596	-	-	147,574
2012	106	124	3	6	1,380	1,596	7.48%	8.13%	164,400

Non - Resident Students
Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	Tuition - Out-of-State	Tuition - International	General Services Fees	Facility Fees	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District	SCH Non-Resident
2021	$ 181	181	10	6	2,364	2,364	-	-	42,344
2020	181	181	10	6	2,364	2,364	3.68%	3.68%	44,730
2019	181	181	3	6	2,280	2,280	-	-	50,401
2018	181	181	3	6	2,280	2,280	-	-	49,709
2017	181	181	3	6	2,280	2,280	-	-	49,037
2016	181	181	3	6	2,280	2,280	-	-	49,046
2015	181	181	3	6	2,280	2,280	-	-	45,329
2014	181	181	3	6	2,280	2,280	-	-	54,909
2013	181	181	3	6	2,280	2,280	-	-	55,671
2012	181	181	3	6	2,280	2,280	5.60%	5.60%	56,344

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

Discussion Draft

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 & Operations	Direct Tax Rate: Debt Service	Direct Tax Rate: Total
2022	$ 24,434,490	3,513,907	27,948,397	6,256,834	21,691,563	77.61%	$ 22,134,248	0.124795	0.024987	0.149782
2021	22,891,906	3,321,596	26,213,502	5,968,324	20,245,178	77.23%	20,658,345	0.121741	0.028041	0.149782
2020	21,419,638	3,431,909	24,851,547	5,754,932	19,096,615	76.84%	19,486,342	0.117287	0.030409	0.147696
2019	19,899,921	3,189,413	23,089,334	5,457,148	17,632,186	76.37%	17,992,027	0.115431	0.032265	0.147696
2018	18,043,611	3,041,546	21,085,157	5,052,284	16,032,873	76.04%	16,360,074	0.115041	0.035305	0.150346
2017	17,561,465	3,004,334	19,023,127	4,975,662	14,047,465	73.84%	14,334,148	0.112102	0.036796	0.148898
2016	16,134,880	1,680,328	17,815,208	4,487,435	13,327,773	74.81%	13,599,768	0.108894	0.040830	0.149724
2015	15,115,891	2,699,317	16,531,870	4,072,246	12,459,624	75.37%	12,713,902	0.104343	0.045187	0.149530
2014	13,983,364	2,548,506	16,531,870	3,701,898	12,646,737	76.50%	12,904,834	0.103322	0.048208	0.151530
2013	13,531,650	2,700,629	15,494,370	3,585,542	12,118,455	78.21%	12,365,770	0.101199	0.050331	0.151530

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.

Discussion Draft

McLennan County Junior College District

Direct and Overlapping Property Tax Rates
per $100 of Assessed Value

Last Ten Fiscal Years
(Unaudited)

		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
McLennan County Junior College District	$	0.149782	0.149782	0.147696	0.147696	0.150346	0.148898	0.149724	0.149530	0.151530	0.151530
Overlapping Rates											
McLennan County		0.425000	0.468719	0.485293	0.485293	0.505293	0.525293	0.535293	0.535293	0.535293	0.460573
Special Districts:											
McLennan and Hill Counties Tehuacana Creek Water Control and Improvement District No. 1		0.024271	0.024183	0.024778	0.024780	0.025200	0.025156	0.025156	0.025156	0.025156	0.025156
McLennan County Farm to Market Road		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.023685
Castleman Creek Watershed		0.088649	0.090878	0.092720	0.093769	0.096027	0.099940	0.101020	0.101020	0.101020	0.100000
Elm Creek Watershed		0.031400	0.032700	0.032700	0.032700	0.032700	0.032700	0.032700	0.032700	0.032700	0.032700
Waco Public Improvement District No. 1		0.100000	0.100000	0.100000	0.100000	0.100000	0.100000	0.100000	0.100000	0.100000	0.100000
Cities:											
Bellmead		0.375187	0.377854	0.359999	0.319999	0.299990	0.303761	0.307610	0.298608	0.298608	0.298608
Beverly Hills		0.485415	0.473550	0.467077	0.484596	0.490145	0.490145	0.490145	0.452719	0.403647	0.362501
Bruceville-Eddy		0.500000	0.500000	0.500000	0.500000	0.500000	0.498159	0.498159	0.498159	0.498159	0.498159
Crawford		0.490000	0.460000	0.427271	0.462000	0.499900	0.499900	0.499900	0.499900	0.499900	0.499900
Gholson		0.100000	0.140000	0.170000	0.209488	0.209488	0.209488	0.213483	0.213483	0.213483	0.213483
Golinda		0.239524	0.236515	0.250000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hallsburg		0.060188	0.075655	0.076576	0.068401	0.070690	0.068199	0.065082	0.061004	0.057220	0.054861
Hewitt		0.540102	0.547838	0.539677	0.539677	0.539677	0.539677	0.539677	0.539677	0.539677	0.514977
Lacy-Lakeview		0.356240	0.362236	0.340064	0.352628	0.352628	0.352628	0.359537	0.357195	0.359170	0.359170
Leroy		0.178016	0.196853	0.209027	0.228601	0.250000	N/A	N/A	N/A	N/A	N/A
Lorena		0.533460	0.543604	0.566994	0.560680	0.592300	0.609000	0.590000	0.561400	0.561400	0.538900
Mart		0.759232	0.759232	0.759231	0.759231	0.759233	0.759233	0.759233	0.739915	0.780241	0.802382
McGregor		0.546945	0.578954	0.601413	0.594010	0.594010	0.595000	0.595000	0.595000	0.600000	0.600000
Moody		0.589167	0.645817	0.684484	0.659919	0.640232	0.599624	0.618546	0.634898	0.672843	0.626125
Riesel		0.296113	0.287022	0.314510	0.336568	0.364347	0.335416	0.373515	0.350000	0.350000	0.250000
Robinson		0.507000	0.533700	0.494500	0.484500	0.494500	0.499500	0.505321	0.480376	0.470000	0.453750
Valley Mills		0.413944	0.413900	0.442200	0.479900	0.482600	0.452800	0.447500	0.447500	0.447500	0.440300
Waco		0.767282	0.776232	0.776232	0.776232	0.776232	0.776232	0.776232	0.776232	0.776232	0.786232
West		0.552472	0.582561	0.604272	0.606477	0.606477	0.606477	0.606477	0.577006	0.577006	0.492524
Woodway		0.470000	0.450000	0.450000	0.450000	0.470000	0.470000	0.470000	0.470000	0.456900	0.456900

Discussion Draft

McLennan County Junior College District

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

Last Ten Fiscal Years
(Unaudited)

Discussion Draft

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
School Districts:										
Axtell Independent School District	$ 0.960300	1.027200	1.068300	1.170000	1.170000	1.170000	1.170000	1.170000	1.170000	1.170000
Bosqueville Independent School District	1.178300	1.233088	1.322389	1.379229	1.429973	1.441544	1.507102	1.478175	1.487914	1.478460
Bruceville-Eddy Independent School District	1.151900	1.185500	1.223350	1.325000	1.325000	1.325000	1.325000	1.325000	1.325000	1.325000
China Spring Independent School District	1.265760	1.257416	1.294110	1.358720	1.387194	1.421381	1.516068	1.538834	1.540000	1.374402
Connally Independent School District	1.215509	1.234741	1.266457	1.367955	1.374409	1.251212	1.281628	1.274394	1.656530	1.269091
Crawford Independent School District	1.163078	1.207373	1.293160	1.230500	1.230500	1.230495	1.230495	1.241360	1.280666	1.213116
Gholson Independent School District	0.872000	0.926400	0.970000	1.040000	1.040000	1.040000	1.040000	1.040000	1.040000	1.040000
Hallsburg Independent School District	1.008800	1.091559	1.160908	1.234768	1.262052	1.250541	1.293860	1.290991	1.040000	1.040000
LaVega Independent School District	1.261350	1.299955	1.290269	1.394040	1.413532	1.422100	1.459000	1.465000	1.420000	1.420000
Lorena Independent School District	1.200310	1.332666	1.435210	1.534000	1.554090	1.579090	1.640000	1.640000	1.620000	1.310000
Mart Independent School District	1.303870	1.396270	1.401870	1.472800	1.226894	1.209469	1.238841	1.229484	1.207132	1.217848
McGregor Independent School District	1.112970	1.167280	1.276100	1.330000	1.330000	1.333800	1.355000	1.355000	1.355000	1.185000
Midway Independent School District	1.164300	1.236400	1.250000	1.320000	1.320000	1.320000	1.320000	1.320000	1.320000	1.320000
Moody Independent School District	1.219600	1.219600	1.284950	1.361800	1.361750	1.391000	1.416000	1.341300	1.389300	1.394100
Oglesby Independent School District	0.960300	1.068350	1.068350	1.170000	1.170000	1.101580	1.098290	1.113700	1.113700	1.113700
Riesel Independent School District	1.386456	1.418863	1.533300	1.423900	1.450300	1.468200	1.395000	1.310000	1.336364	1.302900
Robinson Independent School District	1.172632	1.260930	1.286700	1.406135	1.406135	1.470000	1.510000	1.510000	1.315000	1.315000
Valley Mills Independent School District	1.169020	1.226070	1.353210	1.425400	1.454000	1.314000	1.314000	1.314000	1.314000	1.314000
Waco Independent School District	1.244640	1.263953	1.302450	1.404080	1.302450	1.400000	1.400000	1.353240	1.354800	1.355180
West Independent School District	1.370100	1.129275	1.186480	1.261417	1.290656	1.317548	1.283129	1.270000	1.270000	1.223188

Source: McLennan County Tax Office

Note: Overlapping rates are those of other governments that apply to property owners within the McLennan County Junior 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
State Appropriation per FTSE and Contact Hour

Last Ten Fiscal Years
(Unaudited)

		Appropriation per FTSE		Appropriation per Contact Hour			
Fiscal Year	State Appropriation	Full-Time Student Equivalent	State Appropriation per FTSE	Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	State Appropriation per Contact Hour
2022	$ 11,913,320	5,061	$ 2,354	2,351,434	809,948	3,161,382	$ 3.77
2021	12,503,711	4,110	3,042	2,303,936	705,024	3,008,960	4.16
2020	12,504,514	5,147	2,429	2,703,552	849,444	3,552,996	3.52
2019	12,347,526	6,305	1,958	2,737,136	907,776	3,644,912	3.39
2018	12,347,526	6,501	1,899	2,724,028	938,960	3,662,988	3.37
2017	12,118,902	6,523	1,858	2,698,812	967,256	3,666,068	3.31
2016	12,099,894	6,676	1,812	2,624,792	990,464	3,615,256	3.35
2015	13,456,451	6,056	2,222	2,640,603	1,214,919	3,855,522	3.49
2014	13,456,451	6,266	2,148	2,720,076	1,293,954	4,014,030	3.35
2013	13,677,168	6,777	2,018	2,975,848	1,376,424	4,352,272	3.14

Discussion Draft

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

McLennan County Junior College District
Principal Taxpayers

Last Ten Years
(Unaudited)

Discussion Draft

Taxpayer	Type of Business		Taxable Assessed Value (dollars expressed in thousands)									
			2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Oncor Electric	Utility	$	219,842	193,208	161,166	152,949	144,123	141,952	148,047	144,211	135,768	126,459
Sandy Creek Energy (Real Property)	Utility		209,834	389,390	341,215	306,850	247,151	524,137	524,137	545,373	450,272	402,237
Coca-Cola	Processing		140,960	95,445	106,600	86,457	75,147	72,242	63,516	55,919	-	-
Caterpillar Logistics	Manufacturing		127,864	121,825	126,285	111,589	123,748	133,346	144,579	134,587	150,152	133,297
Allergan	Manufacturing		158,200	120,956	135,405	137,092	124,375	111,584	94,810	88,235	79,152	69,984
Mars Wigley Confectionary	Processing		103,865	116,068	170,940	122,259	111,080	105,111	95,268	97,170	-	90,346
Ferguson Enterprises	Distributor		78,501	97,746	96,019	78,765	70,338	70,646	69,480	76,264	71,799	69,209
Atmos Energy/Mid-Tex Distribution	Utility		75,258	-	-	-	-	-	-	-	-	-
L3Harris	Processing		70,901	72,849	-	72,802	77,641	75,821	74,492	68,830	67,825	64,675
Sherwin Williams	Distributor		79,273	84,597	71,369	-	-	-	-	-	51,798	62,264
Owens Brockway	Manufacturing		-	-	74,702	71,419	74,786	77,743	-	-	-	-
Sanderson Farms	Processing		-	74,828	71,109	70,034	75,644	75,294	84,428	81,431	75,673	83,185
Associated Hygiene Products	Manufacturing		-		-	-	-	-	72,507	-	53,025	-
Sandy Creek Energy (Personal property)	Utility		-	-	-	-	-	-	-	57,325	-	-
Inland Western	Real Estate		-	-	-	-	-	-	-	-	50,721	-
Space X	Technology		-	-	-	-	-	-	-	-	-	178,138
Totals		$	1,264,498	1,366,912	1,354,810	1,210,216	1,124,033	1,387,876	1,371,264	1,349,345	1,186,185	1,279,794
Total Taxable Assessed Value		$	21,691,563	20,245,178	19,096,615	17,632,186	16,032,873	15,590,137	14,535,692	13,742,962	12,829,972	12,646,737

McLennan County Junior College District

Principal Taxpayers
(Continued)
Last Ten Years
(Unaudited)

Taxpayer	Type of Business	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Oncor Electric	Utility	1.01%	0.95%	0.84%	0.87%	0.90%	0.91%	1.02%	1.05%	1.06%	1.00%
Sandy Creek Energy (Real Property)	Utility	0.97%	1.92%	1.79%	1.74%	1.54%	3.36%	3.61%	3.97%	3.51%	3.18%
Coca-Cola	Processing	0.65%	0.47%	0.56%	0.49%	0.47%	0.46%	0.44%	0.41%	0.00%	0.00%
Caterpillar Logistics	Manufacturing	0.59%	0.60%	0.66%	0.63%	0.77%	0.86%	0.99%	0.98%	1.17%	1.05%
Allergan	Manufacturing	0.73%	0.60%	0.71%	0.78%	0.78%	0.72%	0.65%	0.64%	0.62%	0.55%
Mars Wigley Confectionary	Processing	0.48%	0.57%	0.90%	0.69%	0.69%	0.67%	0.66%	0.71%	0.00%	0.71%
Ferguson Enterprises	Distributor	0.36%	0.48%	0.50%	0.45%	0.44%	0.45%	0.48%	0.55%	0.56%	0.55%
Atmos Energy/Mid-Tex Distribution	Utility	0.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
L3Harris	Processing	0.33%	0.36%	0.00%	0.41%	0.48%	0.49%	0.51%	0.50%	0.53%	0.51%
Sherwin Williams	Distributor	0.37%	0.42%	0.37%	0.00%	0.00%	0.00%	0.00%	0.00%	0.40%	0.49%
Owens Brockway	Manufacturing	0.00%	0.00%	0.39%	0.41%	0.47%	0.50%	0.00%	0.00%	0.00%	0.00%
Sanderson Farms	Processing	0.00%	0.37%	0.37%	0.40%	0.47%	0.48%	0.58%	0.59%	0.59%	0.66%
Associated Hygiene Products	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sandy Creek Energy (Personal property)	Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.50%	0.00%	0.41%	0.00%
Inland Western	Real Estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.40%	0.00%
Space X	Technology	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.41%
	Totals	5.83%	6.75%	7.09%	6.86%	7.01%	8.90%	9.43%	9.40%	9.25%	10.12%

Discussion Draft

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
2022	$ 32,243	31,855	98.80%	$ 217	32,072	99.47%
2021	30,167	29,672	98.36%	485	30,157	99.97%
2020	28,329	27,705	97.80%	95	27,800	98.13%
2019	26,522	25,892	97.62%	217	25,824	97.37%
2018	24,722	24,398	98.69%	244	24,641	99.67%
2017	23,274	22,381	96.16%	228	22,609	97.14%
2016	21,773	20,987	96.39%	342	21,239	97.55%
2015	20,562	19,777	96.18%	276	20,053	97.52%
2014	19,468	19,113	98.18%	250	19,363	99.46%
2013	19,178	18,519	96.56%	310	18,829	98.18%

Note: Property tax collections only - does not include penalties and interest

Discussion Draft

McLennan County Junior College District

Ratios of Outstanding Debt by Type

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

		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Bonded Debt											
General obligation bonds	$	44,450	48,245	52,080	55,350	58,460	61,495	64,440	67,370	73,605	76,330
Other Debt											
Revenue bonds		14,705	16,035	17,600	18,875	13,190	14,260	15,095	15,900	16,675	17,425
Total Outstanding Debt	$	59,155	64,280	69,680	74,225	71,650	75,755	79,535	83,270	90,280	93,755
General Bonded Debt Ratios											
Per Capita		Not available	183	201	216	230	245	260	274	302	316
Per Student	$	8,783	11,738	10,119	8,779	8,992	9,211	9,652	11,125	11,747	11,270
As a percentage of Taxable Assessed Value		0.20%	0.24%	0.27%	0.31%	0.36%	0.39%	0.44%	0.49%	0.61%	0.65%
Total Outstanding Debt Ratios											
Per Capita		Not available	244	268	289	281	302	321	339	371	388
Per Student	$	11,688	15,640	13,538	11,772	11,021	11,196	11,755	13,750	14,408	13,841
As a percentage of Taxable Assessed Value		0.27%	0.32%	0.36%	0.42%	0.45%	0.49%	0.55%	0.61%	0.75%	0.81%
As a percentage of personal income		Not available	0.54%	0.64%	0.71%	0.72%	0.08%	0.08%	0.09%	0.04%	0.01%

Note:
Debt per student calculated using full time equivalent enrollment.
Information for per capita not available for 2022.
Information for total outstanding debt as a percentage of personal income not available for 2022.

Discussion Draft

McLennan County Junior College District
Legal Debt Margin Information

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

Discussion Draft

		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Taxable Assessed Value	$	21,691,563	20,245,178	19,096,615	17,632,186	16,032,873	15,590,137	14,535,209	13,742,962	12,829,972	12,646,737
Statutory Tax Levy Limit for general obligation debt service	$	108,458	101,226	95,483	88,161	80,164	77,951	72,676	68,715	64,150	63,234
Current Year Debt Service Requirements		5,677	5,508	5,719	5,639	5,644	5,641	5,729	6,110	6,112	6,034
Excess of Statutory Limit for Debt Service over Current Requirements	$	102,781	95,718	89,764	82,522	74,520	72,310	66,947	62,605	58,038	57,200
Net Current Requirements as a percentage of Statutory Limit		5.23%	5.44%	5.99%	6.40%	7.04%	7.24%	7.88%	8.89%	9.53%	9.54%

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)

Discussion Draft

	Pledged Revenues								Debt Service Requirements		
Fiscal Year	Tuition	Facility Fees	Community Education Fees	Interest Income	Vending Commission	Bookstore Commission	Other	Total	Principal	Interest	Total
2022	$ 1,066	943	56	194	32	167	750	3,208	1,370	562	1,932
2021	1,090	973	93	133	16	171	750	3,226	1,330	602	1,932
2020	1,277	1,135	56	212	29	294	750	3,753	1,275	714	1,989
2019	1,298	1,136	120	361	42	338	750	4,045	915	477	1,392
2018	1,275	1,128	140	281	38	392	-	3,254	1,020	390	1,410
2017	1,253	1,123	108	81	38	409	-	3,012	835	605	1,440
2016	1,233	1,100	222	50	39	406	-	3,050	805	636	1,441
2015	1,207	1,093	204	40	33	435	-	3,012	775	663	1,438
2014	1,249	1,137	321	29	39	420	-	3,195	750	691	1,441
2013	1,391	1,227	228	205	44	439	-	3,534	720	717	1,437

McLennan County Junior College District
Demographic and Economic Statistics

Last Ten Fiscal Years
(Unaudited)

Calendar Year	Population	Personal Income (thousands of dollars)	Personal Income Per Capita	Unemployment Rate
2021	263,115	Not available	Not available	4.9%
2020	259,730	$ 11,888,309	$ 45,772	7.2%
2019	256,623	10,818,901	42,159	3.3%
2018	254,607	10,503,574	41,254	3.6%
2017	251,259	9,985,065	39,740	3.9%
2016	247,934	9,452,592	38,125	3.9%
2015	245,671	9,153,701	37,260	4.1%
2014	243,441	8,634,139	35,647	5.1%
2013	241,481	8,245,255	21,660	6.2%
2012	237,811	8,350,456	34,982	6.6%

Sources:
Population from U.S. Bureau of the Census.
Personal income from U.S. Bureau of Economic Analysis.
Unemployment rate from Texas Labor Market Information.

Notes:
Information for 2022 not yet available

Discussion Draft

McLennan County Junior College District
Principal Employers

Last Ten Fiscal Years
(Unaudited)

Discussion Draft

Employer	Number of Employees									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Baylor University	5,698	2,835	3,253	2,986	2,901	2,901	2,746	2,675	2,675	2,583
Ascension Providence	2,518	2,530	1,622	2,397	2,401	2,401	2,311	2,397	2,397	2,538
Waco ISD	2,373	2,373	2,373	2,373	2,471	2,471	2,290	2,500	2,500	2,276
Baylor Scott & White/Hillcrest Health System	2,283	1,685	1,736	2,177	1,725	1,725	1,970	1,800	1,800	1,800
HEB (all Waco locations)	2,000	2,000	2,000	2,000	1,600	1,600	1,500	1,500	1,500	1,500
City of Waco	1,522	1,500	1,518	1,578	1,456	1,456	1,487	1,506	1,506	1,506
Midway ISD	1,302	1,157	1,081	1,081	1,282	1,282	1,102	1,067	1,067	1,067
Sanderson Farms, Inc.	1,200	1,120	1,200	1,200	1,215	1,215	1,041	1,041	1,041	1,041
Wal-Mart (all stores)	1,174	1,174	1,174	947	1,026	1,026	1,015	1,656	1,656	2,561
McLennan County	1,088	1,133	1,201	964	934	934	891	830	830	830
Veterans Administration Medical Center	886	886	886	886	831	831	777	800	800	800
Mars Wrigley Confectionary	885	695	700	775	600	600	575	525	525	650
L3Harris	843	843	774	752	1,349	1,349	1,850	2,300	2,300	2,079
Veterans Regional Office	796	796	796	796	849	849	788	650	650	650
AbbVie	747	747	785	708	710	710	Not Available	Not Available	Not Available	Not Available
S2G Support Services	715	715	157	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Aramark	696	696	696	696	781	781	Not Available	Not Available	Not Available	Not Available
American Income Life	693	693	693	693	712	712	Not Available	Not Available	Not Available	Not Available
McLennan Community College	679	666	719	705	683	683	869	793	826	826
Versalift	638	481	518	526	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Clayton Homes	620	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Big Creek Construction	617	704	250	583	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Cargill Foods, Inc.	603	601	646	646	707	707	708	685	685	685
SpaceX	590	590	590	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Tractor Supply Distribution Center	585	640	640	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Waco Family Medicine	581	572	510	519	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Pilgrim's	571	523	480	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Texas State Technical College*	553	553	1,706	1,706	630	600	600	672	672	672
Texas Department of Human Services	549	549	549	549	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Magnolia Market	549	467	675	675	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available

Source:
Greater Waco Area Chamber of Commerce
*TSTC employee numbers reported in 2019 and 2020 are system-wide. Waco only numbers were not available in those years.
Detailed information on employer size and total employment for 2012 to 2020 was not available for certain employers.

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

Last Ten Fiscal Years
(Unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Faculty										
Full-Time	201	205	215	213	218	218	220	225	242	238
Part-Time	181	163	209	242	215	184	174	189	210	225
Total	382	368	424	455	433	402	394	414	452	463
Percent:										
Full-Time	52.6%	55.7%	50.7%	46.8%	50.3%	54.2%	55.8%	54.3%	53.5%	51.4%
Part-Time	47.4%	44.3%	49.3%	53.2%	49.7%	45.8%	44.2%	45.7%	46.5%	48.6%
Staff and Administrators										
Full-Time	338	333	353	342	332	334	325	326	317	307
Part-Time	98	93	93	58	70	64	108	53	57	22
Total	436	426	446	400	402	398	433	379	374	329
Percent:										
Full-Time	77.5%	78.2%	79.1%	85.5%	82.6%	83.9%	75.1%	86.0%	84.8%	93.3%
Part-Time	22.5%	21.8%	20.9%	14.5%	17.4%	16.1%	24.9%	14.0%	15.2%	6.7%
Students per Full-time Faculty	37	38	40	42	45	40	38	37	34	36
Students per Full-Time Staff Member	22	23	25	26	34	26	26	29	26	28
Average Annual Faculty Salary	$ 75,746	72,554	70,135	69,688	65,485	66,018	66,392	64,162	62,021	61,546

Discussion Draft

McLennan County Junior College District
Enrollment Details

Last Ten Fiscal Years
(Unaudited)

	Fall 2021		Fall 2020		Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
Student Classification	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	2,675	36.09%	4,603	59.45%	5,439	62.48%	5,572	62.22%	5,417	60.49%	5,027	57.18%	4,547	54.75%	4,418	53.27%	4,498	52.58%	4,949	58.32%
Sophomore	1,056	14.25%	1,954	25.24%	1,984	22.79%	2,042	22.80%	2,086	23.29%	2,204	25.07%	2,271	27.34%	2,249	27.12%	2,450	28.64%	2,587	30.49%
Unclassified	3,682	49.67%	1,185	15.31%	1,282	14.73%	1,341	14.97%	1,377	15.38%	1,560	17.75%	1,487	17.90%	1,627	19.62%	1,607	18.78%	950	11.19%
Total	7,413	100.00%	7,742	100.00%	8,705	100.00%	8,955	100.00%	8,880	99.16%	8,791	100.00%	8,305	100.00%	8,294	100.00%	8,555	100.00%	8,486	100.00%
Semester Hour Load																				
Less than 3	64	0.86%	43	0.56%	44	0.51%	38	0.42%	47	0.52%	66	0.75%	61	0.73%	43	0.52%	73	0.85%	79	0.85%
3-5 semester hours	1,315	17.74%	1,856	23.97%	1,908	21.92%	1,994	22.27%	1,861	20.78%	1,767	20.10%	1,615	19.45%	1,493	18.00%	1,364	15.94%	1,497	16.09%
6-8 Semester hours	1,874	25.28%	2,015	26.03%	2,205	25.33%	2,078	23.20%	1,923	21.47%	1,958	22.27%	1,773	21.35%	1,703	20.53%	1,771	20.70%	1,753	18.85%
9-11 semester hours	1,225	16.53%	1,674	21.62%	1,802	20.70%	1,507	16.83%	1,569	17.52%	1,531	17.42%	1,401	16.87%	1,489	17.95%	1,501	17.55%	1,706	18.34%
12-14 semester hours	2,442	32.94%	1,864	24.08%	2,349	26.98%	2,840	31.71%	2,934	32.76%	2,895	32.93%	2,817	33.92%	2,952	35.59%	3,202	37.43%	3,555	38.22%
15-17 semester hours	456	6.15%	260	3.36%	348	4.00%	445	4.97%	488	5.45%	507	5.77%	558	6.72%	535	6.45%	544	6.36%	636	6.84%
18 & over	37	0.50%	30	0.39%	49	0.56%	53	0.59%	58	0.65%	67	0.76%	80	0.96%	79	0.95%	100	1.17%	76	0.82%
Total	7,413	100.00%	7,742	100.00%	8,705	100.00%	8,955	100.00%	8,880	99.16%	8,791	100.00%	8,305	100.00%	8,294	100.00%	8,555	100.00%	9,302	100.00%
Average course load		9		8.2		8.8		9.6		9.6		9		9.2		9.4		9.6		9.5
Tuition Status																				
Texas Resident (in-District)	5,721	77.18%	5,879	75.94%	6,894	79.20%	7,411	82.76%	7,229	80.73%	7,145	81.28%	6,518	82.05%	6,528	82.24%	6,768	82.97%	7,328	82.24%
Texas Resident (out-of-District)	1,374	18.54%	1,289	16.65%	1,519	17.45%	1,235	13.79%	1,336	14.92%	1,362	15.49%	1,230	15.48%	1,224	15.42%	1,209	14.82%	1,375	15.43%
Non-Resident Tuition	318	4.29%	574	7.41%	292	3.35%	309	3.45%	315	3.52%	284	3.23%	196	2.47%	186	2.34%	180	2.21%	208	2.33%
Total	7,413	100.00%	7,742	100.00%	8,705	100.00%	8,955	100.00%	8,880	99.16%	8,791	100.00%	7,944	100.00%	7,938	100.00%	8,157	100.00%	8,911	100.00%

Discussion Draft

McLennan County Junior College District

Student Profile

Last Ten Fiscal Years
(Unaudited)

Discussion Draft

	Fall 2021		Fall 2020		Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
Gender	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	5,083	68.57%	5,265	68.01%	5,742	65.96%	5,979	66.77%	5,838	65.74%	5,794	65.91%	5,427	65.35%	5,450	65.71%	5,568	65.08%	6,040	64.93%
Male	2,330	31.43%	2,477	31.99%	2,963	34.04%	2,976	33.23%	3,042	34.26%	2,997	34.09%	2,878	34.65%	2,844	34.29%	2,987	34.92%	3,262	35.07%
Total	7,413	100.00%	7,742	100.00%	8,705	100.00%	8,955	100.00%	8,880	100.00%	8,791	100.00%	8,305	100.00%	8,294	100.00%	8,555	100.00%	9,302	100.00%
Ethnic Origin																				
White	3,383	45.64%	3,599	46.49%	4,146	47.63%	4,407	49.21%	4,492	50.59%	4,597	52.29%	4,449	53.57%	4,602	55.49%	4,966	58.05%	5,370	57.73%
Hispanic	2,521	34.01%	2,645	34.16%	2,978	34.21%	2,872	32.07%	1,089	12.26%	2,629	29.91%	2,352	28.32%	2,142	25.83%	2,087	24.40%	1,434	15.42%
African American	998	13.46%	965	12.46%	1,050	12.06%	1,086	12.13%	2,734	30.79%	1,059	12.05%	1,072	12.91%	1,156	13.94%	1,318	15.41%	2,156	23.18%
Asian	116	1.56%	126	1.63%	126	1.45%	148	1.65%	141	1.59%	126	1.43%	113	1.36%	118	1.42%	103	1.20%	103	1.11%
Foreign	39	0.53%	3	0.04%	-	0.00%	-	0.00%	1	0.01%	-	0.00%	4	0.05%	2	0.02%	11	0.13%	16	0.17%
Native Hawaiian	4	0.05%	7	0.09%	6	0.07%	4	0.04%	3	0.03%	3	0.03%	6	0.07%	4	0.05%	4	0.05%	5	0.05%
American Indian	29	0.39%	27	0.35%	24	0.28%	29	0.32%	25	0.28%	31	0.35%	17	0.20%	21	0.25%	25	0.29%	23	0.25%
Multiracial	284	3.83%	281	3.63%	297	3.41%	316	3.53%	285	3.21%	252	2.87%	249	3.00%	213	2.57%	5	0.06%	160	1.72%
Unknown/unreported	39	0.53%	89	1.15%	78	0.90%	93	1.04%	110	1.24%	94	1.07%	43	0.52%	36	0.43%	36	0.42%	35	0.38%
Total	7,413	100.00%	7,742	100.00%	8,705	100.00%	8,955	100.00%	8,880	100.00%	8,791	100.00%	8,305	100.00%	8,294	100.00%	8,555	100.00%	9,302	100.00%
Age																				
Under 18	1,695	22.87%	2,055	26.54%	1,878	21.57%	1,879	20.98%	1,631	18.37%	1,433	16.30%	1,411	16.99%	1,167	14.07%	1,061	12.40%	1,117	12.01%
18 -21	2,738	36.94%	2,844	36.73%	3,451	39.64%	3,574	39.91%	3,661	41.23%	3,542	40.29%	3,294	39.66%	3,155	38.04%	3,282	38.36%	3,517	37.81%
22 - 24	830	11.20%	765	9.88%	1,082	12.43%	1,017	11.36%	1,112	12.52%	1,117	12.71%	1,015	12.22%	1,084	13.07%	1,104	12.90%	1,192	12.81%
25 - 35	1,383	18.66%	1,345	17.37%	1,452	16.68%	1,586	17.71%	1,569	17.67%	1,711	19.46%	1,597	19.23%	1,750	21.10%	1,879	21.96%	2,020	21.72%
36 - 50	627	8.46%	590	7.62%	661	7.59%	688	7.68%	702	7.91%	760	8.65%	764	9.20%	864	10.42%	934	10.92%	1,122	12.06%
51 & over	140	1.89%	143	1.85%	181	2.08%	211	2.36%	205	2.31%	228	2.59%	224	2.70%	274	3.30%	295	3.45%	334	3.59%
Total	7,413	100.00%	7,742	100.00%	8,705	100.00%	8,955	100.00%	8,880	100.00%	8,791	100.00%	8,305	100.00%	8,294	100.00%	8,555	100.00%	9,302	100.00%
Average Age	23		23		23		24		24		24		24		25		25		26	

McLennan County Junior College District
Student Transfers to Senior Institutions

Last Ten Fiscal Years
(Unaudited)

	Fall 2021		Fall 2020		Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012	
	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
Tarleton State University	110	71.43%	399	54.14%	696	51.56%	561	49.47%	633	46.44%	667	52.60%	655	48.63%	411	41.47%	427	42.19%	400	39.22%
Texas A&M University	14	9.09%	91	12.35%	199	14.74%	137	12.08%	205	15.04%	198	15.62%	182	13.51%	133	13.42%	132	13.04%	137	13.43%
Texas Tech University	2	1.30%	3	0.41%	18	1.33%	10	0.88%	60	4.40%	60	4.73%	53	3.93%	98	9.89%	99	9.78%	93	9.12%
Texas State University	4	2.60%	46	6.24%	85	6.30%	73	6.44%	86	6.31%	46	3.63%	88	6.53%	81	8.17%	66	6.52%	93	9.12%
UT Arlington	17	11.04%	71	9.63%	81	6.00%	100	8.82%	115	8.44%	108	8.52%	102	7.57%	58	5.85%	64	6.32%	64	6.27%
UT Austin	1	0.65%	46	6.24%	77	5.70%	51	4.50%	69	5.06%	29	2.29%	74	5.49%	61	6.16%	61	6.03%	85	8.33%
University of North Texas	5	3.25%	22	2.99%	74	5.48%	64	5.64%	58	4.26%	67	5.28%	58	4.31%	56	5.65%	56	5.53%	53	5.20%
Sam Houston State University	1	0.65%	26	3.53%	62	4.59%	67	5.91%	64	4.70%	25	1.97%	58	4.31%	47	4.74%	55	5.43%	52	5.10%
Stephen F. Austin State University	-	0.00%	8	1.09%	34	2.52%	32	2.82%	29	2.13%	25	1.97%	34	2.52%	22	2.22%	32	3.16%	30	2.94%
University of Houston	-	0.00%	12	1.63%	3	0.22%	17	1.50%	18	1.32%	22	1.74%	21	1.56%	12	1.21%	-	0.00%	13	1.27%
University of Texas--San Antonio	-	0.00%	13	1.76%	21	1.56%	22	1.94%	26	1.91%	21	1.66%	22	1.63%	12	1.21%	20	1.98%	-	0.00%
Totals	154	100.00%	737	100.00%	1,350	100.00%	1,134	100.00%	1,363	100.00%	1,268	100.00%	1,347	100.00%	991	100.00%	1,012	100.00%	1,020	100.00%

Notes:
Does not include in-state private institutions, out-of-state institutions, or individuals who could not be located.
The Texas Higher Education Coordinating Board Transfer Students' Success report for 2021 and 2020 is not yet available.

Source: Texas Higher Education Coordinating Board and National Student Clearinghouse

Discussion Draft

McLennan County Junior College District
Capital Asset Information

Last Ten Fiscal Years
(Unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Academic buildings	17	17	17	17	17	17	17	17	17	17
Square footage (in thousands)	564	564	564	564	564	564	564	564	564	564
Libraries	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	70	70	70	70	70	70	70	70	70	70
Number of Volumes (in thousands)	53	54	60	75	75	75	76	82	82	82
Administrative and support buildings	18	18	18	18	18	18	18	18	18	18
Square footage (in thousands)	676	676	676	676	676	676	676	676	676	676
Dining Facilities	3	3	3	3	3	3	3	2	2	2
Square footage (in thousands)	15	15	15	15	15	15	15	15	15	15
Average daily customers	29	29	79	737	747	850	853	926	926	928
Athletic Facilities										
Square footage (in thousands)	43	43	43	43	43	43	43	43	43	43
Stadiums	2	2	2	2	2	2	2	2	2	2
Gymnasiums	2	2	2	2	2	2	2	2	2	2
Fitness Centers	3	3	3	3	3	3	3	3	3	2
Tennis Court	8	8	8	8	8	8	8	8	8	8
Plant facilities										
Square footage (in thousands)	1,077	1,077	1,077	1,077	1,077	1,077	1,077	1,077	1,077	1,077
Transportation										
Cars	3	3	4	4	4	4	4	4	4	4
Light Trucks/Vans	8	8	9	9	9	8	8	8	6	6
SUV's	8	9	11	7	8	8	8	9	9	9
Large Vehicles	3	3	3	1	1	2	2	2	2	2

Discussion Draft

Overall Compliance, Internal Control and

Federal and State Awards Section

Discussion Draft

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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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of McLennan County Junior College District (the District) as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2022. 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.

Discussion Draft

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the *Public Funds Investment Act.*

Purpose of this Report

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

December 8, 2022

Discussion Draft

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

The Board of Trustees
McLennan County Junior College District:

Discussion Draft

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited McLennan County Junior College District's (the District) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, the District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and *Uniform Grant Management Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal and state program as a whole.
In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and *Uniform Grant Management Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Discussion Draft

Report on 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 internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Discussion Draft

December 8, 2022

McLennan County Junior College District

Schedule of Findings and Questioned Costs

Year Ended August 31, 2022

(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:

Assistance Listing 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
	Education Stabilization Fund:
84.425	Texas Reskilling Support Fund Grant Program
84.425C	Governor's Emergency Education Relief Fund
84.425E	COVID-19 Higher Education Emergency Relief Fund - Student Aid
84.425F	COVID-19 Higher Education Emergency Relief Fund - Institutional Portion
84.425L	COVID-19 Higher Education Emergency Relief Fund - Minority Serving Institutions
84.425P	COVID-19 Higher Education Emergency Relief Fund - Institutional Resilience

Identification of major state programs:

Grant Number(s)	*Name of State Program or Cluster*
	Texas Education Opportunity Grant

Dollar threshold used to distinguish between type A and type B federal programs: $1,361,386

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

Auditee qualified as low-risk auditee for federal programs? ___x___ yes _____ no

Auditee qualified as low-risk auditee for state programs? ___x___ yes _____ no

Discussion Draft

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.

Discussion Draft

McLennan County Junior College District
Summary Schedule of Prior Audit Findings

August 31, 2021

2021-001 – Improving Compliance and Internal Controls over Procurement Policies

Due to the decentralization of sourcing and purchasing of goods and services as well as approvals for purchases throughout the District, the District was inconsistent in its application of internal procurement policies for purchases that were between $10,000 and $50,000 which require multiple quotes in order to determine the most suitable vendor.

Corrective action was taken.

Discussion Draft