

McLennan County Junior College District
Annual Financial Report
August 31, 2021 and 2020

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	2027
Earl Stinnet, Sr. – Vice Chairman Waco, Texas	2027
Doug McDurham – Secretary Waco, Texas	2023
Members:	
Pauline Chavez, Waco, Texas	2023
Dr. Elizabeth Palacios, Waco, Texas	2025
Ricky Turman, Waco, Texas	2027
Geneva Watley, Waco, Texas	2025

Principal Administrative Officers

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

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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 57, the schedule of the District's contributions to the Teacher Retirement System of Texas on page 58, the schedule of the District's proportionate share of the net OPEB liability on page 59, and the schedule of the District's contributions to the Employee Retirement System of Texas on page 60 (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 December 7, 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.

December 7, 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, 2021 and 2020. 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 \$15.0 million, \$9.2 million, and \$10.0 million as of August 31, 2021, 2020 and 2019 respectively. Of these amounts, unrestricted net position was (\$40.4) million for 2021, (\$47.8) million for 2020 and (\$45.4) million for 2019.
- The District's total net position increased by approximately \$5.8 million for 2021, decreased by approximately \$0.8 million for 2020, and increased by approximately \$1.7 million for 2019. Of these amounts, unrestricted net position increased by approximately \$7.3 million for 2021 and by approximately \$1.0 million for 2019. Unrestricted net position decreased by approximately \$2.4 million for 2020.
- The total assessed value of property increased by approximately \$1.1 billion or 6.0% from 2020 to 2021, by \$1.8 billion or 7.6% from 2019 to 2020, and by \$2.0 billion or 9.5% from 2018 to 2019.
- Capital assets (net) decreased by approximately \$2.3 million in 2021 and by \$1.6 million in 2019. Capital assets (net) increased by approximately \$1.0 million in 2020.
- Bonds decreased by approximately \$4.2 million in 2021 and by \$4.5 million in 2020. Bonds increased by approximately \$2.6 million in 2019.

Financial and Enrollment Highlights (continued)

- During 2021 the unduplicated head count of credit students decreased by 1,410 students, and contact hours decreased by 513,252 hours. During 2020, the unduplicated head count of credit students decreased by 963 students, and contact hours decreased by approximately 216,000 hours.

Statement of Net Position

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

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

Condensed Statements of Net Position (In Thousands)

	2021	2020	2019	Increase (Decrease)	
				2020 to 2021	2019 to 2020
Assets					
Current assets	\$ 35,881	30,612	35,383	5,269	(4,771)
Noncurrent assets:					
Capital assets, net of depreciation	121,658	123,967	122,978	(2,309)	989
Total assets	157,539	154,579	158,361	2,960	(3,782)
Deferred outflows of resources	22,295	24,974	21,022	(2,679)	3,952
Liabilities					
Current liabilities	20,858	19,770	19,974	1,088	(204)
Noncurrent liabilities	129,408	135,204	132,055	(5,796)	3,149
Total liabilities	150,266	154,974	152,029	(4,708)	2,945
Deferred inflows of resources	14,536	15,386	17,360	(850)	(1,974)
Net Position					
Net investment in capital assets	54,140	51,211	45,097	2,929	6,114
Restricted, expendable	1,338	5,797	10,317	(4,459)	(4,520)
Unrestricted	(40,446)	(47,815)	(45,420)	7,369	(2,395)
Total net position	\$ 15,032	9,193	9,994	5,839	(801)

Statement of Net Position (continued)

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

Total assets increased by \$3.0 million from 2020 to 2021. Cash and cash equivalents increased by \$6.2 million as explained below in the "Statement of Cash Flow" section. There were approximately \$2.1 million in capital assets added during 2021. Significant additions include renovation projects on the Central Plant and Learning Technology Center buildings of \$0.8 million that were not yet completed at year-end, roof replacement for the ESC building of \$0.2 million, and CSC Module B air handler unit for \$0.2 million. Depreciation expense of \$4.3 million was incurred which resulted in a \$2.3 million decrease in total capital assets, net of depreciation. Total 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 deferred outflows of resources decreased by approximately \$2.7 million from 2020 to 2021. Total deferred outflows of resources increased by approximately \$4.0 million from 2019 to 2020. These outflows for 2021 and 2020 include deferred charges on the 2015 and 2017 Refunding Bonds, changes in pension contributions, changes in assumptions, differences between projected and actual earnings, changes in proportion and differences in District contributions and proportionate share of contributions, and differences between expected and actual economic experience of the pension and OPEB plans. Deferred outflows for 2021 also include deferred charges on the 2021 Refunding Limited Tax Bonds.

Total liabilities decreased by approximately \$4.7 million from 2020 to 2021. Principal payments on bonds approximated \$5.2 million in 2021. The District's net pension liability increased approximately \$0.2 million and the net OPEB liability decreased approximately \$1.5 million from 2020 to 2021. The District issued \$26.6 million in refunding bonds that resulted in the defeasance of \$26.9 million in existing debt. Additionally, the District recognized \$0.6 million more in accrued liabilities due to the timing of payments at year end. Total 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.

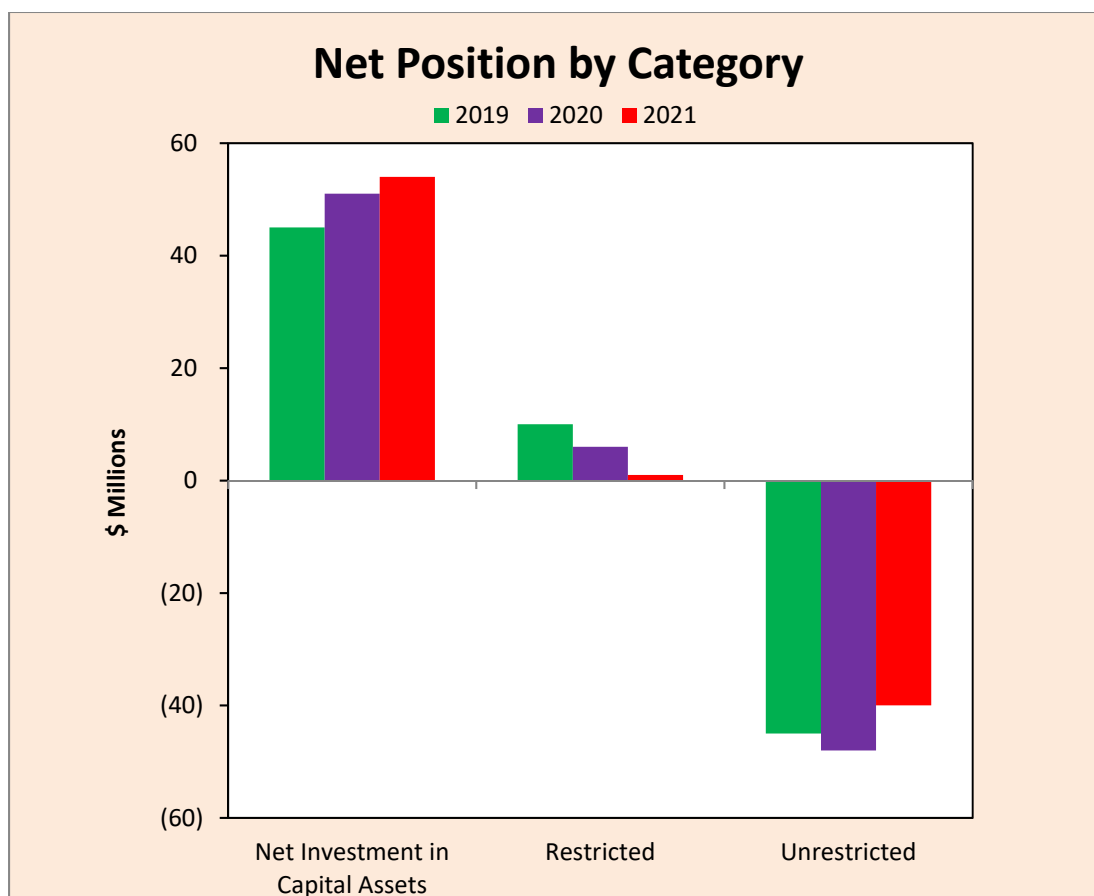
Total deferred inflows of resources decreased by approximately \$0.9 million from 2020 to 2021. Total deferred inflows of resources decreased by approximately \$2.0 million from 2019 to 2020.

Statement of Net Position (continued)

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 and proportionate share of contributions to the pension and OPEB plans.

Of the \$15.0 million in net position in 2021, approximately \$54.1 million is net investment in capital assets. This is an increase of \$2.9 million from 2020. Net position in 2020 related to net investment in capital assets increased \$6.1 million from 2019 to 2020.

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



Statement of Revenues, Expenses and Changes in Net Position

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

The following table reflects a summary of the Statement of Revenues, Expenses and Changes in Net Position for the years ended August 31, 2021, 2020 and 2019. This summary indicates the operating loss and the overall increase (decrease) in net position for each of the years displayed.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues:			
Tuition and fees, net	\$ 12,876	12,672	13,454
Other	1,753	1,318	1,556
	<u>14,629</u>	<u>13,990</u>	<u>15,010</u>
Operating expenses:			
Instruction	32,101	34,173	32,987
Public service	2,257	2,097	2,265
Academic support	3,257	3,132	2,871
Student services	8,681	8,149	5,270
Institutional support	14,001	12,955	10,797
Operation and maintenance of plant	5,657	6,724	5,774
Scholarships and fellowships	9,096	9,738	9,895
Auxiliary enterprises	2,404	2,372	2,546
Depreciation	4,336	4,529	4,118
	<u>81,790</u>	<u>83,869</u>	<u>76,523</u>
Operating loss	<u>(67,161)</u>	<u>(69,879)</u>	<u>(61,513)</u>
Non-operating revenues (expenses):			
State appropriations	17,245	17,761	17,139
Ad valorem taxes	29,470	27,463	25,823
Grants and contracts	28,459	26,015	22,141
Interest on debt	(2,170)	(2,693)	(2,545)
Other	(4)	532	626
	<u>73,000</u>	<u>69,078</u>	<u>63,184</u>
Increase (decrease) in net position	\$ <u>5,839</u>	<u>(801)</u>	<u>1,671</u>

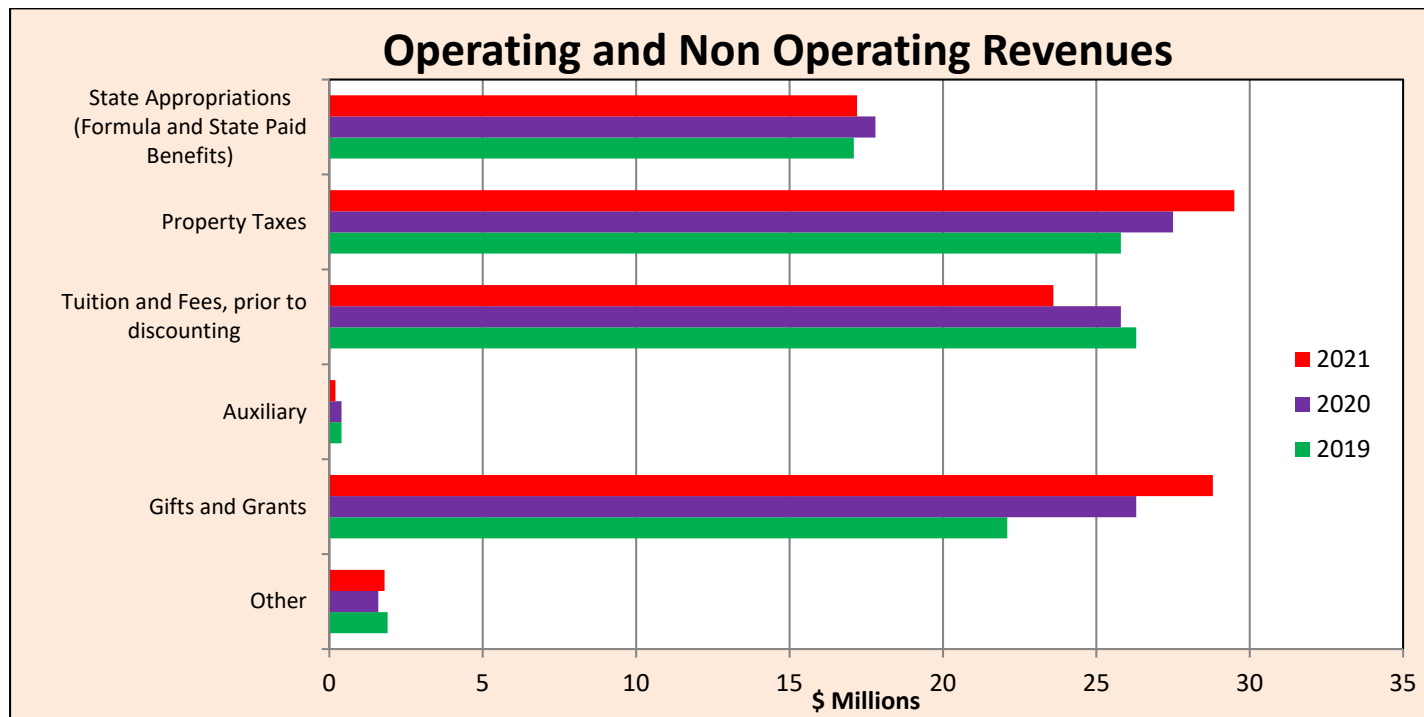
Operating and Non-operating Revenues

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

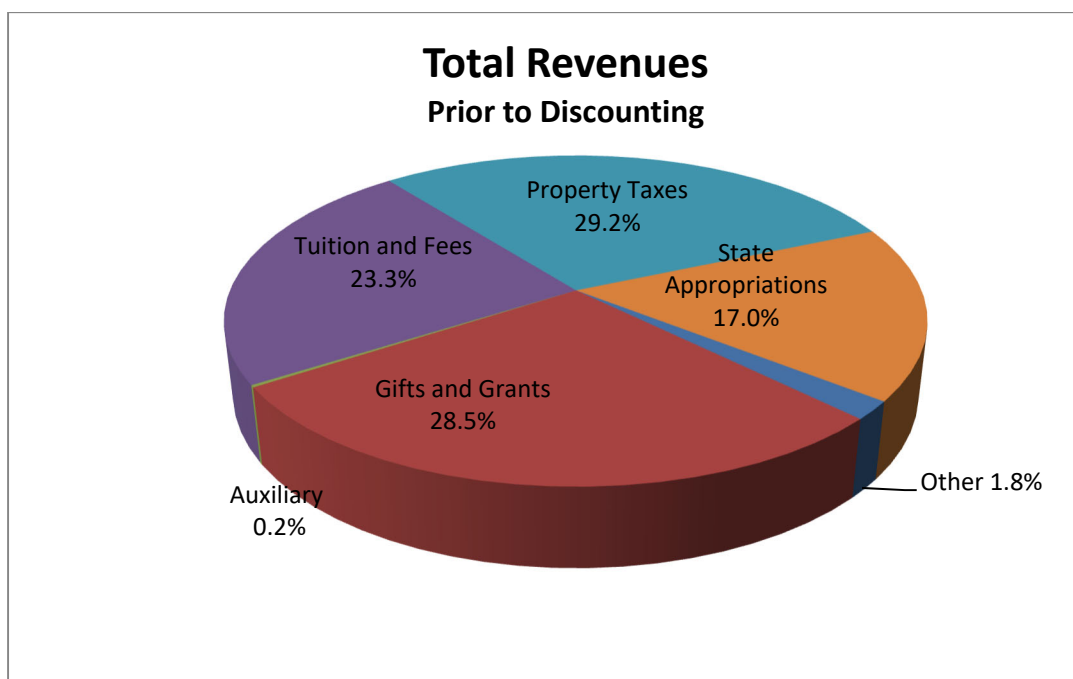
- Gross tuition and fee revenue for 2021 was \$23.6 million and decreased from 2020 amounts by approximately \$2.1 million or 8%. Credit tuition decreased by approximately by \$3 million, and state funded continuing education tuition increased by \$0.2 million. Tuition and general fee rates remained the same in 2021. 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 by \$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. During 2019, the District generated a gross total of \$26.3 million in tuition and fees charged to credit and non-credit students attending classes at the District.
- State appropriated revenue for 2021 was \$17.2 million which was an increase of \$0.5 million from 2020. 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 2020 was \$17.8 million which was an increase of \$0.6 million from 2019. State appropriated revenue for 2019 was \$17.1 million.
- Property tax revenue was \$29.5 million in 2021 which exceeded the prior year by approximately \$2.0 million or 7.3%. Tax revenue was \$27.5 million in 2020 which exceeded the prior year by approximately \$1.6 million, or 6.4%. Tax revenue for 2019 was \$25.8 million. The combined tax rate was \$0.149782 and \$0.147696 per \$100 of valuation, respectively, for 2021 and 2020. 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 2021 federal Pell grants were \$13.8 million which was a decrease of \$2.8 million from 2020. Federal Pell grants were \$16.6 million and \$16.7 million, respectively in 2020 and 2019. Funding from the Higher Education Emergency Relief Fund increased by approximately \$4.6 million from 2020 to 2021. The District first received this grant in 2020.
- State grants in 2021 were \$1.5 million and increased by approximately \$0.4 million from 2019 to 2020 based on increases in the Skills Development grants. There was a decrease of approximately \$0.4 million from 2019 to 2020. State grants were \$1.5 million in 2019.

The following presentation graphically displays revenue trends.

Operating and Non-operating Revenues (continued)

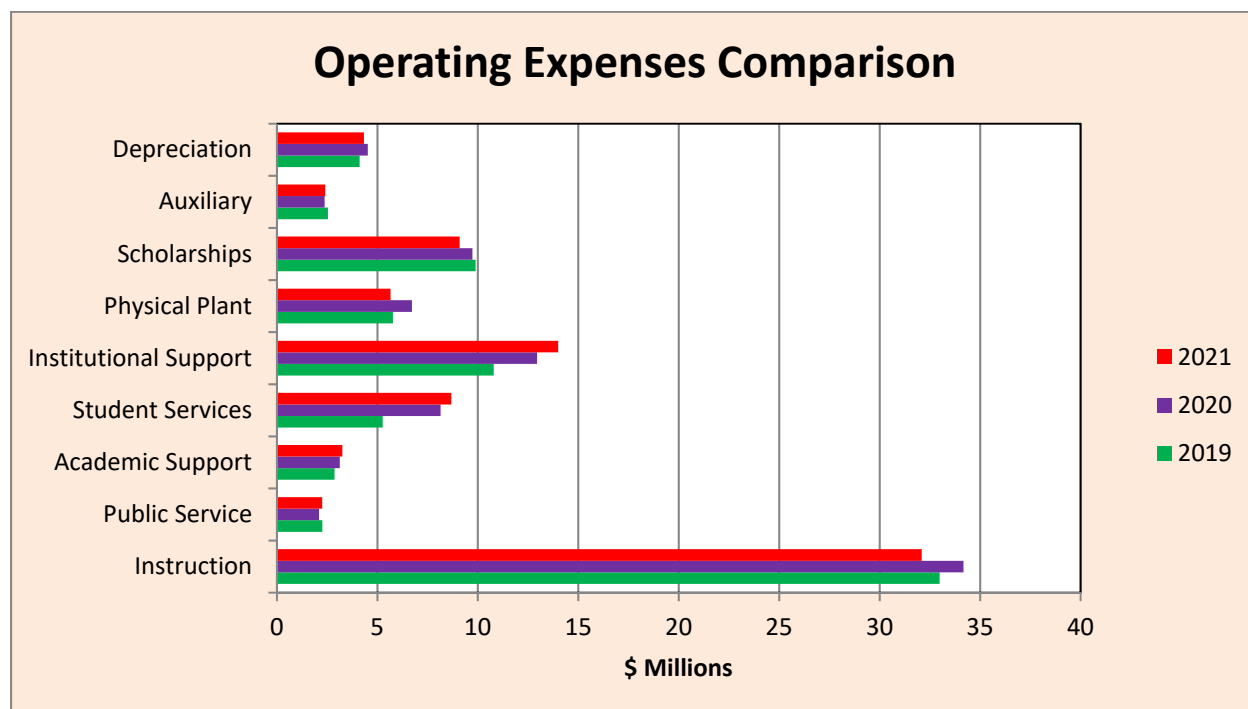


The following chart reflects revenues from all sources for 2021. For purposes of this presentation, tuition and fees revenues are shown prior to scholarship discounts. The Statements of Revenues, Expenses and Changes in Net Position reflect these revenues net of scholarships.



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 2021 expenses compared to the 2020 and 2019 expenses.



Total operating expenses for 2021 decreased by approximately \$2.1 million. Total pension and OPEB expenses for the year were \$2.3 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 decrease was due to decrease in instruction expenses attributable to declines in salaries and benefits. Total operating expenses were \$83.9 million for 2020, an increase of approximately \$7.4 million from 2019. Total pension and OPEB expenses for 2020 were \$5.2 million. Total operating expenses were \$76.5 million in 2019.

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>2021</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents provided by (used in):			
Operating activities	\$ (56,223)	(57,148)	(54,474)
Noncapital financing activities	66,795	59,642	53,979
Capital and related financing activities	(4,497)	(7,642)	3,039
Investing activities	<u>148</u>	<u>383</u>	<u>503</u>
Changes in cash and cash equivalents	<u>\$ 6,223</u>	<u>(4,765)</u>	<u>3,047</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>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 6,815	6,815	6,808
Construction in progress	952	-	1,069
Buildings and building improvements	147,393	147,445	142,177
Other real estate improvements	29,005	28,655	28,188
Library books	2,590	2,780	3,408
Furniture and equipment	<u>8,585</u>	<u>8,565</u>	<u>8,037</u>
	<u>\$ 195,340</u>	<u>194,260</u>	<u>189,687</u>

Capital Assets and Debt Administration (continued)

Capital asset additions totaled \$2.1 million and \$5.6 million in 2021 and 2020, respectively. Major additions in 2021 include renovation projects on the Central Plant and Learning Technology Center buildings of \$0.8 million that were not yet completed at year-end, roof replacement for the ESC building of \$0.2 million, and CSC Module B air handler unit for \$0.2 million. Depreciation expense of \$4.3 million was incurred in 2021. The major addition in 2020 was the Business and Technology building renovation project. Depreciation expense of \$4.5 million was incurred in 2020. 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.

The District had outstanding debt of approximately \$64.3 million and \$69.7 million as of August 31, 2021 and 2020, respectively.

Schedule of Outstanding Debt (In Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 48,245	52,080	55,350
Revenue bonds	<u>16,035</u>	<u>17,600</u>	<u>18,875</u>
	<u>\$ 64,280</u>	<u>69,680</u>	<u>74,225</u>

The District issued \$26.6 million in refunding bonds that resulted in the defeasance of \$26.9 million in existing debt during 2021. For additional information concerning capital assets and debt administration, see Notes 6 through 9 in the Notes to the Financial Statements.

Economic Factors That Will Affect the Future

The District relies upon three primary revenue sources: local taxes, tuition and fees, and state appropriations. Over the past several years, the District has responded to declining state funds by reducing costs and taking advantage of increased tax valuations. Currently, tuition and fees (before discounts) account for approximately 25% of the District's total (operating and non-operating) revenue, while state appropriations and local taxes account for 18% and 32%, 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 7,500 students during the fall 2021 semester. The District's Office of Institutional Research and academic program chairs monitor course demand and utilization on a daily basis during registration to tailor offerings to demand. The District developed a Strategic Enrollment Management committee with various subcommittees to look at ways to increase enrollment. A consultant was hired to look at all parts of the student enrollment process to identify any areas of improvement. Committees in each department have been formed and are looking at implementing the recommended changes with the hopes to increase enrollment for spring 2022.

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 2021, total enrollment was down 5%. 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, with a subcommittee from the strategic enrollment management process working on these initiatives. The District expects to begin to see impacts from this work in the coming semesters.

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 continued to see challenges with the COVID-19 pandemic, which has impacted the enrollment and finances of the District. The District was able to use funds from the Higher Education Emergency Relief Fund to upgrade technology on campus and make other operational adjustments to remain financially stable. The District is not aware of any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during subsequent years.

McLennan County Junior College District

Statements of Net Position (Exhibit 1)

August 31, 2021 and 2020

<u>Assets</u>	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2021	2020	2021	2020
Current assets:				
Cash and cash equivalents	\$ 22,494,499	12,075,788	431,910	179,769
Accounts receivable, net	11,980,104	13,578,153	356,412	256,202
Prepaid expenses	887,254	239,839	-	803
Restricted cash and cash equivalents	519,502	4,715,012	-	-
Inventories	-	3,431	-	-
Property held for sale	-	-	-	405,934
Total current assets	35,881,359	30,612,223	788,322	842,708
Noncurrent assets:				
Restricted cash, cash equivalents, and investments	-	-	30,789,528	23,909,368
Capital assets, net	121,657,717	123,966,758	-	-
Other assets	-	-	23,005	22,534
Total noncurrent assets	121,657,717	123,966,758	30,812,533	23,931,902
Total assets	157,539,076	154,578,981	31,600,855	24,774,610
 <u>Deferred Outflows of Resources</u>				
Deferred outflows of resources	22,295,128	24,973,659	-	-
 <u>Liabilities</u>				
Current liabilities:				
Accounts payable	1,430,248	1,661,936	63,568	21,766
Accrued liabilities	4,718,910	4,100,004	-	-
Funds held for others	184,370	117,906	-	-
Unearned revenue	9,399,992	9,145,176	-	-
Bonds payable - current portion	5,125,000	4,745,000	-	-
Total current liabilities	20,858,520	19,770,022	63,568	21,766
Noncurrent liabilities:				
Bonds payable	66,078,763	70,609,480	-	-
Net pension liability	16,261,639	16,048,584	-	-
Net OPEB liability	47,067,445	48,545,614	-	-
Total noncurrent liabilities	129,407,847	135,203,678	-	-
Total liabilities	150,266,367	154,973,700	63,568	21,766
 <u>Deferred Inflows of Resources</u>				
Deferred inflows of resources	14,535,926	15,385,965	-	-
 <u>Net Position</u>				
Net position:				
Net investment in capital assets	54,140,006	51,210,723	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	11,484,858	10,690,157
Other	-	-	831,939	831,751
Expendable:				
Scholarships and fellowships	1,353,709	1,480,214	18,389,762	12,791,107
Debt service	(15,940)	3,160,908	-	-
Other	-	1,156,486	785,255	394,366
Unrestricted	(40,445,864)	(47,815,356)	45,473	45,463
Total net position	\$ 15,031,911	9,192,975	31,537,287	24,752,844

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, 2021 and 2020

	McLennan County		Component Unit	
	Junior College District		McLennan Community College Foundation	
	2021	2020	2021	2020
Operating revenues:				
Tuition and fees (net of scholarship allowances and discounts of \$10,769,398 and \$13,093,588, respectively)	\$ 12,876,439	12,671,608	-	-
Gifts	-	-	1,899,584	1,628,655
Sales and services of educational activities	1,078,826	878,283	-	-
Auxiliary enterprises	244,135	353,871	-	-
Other operating revenues	429,851	85,803	-	-
Total operating revenues	<u>14,629,251</u>	<u>13,989,565</u>	<u>1,899,584</u>	<u>1,628,655</u>
Operating expenses:				
Instruction	32,101,405	34,173,142	-	-
Public service	2,257,139	2,096,889	-	-
Academic support	3,256,528	3,132,142	-	-
Student services	8,681,226	8,149,337	-	-
Institutional support	14,000,889	12,954,508	686,149	599,323
Operation and maintenance of plant	5,657,604	6,724,070	117,179	55,537
Scholarships and fellowships	9,095,547	9,738,166	463,230	480,279
Auxiliary enterprises	2,404,127	2,372,153	-	-
Depreciation	4,335,643	4,528,888	-	-
Total operating expenses	<u>81,790,108</u>	<u>83,869,295</u>	<u>1,266,558</u>	<u>1,135,139</u>
Operating income (loss)	<u>(67,160,857)</u>	<u>(69,879,730)</u>	<u>633,026</u>	<u>493,516</u>
Nonoperating revenues (expenses):				
State appropriations	17,245,234	17,761,073	-	-
Ad valorem taxes for maintenance and operations	23,947,224	21,809,084	-	-
Ad valorem taxes for debt service	5,521,883	5,654,307	-	-
Federal grants and contracts	26,897,574	24,774,086	-	-
State grants and contracts	1,461,420	1,044,692	-	-
Local grants and contracts	100,258	196,061	-	-
Investment income	148,396	313,724	6,151,417	2,621,541
Gifts	363,204	255,065	-	-
Interest on capital asset-related debt	(2,170,409)	(2,692,812)	-	-
Other nonoperating revenues (expenses), net	(514,991)	(36,674)	-	-
Net nonoperating revenues	<u>72,999,793</u>	<u>69,078,606</u>	<u>6,151,417</u>	<u>2,621,541</u>
Increase (decrease) in net position	<u>5,838,936</u>	<u>(801,124)</u>	<u>6,784,443</u>	<u>3,115,057</u>
Net position - beginning of year	<u>9,192,975</u>	<u>9,994,099</u>	<u>24,752,844</u>	<u>21,637,787</u>
Net position - end of year	<u>\$ 15,031,911</u>	<u>9,192,975</u>	<u>31,537,287</u>	<u>24,752,844</u>

See accompanying notes to the financial statements.

McLennan County Junior College District

Statements of Cash Flows
(Exhibit 3)

Years Ended August 31, 2021 and 2020

	Primary Government	
	2021	2020
Cash flows from operating activities		
Receipts from students and other customers:		
Tuition and fees	\$ 12,593,545	12,596,151
Auxiliary enterprises and educational activities	2,224,257	1,076,471
Receipts from third-party student loans	7,844,264	9,633,351
Other receipts	429,851	85,803
Loans issued to students	(7,844,264)	(9,633,351)
Payments to employees	(37,091,032)	(38,738,520)
Payments to suppliers and students	(34,379,371)	(32,167,810)
Net cash used in operating activities	(56,222,750)	(57,147,905)
Cash flows from noncapital financing activities		
Receipts of state appropriations	12,523,114	12,535,089
Receipts from ad valorem taxes for maintenance and operation	24,106,710	25,173,548
Receipts of grants and contracts	29,539,999	21,672,086
Receipts from gifts for other than capital purposes	625,511	261,646
Net cash provided by noncapital financing activities	66,795,334	59,642,369
Cash flows from capital and related financing activities		
Receipts from ad valorem taxes for debt service	5,582,577	5,627,912
Purchases of capital assets	(2,085,308)	(5,522,081)
Payments on capital debt principal	(5,150,000)	(4,545,000)
Payments on capital debt interest	(2,952,768)	(3,266,495)
Other receipts	107,720	63,000
Net cash used in capital and related financing activities	(4,497,779)	(7,642,664)
Cash flows from investing activities		
Receipts from interest on investments	148,396	382,833
Net cash provided by investing activities	148,396	382,833
Net increase (decrease) in cash and cash equivalents	6,223,201	(4,765,367)
Cash and cash equivalents - beginning of year	16,790,800	21,556,167
Cash and cash equivalents - end of year	\$ 23,014,001	16,790,800
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (67,160,857)	(69,879,730)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	4,335,643	4,528,888
On-behalf payments	4,722,120	5,225,984
Contributions in excess of pension and OPEB expense	1,653,503	2,550,386
Change in assets and liabilities:		
Receivables, net	704,645	658,098
Inventories	3,431	11,239
Prepaid expenses	(647,415)	111,471
Accounts payable	(231,688)	(112,472)
Accrued liabilities	484,111	647,469
Funds held for others	66,464	(84,981)
Unearned revenue	(152,707)	(804,257)
Net cash used in operating activities	\$ (56,222,750)	(57,147,905)
Noncash capital, financing and investing activities:		
State appropriations on-behalf payments	\$ 4,722,120	5,225,984
Proceeds from issuance of refunding bonds	\$ 26,640,000	-

See accompanying notes to the financial statements.

McLennan County Junior College District

Notes to Financial Statements

August 31, 2021 and 2020

(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, 2021 and 2020, the Foundation expended \$877,675 and \$757,596, respectively, directly to the District or to the District on behalf of students. Complete financial statements for the Foundation can be obtained from the Foundation office at 1400 College Drive, Waco, Texas 76708.

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

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

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

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

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

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

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

(c) Scholarship Allowances and Discounts

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

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

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

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

(2) Summary of Significant Accounting Policies (continued)

(d) Cash and Cash Equivalents

Cash equivalents of \$93,320 and \$1,270,423 at August 31, 2021 and 2020, respectively, consist of public funds investment pools. Cash equivalents are considered to be highly liquid debt instruments with original maturities of three months or less from the date of acquisition.

Restricted cash and cash equivalents represent resources accumulated for debt service payments for the Series 2013, 2015, and 2021 limited tax bonds payable and 2010, 2017, 2019, and 2021 revenue bonds payable at August 31, 2021 and 2020.

(e) Investments

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

(f) Inventories

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

(g) Capital Assets

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

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, 2021 and 2020 consist of the following:

	2021	2020
Deferred Outflows		
Deferred charges on bond refundings	\$ 3,744,521	2,789,601
Pension related:		
Contributions subsequent to measurement date	1,210,521	1,222,284
Changes in assumptions	3,773,279	4,979,059
Change in proportionate contributions	914,435	1,145,932
Differences between projected and actual investment earnings, net	329,203	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)

	2021	2020
Differences between expected and actual economic experience	\$ 29,692	67,418
OPEB related:		
Contributions subsequent to measurement date	2,503,305	1,992,046
Changes in assumptions	2,724,878	3,454,733
Changes in proportion and differences between District contributions and proportionate share of contributions	7,051,247	9,141,481
Differences between projected and actual investment earnings	14,047	19,958
	\$ 22,295,128	24,973,659
 Deferred Inflows		
Deferred gains on bond refundings	\$ 58,469	191,155
Pension related:		
Changes in assumptions	1,604,372	2,057,583
Changes in proportion and differences between District contributions and proportionate share of contributions	437,340	468,691
Differences between expected and actual economic experience	453,819	557,232
OPEB related:		
Changes in assumptions	10,141,095	10,848,104
Differences between expected and actual economic experience	1,840,831	1,263,200
	\$ 14,535,926	15,385,965

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, 2021 and 2020 consists of the following:

	2021	2020
Tuition and fees	\$ 8,605,839	8,771,975
Federal grants	520,093	93,486
Scholarships	227,995	214,566
State grants	46,065	65,149
	\$ 9,399,992	9,145,176

(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, 2021 and 2020 consist of the following:

<u>Deposits</u>	<u>2021</u>	<u>2020</u>
Cash - demand deposits	\$ 22,917,403	15,517,608
Cash - petty cash on hand	3,278	2,769
Total deposits	<u>22,920,681</u>	<u>15,520,377</u>

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

(4) Deposits and Investments (continued)

	<u>2021</u>	<u>2020</u>
<u>Investments - cash equivalents</u>		
TexasTERM Local Government Investment Pool	\$ 8,847	8,841
Texas Local Government Investment Pool	84,176	1,261,285
Lone Star Investment Pool	297	297
Total investments-cash equivalents	<u>93,320</u>	<u>1,270,423</u>
Total deposits and investments	<u>\$ 23,014,001</u>	<u>16,790,800</u>

Deposits and investments of the Foundation at August 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
<u>Deposits</u>		
Cash - demand deposits	\$ 329,916	78,231
Cash - certificates of deposit	101,994	101,538
Total deposits	<u>431,910</u>	<u>179,769</u>
<u>Investments</u>		
Equity securities	\$ 27,410,296	22,222,641
Other investments	3,379,232	1,686,727
Total investments	<u>30,789,528</u>	<u>23,909,368</u>
Total deposits and investments	<u>\$ 31,221,438</u>	<u>24,089,137</u>

The weighted average maturity of investments (in days) of the District at August 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Texas Local Government Investment Pool	31	27
TexasTERM Local Government Investment Pool	53	48
Lone Star Investment Pool	52	54

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

(4) Deposits and Investments (continued)

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, 2021 and 2020, 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, 2021 and 2020 include deposits in the Texas Local Government Investment Pool, TexasTERM Local Government Investment Pool, and Lone Star Investment Pool (collectively, the Pools). These Pools are public funds investment pools created pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to the Pools as custodians and to make investment purchases with the District's funds. The District does not own specific, identifiable investment securities within the Pools.

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

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

(4) Deposits and Investments (continued)

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.

(5) Disaggregation of Accounts Receivable and Accrued Liabilities

Accounts receivable at August 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Auxiliary and other	\$ 9,014,448	9,468,045
Tuition and fees	7,112,676	6,916,025
Taxes	1,329,994	1,649,095
Federal and state grants	991,181	1,607,682
	<u>18,448,299</u>	<u>19,640,847</u>
Less allowance for doubtful accounts	<u>(6,468,195)</u>	<u>(6,062,694)</u>
Accounts receivable, net	<u>\$ 11,980,104</u>	<u>13,578,153</u>

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

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

Accrued liabilities at August 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Salaries and benefits payable	\$ 946,562	938,417
Claims liability	262,372	200,628
Interest payable	746,574	611,779
Other payables	<u>2,763,402</u>	<u>2,349,180</u>
Accrued liabilities	<u>\$ 4,718,910</u>	<u>4,100,004</u>

(6) Capital Assets

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

	Balance September 1, 2020	Additions	Transfers and Retirements	Balance August 31, 2021
Capital assets not being depreciated:				
Land	\$ 6,814,770	-	-	6,814,770
Construction in progress	-	951,871	-	951,871
	<u>6,814,770</u>	<u>951,871</u>	<u>-</u>	<u>7,766,641</u>
Capital assets, being depreciated:				
Buildings and building improvements	\$ 147,445,528	-	(52,620)	147,392,908
Other real estate improvements	28,655,178	686,073	(336,126)	29,005,125
Total buildings and other real estate improvements	176,100,706	686,073	(388,746)	176,398,033
Library books	2,780,043	97,772	(287,781)	2,590,034
Furniture and equipment	8,564,685	398,606	(378,636)	8,584,655
Total buildings and other capital assets	<u>187,445,434</u>	<u>1,182,451</u>	<u>(1,055,163)</u>	<u>187,572,722</u>
Less accumulated depreciation:				
Buildings and building improvements	\$ 47,417,096	2,631,876	(526)	50,048,446
Other real estate improvements	14,748,219	1,073,284	(289,786)	15,531,717
Total buildings and other real estate improvements	62,165,315	3,705,160	(290,312)	65,580,163
Library books	2,163,630	78,256	(287,781)	1,954,105
Furniture and equipment	5,964,501	552,227	(369,350)	6,147,378
Total accumulated depreciation	<u>70,293,446</u>	<u>4,335,643</u>	<u>(947,443)</u>	<u>73,681,646</u>
	<u>117,151,988</u>	<u>(3,153,192)</u>	<u>(107,720)</u>	<u>113,891,076</u>
Net capital assets	<u>\$ 123,966,758</u>	<u>(2,201,321)</u>	<u>(107,720)</u>	<u>121,657,717</u>

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

(6) Capital Assets (continued)

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

	Balance September 1, 2019	Additions	Transfers and Retirements	Balance August 31, 2020
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>
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	<u>181,810,428</u>	<u>5,573,405</u>	<u>61,601</u>	<u>187,445,434</u>
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	(7,928)	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	<u>66,708,770</u>	<u>4,528,888</u>	<u>(944,212)</u>	<u>70,293,446</u>
	<u>115,101,658</u>	<u>1,044,517</u>	<u>1,005,813</u>	<u>117,151,988</u>
Net capital assets	<u>\$ 122,978,253</u>	<u>1,051,507</u>	<u>(63,002)</u>	<u>123,966,758</u>

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

Construction in progress at August 31, 2021 consists of:

	Cost	Remaining Commitment
Ball Performing Arts Center Plaza remodel	\$ 6,440	313,320
Central Plant renovation	610,502	74,632
CSC Module E restroom and floor renovation	15,637	402,000
CSC Module E HVAC upgrade	89,485	1,864,267
Learning Technology Center 3rd floor renovation	229,807	458,114
	\$ 951,871	3,112,333

(7) Long-Term Liabilities

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

	Balance September 1, 2020	Additions	Reductions	Balance August 31, 2021	Current Portion
Bonds payable:					
Revenue bonds payable	\$ 17,600,000	2,135,000	3,700,000	16,035,000	1,330,000
Refunding limited tax bonds payable	52,080,000	24,505,000	28,340,000	48,245,000	3,795,000
Bond issuance premiums and discounts	5,674,480	4,077,882	2,828,599	6,923,763	-
Net pension liability	16,048,584	1,465,828	1,252,773	16,261,639	-
Net OPEB liability	48,545,614	4,885,127	6,363,296	47,067,445	-
	\$ 139,948,678	37,068,837	42,484,668	134,532,847	5,125,000

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	9,413,936	1,142,070	48,545,614	-
	\$ 136,600,270	10,981,378	7,632,970	139,948,678	4,745,000

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

Bonds payable are comprised of the following individual issues:

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

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

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

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

\$6,600,000 Revenue Bonds – Series 2019

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

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

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

Bonds payable are due in annual installments varying from \$100,000 to \$5,490,000 with interest rates from 0.3% to 5% with the final installment in 2034. Debt service requirements to amortize bonds payable as of August 31, 2021, are as follows:

For the Year Ended August 31,	Revenue Bonds		Tax Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 1,330,000	601,824	3,795,000	1,712,974
2023	1,370,000	561,950	3,240,000	2,435,314
2024	1,440,000	507,150	2,660,000	2,818,600
2025	1,485,000	449,550	4,150,000	1,334,600
2026	1,535,000	399,000	4,345,000	1,262,226
2027-2031	7,230,000	1,106,550	24,565,000	3,495,480
2032-2034	1,645,000	133,400	5,490,000	113,808
	<u>\$ 16,035,000</u>	<u>3,759,424</u>	<u>48,245,000</u>	<u>13,173,002</u>

The District has pledged certain future tuition and fees to repay \$16 million in revenue bonds issued in 2021, 2019, and 2017. Proceeds from the bonds provided financing for the remodel of the business and technology building, construction of parking garage facilities, and refunding of the 1995, 2009, and 2010 revenue bonds which provided funds for campus facility improvements. Annual principal and interest payments on the bonds are expected to require 40% of the pledged tuition and fees. The total principal and interest remaining to be paid on the bonds is \$19.8 million. Principal and interest paid for the current year and total of pledged tuition and fees were approximately \$2.0 million and \$2.5 million, respectively.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(8) Current and Advance Refundings

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

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

(9) Defeased Bonds Outstanding

During 2021, the District defeased certain bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2021, the following bonds outstanding are considered defeased:

	<u>Year Refunded</u>	<u>Balance Outstanding</u>
Refunding Limited Tax Bonds - Series 2015	2021	\$ 4,605,000
Refunding Limited Tax Bonds - Series 2013	2021	<u>19,900,000</u>
		<u>\$ 24,505,000</u>

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(10) Employees' Retirement Plan

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

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

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

McLennan County Junior College District

Notes to Financial Statements (Continued)

(10) Employees' Retirement Plan (continued)

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

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. This action causing the pension fund to be actuarially sound, allowed the Legislature to approve 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 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025. Contribution rates were as follows:

<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>
2021	7.7%	\$ 1,927,005	7.5%	\$ 666,422	7.5%	\$ 1,876,953
2020	7.7%	1,951,924	7.5%	535,964	7.5%	1,901,225
2019	7.7%	1,821,923	6.8%	498,955	6.8%	1,046,048

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).

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).

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(10) Employees' Retirement Plan (continued)

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.

Actuarial Assumptions. The total pension liability in the August 31, 2020 and 2019 actuarial valuations was determined using the following actuarial assumptions:

	Valuation Date	
	August 31, 2019 rolled forward to August 31, 2020	August 31, 2018 rolled forward to August 31, 2019
Actuarial cost method	Individual entry age, normal	Individual entry age, normal
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Single discount rate	7.25%	7.25%
Long-term expected investment rate of return	7.25%	7.25%
Municipal bond rate	2.33%	2.63%
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

McLennan County Junior College District

Notes to Financial Statements (Continued)

(10) Employees' Retirement Plan (continued)

The actuarial methods and assumptions used in the determination of the total pension liability as of August 31, 2020 and 2019 are the same, except for the municipal bond rate. For a full description of these assumptions please see the actuarial valuation report dated November 14, 2019.

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

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020 are summarized below:

Asset Class	Target Allocation *	Long-Term Expected Geometric Real Rate of Return **	Expected Contribution to Long-Term Portfolio Returns
Global Equity:			
USA	18.0%	3.9%	0.99%
Non-U.S. Developed	13.0%	5.1%	0.92%
Emerging Markets	9.0%	5.6%	0.83%
Private Equity	14.0%	6.7%	1.41%
Stable Value:			
Government Bonds	16.0%	-0.07%	-0.05%
Absolute Return (including credit sensitive investments)	-	1.8%	-
Stable Value Hedge Funds	5.0%	1.9%	0.11%

McLennan County Junior College District

Notes to Financial Statements (Continued)

(10) Employees' Retirement Plan (continued)

Asset Class	Target Allocation *	Long-Term Expected Geometric Real Rate of Return **	Expected Contribution to Long-Term Portfolio Returns
Real Return:			
Real Estate	15.0%	4.6%	1.02%
Energy, Natural Resources and Infrastructure Commodities	6.0%	6.0%	0.42%
	-	0.8%	-
Risk Parity:			
Risk Parity	8.0%	3.0%	0.30%
Asset Allocation Leverage:			
Cash	2.0%	-1.5%	-0.03%
Asset Allocation Leverage	-6.0%	-1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag ***	-		-0.67%
Expected Return	<u>100.00%</u>		<u>7.33%</u>

* Target allocations are based on the FY 2020 policy model.

** Capital Market Assumptions come from Aon Hewitt (as of August 31, 2020).

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

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 2020 net pension liability:

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

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)

(10) Employees' Retirement Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2021 and 2020, the District reported a liability of \$16,261,639 and \$16,048,584, 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, 2021 and 2020 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:

	2021	2020
District's proportionate share of the net pension liability	\$ 16,261,639	16,048,584
State's proportionate share of the net pension liability associated with the District	8,650,513	7,960,368
Total	\$ 24,912,152	24,008,952

The 2021 net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020. The District's proportion of the collective net pension liability was 0.030% which was consistent with its proportion measured as of August 31, 2019.

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 participating employers to the plan for the period September 1, 2018 to 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.

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

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(10) Employees' Retirement Plan (continued)

For the years ended August 31, 2021 and 2020, the District recognized total pension expense of \$1,984,255 and \$2,852,231, respectively. Of the total pension expense, for the measurement periods ended August 30, 2020 and 2019, the District recognized pension expense of \$1,040,465 and \$1,250,462, respectively, and revenue of \$666,422 and \$535,964, respectively, for support provided by the State.

At August 31, 2021 and 2020, 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:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 29,692	453,819
Changes in actuarial assumptions	3,773,279	1,604,372
Differences between projected and actual investment earnings, net	329,203	-
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	914,435	437,340
Contributions paid to TRS subsequent to the measurement date	1,210,521	-
Total	\$ 6,257,130	2,495,531
	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	\$ 7,575,840	3,083,506

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(10) Employees' Retirement Plan (continued)

The \$1,210,521 reported as deferred outflows of resources at August 31, 2021 related to contributions paid to TRS subsequent to the measurement date at August 31, 2020 will be recognized as a reduction of the net pension liability in fiscal year 2022.

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
2022	\$ 320,465
2023	987,806
2024	991,376
2025	402,635
2026	(137,007)
Thereafter	(14,197)

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.

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

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(10) Employees' Retirement Plan (continued)

Contribution rates as a percentage of compensation and contributions made for ORP for 2019, 2020 and 2021 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>
2021	6.6%	\$ 604,279	3.3%	\$ 301,758
2020	6.6%	638,148	3.3%	318,240
2019	6.6%	644,445	3.3%	321,132

The total payroll for all District employees was \$37,099,177, \$38,856,925, and \$37,511,020 for the years ended August 31, 2021, 2020, and 2019, respectively. The total payroll of employees covered by ORP was \$9,155,749, \$9,668,916, and \$9,764,324 for the years ended August 31, 2021, 2020, and 2019, respectively.

(11) Compensated Absences

Full-time employees earn annual leave of 6.67 hours per month. The District's policy is that any employee may carry accrued leave forward from one fiscal year to another fiscal year with a maximum number of paid hours upon termination of 160. The District recognized an accrued liability for the unpaid annual leave of \$783,641 and \$807,477 at both August 31, 2021 and 2020, 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.

(12) Operating Lease Commitments

The District leases certain equipment under operating leases through 2024. Included in operating expenses for the years ended August 31, 2021 and 2020 is \$71,592 and \$69,793, respectively, of rent paid or due under these operating leases. In addition, the District leases housing for its athletes under an operating lease with an initial lease term through July 31, 2021 with month-to-month lease renewals thereafter. Total rent expense included in operating expenses for 2021 under this lease agreement was \$358,875. Minimum future rental payments under noncancelable operating leases having remaining terms in excess of one year as of August 31, 2021 follow: 2022, \$71,592; 2023, \$15,898 and 2024, \$1,439.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(13) Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years. The District has established a limited risk management program for workers' compensation. A liability for workers' compensation claims is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess commercial insurance policy covers individual workers' compensation claims in excess of \$204,892. 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>2021</u>	<u>2020</u>
Unpaid claims, beginning of year	\$ 200,628	200,628
Incurred claims (including IBNR) and changes to prior year estimates	153,175	47,907
Claim payments	<u>(91,431)</u>	<u>(47,907)</u>
Unpaid claims, end of year	<u>\$ 262,372</u>	<u>200,628</u>

(14) Other Post-Employment Benefits (OPEB)

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

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(14) Other Post-Employment Benefits (OPEB) (continued)

OPEB Plan Fiduciary Net Position. Detailed information about the GBP's fiduciary net position is available in a separately-issued ERS Annual Comprehensive Financial Report that includes financial statements, notes to the financial statements, and required supplementary information. That report may be obtained 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 funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds. There are no long-term contracts for contributions to the plan.

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

McLennan County Junior College District

Notes to Financial Statements (Continued)

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

	2021	2020
Retiree only	\$ 624.82	624.82
Retiree & Spouse	1,340.82	1,340.82
Retiree & Children	1,104.22	1,104.22
Retiree & Family	1,820.22	1,820.22

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

Year	State Amount	District Amount
2021	\$ 1,059,826	\$ 1,261,618
2020	1,001,868	1,210,216
2019	984,805	1,186,782

Actuarial Assumptions. The total OPEB liability in the August 31, 2020 and 2019 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	Valuation Date	
	August 31, 2020	August 31, 2019
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	2.20%	2.97%
Salary increases	2.30% to 9.05% (includes inflation of 2.3%)	2.5% to 9.5% (includes inflation of 2.5%)
Annual healthcare trend rates	8.8% for fiscal year 2022, 5.25% for fiscal year 2023, 5.00% for fiscal year 2024, 4.75% for fiscal year 2025, 4.60% for fiscal year 2026, decreasing 10 basis point per year to an ultimate rate of 4.30% for fiscal year 2029 and later years	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
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

McLennan County Junior College District

Notes to Financial Statements
(Continued)

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

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

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

Discount Rate. Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.97%. The discount rate used to determine the total OPEB liability as of the end of the measurement year was 2.20%, which amounted to a decrease of 0.77%. 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 (2.20%) in measuring the 2020 net OPEB liability:

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

McLennan County Junior College District

Notes to Financial Statements
(Continued)

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

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

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

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

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

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

McLennan County Junior College District

Notes to Financial Statements
(Continued)

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2021 and 2020, the District reported a liability of \$47,067,445 and \$48,545,614, 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, 2021 and 2020 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:

	2021	2020
District's proportionate share of the net OPEB liability	\$ 47,067,445	48,545,614
State's proportionate share of the net OPEB liability associated with the District	34,272,215	36,655,189
Total	\$ 81,339,661	85,200,803

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

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.

For the years ended August 31, 2021 and 2020, the District recognized total OPEB expense of \$305,345 and \$990,144, respectively. Of the total expense, for the measurement period ended August 31, 2020 and 2019, the District recognized OPEB expense (benefit) of (\$404,369) and \$41,527, respectively, and revenue of \$1,059,826 and \$1,001,868, respectively, for support provided by the State.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(14) Other Post-Employment Benefits (OPEB) (continued)

Changes Since the 2019 Actuarial Valuation: The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period.

Demographic Assumptions: 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:

- 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 female retirees assumed to be married and electing coverage for their spouse.
- The proportion of future retirees assumed to cover dependent children 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 2.97% as of August 31, 2019 to 2.20% as of August 31, 2020 as a result of requirements to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

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

McLennan County Junior College District

Notes to Financial Statements
(Continued)

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

At August 31, 2021 and 2020, 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:

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

*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 \$2,503,305 reported as deferred outflows of resources related to contributions paid to ERS subsequent to the measurement date at August 31, 2020 will be recognized as a reduction of the net OPEB liability beginning in fiscal year 2022 and will continue as the amounts are deposited into the SRHP plan.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(14) 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>
2022	\$ (1,742,694)
2023	(392,864)
2024	535,559
2025	(227,872)
2026	(363,883)

(15) Related Parties

During the years ended August 31, 2021 and 2020, the District furnished office space, utilities and staffing amounting to approximately \$324,000 and \$313,000, respectively, at no cost to the Foundation.

(16) 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>2021</u>	<u>2020</u>
Assessed valuation of the District	\$ 26,213,502,231	24,851,546,769
Less: Exemptions	<u>5,968,324,017</u>	<u>5,754,932,356</u>
Net assessed valuation of the District	<u>\$ 20,245,178,214</u>	<u>19,096,614,413</u>

Tax rates authorized and assessed during fiscal year 2021 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	0.121741	0.028041	0.149782

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(16) Ad Valorem Property Taxes (continued)

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

Taxes levied for the year ended August 31, 2021 are \$30,166,630. 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, 2021 are as follows:

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

Taxes levied for the year ended August 31, 2020 were \$28,328,854. Tax collections for the year ended August 31, 2020 were 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	<u>208,349</u>	<u>59,349</u>	<u>267,698</u>
Total collections	<u>\$ 22,281,892</u>	<u>5,785,914</u>	<u>28,067,806</u>

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(16) Ad Valorem Property Taxes (continued)

Current tax collections for the years ended August 31, 2021 and 2020 were approximately 96% and 94% of the current tax levy, respectively. An allowance for uncollectible taxes is based upon the historical experience in collecting property taxes.

(17) 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, 2021 and 2020, the District, did not enter into any tax abatement agreements.

(18) Budgets

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

(19) Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). The District had no unrelated business income tax liability for 2021 or 2020.

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

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(20) Commitments and Contingencies

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

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

(21) Contracts and Grants

Contract and grant revenues are recognized as earned in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. For contract and grant awards, funds expended but not collected are reported as accounts receivable in the accompanying 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 \$2,437,167 and \$2,206,674 at August 31, 2021 and 2020, respectively, for federal contract and grant awards; and \$179,530 and \$179,214 at August 31, 2021 and 2020, respectively, for state contract and grant awards.

(22) Business Concentrations and Uncertainties

The COVID-19 pandemic has continued to impact the District in 2021. 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.

(22) 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.

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

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

GASB Statement No. 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 were 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.

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 were 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.

(24) Subsequent Events

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

Note:

Information for measurement years prior to 2014 is not available.

See accompanying independent auditor's report.

McLennan County Junior College District
Schedule of the District's Contributions to the
Teacher Retirement System of Texas
Last Ten Fiscal Years

	<u>2021</u>	<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>
Contractually required contributions	\$ 1,210,521	1,222,284	1,046,048	931,282	884,894	829,573	803,507	799,672	786,873	724,308
Contributions in relation to the contractually required contribution	<u>1,210,521</u>	<u>1,222,284</u>	<u>1,046,048</u>	<u>931,282</u>	<u>884,894</u>	<u>829,573</u>	<u>803,507</u>	<u>799,672</u>	<u>786,873</u>	<u>724,308</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>25,026,038</u>	<u>25,349,666</u>	<u>23,661,343</u>	<u>21,172,101</u>	<u>19,754,585</u>	<u>18,323,250</u>	<u>18,057,981</u>	<u>17,546,985</u>	<u>17,323,138</u>	<u>16,758,099</u>
Contributions as a percentage of covered payroll	\$ <u>4.84%</u>	<u>4.82%</u>	<u>4.42%</u>	<u>4.40%</u>	<u>4.48%</u>	<u>4.53%</u>	<u>4.45%</u>	<u>4.56%</u>	<u>4.54%</u>	<u>4.32%</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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.001424360	0.001404568	0.001358867	0.001097339
District's proportionate share of the net OPEB liability	\$ 47,067,445	48,545,614	40,273,748	37,389,647
State's proportionate share of the net OPEB liability associated with the District	<u>34,272,215</u>	<u>36,655,189</u>	<u>30,841,481</u>	<u>30,343,586</u>
Total	<u>\$ 81,339,661</u>	<u>85,200,803</u>	<u>71,115,229</u>	<u>67,733,233</u>
District's covered payroll	<u>\$ 30,153,598</u>	<u>28,661,998</u>	<u>27,333,296</u>	<u>26,351,878</u>
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>156.1%</u>	<u>169.4%</u>	<u>147.3%</u>	<u>141.9%</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	<u>0.3%</u>	<u>0.2%</u>	<u>1.3%</u>	<u>2.0%</u>

Note:

Information for measurement years prior to 2017 is not available.

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

McLennan County Junior College District

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

Last Ten Fiscal Years

	<u>2021</u>	<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>
Contractually required contributions	\$ 1,261,618	1,210,216	1,186,782	1,127,197	1,034,845	840,485	800,432	128,812	109,335	102,549
Contributions in relation to the contractually required contribution	<u>1,261,618</u>	<u>1,210,216</u>	<u>1,186,782</u>	<u>1,127,197</u>	<u>1,034,845</u>	<u>840,485</u>	<u>800,432</u>	<u>128,812</u>	<u>109,335</u>	<u>102,549</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>29,605,912</u>	<u>30,153,598</u>	<u>28,661,998</u>	<u>27,333,296</u>	<u>26,351,878</u>	<u>25,744,015</u>	<u>25,413,858</u>	<u>24,601,145</u>	<u>24,829,074</u>	<u>24,609,339</u>
Contributions as a percentage of covered payroll	\$ <u>4.26%</u>	<u>4.01%</u>	<u>4.14%</u>	<u>4.12%</u>	<u>3.93%</u>	<u>3.26%</u>	<u>3.15%</u>	<u>0.52%</u>	<u>0.44%</u>	<u>0.42%</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, 2021

(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, 2021, since these changes were communicated to plan members in advance of the preparation of the latest valuation report.

There are no significant changes to benefit terms.

(2) Changes in Assumptions

Demographic Assumptions: 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:

- 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 female retirees assumed to be married and electing coverage for their spouse.
- The proportion of future retirees assumed to cover dependent children 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 2.97% as of August 31, 2019 to 2.20% as of August 31, 2020 as a result of requirements to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Supplemental Information

McLennan County Junior College District

Schedule of Operating Revenues (Schedule A)

Year Ended August 31, 2021

(With Memorandum Totals for the Year Ended August 31, 2020)

	Unrestricted	Restricted	Total		Total	
			Educational Activities	Auxiliary Enterprises	2021	2020
Tuition and fees:						
State funded credit courses:						
In-district resident tuition	\$ 11,551,109	-	11,551,109	-	11,551,109	13,753,001
Out-of-district resident tuition	4,235,617	-	4,235,617	-	4,235,617	4,635,453
Non-resident tuition	2,115,148	-	2,115,148	-	2,115,148	2,470,193
TPEG - credit (set aside)	994,550	-	994,550	-	994,550	1,092,924
State funded continuing education	378,030	-	378,030	-	378,030	210,901
TPEG - non-credit (set aside)	6,779	-	6,779	-	6,779	10,685
Non-state funded educational programs	15,316	-	15,316	-	15,316	6,883
Total tuition	<u>19,296,549</u>	<u>-</u>	<u>19,296,549</u>	<u>-</u>	<u>19,296,549</u>	<u>22,180,040</u>
Fees:						
Installment plan fees	74,650	-	74,650	-	74,650	77,975
Facility fees	972,447	-	972,447	-	972,447	1,134,966
General fees	1,600,938	-	1,600,938	-	1,600,938	797,975
Laboratory fees	625,594	-	625,594	-	625,594	673,082
Other fees	1,075,659	-	1,075,659	-	1,075,659	901,158
Total fees	<u>4,349,288</u>	<u>-</u>	<u>4,349,288</u>	<u>-</u>	<u>4,349,288</u>	<u>3,585,156</u>
Scholarship allowances and discounts:						
Remissions and exemptions	(2,495,924)	-	(2,495,924)	-	(2,495,924)	(2,619,700)
Title IV federal grants	(5,905,605)	-	(5,905,605)	-	(5,905,605)	(7,895,550)
TPEG awards	(1,120,768)	-	(1,120,768)	-	(1,120,768)	(1,215,557)
Other state grants	(313,011)	-	(313,011)	-	(313,011)	(346,482)
Other local grants	(934,090)	-	(934,090)	-	(934,090)	(1,016,299)
Total scholarship allowances	<u>(10,769,398)</u>	<u>-</u>	<u>(10,769,398)</u>	<u>-</u>	<u>(10,769,398)</u>	<u>(13,093,588)</u>
Total net tuition and fees	<u>12,876,439</u>	<u>-</u>	<u>12,876,439</u>	<u>-</u>	<u>12,876,439</u>	<u>12,671,608</u>
Additional operating revenues:						
Sales and services of educational activities	1,078,826	-	1,078,826	-	1,078,826	878,283
General operating revenues	429,851	-	429,851	-	429,851	85,803
Total additional operating revenues	<u>1,508,677</u>	<u>-</u>	<u>1,508,677</u>	<u>-</u>	<u>1,508,677</u>	<u>964,086</u>
Auxiliary enterprises:						
Bookstore (outsourced)	-	-	-	170,539	170,539	293,834
Other auxiliary enterprises	-	-	-	73,596	73,596	60,037
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,135</u>	<u>244,135</u>	<u>353,871</u>
Total operating revenues	<u>\$ 14,385,116</u>	<u>-</u>	<u>14,385,116</u>	<u>244,135</u>	<u>14,629,251</u>	<u>13,989,565</u>

In accordance with Education Code 56.033, \$1,001,329 and \$1,103,609 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2021 and 2020, respectively.

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Operating Expenses by Object
(Schedule B)

Year Ended August 31, 2021

(With Memorandum Totals for the Year Ended August 31, 2020)

	Operating Expenses				Total	
	Salaries and Wages	Benefits		Other Expenses	2021	2020
		State	Local			
Unrestricted - educational activities:						
Instruction	\$ 22,229,260	-	4,499,899	1,582,374	28,311,533	30,307,966
Public service	162,429	-	19,548	142,009	323,986	255,151
Academic support	1,872,615	-	379,076	500,760	2,752,451	2,749,514
Student services	2,918,118	-	590,719	230,303	3,739,140	4,535,466
Institutional support	5,514,459	-	1,116,299	4,812,764	11,443,522	10,056,942
Operation and maintenance of plant	1,540,374	-	819,597	3,296,317	5,656,288	6,713,451
Scholarships and fellowships	-	-	-	3,283,365	3,283,365	3,522,873
Total unrestricted educational activities	<u>34,237,255</u>	<u>-</u>	<u>7,425,138</u>	<u>13,847,892</u>	<u>55,510,285</u>	<u>58,141,363</u>
Restricted - educational activities:						
Instruction	129,080	3,226,402	18,829	415,561	3,789,872	3,865,176
Public service	1,349,274	-	269,976	313,903	1,933,153	1,841,738
Academic support	150,860	271,796	34,423	46,998	504,077	382,628
Student services	276,444	423,542	59,892	4,182,208	4,942,086	3,613,871
Institutional support	56,640	800,380	9,766	1,690,581	2,557,367	2,897,566
Operation and maintenance of plant	1,316	-	-	-	1,316	10,619
Scholarships and fellowships	-	-	-	5,812,182	5,812,182	6,215,293
Total restricted educational activities	<u>1,963,614</u>	<u>4,722,120</u>	<u>392,886</u>	<u>12,461,433</u>	<u>19,540,053</u>	<u>18,826,891</u>
Total educational activities	<u>36,200,869</u>	<u>4,722,120</u>	<u>7,818,024</u>	<u>26,309,325</u>	<u>75,050,338</u>	<u>76,968,254</u>
Auxiliary enterprises	<u>898,308</u>	<u>-</u>	<u>385,194</u>	<u>1,120,625</u>	<u>2,404,127</u>	<u>2,372,153</u>
Depreciation expense:						
Buildings and other improvements	-	-	-	3,705,160	3,705,160	3,960,123
Equipment and furniture	-	-	-	552,227	552,227	489,242
Library books	-	-	-	78,256	78,256	79,523
Total depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,335,643</u>	<u>4,335,643</u>	<u>4,528,888</u>
Total operating expenses	<u>\$ 37,099,177</u>	<u>4,722,120</u>	<u>8,203,218</u>	<u>31,765,593</u>	<u>81,790,108</u>	<u>83,869,295</u>

See accompanying independent auditor's report.

McLennan County Junior College District
Schedule of Nonoperating Revenues and Expenses
(Schedule C)
Year Ended August 31, 2021
(With Memorandum Totals for the Year Ended August 31, 2020)

	Unrestricted	Restricted	Auxiliary Enterprises	Total	
				2021	2020
Nonoperating revenues:					
State appropriations:					
Education and general state support	\$ 12,503,711	-	-	12,503,711	12,504,514
State group insurance	-	2,713,475	-	2,713,475	3,121,318
State retirement matching	-	2,008,645	-	2,008,645	2,104,666
Hazelwood Legacy Act	19,403	-	-	19,403	30,575
Total state appropriations	<u>12,523,114</u>	<u>4,722,120</u>	<u>-</u>	<u>17,245,234</u>	<u>17,761,073</u>
Maintenance ad valorem taxes	23,947,224	-	-	23,947,224	21,809,084
Debt service ad valorem taxes	-	5,521,883	-	5,521,883	5,654,307
Federal grants and contracts	-	26,897,574	-	26,897,574	24,774,086
State grants and contracts	-	1,461,420	-	1,461,420	1,044,692
Local grants and contracts	100,258	-	-	100,258	196,061
Investment income	132,871	15,525	-	148,396	313,724
Gifts	363,204	-	-	363,204	255,065
Total nonoperating revenues	<u>37,066,671</u>	<u>38,618,522</u>	<u>-</u>	<u>75,685,193</u>	<u>71,808,092</u>
Nonoperating expenses:					
Interest on capital related debt	-	2,170,409	-	2,170,409	2,692,812
Loss on disposal of capital assets	-	100,376	-	100,376	33,171
Other nonoperating expenses	-	414,615	-	414,615	3,503
Total nonoperating expenses	<u>-</u>	<u>2,685,400</u>	<u>-</u>	<u>2,685,400</u>	<u>2,729,486</u>
Net nonoperating revenues	<u>\$ 37,066,671</u>	<u>35,933,122</u>	<u>-</u>	<u>72,999,793</u>	<u>69,078,606</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, 2021

	Detail by Source				Available for Current Operation		
	Unrestricted	Restricted		Net Investment in Capital Assets	Total	Yes	No
		Expendable	Non- Expendable				
Current:							
Unrestricted	\$ (41,419,803)	-	-	-	(41,419,803)	(41,419,803)	-
Scholarships and fellowships	-	1,353,709	-	-	1,353,709	-	1,353,709
Loan	-	-	-	-	-	-	-
Plant:							
Capital projects	973,939	-	-	-	973,939	-	973,939
Debt service	-	(15,940)	-	-	(15,940)	-	(15,940)
Investment in plant	-	-	-	54,140,006	54,140,006	-	54,140,006
 Total net position, August 31, 2021	 (40,445,864)	1,337,769	-	54,140,006	15,031,911	(41,419,803)	56,451,714
 Total net position, August 31, 2020	 <u>(47,815,356)</u>	<u>5,797,608</u>	-	<u>51,210,723</u>	<u>9,192,975</u>	<u>(44,810,877)</u>	<u>54,003,852</u>
 Net increase (decrease) in net position	 <u>\$ 7,369,492</u>	<u>(4,459,839)</u>	-	<u>2,929,283</u>	<u>5,838,936</u>	<u>3,391,074</u>	<u>2,447,862</u>

See accompanying independent auditor's report.

McLennan County Junior College District
Schedule of Expenditures of Federal Awards
(Schedule E)
Year Ended August 31, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Education:</u>				
Direct Programs:				
Student Financial Assistance Cluster:				
Federal Supplemental Education Opportunity Grant Program	84.007		\$ -	\$ 415,465
Federal Work Study Program	84.033		-	68,294
Federal Pell Grant Program	84.063		-	13,815,341
Federal Direct Student Loans	84.268		-	7,699,874
Total Student Financial Assistance Cluster			-	21,998,974
TRIO Cluster:				
TRIO - Student Support Services	84.042A		-	366,335
TRIO - Upward Bound	84.047A		-	472,300
Total TRIO Cluster			-	838,635
Developing Hispanic-Serving Institutions Program - Title V	84.031S		-	220,987
Total Developing Hispanic-Serving Institutions Program - Title V			-	220,987
Education Stabilization Fund:				
COVID-19 Higher Education Emergency Relief Fund - Student Aid	84.425E		-	2,449,015
COVID-19 Higher Education Emergency Relief Fund - Student Aid	84.425E		-	1,473,415
COVID-19 Higher Education Emergency Relief Fund - Institutional Portion	84.425F		-	537,506
COVID-19 Higher Education Emergency Relief Fund - Institutional Portion	84.425F		-	4,222,016
COVID-19 Higher Education Emergency Relief Fund - Minority Serving Institutions	84.425L		-	295,282
COVID-19 Higher Education Emergency Relief Fund - Minority Serving Institutions	84.425L		-	25,526
Pass Through From:				
Texas Reskilling Support Fund Grant Program	84.425	24110	-	3,656
Governor's Emergency Education Relief Fund	84.425C	2020-GE-84425C	-	153,525
Total Education Stabilization Fund			-	9,159,941
Pass Through From:				
Texas Workforce Commission:				
Adult Education & Family Literacy Act	84.002A	1318ALA000	-	987,022
Adult Education & Family Literacy Act	84.002A	1320AEL001	-	32,794
Total Adult Education & Family Literacy Act			-	1,019,816
Texas Higher Education Coordinating Board:				
Carl Perkins - Career and Technical Education	84.048	23692	-	659,973
Total Carl Perkins - Career and Technical Education			-	659,973
Total U. S. Department of Education			-	33,898,326
<u>Institute of Museum and Library Services</u>				
Pass Through From:				
Texas State Library and Archives Commission:				
Interlibrary Loan Lends	45.310	902273	-	376
Total Institute of Museum and Library Services			-	376

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

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>National Science Foundation</u>				
Pass Through From:				
Enhancing Network and Cybersecurity Technician Careers in Collaboration with Industry	47.076	1801147	\$ -	\$ 42,277
Baylor University	47.076	1001131-01	-	6,022
Total National Science Foundation			-	48,299
<u>U. S. Small Business Administration</u>				
Pass Through From:				
North Texas Small Business Development Center:				
Small Business Development Center	59.037	SBAHQ-21-B-0038	-	136,172
Small Business Development Center	59.037	SBAHQ-20-B-0014	-	14,674
COVID-19 - Small Business Development Center	59.037	SBAHQ-20-C-0059	-	76,900
Total U. S. Small Business Administration			-	227,746
<u>U. S. Department of Veterans Affairs</u>				
Direct Program:				
Post 9/11 Veterans Educational Assistance	64.027		-	342,855
Total U. S. Department of Veterans Affairs			-	342,855
<u>Corporation for National and Community Service</u>				
Direct Programs:				
Heart of Texas Retired Senior Volunteer Program	94.002	20SRWTX022	-	79,846
Total Corporation for National and Community Service			-	79,846
Total Federal Awards			\$ -	\$ 34,597,448

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, 2021

(1) Federal Revenue Reconciliation

Federal revenues for 2021 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	\$ 26,897,574
Add: Federal Direct Student Loans made	<u>7,699,874</u>
 Total per Schedule of Expenditures of Federal Awards	 \$ <u><u>34,597,448</u></u>

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of McLennan County Junior College District (the District) under programs of the federal government for the year ended August 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(3) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and “frequently asked questions” (“FAQs”) and other guidance issued by the U.S. Department of Education, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

(4) Indirect Cost Rate

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

McLennan County Junior College District

Schedule of Expenditures of State Awards
(Schedule F)

Year Ended August 31, 2021

Grantor Agency/Program Title	Grant Contract Number	Passed Through to Subrecipients	Indirect Costs and Expenditures
Texas Higher Education Coordinating Board			
State Work Study		\$ -	\$ 35,922
NGIP: Nursing and Allied Health-Supported Clinical Learning to Mitigate Impediment due to COVID-19	23829	-	61,438
Texas Education Opportunity Grant		-	753,448
Comprehensive College Readiness and Success Models	20520	-	24,182
CAL Loans		-	18,455
Total Texas Higher Education Coordinating Board		<u>-</u>	<u>893,445</u>
Texas Workforce Commission			
Manufacturing Consortium 2020	1320SDF001	-	109,451
COVID-19 Skills Development Special Initiative	1320COS002	-	186,623
Skills Development	1321SSD001	-	18,769
Skills Development	1319SSD001	-	38,276
Child Care Relief Grant	2921CCR002892	-	58,322
Total Texas Workforce Commission		<u>-</u>	<u>411,441</u>
Small Business Development Center			
Small Business Development Center	SBAHQ-21-B-0038	-	104,908
Small Business Development Center	SBAHQ-20-B-0014	-	10,251
Total Small Business Development Center		<u>-</u>	<u>115,159</u>
Corporation for National and Community Services			
RSVP	HHS000871100015	-	59,830
Total State Awards		\$ <u>-</u>	\$ <u>1,479,875</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, 2021

(1) State Revenue Reconciliation

State revenues for 2021 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	\$ 1,461,420
Add: CAL Loans made	<u>18,455</u>
Total per Schedule of Expenditures of State Awards	<u><u>\$ 1,479,875</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, 2021. 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
- State Appropriation per FTSE and Contact Hour
- Principal Taxpayers
- Property Tax Levies and Collections

Debt Capacity Information

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

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

Demographic and Economic Information

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

- Demographic and Economic Statistics
- Principal Employers

Operating Information

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

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

McLennan County Junior College District
Net Position by Component

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

For the Year Ended August 31,

	<u>2021</u>	<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>
Net investment in capital assets	\$ 54,140	51,211	45,097	49,289	47,878	46,140	44,495	42,479	40,711	37,524
Restricted	1,338	5,797	10,317	3,444	2,837	2,698	2,542	3,166	2,850	2,587
Unrestricted	<u>(40,446)</u>	<u>(47,815)</u>	<u>(45,420)</u>	<u>(44,410)</u>	<u>2,720</u>	<u>3,152</u>	<u>2,899</u>	<u>12,008</u>	<u>11,033</u>	<u>9,957</u>
 Total primary government net position	 \$ <u>15,032</u>	 <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>

Note:

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

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

McLennan County Junior College District
Revenues by Source

Last Ten Fiscal Years
(Unaudited)

		For the Year Ended August 31, (Dollars expressed in thousands)									
		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating revenues:											
Tuition and fees (net of discounts)	\$	12,876	12,672	13,454	13,493	14,191	16,062	15,666	17,003	19,437	18,760
Sales and services of											
educational activities		1,079	878	1,016	867	918	945	846	839	920	745
Auxiliary enterprises		244	354	403	456	476	476	503	503	526	546
Other operating revenues		430	86	137	213	232	130	156	127	124	51
Total operating revenues		<u>14,629</u>	<u>13,990</u>	<u>15,010</u>	<u>15,029</u>	<u>15,817</u>	<u>17,613</u>	<u>17,171</u>	<u>18,472</u>	<u>21,007</u>	<u>20,102</u>
Nonoperating revenues:											
State appropriations		17,245	17,761	17,139	18,241	15,659	15,687	16,750	17,205	16,309	16,351
Ad valorem taxes		29,470	27,463	25,824	24,227	22,275	20,999	19,956	19,282	18,697	18,283
Federal grants and contracts		26,898	24,774	20,420	19,903	18,609	18,597	20,370	20,376	22,308	25,745
State grants and contracts		1,461	1,045	1,488	1,949	1,950	3,272	2,850	2,869	3,827	2,277
Local grants and contracts		100	196	233	152	212	218	94	291	110	308
Investment income		148	314	479	318	99	62	47	35	209	228
Gifts		363	255	299	400	433	181	466	173	711	539
Other nonoperating revenues		-	-	-	-	19	-	19	2	23	77
Total nonoperating revenues		<u>75,685</u>	<u>71,808</u>	<u>65,882</u>	<u>65,190</u>	<u>59,256</u>	<u>59,016</u>	<u>60,552</u>	<u>60,233</u>	<u>62,194</u>	<u>63,808</u>
Total revenue	\$	<u>90,314</u>	<u>85,798</u>	<u>80,892</u>	<u>80,219</u>	<u>75,073</u>	<u>76,629</u>	<u>77,723</u>	<u>78,705</u>	<u>83,201</u>	<u>83,910</u>

		For the Year Ended August 31, (Dollars expressed in thousands)									
		2021	2020	2019	2018	2016	2015	2014	2013	2012	2011
Operating revenues:											
Tuition and fees (net of discounts)		14.26%	14.77%	16.63%	16.82%	18.90%	20.96%	21.61%	21.60%	23.36%	22.36%
Sales and services of											
educational activities		1.19%	1.02%	1.26%	1.08%	1.22%	1.23%	1.09%	1.07%	1.11%	0.89%
Auxiliary enterprises		0.27%	0.41%	0.50%	0.57%	0.63%	0.62%	0.65%	0.64%	0.63%	0.65%
Other operating revenues		0.48%	0.10%	0.17%	0.27%	0.31%	0.17%	0.20%	0.16%	0.15%	0.06%
Total operating revenues		<u>16.20%</u>	<u>16.31%</u>	<u>18.56%</u>	<u>18.73%</u>	<u>21.07%</u>	<u>22.98%</u>	<u>23.54%</u>	<u>23.47%</u>	<u>25.25%</u>	<u>23.96%</u>
Nonoperating revenues:											
State appropriations		19.09%	20.70%	21.19%	22.74%	20.86%	20.47%	21.55%	21.86%	19.60%	19.49%
Ad valorem taxes		32.63%	32.01%	31.92%	30.20%	29.67%	27.40%	25.68%	24.50%	22.47%	21.79%
Federal grants and contracts		29.78%	28.87%	25.24%	24.81%	24.79%	24.27%	26.21%	25.89%	26.81%	30.68%
State grants and contracts		1.62%	1.22%	1.84%	2.43%	2.60%	4.27%	3.67%	3.65%	4.60%	2.71%
Local grants and contracts		0.11%	0.23%	0.29%	0.19%	0.28%	0.28%	0.12%	0.37%	0.13%	0.37%
Investment income		0.16%	0.37%	0.59%	0.40%	0.13%	0.08%	0.06%	0.04%	0.25%	0.27%
Gifts		0.40%	0.30%	0.37%	0.50%	0.58%	0.24%	0.60%	0.22%	0.85%	0.64%
Other nonoperating revenues		0.00%	0.00%	0.00%	0.00%	0.02%	0.00%	0.02%	0.00%	0.03%	0.09%
Total nonoperating revenues		<u>83.80%</u>	<u>83.69%</u>	<u>81.44%</u>	<u>81.27%</u>	<u>78.93%</u>	<u>77.02%</u>	<u>77.91%</u>	<u>76.53%</u>	<u>74.75%</u>	<u>76.04%</u>
Total revenue		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>101.45%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

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

Last Ten Fiscal Years (Unaudited)

	For the Year Ended August 31, (dollars expressed in thousands)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating expenses:										
Instruction	\$ 32,101	34,173	32,987	33,616	30,934	32,344	31,286	31,310	32,287	31,206
Public service	2,257	2,097	2,265	2,186	2,058	1,912	1,806	1,890	1,741	1,705
Academic support	3,256	3,132	2,871	2,743	2,489	2,526	2,775	2,741	2,591	2,374
Student services	8,681	8,149	5,270	4,911	4,384	4,148	3,932	3,753	3,658	3,494
Institutional support	14,001	12,955	10,797	10,074	9,466	8,962	9,123	8,692	8,707	8,372
Operation and maintenance of plant	5,658	6,724	5,774	5,770	5,760	5,270	5,335	5,409	5,356	5,164
Scholarships and fellowships	9,096	9,738	9,895	9,841	9,459	10,497	11,827	12,092	14,264	16,911
Auxiliary enterprises	2,404	2,372	2,546	2,006	2,011	1,718	1,638	1,619	1,580	1,572
Depreciation	4,336	4,529	4,118	4,275	4,300	3,897	4,196	4,128	4,030	3,886
Total operating expenses	81,790	83,869	76,523	75,422	70,861	71,274	71,918	71,634	74,214	74,684
Nonoperating expenses:										
Interest on capital related debt	2,170	2,693	2,546	2,414	2,763	2,970	3,434	3,950	4,189	4,584
Loss on disposal of fixed assets	100	33	-	64	-	322	-	58	19	-
Gift expense	-	-	-	386	-	-	-	-	-	-
Other non-operating expenses	415	4	152	174	4	9	543	4	253	10
Total nonoperating expenses	2,685	2,730	2,698	3,038	2,767	3,301	3,977	4,012	4,461	4,594
Total expenses	\$ 84,475	86,599	79,221	78,460	73,628	74,575	75,895	75,646	78,675	79,278
Change in net position	\$ 5,839	(801)	1,671	1,759	1,445	2,054	1,828	3,059	4,526	4,632

	For the Year Ended August 31, (dollars expressed in thousands)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating expenses:										
Instruction	38.00%	39.46%	41.64%	42.84%	42.01%	43.37%	41.22%	41.39%	41.04%	39.36%
Public service	2.67%	2.42%	2.86%	2.79%	2.80%	2.56%	2.38%	2.50%	2.21%	2.15%
Academic support	3.85%	3.62%	3.62%	3.50%	3.38%	3.39%	3.66%	3.62%	3.29%	2.99%
Student services	10.28%	9.41%	6.65%	6.26%	5.95%	5.56%	5.18%	4.96%	4.65%	4.41%
Institutional support	16.57%	14.96%	13.63%	12.84%	12.86%	12.02%	12.02%	11.49%	11.07%	10.56%
Operation and maintenance of plant	6.70%	7.76%	7.29%	7.35%	7.82%	7.07%	7.03%	7.15%	6.81%	6.51%
Scholarships and fellowships	10.77%	11.24%	12.49%	12.54%	12.85%	14.08%	15.58%	15.98%	18.13%	21.33%
Auxiliary enterprises	2.85%	2.74%	3.21%	2.56%	2.73%	2.30%	2.16%	2.14%	2.01%	1.98%
Depreciation	5.13%	5.23%	5.20%	5.45%	5.84%	5.23%	5.53%	5.46%	5.12%	4.90%
Total operating expenses	96.82%	96.85%	96.59%	96.13%	96.24%	95.57%	94.76%	94.70%	94.33%	94.21%
Nonoperating expenses:										
Interest on capital related debt	2.57%	3.11%	3.21%	3.08%	3.75%	3.98%	4.52%	5.22%	5.32%	5.78%
Loss on disposal of fixed assets	0.12%	0.04%	0.00%	0.08%	0.00%	0.43%	0.00%	0.08%	0.02%	0.00%
Gift expense	0.00%	0.00%	0.00%	0.49%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other non-operating expenses	0.49%	0.00%	0.19%	0.22%	0.01%	0.01%	0.72%	0.01%	0.32%	0.01%
Total nonoperating expenses	3.18%	3.15%	3.41%	3.87%	3.76%	4.43%	5.24%	5.30%	5.67%	5.79%
Total expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Note:

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

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

McLennan County Junior College District
Tuition and Fees

Last Ten Academic Years
(Unaudited)

Resident Students
Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	In-District Tuition	Out-of-District Tuition	General Services Fees	Facility Fees	Cost for 12 SCH		Increase from Prior Year		SCH Resident
					In-District	Out-of-District	In-District	Out-of-District	
2020	\$ 106	124	10	6	1,464	1,680	6.09%	5.26%	112,154
2019	106	124	3	6	1,380	1,596	-	-	132,499
2018	106	124	3	6	1,380	1,596	-	-	136,987
2017	106	124	3	6	1,380	1,596	-	-	137,682
2016	106	124	3	6	1,380	1,596	-	-	137,033
2015	106	124	3	6	1,380	1,596	-	-	136,874
2014	106	124	3	6	1,380	1,596	-	-	132,964
2013	106	124	3	6	1,380	1,596	-	-	147,574
2012	106	124	3	6	1,380	1,596	7.48%	8.13%	164,400
2011	98	114	3	6	1,284	1,476	21.59%	20.59%	174,473

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	
2020	\$ 181	181	10	6	2,364	2,364	3.68%	3.68%	44,730
2019	181	181	3	6	2,280	2,280	-	-	50,401
2018	181	181	3	6	2,280	2,280	-	-	49,709
2017	181	181	3	6	2,280	2,280	-	-	49,037
2016	181	181	3	6	2,280	2,280	-	-	49,046
2015	181	181	3	6	2,280	2,280	-	-	45,329
2014	181	181	3	6	2,280	2,280	-	-	54,909
2013	181	181	3	6	2,280	2,280	-	-	55,671
2012	181	181	3	6	2,280	2,280	5.60%	5.60%	56,344
2011	171	171	3	6	2,160	2,160	20.00%	20.00%	55,605

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
2021	\$ 22,891,906	3,321,596	26,213,502	5,968,324	20,245,178	77.23%	\$ 20,658,345	0.121741	0.028041	0.149782
2020	21,419,638	3,431,909	24,851,547	5,754,932	19,096,615	76.84%	19,486,342	0.117287	0.030409	0.147696
2019	19,899,921	3,189,413	23,089,334	5,457,148	17,632,186	76.37%	17,992,027	0.115431	0.032265	0.147696
2018	18,043,611	3,041,546	21,085,157	5,052,284	16,032,873	76.04%	16,360,074	0.115041	0.035305	0.150346
2017	17,561,465	3,004,334	20,565,799	4,975,662	15,590,137	75.81%	15,908,303	0.112102	0.036796	0.148898
2016	16,134,880	2,888,247	19,023,127	4,487,435	14,535,692	76.41%	14,832,339	0.108894	0.040830	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

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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
McLennan County Junior College District	\$ 0.149782	0.147696	0.147696	0.150346	0.148898	0.149724	0.149530	0.151530	0.151530	0.152823
Overlapping Rates										
McLennan County	0.468719	0.485293	0.485293	0.505293	0.525293	0.535293	0.535293	0.535293	0.460573	0.442710
Special Districts:										
McLennan and Hill Counties Tehuacana Creek Water Control and Improvement District No. 1	0.024183	0.024778	0.024780	0.025200	0.025156	0.025156	0.025156	0.025156	0.025156	0.023731
McLennan County Farm to Market Road Castleman Creek Watershed	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.023685	0.021548
Elm Creek Watershed	0.090878	0.092720	0.093769	0.096027	0.099940	0.101020	0.101020	0.101020	0.100000	0.100000
Waco Public Improvement District No. 1	0.032700	0.032700	0.032700	0.032700	0.032700	0.032700	0.032700	0.032700	0.032700	0.032700
	0.100000	0.100000	0.100000	0.100000	0.100000	0.100000	0.100000	0.100000	0.100000	0.100000
Cities:										
Bellmead	0.377854	0.359999	0.319999	0.299990	0.303761	0.307610	0.298608	0.298608	0.298608	0.274498
Beverly Hills	0.473550	0.467077	0.484596	0.490145	0.490145	0.490145	0.452719	0.403647	0.362501	0.326641
Bruceville-Eddy	0.500000	0.500000	0.500000	0.500000	0.498159	0.498159	0.498159	0.498159	0.498159	0.484116
Crawford	0.460000	0.427271	0.462000	0.499900	0.499900	0.499900	0.499900	0.499900	0.499900	0.499900
Gholson	0.140000	0.170000	0.209488	0.209488	0.209488	0.213483	0.213483	0.213483	0.213483	0.213483
Golinda	0.236515	0.250000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hallsburg	0.075655	0.076576	0.068401	0.070690	0.068199	0.065082	0.061004	0.057220	0.054861	0.050000
Hewitt	0.547838	0.539677	0.539677	0.539677	0.539677	0.539677	0.539677	0.539677	0.514977	0.514977
Lacy-Lakeview	0.362236	0.340064	0.352628	0.352628	0.352628	0.359537	0.357195	0.359170	0.359170	0.359170
Leroy	0.196853	0.209027	0.228601	0.250000	N/A	N/A	N/A	N/A	N/A	N/A
Lorena	0.543604	0.566994	0.560680	0.592300	0.609000	0.590000	0.561400	0.561400	0.538900	0.538900
Mart	0.759232	0.759231	0.759231	0.759233	0.759233	0.759233	0.739915	0.780241	0.802382	0.806734
McGregor	0.578954	0.601413	0.594010	0.594010	0.595000	0.595000	0.595000	0.600000	0.600000	0.530184
Moody	0.645817	0.684484	0.659919	0.640232	0.599624	0.618546	0.634898	0.672843	0.626125	0.633529
Riesel	0.287022	0.314510	0.336568	0.364347	0.335416	0.373515	0.350000	0.350000	0.250000	0.250000
Robinson	0.533700	0.494500	0.484500	0.494500	0.499500	0.505321	0.480376	0.470000	0.453750	0.415453
Valley Mills	0.413900	0.442200	0.479900	0.482600	0.452800	0.447500	0.447500	0.447500	0.440300	0.440300
Waco	0.776232	0.776232	0.776232	0.776232	0.776232	0.776232	0.776232	0.776232	0.786232	0.786232
West	0.582561	0.604272	0.606477	0.606477	0.606477	0.606477	0.577006	0.577006	0.492524	0.472524
Woodway	0.450000	0.450000	0.450000	0.470000	0.470000	0.470000	0.470000	0.456900	0.456900	0.456900

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

Last Ten Fiscal Years
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
School Districts:										
Axtell Independent School District	\$ 1.027200	1.068300	1.170000	1.170000	1.170000	1.170000	1.170000	1.170000	1.170000	1.170000
Bosqueville Independent School District	1.233088	1.322389	1.379229	1.429973	1.441544	1.507102	1.478175	1.487914	1.478460	1.537596
Bruceville-Eddy Independent School District	1.185500	1.223350	1.325000	1.325000	1.325000	1.325000	1.325000	1.325000	1.325000	1.325000
China Spring Independent School District	1.257416	1.294110	1.358720	1.387194	1.421381	1.516068	1.538834	1.540000	1.374402	1.411400
Connally Independent School District	1.234741	1.266457	1.367955	1.374409	1.251212	1.281628	1.274394	1.656530	1.269091	1.281105
Crawford Independent School District	1.207373	1.293160	1.230500	1.230500	1.230495	1.230495	1.241360	1.280666	1.213116	1.226552
Gholson Independent School District	0.926400	0.970000	1.040000	1.040000	1.040000	1.040000	1.040000	1.040000	1.040000	1.040000
Hallsburg Independent School District	1.091559	1.160908	1.234768	1.262052	1.250541	1.293860	1.290991	1.040000	1.040000	1.040000
LaVega Independent School District	1.299955	1.290269	1.394040	1.413532	1.422100	1.459000	1.465000	1.420000	1.420000	1.365000
Lorena Independent School District	1.332666	1.435210	1.534000	1.554090	1.579090	1.640000	1.640000	1.620000	1.310000	1.290000
Mart Independent School District	1.396270	1.401870	1.472800	1.226894	1.209469	1.238841	1.229484	1.207132	1.217848	1.201791
McGregor Independent School District	1.167280	1.276100	1.330000	1.330000	1.333800	1.355000	1.355000	1.355000	1.185000	1.190000
Midway Independent School District	1.236400	1.250000	1.320000	1.320000	1.320000	1.320000	1.320000	1.320000	1.320000	1.320000
Moody Independent School District	1.219600	1.284950	1.361800	1.361750	1.391000	1.416000	1.341300	1.389300	1.394100	1.385000
Oglesby Independent School District	1.068350	1.068350	1.170000	1.170000	1.101580	1.098290	1.113700	1.113700	1.113700	1.113700
Riesel Independent School District	1.418863	1.533300	1.423900	1.450300	1.468200	1.395000	1.310000	1.336364	1.302900	1.298929
Robinson Independent School District	1.260930	1.286700	1.406135	1.406135	1.470000	1.510000	1.510000	1.315000	1.315000	1.315000
Valley Mills Independent School District	1.226070	1.353210	1.425400	1.454000	1.314000	1.314000	1.314000	1.314000	1.314000	1.314000
Waco Independent School District	1.263953	1.302450	1.404080	1.302450	1.400000	1.400000	1.353240	1.354800	1.355180	1.360998
West Independent School District	1.129275	1.186480	1.261417	1.290656	1.317548	1.283129	1.270000	1.270000	1.223188	1.225000

Source: McLennan County Tax Office

Note: Overlapping rates are those of other governments that apply to property owners within the McLennan County Junior District. Not all overlapping rates apply to all District property owners; for example, although the McLennan County tax rates apply to all District property owners, the Axtell Independent School District rates apply only to a small portion of District property owners whose property is located within the school district's geographic boundaries.

McLennan County Junior College District
State Appropriation per FTSE and Contact Hour

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	State Appropriation	Appropriation per FTSE		Appropriation per Contact Hour			
		Full-Time Student Equivalent	State Appropriation per FTSE	Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	State Appropriation per Contact Hour
2021	\$ 12,503,711	4,110	\$ 3,042	2,303,936	705,024	3,008,960	\$ 4.16
2020	12,504,514	5,147	2,429	2,703,552	849,444	3,552,996	3.52
2019	12,347,526	6,305	1,958	2,737,136	907,776	3,644,912	3.39
2018	12,347,526	6,501	1,899	2,724,028	938,960	3,662,988	3.37
2017	12,118,902	6,523	1,858	2,698,812	967,256	3,666,068	3.31
2016	12,099,894	6,676	1,812	2,624,792	990,464	3,615,256	3.35
2015	13,456,451	6,056	2,222	2,640,603	1,214,919	3,855,522	3.49
2014	13,456,451	6,266	2,148	2,720,076	1,293,954	4,014,030	3.35
2013	13,677,168	6,777	2,018	2,975,848	1,376,424	4,352,272	3.14
2012	13,889,811	7,359	1,887	3,288,502	1,442,243	4,730,745	2.94

Note:

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

McLennan County Junior College District
Principal Taxpayers

Last Ten Years
(Unaudited)

Taxpayer	Type of Business	Taxable Assessed Value (dollars expressed in thousands)									
		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Sandy Creek Energy (Real Property)	Utility	\$ 389,390	341,215	306,850	247,151	524,137	524,137	545,373	450,272	402,237	417,814
Oncor/TXU Electric	Utility	193,208	161,166	152,949	144,123	141,952	148,047	144,211	135,768	126,459	122,468
Caterpillar Logistics	Manufacturing	121,825	126,285	111,589	123,748	133,346	144,579	134,587	150,152	133,297	103,487
Allergan	Manufacturing	120,956	135,405	137,092	124,375	111,584	94,810	88,235	79,152	69,984	71,108
Mars Wigley Confectionary	Processing	116,068	170,940	122,259	111,080	105,111	95,268	97,170	-	90,346	117,838
Ferguson Enterprises	Distributor	97,746	96,019	78,765	70,338	70,646	69,480	76,264	71,799	69,209	71,803
Coca-Cola	Processing	95,445	106,600	86,457	75,147	72,242	63,516	55,919	-	-	-
Sherwin Williams	Distributor	84,597	71,369	-	-	-	-	-	51,798	62,264	-
Sanderson Farms	Processing	74,828	71,109	70,034	75,644	75,294	84,428	81,431	75,673	83,185	82,569
L3Harris	Processing	72,849	-	72,802	77,641	75,821	74,492	68,830	67,825	64,675	68,389
Owens Brockway	Manufacturing	-	74,702	71,419	74,786	77,743	-	-	-	-	-
Associated Hygiene Products	Manufacturing	-	-	-	-	-	72,507	-	53,025	-	-
Sandy Creek Energy (Personal property)	Utility	-	-	-	-	-	-	57,325	-	-	-
Inland Western	Real Estate	-	-	-	-	-	-	-	50,721	-	50,860
Space X	Technology	-	-	-	-	-	-	-	-	178,138	-
Southwestern Bell	Utility	-	-	-	-	-	-	-	-	-	44,744
Totals		\$ 1,366,912	1,354,810	1,210,216	1,124,033	1,387,876	1,371,264	1,349,345	1,186,185	1,279,794	1,151,080
Total Taxable Assessed Value		\$ 20,245,178	19,096,615	17,632,186	16,032,873	15,590,137	14,535,692	13,742,962	12,829,972	12,646,737	12,118,455

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

Taxpayer	Type of Business	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Sandy Creek Energy (Real Property)	Utility	1.92%	1.79%	1.74%	1.54%	3.36%	3.61%	3.97%	3.51%	3.18%	3.45%
Oncor/TXU Electric	Utility	0.95%	0.84%	0.87%	0.90%	0.91%	1.02%	1.05%	1.06%	1.00%	1.01%
Caterpillar Logistics	Manufacturing	0.60%	0.66%	0.63%	0.77%	0.86%	0.99%	0.98%	1.17%	1.05%	0.85%
Allergan	Manufacturing	0.60%	0.71%	0.78%	0.78%	0.72%	0.65%	0.64%	0.62%	0.55%	0.59%
Mars Wigley Confectionary	Processing	0.57%	0.90%	0.69%	0.69%	0.67%	0.66%	0.71%	0.00%	0.71%	0.97%
Ferguson Enterprises	Distributor	0.48%	0.50%	0.45%	0.44%	0.45%	0.48%	0.55%	0.56%	0.55%	0.59%
Coca-Cola	Processing	0.47%	0.56%	0.49%	0.47%	0.46%	0.44%	0.41%	0.00%	0.00%	0.00%
Sherwin Williams	Distributor	0.42%	0.37%	0.00%	0.00%	0.00%	0.00%	0.00%	0.40%	0.49%	0.00%
Sanderson Farms	Processing	0.37%	0.37%	0.40%	0.47%	0.48%	0.58%	0.59%	0.59%	0.66%	0.68%
L3Harris	Processing	0.36%	0.00%	0.41%	0.48%	0.49%	0.51%	0.50%	0.53%	0.51%	0.56%
Owens Brockway	Manufacturing	0.00%	0.39%	0.41%	0.47%	0.50%	0.00%	0.00%	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%
Sandy Creek Energy (Personal property)	Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.50%	0.00%	0.41%	0.00%	0.00%
Inland Western	Real Estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.40%	0.00%	0.42%
Space X	Technology	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.41%	0.00%
Southwestern Bell	Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.37%
	Totals	6.75%	7.09%	6.86%	7.01%	8.90%	9.43%	9.40%	9.25%	10.12%	9.50%

Source: McLennan County Appraisal District

McLennan County Junior College District
Property Tax Levies and Collections

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected Within Fiscal Year of Levy		Collections in Subsequent Year	Total Collections to Date	
		Amount	Percentage		Amount	Percentage of Levy
2021	\$ 30,167	29,672	98.36%	\$ 485	30,157	99.97%
2020	28,329	27,705	97.80%	95	27,800	98.13%
2019	26,522	25,892	97.62%	217	25,824	97.37%
2018	24,722	24,398	98.69%	244	24,641	99.67%
2017	23,274	22,381	96.16%	228	22,609	97.14%
2016	21,773	20,987	96.39%	342	21,239	97.55%
2015	20,562	19,777	96.18%	276	20,053	97.52%
2014	19,468	19,113	98.18%	250	19,363	99.46%
2013	19,178	18,519	96.56%	310	18,829	98.18%
2012	18,574	18,076	97.32%	207	18,283	98.43%

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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Bonded Debt										
General obligation bonds	\$ 48,245	52,080	55,350	58,460	61,495	64,440	67,370	73,605	76,330	78,870
Other Debt										
Revenue bonds	16,035	17,600	18,875	13,190	14,260	15,095	15,900	16,675	17,425	18,145
Total Outstanding Debt	\$ 64,280	69,680	74,225	71,650	75,755	79,535	83,270	90,280	93,755	97,015
General Bonded Debt Ratios										
Per Capita	Not available	201	216	230	245	260	274	302	316	332
Per Student	\$ 11,738	10,119	8,779	8,992	9,211	9,652	11,125	11,747	11,270	10,717
As a percentage of Taxable Assessed Value	0.24%	0.27%	0.31%	0.36%	0.39%	0.44%	0.49%	0.61%	0.65%	0.71%
Total Outstanding Debt Ratios										
Per Capita	Not available	268	289	281	302	321	339	371	388	408
Per Student	\$ 15,640	13,538	11,772	11,021	11,196	11,755	13,750	14,408	13,841	13,183
As a percentage of Taxable Assessed Value	0.32%	0.36%	0.42%	0.45%	0.49%	0.55%	0.61%	0.75%	0.81%	0.87%
As a percentage of personal income	Not available	0.6441%	0.7067%	0.7176%	0.0800%	0.0841%	0.0900%	0.0388%	0.0132%	0.0130%

Note:

Debt per student calculated using full time equivalent enrollment.

Information for per capita not available for 2021.

Information for total outstanding debt as a percentage of personal income not available for 2021.

McLennan County Junior College District
Legal Debt Margin Information

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

	<u>2021</u>	<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>
Taxable Assessed Value	\$ <u>20,245,178</u>	<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>
Statutory Tax Levy Limit for general obligation debt service	\$ 101,226	95,483	88,161	80,164	77,951	72,676	68,715	64,150	63,234	60,592
Current Year Debt Service Requirements	<u>5,508</u>	<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>
Excess of Statutory Limit for Debt Service over Current Requirements	\$ <u>95,718</u>	<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>
Net Current Requirements as a percentage of Statutory Limit	<u>5.44%</u>	<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>

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	
2021	\$ 1,090	973	93	133	16	171	2,476	1,315	658	1,973	1.25
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

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
2020	259,730	Not available	Not available	7.2%
2019	256,623	\$ 10,818,901	\$ 42,159	3.3%
2018	254,607	10,503,574	41,254	3.6%
2017	251,259	9,985,065	39,740	3.9%
2016	247,934	9,452,592	38,125	3.9%
2015	245,671	9,153,701	37,260	4.1%
2014	243,441	8,634,139	35,647	5.1%
2013	241,481	8,245,255	21,660	6.2%
2012	237,811	8,350,456	34,982	6.6%
2011	238,564	7,673,685	20,652	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 2021 not yet available

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

Employer	Number of Employees									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Baylor University	2,835	3,253	2,986	2,901	2,901	2,746	2,675	2,675	2,583	2,583
Ascension Providence	2,530	1,622	2,397	2,401	2,401	2,311	2,397	2,397	2,538	2,538
Waco ISD	2,373	2,373	2,373	2,471	2,471	2,290	2,500	2,500	2,276	2,276
HEB (all Waco locations)	2,000	2,000	2,000	1,600	1,600	1,500	1,500	1,500	1,500	1,500
Baylor Scott & White/Hillcrest Health System	1,685	1,736	2,177	1,725	1,725	1,970	1,800	1,800	1,800	1,800
City of Waco	1,500	1,518	1,578	1,456	1,456	1,487	1,506	1,506	1,506	1,506
Wal-Mart (all stores)	1,174	1,174	947	1,026	1,026	1,015	1,656	1,656	2,561	2,561
Midway ISD	1,157	1,081	1,081	1,282	1,282	1,102	1,067	1,067	1,067	1,067
McLennan County	1,133	1,201	964	934	934	891	830	830	830	860
Sanderson Farms, Inc.	1,120	1,200	1,200	1,215	1,215	1,041	1,041	1,041	1,041	1,041
Veterans Administration Medical Center	886	886	886	831	831	777	800	800	800	800
Veterans Regional Office	796	796	796	849	849	788	650	650	650	650
L3Harris	843	774	752	1,349	1,349	1,850	2,300	2,300	2,079	2,079
AbbVie	747	785	708	710	710	Not Available	Not Available	Not Available	Not Available	Not Available
S2G Support Services	715	157	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Big Creek Construction	704	250	583	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Aramark	696	696	696	781	781	Not Available	Not Available	Not Available	Not Available	Not Available
Mars Wrigley Confectionary	695	700	775	600	600	575	525	525	650	525
American Income Life	693	693	693	712	712	Not Available	Not Available	Not Available	Not Available	Not Available
McLennan Community College	666	719	705	683	683	869	793	826	826	871
Tractor Supply Distribution Center	640	640	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Cargill Foods, Inc.	601	646	646	707	707	708	685	685	685	685
SpaceX	590	590	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Waco Family Medicine	572	510	519	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Texas State Technical Institute*	553	1,706	1,706	630	600	600	672	672	672	672
Texas Department of Human Services	549	549	549	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Pilgrim's	523	480	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Heart of Texas MHMR Center	505	384	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	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 2012 to 2020 was not available for certain employers.

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

Last Ten Fiscal Years
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Faculty										
Full-Time	205	215	213	218	218	220	225	242	238	240
Part-Time	163	209	242	215	184	174	189	210	225	299
Total	368	424	455	433	402	394	414	452	463	539
Percent:										
Full-Time	55.7%	50.7%	46.8%	50.3%	54.2%	55.8%	54.3%	53.5%	51.4%	44.5%
Part-Time	44.3%	49.3%	53.2%	49.7%	45.8%	44.2%	45.7%	46.5%	48.6%	55.5%
Staff and Administrators										
Full-Time	333	353	342	332	334	325	326	317	307	310
Part-Time	93	93	58	70	64	108	53	57	22	22
Total	426	446	400	402	398	433	379	374	329	332
Percent:										
Full-Time	78.2%	79.1%	85.5%	82.6%	83.9%	75.1%	86.0%	84.8%	93.3%	93.4%
Part-Time	21.8%	20.9%	14.5%	17.4%	16.1%	24.9%	14.0%	15.2%	6.7%	6.6%
Students per Full-time Faculty	38	40	42	45	40	38	37	34	36	39
Students per Full-Time Staff Member	23	25	26	34	26	26	29	26	28	30
Average Annual Faculty Salary	\$ 72,554	70,135	69,688	65,485	66,018	66,392	64,162	62,021	61,546	60,272

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

Student Classification	Fall 2020		Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	4,603	59.45%	5,439	62.48%	5,572	62.22%	5,417	61.00%	5,027	57.18%	4,547	54.75%	4,418	53.27%	4,498	52.58%	4,949	58.32%	5,613	60.15%
Sophomore	1,954	25.24%	1,984	22.79%	2,042	22.80%	2,086	23.49%	2,204	25.07%	2,271	27.34%	2,249	27.12%	2,450	28.64%	2,587	30.49%	2,758	29.56%
Unclassified	1,185	15.31%	1,282	14.73%	1,341	14.97%	1,377	15.51%	1,560	17.75%	1,487	17.90%	1,627	19.62%	1,607	18.78%	950	11.19%	960	10.29%
Total	7,742	100.00%	8,705	100.00%	8,955	100.00%	8,880	100.00%	8,791	100.00%	8,305	100.00%	8,294	100.00%	8,555	100.00%	8,486	100.00%	9,331	100.00%
Semester Hour Load																				
Less than 3	43	0.56%	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%
3-5 semester hours	1,856	23.97%	1,908	21.92%	1,994	22.27%	1,861	20.96%	1,767	20.10%	1,615	19.45%	1,493	18.00%	1,364	15.94%	1,497	16.09%	1,497	14.70%
6-8 Semester hours	2,015	26.03%	2,205	25.33%	2,078	23.20%	1,923	21.66%	1,958	22.27%	1,773	21.35%	1,703	20.53%	1,771	20.70%	1,753	18.85%	2,015	19.78%
9-11 semester hours	1,674	21.62%	1,802	20.70%	1,507	16.83%	1,569	17.67%	1,531	17.42%	1,401	16.87%	1,489	17.95%	1,501	17.55%	1,706	18.34%	1,943	19.08%
12-14 semester hours	1,864	24.08%	2,349	26.98%	2,840	31.71%	2,934	33.04%	2,895	32.93%	2,817	33.92%	2,952	35.59%	3,202	37.43%	3,555	38.22%	3,922	38.51%
15-17 semester hours	260	3.36%	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%
18 & over	30	0.39%	49	0.56%	53	0.59%	58	0.65%	67	0.76%	80	0.96%	79	0.95%	100	1.17%	76	0.82%	90	0.88%
Total	7,742	100.00%	8,705	100.00%	8,955	100.00%	8,880	100.00%	8,791	100.00%	8,305	100.00%	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%
Average course load	8.2		8.8		9.6		9.6		9		9.2		9.4		9.6		9.5		9.6	
Tuition Status																				
Texas Resident (in-District)	5,879	75.94%	6,894	79.20%	7,411	82.76%	7,229	81.41%	7,145	81.28%	6,518	82.05%	6,528	82.24%	6,768	82.97%	7,328	82.24%	8,393	83.75%
Texas Resident (out-of-District)	1,289	16.65%	1,519	17.45%	1,235	13.79%	1,336	15.05%	1,362	15.49%	1,230	15.48%	1,224	15.42%	1,209	14.82%	1,375	15.43%	1,414	14.11%
Non-Resident Tuition	574	7.41%	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%
Total	7,742	100.00%	8,705	100.00%	8,955	100.00%	8,880	100.00%	8,791	100.00%	7,944	100.00%	7,938	100.00%	8,157	100.00%	8,911	100.00%	10,021	100.00%

McLennan County Junior College District
Student Profile

Last Ten Fiscal Years
(Unaudited)

Gender	Fall 2020		Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	5,265	68.01%	5,742	65.96%	5,979	66.77%	5,838	65.74%	5,794	65.91%	5,427	65.35%	5,450	65.71%	5,568	65.08%	6,040	64.93%	6,656	65.35%
Male	2,477	31.99%	2,963	34.04%	2,976	33.23%	3,042	34.26%	2,997	34.09%	2,878	34.65%	2,844	34.29%	2,987	34.92%	3,262	35.07%	3,529	34.65%
Total	7,742	100.00%	8,705	100.00%	8,955	100.00%	8,880	100.00%	8,791	100.00%	8,305	100.00%	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%
Ethnic Origin																				
White	3,599	46.49%	4,146	47.63%	4,407	49.21%	4,492	50.59%	4,597	52.29%	4,449	53.57%	4,602	55.49%	4,966	58.05%	5,370	57.73%	5,920	58.12%
Hispanic	2,645	34.16%	2,978	34.21%	2,872	32.07%	1,089	12.26%	2,629	29.91%	2,352	28.32%	2,142	25.83%	2,087	24.40%	1,434	15.42%	2,139	21.00%
African American	965	12.46%	1,050	12.06%	1,086	12.13%	2,734	30.79%	1,059	12.05%	1,072	12.91%	1,156	13.94%	1,318	15.41%	2,156	23.18%	1,781	17.49%
Asian	126	1.63%	126	1.45%	148	1.65%	141	1.59%	126	1.43%	113	1.36%	118	1.42%	103	1.20%	103	1.11%	113	1.11%
Foreign	3	0.04%	-	0.00%	-	0.00%	1	0.01%	-	0.00%	4	0.05%	2	0.02%	11	0.13%	16	0.17%	8	0.08%
Native Hawaiian	7	0.09%	6	0.07%	4	0.04%	3	0.03%	3	0.03%	6	0.07%	4	0.05%	4	0.05%	5	0.05%	10	0.10%
American Indian	27	0.35%	24	0.28%	29	0.32%	25	0.28%	31	0.35%	17	0.20%	21	0.25%	25	0.29%	23	0.25%	39	0.38%
Multiracial	281	3.63%	297	3.41%	316	3.53%	285	3.21%	252	2.87%	249	3.00%	213	2.57%	5	0.06%	160	1.72%	122	1.20%
Unknown/unreported	89	1.15%	78	0.90%	93	1.04%	110	1.24%	94	1.07%	43	0.52%	36	0.43%	36	0.42%	35	0.38%	53	0.52%
Total	7,742	100.00%	8,705	100.00%	8,955	100.00%	8,880	100.00%	8,791	100.00%	8,305	100.00%	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%
Age																				
Under 18	2,055	26.54%	1,878	21.57%	1,879	20.98%	1,631	18.37%	1,433	16.30%	1,411	16.99%	1,167	14.07%	1,061	12.40%	1,117	12.01%	1,158	11.37%
18 -21	2,844	36.73%	3,451	39.64%	3,574	39.91%	3,661	41.23%	3,542	40.29%	3,294	39.66%	3,155	38.04%	3,282	38.36%	3,517	37.81%	3,747	36.79%
22 - 24	765	9.88%	1,082	12.43%	1,017	11.36%	1,112	12.52%	1,117	12.71%	1,015	12.22%	1,084	13.07%	1,104	12.90%	1,192	12.81%	1,365	13.40%
25 - 35	1,345	17.37%	1,452	16.68%	1,586	17.71%	1,569	17.67%	1,711	19.46%	1,597	19.23%	1,750	21.10%	1,879	21.96%	2,020	21.72%	2,264	22.23%
36 - 50	590	7.62%	661	7.59%	688	7.68%	702	7.91%	760	8.65%	764	9.20%	864	10.42%	934	10.92%	1,122	12.06%	1,336	13.12%
51 & over	143	1.85%	181	2.08%	211	2.36%	205	2.31%	228	2.59%	224	2.70%	274	3.30%	295	3.45%	334	3.59%	315	3.09%
Total	7,742	100.00%	8,705	100.00%	8,955	100.00%	8,880	100.00%	8,791	100.00%	8,305	100.00%	8,294	100.00%	8,555	100.00%	9,302	100.00%	10,185	100.00%
Average Age	23		23		24		24		24		24		25		25		26		26	

McLennan County Junior College District
Student Transfers to Senior Institutions

Last Ten Fiscal Years
(Unaudited)

	Fall 2020		Fall 2019		Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014		Fall 2013		Fall 2012		Fall 2011	
	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	399	54.14%	696	51.56%	561	49.47%	633	46.44%	667	52.60%	655	48.63%	411	41.47%	427	42.19%	400	39.22%	450	41.17%
Texas A&M University	91	12.35%	199	14.74%	137	12.08%	205	15.04%	198	15.62%	182	13.51%	133	13.42%	132	13.04%	137	13.43%	16	1.46%
Texas Tech University	3	0.41%	18	1.33%	10	0.88%	60	4.40%	60	4.73%	53	3.93%	98	9.89%	99	9.78%	93	9.12%	85	7.78%
Texas State University	46	6.24%	85	6.30%	73	6.44%	86	6.31%	46	3.63%	88	6.53%	81	8.17%	66	6.52%	93	9.12%	107	9.79%
UT Arlington	71	9.63%	81	6.00%	100	8.82%	115	8.44%	108	8.52%	102	7.57%	58	5.85%	64	6.32%	64	6.27%	170	15.55%
UT Austin	46	6.24%	77	5.70%	51	4.50%	69	5.06%	29	2.29%	74	5.49%	61	6.16%	61	6.03%	85	8.33%	75	6.86%
University of North Texas	22	2.99%	74	5.48%	64	5.64%	58	4.26%	67	5.28%	58	4.31%	56	5.65%	56	5.53%	53	5.20%	73	6.68%
Sam Houston State University	26	3.53%	62	4.59%	67	5.91%	64	4.70%	25	1.97%	58	4.31%	47	4.74%	55	5.43%	52	5.10%	48	4.39%
Stephen F. Austin State University	8	1.09%	34	2.52%	32	2.82%	29	2.13%	25	1.97%	34	2.52%	22	2.22%	32	3.16%	30	2.94%	42	3.84%
University of Houston	12	1.63%	3	0.22%	17	1.50%	18	1.32%	22	1.74%	21	1.56%	12	1.21%	-	0.00%	13	1.27%	27	2.47%
University of Texas--San Antonio	13	1.76%	21	1.56%	22	1.94%	26	1.91%	21	1.66%	22	1.63%	12	1.21%	20	1.98%	-	0.00%	-	0.00%
Totals	737	100.00%	1,350	100.00%	1,134	100.00%	1,363	100.00%	1,268	100.00%	1,347	100.00%	991	100.00%	1,012	100.00%	1,020	100.00%	1,093	100.00%

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**



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

The Board of Trustees
McLennan County Junior College District:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of McLennan County Junior College District (the District) as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 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. We did identify a certain deficiency in internal control that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as finding 2021-001.

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*.

The District's Response to Finding

The Districts' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to our auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Jaynes, Kestmeier, Boyd & Knevel, P.C.

December 7, 2021



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

The Board of Trustees
McLennan County Junior College District:

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, 2021. 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, 2021.

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. 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.

Jaynes, Reitzmeier, Boyd & Herrell, P.C.

McLennan County Junior College District
Schedule of Findings and Questioned Costs

Year Ended August 31, 2021

(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? | _____ | x | yes | _____ | none reported |

Noncompliance material to financial statements noted?	_____	yes	_____	x	no
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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
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Identification of major federal programs:

Assistance Listing Number(s) Name of Federal Program or Cluster

Student Financial Assistance Cluster:	
84.007	Federal Supplemental Educational Opportunity Grant Program
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans Program
Education Stabilization Fund:	
84.425	Texas Reskilling Support Fund Grant Program
84.425C	Governor's Emergency Education Relief Fund
84.425E	COVID-19 Higher Education Emergency Relief Fund - Student Aid
84.425F	COVID-19 Higher Education Emergency Relief Fund - Institutional Portion
84.425L	COVID-19 Higher Education Emergency Relief Fund - Minority Serving Institutions
Adult Education & Family Literacy Act:	
84.002A	Adult Education & Family Literacy Act

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:

_____ \$1,037,923 _____

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
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Auditee qualified as low-risk auditee for state programs?	_____	yes	_____	x	no
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McLennan County Junior College District
Schedule of Findings and Questioned Costs
(Continued)

(2) Financial Statement Findings

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

Internal controls are designed to safeguard assets, protect the District from bias, and help detect losses from employee dishonesty or error. Due to the decentralization of sourcing and purchasing of goods and services as well as approvals for purchases throughout the District, the District was inconsistent in its application of internal procurement policies for purchases that were between \$10,000 and \$50,000 which require multiple quotes in order to determine the most suitable vendor.

In order to mitigate this condition, we suggest that the District conduct trainings to refresh all personnel on the internal procurement requirements for purchases between \$10,000 and \$50,000. Implementation of this training and reinforcement by approvers should help ensure compliance with the internal procurement policies established by the District.

Views of Responsible Officials and Planned Corrective Actions:

Management concurs with the findings as presented. In response, management implemented the following corrective action plan to begin in January 2022:

- The purchasing department will collaborate with staff in Information Systems & Services to investigate the potential for tying quotes or other pertinent documents directly to requisition files for easy viewing by those responsible for approving requisitions.
- The purchasing department will conduct training for staff involved in the sourcing and purchasing of goods and services. The focus of this training will be to provide clarification and ensure a consistent understanding and application of the following:
 - Reinforce the understanding that purchases between \$10,000 and \$50,000 require three written quotes from qualified vendors or that the purchase be made through a purchasing cooperative, unless the purchase is only available through a single source provider.
 - Reinforce the importance of retaining documentation in location for easy retrieval as needed.
 - Identify and discuss any best practices the department can use to eliminate future issues.

McLennan County Junior College District
Schedule of Findings and Questioned Costs
(Continued)

(2) Financial Statement Findings (continued)

- The purchasing department will conduct training for staff involved in the approving of the purchase of goods and services. The focus of this training will be application of the following:
 - Reinforce the understanding that approval of purchases indicates that proper documentation has been reviewed prior to approval.
 - Identify and discuss any best practices that can be used to eliminate future issues.

Responsible Individuals: Director – Purchasing/Auxiliary Services (District Purchasing Department)

(3) Federal Award Findings and Questioned Costs

None noted

(4) State Award Findings and Questioned Costs

None noted.