

McLennan County Junior College District
Annual Financial Report
August 31, 2023 and 2022

DISCUSSION DRAFT



MCLENNAN
COMMUNITY COLLEGE

DISCUSSION DRAFT

Introductory Section

DISCUSSION DRAFT



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McLennan County Junior College District

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McLennan County Junior College District

Board of Trustees

	<u>Term Expires</u>
Officers:	
Earl Stinnet, Sr. - Chairman Waco, Texas	2027
Ricky Turman – Vice Chairman Waco, Texas	2027
Dr. Elizabeth Palacios – Secretary Waco, Texas	2025
Members:	
Jonathan Hill, Waco, Texas	2029
K. Paul Holt, Waco, Texas	2027
Ilda Sabido, Waco, Texas	2029
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

Financial Section

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MCLENNAN
COMMUNITY COLLEGE

DISCUSSION DRAFT



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, 2023 and 2022, 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 accompanying financial statements 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, 2023 and 2022, 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, 2023 and 2022, 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.

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 Responsibilities 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 and *Government Auditing Standards* 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.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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. 96, *Subscription-Based Information Technology Arrangements*, effective September 1, 2022. 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 60, the schedule of the District's contributions to the Teacher Retirement System of Texas on page 61, the schedule of the District's proportionate share of the OPEB liability on page 62, and the schedule of the District's contributions to the Employee Retirement System of Texas on page 63 (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 supplemental information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is 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 *Texas 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.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the introductory and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023, 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 6, 2023

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, 2023 and 2022. This overview is based on facts, decisions and conditions known as of the date of the independent auditor's report. There are three financial statements presented: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. These statements provide both long-term and short-term financial information on the District as a whole and should be read in conjunction with the Notes to Financial Statements.

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

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

Financial and Enrollment Highlights

- The District's assets exceeded liabilities by approximately \$37.2 million, \$27.6 million, and \$15.0 million as of August 31, 2023, 2022 and 2021 respectively. Of these amounts, unrestricted net position was (\$31.7) million for 2023, (\$35.9) million for 2022 and (\$40.5) million for 2021.
- The District's total net position increased by approximately \$9.6 million for 2023, \$12.7 million for 2022, and \$5.8 million for 2021. Of these amounts, unrestricted net position increased by approximately \$4.2 million for 2023 and \$7.3 million for 2021. Unrestricted net position decreased by approximately \$4.6 million for 2022.
- The total assessed value of property increased by approximately \$4.6 billion or 16.5% from 2022 to 2023, by \$1.7 billion or 6.5% from 2021 to 2022, and by \$1.1 billion or 4.3% from 2020 to 2021.
- Capital assets (net) decreased by approximately \$1.3 million in 2023 and \$2.3 million in 2021. Capital assets (net) increased by approximately \$2.6 million in 2022.
- Bonds decreased by approximately \$4.6 million in 2023, \$5.1 million in 2022, and \$4.2 million in 2021.
- During 2023 the unduplicated head count of credit students decreased by 152 students, and contact hours decreased by 146,721 hours. During 2022 the unduplicated head count of credit students decreased by 843 students, and contact hours decreased by 152,422 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)

	2023	2022	2021	Increase (Decrease)	
				2022 to 2023	2021 to 2022
Assets					
Current assets	\$ 46,649	41,531	35,932	5,118	5,599
Noncurrent assets:					
Capital assets, net of depreciation	125,556	126,869	124,240	(1,313)	2,629
Total assets	172,205	168,400	160,172	3,805	8,228
Deferred outflows of resources	15,418	17,104	22,295	(1,686)	(5,191)
Liabilities					
Current liabilities	22,423	22,963	21,742	(540)	1,221
Noncurrent liabilities	111,929	119,360	131,187	(7,431)	(11,827)
Total liabilities	134,352	142,323	152,929	(7,971)	(10,606)
Deferred inflows of resources	16,075	15,543	14,576	532	967
Net Position					
Net investment in capital assets	67,897	62,958	54,140	4,939	8,818
Restricted, expendable	989	582	1,338	407	(756)
Unrestricted	(31,690)	(35,902)	(40,516)	4,212	4,614
Total net position	\$ 37,196	27,638	14,962	9,558	12,676

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 \$3.8 million from 2022 to 2023. Cash and cash equivalents increased by \$8.1 million as explained below in the "Statement of Cash Flow" section. There were approximately \$4.3 million in capital assets added during 2023. Significant additions include renovation projects on the Gym HVAC and Cameron Hall of \$1.4 million that were not yet completed at year-end, and completing the renovation of the baseball and softball fields for \$1.3 million. Depreciation and amortization expense of \$5.6 million was incurred which resulted in a \$1.3 million decrease in total capital assets, net of depreciation. Total assets increased by \$8.2 million from 2021 to 2022. There were approximately \$7.4 million in capital assets added during 2022. Significant additions included renovation projects on the ballfields and BPAC Stage of \$2.9 million that were not yet completed at year-end 2022, renovating the HVAC system 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 and amortization expense of \$5.4 million was incurred which resulted in a \$2.6 million increase in total capital assets, net of depreciation.

Total deferred outflows of resources decreased by approximately \$1.7 million from 2022 to 2023. Total deferred outflows of resources decreased by approximately \$5.2 million from 2021 to 2022. These outflows for 2023 and 2022 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 \$8.0 million from 2022 to 2023. Principal payments on bonds approximated \$4.6 million in 2023. The District's net pension liability increased approximately \$9.4 million and the OPEB liability decreased approximately \$10.6 million from 2022 to 2023. Additionally, the District had a reduction in accounts payable of \$1.8 million due to the timing of payments at year end. Total liabilities decreased approximately \$10.6 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 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.

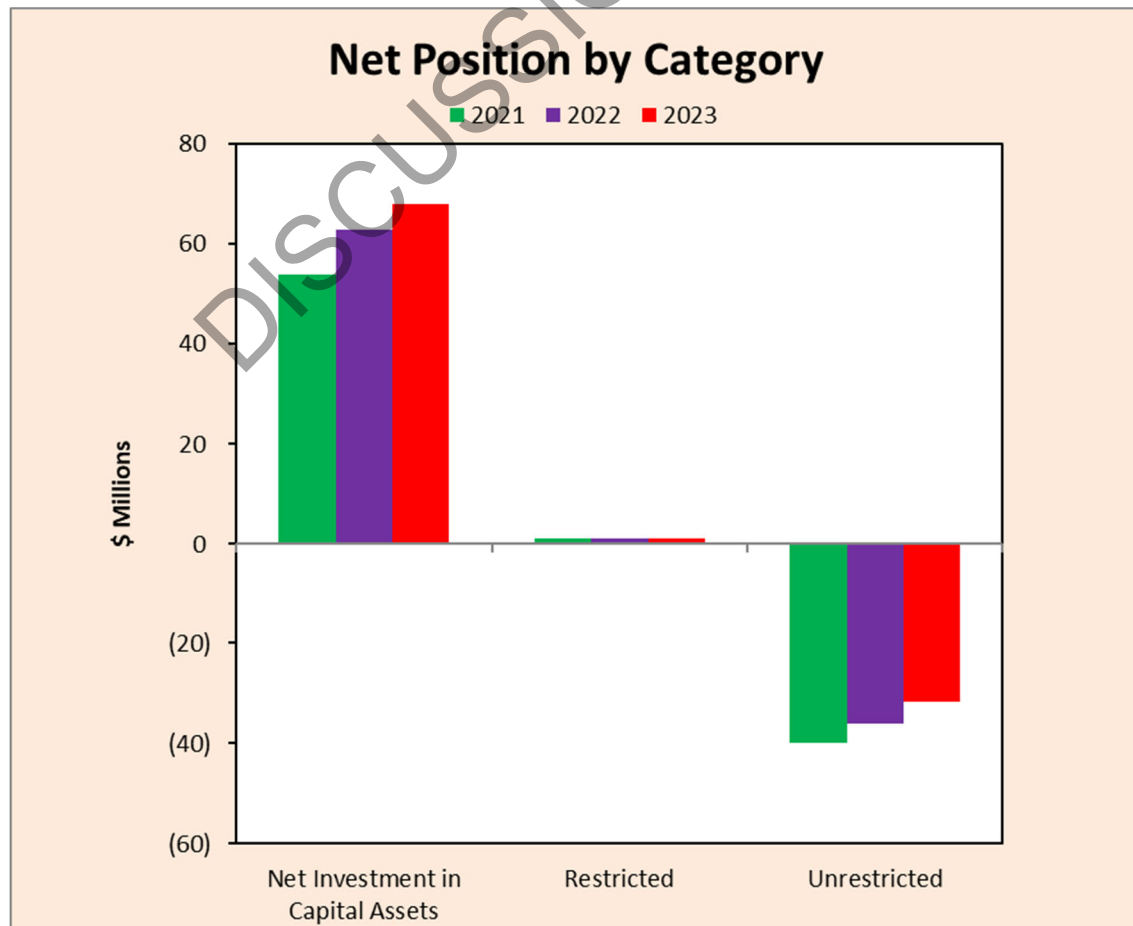
Total deferred inflows of resources increased by approximately \$0.5 million from 2022 to 2023. Total deferred inflows of resources decreased by approximately \$1.0 million from 2021 to 2022.

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 \$37.2 million in net position in 2023, approximately \$67.9 million is net investment in capital assets. This is an increase of \$4.9 million from 2022. Net position in 2022 related to net investment in capital assets increased \$8.8 million from 2021 to 2022.

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.



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, 2023, 2022 and 2021. This summary indicates the operating loss and the overall increase (decrease) in net position for each of the years displayed.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues:			
Tuition and fees, net	\$ 11,513	11,610	12,876
Other	1,955	1,959	1,736
	<u>13,468</u>	<u>13,569</u>	<u>14,612</u>
Operating expenses:			
Instruction	32,373	30,071	32,101
Public service	2,375	2,154	2,257
Academic support	3,849	3,442	3,257
Student services	6,744	13,144	8,681
Institutional support	14,481	16,880	13,983
Operation and maintenance of plant	5,379	5,389	5,657
Scholarships and fellowships	8,036	8,277	9,096
Auxiliary enterprises	3,085	2,795	2,064
Depreciation and amortization	5,647	5,401	4,709
	<u>81,969</u>	<u>87,553</u>	<u>81,805</u>
Operating loss	<u>(68,501)</u>	<u>(73,984)</u>	<u>(67,193)</u>
Non-operating revenues (expenses):			
State appropriations	15,848	15,746	17,245
Ad valorem taxes	34,139	31,093	29,470
Grants and contracts	28,264	39,633	28,459
Interest on debt	(2,124)	(2,046)	(2,159)
Other	1,932	2,234	(3)
	<u>78,059</u>	<u>86,660</u>	<u>73,012</u>
Increase in net position	<u>\$ 9,558</u>	<u>12,676</u>	<u>5,819</u>

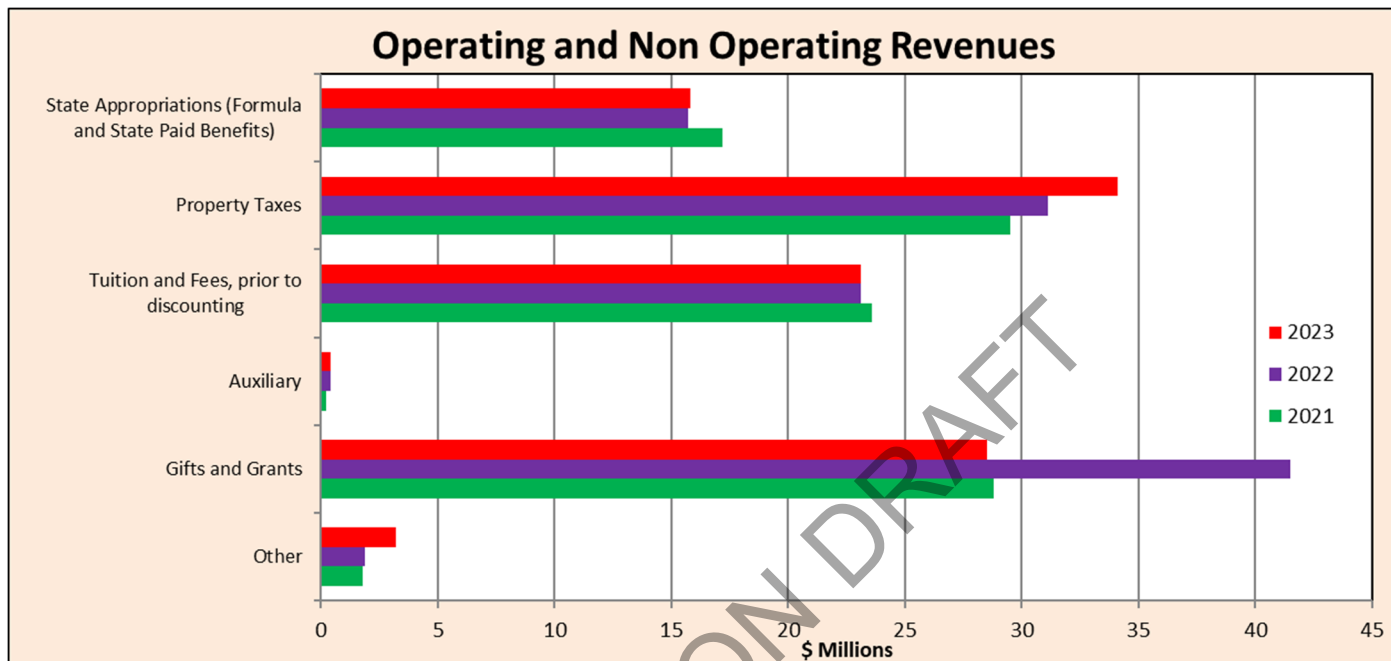
Operating and Non-operating Revenues

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

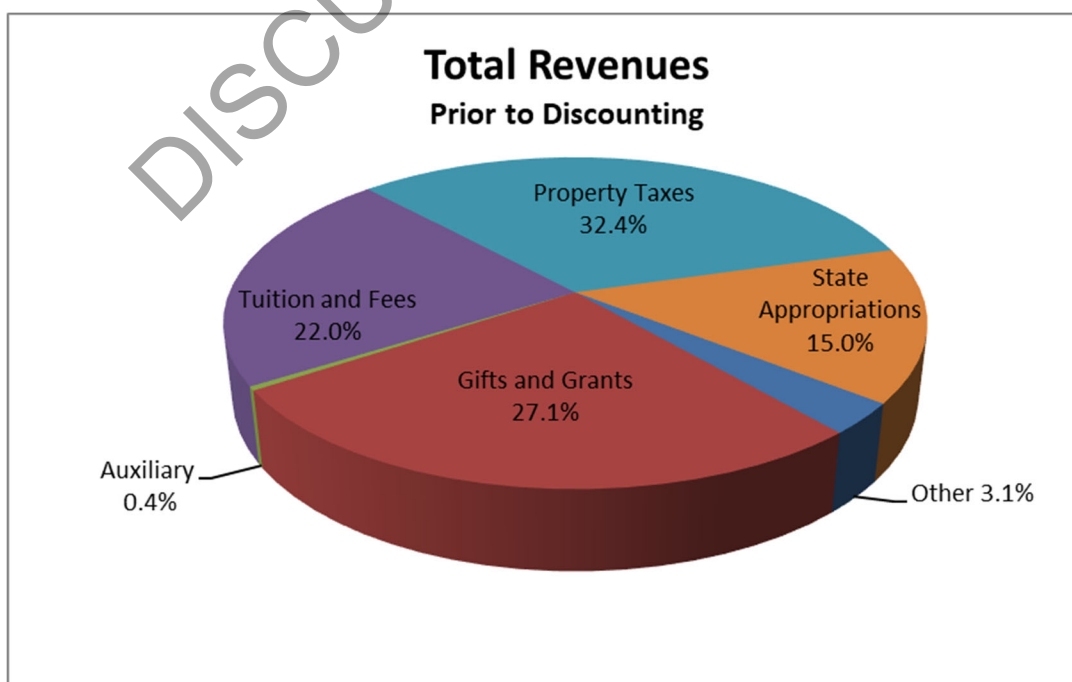
- Gross tuition and fee revenue for 2023 was \$23.1 million and only a slight decrease from 2022 amounts by approximately \$0.1 million or less than 1%. Credit tuition decreased by approximately by \$0.4 million, and state funded continuing education tuition increased by \$0.2 million. Tuition and fee rates remained the same in 2023. 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 by \$0.4 million, and state funded continuing education tuition decreased by \$0.4 million. Tuition and fee rates remained the same in 2022. During 2021, the District generated a gross total of \$23.6 million and fees charged to credit and non-credit students attending classes at the District.
- State appropriated revenue for 2023 was \$15.8 million which was an increase of \$0.1 million from 2022. Of the total increase, \$0.8 million represents the portion of pension and OPEB expense that was recognized by the State of Texas on behalf of the District. This was offset by a \$0.7 million decrease in state appropriations as determined by the legislature and offset a little by higher amounts paid by the State for insurance premiums on behalf of the District. State appropriated revenue for 2022 was \$15.7 million which was a decrease of \$1.5 million from 2021. State appropriated revenue for 2021 was \$17.2 million.
- Property tax revenue was \$34.1 million in 2023 which exceeded the prior year by approximately \$3.0 million or 9.8%. Tax revenue was \$31.1 million in 2022 which exceeded the prior year by approximately \$1.6 million or 5.5%. Tax revenue for 2021 was \$29.5 million. The combined tax rate was \$0.139074 per \$100 of valuation in 2023 and \$0.149782 per \$100 of valuation for 2022. Tax rates for maintenance and operations decreased but were offset by the large increase in assessed taxable property values that 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 2023 federal Pell grants were \$14.0 million which was a decrease of \$0.4 million from 2022. Federal Pell grants were \$14.4 million and \$13.8 million, respectively, for 2022 and 2021.
- State grants in 2023 were \$1.5 million and increased by approximately \$0.4 million from 2022. State grants were \$1.1 million and \$1.5 million, respectively, for 2022 and 2021.

The following presentation graphically displays revenue trends.

Operating and Non-operating Revenues (continued)

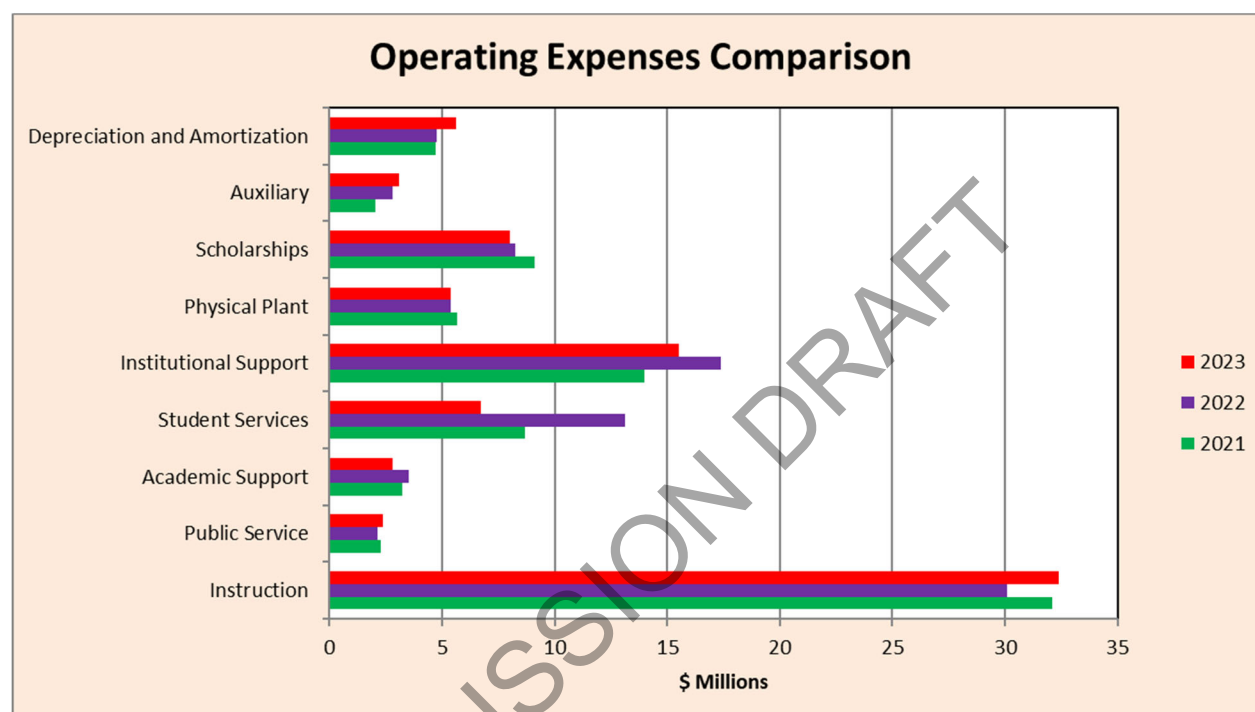


The following chart reflects revenues from all sources for 2023. For purposes of this presentation, tuition and fees revenues are shown prior to scholarship discounts. The Statements of Revenues, Expenses and Changes in Net Position reflect these revenues net of scholarships.



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 2023 expenses compared to the 2022 and 2021 expenses.



Total operating expenses for 2023 decreased by approximately \$5.6 million. The majority of the decrease is from having less HEERF money to give directly to students in the Student Services category. There was also a decrease in Institutional Support from having less HEERF funds to use on the District. Total operating expenses were \$87.6 million for 2022, an increase of approximately \$5.7 million from 2021. Total operating expenses were \$81.8 million in 2021.

Statement of Cash Flows

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

Condensed Statements of Cash Flows (In Thousands)

	2023	2022	2021
Cash and cash equivalents provided by (used in):			
Operating activities	\$ (58,007)	(62,882)	(55,830)
Noncapital financing activities	71,470	75,772	66,791
Capital and related financing activities	(7,020)	(9,143)	(4,886)
Investing activities	1,709	190	148
Changes in cash and cash equivalents	\$ 8,152	3,937	6,223

Statement of Cash Flows (continued)

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.

Capital Assets and Debt Administration

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

Schedule of Capital Assets (In Thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 6,815	6,815	6,815
Construction in progress	1,433	3,233	952
Buildings and building improvements	147,393	147,393	147,393
Buildings - right-of-use lease assets	1,381	1,381	1,381
Other real estate improvements	38,276	33,037	29,005
Library books	1,680	2,675	2,590
Furniture and equipment	9,923	9,298	8,585
Furniture and equipment - right-of-use lease assets	5	119	119
Software - right-of-use subscription assets	3,324	3,366	2,705
	<u>\$ 210,230</u>	<u>207,317</u>	<u>199,545</u>

Capital Assets and Debt Administration (continued)

Capital asset additions totaled \$4.3 million and \$7.4 million in 2023 and 2022, respectively. The major additions in 2023 was the completion of the baseball and softball fields, progress on the Gym HVAC renovation, and progress on the Cameron Hall renovation. Depreciation and amortization expense of \$5.6 million was incurred in 2023. The major additions in 2022 were 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 and amortization expense of \$5.4 million was incurred in 2022. 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 and amortization expense of \$5.2 million was incurred in 2021.

The District had outstanding debt of approximately \$54.5 million and \$59.2 million as of August 31, 2023 and 2022, respectively.

Schedule of Outstanding Debt (In Thousands)

	2023	2022	2021
General obligation bonds	\$ 41,210	44,450	48,245
Revenue bonds	13,335	14,705	16,035
	<u>\$ 54,545</u>	<u>59,155</u>	<u>64,280</u>

Effective September 1, 2022, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB 96 increases the usefulness of the District's financial statements by requiring recognition of certain software assets and liabilities that previously were expensed as incurred. The standard is required to be adopted retroactively which resulted in a decrease in net position of \$62,453 as of September 1, 2021 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 8 in the Notes to the Financial Statements.

Economic Factors That Will Affect the Future

The District relies upon three primary revenue sources: local taxes, tuition and fees, and state appropriations. Over the past several years, the College has responded to declining state funds by reducing costs and taking advantage of increased tax valuations. Currently, tuition and fees (before discounts) account for approximately 25% of the District's total (operating and non-operating) revenue, while state appropriations and local taxes account for 17% and 36%, respectively.

Economic Factors That Will Affect the Future (continued)

The District has seen an increase state funding as state congress passed legislation that addressed state funding to community colleges statewide with 49 of 50 Texas community colleges seeing an increase in FY2024. The new funding model focuses more on completion numbers than the number of students enrolled. 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 7,400 students during the fall 2023 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. Committees in each department have been formed and are looking at implementing changes with the hopes to increase enrollment for future semesters.

The District has one of the lower maintenance and operations tax rates with a rate of \$0.115691 per \$100 valuation for FY2023. 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 represents potential challenges for Texas community colleges. Currently there is an increase in overall enrollment experienced by nearly all community colleges in Texas. For fall 2023, total enrollment was up 3.6%. 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 2024.

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 2024 fiscal year, the funding model of Texas community colleges was adjusted to allocate money based on two tiers: base and performance. The base tier is a calculation that determines if the colleges have the funds to meet its base educational expenses. The District did not receive any base funding based on this formula. Instead all of the Districts 2024 funding comes from the performance tier which is based on student completion and transfers. This was an overall increase in funding for the District. While the old model set the amounts for two years in a row, the new model gets recalculated every year. This creates more uncertainty around the amount of funding, but also benefits colleges that see better scores each year. The District has looked at initiatives that could increase completion and transfer rates based on the new model. In addition to this new funding model, there is also a change to dual credit called the FAST program.

Under the FAST program the state would pay \$55 per credit hour for students that met the standards to receive free/reduced lunch. The District wouldn't be able to charge those students for tuition, fees, or books and would be limited to charging \$55 per credit hour in tuition for all other dual credit students. Based the District already providing free tuition and fees for dual credit students on free/reduced lunch, the net effect of participating in the program will net to a near zero financial impact directly. The District plans on entering the program in Fall 2024.

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. 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 HEERF funds 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, 2023 and 2022

	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2023	2022	2023	2022
	<u>Assets</u>			
Current assets:				
Cash and cash equivalents	\$ 34,344,419	26,514,934	192,185	350,988
Accounts receivable, net	11,257,614	13,540,032	176,668	305,230
Prepaid expenses	286,975	1,018,185	53,235	-
Restricted cash and cash equivalents	758,365	435,778	-	-
Inventories	1,839	21,875	-	-
Total current assets	<u>46,649,212</u>	<u>41,530,804</u>	<u>422,088</u>	<u>656,218</u>
Noncurrent assets:				
Restricted cash, cash equivalents, and investments	-	-	32,243,824	29,146,519
Capital assets, net	125,556,265	126,869,033	-	-
Other assets	-	-	23,693	23,397
Total noncurrent assets	<u>125,556,265</u>	<u>126,869,033</u>	<u>32,267,517</u>	<u>29,169,916</u>
Total assets	<u>172,205,477</u>	<u>168,399,837</u>	<u>32,689,605</u>	<u>29,826,134</u>
<u>Deferred Outflows of Resources</u>				
Deferred outflows of resources	<u>15,417,791</u>	<u>17,103,981</u>	-	-
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	1,481,308	3,329,637	91,362	1,466,130
Accrued liabilities	5,835,434	5,363,550	-	-
Funds held for others	248,008	109,010	-	-
Unearned revenue	9,630,155	8,457,596	-	-
Lease liabilities - current portion	334,111	366,367	-	-
Subscription liabilities - current portion	794,437	726,473	-	-
Bonds payable - current portion	4,100,000	4,610,000	-	-
Total current liabilities	<u>22,423,453</u>	<u>22,962,633</u>	<u>91,362</u>	<u>1,466,130</u>
Noncurrent liabilities:				
Lease liabilities	-	333,932	-	-
Subscription liabilities	305,205	950,781	-	-
Bonds payable	55,085,693	60,337,805	-	-
Net pension liability	16,731,431	7,293,846	-	-
OPEB liability	39,806,777	50,443,572	-	-
Total noncurrent liabilities	<u>111,929,106</u>	<u>119,359,936</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>134,352,559</u>	<u>142,322,569</u>	<u>91,362</u>	<u>1,466,130</u>
<u>Deferred Inflows of Resources</u>				
Deferred inflows of resources	<u>16,074,515</u>	<u>15,543,434</u>	-	-
<u>Net Position</u>				
Net position:				
Net investment in capital assets	67,896,835	62,958,045	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	12,166,009	11,747,100
Other	-	-	832,039	832,059
Expendable:				
Scholarships and fellowships	1,146,935	1,274,067	16,152,248	14,521,949
Debt service	(157,882)	(692,109)	-	-
Other	-	-	3,402,474	1,213,423
Unrestricted	<u>(31,689,694)</u>	<u>(35,902,188)</u>	<u>45,473</u>	<u>45,473</u>
Total net position	<u>\$ 37,196,194</u>	<u>27,637,815</u>	<u>32,598,243</u>	<u>28,360,004</u>

See accompanying notes to the financial statements.

McLennan County Junior College District

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

Years Ended August 31, 2023 and 2022

	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2023	2022	2023	2022
Operating revenues:				
Tuition and fees (net of scholarship allowances and discounts of \$11,607,604 and \$11,543,380, respectively)	\$ 11,512,886	11,610,425	-	-
Gifts	-	-	3,378,999	3,340,999
Sales and services of educational activities	1,200,435	1,100,686	-	-
Auxiliary enterprises	427,998	408,217	-	-
Other operating revenues	326,749	450,462	-	-
Total operating revenues	<u>13,468,068</u>	<u>13,569,790</u>	<u>3,378,999</u>	<u>3,340,999</u>
Operating expenses:				
Instruction	32,372,871	30,070,935	-	-
Public service	2,375,184	2,154,057	-	-
Academic support	3,849,067	3,441,966	-	-
Student services	6,743,955	13,144,081	-	-
Institutional support	14,481,142	16,879,743	688,261	792,317
Operation and maintenance of plant	5,379,515	5,388,827	34,068	1,425,844
Scholarships and fellowships	8,035,607	8,277,366	643,399	537,391
Auxiliary enterprises	3,084,880	2,794,993	-	-
Depreciation and amortization	5,646,711	5,401,044	-	-
Total operating expenses	<u>81,968,932</u>	<u>87,553,012</u>	<u>1,365,728</u>	<u>2,755,552</u>
Operating income (loss)	<u>(68,500,864)</u>	<u>(73,983,222)</u>	<u>2,013,271</u>	<u>585,447</u>
Nonoperating revenues (expenses):				
State appropriations	15,848,161	15,746,346	-	-
Ad valorem taxes for maintenance and operations	28,267,499	25,810,450	-	-
Ad valorem taxes for debt service	5,871,699	5,282,242	-	-
Federal grants and contracts	25,947,573	38,094,661	-	-
State grants and contracts	1,527,090	1,132,991	-	-
Local grants and contracts	789,128	404,966	-	-
Investment income (loss)	1,692,106	224,327	2,224,968	(3,762,730)
Gifts	244,287	1,854,448	-	-
Interest on capital asset-related debt, leases and subscriptions	(2,123,857)	(2,046,400)	-	-
Other nonoperating revenues (expenses), net	(4,443)	155,580	-	-
Net nonoperating revenues	<u>78,059,243</u>	<u>86,659,611</u>	<u>2,224,968</u>	<u>(3,762,730)</u>
Increase (decrease) in net position	<u>9,558,379</u>	<u>12,676,389</u>	<u>4,238,239</u>	<u>(3,177,283)</u>
Net position - beginning of year, as previously reported	27,637,815	15,023,879	28,360,004	31,537,287
Cumulative effect of change in accounting principle	-	(62,453)	-	-
Net position - beginning of year, as restated	<u>27,637,815</u>	<u>14,961,426</u>	<u>28,360,004</u>	<u>31,537,287</u>
Net position - end of year	<u>\$ 37,196,194</u>	<u>27,637,815</u>	<u>32,598,243</u>	<u>28,360,004</u>

See accompanying notes to the financial statements.

McLennan County Junior College District

Statements of Cash Flows
(Exhibit 3)

Years Ended August 31, 2023 and 2022

	Primary Government	
	2023	2022
Cash flows from operating activities		
Receipts from students and other customers:		
Tuition and fees	\$ 11,742,031	11,318,131
Auxiliary enterprises and educational activities	2,439,506	989,922
Receipts from third-party student loans	7,093,917	7,419,997
Other receipts	326,749	507,962
Loans issued to students	(7,093,917)	(7,419,997)
Payments to employees	(40,952,358)	(37,506,600)
Payments to suppliers and students	(31,562,633)	(38,191,767)
Net cash used in operating activities	(58,006,705)	(62,882,352)
Cash flows from noncapital financing activities		
Receipts of state appropriations	11,929,443	11,935,019
Receipts from ad valorem taxes for maintenance and operation	28,208,260	26,174,129
Receipts of grants and contracts	30,868,119	37,402,304
Receipts from gifts for other than capital purposes	464,308	260,386
Net cash provided by noncapital financing activities	71,470,130	75,771,838
Cash flows from capital and related financing activities		
Receipts from ad valorem taxes for debt service	5,863,336	5,416,791
Purchases of capital assets	(4,181,338)	(6,461,534)
Payments on capital debt, lease, and subscription principal	(5,702,661)	(6,069,956)
Payments on capital debt, lease, and subscription interest	(3,001,515)	(3,716,654)
Other receipts	1,688	1,688,574
Net cash used in capital and related financing activities	(7,020,490)	(9,142,779)
Cash flows from investing activities		
Receipts from interest on investments	1,709,137	190,004
Net cash provided by investing activities	1,709,137	190,004
Net increase in cash and cash equivalents	8,152,072	3,936,711
Cash and cash equivalents - beginning of year	26,950,712	23,014,001
Cash and cash equivalents - end of year	\$ 35,102,784	26,950,712
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (68,500,864)	(73,983,222)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	5,646,711	5,401,044
On-behalf payments	3,918,718	3,811,327
Contributions in excess of pension and OPEB expense	386,423	709,327
Change in assets and liabilities:		
Receivables, net	544,187	(206,324)
Inventories	20,036	(21,875)
Prepaid expenses	731,210	(130,931)
Accounts payable	(1,848,329)	1,899,389
Accrued liabilities	599,172	186,364
Funds held for others	138,998	(75,360)
Unearned revenue	357,033	(472,091)
Net cash used in operating activities	\$ (58,006,705)	(62,882,352)
Noncash capital, financing and investing activities:		
State appropriations on-behalf payments	\$ 3,918,718	3,811,327
Purchase of subscription right-of-use assets	\$ 148,861	-

See accompanying notes to the financial statements.



MCCLENNAN
COMMUNITY COLLEGE

DISCUSSION DRAFT

McLennan County Junior College District

Notes to Financial Statements

August 31, 2023 and 2022

(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, 2023 and 2022, the Foundation expended \$804,690 and \$2,346,655, respectively, directly to the District or to the District on behalf of students. Complete financial statements for the Foundation can be obtained from the Foundation office at 1400 College Drive, Waco, Texas 76708.

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

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

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

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

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

McLennan County Junior College DistrictNotes 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.

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

(2) Summary of Significant Accounting Policies (continued)

(d) Cash and Cash Equivalents

Cash equivalents of \$94,102 and \$379,218 at August 31, 2023 and 2022, 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, 2023 and 2022.

(e) Investments

Investments are reported at fair value except for governmental investment pools. 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.

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

(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, 2023 and 2022 consist of the following:

	2023	2022
Deferred Outflows		
Deferred charges on bond refundings	\$ 2,852,582	3,298,552
Pension related:		
Contributions subsequent to measurement date	1,492,163	1,292,233
Changes in assumptions	3,117,610	2,578,232
Change in proportionate contributions	451,441	682,938
Differences between projected and actual investment earnings, net	1,653,012	-
Differences between expected and actual economic experience	242,604	12,206

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

(2) Summary of Significant Accounting Policies (continued)

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

	2023	2022
OPEB related:		
Contributions subsequent to measurement date	\$ 847,896	720,680
Changes in assumptions	2,338,807	3,453,565
Changes in proportion and differences between District contributions and proportionate share of contributions	2,414,810	5,056,641
Differences between projected and actual investment earnings	6,866	8,934
	\$ 15,417,791	17,103,981
Deferred Inflows		
Deferred gains on bond refundings	\$ -	29,235
Leases	18,797	29,539
Pension related:		
Changes in assumptions	776,996	1,123,888
Changes in proportion and differences between District contributions and proportionate share of contributions	827,337	875,875
Differences between expected and actual economic experience	364,777	513,493
Differences between projected and actual investment earnings, net	-	6,115,795
OPEB related:		
Changes in assumptions	12,304,652	5,618,285
Differences between expected and actual economic experience	1,255,952	1,237,324
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	526,004	-
	\$ 16,074,515	15,543,434

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, 2023 and 2022 consists of the following:

	2023	2022
Tuition and fees	\$ 8,436,653	8,270,262
Federal grants	872,620	95,853
Scholarships	282,123	91,481
Local grants	38,759	-
	\$ 9,630,155	8,457,596

(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 total 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.

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 and subscription liabilities, and net pension liability and 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, 2022, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB 96 increases the usefulness of the District's financial statements by requiring recognition of certain subscription-based information technology arrangement asset and liabilities. The standard is required to be adopted retroactively which resulted in a decrease in net position of \$62,453 as of September 1, 2021 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.

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

(4) Deposits and Investments

Deposits and investments of the District at August 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
<u>Deposits</u>		
Cash - demand deposits	\$ 22,610,286	26,568,439
Cash - certificates of deposit	12,391,984	-
Cash - petty cash on hand	6,412	3,055
Total deposits	<u>35,008,682</u>	<u>26,571,494</u>
<u>Investments - cash equivalents</u>		
Texas Range Local Government		
Investment Program (Pool)	\$ 9,286	8,890
Texas Local Government Investment Pool	84,608	370,129
Lone Star Investment Pool	208	199
Total investments-cash equivalents	<u>94,102</u>	<u>379,218</u>
Total deposits and investments	<u>\$ 35,102,784</u>	<u>26,950,712</u>

Deposits and investments of the Foundation at August 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
<u>Deposits</u>		
Cash - demand deposits	\$ 2,155,081	248,762
Cash - certificates of deposit	102,609	102,226
Total deposits	<u>2,257,690</u>	<u>350,988</u>
<u>Investments</u>		
Equity securities	\$ 26,439,778	25,817,255
Other investments	3,738,541	3,329,264
Total investments	<u>30,178,319</u>	<u>29,146,519</u>
Total deposits and investments	<u>\$ 32,436,009</u>	<u>29,497,507</u>

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

(4) Deposits and Investments (continued)

The weighted average maturity of investments (in days) of the District at August 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Texas Range Local Government Investment Program (Pool)	36	23
Texas Local Government Investment Pool	23	23
Lone Star Investment Pool	32	12

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, 2023 and 2022, 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, 2023 and 2022 include deposits in the Texas Local Government Investment Pool, Texas Range Local Government Investment Program (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.

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

(4) Deposits and Investments (continued)

The State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool (TexPool). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters.

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. There are no maximum transaction amounts and withdrawals may be made daily. TexPool uses amortized cost rather than fair value to report net assets to compute share prices.

Texas Range Local Government Investment Program (Pool) is a public funds investment pool organized under a common investment contract managed by an elected advisory board. Texas Range Local Government Investment Program (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, Texas Range 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.

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

(5) Disaggregation of Accounts Receivable and Accrued Liabilities

Accounts receivable at August 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Auxiliary and other	\$ 9,647,870	10,208,497
Tuition and fees	7,124,405	6,857,519
Taxes	1,369,938	1,233,426
Federal and state grants	832,844	2,752,415
	<u>18,975,057</u>	<u>21,051,857</u>
Less allowance for doubtful accounts	<u>(7,717,443)</u>	<u>(7,511,825)</u>
Accounts receivable, net	<u>\$ 11,257,614</u>	<u>13,540,032</u>

Accrued liabilities at August 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Salaries and benefits payable	\$ 1,151,604	1,044,399
Claims liability	273,292	269,511
Interest payable	1,077,562	1,204,850
Other payables	<u>3,332,976</u>	<u>2,844,790</u>
Accrued liabilities	<u>\$ 5,835,434</u>	<u>5,363,550</u>

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

(6) Capital Assets

Capital asset activity for the year ended August 31, 2023 was as follows:

	Balance September 1, 2022	Additions	Transfers and Retirements	Balance August 31, 2023
Capital assets not being depreciated:				
Land	\$ 6,814,770	-	-	6,814,770
Construction in progress	3,232,708	1,348,961	(3,148,970)	1,432,699
	<u>10,047,478</u>	<u>1,348,961</u>	<u>(3,148,970)</u>	<u>8,247,469</u>
Capital assets, being depreciated:				
Buildings and building improvements	\$ 147,392,908	-	-	147,392,908
Buildings - right-of-use lease assets	1,380,775	-	-	1,380,775
Other real estate improvements	33,037,572	2,089,781	3,148,968	38,276,321
Total buildings and other real estate improvements	181,811,255	2,089,781	3,148,968	187,050,004
Library books	2,675,022	106,848	(1,102,251)	1,679,619
Furniture and equipment	9,298,537	641,180	(16,184)	9,923,533
Furniture and equipment - right-of-use lease assets	119,185	-	(113,658)	5,527
Software - right-of-use subscription assets	3,366,060	148,861	(190,730)	3,324,191
Total buildings and other capital assets	<u>197,270,059</u>	<u>2,986,670</u>	<u>1,726,145</u>	<u>201,982,874</u>
Less accumulated depreciation and amortization:				
Buildings and building improvements	\$ 52,670,231	2,591,583	77,167	55,338,981
Buildings - right-of-use lease assets	712,586	351,762	-	1,064,348
Other real estate improvements	16,630,819	1,297,836	(77,167)	17,851,488
Total buildings and other real estate improvements	70,013,636	4,241,181	-	74,254,817
Library books	2,033,227	84,909	(1,102,251)	1,015,885
Furniture and equipment	6,480,707	617,340	(14,498)	7,083,549
Furniture and equipment - right-of-use lease assets	103,478	14,325	(113,657)	4,146
Software - right-of-use subscription assets	1,817,456	688,955	(190,730)	2,315,681
Total accumulated depreciation	<u>80,448,504</u>	<u>5,646,710</u>	<u>(1,421,136)</u>	<u>84,674,078</u>
	<u>116,821,555</u>	<u>(2,660,040)</u>	<u>3,147,281</u>	<u>117,308,796</u>
Net capital assets	\$ <u>126,869,033</u>	<u>(1,311,079)</u>	<u>(1,689)</u>	<u>125,556,265</u>

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

(6) Capital Assets (continued)

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
	<u>7,766,641</u>	<u>3,232,708</u>	<u>(951,871)</u>	<u>10,047,478</u>
Capital assets, being depreciated:				
Buildings and building improvements	\$ 147,392,908	-	-	147,392,908
Buildings - right-of-use lease assets	1,380,775	-	-	1,380,775
Other real estate improvements	29,005,125	3,080,576	951,871	33,037,572
Total buildings and other real estate improvements	177,778,808	3,080,576	951,871	181,811,255
Library books	2,590,034	84,988	-	2,675,022
Furniture and equipment	8,584,655	1,015,133	(301,251)	9,298,537
Furniture and equipment - right-of-use lease assets	119,185	-	-	119,185
Software - right-of-use subscription assets	2,705,252	660,808	-	3,366,060
Total buildings and other capital assets	<u>191,777,934</u>	<u>4,841,505</u>	<u>650,620</u>	<u>197,270,059</u>
Less accumulated depreciation and amortization:				
Buildings and building improvements	\$ 50,048,446	2,621,785	-	52,670,231
Buildings - right-of-use lease assets	373,960	338,626	-	712,586
Other real estate improvements	15,531,717	1,099,102	-	16,630,819
Total buildings and other real estate improvements	65,954,123	4,059,513	-	70,013,636
Library books	1,954,105	79,122	-	2,033,227
Furniture and equipment	6,147,378	590,616	(257,287)	6,480,707
Furniture and equipment - right-of-use lease assets	75,975	27,503	-	103,478
Software - right-of-use subscription assets	1,173,166	644,290	-	1,817,456
Total accumulated depreciation	<u>75,304,747</u>	<u>5,401,044</u>	<u>(257,287)</u>	<u>80,448,504</u>
	<u>116,473,187</u>	<u>(559,539)</u>	<u>907,907</u>	<u>116,821,555</u>
Net capital assets	<u>\$ 124,239,828</u>	<u>2,673,169</u>	<u>(43,964)</u>	<u>126,869,033</u>

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

Construction in progress at August 31, 2023 consists of:

	Spent to Date	Remaining Commitment
Cameron Hall Renovation/Replacement	\$ 341,597	5,982,131
Gym HVAC Renovation	1,020,897	29,543
Music & Theatre Arts Roof	20,241	749,642
Emergency Services Education Center HVAC	49,964	7,390
	\$ 1,432,699	6,768,706

(7) Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2023 was as follows:

	Balance September 1, 2022	Additions	Reductions	Balance August 31, 2023	Current Portion
Bonds payable:					
Revenue bonds payable	\$ 14,705,000	-	1,370,000	13,335,000	2,660,000
Refunding limited tax bonds payable	44,450,000	-	3,240,000	41,210,000	1,440,000
Bond issuance premiums and discounts	5,792,805	-	1,152,112	4,640,693	-
Lease liabilities	700,299	-	366,188	334,111	334,111
Subscription liabilities	1,677,254	148,861	726,473	1,099,642	794,437
Net pension liability	7,293,846	9,437,585	-	16,731,431	-
OPEB liability	50,443,572	3,806,089	14,442,884	39,806,777	-
	\$ 125,062,776	13,392,535	21,297,657	117,157,654	5,228,548

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
Subscription liabilities	1,594,539	660,808	578,093	1,677,254	726,473
Net pension liability	16,261,639	-	8,967,793	7,293,846	-
OPEB liability	47,067,445	5,558,025	2,181,898	50,443,572	-
	\$ 137,194,548	6,218,833	18,350,605	125,062,776	5,702,840

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(7) Long-Term Liabilities (continued)***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.

\$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.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

\$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.

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, 2023, are as follows:

For the Year Ended August 31,	Revenue Bonds		Tax Bonds	
	Principal	Interest	Principal	Interest
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	-	-
	<u>\$ 13,335,000</u>	<u>2,595,650</u>	<u>41,210,000</u>	<u>9,024,811</u>

The District has pledged certain future tuition and fees to repay \$13.3 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 \$15.9 million. Principal and interest paid for the current year and total of pledged tuition and fees were approximately \$1.9 million and \$4.4 million, respectively.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

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.

Future principal and interest requirements for lease liabilities as of August 31, 2023, are as follows:

For the Year Ended August 31,	Principal	Interest
2024	\$ 334,111	3,282
	\$ 334,111	3,282

Subscription-Based Information Technology Arrangements

The District contracts for the use of various software under certain information technology arrangements through 2026. The arrangements utilize an incremental borrowing rate of 6.45% and annual payment terms ranging from \$1,713 to \$443,818.

Future principal and interest requirements for subscription liabilities as of August 31, 2023, are as follows:

For the Year Ended August 31,	Principal	Interest
2024	\$ 794,437	85,923
2025	170,674	19,592
2026	134,531	8,677
	\$ 1,099,642	114,192

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(8) 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, 2023, the following bond outstanding is considered defeased:

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

(9) Employees' Retirement Plan

Plan Description. The District participates in a cost-sharing, multiple employer defined benefit pension plan that has a special funding situation. The plan is administered by TRS. 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. Detail information about TRS's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) 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.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(9) Employees' Retirement Plan (continued)

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

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 16, 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:

Year	Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2023	8.0%	\$ 2,306,204	8.0%	\$ 673,334	8.0%	\$ 2,305,523
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

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(9) 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, there is a surcharge an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.7% of the member's salary beginning in fiscal year 2022, gradually increasing to 2.0% in fiscal year 2025.
- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(9) Employees' Retirement Plan (continued)

Actuarial Assumptions. The total pension liability in the August 31, 2022 and 2021 actuarial valuations was determined using the following actuarial assumptions:

	Valuation Date	
	August 31, 2021 rolled forward to August 31, 2022	August 31, 2020 rolled forward to August 31, 2021
Actuarial cost method	Individual entry age, normal	Individual entry age, normal
Asset valuation method	Fair value	Fair value
Actuarial assumptions:		
Single discount rate	7.00%	7.25%
Long-term expected investment rate of return	7.00%	7.25%
Municipal bond rate	3.91%	1.95%
Salary increases	2.95% to 8.95% (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, 2022 and 2021 are the same, except as indicated otherwise above. For a full description of these assumptions please see the actuarial valuation report dated November 20, 2021.

Discount Rate. A single discount rate of 7.00% was used to measure the total pension liability as of August 31, 2022. The single discount rate was based on the expected rate of return on plan investments of 7.00%. 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.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(9) Employees' Retirement Plan (continued)

The long-term rate of return on pension plan investments is 7.00%. 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, 2022 are summarized below:

Asset Class	Target Allocation % **	Long-Term Expected Geometric Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity:			
U.S.A.	18.0%	4.6%	1.12%
Non-U.S. Developed	13.0%	4.9%	0.90%
Emerging Markets	9.0%	5.4%	0.75%
Private Equity*	14.0%	7.7%	1.55%
Stable Value:			
Government Bonds	16.0%	1.0%	0.22%
Absolute Return*	-	3.7%	-
Stable Value Hedge Funds	5.0%	3.4%	0.18%
Real Return:			
Real Estate	15.0%	4.1%	0.94%
Energy, Natural Resources and Infrastructure	6.0%	5.1%	0.37%
Commodities	-	3.6%	-
Risk Parity:			
Risk Parity	8.0%	4.6%	0.43%
Asset Allocation Leverage:			
Cash	2.0%	3.0%	0.01%
Asset Allocation Leverage	-6.0%	3.6%	-0.05%
Inflation Expectation			2.70%
Volatility Drag ****	-		-0.93%
Expected Return	<u>100.00%</u>		<u>8.19%</u>

* Absolute Return includes Credit Sensitive Investments.

* Target allocations are based on the FY 2022 policy model.

** Capital Market Assumptions come from Aon Hewitt (as of August 31, 2022).

*** The volatility drag results from the conversion between arithmetic and geometric mean returns.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(9) 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 (7.00%) in measuring the 2022 net pension liability:

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 26,027,763	16,731,431	9,196,318

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2023 and 2022, the District reported a liability of \$16,731,431 and \$7,293,846, 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, 2023 and 2022 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:

	2023	2022
District's proportionate share of the net pension liability	\$ 16,731,431	7,293,846
State's proportionate share of the net pension liability associated with the District	8,566,566	3,970,528
Total	\$ 25,297,997	11,264,374

The 2023 net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 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

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(9) Employees' Retirement Plan (continued)

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, 2021 through August 31, 2022. The District's proportion of the collective net pension liability was 0.028% which was consistent with its proportion measured as of August 31, 2022.

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 participating employers to the plan for the period September 1, 2020 to 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 actuarial assumptions have been modified since the determination of the prior year's net pension liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

For the years ended August 31, 2023 and 2022, the District recognized total pension expense (benefit) of \$1,205,290 and \$(1,126,878), respectively. Of the total pension expense (benefit), for the measurement periods ended August 31, 2023 and 2022, the District recognized pension expense of \$818,867 and \$15,874, respectively, and revenue of \$673,334 and \$665,351, respectively, for support provided by the State.

At August 31, 2023 and 2022, 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:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 242,604	364,777
Changes in actuarial assumptions	3,117,610	776,996
Differences between projected and actual investment earnings, net	1,653,012	-
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	451,441	827,337
Contributions paid to TRS subsequent to the measurement date	1,492,163	-
Total	<u>\$ 6,956,830</u>	<u>1,969,110</u>

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(9) Employees' Retirement Plan (continued)

	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

The \$1,492,163 reported as deferred outflows of resources at August 31, 2023 related to contributions paid to TRS subsequent to the measurement date at August 31, 2022 will be recognized as a reduction of the net pension liability in fiscal year 2024.

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:

Measurement Year Ended August 31,	Pension Expense
2023	\$ 1,061,304
2024	511,611
2025	2,157
2026	1,729,839
2027	190,646

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.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(9) 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 2021, 2022 and 2023 are shown in the table below.

<u>Year</u>	<u>Member</u>		<u>State</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2023	6.6%	\$ 597,134	3.3%	\$ 296,523
2022	6.6%	609,630	3.3%	297,604
2021	6.6%	604,279	3.3%	301,758

The total payroll for all District employees was \$41,059,563, \$37,979,524, and \$37,099,177 for the years ended August 31, 2023, 2022, and 2021, respectively. The total payroll of employees covered by ORP was \$9,047,487, \$9,236,821, and \$9,155,749 for the years ended August 31, 2023, 2022, and 2021, respectively.

(10) Compensated Absences

Full-time employees earn annual leave of 6.67 hours per month. The District's policy is that any employee may carry accrued leave forward from one fiscal year to another fiscal year with a maximum number of paid hours upon termination of 160. The District recognized an accrued liability for the unpaid annual leave of \$907,922 and \$822,354 at August 31, 2023 and 2022, respectively. It is the District's policy to classify the entire amount of compensated absences as a current liability since substantially all is used in the following fiscal year and is reflected as such in the accompanying Statements of Net Position. Sick leave, which can be accumulated up to 960 hours, is earned at the rate of eight hours per month. The District's policy is to recognize the cost of sick leave when paid. A liability for unpaid sick leave is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal and benefits are not vested.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(11) 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 \$204,643. 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:

	2023	2022
Unpaid claims, beginning of year	\$ 269,511	262,372
Incurred claims (including IBNR) and changes to prior year estimates	92,189	82,279
Claim payments	(88,408)	(75,140)
Unpaid claims, end of year	\$ 273,292	269,511

(12) 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.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(12) 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.

McLennan County Junior College District

Notes to Financial Statements (Continued)

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

	2023	2022
Retiree only	\$ 624.82	624.82
Retiree & Spouse	1,339.90	1,339.90
Retiree & Children	1,103.58	1,103.58
Retiree & Family	1,818.66	1,818.66

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
2023	\$ 1,134,748	\$ 1,361,014
2022	1,076,817	1,317,050
2021	1,059,826	1,261,618

Actuarial Assumptions. The total OPEB liability in the August 31, 2022 and 2021 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	Valuation Date	
	August 31, 2022	August 31, 2021
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	3.59%	2.14%
Salary increases	2.30% to 8.95% (includes inflation of 2.3%)	2.30% to 9.05% (includes inflation of 2.3%)
Annual healthcare trend rates	5.60% for fiscal year 2024, 5.30% for fiscal year 2025, 5.00% for fiscal year 2026, 4.75% for fiscal year 2027, 4.60% for fiscal year 2028, decreasing 10 basis point per year to an ultimate rate of 4.30% for fiscal year 2031 and later years	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
Mortality Assumptions:		
Service Retirees, Survivors, and Other Inactive Members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2021	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 Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP Projection Scale from the year 2010.	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(12) 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 amended the investment policy in August 2022 to require that all funds in the plan be invested in cash and equivalent securities. The expected rate of return on these investments was 4.1%.

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 2.14%. The discount rate used to determine the total OPEB liability as of the end of the measurement year was 3.59%, which amounted to an increase of 1.45%. 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 OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.59%) in measuring the 2022 OPEB liability:

	1% Decrease (2.59%)	Current Rate (3.59%)	1% Increase (4.59%)
District's proportionate share of the 2022 OPEB liability	\$ 46,426,731	39,806,777	34,512,406

McLennan County Junior College District

Notes to Financial Statements
(Continued)

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

The following schedule shows the impact to the District's proportionate share of the collective 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 OPEB liability:

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

Healthcare Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 5.60% and the ultimate rate is 4.3%. The following schedule shows the impact to the District's proportionate share of the collective 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 (5.60% decreasing to 4.3%) in measuring the 2022 OPEB liability:

	Current Healthcare Cost Trend Rates <u>(4.60% decreasing to 3.3%)</u>	Current Healthcare Cost Trend Rates <u>(5.60% decreasing to 4.3%)</u>	Current Healthcare Cost Trend Rates <u>(6.60% decreasing to 5.3%)</u>
District's proportionate share of the 2022 OPEB liability	\$ <u>34,089,034</u>	<u>39,806,777</u>	<u>47,106,792</u>

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 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 OPEB liability:

	Current Healthcare Cost Trend Rates <u>(4.25% decreasing to 3.3%)</u>	Current Healthcare Cost Trend Rates <u>(5.25% decreasing to 4.3%)</u>	Current Healthcare Cost Trend Rates <u>(6.25% decreasing to 5.3%)</u>
District's proportionate share of the 2021 OPEB liability	\$ <u>42,240,553</u>	<u>50,443,572</u>	<u>61,190,985</u>

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(12) 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, 2023 and 2022, the District reported a liability of \$39,806,777 and \$50,443,572, respectively, for its proportionate share of the ERS's OPEB liability. This liability reflects an increase in State support provided to the District for OPEB. The amount recognized by the District at August 31, 2023 and 2022 as its proportionate share of the OPEB liability, the related State support, and the total portion of the OPEB liability that was associated with the District were as follows:

	2023	2022
District's proportionate share of the net OPEB liability	\$ 39,806,777	50,443,572
State's proportionate share of the net OPEB liability associated with the District	31,752,425	37,216,564
Total	\$ 71,559,201	87,660,136

The 2023 OPEB liability was measured as of August 31, 2022 and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the 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, 2021 to August 31, 2022. At the measurement date of August 31, 2022, the District's proportion of the collective OPEB liability was 0.1397%, which was a decrease of 0.0009% from its proportion measured as of August 31, 2021.

The 2022 OPEB liability was measured as of August 31, 2021 and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the 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 OPEB liability was 0.1406%, which was a decrease of 0.0018% from its proportion measured as of August 31, 2020.

For the years ended August 31, 2023 and 2022, the District recognized total OPEB expense (benefit) of (\$928,715) and \$851,622, respectively. Of the total expense (benefit), for the measurement period ended August 31, 2023 and 2022, the District recognized OPEB benefit of (\$1,156,578) and (\$454,074), respectively, and revenue of \$1,134,748 and \$1,076,817, respectively, for support provided by the State.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(12) Other Post-Employment Benefits (OPEB) (continued)

Changes Since the 2021 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 proportion of future retirees assumed to cover dependent children.
- 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 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 short-term expectations.

The discount rate assumption was changed from 2.14% as of August 31, 2021 to 3.59% as of August 31, 2022 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.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

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

At August 31, 2023 and 2022, 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:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	1,255,952
Changes in actuarial assumptions	2,338,807	12,304,652
Differences between projected and actual investment earnings	6,866	-
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	2,414,810	526,004
Contributions paid to ERS subsequent to the measurement date	847,896	-
Total	<u>\$ 5,608,379</u>	<u>14,086,608</u>
	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	<u>\$ 9,239,820</u>	<u>6,855,609</u>

The \$847,896 reported as deferred outflows of resources related to contributions paid to ERS subsequent to the measurement date at August 31, 2022 will be recognized as a reduction of the OPEB liability beginning in fiscal year 2024.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(12) 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:

Measurement Year Ended August 31,	OPEB Expense (Benefit)
2023	\$ (1,408,520)
2024	(2,184,602)
2025	(2,322,362)
2026	(2,134,264)
2027	(1,276,377)

(13) Related Parties

During the years ended August 31, 2023 and 2022, the District furnished office space, utilities and staffing amounting to approximately \$487,000 and \$348,000, respectively, at no cost to the Foundation. Amounts owed from the Foundation for scholarships and gifts at August 31, 2023 and 2022, respectively, approximated \$79,000 and \$1.5 million.

(14) 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:

	2023	2022
Assessed valuation of the District	\$ 32,331,464,128	27,353,105,991
Less: Exemptions	<u>7,297,526,327</u>	<u>6,183,803,215</u>
Net assessed valuation of the District	<u>\$ 25,033,937,801</u>	<u>21,169,302,776</u>

Tax rates authorized and assessed during fiscal year 2023 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	0.115691	0.023383	0.139074

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(14) Ad Valorem Property Taxes (continued)

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

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation authorized	\$ 0.250000	0.500000	0.750000
Tax rate per \$100 valuation for assessed	0.124795	0.024987	0.149782

Taxes levied for the year ended August 31, 2023 are \$34,891,355. 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, 2023 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 28,514,305	5,763,199	34,277,504
Delinquent taxes collected	167,582	40,208	207,790
Penalties and interest collected	<u>282,994</u>	<u>62,877</u>	<u>345,871</u>
Total collections	<u>\$ 28,964,881</u>	<u>5,866,284</u>	<u>34,831,165</u>

Taxes levied for the year ended August 31, 2022 were \$32,242,874. Tax collections for the year ended August 31, 2022 were as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
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	<u>250,336</u>	<u>58,448</u>	<u>308,784</u>
Total collections	<u>\$ 26,962,939</u>	<u>5,418,020</u>	<u>32,380,959</u>

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(14) Ad Valorem Property Taxes (continued)

Current tax collections for the years ended August 31, 2023 and 2022 were approximately 95% and 96% of the current tax levy, respectively. An allowance for uncollectible taxes is based upon the historical experience in collecting property taxes.

(15) 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, 2023 and 2022, the District, did not enter into any tax abatement agreements.

(16) Budgets

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

(17) Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). The District had no unrelated business income tax liability for 2023 or 2022.

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

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(18) Commitments and Contingencies

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

Effective May 27, 2008, the District entered into a ten-year agreement with a corporation for the management and operation of its bookstore. The agreement provides for the District to receive a percentage of gross revenues from the operation of the bookstore. The agreement was renewed effective June 9, 2018 for an additional ten year term.

(19) 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 \$3,877,650 and \$600,700 at August 31, 2023 and 2022, respectively, for federal contract and grant awards; and \$59,830 and \$59,530 at August 31, 2023 and 2022, respectively, for state contract and grant awards.

(20) 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.

(21) Authoritative Pronouncements Not Yet Effective

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

GASB Statement No. 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.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(21) Authoritative Pronouncements Not Yet Effective (continued)

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.

(22) Subsequent Events

The District has evaluated subsequent events from the date of the statements of net position through December 6, 2023 the date on which the financial statements were available to be issued, and has determined that there are no items to disclose.

Required Supplementary Information

DISCUSSION DRAFT

McLennan County Junior College District

Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Measurement Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.000281828	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	\$ 16,731,431	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	<u>8,566,566</u>	<u>3,970,528</u>	<u>8,650,513</u>	<u>7,960,368</u>	<u>8,157,571</u>	<u>4,484,587</u>	<u>5,023,253</u>	<u>5,097,186</u>	<u>4,294,738</u>
Total	<u>\$ 25,297,997</u>	<u>11,264,374</u>	<u>24,912,152</u>	<u>24,008,952</u>	<u>23,719,296</u>	<u>13,329,680</u>	<u>15,140,873</u>	<u>14,830,762</u>	<u>12,719,989</u>
District's covered payroll	<u>\$ 25,691,368</u>	<u>25,026,038</u>	<u>25,349,666</u>	<u>23,661,343</u>	<u>21,172,101</u>	<u>19,754,585</u>	<u>18,323,250</u>	<u>18,057,981</u>	<u>17,546,985</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>65.1%</u>	<u>29.1%</u>	<u>64.1%</u>	<u>67.8%</u>	<u>73.5%</u>	<u>44.8%</u>	<u>55.2%</u>	<u>53.9%</u>	<u>48.0%</u>
Plan's fiduciary net position as a percentage of the total pension liability	<u>75.6%</u>	<u>88.8%</u>	<u>75.5%</u>	<u>75.2%</u>	<u>73.7%</u>	<u>82.2%</u>	<u>78.0%</u>	<u>78.4%</u>	<u>83.3%</u>

Note:

Information for measurement years prior to 2014 is not available.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,492,163	1,292,233	1,210,521	1,222,284	1,046,048	931,282	884,894	829,573	803,507	799,672
Contributions in relation to the contractually required contribution	<u>1,492,163</u>	<u>1,292,233</u>	<u>1,210,521</u>	<u>1,222,284</u>	<u>1,046,048</u>	<u>931,282</u>	<u>884,894</u>	<u>829,573</u>	<u>803,507</u>	<u>799,672</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	\$ <u>28,827,553</u>	<u>25,691,368</u>	<u>25,026,038</u>	<u>25,349,666</u>	<u>23,661,343</u>	<u>21,172,101</u>	<u>19,754,585</u>	<u>18,323,250</u>	<u>18,057,981</u>	<u>17,546,985</u>
Contributions as a percentage of covered payroll	\$ <u>5.18%</u>	<u>5.03%</u>	<u>4.84%</u>	<u>4.82%</u>	<u>4.42%</u>	<u>4.40%</u>	<u>4.48%</u>	<u>4.53%</u>	<u>4.45%</u>	<u>4.56%</u>

See accompanying independent auditor's report.

McLennan County Junior College District

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

Last Ten Measurement Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the OPEB liability	0.001397368	0.001406073	0.001424360	0.001404568	0.001358867	0.001097339
District's proportionate share of the OPEB liability	\$ 39,806,777	50,443,572	47,067,445	48,545,614	40,273,748	37,389,647
State's proportionate share of the OPEB liability associated with the District	<u>31,752,425</u>	<u>37,246,564</u>	<u>34,272,215</u>	<u>36,655,189</u>	<u>30,841,481</u>	<u>30,343,586</u>
Total	<u>\$ 71,559,201</u>	<u>87,660,136</u>	<u>81,339,660</u>	<u>85,200,803</u>	<u>71,115,229</u>	<u>67,733,233</u>
District's covered payroll	<u>\$ 30,297,975</u>	<u>29,605,912</u>	<u>30,153,598</u>	<u>28,661,998</u>	<u>27,333,296</u>	<u>26,351,878</u>
District's proportionate share of the OPEB liability as a percentage of its covered payroll	<u>131.4%</u>	<u>170.4%</u>	<u>156.1%</u>	<u>169.4%</u>	<u>147.3%</u>	<u>141.9%</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	<u>0.6%</u>	<u>0.4%</u>	<u>0.3%</u>	<u>0.2%</u>	<u>1.3%</u>	<u>2.0%</u>

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 847,896	720,680	1,261,618	1,210,216	1,186,782	1,127,197	1,034,845	840,485	800,432	128,812
Contributions in relation to the contractually required contribution	<u>1,361,014</u>	<u>1,317,050</u>	<u>1,261,618</u>	<u>1,210,216</u>	<u>1,186,782</u>	<u>1,127,197</u>	<u>1,034,845</u>	<u>840,485</u>	<u>800,432</u>	<u>128,812</u>
Contribution deficiency (excess)	<u>(513,118)</u>	<u>(596,370)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ <u>33,267,230</u>	<u>30,297,975</u>	<u>29,605,912</u>	<u>30,153,598</u>	<u>28,661,998</u>	<u>27,333,296</u>	<u>26,351,878</u>	<u>25,744,015</u>	<u>25,413,858</u>	<u>24,601,145</u>
Contributions as a percentage of covered payroll	\$ <u>4.09%</u>	<u>4.35%</u>	<u>4.26%</u>	<u>4.01%</u>	<u>4.14%</u>	<u>4.12%</u>	<u>3.93%</u>	<u>3.26%</u>	<u>3.15%</u>	<u>0.52%</u>

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, 2023

(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, 2022, 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 proportion of future retirees assumed to cover dependent children.
- 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 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 short-term expectations.

The discount rate assumption was changed from 2.14% as of August 31, 2021 to 3.59% as of August 31, 2022 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.

Supplemental Information

DISCUSSION DRAFT

McLennan County Junior College District

Schedule of Operating Revenues (Schedule A)

Year Ended August 31, 2023

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

	Unrestricted	Restricted	Total		Total	
			Educational Activities	Auxiliary Enterprises	2023	2022
Tuition and fees:						
State funded credit courses:						
In-district resident tuition	\$ 10,247,669	-	10,247,669	-	10,247,669	10,895,463
Out-of-district resident tuition	4,426,947	-	4,426,947	-	4,426,947	4,360,191
Non-resident tuition	2,408,259	-	2,408,259	-	2,408,259	2,280,918
TPEG - credit (set aside)	958,573	-	958,573	-	958,573	959,168
State funded continuing education	350,907	-	350,907	-	350,907	172,352
TPEG - non-credit (set aside)	8,133	-	8,133	-	8,133	6,547
Non-state funded educational programs	25,170	-	25,170	-	25,170	18,979
Total tuition	<u>18,425,658</u>	<u>-</u>	<u>18,425,658</u>	<u>-</u>	<u>18,425,658</u>	<u>18,693,618</u>
Fees:						
Installment plan fees	65,625	-	65,625	-	65,625	67,700
Facility fees	917,443	-	917,443	-	917,443	943,388
General fees	1,510,923	-	1,510,923	-	1,510,923	1,554,731
Laboratory fees	991,476	-	991,476	-	991,476	779,947
Other fees	1,209,365	-	1,209,365	-	1,209,365	1,114,421
Total fees	<u>4,694,832</u>	<u>-</u>	<u>4,694,832</u>	<u>-</u>	<u>4,694,832</u>	<u>4,460,187</u>
Scholarship allowances and discounts:						
Remissions and exemptions	(2,105,182)	-	(2,105,182)	-	(2,105,182)	(2,108,575)
Title IV federal grants	(7,203,747)	-	(7,203,747)	-	(7,203,747)	(6,990,822)
TPEG awards	(1,024,834)	-	(1,024,834)	-	(1,024,834)	(1,045,353)
Other state grants	(408,875)	-	(408,875)	-	(408,875)	(370,629)
Other local grants	(864,966)	-	(864,966)	-	(864,966)	(1,028,001)
Total scholarship allowances	<u>(11,607,604)</u>	<u>-</u>	<u>(11,607,604)</u>	<u>-</u>	<u>(11,607,604)</u>	<u>(11,543,380)</u>
Total net tuition and fees	<u>11,512,886</u>	<u>-</u>	<u>11,512,886</u>	<u>-</u>	<u>11,512,886</u>	<u>11,610,425</u>
Additional operating revenues:						
Sales and services of educational activities	1,200,435	-	1,200,435	-	1,200,435	1,100,686
General operating revenues	326,749	-	326,749	-	326,749	450,462
Total additional operating revenues	<u>1,527,184</u>	<u>-</u>	<u>1,527,184</u>	<u>-</u>	<u>1,527,184</u>	<u>1,551,148</u>
Auxiliary enterprises:						
Bookstore (outsourced)	-	-	-	108,506	108,506	167,129
Other auxiliary enterprises	-	-	-	319,492	319,492	241,088
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>427,998</u>	<u>427,998</u>	<u>408,217</u>
Total operating revenues	<u>\$ 13,040,070</u>	<u>-</u>	<u>13,040,070</u>	<u>427,998</u>	<u>13,468,068</u>	<u>13,569,790</u>

In accordance with Education Code 56.033, \$966,706 and \$965,715 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2023 and 2022, respectively.

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Operating Expenses by Object
(Schedule B)

Year Ended August 31, 2023

(With Memorandum Totals for the Year Ended August 31, 2023)

	Operating Expenses				Total	
	Salaries and Wages	Benefits		Other Expenses	2023	2022
		State	Local			
Unrestricted - educational activities:						
Instruction	\$ 22,890,466	-	4,219,145	2,033,429	29,143,040	27,260,389
Public service	203,604	-	18,112	221,868	443,584	351,350
Academic support	2,189,757	-	400,771	422,543	3,013,071	2,181,866
Student services	3,426,391	-	631,588	376,213	4,434,192	3,685,515
Institutional support	6,488,281	-	1,198,754	4,743,824	12,430,859	11,879,082
Operation and maintenance of plant	1,699,286	-	802,015	2,851,913	5,353,214	5,384,007
Scholarships and fellowships	-	-	-	2,937,258	2,937,258	2,884,788
Total unrestricted educational activities	<u>36,897,785</u>	<u>-</u>	<u>7,270,385</u>	<u>13,587,048</u>	<u>57,755,218</u>	<u>53,626,997</u>
Restricted - educational activities:						
Instruction	310,784	2,563,252	59,888	295,907	3,229,831	2,810,546
Public service	1,386,222	-	282,389	262,989	1,931,600	1,802,707
Academic support	376,261	245,207	64,560	149,968	835,996	821,147
Student services	549,367	383,708	121,734	1,254,954	2,309,763	9,458,566
Institutional support	235,608	726,551	49,758	1,038,366	2,050,283	5,439,614
Operation and maintenance of plant	26,301	-	-	-	26,301	4,820
Scholarships and fellowships	-	-	-	5,098,349	5,098,349	5,392,578
Total restricted educational activities	<u>2,884,543</u>	<u>3,918,718</u>	<u>578,329</u>	<u>8,100,533</u>	<u>15,482,123</u>	<u>25,729,978</u>
Total educational activities	<u>39,782,328</u>	<u>3,918,718</u>	<u>7,848,714</u>	<u>21,687,581</u>	<u>73,237,341</u>	<u>79,356,975</u>
Auxiliary enterprises	<u>1,277,235</u>	<u>-</u>	<u>478,714</u>	<u>1,328,931</u>	<u>3,084,880</u>	<u>2,794,993</u>
Depreciation and amortization expense:						
Buildings and other improvements	-	-	-	4,241,180	4,241,180	4,059,513
Software	-	-	-	688,955	688,955	644,290
Equipment and furniture	-	-	-	631,667	631,667	618,119
Library books	-	-	-	84,909	84,909	79,122
Total depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,646,711</u>	<u>5,646,711</u>	<u>5,401,044</u>
Total operating expenses	<u>\$ 41,059,563</u>	<u>3,918,718</u>	<u>8,327,428</u>	<u>28,663,223</u>	<u>81,968,932</u>	<u>87,553,012</u>

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Nonoperating Revenues and Expenses
(Schedule C)

Year Ended August 31, 2023

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

	Unrestricted	Restricted	Auxiliary Enterprises	Total	
				2023	2022
Nonoperating revenues:					
State appropriations:					
Education and general state support	\$ 11,913,318	-	-	11,913,318	11,913,320
State group insurance	-	2,129,994	-	2,129,994	2,832,498
State retirement matching	-	1,788,724	-	1,788,724	978,829
Hazelwood Legacy Act	16,125	-	-	16,125	21,699
Total state appropriations	<u>11,929,443</u>	<u>3,918,718</u>	<u>-</u>	<u>15,848,161</u>	<u>15,746,346</u>
Maintenance ad valorem taxes	28,267,499	-	-	28,267,499	25,810,450
Debt service ad valorem taxes	-	5,871,699	-	5,871,699	5,282,242
Federal grants and contracts	-	25,947,573	-	25,947,573	38,094,661
State grants and contracts	-	1,527,090	-	1,527,090	1,132,991
Local grants and contracts	789,128	-	-	789,128	404,966
Investment income	1,537,652	154,454	-	1,692,106	224,327
Gifts	244,287	-	-	244,287	1,854,448
Gain on disposal of capital assets	-	-	-	-	24,283
Other nonoperating revenues	-	-	-	-	136,297
Total nonoperating revenues	<u>42,768,009</u>	<u>37,419,534</u>	<u>-</u>	<u>80,187,543</u>	<u>88,711,011</u>
Nonoperating expenses:					
Interest on capital related debt, leases and subscriptions	-	2,123,857	-	2,123,857	2,046,400
Loss on disposal of capital assets	-	188	-	188	-
Other nonoperating expenses	-	4,255	-	4,255	5,000
Total nonoperating expenses	<u>-</u>	<u>2,128,300</u>	<u>-</u>	<u>2,128,300</u>	<u>2,051,400</u>
Net nonoperating revenues	<u>\$ 42,768,009</u>	<u>35,291,234</u>	<u>-</u>	<u>78,059,243</u>	<u>86,659,611</u>

See accompanying independent auditor's report.

McLennan County Junior College District
Schedule of Net Position by Source and Availability
(Schedule D)
Year Ended August 31, 2023

	Detail by Source				Available for Current Operation		
	Unrestricted	Restricted		Net Investment in Capital Assets	Total	Yes	No
		Expendable	Non- Expendable				
Current:							
Unrestricted	\$ (40,394,638)	-	-	-	(40,394,638)	(40,394,638)	-
Scholarships and fellowships	-	1,146,935	-	-	1,146,935	-	1,146,935
Plant:							
Capital projects	8,890,250	-	-	-	8,890,250	-	8,890,250
Debt service	-	(157,882)	-	-	(157,882)	-	(157,882)
Investment in plant	(185,306)	-	-	67,896,835	67,711,529	-	67,711,529
 Total net position, August 31, 2023	(31,689,694)	989,053	-	67,896,835	37,196,194	(40,394,638)	77,590,832
 Total net position, August 31, 2022	(35,902,188)	581,958	-	62,958,045	27,637,815	(37,952,665)	65,719,130
 Net increase (decrease) in net position	\$ 4,212,494	407,095	-	4,938,790	9,558,379	(2,441,973)	11,871,702

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Expenditures of Federal Awards (Schedule E)

Year Ended August 31, 2023

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>U.S. Department of Education:</u>				
Direct Programs:				
Student Financial Assistance Cluster:				
Federal Supplemental Education Opportunity Grant Program	84.007		-	\$ 320,384
Federal Work Study Program	84.033		-	161,065
Federal Pell Grant Program	84.063		-	14,035,208
Federal Direct Student Loans	84.268		-	6,859,295
Total Student Financial Assistance Cluster			-	21,375,952
Developing Hispanic-Serving Institutions Program - Title V	84.031S		-	561,919
Total Developing Hispanic-Serving Institutions Program - Title V			-	561,919
TRIO Cluster:				
TRIO - Student Support Services	84.042A		-	415,573
TRIO - Upward Bound	84.047A		-	401,669
TRIO - McLennan Educational Opportunity Center	84.066A		-	206,559
Total TRIO Cluster			-	1,023,801
Basic Needs for Students Program	84.116N		-	150,491
Total Basic Needs for Students Program			-	150,491
Education Stabilization Fund:				
COVID-19 Higher Education Emergency Relief Fund - Institutional Portion	84.425F		-	2,871,556
COVID-19 Higher Education Emergency Relief Fund - Minority Serving Institutions	84.425L		-	556,619
COVID-19 Higher Education Emergency Relief Fund - Minority Serving Institutions	84.425L		-	1,005,850
COVID-19 Higher Education Emergency Relief Fund - Institutional Resilience	84.425P		-	445,234
COVID-19 Higher Education Emergency Relief Fund - SSARP	84.425T		-	1,925,664
Pass Through From:				
COVID-19 Texas Reskilling Support Fund Grant Program	84.425	24110	-	6,779
COVID-19 Texas Reskilling Support Fund Grant Program	84.425	24287	-	7,976
Total Education Stabilization Fund			-	6,819,678
Pass Through From:				
Congessionally-Directed Grants:				
Baylor Cyber Initiative	84.116Z	P116Z220034	-	11,017
Total Baylor Cyber Initiative			-	11,017
Texas Workforce Commission:				
Adult Education & Family Literacy Act	84.002A	1318ALAE00	-	975,618
Adult Education & Family Literacy Act	84.002A	1318ALAD00	-	103,472
Total Adult Education & Family Literacy Act			-	1,079,090
Texas Higher Education Coordinating Board:				
Carl Perkins - Career and Technical Education	84.048	27637	-	674,105
Total Carl Perkins - Career and Technical Education			-	674,105
Total U. S. Department of Education			-	31,696,053
<u>U. S. Department of Agriculture:</u>				
Pass Through From:				
Secondary Ag Education Challenge Grants Program: Texas A&M AgriLife Research	10.226	M2300408	-	5,563
Total U. S. Department of Agriculture			-	5,563

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
<u>U.S. Department of Treasury:</u>				
Pass Through From:				
Texas Higher Education Coordinating Board: Texas Reskilling and Upskilling	21.027	27280	-	292,223
Total U.S. Department of Treasury			-	292,223
<u>U. S. Small Business Administration:</u>				
Pass Through From:				
North Texas Small Business Development Center: Small Business Development Center	59.037	SBAHQ-22-B-0006	-	128,181
Small Business Development Center	59.037	SBAHQ-23-B-0053	-	169,037
Total U. S. Small Business Administration			-	297,218
<u>Corporation for National and Community Service:</u>				
Direct Programs:				
Heart of Texas Retired Senior Volunteer Program	94.002	20SRWTX022		44,314
Heart of Texas Retired Senior Volunteer Program	94.002	23SRGTX001	-	32,828
Total Corporation for National and Community Service			-	77,142
Total Federal Awards			\$ -	\$ 32,368,199

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, 2023

(1) Federal Revenue Reconciliation

Federal revenues for 2023 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	\$ 25,947,573
Add: Federal Direct Student Loans made	6,859,295
Less: Amounts not subject to single audit	<u>(438,669)</u>
 Total per Schedule of Expenditures of Federal Awards	 \$ <u><u>32,368,199</u></u>

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of McLennan County Junior College District (the District) under programs of the federal government for the year ended August 31, 2023. 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.

McLennan County Junior College District

Schedule of Expenditures of State Awards
(Schedule F)

Year Ended August 31, 2023

Grantor Agency/Program Title	Grant Contract Number	Passed Through to Subrecipients	Indirect Costs and Expenditures
Texas Higher Education Coordinating Board			
State Work Study		\$ -	\$ 34,920
NGIP: Nursing and Allied Health-Supported Clinical Learning to Mitigate Impediment due to COVID-19	23829	-	6,391
Texas Education Opportunity Grant		-	833,124
NSRP Regular Program 2021	24553	-	2,745
CAL Loans		-	22,577
Total Texas Higher Education Coordinating Board		-	899,757
Texas Office of the Governor - Criminal Justice Division			
SH-Bullet-Resistant Shield Grant Program	4620901	-	18,149
Total Texas Office of the Governor - Criminal Justice Division		-	18,149
Texas Workforce Commission			
Child Care Apprenticeship	13220405	-	51,295
Child Care Apprenticeship	13230407	-	31,004
Pre-Apprenticeship Pilot	13220404	-	337
Manufacturing Consortium 2022	1322SDF001	-	142,040
Skills Development	1322SSD001	-	27,169
Skills Development	1323SSD001	-	4,043
Skills Development	1323SSF001	-	35,535
Total Texas Workforce Commission		-	291,423
Small Business Development Center			
Small Business Development Center	SBAHQ-22-B-0006	-	11,950
Small Business Development Center	SBAHQ-23-B-0053	-	82,934
Total Small Business Development Center		-	94,884
Texas Health and Human Services Commission			
RSVP	HHS000871100015	-	59,830
Total State Awards		\$ -	\$ 1,364,043

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, 2023

(1) State Revenue Reconciliation

State revenues for 2023 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	\$ 1,527,090
Add: CAL Loans made	22,577
Less: Amounts not subject to single audit	<u>(185,624)</u>
Total per Schedule of Expenditures of State Awards	<u>\$ 1,364,043</u>

(2) Basis of Presentation

The accompanying Schedule of Expenditures of State Awards (the Schedule) includes the state grant activity of McLennan County Junior College District (the District) under programs of the state government for the year ended August 31, 2023. The information in this Schedule is presented in accordance with the requirements of the *State of Texas Single Audit Circular* contained in the state's *Uniform Grant Management Standards*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(3) Summary of Significant Accounting Policies

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

Statistical Section

DISCUSSION DRAFT



MCLENNAN
COMMUNITY COLLEGE

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

McLennan County Junior College District
Net Position by Component

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

	For the Year Ended August 31,									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net investment in capital assets	67,897	62,958	54,140	51,211	45,097	49,289	47,878	46,140	44,495	42,479
Restricted	989	582	1,338	5,797	10,317	3,444	2,837	2,698	2,542	3,166
Unrestricted	(31,690)	(35,902)	(40,454)	(47,803)	(45,420)	(44,410)	2,720	3,152	2,899	12,008
 Total primary government net position	 <u>37,196</u>	 <u>27,638</u>	 <u>15,024</u>	 <u>9,205</u>	 <u>9,994</u>	 <u>8,323</u>	 <u>53,435</u>	 <u>51,990</u>	 <u>49,936</u>	 <u>57,653</u>

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)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Operating revenues:										
Tuition and fees (net of discounts)	\$ 11,513	11,610	12,876	12,672	13,454	13,493	14,191	16,062	15,666	17,003
Sales and services of educational activities	1,200	1,101	1,079	878	1,016	867	918	945	846	839
Auxiliary enterprises	428	408	244	354	403	456	476	476	503	503
Other operating revenues	327	450	414	86	137	213	232	130	156	127
Total operating revenues	<u>13,468</u>	<u>13,569</u>	<u>14,613</u>	<u>13,990</u>	<u>15,010</u>	<u>15,029</u>	<u>15,817</u>	<u>17,613</u>	<u>17,171</u>	<u>18,472</u>
Nonoperating revenues:										
State appropriations	15,848	15,746	17,245	17,761	17,139	18,241	15,659	15,687	16,750	17,205
Ad valorem taxes	34,139	31,093	29,470	27,463	25,824	24,227	22,275	20,999	19,956	19,282
Federal grants and contracts	25,948	38,095	26,898	24,774	20,420	19,903	18,609	18,597	20,370	20,376
State grants and contracts	1,527	1,133	1,461	1,045	1,488	1,949	1,950	3,272	2,850	2,869
Local grants and contracts	789	405	100	196	233	152	212	218	94	291
Investment income	1,692	224	148	314	479	318	99	62	47	35
Gifts	244	1,854	363	255	299	400	433	181	466	173
Other nonoperating revenues	-	161	-	-	-	-	19	-	19	2
Total nonoperating revenues	<u>80,187</u>	<u>88,711</u>	<u>75,685</u>	<u>71,808</u>	<u>65,882</u>	<u>65,190</u>	<u>59,256</u>	<u>59,016</u>	<u>60,552</u>	<u>60,233</u>
Total revenue	\$ <u>93,655</u>	<u>102,280</u>	<u>90,298</u>	<u>85,798</u>	<u>80,892</u>	<u>80,219</u>	<u>75,073</u>	<u>76,629</u>	<u>77,723</u>	<u>78,705</u>

	For the Year Ended August 31, (Dollars expressed in thousands)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Operating revenues:										
Tuition and fees (net of discounts)	12.29%	11.35%	14.26%	14.77%	16.63%	16.82%	18.90%	21.61%	20.16%	21.60%
Sales and services of educational activities	1.28%	1.08%	1.19%	1.02%	1.26%	1.08%	1.22%	1.23%	1.09%	1.07%
Auxiliary enterprises	0.46%	0.40%	0.27%	0.41%	0.50%	0.57%	0.63%	0.62%	0.65%	0.64%
Other operating revenues	0.35%	0.44%	0.46%	0.10%	0.17%	0.27%	0.31%	0.17%	0.20%	0.16%
Total operating revenues	<u>14.38%</u>	<u>13.27%</u>	<u>16.18%</u>	<u>16.31%</u>	<u>18.56%</u>	<u>18.73%</u>	<u>21.07%</u>	<u>23.63%</u>	<u>22.09%</u>	<u>23.47%</u>
Nonoperating revenues:										
State appropriations	16.92%	15.39%	19.10%	20.70%	21.19%	22.74%	20.86%	20.47%	21.55%	21.86%
Ad valorem taxes	36.45%	30.40%	32.64%	32.01%	31.92%	30.20%	29.67%	27.40%	25.68%	24.50%
Federal grants and contracts	27.71%	37.25%	29.79%	28.87%	25.24%	24.81%	24.79%	24.27%	26.21%	25.89%
State grants and contracts	1.63%	1.11%	1.62%	1.22%	1.84%	2.43%	2.60%	4.27%	3.67%	3.65%
Local grants and contracts	0.84%	0.40%	0.11%	0.23%	0.29%	0.19%	0.28%	0.28%	0.12%	0.37%
Investment income	1.81%	0.22%	0.16%	0.37%	0.59%	0.40%	0.13%	0.08%	0.06%	0.04%
Gifts	0.26%	1.81%	0.40%	0.30%	0.37%	0.50%	0.58%	0.24%	0.60%	0.22%
Other nonoperating revenues	0.00%	0.16%	0.00%	0.00%	0.00%	0.00%	0.03%	0.00%	0.02%	0.00%
Total nonoperating revenues	<u>85.62%</u>	<u>86.73%</u>	<u>83.82%</u>	<u>83.69%</u>	<u>81.44%</u>	<u>81.27%</u>	<u>78.93%</u>	<u>77.02%</u>	<u>77.91%</u>	<u>76.53%</u>
Total revenue	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.65%</u>	<u>100.00%</u>	<u>100.00%</u>

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

Last Ten Fiscal Years
(Unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Operating expenses:										
Instruction	\$ 32,373	30,071	32,101	34,173	32,987	33,616	30,934	32,344	31,286	31,310
Public service	2,375	2,154	2,257	2,097	2,265	2,186	2,058	1,912	1,806	1,890
Academic support	3,252	3,442	3,256	3,132	2,871	2,743	2,489	2,526	2,775	2,741
Student services	6,744	13,144	8,681	8,149	5,270	4,911	4,384	4,148	3,932	3,753
Institutional support	15,078	16,880	13,983	12,955	10,797	10,074	9,466	8,962	9,123	8,692
Operation and maintenance of plant	5,379	5,389	5,658	6,724	5,774	5,770	5,760	5,270	5,335	5,409
Scholarships and fellowships	8,036	8,277	9,096	9,738	9,895	9,841	9,459	10,497	11,827	12,092
Auxiliary enterprises	3,085	2,795	2,064	2,372	2,546	2,006	2,011	1,718	1,638	1,619
Depreciation	5,647	5,401	4,709	4,529	4,118	4,275	4,300	3,897	4,196	4,128
Total operating expenses	\$ 81,969	87,553	81,805	83,869	76,523	75,422	70,861	71,274	71,918	71,634
Nonoperating expenses:										
Interest on capital related debt	2,124	2,046	2,159	2,693	2,546	2,414	2,763	2,970	3,434	3,950
Loss on disposal of fixed assets	-	-	100	33	-	64	-	322	-	58
Gift expense	-	-	-	-	-	386	-	-	-	-
Other non-operating expenses	4	5	415	4	152	174	4	9	543	4
Total nonoperating expenses	2,128	2,051	2,674	2,730	2,698	3,038	2,767	3,301	3,977	4,012
Total expenses	84,097	89,604	84,479	86,599	79,221	78,460	73,628	74,575	75,895	75,646
Change in net position	\$ 9,558	12,676	5,819	(801)	1,671	1,759	1,445	2,054	1,828	3,059

For the Year Ended August 31,
(dollars expressed in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Operating expenses:										
Instruction	38.49%	33.56%	38.00%	39.46%	41.64%	42.84%	42.01%	43.37%	41.22%	41.39%
Public service	2.82%	2.40%	2.67%	2.42%	2.86%	2.79%	2.80%	2.56%	2.38%	2.50%
Academic support	3.87%	3.84%	3.85%	3.62%	3.62%	3.50%	3.38%	3.39%	3.66%	3.62%
Student services	8.02%	14.67%	10.28%	9.41%	6.65%	6.26%	5.95%	5.56%	5.18%	4.96%
Institutional support	17.93%	18.84%	16.55%	14.96%	13.63%	12.84%	12.86%	12.02%	12.02%	11.49%
Operation and maintenance of plant	6.40%	6.01%	6.70%	7.76%	7.29%	7.35%	7.82%	7.07%	7.03%	7.15%
Scholarships and fellowships	9.56%	9.24%	10.77%	11.24%	12.49%	12.54%	12.85%	14.08%	15.58%	15.98%
Auxiliary enterprises	3.67%	3.12%	2.44%	2.74%	3.21%	2.56%	2.73%	2.30%	2.16%	2.14%
Depreciation	6.71%	6.03%	5.57%	5.23%	5.20%	5.45%	5.84%	5.23%	5.53%	5.46%
Total operating expenses	97.47%	97.71%	96.83%	96.85%	96.59%	96.13%	96.24%	95.57%	94.76%	94.70%
Nonoperating expenses:										
Interest on capital related debt	2.53%	2.28%	2.56%	3.11%	3.21%	3.08%	3.75%	3.98%	4.52%	5.22%
Loss on disposal of fixed assets	0.00%	0.00%	0.12%	0.04%	0.00%	0.08%	0.00%	0.43%	0.00%	0.08%
Gift expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.49%	0.00%	0.00%	0.00%	0.00%
Other non-operating expenses	0.00%	0.01%	0.49%	0.00%	0.19%	0.22%	0.01%	0.01%	0.72%	0.01%
Total nonoperating expenses	2.53%	2.29%	3.17%	3.15%	3.41%	3.87%	3.76%	4.43%	5.24%	5.30%
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.

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		Increase from Prior Year		SCH Resident
					In-District	Out-of-District	In-District	Out-of-District	
2022	\$ 106	124	10	6	1,464	1,680	-	-	112,812
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

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		Increase from Prior Year		SCH Non- Resident
					Out-of-State	International	Out-of-State	International	
2022	\$ 181	181	10	6	2,364	2,364	-	-	32,150
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

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

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

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

Fiscal Year	Real Property	Personal and Other Property	Total Assessed Valuation of Property	Less: Abatements and Exemptions	Taxable Assessed Value	Ratio of Taxable Assessed Value to Assessed Value	Estimated Actual Value	Direct Tax Rate		
								Maintenance & Operations	Debt Service	Total
2023	\$ 28,654,105	3,895,351	32,549,456	7,313,426	25,236,030	77.53%	\$ 25,751,051	0.115691	0.023383	0.139074
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	20,565,799	4,975,662	15,590,137	75.81%	15,908,303	0.112102	0.036796	0.148898
2016	16,134,880	2,888,247	19,023,127	4,487,435	14,535,692	76.41%	14,832,339	0.108894	0.04083	0.149724
2015	15,115,891	2,699,317	17,815,208	4,072,246	13,742,962	77.14%	14,023,431	0.104343	0.045187	0.149530
2014	13,983,364	2,548,506	16,531,870	3,701,898	12,829,972	77.61%	13,091,808	0.103322	0.048208	0.151530

Source: McLennan County Appraisal District

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

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

Last Ten Fiscal Years
(Unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
McLennan County Junior College District	\$ 0.139074	0.149782	0.149782	0.147696	0.147696	0.150346	0.148898	0.149724	0.149530	0.151530
Overlapping Rates										
McLennan County	0.376355	0.425000	0.468719	0.485293	0.485293	0.505293	0.525293	0.535293	0.535293	0.535293
Special Districts:										
McLennan and Hill Counties Tehuacana Creek Water Control and Improvement District No. 1	0.022874	0.024271	0.024183	0.024778	0.024780	0.025200	0.025156	0.025156	0.025156	0.025156
Castleman Creek Watershed	0.081360	0.088649	0.090878	0.092720	0.093769	0.096027	0.099940	0.101020	0.101020	0.101020
Elm Creek Watershed	0.287000	0.031400	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
McGregor Public Improvement District No. 1	0.100000	0.100000	0.100000	0.100000	N/A	N/A	N/A	N/A	N/A	N/A
Cities:										
Bellmead	0.323169	0.375187	0.377854	0.359999	0.319999	0.299990	0.303761	0.307610	0.298608	0.298608
Beverly Hills	0.485415	0.485415	0.473550	0.467077	0.484596	0.490145	0.490145	0.490145	0.452719	0.403647
Bruceville-Eddy	0.460000	0.500000	0.500000	0.500000	0.500000	0.500000	0.498159	0.498159	0.498159	0.498159
Crawford	0.490000	0.490000	0.460000	0.427271	0.462000	0.499900	0.499900	0.499900	0.499900	0.499900
Gholson	0.046510	0.100000	0.140000	0.170000	0.209488	0.209488	0.209488	0.213483	0.213483	0.213483
Golinda	0.213360	0.239524	0.236515	0.250000	N/A	N/A	N/A	N/A	N/A	N/A
Hallsburg	0.054436	0.060188	0.075655	0.076576	0.068401	0.070690	0.068199	0.065082	0.061004	0.057220
Hewitt	0.540102	0.540102	0.547838	0.539677	0.539677	0.539677	0.539677	0.539677	0.539677	0.539677
Lacy-Lakeview	0.297547	0.352624	0.362236	0.340064	0.352628	0.352628	0.352628	0.359537	0.357195	0.359170
Leroy	0.143586	0.178016	0.196853	0.209027	0.228601	0.250000	N/A	N/A	N/A	N/A
Lorena	0.571145	0.533460	0.543604	0.566994	0.560680	0.592300	0.609000	0.590000	0.561400	0.561400
Mart	0.711500	0.759232	0.759232	0.759231	0.759231	0.759233	0.759233	0.759233	0.739915	0.780241
McGregor	0.548028	0.546945	0.578954	0.601413	0.594010	0.594010	0.595000	0.595000	0.595000	0.600000
Moody	0.492412	0.589167	0.645817	0.684484	0.659919	0.640232	0.599624	0.618546	0.634898	0.672843
Riesel	0.279879	0.296113	0.287022	0.314510	0.336568	0.364347	0.335416	0.373515	0.350000	0.350000
Robinson	0.460000	0.507000	0.533700	0.494500	0.484500	0.494500	0.499500	0.505321	0.480376	0.470000
Valley Mills	0.399900	0.413944	0.413900	0.442200	0.479900	0.482600	0.452800	0.447500	0.447500	0.447500
Waco	0.760000	0.767282	0.776232	0.776232	0.776232	0.776232	0.776232	0.776232	0.776232	0.776232
West	0.520522	0.552472	0.582561	0.604272	0.606477	0.606477	0.606477	0.606477	0.577006	0.577006
Woodway	0.417174	0.470000	0.450000	0.450000	0.450000	0.470000	0.470000	0.470000	0.470000	0.456900

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

Last Ten Fiscal Years
(Unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
School Districts:										
Axtell Independent School District	\$ 0.942900	0.960300	1.027200	1.068300	1.170000	1.170000	1.170000	1.170000	1.170000	1.170000
Bosqueville Independent School District	1.147299	1.178300	1.233088	1.322389	1.379229	1.429973	1.441544	1.507102	1.478175	1.487914
Bruceville-Eddy Independent School District	1.082466	1.151900	1.185500	1.223350	1.325000	1.325000	1.325000	1.325000	1.325000	1.325000
China Spring Independent School District	1.174065	1.265760	1.257416	1.294110	1.358720	1.387194	1.421381	1.516068	1.538834	1.540000
Connally Independent School District	1.087309	1.215509	1.234741	1.266457	1.367955	1.374409	1.251212	1.281628	1.274394	1.656530
Crawford Independent School District	1.145699	1.163078	1.207373	1.293160	1.230500	1.230500	1.230495	1.230495	1.241360	1.280666
Gholson Independent School District	0.854600	0.872000	0.926400	0.970000	1.040000	1.040000	1.040000	1.040000	1.040000	1.040000
Hallsburg Independent School District	0.967200	1.008800	1.091559	1.160908	1.234768	1.262052	1.250541	1.293860	1.290991	1.040000
LaVega Independent School District	1.188151	1.261350	1.299955	1.290269	1.394040	1.413532	1.422100	1.459000	1.465000	1.420000
Lorena Independent School District	1.164540	1.200310	1.332666	1.435210	1.534000	1.554090	1.579090	1.640000	1.640000	1.620000
Mart Independent School District	1.286500	1.303870	1.396270	1.401870	1.472800	1.226894	1.209469	1.238841	1.229484	1.207132
McGregor Independent School District	1.037681	1.112970	1.167280	1.276100	1.330000	1.330000	1.333800	1.355000	1.355000	1.355000
Midway Independent School District	1.124600	1.164300	1.236400	1.250000	1.320000	1.320000	1.320000	1.320000	1.320000	1.320000
Moody Independent School District	1.235901	1.219600	1.219600	1.284950	1.361800	1.361750	1.391000	1.416000	1.341300	1.389300
Oglesby Independent School District	0.942900	0.960300	0.971000	1.068350	1.170000	1.170000	1.101580	1.098290	1.113700	1.113700
Riesel Independent School District	1.249098	1.386456	1.418863	1.533300	1.423900	1.450300	1.468200	1.395000	1.310000	1.336364
Robinson Independent School District	1.124384	1.172632	1.260930	1.286700	1.406135	1.406135	1.470000	1.510000	1.510000	1.315000
Valley Mills Independent School District	1.115510	1.169020	1.266070	1.353210	1.425400	1.454000	1.314000	1.314000	1.314000	1.314000
Waco Independent School District	1.241869	1.244640	1.263953	1.302450	1.404080	1.302450	1.400000	1.400000	1.353240	1.354800
West Independent School District	1.147534	1.370100	1.129275	1.186480	1.261417	1.290656	1.317548	1.283129	1.270000	1.270000

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)

Fiscal Year	State Appropriation	Appropriation per FTSE		Appropriation per Contact Hour			
		Full-Time Student Equivalent	State Appropriation per FTSE	Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	State Appropriation per Contact Hour
2023	\$ 11,913,318	5,002	\$ 2,382	2,162,776	735,645	2,898,421	\$ 4.11
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

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)

Taxpayer	Type of Business	Taxable Assessed Value (dollars expressed in thousands)									
		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Oncor Electric	Utility	\$ 249,828	219,842	193,208	161,166	152,949	144,123	141,952	148,047	144,211	135,768
Sandy Creek Energy (Real Property)	Utility	215,346	209,834	389,390	341,215	306,850	247,151	524,137	524,137	545,373	450,272
Coca-Cola	Processing	180,932	140,960	95,445	106,600	86,457	75,147	72,242	63,516	55,919	-
Caterpillar Logistics	Manufacturing	160,106	127,864	121,825	2,996,268	111,589	123,748	133,346	144,579	134,587	150,152
Allergan	Manufacturing	157,637	158,200	120,956	135,405	137,092	124,375	111,584	94,810	88,235	79,152
Mars Wigley Confectionary	Processing	121,072	103,865	116,068	170,940	4,092,060	111,080	105,111	95,268	97,170	-
Ferguson Enterprises	Distributor	96,832	78,501	97,746	96,019	78,765	70,338	70,646	69,480	76,264	71,799
Atmos Energy/Mid-Tex Distribution	Utility	87,205	75,258	-	-	-	-	-	-	-	-
L3Harris	Processing	84,647	70,901	72,849	-	72,802	77,641	75,821	74,492	68,830	67,825
Tractor Supply	Distributor	79,960	-	-	-	-	-	-	-	-	-
Sherwin Williams	Distributor	-	79,273	84,597	71,369	-	-	-	-	-	51,798
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
Associated Hygiene Products	Manufacturing	-	-	-	-	-	-	-	72,507	-	53,025
Sandy Creek Energy (Personal property)	Utility	-	-	-	-	-	-	-	-	57,325	-
Inland Western	Real Estate	-	-	-	-	-	-	-	-	-	50,721
Totals		\$ 1,433,565	1,264,498	1,366,912	4,224,793	5,180,017	1,124,033	1,387,876	1,371,264	1,349,345	1,186,185
Total Taxable Assessed Value		\$ 25,236,030	21,691,563	20,245,178	19,096,615	17,632,186	16,032,873	15,590,137	14,535,692	13,742,962	13,742,962

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

Taxpayer	Type of Business	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Oncor Electric	Utility	0.99%	1.01%	0.95%	0.84%	0.87%	0.90%	0.91%	1.02%	1.05%	0.99%
Sandy Creek Energy (Real Property)	Utility	0.85%	0.97%	1.92%	1.79%	1.74%	1.54%	3.36%	3.61%	3.97%	3.28%
Coca-Cola	Processing	0.72%	0.65%	0.47%	0.56%	0.49%	0.47%	0.46%	0.44%	0.41%	0.00%
Caterpillar Logistics	Manufacturing	0.63%	0.59%	0.60%	15.69%	0.63%	0.77%	0.86%	0.99%	0.98%	1.09%
Allergan	Manufacturing	0.62%	0.73%	0.60%	0.71%	0.78%	0.78%	0.72%	0.65%	0.64%	0.58%
Mars Wigley Confectionary	Processing	0.48%	0.48%	0.57%	0.90%	23.21%	0.69%	0.67%	0.66%	0.71%	0.00%
Ferguson Enterprises	Distributor	0.38%	0.36%	0.48%	0.50%	0.45%	0.44%	0.45%	0.48%	0.55%	0.52%
Atmos Energy/Mid-Tex Distribution	Utility	0.35%	0.35%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
L3Harris	Processing	0.34%	0.33%	0.36%	0.00%	0.41%	0.48%	0.49%	0.51%	0.50%	0.49%
Tractor Supply	Distributor	0.32%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sherwin Williams	Distributor	0.00%	0.37%	0.42%	0.37%	0.00%	0.00%	0.00%	0.00%	0.00%	0.38%
Owens Brockway	Manufacturing	0.00%	0.00%	0.00%	0.39%	0.41%	0.47%	0.50%	0.00%	0.00%	0.00%
Sanderson Farms	Processing	0.00%	0.00%	0.37%	0.37%	0.40%	0.47%	0.48%	0.58%	0.59%	0.55%
Associated Hygiene Products	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.50%	0.00%	0.39%
Sandy Creek Energy (Personal property)	Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.42%	0.00%
Inland Western	Real Estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.37%
	Totals	5.68%	5.83%	6.75%	22.12%	29.38%	7.01%	8.90%	9.43%	9.82%	8.63%

Source: McLennan County Appraisal District

McLennan County Junior College District
Property Tax Levies and Collections

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected Within Fiscal Year of Levy		Collections in Subsequent Year	Total Collections to Date	
		Amount	Percentage		Amount	Percentage of Levy
2023	\$ 34,891	34,278	98.24%	208	34,486	98.84%
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%

Property tax collections only - does not include penalties and interest

McLennan County Junior College District
Ratios of Outstanding Debt by Type

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Bonded Debt										
General obligation bonds	\$ 41,210	44,450	48,245	52,080	55,350	58,460	61,495	64,440	67,370	73,605
Other Debt										
Revenue bonds	13,335	14,705	16,030	17,600	18,875	13,190	14,260	15,095	15,900	16,675
Total Outstanding Debt	\$ 54,545	59,155	64,275	69,680	74,225	71,650	75,755	79,535	83,270	90,280
General Bonded Debt Ratios										
Per Capita	Not available	167	183	201	216	230	245	260	274	302
Per Student	\$ 8,239	8,783	11,738	10,119	8,779	8,992	9,211	9,652	11,125	11,747
As a percentage of Taxable Assessed Value	0.16%	0.20%	0.24%	0.27%	0.31%	0.36%	0.39%	0.44%	0.49%	0.61%
Total Outstanding Debt Ratios										
Per Capita	Not available	222	244	268	289	281	302	321	339	371
Per Student	\$ 10,905	11,688	15,639	13,538	11,772	11,021	11,196	11,755	13,750	14,408
As a percentage of Taxable Assessed Value	0.22%	0.27%	0.32%	0.36%	0.42%	0.45%	0.49%	0.55%	0.61%	0.75%
As a percentage of personal income	Not available	0.45%	0.54%	0.64%	0.71%	0.72%	0.08%	0.08%	0.09%	0.04%

Note:

Debt per student calculated using full time equivalent enrollment.

Information for per capita not available for 2023.

Information for total outstanding debt as a percentage of personal income not available for 2023.

McLennan County Junior College District
Legal Debt Margin Information

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Taxable Assessed Value	\$ 25,236,030	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
Statutory Tax Levy Limit for general obligation debt service	\$ 126,180	108,458	101,226	95,483	3,874,669	80,164	77,951	72,678	68,715	64,150
Current Year Debt Service Requirements	5,675	5,677	5,508	5,719	5,639	5,644	5,641	5,729	6,110	6,112
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 120,505	102,781	95,718	89,764	3,869,030	74,520	72,310	66,949	62,605	58,038
Net Current Requirements as a percentage of Statutory Limit	4.50%	5.23%	5.44%	5.99%	0.15%	7.04%	7.24%	7.88%	8.89%	9.53%

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

McLennan County Junior College District
Pledged Revenue Coverage

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

Fiscal Year	Pledged Revenues								Debt Service Requirements			Coverage Ratio
	Tuition	Facility Fees	Community Education Fees	Interest Income	Vending Commission	Bookstore Commission	Other Revenues	Total	Principal	Interest	Total	
2023	\$ 1,047	917	93	1,487	31	109	750	4,434	1,370	562	1,932	2.30
2022	1,066	943	56	194	32	167	750	3,208	1,330	602	1,932	1.66
2021	1,090	973	93	133	16	171	750	3,226	1,565	658	2,223	1.45
2020	1,277	1,135	56	212	29	294	750	3,753	1,275	714	1,989	1.89
2019	1,298	1,136	120	361	42	338	750	4,045	915	477	1,392	2.91
2018	1,275	1,128	140	281	38	392	-	3,254	1,020	390	1,410	2.31
2017	1,253	1,123	108	81	38	409	-	3,012	835	605	1,440	2.09
2016	1,233	1,100	222	50	39	406	-	3,050	805	636	1,441	2.12
2015	1,207	1,093	204	40	33	435	-	3,012	775	663	1,438	2.09
2014	1,249	1,137	321	29	39	420	-	3,195	750	691	1,441	2.22

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
2022	266,836	Not available	Not available	3.6%
2021	263,115	\$ 13,027,403	\$ 49,512	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%

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 2023 not yet available

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

Employer	Number of Employees									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Baylor University	3,757	5,698	2,835	3,253	2,986	2,901	2,901	2,746	2,675	2,675
Baylor Scott & White/Hillcrest Health System	2,711	2,283	1,685	1,736	2,177	1,725	1,725	1,970	1,800	1,800
Waco ISD	2,373	2,373	2,373	2,373	2,373	2,471	2,471	2,290	2,500	2,500
Ascension Providence	2,081	2,518	2,530	1,622	2,397	2,401	2,401	2,311	2,397	2,397
HEB (all Waco locations)	2,000	2,000	2,000	2,000	2,000	1,600	1,600	1,500	1,500	1,500
City of Waco	1,611	1,522	1,500	1,518	1,578	1,456	1,456	1,487	1,506	1,506
Midway ISD	1,484	1,302	1,157	1,081	1,081	1,282	1,282	1,102	1,067	1,067
Veterans Regional Office	1,275	796	796	796	796	849	849	788	650	650
L3Harris	1,178	843	843	774	752	1,349	1,349	1,850	2,300	2,300
Wal-Mart (all stores)	1,174	1,174	1,174	1,174	947	1,026	1,026	1,015	1,656	1,656
McLennan County	1,089	1,088	1,133	1,201	964	Not Available	Not Available	Not Available	Not Available	Not Available
Sanderson Farms, Inc.	1,025	1,200	1,120	1,200	1,200	1,215	1,215	1,041	1,041	1,041
Mars Wrigley Confectionary	910	885	695	700	775	600	600	575	525	525
Veterans Administration Medical Center	862	886	886	886	886	831	831	777	800	800
Amazon	750	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
AbbVie	747	747	747	785	708	710	710	Not Available	Not Available	Not Available
SpaceX	729	590	590	590	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
American Income Life	693	693	693	693	693	712	712	Not Available	Not Available	Not Available
McLennan Community College	656	679	666	719	705	683	683	869	793	826
Versalift	627	638	481	518	526	Not Available	Not Available	Not Available	Not Available	Not Available
Big Creek Construction	618	617	704	250	583	Not Available	Not Available	Not Available	Not Available	Not Available
Tractor Supply Distribution Center	609	585	640	640	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Cargill Foods, Inc.	603	603	601	646	646	707	707	708	685	685
Waco Family Medicine	577	581	572	510	519	Not Available	Not Available	Not Available	Not Available	Not Available
Pilgrim's	560	571	523	480	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Texas State Technical Institute*	553	553	553	1,706	1,706	630	600	600	672	672
Clayton homes	551	620	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Texas Department of Human Services	549	549	549	549	549	Not Available	Not Available	Not Available	Not Available	Not Available
Magnolia Market	536	549	467	675	675	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.

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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Faculty										
Full-Time	203	201	205	215	213	218	218	220	225	242
Part-Time	165	181	163	209	242	215	184	174	189	210
Total	368	382	368	424	455	433	402	394	414	452
Percent:										
Full-Time	55.2%	52.6%	55.7%	50.7%	46.8%	50.3%	54.2%	55.8%	54.3%	53.5%
Part-Time	44.8%	47.4%	44.3%	49.3%	53.2%	49.7%	45.8%	44.2%	45.7%	46.5%
Staff and Administrators										
Full-Time	342	338	333	353	342	332	334	325	326	317
Part-Time	55	98	93	93	58	70	64	108	53	57
Total	397	436	426	446	400	402	398	433	379	374
Percent:										
Full-Time	86.1%	77.5%	78.2%	79.1%	85.5%	82.6%	83.9%	75.1%	86.0%	84.8%
Part-Time	13.9%	22.5%	21.8%	20.9%	14.5%	17.4%	16.1%	24.9%	14.0%	15.2%
Students per Full-time Faculty	34	37	38	40	42	45	40	38	37	34
Students per Full-Time Staff Member	20	22	23	25	26	34	26	26	29	26
Average Annual Faculty Salary	\$ 80,728	75,746	72,554	70,135	69,688	65,485	66,018	66,392	64,162	62,021

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

Student Classification	Fall 2022		Fall 2021		Fall 2020		Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	4,265	61.70%	2,675	36.09%	4,603	59.45%	5,439	62.48%	5,572	62.22%	5,417	61.00%	5,027	57.18%	4,547	54.75%	4,418	53.27%	4,498	52.58%
Sophomore	1,589	22.99%	1,056	14.25%	1,954	25.24%	1,984	22.79%	2,042	22.80%	2,086	23.49%	2,204	25.07%	2,271	27.34%	2,249	27.12%	2,450	28.64%
Unclassified	1,058	15.31%	3,682	49.67%	1,185	15.31%	1,282	14.73%	1,341	14.97%	1,377	15.51%	1,560	17.75%	1,487	17.90%	1,627	19.62%	1,607	18.78%
Total	6,912	100.00%	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%
Semester Hour Load																				
Less than 3	36	0.52%	64	0.86%	43	0.56%	44	0.51%	38	0.42%	47	0.53%	66	0.75%	61	0.73%	43	0.52%	73	0.85%
3-5 semester hours	1,322	19.13%	1,315	17.74%	1,856	23.97%	1,908	21.92%	1,994	22.27%	1,861	20.96%	1,767	20.10%	1,615	19.45%	1,493	18.00%	1,364	15.94%
6-8 Semester hours	1,628	23.55%	1,874	25.28%	2,015	26.03%	2,205	25.33%	2,078	23.20%	1,923	21.66%	1,958	22.27%	1,773	21.35%	1,703	20.53%	1,771	20.70%
9-11 semester hours	1,207	17.46%	1,225	16.53%	1,674	21.62%	1,802	20.70%	1,507	16.83%	1,569	17.67%	1,531	17.42%	1,401	16.87%	1,489	17.95%	1,501	17.55%
12-14 semester hours	2,252	32.58%	2,442	32.94%	1,864	24.08%	2,349	26.98%	2,840	31.71%	2,934	33.04%	2,895	32.93%	2,817	33.92%	2,952	35.59%	3,202	37.43%
15-17 semester hours	413	5.98%	456	6.15%	260	3.36%	348	4.00%	445	4.97%	488	5.50%	507	5.77%	558	6.72%	535	6.45%	544	6.36%
18 & over	54	0.78%	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%
Total	6,912	100.00%	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%
Average course load		8.2		9.0		8.2		8.79		9.6		9.6		9		9.2		9.4		9.6
Tuition Status																				
Texas Resident (in-District)	5,406	78.21%	5,721	77.18%	5,879	75.94%	6,894	79.20%	7,411	82.76%	7,229	81.41%	7,145	81.28%	6,518	82.05%	6,528	82.24%	6,768	82.97%
Texas Resident (out-of-District)	1,278	18.49%	1,374	18.54%	1,289	16.65%	1,519	17.45%	1,235	13.79%	1,336	15.05%	1,362	15.49%	1,230	15.48%	1,224	15.42%	1,209	14.82%
Non-Resident Tuition	228	3.30%	318	4.29%	574	7.41%	292	3.35%	309	3.45%	315	3.55%	284	3.23%	196	2.47%	186	2.34%	180	2.21%
Total	6,912	100.00%	7,413	100.00%	7,742	100.00%	8,705	100.00%	8,955	100.00%	8,880	100.00%	8,791	100.00%	7,944	100.00%	7,938	100.00%	8,157	100.00%

McLennan County Junior College District
Student Profile

Last Ten Fiscal Years
(Unaudited)

Gender	Fall 2022		Fall 2021		Fall 2020		Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	4,680	67.71%	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%
Male	2,232	32.29%	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%
Total	6,912	100.00%	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%
Ethnic Origin																				
White	3,146	45.52%	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%
Hispanic	861	12.46%	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%
African American	2,384	34.49%	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%
Asian	115	1.66%	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%
Foreign	3	0.04%	39	0.53%	3	0.04%	-	0.00%	-	0.00%	1	0.01%	-	0.00%	4	0.05%	2	0.02%	11	0.13%
Native Hawaiian	4	0.06%	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%
American Indian	47	0.68%	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%
Multiracial	261	3.78%	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%
Unknown/unreported	91	1.32%	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%
Total	6,912	100.00%	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%
Age																				
Under 18	1,737	25.13%	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%
18 - 21	2,630	38.05%	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%
22 - 24	699	10.11%	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%
25 - 35	1,168	16.90%	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%
36 - 50	559	8.09%	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%
51 & over	119	1.72%	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%
Total	6,912	100.00%	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%
Average Age	23		23		23		23		24		24		24		24		25		25	

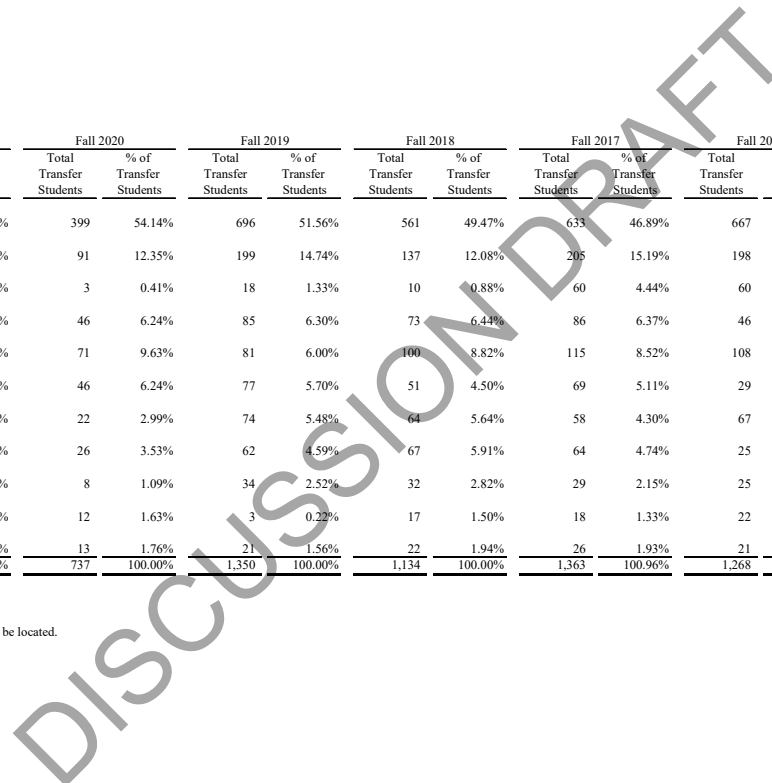
McLennan County Junior College District
Student Transfers to Senior Institutions

Last Ten Fiscal Years
(Unaudited)

	Fall 2022		Fall 2021		Fall 2020		Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013	
	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	521	43.67%	110	71.43%	399	54.14%	696	51.56%	561	49.47%	633	46.89%	667	58.82%	655	48.06%	411	32.41%	427	31.70%
Texas A&M University	193	16.18%	14	9.09%	91	12.35%	199	14.74%	137	12.08%	205	15.19%	198	17.46%	182	13.35%	133	10.49%	132	9.80%
Texas Tech University	126	10.56%	2	1.30%	3	0.41%	18	1.33%	10	0.88%	60	4.44%	60	5.29%	53	3.89%	98	7.73%	99	7.35%
Texas State University	49	4.11%	4	2.60%	46	6.24%	85	6.30%	73	6.44%	86	6.37%	46	4.06%	88	6.46%	81	6.39%	66	4.90%
UT Arlington	92	7.71%	17	11.04%	71	9.63%	81	6.00%	100	8.82%	115	8.52%	108	9.52%	102	7.48%	58	4.57%	64	4.75%
UT Austin	64	5.36%	1	0.65%	46	6.24%	77	5.70%	51	4.50%	69	5.11%	29	2.56%	74	5.43%	61	4.81%	61	4.53%
University of North Texas	53	4.44%	5	3.25%	22	2.99%	74	5.48%	64	5.64%	58	4.30%	67	5.91%	58	4.26%	56	4.42%	56	4.16%
Sam Houston State University	45	3.77%	1	0.65%	26	3.53%	62	4.59%	67	5.91%	64	4.74%	25	2.20%	58	4.26%	47	3.71%	55	4.08%
Stephen F. Austin State University	17	1.42%	-	0.00%	8	1.09%	34	2.52%	32	2.82%	29	2.15%	25	2.20%	34	2.49%	22	1.74%	32	2.38%
University of Houston	15	1.26%	-	0.00%	12	1.63%	3	0.22%	17	1.50%	18	1.33%	22	1.94%	21	1.54%	12	0.95%	-	0.00%
University of Texas--San Antonio	18	1.51%	-	0.00%	13	1.76%	21	1.56%	22	1.94%	26	1.93%	21	1.85%	22	1.63%	12	0.95%	20	1.48%
Totals	1,193	100.00%	154	100.00%	737	100.00%	1,350	100.00%	1,134	100.00%	1,363	100.96%	1,268	111.82%	1,347	98.85%	991	78.15%	1,012	75.13%

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

Source: Texas Higher Education Coordinating Board and National Student Clearinghouse



McLennan County Junior College District
Capital Asset Information

Last Ten Fiscal Years
(Unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
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)	32	53	54	60	75	75	75	76	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	3	2	2
Square footage (in thousands)	15	15	15	15	15	15	15	15	15	15
Average daily customers	233	29	29	79	737	747	850	853	926	926
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	3
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	3	4	4	4	4	4	4	4
Light Trucks/Vans	9	8	8	9	9	9	8	8	8	6
SUV's	8	8	9	11	7	8	8	8	9	9
Large Vehicles	3	3	3	3	1	1	2	2	2	2

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

DISCUSSION DRAFT



MCLENNAN
COMMUNITY COLLEGE

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, 2023, 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 6, 2023. 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.

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 6, 2023

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 TEXAS GRANT MANAGEMENT STANDARDS***

The Board of Trustees
McLennan County Junior College District:

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 *Texas 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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal and State 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 *Texas 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 *Texas 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 *Texas 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 *Texas 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.

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 *Texas Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

December 6, 2023

McLennan County Junior College District
Schedule of Findings and Questioned Costs

Year Ended August 31, 2023

(1) Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes x no

Federal and State Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance and the Texas 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	COVID-19 Texas Reskilling Support Fund Grant Program
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
84.425T	COVID-19 Higher Education Emergency Relief Fund - HEERF III- SSARP
TRIO Cluster:	
84.042A	TRIO - Student Support Services
84.047A	TRIO - Upward Bound
84.066A	TRIO - McLennan Education Opportunity Center

Identification of major state programs:

Grant Number(s) Name of State Program or Cluster

Texas Education Opportunity Grant	
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Dollar threshold used to distinguish between type A and type B federal programs: _____ \$971,046

Dollar threshold used to distinguish between type A and type B state programs: _____ \$750,000

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

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

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