

**McLennan County Junior College District**  
Annual Financial Report  
August 31, 2020 and 2019

## **Introductory Section**

# McLennan County Junior College District

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## McLennan County Junior College District

### *Board of Trustees*

	<u>Term Expires</u>
Officers:	
K. Paul Holt - Chairman Waco, Texas	2021
Earl Stinnet, Sr. – Vice Chairman Waco, Texas	2021
Doug McDurham – Secretary Waco, Texas	2023
Members:	
Pauline Chavez, Waco, Texas	2023
Dr. Elizabeth Palacios, Waco, Texas	2025
Ricky Turman, Waco, Texas	2021
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
Drew Canham	Chief of Staff for Equity and Inclusion/Title IX Coordinator
Phil Rhodes	Vice President, Research, Effectiveness and Information Technology
Grayson Meek	Director of Financial Services

## **Financial Section**



## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
McLennan County Junior College District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of McLennan County Junior College District (the District) as of and for the years ended August 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. 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, 2020 and 2019, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of McLennan County Junior College District as of August 31, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, the schedule of the District's proportionate share of the net pension liability on page 59, the schedule of the District's contributions to the Teacher Retirement System of Texas on page 60, the schedule of the District's proportionate share of the net OPEB liability on page 61, and the schedule of the District's contributions to the Employee Retirement System of Texas on page 62 (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Uniform Grant Management Standards* and are also not a required part of the basic financial statements.

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

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2021, 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.

January 8, 2021

## 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, 2020 and 2019. 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 \$9.2 million, \$10.0 million, and \$8.3 million as of August 31, 2020, 2019 and 2018 respectively. Of these amounts, unrestricted net position was (\$47.8) million for 2020, (\$45.4) million for 2019 and (\$44.4) million for 2018. During the current year, the District determined that certain accounts receivable balances were inadvertently excluded from the allowance for doubtful accounts calculation. Accordingly, unrestricted net position at September 1, 2018 has been decreased by \$3,226,523. Accounts receivable, net was decreased by the same amount.
- The District's total net position decreased by approximately \$0.8 million for 2020 and increased by \$1.7 million for 2019 and \$1.8 million for 2018. Of these amounts, unrestricted net position decreased by approximately \$2.4 million for 2020 and \$258,000 for 2018. Unrestricted net position increased by approximately \$1.0 million for 2019.
- The total assessed value of property increased by approximately \$1.8 billion or 7.6% from 2019 to 2020, by \$2.0 billion or 9.5% from 2018 to 2019, and by \$519.3 million or 2.5% from 2017 to 2018.
- Capital assets (net) increased by approximately \$1.0 million in 2020, and decreased by \$1.6 million in 2019 and \$2.9 million in 2018.
- Bonds decreased by approximately \$4.5 million in 2020, increased by approximately \$2.6 million in 2019, and decreased by approximately \$4.1 million in 2018.

**Financial and Enrollment Highlights** (continued)

- During 2020 the unduplicated head count of credit students decreased by 963 students, and contact hours decreased by approximately 216,160 hours. During 2019, the unduplicated head count of credit students decreased by 250 students, and contact hours decreased by approximately 99,832 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 Statement of Net Position**  
(In Thousands)

	2020	2019	2018	Increase (Decrease)	
				2019 to 2020	2018 to 2019
<b>Assets</b>					
Current assets	\$ 30,612	35,383	31,801	(4,771)	3,582
Noncurrent assets:					
Capital assets, net of depreciation	123,967	122,978	124,561	989	(1,583)
Total assets	154,579	158,361	156,362	(3,782)	1,999
<b>Deferred outflows of resources</b>	<b>24,974</b>	<b>21,022</b>	<b>6,356</b>	<b>3,952</b>	<b>14,666</b>
<b>Liabilities</b>					
Current liabilities	19,770	19,974	22,897	(204)	(2,923)
Noncurrent liabilities	135,204	132,055	120,701	3,149	11,354
Total liabilities	154,974	152,029	143,598	2,945	8,431
<b>Deferred inflows of resources</b>	<b>15,386</b>	<b>17,360</b>	<b>10,797</b>	<b>(1,974)</b>	<b>6,563</b>
<b>Net Position</b>					
Net investment in capital assets	51,211	45,097	49,289	6,114	(4,192)
Restricted, expendable	5,797	10,317	3,444	(4,520)	6,873
Unrestricted	(47,815)	(45,420)	(44,410)	(2,395)	(1,010)
Total net position	\$ 9,193	9,994	8,323	(801)	1,671

**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 decreased by \$3.8 million from 2019 to 2020. Cash and cash equivalents decreased by \$4.8 million as explained below in the "Statement of Cash Flow" section. There were approximately \$5.6 million in capital assets added during 2020. The largest of these was the Business and Technology building renovations. Depreciation expense of \$4.5 million was incurred which resulted in a \$1.0 million increase in total capital assets, net of depreciation. Total assets increased by \$2.1 million from 2018 to 2019. There were approximately \$2.5 million in capital assets added during 2019. The largest of these for the Cosmetology renovations in the Community Services Center, Student Services building renovations, and the Business and Technology building renovations. Depreciation expense of \$4.1 million was incurred which resulted in a net decrease of \$1.6 million to capital assets, net of depreciation.

Total deferred outflows of resources increased by approximately \$4.0 from 2019 to 2020. Total deferred outflows of resources increased by approximately \$14.7 million from 2018 to 2019. These outflows for 2020 and 2019 include deferred charges on the 2015 and 2017 Refunding Bonds, changes in pension contributions, changes in assumptions, differences between projected and actual earnings, and differences between expected and actual economic experience of the pension and OPEB plans.

Total liabilities increased by approximately \$2.9 million from 2019 to 2020. Principal payments on bonds approximated \$4.5 million in 2020. The District's net pension liability increased approximately \$0.5 million and the net OPEB liability increased approximately \$8.3 million from 2019 to 2020. Additionally, the District recognized \$0.8 million more in accrued liabilities due to the timing of payments at year end. Total liabilities increased by approximately \$8.4 million from 2018 to 2019. Principal payments on bonds approximated \$4.1 million in 2019. The District issued \$6.6 million in revenue bonds in April 2019 to renovate the Business and Technology Building. The District's net pension liability increased by approximately \$6.7 million and the net OPEB liability increased approximately \$2.9 million from 2018 to 2019. Additionally, the District recognized \$2.7 million less in accrued liabilities due to the timing of payments at year end.

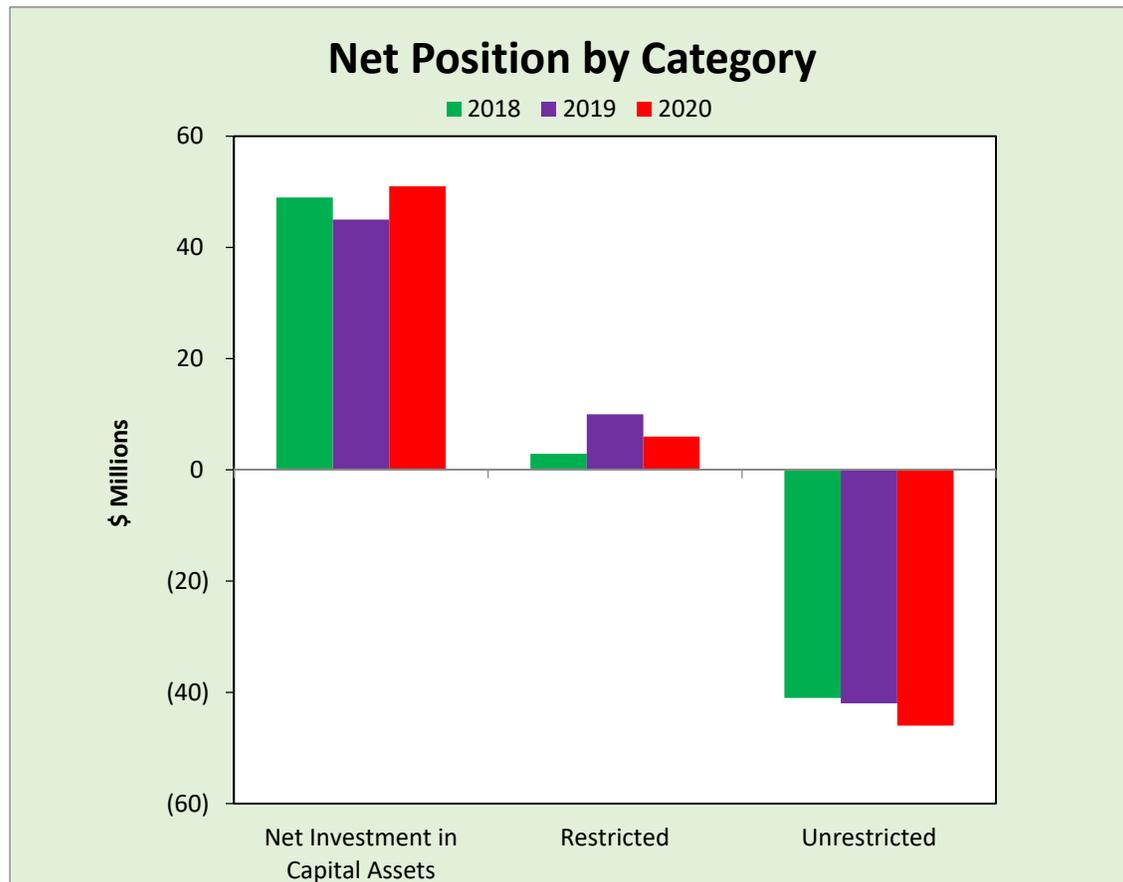
Total deferred inflows of resources decreased by approximately \$2.0 million from 2019 to 2020. Total deferred inflows of resources increased by approximately \$6.6 million from 2018 to 2019. These deferred inflows include deferred gains on bond refundings, differences between projected and actual investment earnings, differences between expected and actual economic experience, changes in assumptions and changes in proportion and differences in District contributions to the

**Statement of Net Position** (continued)

pension and OPEB plans.

Of the \$9.1 million in net position in 2020, approximately \$51.2 million is net investment in capital assets. This is an increase of \$6.1 million from 2019. Net position in 2019 related to net investment in capital assets decreased \$4.2 million from 2018 to 2019.

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

The following table reflects a summary of the Statement of Revenues, Expenses and Changes in Net Position for the years ended August 31, 2020, 2019 and 2018. This summary indicates the operating loss and the overall increase in net position for each of the years displayed.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues:			
Tuition and fees, net	\$ 12,672	13,454	13,493
Other	1,318	1,556	1,536
	<u>13,990</u>	<u>15,010</u>	<u>15,029</u>
Operating expenses:			
Instruction	34,173	32,987	33,616
Public service	2,097	2,265	2,186
Academic support	3,132	2,871	2,743
Student services	8,149	5,270	4,912
Institutional support	12,955	10,797	10,074
Operation and maintenance of plant	6,724	5,774	5,770
Scholarships and fellowships	9,738	9,895	9,840
Auxiliary enterprises	2,372	2,546	2,006
Depreciation	4,529	4,118	4,275
	<u>83,869</u>	<u>76,523</u>	<u>75,422</u>
Operating loss	<u>(69,879)</u>	<u>(61,513)</u>	<u>(60,393)</u>
Non-operating revenues (expenses):			
State appropriations	17,761	17,139	18,241
Ad valorem taxes	27,463	25,823	24,226
Grants and contracts	26,015	22,141	22,004
Interst on debt	(2,693)	(2,545)	(2,414)
Other	532	626	95
	<u>69,078</u>	<u>63,184</u>	<u>62,152</u>
Increase (decrease) in net position	<u>\$ (801)</u>	<u>1,671</u>	<u>1,759</u>

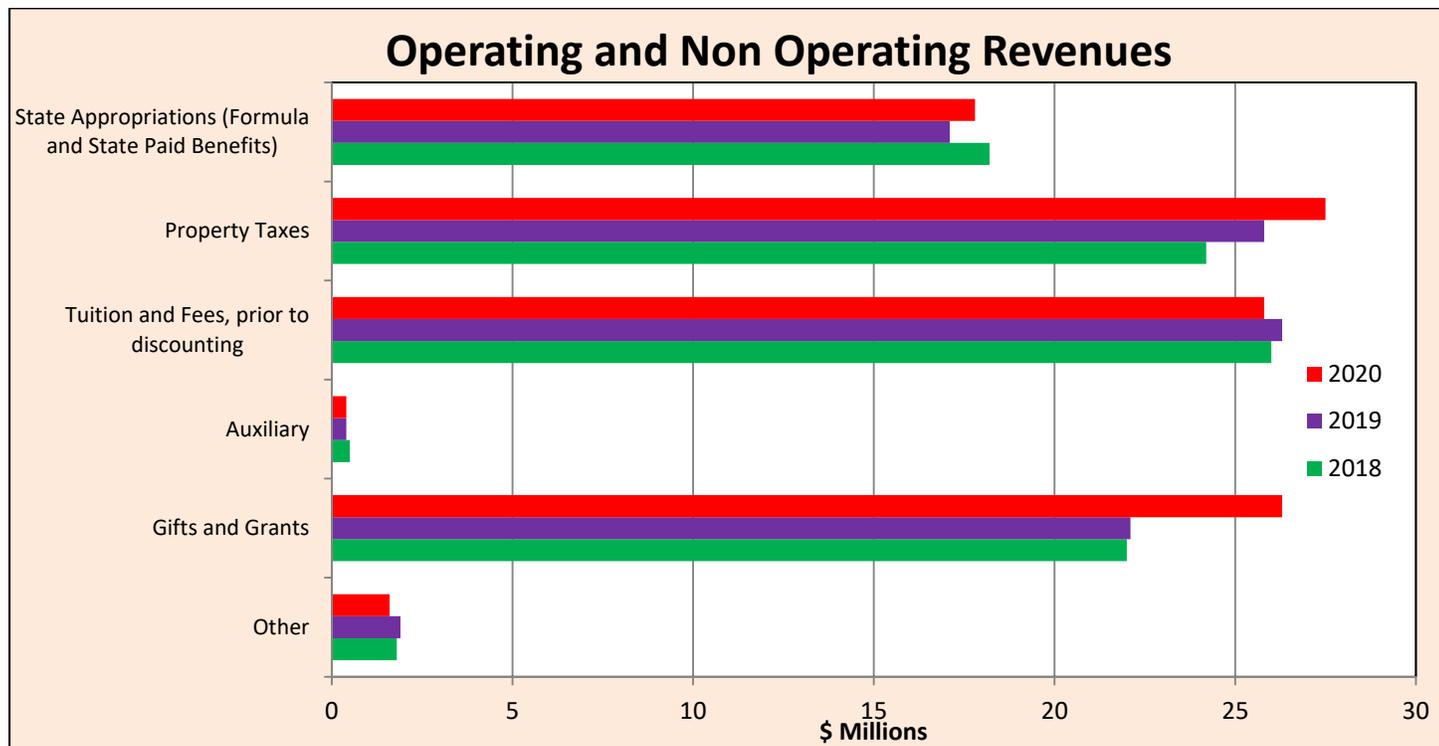
## **Operating and Non-operating Revenues**

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

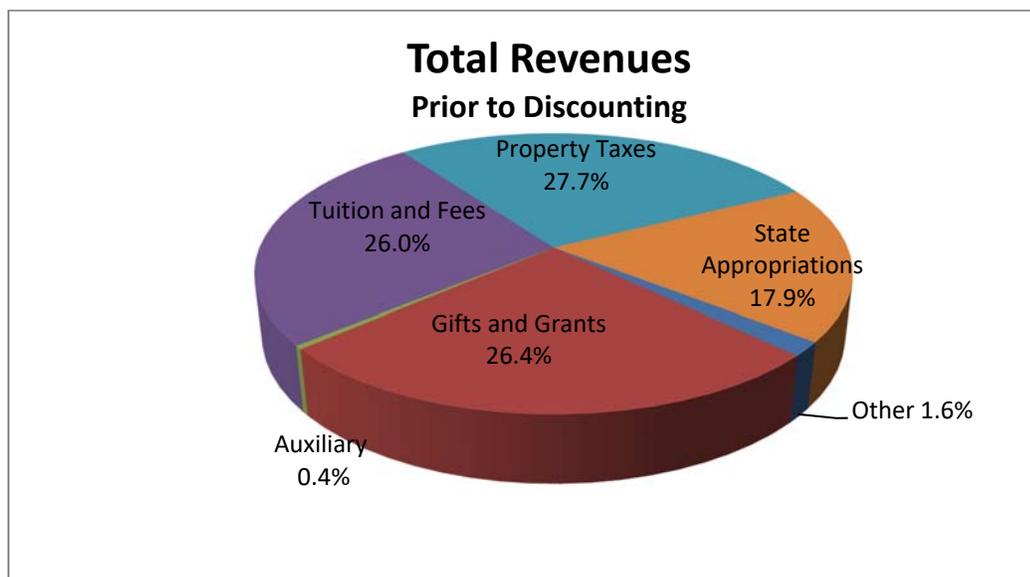
- Gross tuition and fee revenue for 2020 was \$25.8 million and decreased from 2019 amounts by approximately \$0.5 million or 2%. Credit tuition increased by approximately \$0.1 million, and state funded continuing education tuition decreased by \$0.2 million. Tuition rates remained the same in 2020 and the general fee increased from \$3 to \$10 per hour starting in Summer I. Gross tuition and fee revenue for 2019 was \$26.3 million and increased from 2018 amounts by approximately \$0.2 million or 1%. Credit tuition increased by approximately \$0.3 million, and state funded continuing education tuition decreased by \$0.2 million. Tuition and fee rates remained the same in 2019. During 2018, the District generated a gross total of \$26.0 million in tuition and fees charged to credit and non-credit students attending classes at the District.
- State appropriated revenue for 2020 was \$17.8 million which was an increase of \$0.6 million from 2019. Of the total increase, \$0.5 million represents the portion of pension and OPEB expense that was recognized by the State of Texas on behalf of the District. The remaining increase is the result of additional amounts paid by the State for insurance premiums on behalf of the District and an increase for state appropriations as determined by the legislature. State appropriated revenue for 2019 was \$17.1 million which was \$1.1 million less than 2018. State appropriated revenue for 2018 was \$18.2 million.
- Property tax revenue was \$27.5 million in 2020 which exceeded the prior year by approximately \$1.6 million or 6.4%. Tax revenue was \$25.8 million in 2019 which exceeded the prior year by approximately \$1.6 million, or 6.0%. Tax revenue for 2018 was \$24.2 million. The combined tax rate was \$0.147696 per \$100 of valuation for 2020 and 2019. Assessed taxable property values continue to increase each year resulting in increases to revenues.
- Revenues from gifts, grants and contracts are not consistent from year to year, as private funds are given for specific purposes and many governmental grants are non-recurring. In 2020 federal Pell grants were \$16.6 million which was a decrease of \$0.1 million from 2019. Federal Pell grants were \$16.7 million in 2019 and 2018.
- State grants in 2020 were \$1.1 million and decreased by approximately \$0.4 million from 2019 to 2020 based on reductions in the Skills Development grants. There was a decrease of approximately \$0.5 million from 2018 to 2019. State grants were \$2.0 million in 2018.

The following presentation graphically displays revenue trends.

**Operating and Non-operating Revenues** (continued)

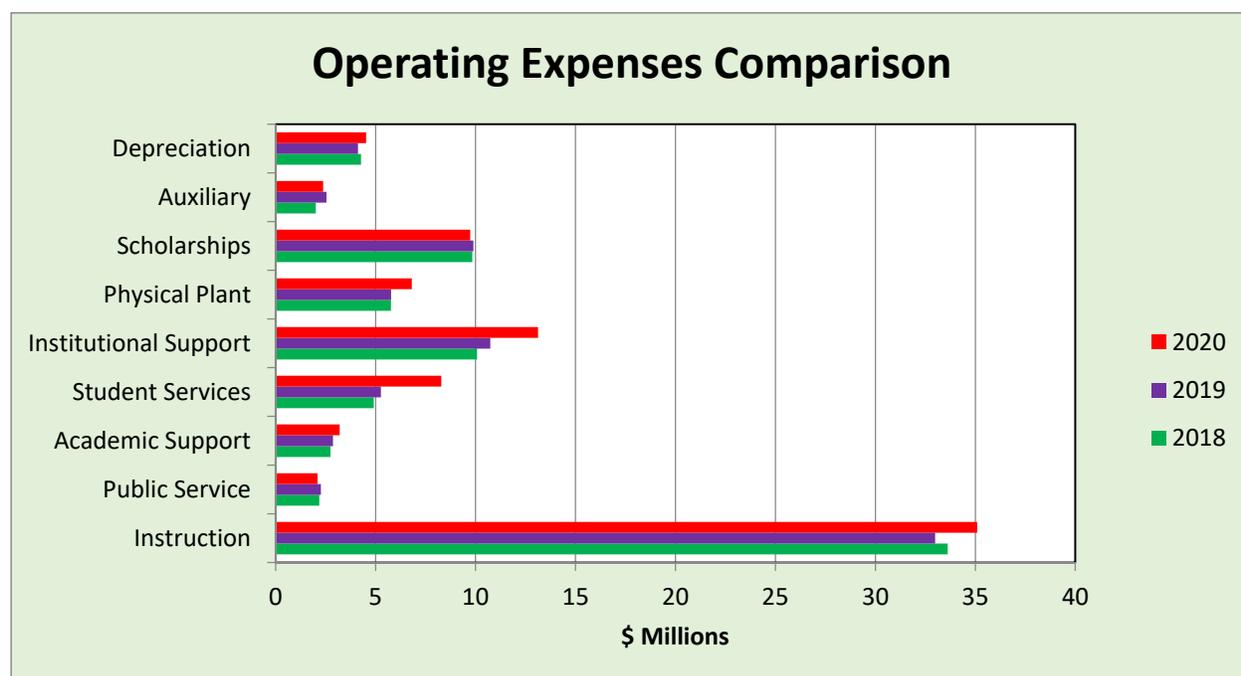


The following chart reflects revenues from all sources for 2020. For purposes of this presentation, tuition and fees revenues are shown prior to scholarship discounts. The Statements of Revenues, Expenses and Changes in Net Position reflect these revenues net of scholarships.



## 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 2020 expenses compared to the 2019 and 2018 expenses.



Total operating expenses for 2020 increased by approximately \$7.4 million. Total pension and OPEB expenses for the year were \$5.2 million which included the district's portion of plan expenses as well as amounts incurred by the State of Texas on behalf of the District and were recorded as a result of changes in assumptions in the respective liabilities. The remaining increase was due to increase in depreciation expense and instruction expenses. Total operating expenses were \$76.5 million for 2019, an increase of approximately \$1.0 million from 2018. Total pension and OPEB expenses for 2019 were \$2.0 million. Total operating expenses were \$75.4 million in 2018.

## Statement of Cash Flows

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

**Statement of Cash Flows** (continued)**Condensed Statements of Cash Flows**  
(In Thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents provided by (used in):			
Operating activities	\$ (57,148)	(54,474)	(46,046)
Noncapital financing activities	59,642	53,979	53,734
Capital and related financing activities	(7,642)	3,039	(3,503)
Investing activities	<u>383</u>	<u>503</u>	<u>(149)</u>
Changes in cash and cash equivalents	<u>\$ (4,765)</u>	<u>3,047</u>	<u>4,036</u>

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

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

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

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

**Capital Assets and Debt Administration**

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

**Schedule of Capital Assets**  
(In Thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land	\$ 6,815	6,808	6,808
Library books	2,780	3,408	3,326
Construction in progress	-	1,069	-
Buildings	147,445	142,177	142,177
Improvements	28,655	28,188	27,011
Furniture, equipment and vehicles	<u>8,565</u>	<u>8,037</u>	<u>7,929</u>
	<u>\$ 194,260</u>	<u>189,687</u>	<u>187,251</u>

### **Capital Assets and Debt Administration** (continued)

Capital asset additions totaled \$5.6 million and \$2.5 million in 2020 and 2019, respectively. The major addition in 2020 was the Business and Technology building renovation project. Depreciation expense of \$4.5 million was incurred in 2020. Major additions in 2019 included renovation projects in the Cosmetology Department located in the Community Service Center, Student Services building, and the Business and Technology building. Depreciation expense of \$4.1 million was incurred in 2019. Major additions in 2018 were a chiller update, restroom renovations in the Music and Theatre Arts building and the Highlander Gym, and renovations to the stallion barn at the Highlander Ranch. Depreciation expense of \$4.3 million was incurred in 2018.

The District had outstanding debt of approximately \$69.7 million and \$74.2 million as of August 31, 2020 and 2019, respectively.

#### **Schedule of Outstanding Debt**

(In Thousands)

	2020	2019	2018
General obligation bonds	\$ 52,080	55,350	58,460
Revenue bonds	17,600	18,875	13,190
	<u>\$ 69,680</u>	<u>74,225</u>	<u>71,650</u>

For additional information concerning capital assets and debt administration, see Notes 6 and 7 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 26% of the District's total (operating and non-operating) revenue, while state appropriations and local taxes account for 18% and 28%, respectively. The District expects state funding to continue to decline and has several options to address this trend. 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 7,700 students during the fall 2020 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 has also started a Strategic Enrollment Management committee with various subcommittees to look at ways to increase enrollment. Strategies will be developed to implement with the hopes to increase enrollment for Spring 2021.

**Economic Factors That Will Affect the Future** (continued)

The District has one of the lower maintenance and operations tax rates with a current rate of \$0.121741 per \$100 valuation. The District is ranked in the bottom half of the 50 community college districts in terms of tax rates. The District has the authority to raise its tax rate to as much as \$0.25 cents per \$100 valuation. Consequently, the District has considerable capability to offset declining state funds with tax increases as long as the Legislature does not reduce the cap on annual tax revenue increases (currently set at 8 %).

Declining state funds and a change in the student enrollment represent potential challenges for Texas community colleges. Currently there is a decrease in overall enrollment experienced by nearly all community colleges in Texas. For fall 2020, total enrollment was down 10%. 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 Summer 2021.

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

Beginning in the 2018-19 biennium, the funding model of Texas community colleges was adjusted to allocate \$680,406 for core operations and 12% of the remaining appropriations on the basis of student success points and 88% on contact hours. This was an overall increase in funding. The District was actively engaged in the development of the new model. For the 2020-21 biennium, success point funding has continued to be based on changes in total success points for each district.

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. This year has been particularly challenging with the COVID-19 pandemic, which has impacted the enrollment and finances of the District. The District was able to use CARES Act 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.

## McLennan County Junior College District

### Statements of Net Position (Exhibit 1)

August 31, 2020 and 2019

<u>Assets</u>	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2020	2019	2020	2019
<b>Current assets:</b>				
Cash and cash equivalents	\$ 12,075,788	12,549,819	179,769	398,866
Accounts receivable, net	13,578,153	13,460,447	256,202	271,812
Prepaid expenses	239,839	351,310	803	35,589
Restricted cash and cash equivalents	4,715,012	9,006,348	-	-
Inventories	3,431	14,670	-	-
Property held for sale	-	-	405,934	-
Total current assets	30,612,223	35,382,594	842,708	706,267
<b>Noncurrent assets:</b>				
Restricted cash, cash equivalents, and investments	-	-	23,909,368	20,988,427
Capital assets, net	123,966,758	122,978,253	-	-
Other assets	-	-	22,534	39,364
Total noncurrent assets	123,966,758	122,978,253	23,931,902	21,027,791
Total assets	154,578,981	158,360,847	24,774,610	21,734,058
<b><u>Deferred Outflows of Resources</u></b>				
Deferred outflows of resources	24,973,659	21,022,373	-	-
<b><u>Liabilities</u></b>				
<b>Current liabilities:</b>				
Accounts payable	1,661,936	1,774,408	21,766	96,271
Accrued liabilities	4,100,004	3,342,651	-	-
Funds held for others	117,906	202,887	-	-
Unearned revenue	9,145,176	10,109,184	-	-
Bonds payable - current portion	4,745,000	4,545,000	-	-
Total current liabilities	19,770,022	19,974,130	21,766	96,271
<b>Noncurrent liabilities:</b>				
Bonds payable	70,609,480	76,219,797	-	-
Net pension liability	16,048,584	15,561,725	-	-
Net OPEB liability	48,545,614	40,273,748	-	-
Total noncurrent liabilities	135,203,678	132,055,270	-	-
Total liabilities	154,973,700	152,029,400	21,766	96,271
<b><u>Deferred Inflows of Resources</u></b>				
Deferred inflows of resources	15,385,965	17,359,721	-	-
<b><u>Net Position</u></b>				
<b>Net position:</b>				
Net investment in capital assets	51,210,723	45,097,276	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	10,690,157	10,298,471
Other	-	-	831,751	830,977
Expendable:				
Scholarships and fellowships	1,480,214	1,606,771	12,791,107	10,100,207
Debt service	3,160,908	2,686,882	-	-
Other	1,156,486	6,023,269	394,366	362,334
Unrestricted	(47,815,356)	(45,420,099)	45,463	45,798
Total net position	\$ 9,192,975	9,994,099	24,752,844	21,637,787

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, 2020 and 2019

	McLennan County		Component Unit	
	Junior College District		McLennan Community College Foundation	
	2020	2019	2020	2019
<b>Operating revenues:</b>				
Tuition and fees (net of scholarship allowances and discounts of \$13,093,587 and \$12,826,087, respectively)	\$ 12,671,608	13,453,670	-	-
Gifts	-	-	1,628,655	1,236,428
Sales and services of educational activities	878,283	1,015,863	-	-
Auxiliary enterprises	353,871	403,484	-	-
Other operating revenues	85,803	137,057	-	-
Total operating revenues	<u>13,989,565</u>	<u>15,010,074</u>	<u>1,628,655</u>	<u>1,236,428</u>
<b>Operating expenses:</b>				
Instruction	34,173,142	32,987,202	-	-
Public service	2,096,889	2,264,847	-	-
Academic support	3,132,142	2,870,689	-	-
Student services	8,149,337	5,269,865	-	-
Institutional support	12,954,508	10,797,337	599,323	587,255
Operation and maintenance of plant	6,724,070	5,773,536	55,537	52,465
Scholarships and fellowships	9,738,166	9,895,348	480,279	434,681
Auxiliary enterprises	2,372,153	2,546,354	-	-
Depreciation	4,528,888	4,118,138	-	-
Total operating expenses	<u>83,869,295</u>	<u>76,523,316</u>	<u>1,135,139</u>	<u>1,074,401</u>
Operating income (loss)	<u>(69,879,730)</u>	<u>(61,513,242)</u>	<u>493,516</u>	<u>162,027</u>
<b>Nonoperating revenues (expenses):</b>				
State appropriations	17,761,073	17,138,675	-	-
Ad valorem taxes for maintenance and operations	21,809,084	20,175,004	-	-
Ad valorem taxes for debt service	5,654,307	5,648,591	-	-
Federal grants and contracts	24,774,086	20,420,431	-	-
State grants and contracts	1,044,692	1,487,941	-	-
Local grants and contracts	196,061	232,828	-	-
Investment income	313,724	479,285	2,621,541	706,057
Gifts	255,065	298,883	-	-
Interest on capital asset-related debt	(2,692,812)	(2,545,478)	-	-
Other nonoperating revenues (expenses), net	(36,674)	(152,029)	-	-
Net nonoperating revenues	<u>69,078,606</u>	<u>63,184,131</u>	<u>2,621,541</u>	<u>706,057</u>
Increase (decrease) in net position	<u>(801,124)</u>	<u>1,670,889</u>	<u>3,115,057</u>	<u>868,084</u>
Net position - beginning of year, as previously reported	9,994,099	11,549,733	21,637,787	20,769,703
Prior period adjustment	-	(3,226,523)	-	-
Net position - beginning of year, as restated	<u>9,994,099</u>	<u>8,323,210</u>	<u>21,637,787</u>	<u>20,769,703</u>
Net position - end of year	<u>\$ 9,192,975</u>	<u>9,994,099</u>	<u>24,752,844</u>	<u>21,637,787</u>

See accompanying notes to the financial statements.

**McLennan County Junior College District**

Statements of Cash Flows  
(Exhibit 3)

Years Ended August 31, 2020 and 2019

	Primary Government	
	2020	2019
<b>Cash flows from operating activities</b>		
Receipts from students and other customers:		
Tuition and fees	\$ 12,596,151	13,818,475
Auxiliary enterprises and educational activities	1,076,471	942,019
Receipts from third-party student loans	9,633,351	9,777,378
Other receipts	85,803	137,057
Loans issued to students	(9,633,351)	(9,777,378)
Payments to employees	(38,738,520)	(37,438,212)
Payments to suppliers and students	(32,167,810)	(31,933,502)
Net cash used in operating activities	(57,147,905)	(54,474,163)
<b>Cash flows from noncapital financing activities</b>		
Receipts of state appropriations	12,535,089	12,379,835
Receipts from ad valorem taxes for maintenance and operation	25,173,548	19,995,199
Receipts of grants and contracts	21,672,086	21,304,275
Receipts from gifts for other than capital purposes	261,646	299,473
Net cash provided by noncapital financing activities	59,642,369	53,978,782
<b>Cash flows from capital and related financing activities</b>		
Receipts from ad valorem taxes for debt service	5,627,912	5,604,039
Proceeds from issuance of capital related debt	-	7,152,882
Purchases of capital assets	(5,522,081)	(2,534,762)
Payments on capital debt principal	(4,545,000)	(4,025,000)
Payments on capital debt interest	(3,266,495)	(3,157,984)
Other receipts	63,000	-
Net cash provided by (used in) capital and related financing activities	(7,642,664)	3,039,175
<b>Cash flows from investing activities</b>		
Receipts from interest on investments	382,833	502,887
Net cash provided by investing activities	382,833	502,887
Net increase (decrease) in cash and cash equivalents	(4,765,367)	3,046,681
Cash and cash equivalents - beginning of year	21,556,167	18,509,486
Cash and cash equivalents - end of year	\$ 16,790,800	21,556,167
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (69,879,730)	(61,513,242)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	4,528,888	4,118,138
On-behalf payments	5,225,984	4,758,840
Contributions in excess of pension and OPEB expense	2,550,386	1,160,760
Change in assets and liabilities:		
Receivables, net	658,098	147,273
Inventories	11,239	2,749
Prepaid expenses	111,471	(11,683)
Accounts payable	(112,472)	(92,109)
Accrued liabilities	647,469	(2,785,093)
Funds held for others	(84,981)	65,628
Unearned revenue	(804,257)	(325,424)
Net cash used in operating activities	\$ (57,147,905)	(54,474,163)
<b>Noncash capital, financing and investing activities:</b>		
State appropriations on-behalf payments	\$ 5,225,984	4,758,840

See accompanying notes to the financial statements.

## McLennan County Junior College District

### Notes to Financial Statements

August 31, 2020 and 2019

(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, 2020 and 2019, the Foundation expended \$757,596 and \$704,597, 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 District**Notes to Financial Statements  
(Continued)(2) Summary of Significant Accounting Policies(a) Basis of Accounting

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

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

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

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. Encumbrances outstanding at year-end that were provided for in the subsequent year's budget are reported as designations of net position since they do not constitute expenditures or liabilities.

(c) Scholarship Allowances and Discounts

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

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

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

**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 \$1,270,423 and \$270,397 at August 31, 2020 and 2019, 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 and 2015 limited tax bonds payable and 2009, 2010, 2017, and 2019 revenue bonds payable at August 31, 2020 and 2019.

(e) Investments

Investments are reported at fair value, except for money market funds and participating interest-earning investment contracts that mature within one year of the date of their acquisition and nonparticipating investment contracts which are stated at cost. Fair values are based on published market prices. 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, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
<b>Deferred Outflows</b>		
Deferred charges on bond refundings	\$ 2,789,601	3,115,938
Pension related:		
Contributions subsequent to measurement date	1,222,284	1,046,048
Changes in assumptions	4,979,059	5,610,751
Change in proportionate contributions	1,145,932	392,528
Differences between projected and actual investment earnings, net	161,147	-

**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)

	2020	2019
Differences between expected and actual economic experience	\$ 67,418	96,999
OPEB related:		
Contributions subsequent to measurement date	1,992,046	1,189,289
Changes in assumptions	3,454,733	-
Changes in proportion and differences between District contributions and proportionate share of contributions	9,141,481	9,551,748
Differences between projected and actual investment earnings	19,958	19,072
	\$ 24,973,659	21,022,373
 <b>Deferred Inflows</b>		
Deferred gains on bond refundings	\$ 191,155	232,117
Pension related:		
Changes in assumptions	2,057,583	175,336
Changes in proportion and differences between District contributions and proportionate share of contributions	468,691	686,651
Differences between expected and actual economic experience	557,232	381,823
Differences between projected and actual investment earnings, net	-	295,272
OPEB related:		
Changes in assumptions	10,848,104	14,113,022
Differences between expected and actual economic experience	1,263,200	1,475,500
	\$ 15,385,965	17,359,721

**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, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Tuition and fees	\$ 8,771,975	9,547,964
Federal grants	93,486	131,930
Scholarships	214,566	242,834
State grants	<u>65,149</u>	<u>186,456</u>
	<u>\$ 9,145,176</u>	<u>10,109,184</u>

(j) Pensions

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

(k) Other Post-Employment Benefits (OPEB)

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

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

(2) Summary of Significant Accounting Policies (continued)

(1) Use of Estimates

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

(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.

(4) Deposits and Investments

Deposits and investments of the District at August 31, 2020 and 2019 consist of the following:

<u>Deposits</u>	<u>2020</u>	<u>2019</u>
Cash - demand deposits	\$ 15,517,608	3,215,175
Cash - certificates of deposit	-	18,068,340
Cash - petty cash on hand	2,769	2,255
Total deposits	<u>15,520,377</u>	<u>21,285,770</u>

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

(4) Deposits and Investments (continued)

	<u>2020</u>	<u>2019</u>
<u>Investments - cash equivalents</u>		
Texas TERM Local Government		
Investment Pool	\$ 8,841	8,741
Texas Local Government Investment Pool	1,261,285	261,363
Lone Star Investment Pool	<u>297</u>	<u>293</u>
Total investments-cash equivalents	<u>1,270,423</u>	<u>270,397</u>
Total deposits and investments	<u>\$ 16,790,800</u>	<u>21,556,167</u>

Deposits and investments of the Foundation at August 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
<u>Deposits</u>		
Cash - demand deposits	\$ 79,796	298,893
Cash - certificates of deposit	<u>99,973</u>	<u>99,973</u>
Total deposits	<u>179,769</u>	<u>398,866</u>
<u>Investments</u>		
Funds of a management investment		
company	\$ -	9,471,739
Equity securities	22,222,641	9,516,673
Other investments	<u>1,686,727</u>	<u>2,000,015</u>
Total investments	<u>23,909,368</u>	<u>20,988,427</u>
Total deposits and investments	<u>\$ 24,089,137</u>	<u>21,387,293</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, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Texas Local Government Investment Pool	32	38
TexasTERM Local Government Investment Pool	48	29
Lone Star Investment Pool	54	39

*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, 2020 and 2019, 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, 2020 and 2019 include deposits in the Texas Local Government Investment Pool, TexasTERM Local Government Investment Pool, and Lone Star Investment Pool (collectively, the Pools). These Pools are public funds investment pools created pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to the Pools as custodians and to make investment purchases with the District's funds. The District does not own specific, identifiable investment securities within the Pools.

**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.

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

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

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

*Interest Rate and Credit Risks of McLennan Community College Foundation.* The Foundation has general investment policies to seek reasonable income, preserve capital, and, in general, avoid speculative investments. However, the Foundation does not have a specific policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Also, the Foundation does not have a specific policy to limit the risk that an issuer or other counterparty to its mutual funds will not fulfill its obligations.

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

(5) Disaggregation of Accounts Receivable and Accrued Liabilities

Accounts receivable at August 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Auxiliary and other	\$ 9,468,045	9,444,506
Tuition and fees	6,916,025	7,729,806
Taxes	1,649,095	1,412,292
Federal and state grants	1,607,682	783,840
Interest	-	69,109
	<u>19,640,847</u>	<u>19,439,553</u>
Less allowance for doubtful accounts	<u>(6,062,694)</u>	<u>(5,979,106)</u>
Accounts receivable, net	<u>\$ 13,578,153</u>	<u>13,460,447</u>

Accrued liabilities at August 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Salaries and benefits payable	\$ 938,417	820,012
Claims liability	200,628	200,628
Interest payable	611,779	501,895
Other payables	<u>2,349,180</u>	<u>1,820,116</u>
Accrued liabilities	<u>\$ 4,100,004</u>	<u>3,342,651</u>

(6) Capital Assets

Capital asset activity for the year ended August 31, 2020 was as follows:

	<u>Balance September 1, 2019</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance August 31, 2020</u>
Capital assets not being depreciated:				
Land	\$ 6,807,780	6,990	-	6,814,770
Construction in progress	1,068,815	-	(1,068,815)	-
	<u>7,876,595</u>	<u>6,990</u>	<u>(1,068,815)</u>	<u>6,814,770</u>

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

(6) Capital Assets (continued)

	Balance September 1, 2019	Additions	Transfers and Retirements	Balance August 31, 2020
Capital assets, being depreciated:				
Buildings and building improvements	\$ 142,177,023	4,199,690	1,068,815	147,445,528
Other real estate improvements	28,187,742	511,481	(44,045)	28,655,178
Total buildings and other real estate improvements	170,364,765	4,711,171	1,024,770	176,100,706
Library books	3,408,189	66,865	(695,011)	2,780,043
Furniture and equipment	8,037,474	795,369	(268,158)	8,564,685
Total buildings and other capital assets	181,810,428	5,573,405	61,601	187,445,434
Less accumulated depreciation:				
Buildings and building improvements	\$ 47,314,371	102,725	-	47,417,096
Other real estate improvements	10,452,303	4,303,844	(7,928)	14,748,219
Total buildings and other real estate improvements	57,766,674	4,406,569	-	62,165,315
Library books	2,825,755	32,886	(695,011)	2,163,630
Furniture and equipment	6,116,341	89,433	(241,273)	5,964,501
Total accumulated depreciation	66,708,770	4,528,888	(936,284)	70,293,446
	115,101,658	1,044,517	997,885	117,151,988
Net capital assets	\$ 122,978,253	1,051,507	(70,930)	123,966,758

Capital asset activity for the year ended August 31, 2019 was as follows:

	Balance September 1, 2018	Additions	Transfers and Retirements	Balance August 31, 2019
Capital assets not being depreciated:				
Land	\$ 6,807,780	-	-	6,807,780
Construction in progress	-	1,068,815	-	1,068,815
	6,807,780	1,068,815	-	7,876,595
Capital assets, being depreciated:				
Buildings and building improvements	\$ 142,177,023	-	-	142,177,023
Other real estate improvements	27,011,513	1,176,229	-	28,187,742
Total buildings and other real estate improvements	169,188,536	1,176,229	-	170,364,765
Library books	3,325,735	82,454	-	3,408,189
Furniture and equipment	7,929,366	207,195	(99,087)	8,037,474
Total buildings and other capital assets	180,443,637	1,465,878	(99,087)	181,810,428

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

(6) Capital Assets (continued)

	Balance September 1, 2018	Additions	Transfers and Retirements	Balance August 31, 2019
Less accumulated depreciation:				
Buildings and building improvements \$	43,730,783	3,583,588	-	47,314,371
Other real estate improvements	10,452,303	-	-	10,452,303
Total buildings and other real estate improvements	54,183,086	3,583,588	-	57,766,674
Library books	2,746,971	78,784	-	2,825,755
Furniture and equipment	5,759,662	455,766	(99,087)	6,116,341
Total accumulated depreciation	62,689,719	4,118,138	(99,087)	66,708,770
	117,753,918	(2,652,260)	-	115,101,658
Net capital assets	\$ 124,561,698	(1,583,445)	-	122,978,253

Construction in progress at August 31, 2019 consisted of the Business and Technology building renovations of which \$1,068,815 had been spent to date with a remaining commitment of \$3,884,234. The Business and Technology building renovations were completed during 2020.

(7) Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2020 was as follows:

	Balance September 1, 2019	Additions	Reductions	Balance August 31, 2020	Current Portion
Bonds payable:					
Revenue bonds payable \$	18,875,000	-	1,275,000	17,600,000	1,315,000
Refunding limited tax bonds payable	55,350,000	-	3,270,000	52,080,000	3,430,000
Bond issuance premiums and discounts	6,539,797	-	865,317	5,674,480	-
Net pension liability	15,561,725	1,567,442	1,080,583	16,048,584	-
Net OPEB liability	40,273,748	9,413,938	1,142,068	48,545,614	-
	\$ 136,600,270	10,981,380	7,632,968	139,948,678	4,745,000

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

(7) Long-Term Liabilities (continued)

Long-term liability activity for the year ended August 31, 2019 was as follows:

	Balance September 1, 2018	Additions	Reductions	Balance August 31, 2019	Current Portion
Bonds payable:					
Revenue bonds payable	\$ 13,190,000	6,600,000	915,000	18,875,000	1,275,000
Limited tax bonds payable	-	-	-	-	-
Refunding limited tax bonds payable	58,460,000	-	3,110,000	55,350,000	3,270,000
Bond issuance premiums and discounts	6,841,657	552,882	854,742	6,539,797	-
Net pension liability	8,845,093	7,669,052	952,420	15,561,725	-
Net OPEB liability	37,389,647	13,041,792	10,157,691	40,273,748	-
	<u>\$ 124,726,397</u>	<u>27,863,726</u>	<u>15,989,853</u>	<u>136,600,270</u>	<u>4,545,000</u>

Bonds payable are comprised of the following individual issues:

\$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 book store, cafeteria and vending machine operations, interest earnings and revenues of any revenue-producing facilities acquired or constructed with bond proceeds; no bond reserve fund is required; call year 2027.

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

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

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

(7) Long-Term Liabilities (continued)

\$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.

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

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

\$5,985,000 Revenue Bonds – Series 2009

To acquire, construct, and improve buildings, structures, and facilities, including the construction of a parking garage facility; issued January 15, 2009; all authorized bonds have been issued; due in installments through 2023; secured by tuition revenue; call year 2018. Final principal payments were made on this bond issue during 2020.

Bonds payable are due in annual installments varying from \$80,000 to \$5,535,000 with interest rates from 2% to 5% with the final installment in 2034. Debt service requirements to amortize bonds payable as of August 31, 2020, are as follows:

For the Year Ended August 31,	Revenue Bonds		Tax Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 1,315,000	658,231	3,430,000	2,287,050
2022	1,350,000	626,831	3,600,000	2,118,550
2023	1,395,000	576,431	3,045,000	2,841,550
2024	1,465,000	520,631	3,840,000	1,850,650
2025	1,510,000	462,031	4,005,000	1,691,850
2026-2030	8,415,000	1,456,495	23,305,000	5,762,150
2031-2035	2,150,000	219,400	10,855,000	766,300
	<u>\$ 17,600,000</u>	<u>4,520,050</u>	<u>52,080,000</u>	<u>17,318,100</u>

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

The District has pledged certain future tuition and fees to repay \$17.6 million in revenue bonds issued in 2019, 2017 and 2010. 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 \$22.1 million. Principal and interest paid for the current year and total of pledged tuition and fees were approximately \$2.0 million and \$3.0 million, respectively.

(8) 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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

*Pension Plan Fiduciary Net Position.* Detailed information about TRS's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2019.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2019.pdf), selecting *About TRS* then *Publications*, then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698.

*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

**McLennan County Junior College District**Notes to Financial Statements  
(Continued)(8) Employees' Retirement Plan (continued)

arrive at the annual standard annuity except for members who are grandfathered, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on the date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas legislature as noted in the plan description above.

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

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the State, participating employers and active employees to make the pension fund actuarially sound. Because this action causes the pension fund to be actuarially sound, the Legislature approved funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

*Contributions.* Contribution requirements are established or amended pursuant to Article XVI, Sec. 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation paid to members of the system during the fiscal year.

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

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

(8) Employees' Retirement Plan (continued)

<u>Year</u>	<u>Member</u>		<u>State</u>		<u>District</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2020	7.7%	\$ 1,951,924	7.5%	\$ 535,964	7.5%	\$ 1,901,225
2019	7.7%	1,821,923	6.8%	498,955	6.8%	1,046,048
2018	7.7%	1,630,252	6.8%	458,708	6.8%	931,282

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

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

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

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

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

(8) Employees' Retirement Plan (continued)

*Actuarial Assumptions.* The total pension liability in the August 31, 2019 and 2018 actuarial valuations was determined using the following actuarial assumptions:

	Valuation Date	
	August 31, 2018 rolled forward to August 31, 2019	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual entry age, normal	Individual entry age, normal
Asset valuation method	Market value	5 year market value
Actuarial assumptions:		
Discount rate	7.250%	6.907%
Long-term expected investment rate of return	7.25% (includes inflation of 2.3%)	7.25% (includes inflation of 2.3%)
Salary increases	3.05% to 9.05% (includes inflation of 2.3%)	3.05% to 9.05% (includes inflation of 2.3%)
Benefit changes during the year	None	None
Ad hoc post-employment benefit changes	None	None

The actuarial methods and assumptions used in the determination of the total pension liability as of August 31, 2019 and 2018 are the same. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

The exceptions to these assumptions are:

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

## McLennan County Junior College District

### Notes to Financial Statements (Continued)

(8) Employees' Retirement Plan (continued)

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

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	FY 2019 Target Allocation *	New Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***
Global Equity:			
USA	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
Stable Value:			
U.S. Treasuries ****	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

(8) Employees' Retirement Plan (continued)

Asset Class	FY 2019 Target Allocation *	New Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***
Real Return:			
Global Inflation Linked Bonds ****	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources and Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity:			
Risk Parity	5.0%	8.0%	5.8%/6.5% *****
Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	-	(6.0%)	2.7%
Expected Return	<u>100.00%</u>	<u>100.00%</u>	<u>7.23%</u>

\* Target allocations are based on the Strategic Asset Allocation as of FY2019

\*\* New allocations are based on the Strategic Asset Allocation to be implemented in FY2020

\*\*\* 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

\*\*\*\* New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

\*\*\*\*\* 5.8% (6.5%) return expectation corresponds to Risk Parity within a 10% (12%) target volatility

*Discount Rate Sensitivity Analysis.* The following schedule shows the impact to the District's net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2019 net pension liability:

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$ <u>24,669,005</u>	<u>16,048,584</u>	<u>9,064,379</u>

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

(8) Employees' Retirement Plan (continued)

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 (6.907%) in measuring the 2018 net pension liability:

	1% Decrease (5.907%)	Current Rate (6.907%)	1% Increase (7.907%)
District's proportionate share of the net pension liability	\$ 23,486,372	15,561,725	9,146,250

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At August 31, 2020 and 2019, the District reported a liability of \$16,048,584 and \$15,561,725, 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, 2020 and 2019 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:

	2020	2019
District's proportionate share of the net pension liability	\$ 16,048,584	15,561,725
State's proportionate share of the net pension liability associated with the District	7,960,368	8,157,571
Total	\$ 24,008,952	23,719,296

The 2020 net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019. The District's proportion of the collective net pension liability was 0.031% which was an increase of 0.0026% from its proportion measured as of August 31, 2018.

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

(8) Employees' Retirement Plan (continued)

The 2019 net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all participating employers and the State to the plan for the period September 1, 2017 to August 31, 2018. The District's proportion of the collective net pension liability was 0.028% which was an increase of 0.0006% from its proportion measured as of August 31, 2017.

For the years ended August 31, 2020 and 2019, the District recognized total pension expense of \$2,852,231 and \$1,384,973, respectively. Of the total pension expense, for the measurement periods ended August 30, 2019 and 2018, the District recognized pension expense of \$1,250,462 and \$807,382, respectively, and revenue of \$535,964 and \$498,955, respectively, for support provided by the State.

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

At August 31, 2020 and 2019, 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:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 67,418	557,232
Changes in actuarial assumptions	4,979,059	2,057,583
Differences between projected and actual investment earnings, net	161,147	-
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	1,145,932	468,691
Contributions paid to TRS subsequent to the measurement date	1,222,284	-
Total	<u>\$ 7,575,840</u>	<u>3,083,506</u>

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

(8) Employees' Retirement Plan (continued)

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 96,999	381,823
Changes in actuarial assumptions	5,610,751	175,336
Differences between projected and actual investment earnings, net	-	295,272
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	392,528	686,651
Contributions paid to TRS subsequent to the measurement date	1,046,048	-
Total	\$ 7,146,326	1,539,082

The \$1,222,284 reported as deferred outflows of resources at August 31, 2020 related to contributions paid to TRS subsequent to the measurement date at August 31, 2019 will be recognized as a reduction of the net pension liability in fiscal year 2021.

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

For the Year Ended August 31,	Pension Expense
2021	\$ 492,705
2022	358,264
2023	1,034,222
2024	1,037,234
2025	439,357
Thereafter	(91,732)

*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.

*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.

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

(8) Employees' Retirement Plan (continued)

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. SB 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 2018, 2019 and 2020 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>
2020	6.6%	\$ 638,148	3.3%	\$ 318,240
2019	6.6%	644,445	3.3%	321,132
2018	6.6%	695,664	3.3%	343,874

The total payroll for all College employees was \$38,856,925, \$37,511,020, and \$35,716,488 for the years ended August 31, 2020, 2019, and 2018, respectively. The total payroll of employees covered by ORP was \$9,668,916, \$9,764,324, and \$10,540,367 for the years ended August 31, 2020, 2019, and 2018, respectively.

(9) 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 \$807,477 and \$691,398 at both August 31, 2020 and 2019, 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)

(10) Operating Lease Commitments

The District leases certain equipment under operating leases through 2023. Included in operating expenses for the years ended August 31, 2020 and 2019 is \$69,793 and \$22,247, respectively, of rent paid or due under these operating leases. Minimum future rental payments under these noncancelable operating leases having remaining terms in excess of one year as of August 31, 2020 follow: \$69,793 for each of the fiscal years 2021 and 2022; and \$14,309 for 2023.

(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 \$194,318. The claim liability includes an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Estimated future payments for incurred claims are charged to operating expenses. Changes in the balance of claims liability included in accrued liabilities during the past two years are as follows:

	<u>2020</u>	<u>2019</u>
Unpaid claims, beginning of year	\$ 200,628	200,628
Incurred claims (including IBNR) and changes to prior year estimates	(47,907)	(109,916)
Claim payments	<u>47,907</u>	<u>109,916</u>
Unpaid claims, end of year	<u>\$ 200,628</u>	<u>200,628</u>

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

*OPEB Plan Fiduciary Net Position.* Detailed information about the GBP's fiduciary net position is available in a separately-issued ERS Comprehensive Annual Financial Report that includes financial statements, notes to the financial statements, and required supplementary information. That report may be obtained by visiting <https://www.ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management/2019-CAFR.pdf>; or 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

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

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

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.

	<u>2019</u>	<u>2018</u>
Retiree only	\$ 624.82	621.90
Retiree & Spouse	1,340.82	1,334.54
Retiree & Children	1,104.22	1,099.06
Retiree & Family	1,820.22	1,811.70

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

<u>Year</u>	<u>State Amount</u>	<u>District Amount</u>
2020	\$ 1,001,868	\$ 1,210,216
2019	984,805	1,186,782
2018	922,735	1,127,197

## McLennan County Junior College District

### Notes to Financial Statements (Continued)

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

*Actuarial Assumptions.* The total OPEB liability in the August 31, 2019 and 2018 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	Valuation Date	
	August 31, 2019	August 31, 2018
Actuarial cost method:	Entry age normal	Entry age normal
Amortization method	Level percent of payroll, open	Level percent of payroll, open
Amortization period	30 years	30 years
Actuarial assumptions:		
Discount rate	2.97%	3.96%
Salary increases	2.5% to 9.5% (includes inflation of 2.5%)	2.5% to 9.5% (includes inflation of 2.5%)
Annual healthcare trend rates	7.3% for fiscal year 2021, 7.4% for fiscal year 2022, 7.00% for fiscal year 2023, decreasing 0.5% per year to an ultimate rate of 4.5% for fiscal year 2028 and later years	7.3% for fiscal year 2020, 7.4% for fiscal year 2021, 7.00% for fiscal year 2022, decreasing 0.5% per year to an ultimate rate of 4.5% for fiscal year 2027 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 2018	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018
Disability Retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active Members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014

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

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

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

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

*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 3.96%. The discount rate used to determine the total OPEB liability as of the end of the measurement year was 2.97%, which amounted to a decrease of 0.99%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and, therefore, the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

*Discount Rate Sensitivity Analysis.* The following schedule shows the impact to the District's proportionate share of the collective net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.97%) in measuring the 2019 net OPEB liability:

	1% Decrease (1.97%)	Current Rate (2.97%)	1% Increase (3.97%)
District's proportionate share of the 2019 net OPEB liability	\$ 57,930,016	48,545,614	41,324,656

The following schedule shows the impact to the District's proportionate share of the collective net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.96%) in measuring the 2018 net OPEB liability:

	1% Decrease (2.96%)	Current Rate (3.96%)	1% Increase (4.96%)
District's proportionate share of the 2018 net OPEB liability	\$ 47,814,314	40,273,748	34,566,394

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

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

*Healthcare Trend Rate Sensitivity Analysis.* The initial healthcare trend rate is 7.3% and the ultimate rate is 4.5%. The following schedule shows the impact to the District's proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used (7.3% decreasing to 4.5%) in measuring the 2019 net OPEB liability:

	Current Healthcare Cost Trend Rates (6.3% decreasing to 3.5%)	Current Healthcare Cost Trend Rates (7.3% decreasing to 4.5%)	Current Healthcare Cost Trend Rates (8.3% decreasing to 5.5%)
District's proportionate share of the 2019 net OPEB liability	\$ 40,763,322	48,545,614	58,715,285

The initial healthcare trend rate is 7.3% and the ultimate rate is 4.5%. The following schedule shows the impact to the District's proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used (7.3% decreasing to 4.5%) in measuring the 2018 net OPEB liability:

	Current Healthcare Cost Trend Rates (6.3% decreasing to 3.5%)	Current Healthcare Cost Trend Rates (7.3% decreasing to 4.5%)	Current Healthcare Cost Trend Rates (8.3% decreasing to 5.5%)
District's proportionate share of the 2018 net OPEB liability	\$ 34,106,662	40,273,748	48,229,312

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At August 31, 2020 and 2019, the District reported a liability of \$48,545,614 and \$40,273,748, respectively, for its proportionate share of the ERS's net 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, 2020 and 2019 as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

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

	2020	2019
District's proportionate share of the net OPEB liability	\$ 48,545,614	40,273,748
State's proportionate share of the net OPEB liability associated with the District	36,655,189	30,841,481
Total	\$ 85,200,803	71,115,229

The 2020 net OPEB liability was measured as of August 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 to August 31, 2019. At the measurement date of August 31, 2019, the District's proportion of the collective net OPEB liability was 0.1405%, which was an increase of 0.0046% from its proportion measured as of August 31, 2018.

The 2019 net OPEB liability was measured as of August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 to August 31, 2018. At the measurement date of August 31, 2018, the District's proportion of the collective net OPEB liability was 0.1359%, which was an increase of 0.0262% from its proportion measured as of August 31, 2017.

For the years ended August 31, 2020 and 2019, the District recognized total OPEB expense of \$990,144 and \$574,411, respectively. Of the total expense, for the measurement period ended August 31, 2019 and 2018, the District recognized OPEB expense (benefit) of \$41,527 and (\$11,265), respectively, and revenue of \$1,001,868 and \$984,804, respectively, for support provided by the State.

*Changes Since the 2018 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.

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

*Demographic Assumptions:* Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the TRS Trustees. In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future male retirees assumed to be married and electing coverage for their spouse.
- The percentages of future retirees and future retiree spouses assumed to use tobacco have been updated to reflect recent plan experience and expected trends.

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

The discount rate assumption was changed from 3.96% as of August 31, 2018 to 2.97% as of August 31, 2019 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:* The valuation reflects the benefit change that will become effective January 1, 2020. The change to HealthSelect retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) from \$6,650 to \$6,750 for individuals and from \$13,300 to \$13,500 for families in order to remain consistent with Internal Revenue Service maximums.

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

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

At August 31, 2020 and 2019, 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:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	1,263,200
Changes in actuarial assumptions	3,454,733	10,848,104
Differences between projected and actual investment earnings	19,958	-
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	9,141,481	-
Contributions paid to ERS subsequent to the measurement date*	1,992,046	-
Total	\$ 14,608,218	12,111,304
	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	1,475,500
Changes in actuarial assumptions	-	14,113,022
Differences between projected and actual investment earnings	19,072	-
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	9,551,748	-
Contributions paid to ERS subsequent to the measurement date*	1,189,289	-
Total	\$ 10,760,109	15,588,522

\*Represents the total of the District's employer contributions that were paid to ERS during the period subsequent to the measurement date as well as amounts paid to ERS in prior periods which have not yet been transferred into the SRHP plan by ERS. Actual contributions for each year are disclosed in the Schedule of the District's Contributions to ERS in the RSI section of this report.

The \$1,992,046 reported as deferred outflows of resources related to contributions paid to ERS subsequent to the measurement date at August 31, 2019 will be recognized as a reduction of the net OPEB liability beginning in fiscal year 2021 and will continue as the amounts are deposited into the SRHP plan.

**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:

<u>For the Year Ended August 31,</u>	<u>OPEB Expense</u>
2021	\$ (904,721)
2022	(904,721)
2023	426,353
2024	1,330,333
2025	557,624

(13) Related Parties

During the years ended August 31, 2020 and 2019, the District furnished office space, utilities and staffing amounting to approximately \$313,000 and \$307,000, respectively, at no cost to the Foundation.

(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:

	<u>2020</u>	<u>2019</u>
Assessed valuation of the District	\$ 24,851,546,769	23,089,333,970
Less: Exemptions	<u>5,754,932,356</u>	<u>5,457,148,248</u>
Net assessed valuation of the District	<u>\$ 19,096,614,413</u>	<u>17,632,185,722</u>

Tax rates authorized and assessed during fiscal year 2020 are 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	0.117287	0.030409	0.147696

**McLennan County Junior College District**

Notes to Financial Statements  
(Continued)

(14) Ad Valorem Property Taxes (continued)

Tax rates authorized and assessed during fiscal year 2019 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	0.115430	0.032266	0.147696

Taxes levied for the year ended August 31, 2020 are \$28,328,854. 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, 2020 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 22,001,096	5,704,225	27,705,321
Delinquent taxes collected	72,447	22,340	94,787
Penalties and interest collected	208,349	59,349	267,698
<b>Total collections</b>	<b>\$ <u>22,281,892</u></b>	<b><u>5,785,914</u></b>	<b><u>28,067,806</u></b>

Taxes levied for the year ended August 31, 2019 were \$26,522,178. Tax collections for the year ended August 31, 2019 were as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 20,236,064	5,656,336	25,892,400
Delinquent taxes collected	161,737	54,975	216,712
Penalties and interest collected	182,404	56,120	238,524
<b>Total collections</b>	<b>\$ <u>20,580,205</u></b>	<b><u>5,767,431</u></b>	<b><u>26,347,636</u></b>

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

Current tax collections for the years ended August 31, 2020 and 2019 were approximately 94% and 95% 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, 2020 and 2019, 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 2020 or 2019.

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

**McLennan County Junior College District**Notes 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 \$2,206,674 and \$1,783,025 at August 31, 2020 and 2019, respectively, for federal contract and grant awards; \$179,214 and \$188,406 at August 31, 2020 and 2019, respectively, for state contract and grant awards; \$-0- and \$84,895 August 31, 2020 and 2019, respectively for local contract and grant awards.

(20) Business Concentrations and Uncertainties

The COVID-19 pandemic has developed rapidly in 2020 with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The District has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for personnel and students (including social distancing and virtual learning and meetings). The impact on the District's operations remains uncertain and cannot be estimated at this time. The District will continue to follow the various government policies and advice and will exert continued efforts to carry out the mission of the District in the best and safest manner possible without jeopardizing the health of personnel or students.

**McLennan County Junior College District**Notes to Financial Statements  
(Continued)(20) Business Concentrations and Uncertainties (continued)

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) Prior Period Adjustment

During the current year, the District determined that certain accounts receivable balances were inadvertently excluded from the allowance for doubtful accounts calculation. Accordingly, unrestricted net position at September 1, 2018 has been decreased by \$3,226,523. Accounts receivable, net was decreased by the same amount.

(22) Authoritative Pronouncements Not Yet Effective

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

GASB Statement No. 84, *Fiduciary Activities* (issued January 2017) – the objective of this statement is to enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement were effective for financial statements for fiscal years beginning after December 15, 2018; however, in May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), and delayed implementation to fiscal years beginning after December 15, 2019.

GASB Statement No. 87, *Leases* (issued June 2017) – the objective of this statement is to increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. The statement will also require notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this statement are effective for financial statements for fiscal years beginning after December 15, 2019; however, in May 2020, GASB issued GASB 95 and delayed implementation to fiscal years beginning after June 15, 2021.

**McLennan County Junior College District**Notes to Financial Statements  
(Continued)(22) Authoritative Pronouncements Not Yet Effective (continued)

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period (issued June 2018) – the objective of this statement is to simplify accounting for interest cost incurred before the end of a construction period. It will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for financial statements for fiscal years beginning after December 15, 2019; however, in May 2020, GASB issued GASB 95 and delayed implementation to fiscal years beginning after December 15, 2020.

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

(23) Subsequent Events

The District has evaluated subsequent events from the date of the statements of net position through January 8, 2021, the date on which the financial statements were available to be issued, and has determined that there are no items to disclose.

**Required Supplementary Information**

**McLennan County Junior College District**

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

	<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	0.000308727	0.000282722	0.000276629	0.000267743	0.000275359	0.000315418
District's proportionate share of the net pension liability	\$ 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>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>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>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>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>75.2%</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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contributions	\$ 1,222,284	1,046,048	931,282	884,894	829,573	803,507	799,672	786,873	724,308	939,260
Contributions in relation to the contractually required contribution	<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>	<u>786,873</u>	<u>724,308</u>	<u>939,260</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ <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>	<u>17,323,138</u>	<u>16,758,099</u>	<u>16,738,034</u>
Contributions as a percentage of covered payroll	<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>	<u>4.54%</u>	<u>4.32%</u>	<u>5.61%</u>

See accompanying independent auditor's report.

**McLennan County Junior College District**

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

Last Ten Measurement Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.001404568	0.001358867	0.001097339
District's proportionate share of the net OPEB liability	\$ 48,545,614	40,273,748	37,389,647
State's proportionate share of the net OPEB liability associated with the District	<u>36,655,189</u>	<u>30,841,481</u>	<u>30,343,586</u>
Total	<u>\$ 85,200,803</u>	<u>71,115,229</u>	<u>67,733,233</u>
District's covered payroll	<u>\$ 28,661,998</u>	<u>27,333,296</u>	<u>26,351,878</u>
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	<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>0.2%</u>	<u>1.3%</u>	<u>2.0%</u>

**Note:**

Information for measurement years prior to 2017 is not available.

**McLennan County Junior College District**

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

Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contributions	\$ 1,210,216	1,186,782	1,127,197	1,034,845	840,485	800,432	128,812	109,335	102,549	105,565
Contributions in relation to the contractually required contribution	<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>	<u>109,335</u>	<u>102,549</u>	<u>105,565</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ <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>	<u>24,829,074</u>	<u>24,609,339</u>	<u>24,380,392</u>
Contributions as a percentage of covered payroll	\$ <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>	<u>0.44%</u>	<u>0.42%</u>	<u>0.43%</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, 2020

(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 January 1, 2020, since these changes were communicated to plan members in advance of the preparation of the latest valuation report.

The only benefit change for fiscal year 2020 for HealthSelect retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) from \$6,650 to \$6,750 for individuals and from \$13,300 to \$13,500 for families in order to remain consistent with Internal Revenue Service maximums. This minor benefit change is provided for in the fiscal year 2020 assumed per capita health benefit costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is primary.

(2) Changes in Assumptions

*Demographic Assumptions.* Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the ERS Trustees. In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Percentage of future male retirees assumed to be married and electing coverage for their spouse.
- The percentages of future retirees and future retiree spouses assumed to use tobacco have been updated to reflect recent plan experience and expected trends.

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

The discount rate was changed from 3.96% to 2.97% as a result of requirements to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

## **Supplemental Information**

**McLennan County Junior College District**

Schedule of Operating Revenues  
(Schedule A)

Year Ended August 31, 2020

(With Memorandum Totals for the Year Ended August 31, 2019)

	Unrestricted	Restricted	Total		Total	
			Educational Activities	Auxiliary Enterprises	2020	2019
<b>Tuition and fees:</b>						
State funded credit courses:						
In-district resident tuition	\$ 13,753,001	-	13,753,001	-	13,753,001	14,145,111
Out-of-district resident tuition	4,635,453	-	4,635,453	-	4,635,453	4,197,810
Non-resident tuition	2,470,193	-	2,470,193	-	2,470,193	2,380,536
TPEG - credit (set aside)	1,092,924	-	1,092,924	-	1,092,924	1,134,843
State funded continuing education	210,901	-	210,901	-	210,901	448,271
TPEG - non-credit (set aside)	10,685	-	10,685	-	10,685	9,841
Non-state funded educational programs	6,883	-	6,883	-	6,883	28,642
Total tuition	<u>22,180,040</u>	<u>-</u>	<u>22,180,040</u>	<u>-</u>	<u>22,180,040</u>	<u>22,345,054</u>
<b>Fees:</b>						
Installment plan fees	77,975	-	77,975	-	77,975	73,525
Facility fees	1,134,966	-	1,134,966	-	1,134,966	1,136,416
General fees	797,975	-	797,975	-	797,975	568,208
Laboratory fees	673,082	-	673,082	-	673,082	1,004,771
Other fees	901,158	-	901,158	-	901,158	1,151,783
Total fees	<u>3,585,156</u>	<u>-</u>	<u>3,585,156</u>	<u>-</u>	<u>3,585,156</u>	<u>3,934,703</u>
<b>Scholarship allowances and discounts:</b>						
Remissions and exemptions	(2,619,700)	-	(2,619,700)	-	(2,619,700)	(2,509,746)
Title IV federal grants	(7,895,550)	-	(7,895,550)	-	(7,895,550)	(7,872,545)
TPEG awards	(1,215,557)	-	(1,215,557)	-	(1,215,557)	(1,011,843)
Other state grants	(346,482)	-	(346,482)	-	(346,482)	(343,996)
Other local grants	(1,016,299)	-	(1,016,299)	-	(1,016,299)	(1,087,957)
Total scholarship allowances	<u>(13,093,588)</u>	<u>-</u>	<u>(13,093,588)</u>	<u>-</u>	<u>(13,093,588)</u>	<u>(12,826,087)</u>
Total net tuition and fees	<u>12,671,608</u>	<u>-</u>	<u>12,671,608</u>	<u>-</u>	<u>12,671,608</u>	<u>13,453,670</u>
<b>Additional operating revenues:</b>						
Sales and services of educational activities	878,283	-	878,283	-	878,283	1,015,863
General operating revenues	85,803	-	85,803	-	85,803	137,057
Total additional operating revenues	<u>964,086</u>	<u>-</u>	<u>964,086</u>	<u>-</u>	<u>964,086</u>	<u>1,152,920</u>
<b>Auxiliary enterprises:</b>						
Bookstore (outsourced)	-	-	-	293,834	293,834	337,782
Other auxiliary enterprises	-	-	-	60,037	60,037	65,702
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>353,871</u>	<u>353,871</u>	<u>403,484</u>
Total operating revenues	<u>\$ 13,635,694</u>	<u>-</u>	<u>13,635,694</u>	<u>353,871</u>	<u>13,989,565</u>	<u>15,010,074</u>

In accordance with Education Code 56.033, \$1,103,609 and \$1,144,684 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2020 and 2019, respectively.

See accompanying independent auditor's report.

## McLennan County Junior College District

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

Year Ended August 31, 2020

(With Memorandum Totals for the Year Ended August 31, 2019)

	Operating Expenses				Total	
	Salaries and Wages	Benefits		Other Expenses	2020	2019
		State	Local			
<b>Unrestricted - educational activities:</b>						
Instruction	\$ 23,771,967	-	5,256,305	1,279,694	30,307,966	29,055,883
Public service	145,481	-	21,090	88,580	255,151	360,272
Academic support	1,812,392	-	400,218	536,904	2,749,514	2,489,896
Student services	3,457,909	-	764,219	313,338	4,535,466	4,187,374
Institutional support	5,151,607	-	1,138,868	3,766,467	10,056,942	9,812,841
Operation and maintenance of plant	1,729,534	-	949,476	4,034,441	6,713,451	5,761,647
Scholarships and fellowships	-	-	-	3,522,873	3,522,873	3,499,026
Total unrestricted educational activities	<u>36,068,890</u>	<u>-</u>	<u>8,530,176</u>	<u>13,542,297</u>	<u>58,141,363</u>	<u>55,166,939</u>
<b>Restricted - educational activities:</b>						
Instruction	171,178	3,633,163	8,892	51,943	3,865,176	3,931,319
Public service	1,378,298	-	279,581	183,859	1,841,738	1,904,575
Academic support	75,313	276,995	9,169	21,151	382,628	380,793
Student services	261,010	528,486	58,619	2,765,756	3,613,871	1,082,491
Institutional support	80,560	787,340	9,957	2,019,709	2,897,566	984,496
Operation and maintenance of plant	10,619	-	-	-	10,619	11,889
Scholarships and fellowships	-	-	-	6,215,293	6,215,293	6,396,322
Total restricted educational activities	<u>1,976,978</u>	<u>5,225,984</u>	<u>366,218</u>	<u>11,257,711</u>	<u>18,826,891</u>	<u>14,691,885</u>
Total educational activities	<u>38,045,868</u>	<u>5,225,984</u>	<u>8,896,394</u>	<u>24,800,008</u>	<u>76,968,254</u>	<u>69,858,824</u>
<b>Auxiliary enterprises</b>	<u>811,057</u>	<u>-</u>	<u>387,133</u>	<u>1,173,963</u>	<u>2,372,153</u>	<u>2,546,354</u>
<b>Depreciation expense:</b>						
Buildings and other improvements	-	-	-	3,960,123	3,960,123	3,583,588
Equipment and furniture	-	-	-	489,242	489,242	455,766
Library books	-	-	-	79,523	79,523	78,784
Total depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,528,888</u>	<u>4,528,888</u>	<u>4,118,138</u>
Total operating expenses	<u>\$ 38,856,925</u>	<u>5,225,984</u>	<u>9,283,527</u>	<u>30,502,859</u>	<u>83,869,295</u>	<u>76,523,316</u>

See accompanying independent auditor's report.

**McLennan County Junior College District**  
**Schedule of Nonoperating Revenues and Expenses**  
**(Schedule C)**  
**Year Ended August 31, 2020**  
**(With Memorandum Totals for the Year Ended August 31, 2019)**

	Unrestricted	Restricted	Auxiliary Enterprises	Total	
				2020	2019
<b>Nonoperating revenues:</b>					
State appropriations:					
Education and general state support	\$ 12,504,514	-	-	12,504,514	12,347,259
State group insurance	-	3,121,318	-	3,121,318	3,131,371
State retirement matching	-	2,104,666	-	2,104,666	1,627,469
Hazelwood Legacy Act	30,575	-	-	30,575	32,576
Total state appropriations	<u>12,535,089</u>	<u>5,225,984</u>	<u>-</u>	<u>17,761,073</u>	<u>17,138,675</u>
Maintenance ad valorem taxes	21,809,084	-	-	21,809,084	20,175,004
Debt service ad valorem taxes	-	5,654,307	-	5,654,307	5,648,591
Federal grants and contracts	-	24,774,086	-	24,774,086	20,420,431
State grants and contracts	-	1,044,692	-	1,044,692	1,487,941
Local grants and contracts	196,061	-	-	196,061	232,828
Investment income	211,708	102,016	-	313,724	479,285
Gifts	255,065	-	-	255,065	298,883
Total nonoperating revenues	<u>35,007,007</u>	<u>36,801,085</u>	<u>-</u>	<u>71,808,092</u>	<u>65,881,638</u>
<b>Nonoperating expenses:</b>					
Interest on capital related debt	-	2,692,812	-	2,692,812	2,545,478
Loss on disposal of capital assets	-	33,171	-	33,171	-
Gift expense	-	-	-	-	-
Other nonoperating expenses	-	3,503	-	3,503	152,029
Total nonoperating expenses	<u>-</u>	<u>2,729,486</u>	<u>-</u>	<u>2,729,486</u>	<u>2,697,507</u>
Net nonoperating revenues	<u>\$ 35,007,007</u>	<u>34,071,599</u>	<u>-</u>	<u>69,078,606</u>	<u>63,184,131</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, 2020**

	Detail by Source				Available for Current Operation		
	Unrestricted	Restricted		Net Investment in Capital Assets	Total	Yes	No
		Expendable	Non- Expendable				
Current:							
Unrestricted	\$ (44,810,877)	-	-	-	(44,810,877)	(44,810,877)	-
Scholarships and fellowships	-	1,480,214	-	-	1,480,214	-	1,480,214
Loan	(54,782)	-	-	-	(54,782)	-	(54,782)
Plant:							
Capital projects	133,188	1,156,486	-	-	1,289,674	-	1,289,674
Debt service	-	3,160,908	-	-	3,160,908	-	3,160,908
Investment in plant	(3,082,885)	-	-	51,210,723	48,127,838	-	48,127,838
Total net position, August 31, 2020	(47,815,356)	5,797,608	-	51,210,723	9,192,975	(44,810,877)	54,003,852
Total net position, August 31, 2019, as previously reported	(42,134,674)	10,316,922	-	45,097,276	13,279,524	(40,587,641)	53,867,165
Prior period adjustment	(3,285,425)	-	-	-	(3,285,425)	(3,285,425)	-
Total net position, August 31, 2019, as restated	(45,420,099)	10,316,922	-	45,097,276	9,994,099	(43,873,066)	53,867,165
Net increase (decrease) in net position	\$ (2,395,257)	(4,519,314)	-	6,113,447	(801,124)	(937,811)	136,687

See accompanying independent auditor's report.

**McLennan County Junior College District**  
**Schedule of Expenditures of Federal Awards**  
**(Schedule E)**  
**Year Ended August 31, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA 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		\$ -	\$ 272,095
Federal Work Study Program	84.033		-	240,903
Federal Pell Grant Program	84.063		-	16,637,806
Federal Direct Student Loans	84.268		-	9,593,051
Total Student Financial Assistance Cluster			-	26,743,855
TRIO Cluster:				
TRIO - Student Support Services	84.042A		-	384,980
TRIO - Upward Bound	84.047A		-	367,186
Total TRIO Cluster			-	752,166
Education Stabilization Fund				
COVID-19 Higher Education Emergency Relief Fund - Student Aid	84.425E			2,449,015
COVID-19 Higher Education Emergency Relief Fund - Institutional Portion	84.425F		-	1,911,509
COVID-19 Higher Education Emergency Relief Fund - Minority Serving Institutions	84.425L		-	17,117
Total Education Stabilization Fund			-	4,377,641
Total Direct Programs			-	31,873,662
Pass Through From:				
Texas Workforce Commission:				
Adult Education & Family Literacy Act	84.002A	1318ALAB00		845,008
Adult Education & Family Literacy Act	84.002A	1318ALA000	-	80,165
Total Adult Education & Family Literacy Act			-	925,173
Texas Higher Education Coordinating Board:				
ADA Compliance	84.048	21940	-	83,537
Carl Perkins - Career and Technical Education	84.048	22110	-	739,021
Total Vocational Education - State Basic Grant Program			-	822,558
Total U. S. Department of Education			-	33,621,393
<u>Institute of Museum and Library Services</u>				
Pass Through From:				
Texas State Library and Archives Commission Interlibrary Loan Lends	45.310	901564	-	687
Total Institute of Museum and Library Services			-	687
<u>National Science Foundation</u>				
Pass Through From:				
Enhancing Network and Cybersecurity Technician Careers in Collaboration with Industry	47.076	1801147	-	40,398
Total National Science Foundation			-	40,398
<u>U. S. Small Business Administration</u>				
Pass Through From:				
Dallas County Community College District:				
Small Business Development Center	59.037	SBAHQ-19-B-0021	-	14,804
Small Business Development Center	59.037	SBAHQ-20-B-0014	-	140,224
COVID-19 - Small Business Development Center	59.037	SBAHQ-20-C-0059	-	11,833
Total U. S. Small Business Administration			-	166,861

**McLennan County Junior College District**  
**Schedule of Expenditures of Federal Awards**  
**(Schedule E)**  
**(Continued)**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U. S. Department of Veterans Affairs</u>				
Direct Program:				
Post 9/11 Veterans Educational Assistance	64.027		\$ -	\$ 423,330
Total U. S. Department of Veterans Affairs			-	423,330
<u>U. S. Department of Health and Human Services</u>				
Pass Through From:				
Texas Workforce Commission:				
Temporary Assistance for Needy Families	93.558	1318ALA000	-	23,160
Total Texas Workforce Commission			-	23,160
HOT Workforce Development Board:				
CCDF Cluster:				
Childcare Quality Improvement	93.596	1319CCMC14	-	10,000
Total CCDF Cluster			-	10,000
Total U.S. Department of Health and Human Services			-	33,160
<u>Corporation for National and Community Service</u>				
Direct Programs:				
Heart of Texas Retired Senior Volunteer Program	94.002			31,959
Heart of Texas Retired Senior Volunteer Program	94.002		-	49,349
Total Corporation for National and Community Service			-	81,308
Total Federal Awards			\$ -	\$ 34,367,137

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, 2020

(1) Federal Revenue Reconciliation

Federal revenues for 2020 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	\$ 24,774,086
Add: Federal Direct Student Loans made	<u>9,593,051</u>
 Total per Schedule of Expenditures of Federal Awards	 <u>\$ 34,367,137</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, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(3) Summary of Significant Accounting Policies

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

(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, 2020

Grantor Agency/Program Title	Grant Contract Number	Passed Through to Subrecipients	Indirect Costs and Expenditures
Texas Higher Education Coordinating Board			
State Work Study		\$ -	\$ 34,536
Nursing Shortage Reduction Regular Programs		-	41,786
Texas Education Opportunity Grant		-	743,507
Comprehensive College Readiness and Success Models	20520	-	3,771
CAL Loans		-	14,419
Total Texas Higher Education Coordinating Board		<u>-</u>	<u>838,019</u>
Texas Workforce Commission			
Manufacturing Consortium 2020	1320SDF001	-	14,514
COVID-19 Skills Development Special Initiative	1320COS002	-	1,366
Skills Development	1319SSD001	-	17,361
Adult Education & Family Literacy Act	1318ALA000	-	680
Total Texas Workforce Commission		<u>-</u>	<u>33,921</u>
Small Business Development Center			
Small Business Development Center	SBAHQ-19-B-0021	-	11,173
Small Business Development Center	SBAHQ-20-B-0014	-	106,156
Total Small Business Development Center		<u>-</u>	<u>117,329</u>
Texas Department on Aging			
RSVP	17SRWTX034	-	59,514
Office of the Governor			
Rifle Resistant Body Armor	2020-BG-ST-0025	-	10,328
Total State Awards		\$ <u>-</u>	\$ <u>1,059,111</u>

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

**McLennan County Junior College District**

Notes to Schedule of Expenditures of State Awards

Year Ended August 31, 2020

(1) State Revenue Reconciliation

State revenues for 2020 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	\$ 1,044,692
Add: CAL Loans made	<u>14,419</u>
Total per Schedule of Expenditures of State Awards	<u><u>\$ 1,059,111</u></u>

(2) Basis of Presentation

The accompanying Schedule of Expenditures of State Awards (the Schedule) includes the state grant activity of McLennan County Junior College District (the District) under programs of the state government for the year ended August 31, 2020. The information in this Schedule is presented in accordance with the requirements of the *State of Texas Single Audit Circular* contained in the state's *Uniform Grant Management Standards*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(3) Summary of Significant Accounting Policies

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

**Statistical Section**

## Statistical Section

### **Financial Trends Information**

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

- Net Position by Component
- Revenues by Source
- Expenses by Function and Changes in Net Position

### **Revenue Capacity Information**

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

- Tuition and Fees
- Assessed Value and Estimated Actual Value of Taxable Property
- Direct and Overlapping Property Tax Rates
- Principal Taxpayers
- Property Tax Levies and Collections

### **Debt Capacity Information**

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

- Ratios of Outstanding Debt by Type
- Legal Debt Margin Information
- Pledged Revenue Coverage

### **Demographic and Economic Information**

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

- Demographic and Economic Statistics
- Principal Employers

### **Operating Information**

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

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

**McLennan County Junior College District**  
**Net Position by Component**

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

		For the Year Ended August 31,									
		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net investment in capital assets	\$	51,211	45,097	49,289	47,878	46,140	44,495	42,479	40,711	37,524	37,903
Restricted		5,797	10,317	3,444	2,837	2,698	2,542	3,166	2,850	2,587	2,227
Unrestricted		(47,815)	(45,420)	(44,410)	2,720	3,152	2,899	12,008	11,033	9,957	5,306
 Total primary government net position	 \$	 <u>9,193</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>	 <u>54,594</u>	 <u>50,068</u>	 <u>45,436</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 Expenses by Function and Changes in Net Position

### Last Ten Fiscal Years (Unaudited)

	For the Year Ended August 31, (dollars expressed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Operating expenses:</b>										
Instruction	\$ 34,173	32,987	33,616	30,934	32,344	31,286	31,310	32,287	31,206	31,273
Public service	2,097	2,265	2,186	2,058	1,912	1,806	1,890	1,741	1,705	1,801
Academic support	3,132	2,871	2,743	2,489	2,526	2,775	2,741	2,591	2,374	2,062
Student services	8,149	5,270	4,911	4,384	4,148	3,932	3,753	3,658	3,494	3,726
Institutional support	12,955	10,797	10,074	9,466	8,962	9,123	8,692	8,707	8,372	8,244
Operation and maintenance of plant	6,724	5,774	5,770	5,760	5,270	5,335	5,409	5,356	5,164	5,570
Scholarships and fellowships	9,738	9,895	9,841	9,459	10,497	11,827	12,092	14,264	16,911	19,464
Auxiliary enterprises	2,372	2,546	2,006	2,011	1,718	1,638	1,619	1,580	1,572	1,528
Depreciation	4,529	4,118	4,275	4,300	3,897	4,196	4,128	4,030	3,886	3,564
<b>Total operating expenses</b>	<b>83,869</b>	<b>76,523</b>	<b>75,422</b>	<b>70,861</b>	<b>71,274</b>	<b>71,918</b>	<b>71,634</b>	<b>74,214</b>	<b>74,684</b>	<b>77,232</b>
<b>Nonoperating expenses:</b>										
Interest on capital related debt	2,693	2,546	2,414	2,763	2,970	3,434	3,950	4,189	4,584	4,292
Loss on disposal of fixed assets	33	-	64	-	322	-	58	19	-	49
Gift expense	-	-	386	-	-	-	-	-	-	-
Other non-operating expenses	4	152	174	4	9	543	4	253	10	40
<b>Total nonoperating expenses</b>	<b>2,730</b>	<b>2,698</b>	<b>3,038</b>	<b>2,767</b>	<b>3,301</b>	<b>3,977</b>	<b>4,012</b>	<b>4,461</b>	<b>4,594</b>	<b>4,381</b>
<b>Total expenses</b>	<b>\$ 86,599</b>	<b>79,221</b>	<b>78,460</b>	<b>73,628</b>	<b>74,575</b>	<b>75,895</b>	<b>75,646</b>	<b>78,675</b>	<b>79,278</b>	<b>81,613</b>
<b>Change in net position</b>	<b>\$ (801)</b>	<b>1,671</b>	<b>1,759</b>	<b>1,445</b>	<b>2,054</b>	<b>1,828</b>	<b>3,059</b>	<b>4,526</b>	<b>4,632</b>	<b>4,248</b>

	For the Year Ended August 31, (dollars expressed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Operating expenses:</b>										
Instruction	39.46%	41.64%	42.84%	42.01%	43.37%	41.22%	41.39%	41.04%	39.36%	38.32%
Public service	2.42%	2.86%	2.79%	2.80%	2.56%	2.38%	2.50%	2.21%	2.15%	2.21%
Academic support	3.62%	3.62%	3.50%	3.38%	3.39%	3.66%	3.62%	3.29%	2.99%	2.53%
Student services	9.41%	6.65%	6.26%	5.95%	5.56%	5.18%	4.96%	4.65%	4.41%	4.57%
Institutional support	14.96%	13.63%	12.84%	12.86%	12.02%	12.02%	11.49%	11.07%	10.56%	10.10%
Operation and maintenance of plant	7.76%	7.29%	7.35%	7.82%	7.07%	7.03%	7.15%	6.81%	6.51%	6.82%
Scholarships and fellowships	11.24%	12.49%	12.54%	12.85%	14.08%	15.58%	15.98%	18.13%	21.33%	23.85%
Auxiliary enterprises	2.74%	3.21%	2.56%	2.73%	2.30%	2.16%	2.14%	2.01%	1.98%	1.87%
Depreciation	5.23%	5.20%	5.45%	5.84%	5.23%	5.53%	5.46%	5.12%	4.90%	4.37%
<b>Total operating expenses</b>	<b>96.85%</b>	<b>96.59%</b>	<b>96.13%</b>	<b>96.24%</b>	<b>95.57%</b>	<b>94.76%</b>	<b>94.70%</b>	<b>94.33%</b>	<b>94.21%</b>	<b>94.63%</b>
<b>Nonoperating expenses:</b>										
Interest on capital related debt	3.11%	3.21%	3.08%	3.75%	3.98%	4.52%	5.22%	5.32%	5.78%	5.26%
Loss on disposal of fixed assets	0.04%	0.00%	0.08%	0.00%	0.43%	0.00%	0.08%	0.02%	0.00%	0.06%
Gift expense	0.00%	0.00%	0.49%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other non-operating expenses	0.00%	0.19%	0.22%	0.01%	0.01%	0.72%	0.01%	0.32%	0.01%	0.05%
<b>Total nonoperating expenses</b>	<b>3.15%</b>	<b>3.41%</b>	<b>3.87%</b>	<b>3.76%</b>	<b>4.43%</b>	<b>5.24%</b>	<b>5.30%</b>	<b>5.67%</b>	<b>5.79%</b>	<b>5.37%</b>
<b>Total expenses</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**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	
2019	\$ 106	124	3	6	1,380	1,596	-	-	132,499
2018	106	124	3	6	1,380	1,596	-	-	136,987
2017	106	124	3	6	1,380	1,596	-	-	137,682
2016	106	124	3	6	1,380	1,596	-	-	137,033
2015	106	124	3	6	1,380	1,596	-	-	136,874
2014	106	124	3	6	1,380	1,596	-	-	132,964
2013	106	124	3	6	1,380	1,596	-	-	147,574
2012	106	124	3	6	1,380	1,596	7.48%	8.13%	164,400
2011	98	114	3	6	1,284	1,476	21.59%	20.59%	174,473
2010	79	93	3	6	1,056	1,224	20.55%	20.00%	164,345

## 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
					In-District	Out-of-District	In-District	Out-of-District	
2019	\$ 181	181	3	6	2,280	2,280	-	-	50,401
2018	181	181	3	6	2,280	2,280	-	-	49,709
2017	181	181	3	6	2,280	2,280	-	-	49,037
2016	181	181	3	6	2,280	2,280	-	-	49,046
2015	181	181	3	6	2,280	2,280	-	-	45,329
2014	181	181	3	6	2,280	2,280	-	-	54,909
2013	181	181	3	6	2,280	2,280	-	-	55,671
2012	181	181	3	6	2,280	2,280	5.60%	5.60%	56,344
2011	171	171	3	6	2,160	2,160	20.00%	20.00%	55,605
2010	141	141	3	6	1,800	1,800	12.78%	12.78%	49,000

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
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	0.040830	0.149724
2015	15,115,891	2,699,317	17,815,208	4,072,246	13,742,962	77.14%	14,023,431	0.104343	0.045187	0.149530
2014	13,983,364	2,548,506	16,531,870	3,701,898	12,829,972	77.61%	13,091,808	0.103322	0.048208	0.151530
2013	13,531,650	2,700,629	16,232,279	3,585,542	12,646,737	77.91%	12,904,834	0.101199	0.050331	0.151530
2012	13,048,931	2,445,439	15,494,370	3,375,915	12,118,455	78.21%	12,365,770	0.100255	0.052568	0.152823
2011	12,228,481	2,342,980	14,571,461	3,091,195	11,480,266	78.79%	11,714,557	0.103439	0.052867	0.156306

Source: McLennan County Appraisal District

**Note:**

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

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

**Last Ten Fiscal Years**  
**(Unaudited)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
McLennan County Junior College District	\$ 0.147696	0.147696	0.150346	0.148898	0.149724	0.149530	0.151530	0.151530	0.152823	0.156306
Overlapping Rates										
McLennan County	0.485293	0.485293	0.505293	0.525293	0.535293	0.535293	0.535293	0.460573	0.442710	0.442710
Special Districts:										
McLennan and Hill Counties Tehuacana Creek Water Control and Improvement District No. 1	0.024778	0.024780	0.025200	0.025156	0.025156	0.025156	0.025156	0.025156	0.023731	0.023731
McLennan County Water Control and Improvement District No. 2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.100000
McLennan County Farm to Market Road	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.023685	0.021548	0.021548
Castleman Creek Watershed	0.092720	0.093769	0.096027	0.099940	0.101020	0.101020	0.101020	0.100000	0.100000	0.100000
Elm Creek Watershed	0.032700	0.032700	0.032700	0.032700	0.032700	0.032700	0.032700	0.032700	0.032700	0.032700
Waco Public Improvement District No. 1	0.100000	0.100000	0.100000	0.100000	0.100000	0.100000	0.100000	0.100000	0.100000	0.100000
Cities:										
Bellmead	0.359999	0.319999	0.299990	0.303761	0.307610	0.298608	0.298608	0.298608	0.274498	0.265560
Beverly Hills	0.467077	0.484596	0.490145	0.490145	0.490145	0.452719	0.403647	0.362501	0.326641	0.329848
Bruceville-Eddy	0.500000	0.500000	0.500000	0.498159	0.498159	0.498159	0.498159	0.498159	0.484116	0.482200
Crawford	0.427271	0.462000	0.499900	0.499900	0.499900	0.499900	0.499900	0.499900	0.499900	0.499900
Gholson	0.170000	0.209488	0.209488	0.209488	0.213483	0.213483	0.213483	0.213483	0.213483	0.213483
Golinda	0.250000	N/A								
Hallsburg	0.076576	0.068401	0.070690	0.068199	0.065082	0.061004	0.057220	0.054861	0.050000	N/A
Hewitt	0.539677	0.539677	0.539677	0.539677	0.539677	0.539677	0.539677	0.514977	0.514977	0.499828
Lacy-Lakeview	0.340064	0.352628	0.352628	0.352628	0.359537	0.357195	0.359170	0.359170	0.359170	0.365943
Leroy	0.209027	0.228601	0.250000	N/A						
Lorena	0.566994	0.560680	0.592300	0.609000	0.590000	0.561400	0.561400	0.538900	0.538900	0.505453
Mart	0.759231	0.759231	0.759233	0.759233	0.759233	0.739915	0.780241	0.802382	0.806734	0.825337
McGregor	0.601413	0.594010	0.594010	0.595000	0.595000	0.595000	0.600000	0.600000	0.530184	0.541364
Moody	0.684484	0.659919	0.640232	0.599624	0.618546	0.634898	0.672843	0.626125	0.633529	0.617317
Riesel	0.314510	0.336568	0.364347	0.335416	0.373515	0.350000	0.350000	0.250000	0.250000	0.250000
Robinson	0.494500	0.484500	0.494500	0.499500	0.505321	0.480376	0.470000	0.453750	0.415453	0.406501
Valley Mills	0.442200	0.479900	0.482600	0.452800	0.447500	0.447500	0.447500	0.440300	0.440300	0.440300
Waco	0.776232	0.776232	0.776232	0.776232	0.776232	0.776232	0.776232	0.786232	0.786232	0.786232
West	0.604272	0.606477	0.606477	0.606477	0.606477	0.577006	0.577006	0.492524	0.472524	0.454807
Woodway	0.450000	0.450000	0.470000	0.470000	0.470000	0.470000	0.456900	0.456900	0.456900	0.457200

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

**Last Ten Fiscal Years**  
**(Unaudited)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
School Districts:										
Axtell Independent School District	\$ 1.068300	1.170000	1.170000	1.170000	1.170000	1.170000	1.170000	1.170000	1.170000	1.170000
Bosqueville Independent School District	1.322389	1.379229	1.429973	1.441544	1.507102	1.478175	1.487914	1.478460	1.537596	1.545259
Bruceville-Eddy Independent School District	1.223350	1.325000	1.325000	1.325000	1.325000	1.325000	1.325000	1.325000	1.325000	1.325000
China Spring Independent School District	1.294110	1.358720	1.387194	1.421381	1.516068	1.538834	1.540000	1.374402	1.411400	1.407000
Connally Independent School District	1.266457	1.367955	1.374409	1.251212	1.281628	1.274394	1.656530	1.269091	1.281105	1.288824
Crawford Independent School District	1.293160	1.230500	1.230500	1.230495	1.230495	1.241360	1.280666	1.213116	1.226552	1.268887
Gholson Independent School District	0.970000	1.040000	1.040000	1.040000	1.040000	1.040000	1.040000	1.040000	1.040000	1.040000
Hallsburg Independent School District	1.160908	1.234768	1.262052	1.250541	1.293860	1.290991	1.040000	1.040000	1.040000	1.040000
LaVega Independent School District	1.290269	1.394040	1.413532	1.422100	1.459000	1.465000	1.420000	1.420000	1.365000	1.365000
Lorena Independent School District	1.435210	1.534000	1.554090	1.579090	1.640000	1.640000	1.620000	1.310000	1.290000	1.270000
Mart Independent School District	1.401870	1.472800	1.226894	1.209469	1.238841	1.229484	1.207132	1.217848	1.201791	1.191204
McGregor Independent School District	1.276100	1.330000	1.330000	1.333800	1.355000	1.355000	1.355000	1.185000	1.190000	1.190000
Midway Independent School District	1.250000	1.320000	1.320000	1.320000	1.320000	1.320000	1.320000	1.320000	1.320000	1.320000
Moody Independent School District	1.284950	1.361800	1.361750	1.391000	1.416000	1.341300	1.389300	1.394100	1.385000	1.394100
Oglesby Independent School District	1.068350	1.170000	1.170000	1.101580	1.098290	1.113700	1.113700	1.113700	1.113700	1.110000
Riesel Independent School District	1.533300	1.423900	1.450300	1.468200	1.395000	1.310000	1.336364	1.302900	1.298929	1.108160
Robinson Independent School District	1.286700	1.406135	1.406135	1.470000	1.510000	1.510000	1.315000	1.315000	1.315000	1.315000
Valley Mills Independent School District	1.353210	1.425400	1.454000	1.314000	1.314000	1.314000	1.314000	1.314000	1.314000	1.314000
Waco Independent School District	1.302450	1.404080	1.302450	1.400000	1.400000	1.353240	1.354800	1.355180	1.360998	1.364750
West Independent School District	1.186480	1.261417	1.290656	1.317548	1.283129	1.270000	1.270000	1.223188	1.225000	1.230000

**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**  
Principal Taxpayers

Last Ten Years  
(Unaudited)

Taxpayer	Type of Business	Taxable Assessed Value (dollars expressed in thousands)									
		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Sandy Creek Energy (Real Property)	Utility	\$ 341,215	306,850	247,151	524,137	524,137	545,373	450,272	402,237	417,814	-
Mars Wigley Confectionary	Processing	170,940	122,259	111,080	105,111	95,268	97,170	-	90,346	117,838	110,584
Oncor/TXU Electric	Utility	161,166	152,949	144,123	141,952	148,047	144,211	135,768	126,459	122,468	118,632
Allergan	Manufacturing	135,405	137,092	124,375	111,584	94,810	88,235	79,152	69,984	71,108	64,610
Caterpillar Logistics	Manufacturing	126,285	111,589	123,748	133,346	144,579	134,587	150,152	133,297	103,487	-
Coca-Cola	Processing	106,600	86,457	75,147	72,242	63,516	55,919	-	-	-	49,807
Ferguson Enterprises	Distributor	96,019	78,765	70,338	70,646	69,480	76,264	71,799	69,209	71,803	63,436
Owens Brockway	Manufacturing	74,702	71,419	74,786	77,743	-	-	-	-	-	-
Sherwin Williams	Distributor	71,369	-	-	-	-	-	51,798	62,264	-	46,933
Sanderson Farms	Processing	71,109	70,034	75,644	75,294	84,428	81,431	75,673	83,185	82,569	78,061
L3Harris	Processing	-	72,802	77,641	75,821	74,492	68,830	67,825	64,675	68,389	71,806
Associated Hygiene Products	Manufacturing	-	-	-	-	72,507	-	53,025	-	-	-
Sandy Creek Energy (Personal property)	Utility	-	-	-	-	-	57,325	-	-	-	-
Inland Western	Real Estate	-	-	-	-	-	-	50,721	-	50,860	57,642
Space X	Technology	-	-	-	-	-	-	-	178,138	-	-
Southwestern Bell	Utility	-	-	-	-	-	-	-	-	44,744	57,479
Totals		\$ 1,354,810	1,210,216	1,124,033	1,387,876	1,371,264	1,349,345	1,186,185	1,279,794	1,151,080	718,990
Total Taxable Assessed Value		\$ 19,096,615	17,632,186	16,032,873	15,590,137	14,535,692	13,742,962	12,829,972	12,646,737	12,118,455	11,480,266

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

Taxpayer	Type of Business	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Sandy Creek Energy (Real Property)	Utility	1.79%	1.74%	1.54%	3.36%	3.61%	3.97%	3.51%	3.18%	3.45%	0.00%
Mars SnackFood US	Processing	0.90%	0.69%	0.69%	0.67%	0.66%	0.71%	0.00%	0.71%	0.97%	0.96%
Oncor/TXU Electric	Utility	0.84%	0.87%	0.90%	0.91%	1.02%	1.05%	1.06%	1.00%	1.01%	1.03%
Allergan	Manufacturing	0.71%	0.78%	0.78%	0.72%	0.65%	0.64%	0.62%	0.55%	0.59%	0.56%
Caterpillar Logistics	Manufacturing	0.66%	0.63%	0.77%	0.86%	0.99%	0.98%	1.17%	1.05%	0.85%	0.00%
Coca-Cola	Processing	0.56%	0.49%	0.47%	0.46%	0.44%	0.41%	0.00%	0.00%	0.00%	0.43%
Ferguson Enterprises	Distributor	0.50%	0.45%	0.44%	0.45%	0.48%	0.55%	0.56%	0.55%	0.59%	0.55%
Owens Brockway	Manufacturing	0.39%	0.41%	0.47%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sherwin Williams	Distributor	0.37%	0.00%	0.00%	0.00%	0.00%	0.00%	0.40%	0.49%	0.00%	0.41%
Sanderson Farms	Processing	0.37%	0.40%	0.47%	0.48%	0.58%	0.59%	0.59%	0.66%	0.68%	0.68%
Raytheon E-Systems/L3	Manufacturing	0.00%	0.41%	0.48%	0.49%	0.51%	0.50%	0.53%	0.51%	0.56%	0.63%
Sandy Creek Energy (Personal property)	Utility	0.00%	0.00%	0.00%	0.00%	0.50%	0.00%	0.41%	0.00%	0.00%	0.00%
Associated Hygiene Products	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Inland Western	Real Estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.40%	0.00%	0.42%	0.50%
SpaceX	Technology	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.41%	0.00%	0.00%
Southwestern Bell	Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.37%	0.50%
	Totals	<u>7.09%</u>	<u>6.86%</u>	<u>7.01%</u>	<u>8.90%</u>	<u>9.43%</u>	<u>9.40%</u>	<u>9.25%</u>	<u>10.12%</u>	<u>9.50%</u>	<u>6.26%</u>

Source: McLennan County Appraisal District

**McLennan County Junior College District**  
**Property Tax Levies and Collections**

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected Within Fiscal Year of		Collections in Subsequent Year	Total Collections to Date	
		Levy			Amount	Percentage of Levy
		Amount	Percentage		Amount	
2020	\$ 28,329	27,705	97.80%	\$ 95	27,800	98.13%
2019	26,522	25,892	97.62%	217	25,824	97.37%
2018	24,722	24,398	98.69%	244	24,641	99.67%
2017	23,274	22,381	96.16%	228	22,609	97.14%
2016	21,773	20,987	96.39%	342	21,239	97.55%
2015	20,562	19,777	96.18%	276	20,053	97.52%
2014	19,468	19,113	98.18%	250	19,363	99.46%
2013	19,178	18,519	96.56%	310	18,829	98.18%
2012	18,574	18,076	97.32%	207	18,283	98.43%
2011	17,969	17,510	97.45%	261	17,771	98.90%
2010	17,581	16,961	96.47%	263	17,225	97.98%

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

**McLennan County Junior College District**  
Ratios of Outstanding Debt by Type

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>General Bonded Debt</b>										
General obligation bonds	\$ 52,080	55,350	58,460	61,495	64,440	67,370	73,605	76,330	78,870	81,270
<b>Other Debt</b>										
Revenue bonds	17,600	18,875	13,190	14,260	15,095	15,900	16,675	17,425	18,145	18,845
Total Outstanding Debt	\$ 69,680	74,225	71,650	75,755	79,535	83,270	90,280	93,755	97,015	100,115
<b>General Bonded Debt Ratios</b>										
Per Capita	Not available	216	230	245	260	274	302	316	332	341
Per Student	\$ 10,119	8,779	8,992	9,211	9,652	11,125	11,747	11,270	10,717	10,599
As a percentage of Taxable Assessed Value	0.27%	0.31%	0.36%	0.39%	0.44%	0.49%	0.61%	0.65%	0.71%	0.97%
<b>Total Outstanding Debt Ratios</b>										
Per Capita	Not available	289	281	302	321	339	371	388	408	420
Per Student	\$ 13,538	11,772	11,021	11,196	11,755	13,750	14,408	13,841	13,183	13,056
As a percentage of Taxable Assessed Value	0.36%	0.42%	0.45%	0.49%	0.55%	0.61%	0.75%	0.81%	0.87%	0.97%
As a percentage of personal income	Not available	0.7067%	0.7176%	0.0800%	0.0841%	0.0900%	0.0388%	0.0132%	0.0130%	0.0130%

**Note:**

Debt per student calculated using full time equivalent enrollment.

Information for per capita not available for 2020.

Information for total outstanding debt as a percentage of personal income not available for 2020.

**McLennan County Junior College District**  
**Legal Debt Margin Information**

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

0	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Taxable Assessed Value	\$ <u>19,096,615</u>	<u>17,632,186</u>	<u>16,032,873</u>	<u>15,590,137</u>	<u>14,535,209</u>	<u>13,742,962</u>	<u>12,829,972</u>	<u>12,646,737</u>	<u>12,118,455</u>	<u>11,480,266</u>
Statutory Tax Levy Limit for general obligation debt service	\$ 95,483	88,161	80,164	77,951	72,676	68,715	64,150	63,234	60,592	57,401
Current Year Debt Service Requirements	<u>5,719</u>	<u>5,639</u>	<u>5,644</u>	<u>5,641</u>	<u>5,729</u>	<u>6,110</u>	<u>6,112</u>	<u>6,034</u>	<u>6,275</u>	<u>5,977</u>
Excess of Statutory Limit for Debt Service over Current Requirements	\$ <u>89,764</u>	<u>82,522</u>	<u>74,520</u>	<u>72,310</u>	<u>66,947</u>	<u>62,605</u>	<u>58,038</u>	<u>57,200</u>	<u>54,317</u>	<u>51,424</u>
Net Current Requirements as a percentage of Statutory Limit	<u>5.99%</u>	<u>6.40%</u>	<u>7.04%</u>	<u>7.24%</u>	<u>7.88%</u>	<u>8.89%</u>	<u>9.53%</u>	<u>9.54%</u>	<u>10.36%</u>	<u>10.41%</u>

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

**McLennan County Junior College District**  
Pledged Revenue Coverage

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

Fiscal Year	Pledged Revenues							Debt Service Requirements			Coverage Ratio
	Tuition	Facility Fees	Community Education Fees	Interest Income	Vending Commission	Bookstore Commission	Total	Principal	Interest	Total	
2020	\$ 1,277	1,135	56	212	29	294	3,003	1,275	714	1,989	1.51
2019	1,298	1,136	120	361	42	338	3,295	915	477	1,392	2.37
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
2013	1,391	1,227	228	205	44	439	3,534	720	717	1,437	2.46
2012	1,483	1,327	126	190	44	451	3,621	700	741	1,441	2.51
2011	1,595	1,380	146	172	45	488	3,826	710	765	1,475	2.59

**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
2019	256,623	Not available	Not available	3.3%
2018	254,607	\$ 10,503,574	\$ 41,254	3.6%
2017	251,259	9,985,065	39,740	3.9%
2016	247,934	9,452,592	38,125	3.9%
2015	245,671	9,153,701	37,260	4.1%
2014	243,441	8,634,139	35,647	5.1%
2013	241,481	8,245,255	21,660	6.2%
2012	237,811	8,350,456	34,982	6.6%
2011	238,564	7,673,685	20,652	7.4%
2010	234,906	7,888,000	21,397	7.4%

**Sources:**

Population from U.S. Bureau of the Census.

Personal income from U.S. Bureau of Economic Analysis.

Unemployment rate from Texas Workforce Commission

**Notes:**

Information for 2020 not yet available

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

Employer	Number of Employees									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Baylor University	3,253	2,986	2,901	2,901	2,746	2,675	2,675	2,583	2,583	2,583
Waco ISD	2,373	2,373	2,471	2,471	2,290	2,500	2,500	2,276	2,276	2,276
HEB (all Waco locations)	2,000	2,000	1,600	1,600	1,500	1,500	1,500	1,500	1,500	1,500
Baylor Scott & White/Hillcrest Health System	1,736	2,177	1,725	1,725	1,970	1,800	1,800	1,800	1,800	1,793
Texas State Technical Institute*	1,706	1,706	630	600	600	672	672	672	672	672
Ascension Providence	1,622	2,397	2,401	2,401	2,311	2,397	2,397	2,538	2,538	2,618
City of Waco	1,518	1,578	1,456	1,456	1,487	1,506	1,506	1,506	1,506	1,506
McLennan County	1,201	964	934	934	891	830	830	830	860	830
Sanderson Farms, Inc.	1,200	1,200	1,215	1,215	1,041	1,041	1,041	1,041	1,041	1,041
Wal-Mart (all stores)	1,174	947	1,026	1,026	1,015	1,656	1,656	2,561	2,561	2,561
Midway ISD	1,081	1,081	1,282	1,282	1,102	1,067	1,067	1,067	1,067	1,067
Veterans Administration Medical Center	886	886	831	831	777	800	800	800	800	800
EMSI, Inc	824	824	824	824	850	850	850	850	850	861
Veterans Regional Office	796	796	849	849	788	650	650	650	650	650
AbbVie	785	708	710	710	Not Available					
L3Harris	774	752	1,349	1,349	1,850	2,300	2,300	2,079	2,079	2,079
McLennan Community College	719	705	683	683	869	793	826	826	871	805
Mars Wrigley Confectionary	700	775	600	600	575	525	525	650	525	650
Aramark	696	696	781	781	Not Available					
American Income Life	693	693	712	712	Not Available					
Magnolia	675	675	Not Available							
Texas Materials	672	Not Available								
Cargill Foods, Inc.	646	646	707	707	708	685	685	685	685	685
SpaceX	590	Not Available								
Texas Department of Human Services	549	549	Not Available							
Versalift	518	526	Not Available							
Family Health Center	510	519	Not Available							

**Source:**

Greater Waco Area Chamber of Commerce

\*TSTC Waco employee numbers are not available; numbers reported are system-wide.

Detailed information on employer size and total employment for 2011 to 2019 was not available for certain employers.

**McLennan County Junior College District**  
**State Appropriations – Operating Information**

Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	State Appropriation	Appropriation per FTSE		Appropriation per Contact Hour			
		Full-Time Student Equivalent	State Appropriation per FTSE	Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	State Appropriation per Contact Hour
2020	\$ 12,504,514	5,147	\$ 2,429	2,703,552	849,444	3,552,996	\$ 3.52
2019	12,347,526	6,305	1,958	2,737,136	907,776	3,644,912	3.39
2018	12,347,526	6,501	1,899	2,724,028	938,960	3,662,988	3.37
2017	12,118,902	6,523	1,858	2,698,812	967,256	3,666,068	3.31
2016	12,099,894	6,676	1,812	2,624,792	990,464	3,615,256	3.35
2015	13,456,451	6,056	2,222	2,640,603	1,214,919	3,855,522	3.49
2014	13,456,451	6,266	2,148	2,720,076	1,293,954	4,014,030	3.35
2013	13,677,168	6,777	2,018	2,975,848	1,376,424	4,352,272	3.14
2012	13,889,811	7,359	1,887	3,288,502	1,442,243	4,730,745	2.94
2011	13,085,035	7,668	1,706	3,430,424	1,464,536	4,894,960	2.67
2010	12,214,849	7,116	1,717	3,205,976	1,452,946	4,658,922	2.62

**Note:**

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

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

Last Ten Fiscal Years  
(Unaudited)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Faculty</b>										
Full-Time	215	213	218	218	220	225	242	238	240	215
Part-Time	209	242	215	184	174	189	210	225	299	242
<b>Total</b>	<b>424</b>	<b>455</b>	<b>433</b>	<b>402</b>	<b>394</b>	<b>414</b>	<b>452</b>	<b>463</b>	<b>539</b>	<b>457</b>
Percent:										
Full-Time	50.7%	46.8%	50.3%	54.2%	55.8%	54.3%	53.5%	51.4%	44.5%	47.0%
Part-Time	49.3%	53.2%	49.7%	45.8%	44.2%	45.7%	46.5%	48.6%	55.5%	53.0%
<b>Staff and Administrators</b>										
Full-Time	353	342	332	334	325	326	317	307	310	318
Part-Time	93	58	70	64	108	53	57	22	22	30
<b>Total</b>	<b>446</b>	<b>400</b>	<b>402</b>	<b>398</b>	<b>433</b>	<b>379</b>	<b>374</b>	<b>329</b>	<b>332</b>	<b>348</b>
Percent:										
Full-Time	79.1%	85.5%	82.6%	83.9%	75.1%	86.0%	84.8%	93.3%	93.4%	91.4%
Part-Time	20.9%	14.5%	17.4%	16.1%	24.9%	14.0%	15.2%	6.7%	6.6%	8.6%
Students per Full-time Faculty	40	42	45	40	38	37	34	36	39	47
Students per Full-Time Staff Member	25	26	34	26	26	29	26	28	30	32
Average Annual Faculty Salary	\$ 70,135	69,688	65,485	66,018	66,392	64,162	62,021	61,546	60,272	61,432

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

Student Classification	Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent														
Freshman	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%	4,949	58.32%	5,613	60.15%	5,498	60.59%
Sophomore	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%	2,587	30.49%	2,758	29.56%	2,678	29.51%
Unclassified	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%	950	11.19%	960	10.29%	898	9.90%
<b>Total</b>	<b>8,705</b>	<b>100.00%</b>	<b>8,955</b>	<b>100.00%</b>	<b>8,880</b>	<b>100.00%</b>	<b>8,791</b>	<b>100.00%</b>	<b>8,305</b>	<b>100.00%</b>	<b>8,294</b>	<b>100.00%</b>	<b>8,555</b>	<b>100.00%</b>	<b>8,486</b>	<b>100.00%</b>	<b>9,331</b>	<b>100.00%</b>	<b>9,074</b>	<b>100.00%</b>
<b>Semester Hour Load</b>																				
Less than 3	44	0.51%	38	0.42%	47	0.53%	66	0.75%	61	0.73%	43	0.52%	73	0.85%	79	0.85%	91	0.89%	82	0.83%
3-5 semester hours	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%	1,497	16.09%	1,497	14.70%	1,533	15.46%
6-8 Semester hours	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%	1,753	18.85%	2,015	19.78%	1,809	18.25%
9-11 semester hours	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%	1,706	18.34%	1,943	19.08%	1,605	16.19%
12-14 semester hours	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%	3,555	38.22%	3,922	38.51%	4,082	41.18%
15-17 semester hours	348	4.00%	445	4.97%	488	5.50%	507	5.77%	558	6.72%	535	6.45%	544	6.36%	636	6.84%	627	6.16%	699	7.05%
18 & over	49	0.56%	53	0.59%	58	0.65%	67	0.76%	80	0.96%	79	0.95%	100	1.17%	76	0.82%	90	0.88%	103	1.04%
<b>Total</b>	<b>8,705</b>	<b>100.00%</b>	<b>8,955</b>	<b>100.00%</b>	<b>8,880</b>	<b>100.00%</b>	<b>8,791</b>	<b>100.00%</b>	<b>8,305</b>	<b>100.00%</b>	<b>8,294</b>	<b>100.00%</b>	<b>8,555</b>	<b>100.00%</b>	<b>9,302</b>	<b>100.00%</b>	<b>10,185</b>	<b>100.00%</b>	<b>9,913</b>	<b>100.00%</b>
Average course load			8.8	9.6	9.6	9	9.2	9.4	9.6	9.5	9.6	9.5	9.6	9.5	9.6	9.7				
<b>Tuition Status</b>																				
Texas Resident (in-District)	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%	7,328	82.24%	8,393	83.75%	7,739	82.78%
Texas Resident (out-of-District)	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%	1,375	15.43%	1,414	14.11%	1,392	14.89%
Non-Resident Tuition	292	3.35%	309	3.45%	315	3.55%	284	3.23%	196	2.47%	186	2.34%	180	2.21%	208	2.33%	214	2.14%	218	2.33%
<b>Total</b>	<b>8,705</b>	<b>100.00%</b>	<b>8,955</b>	<b>100.00%</b>	<b>8,880</b>	<b>100.00%</b>	<b>8,791</b>	<b>100.00%</b>	<b>7,944</b>	<b>100.00%</b>	<b>7,938</b>	<b>100.00%</b>	<b>8,157</b>	<b>100.00%</b>	<b>8,911</b>	<b>100.00%</b>	<b>10,021</b>	<b>100.00%</b>	<b>9,349</b>	<b>100.00%</b>

**McLennan County Junior College District  
Student Profile**

**Last Ten Fiscal Years  
(Unaudited)**

Gender	Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011		Fall 2010	
	Number	Percent	Number	Percent	Number	Percent														
Female	5,742	65.96%	5,979	66.77%	5,838	65.74%	5,794	65.91%	5,427	65.35%	5,450	65.71%	5,568	65.08%	6,040	64.93%	6,656	65.35%	6,515	65.72%
Male	2,963	34.04%	2,976	33.23%	3,042	34.26%	2,997	34.09%	2,878	34.65%	2,844	34.29%	2,987	34.92%	3,262	35.07%	3,529	34.65%	3,398	34.28%
<b>Total</b>	<b>8,705</b>	<b>100.00%</b>	<b>8,955</b>	<b>100.00%</b>	<b>8,880</b>	<b>100.00%</b>	<b>8,791</b>	<b>100.00%</b>	<b>8,305</b>	<b>100.00%</b>	<b>8,294</b>	<b>100.00%</b>	<b>8,555</b>	<b>100.00%</b>	<b>9,302</b>	<b>100.00%</b>	<b>10,185</b>	<b>100.00%</b>	<b>9,913</b>	<b>100.00%</b>
<b>Ethnic Origin</b>																				
White	4,146	47.63%	4,407	49.21%	4,492	50.59%	4,597	52.29%	4,449	53.57%	4,602	55.49%	4,966	58.05%	5,370	57.73%	5,920	58.12%	5,915	59.67%
Hispanic	2,978	34.21%	2,872	32.07%	1,089	12.26%	2,629	29.91%	2,352	28.32%	2,142	25.83%	2,087	24.40%	1,434	15.42%	2,139	21.00%	1,934	19.51%
African American	1,050	12.06%	1,086	12.13%	2,734	30.79%	1,059	12.05%	1,072	12.91%	1,156	13.94%	1,318	15.41%	2,156	23.18%	1,781	17.49%	1,753	17.68%
Asian	126	1.45%	148	1.65%	141	1.59%	126	1.43%	113	1.36%	118	1.42%	103	1.20%	103	1.11%	113	1.11%	121	1.22%
Foreign	-	0.00%	-	0.00%	1	0.01%	-	0.00%	4	0.05%	2	0.02%	11	0.13%	16	0.17%	8	0.08%	-	0.00%
Native Hawaiian	6	0.07%	4	0.04%	3	0.03%	3	0.03%	6	0.07%	4	0.05%	4	0.05%	5	0.05%	10	0.10%	6	0.06%
American Indian	24	0.28%	29	0.32%	25	0.28%	31	0.35%	17	0.20%	21	0.25%	25	0.29%	23	0.25%	39	0.38%	39	0.39%
Multiracial	297	3.41%	316	3.53%	285	3.21%	252	2.87%	249	3.00%	213	2.57%	5	0.06%	160	1.72%	122	1.20%	57	0.58%
Unknown/unreported	78	0.90%	93	1.04%	110	1.24%	94	1.07%	43	0.52%	36	0.43%	36	0.42%	35	0.38%	53	0.52%	88	0.89%
<b>Total</b>	<b>8,705</b>	<b>100.00%</b>	<b>8,955</b>	<b>100.00%</b>	<b>8,880</b>	<b>100.00%</b>	<b>8,791</b>	<b>100.00%</b>	<b>8,305</b>	<b>100.00%</b>	<b>8,294</b>	<b>100.00%</b>	<b>8,555</b>	<b>100.00%</b>	<b>9,302</b>	<b>100.00%</b>	<b>10,185</b>	<b>100.00%</b>	<b>9,913</b>	<b>100.00%</b>
<b>Age</b>																				
Under 18	1,878	21.57%	1,879	20.98%	1,631	18.37%	1,433	16.30%	1,411	16.99%	1,167	14.07%	1,061	12.40%	1,117	12.01%	1,158	11.37%	1,113	11.23%
18 -21	3,451	39.64%	3,574	39.91%	3,661	41.23%	3,542	40.29%	3,294	39.66%	3,155	38.04%	3,282	38.36%	3,517	37.81%	3,747	36.79%	3,636	36.68%
22 - 24	1,082	12.43%	1,017	11.36%	1,112	12.52%	1,117	12.71%	1,015	12.22%	1,084	13.07%	1,104	12.90%	1,192	12.81%	1,365	13.40%	1,323	13.35%
25 - 35	1,452	16.68%	1,586	17.71%	1,569	17.67%	1,711	19.46%	1,597	19.23%	1,750	21.10%	1,879	21.96%	2,020	21.72%	2,264	22.23%	2,410	24.31%
36 - 50	661	7.59%	688	7.68%	702	7.91%	760	8.65%	764	9.20%	864	10.42%	934	10.92%	1,122	12.06%	1,336	13.12%	1,154	11.64%
51 & over	181	2.08%	211	2.36%	205	2.31%	228	2.59%	224	2.70%	274	3.30%	295	3.45%	334	3.59%	315	3.09%	277	2.79%
<b>Total</b>	<b>8,705</b>	<b>100.00%</b>	<b>8,955</b>	<b>100.00%</b>	<b>8,880</b>	<b>100.00%</b>	<b>8,791</b>	<b>100.00%</b>	<b>8,305</b>	<b>100.00%</b>	<b>8,294</b>	<b>100.00%</b>	<b>8,555</b>	<b>100.00%</b>	<b>9,302</b>	<b>100.00%</b>	<b>10,185</b>	<b>100.00%</b>	<b>9,913</b>	<b>100.00%</b>
Average Age	23		24		24		24		24		25		25		26		26		25	

**McLennan County Junior College District**  
**Student Transfers to Senior Institutions**

**Last Ten Fiscal Years**  
**(Unaudited)**

	<b>Fall 2019</b>		<b>Fall 2018</b>		<b>Fall 2017</b>		<b>Fall 2016</b>		<b>Fall 2015</b>		<b>Fall 2014</b>		<b>Fall 2013</b>		<b>Fall 2012</b>		<b>Fall 2011</b>		<b>Fall 2010</b>	
	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	696	51.56%	561	49.47%	633	46.44%	667	52.60%	655	48.63%	411	41.47%	427	42.19%	400	39.22%	450	41.17%	345	40.97%
Texas A&M University	199	14.74%	137	12.08%	205	15.04%	198	15.62%	182	13.51%	133	13.42%	132	13.04%	137	13.43%	16	1.46%	16	1.90%
Texas Tech University	18	1.33%	10	0.88%	60	4.40%	60	4.73%	53	3.93%	98	9.89%	99	9.78%	93	9.12%	85	7.78%	71	8.43%
Texas State University	85	6.30%	73	6.44%	86	6.31%	46	3.63%	88	6.53%	81	8.17%	66	6.52%	93	9.12%	107	9.79%	83	9.86%
UT Arlington	81	6.00%	100	8.82%	115	8.44%	108	8.52%	102	7.57%	58	5.85%	64	6.32%	64	6.27%	170	15.55%	106	12.59%
UT Austin	77	5.70%	51	4.50%	69	5.06%	29	2.29%	74	5.49%	61	6.16%	61	6.03%	85	8.33%	75	6.86%	68	8.08%
University of North Texas	74	5.48%	64	5.64%	58	4.26%	67	5.28%	58	4.31%	56	5.65%	56	5.53%	53	5.20%	73	6.68%	66	7.84%
Sam Houston State University	62	4.59%	67	5.91%	64	4.70%	25	1.97%	58	4.31%	47	4.74%	55	5.43%	52	5.10%	48	4.39%	47	5.58%
Stephen F. Austin State University	34	2.52%	32	2.82%	29	2.13%	25	1.97%	34	2.52%	22	2.22%	32	3.16%	30	2.94%	42	3.84%	23	2.73%
University of Houston	3	0.22%	17	1.50%	18	1.32%	22	1.74%	21	1.56%	12	1.21%	-	0.00%	13	1.27%	27	2.47%	17	2.02%
University of Texas--San Antonio	21	1.56%	22	1.94%	26	1.91%	21	1.66%	22	1.63%	12	1.21%	20	1.98%	-	0.00%	-	0.00%	-	0.00%
<b>Totals</b>	<b>1,350</b>	<b>100.00%</b>	<b>1,134</b>	<b>100.00%</b>	<b>1,363</b>	<b>100.00%</b>	<b>1,268</b>	<b>100.00%</b>	<b>1,347</b>	<b>100.00%</b>	<b>991</b>	<b>100.00%</b>	<b>1,012</b>	<b>100.00%</b>	<b>1,020</b>	<b>100.00%</b>	<b>1,093</b>	<b>100.00%</b>	<b>842</b>	<b>100.00%</b>

**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



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



**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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 8, 2021. The financial statements of McLennan Community College Foundation, a discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with McLennan Community College Foundation.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Jayno, Reckman, Boyd & Howell, P.C.*

January 8, 2021



JAYNES REITMEIER BOYD & THERRELL, P.C.  
Certified Public Accountants  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE AND UNIFORM  
GRANT MANAGEMENT STANDARDS***

The Board of Trustees  
McLennan County Junior College District:

**Report on Compliance for Each Major Federal and State Program**

We have audited McLennan County Junior College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Uniform Grant Management Standards* that could have a direct and material effect on each of the District's major federal and state programs for the year ended August 31, 2020. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal and State Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2020.

### ***Report on Internal Control Over Compliance***

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

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

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

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

*Jayno, Ketchum, Boyd & Howell, P.C.*

January 8, 2021

**McLennan County Junior College District**  
**Schedule of Findings and Questioned Costs**

Year Ended August 31, 2020

(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 Uniform Grant Management Standards? \_\_\_\_\_ yes      x   no

Identification of major federal programs:

CFDA Number(s)    Name of Federal Program or Cluster

<u>CFDA Number(s)</u> <u>Name of Federal Program or Cluster</u>	
Student Financial Assistance Cluster:	
84.007	Federal Supplemental Educational Opportunity Grant Program
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans Program
Education Stabilization Fund:	
84.425E	COVID-19 Higher Education Emergency Relief Fund - Student Aid
84.425F	COVID-19 Higher Education Emergency Relief Fund - Institutional Portion
84.425L	COVID-19 Higher Education Emergency Relief Fund - Minority Serving Institutions
Vocational Education:	
84.048	ADA Compliance
84.048	Carl Perkins - Career and Technical Education

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: \_\_\_\_\_ \$750,000

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

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

Auditee qualified as low-risk auditee for state programs? \_\_\_\_\_ yes      x   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.

**McLennan County Junior College District**  
Summary Schedule of Prior Audit Findings

August 31, 2020

*2019-001 – Improving Compliance and Internal Controls over Procurement Policies*

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

Corrective action was taken.

*2019-002 – Questioned Costs in the Texas Education Opportunity Grant*

During the audit of TEOG, instances were identified whereby the District did not properly calculate matching amounts for tuition and fees in excess of TEOG funds disbursed to students. Additionally, funds were drawn by the District which were not disbursed to students in accordance with required time limits.

Corrective action was taken.