

McLennan County Junior College District
Annual Financial Report
August 31, 2014 and 2013

Introductory Section

McLennan County Junior College District

Table of Contents

	<u>Exhibit / Schedule</u>	<u>Page</u>
<i>Introductory Section</i>		
Table of Contents		i
Board of Trustees		iv
Principal Administrative Officers		iv
<i>Financial Section</i>		
Independent Auditor's Report		1
Management's Discussion and Analysis		4
Basic Financial Statements:		
Statements of Net Position	1	15
Statements of Revenues, Expenses, and Changes in Net Position	2	16
Statements of Cash Flows	3	17
Notes to Financial Statements		18
Supplemental Information:		
Schedule of Operating Revenues	A	41
Schedule of Operating Expenses by Object	B	42
Schedule of Nonoperating Revenues and Expenses	C	43
Schedule of Net Position by Source and Availability	D	44
Schedule of Expenditures of Federal Awards	E	45
Notes to Schedule of Expenditures of Federal Awards		47
Schedule of Expenditures of State Awards	F	48
Notes to Schedule of Expenditures of State Awards		49

McLennan County Junior College District

Table of Contents (Continued)

	<u>Exhibit / Schedule</u>	<u>Page</u>
<i>Statistical Section</i>		
Net Position by Component		50
Revenues by Source		51
Expenses by Function and Changes in Net Position		52
Tuition and Fees		53
Assessed Value and Estimated Actual Value of Taxable Property		54
Direct and Overlapping Property Tax Rates		55
Principal Taxpayers		57
Property Tax Levies and Collections		59
Ratios of Outstanding Debt by Type		60
Legal Debt Margin Information		61
Pledged Revenue Coverage		62
Demographic and Economic Statistics		63
Principal Employers		64
State Appropriations – Operating Information		65
Faculty, Staff, and Administrators Statistics		66
Enrollment Details		67
Student Profile		68
Student Transfers to Senior Institutions		69
Capital Asset Information		70

McLennan County Junior College District

Table of Contents
(Continued)

	<u>Exhibit / Schedule</u>	<u>Page</u>
<i>Overall Compliance, Internal Control, and Federal and State Awards Section</i>		
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 <i>Government Auditing Standards</i>		71
Independent Auditor’s Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i> and <i>Uniform Grant Management Standards</i>		73
Schedule of Findings and Questioned Costs		75

McLennan County Junior College District

Board of Trustees

	<u>Term Expires</u>
Officers:	
Randy Cox - Chairman Waco, Texas	2015
Members:	
Pauline Chavez, Waco, Texas	2017
Donald Hay, Waco, Texas	2014
K. Paul Holt, Waco, Texas	2015
James Lewis, Waco, Texas	2017
Bob Sheehy, Jr., Waco, Texas	2019
Geneva Watley, Waco, Texas	2019

Principal Administrative Officers

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

Financial Section



JAYNES REITMEIER BOYD & THERRELL, P.C.
Certified Public Accountants
5400 Bosque Blvd., Ste. 500 | Waco, TX 76710
P.O. Box 7616 | Waco, TX 76714
Main 254.776.4190 | Fax 254.776.8489 | jrbt.com

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, 2014 and 2013, 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

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the McLennan Community College Foundation, a discretely presented component unit of the District, as of and for the years ended August 31, 2014 and 2013, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of McLennan County Junior College District as of August 31, 2014 and 2013, and the respective changes in financial position and cash flows 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 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 U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 17, 2014

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 financial activities for the years ended August 31, 2014 and 2013. 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 (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 \$57.7 million, \$54.6 million, and \$50.1 million for the years ended August 31, 2014, 2013, and 2012, respectively. Of these amounts, unrestricted net position was \$12.0 million for 2014, \$11.0 million for 2013, and \$10.0 million for 2012.
- The District's financial position as a whole was strengthened as total net position increased by approximately \$3.1 million, \$4.5 million, and \$4.6 million during fiscal years 2014, 2013, and 2012, respectively. Of these amounts, unrestricted net position increased by approximately \$1.0 million and \$1.1 million for 2014 and 2013, respectively.
- The total taxable value in the District increased by approximately \$300 million, or 1.9%, from 2013 to 2014 and by \$738 million, or 4.8%, from 2012 to 2013. From 2011 to 2012 the total taxable value increased by 6.33% or \$923 million.
- Capital assets (net) decreased by approximately \$1.8 million in 2014 and decreased by approximately \$48,000 in 2013.
- Bonds decreased by approximately \$3.5 million in 2014 and by approximately \$3.3 million in 2013.

- During 2014, the unduplicated head count of credit students decreased by 811 students, duplicated head count of credit students decreased by 1,565 students, and contact hours decreased by 329,092 contact hours. During 2013, the unduplicated head count of credit students decreased by 992 students, duplicated head count of credit students decreased by 2,034 students, and contact hours decreased by 28,097 contact hours.

Statement of Net Position

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

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

Condensed Statements of Net Position (In Thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	
				<u>2013 to</u>	<u>2012 to</u>
				<u>2014</u>	<u>2013</u>
Assets					
Current assets	\$ 30,844	30,934	30,283	(90)	651
Noncurrent assets:					
Capital assets, net of depreciation	<u>134,347</u>	<u>136,173</u>	<u>136,221</u>	<u>(1,826)</u>	<u>(48)</u>
Total assets	<u>165,191</u>	<u>167,107</u>	<u>166,504</u>	<u>(1,916)</u>	<u>603</u>
Deferred Outflows of Resources					
Deferred charge on refunding	<u>23</u>	<u>89</u>	<u>376</u>	<u>(66)</u>	<u>(287)</u>
Liabilities					
Current liabilities	19,275	20,526	20,954	(1,251)	(428)
Noncurrent liabilities	<u>88,285</u>	<u>92,076</u>	<u>95,858</u>	<u>(3,791)</u>	<u>(3,782)</u>
Total liabilities	<u>107,560</u>	<u>112,602</u>	<u>116,812</u>	<u>(5,042)</u>	<u>(4,210)</u>

Condensed Statements of Net Position

(In Thousands)

(Continued)

	2014	2013	2012	Increase (Decrease)	
				2013 to 2014	2012 to 2013
Net Position					
Net investment in capital assets	42,479	40,711	37,524	1,768	3,187
Restricted, expendable	3,166	2,850	2,587	316	263
Unrestricted	12,008	11,033	9,957	975	1,076
Total net position	\$ 57,653	54,594	50,068	3,059	4,526

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

Total assets decreased \$1.9 million from 2013 to 2014. There was approximately \$2.4 million in capital assets added during 2014. The largest of these were the renovations to the Math/Wellness/Fitness building and the completion of the fire loop at the Emergency Services Education Center. Depreciation expense of \$4.1 million was incurred which resulted in a \$1.8 million decrease in total capital assets, net of depreciation.

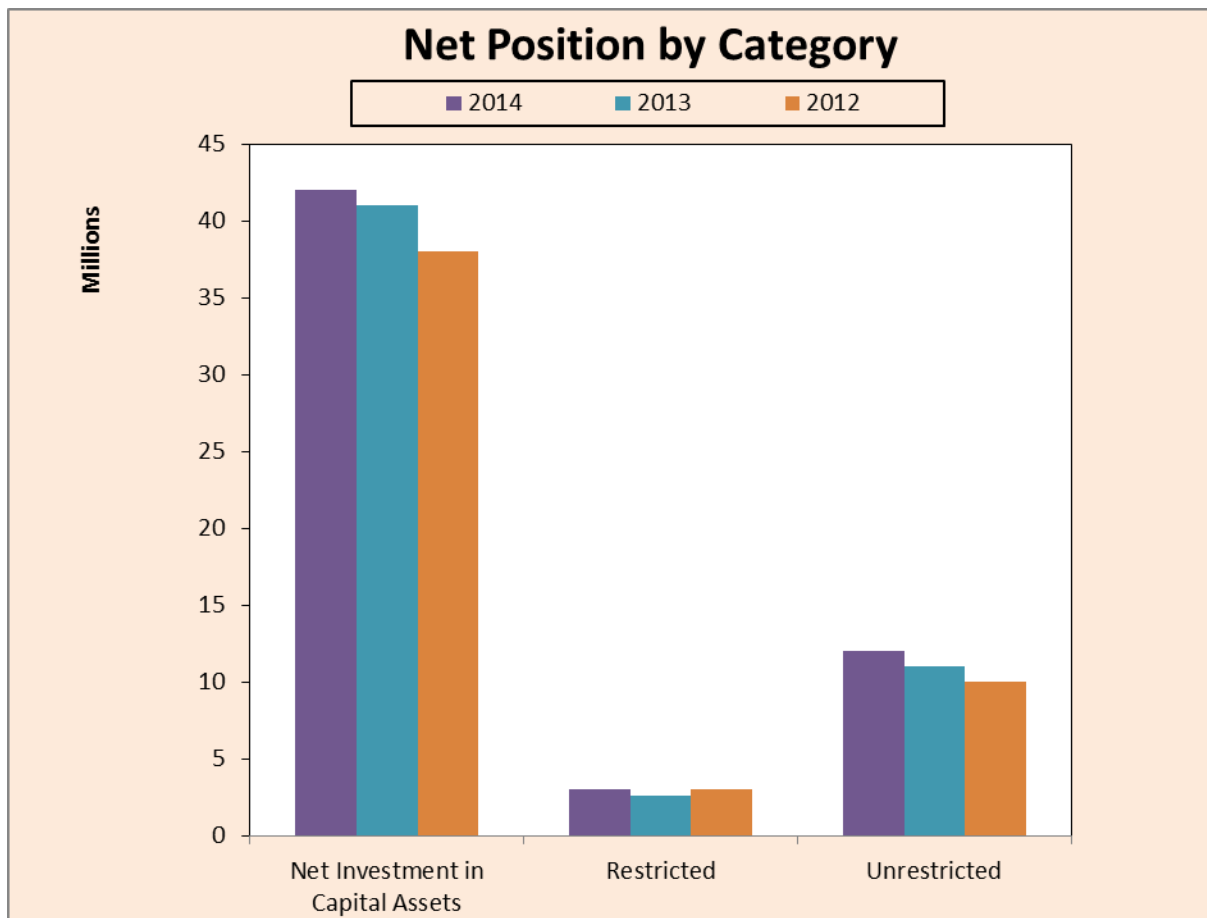
Total liabilities decreased by approximately \$5.0 million from 2013 to 2014. Accounts payable decreased approximately \$1.0 million as there was no significant construction activity at the end of fiscal year 2014. Unearned revenue decreased approximately \$0.8 million due to enrollment declines and completion of state grants in 2014. The remaining decrease is mainly due to the decrease in bonds payable as a result of scheduled debt service payments.

Of the \$57.7 million in net position, approximately \$42.5 million is net investment in capital assets. This is an increase of \$1.8 million from 2013.

Unrestricted net position increased by \$1.0 million. Of this amount, \$11.8 million is in the unrestricted general operating category. This increased by \$1.2 million from 2013 mainly because of a budgeting contingency of \$1.5 million which was not utilized.

The following graph illustrates the comparative changes in net position by category over the past three years. The District's financial position is strong and stable as reflected in the chart. Unrestricted net position is critical to support the District's overall mission; therefore, it is

important that unrestricted net position be adequately maintained. The chart illustrates that unrestricted net position has grown in a consistent manner and that the District has not been required to use these resources to fund operations. Restricted net position represent balances of funds that have been received to fund specific projects. Accordingly, these balances will increase and decrease as funds are received and subsequently disbursed to fund these specific projects.



Statement of Revenues, Expenses and Changes in Net Position

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

The following table reflects a condensed version of the Statement of Revenues, Expenses and Changes in Net Position for the years ended August 31, 2014, 2013 and 2012. This summary indicates the operating loss and the overall increase in net position for each of the years displayed.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues:			
Tuition and fees, net	\$ 17,003	19,437	18,760
Other	1,469	1,570	1,342
	<u>18,472</u>	<u>21,007</u>	<u>20,102</u>
Operating expenses:			
Instruction	31,310	32,287	31,206
Public service	1,890	1,741	1,705
Academic support	2,740	2,592	2,374
Student services	3,753	3,658	3,494
Institutional support	8,693	8,707	8,373
Operation and maintenance of plant	5,409	5,356	5,163
Scholarships and fellowships	12,092	14,264	16,911
Auxiliary enterprises	1,619	1,580	1,572
Depreciation	4,128	4,029	3,886
	<u>71,634</u>	<u>74,214</u>	<u>74,684</u>
Operating loss	<u>(53,162)</u>	<u>(53,207)</u>	<u>(54,582)</u>
Non-operating revenues (expenses):			
State appropriations	17,204	16,309	16,351
Ad valorem taxes	19,282	18,697	18,283
Grants and contracts	23,537	26,246	28,330
Interest on debt	(3,950)	(4,189)	(4,584)
Other	148	670	834
	<u>56,221</u>	<u>57,733</u>	<u>59,214</u>
Increase in net position	<u>\$ 3,059</u>	<u>4,526</u>	<u>4,632</u>

Operating and Non-operating Revenues

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

- Gross tuition and fee revenue for 2014 was \$26,678,876 and decreased from 2013 amounts by approximately \$1.9 million or 6.67%. The decrease is attributable to head count declines as tuition rates remained the same from 2013 to 2014.

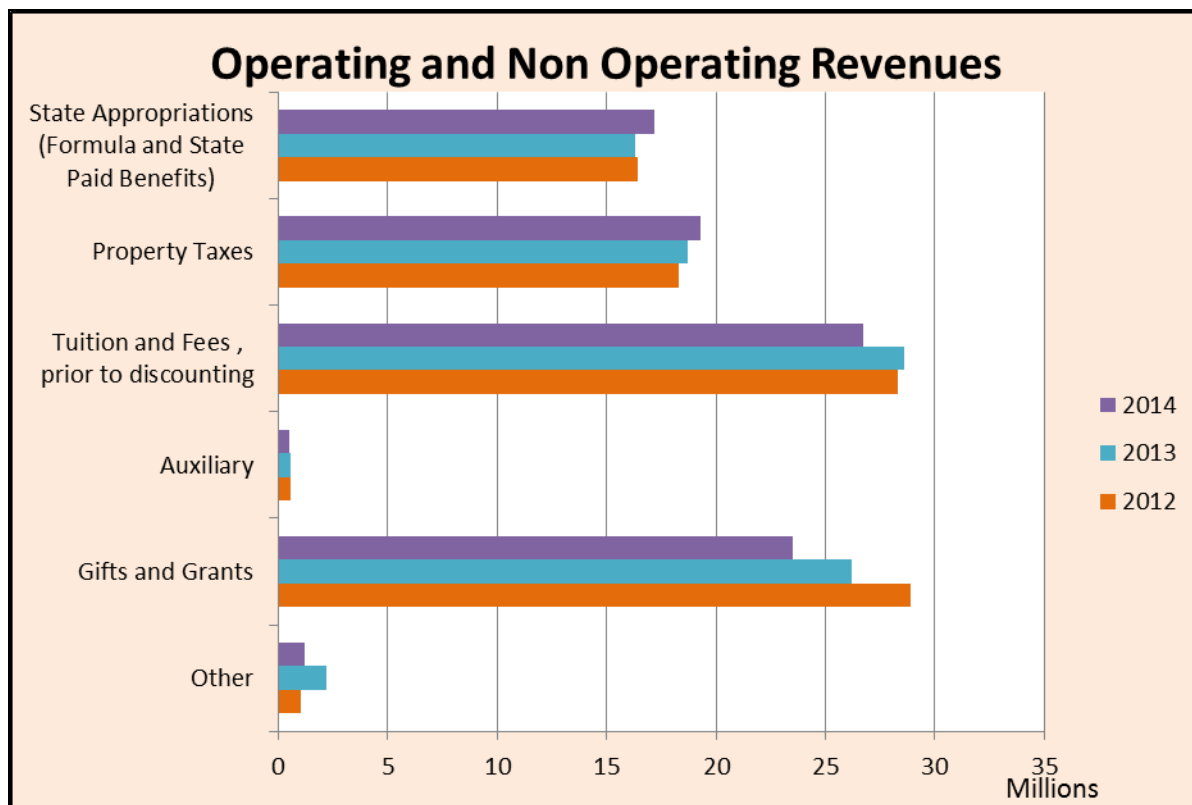
During 2013, the District generated a gross total of \$28,586,260 for tuition and fees charged to credit and non-credit students attending classes at the District. This is an increase of \$318,000 or 1.12% from fiscal year 2012. During 2012, the District generated a gross total of \$28,267,960 for tuition and fees charged to credit and non-credit students attending classes at the District.

- State appropriated revenue for 2014 was \$895,286 higher than 2013 due to increased funding by the legislature. State appropriated revenue for 2013 was \$41,903 less than 2012 due to reductions imposed by the legislature on previously appropriated funding. State appropriations were \$16,350,904 in 2012.
- Property tax revenue in 2014 exceeded the prior year by \$585,457, or 3.1%, while 2013 revenues exceeded 2012 amounts by \$524,832, or 4.4%. Property tax revenue in 2012 was \$18,282,635. The combined tax rate was \$0.151530 per \$100 of valuation for 2014 and 2013.
- 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 2014, Pell grants decreased by approximately \$1.9 million from the 2013 amount. One major change in financial aid continues to affect the amount of Pell grants disbursed for 2014 - revisions to satisfactory progress now require students to be able to complete 67% of all hours attempted in order to have an appeal approved and also will not allow for appeal approvals to be consecutive which caused fewer approvals for appeals.

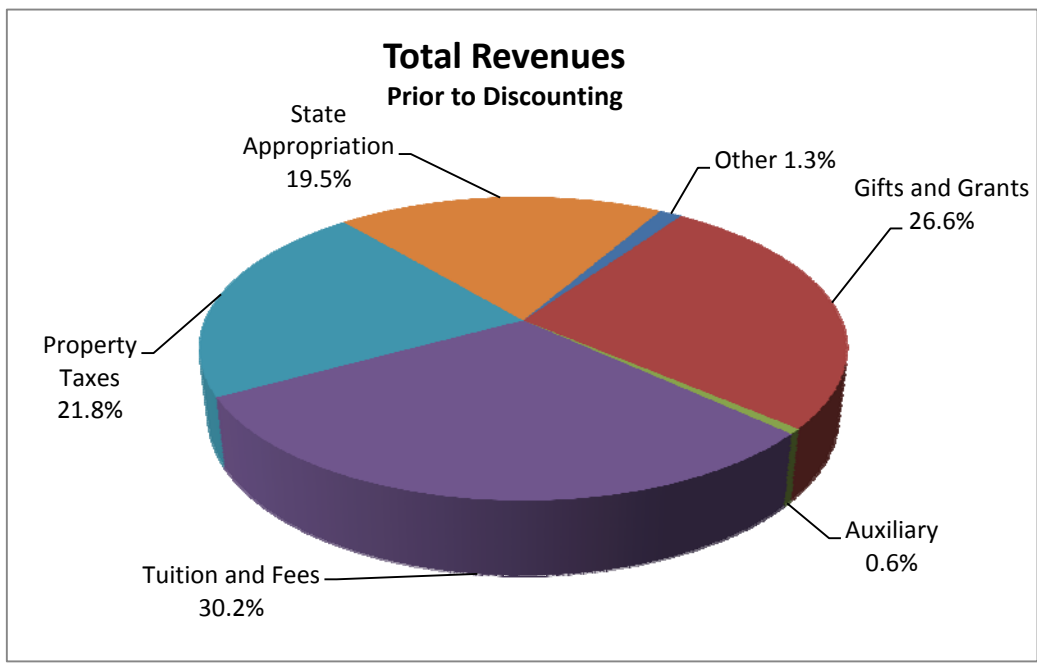
In 2013, Pell grants decreased by approximately \$3.4 million from the 2012 amount.

State grants decreased by \$1.0 million in 2014 due to a decrease in the Skills Development Grants and completion of the Jobs and Education for Texans (JET) grant in 2013. State grants increased by \$1.6 million in 2013 due to increases in the Skills Development Grants and Jobs and Education for Texans (JET) grants.

The following presentation graphically displays revenue trends.

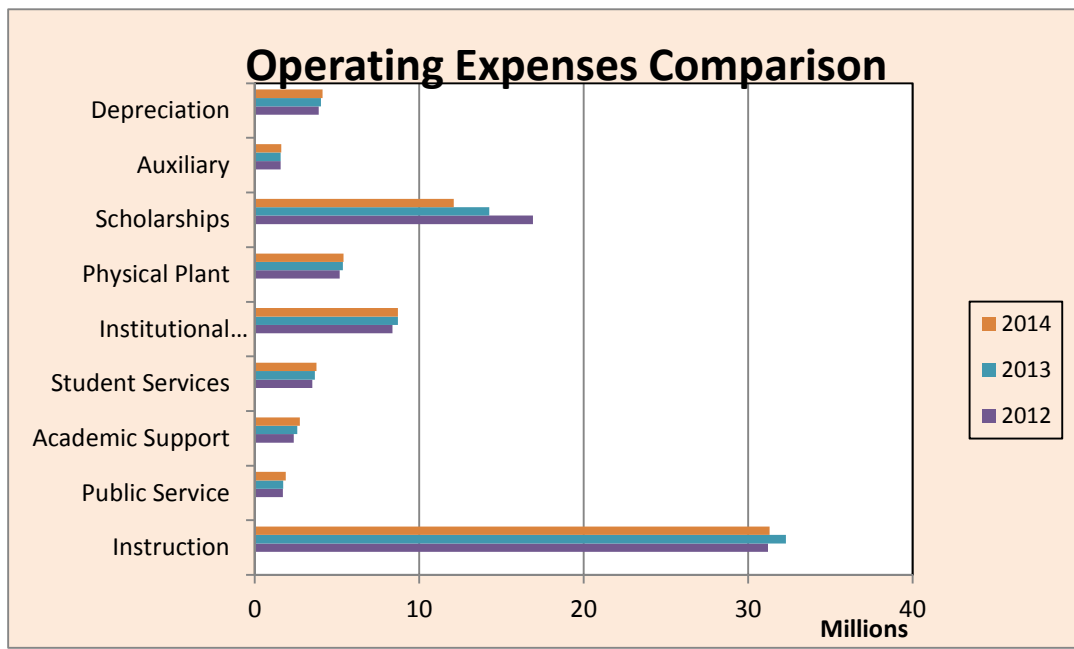


The following chart reflects revenues from all sources for fiscal year 2014. For purposes of this presentation, tuition and fees revenues are shown prior to scholarship discounts. The Statements of Revenues, Expenses and Changes in Net Position reflect these revenues net of scholarship discounts.



Operating Expenses

Functional classifications are the traditional categories that have been used to show expenses. They represent the type of programs and services provided. The following chart shows the District's 2014 expenses compared to the 2013 and 2012 expenses.



Total operating expenses for 2014 decreased by approximately \$2.6 million or 3.5%. The reason for this decrease is due to decreases in Pell scholarships. Total operating expenses were \$74.2 million in 2013 and \$74.7 million in 2012.

Statement of Cash Flows

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

Condensed Statements of Cash Flows

(In Thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash and cash equivalents provided by (used in):			
Operating activities	\$ (47,126)	(46,796)	(36,927)
Noncapital financing activities	58,918	51,708	43,445
Capital and related financing activities	(3,723)	(4,999)	(5,861)
Investing activities	<u>34</u>	<u>220</u>	<u>246</u>
Changes in cash and cash equivalents	<u>\$ 8,103</u>	<u>133</u>	<u>903</u>

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

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

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

Cash flows from investing activities represent the 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>2014</u>	<u>2013</u>	<u>2012</u>
Land	\$ 6,747	6,747	6,747
Library books	3,036	2,951	2,865
Construction in progress	-	558	-
Buildings	142,366	142,365	142,365
Improvements	21,811	19,680	17,717
Furniture, equipment and vehicles	<u>6,764</u>	<u>6,179</u>	<u>5,391</u>
	<u>\$ 180,724</u>	<u>178,480</u>	<u>175,085</u>

Capital assets additions totaled approximately \$2.4 million and \$4.0 million in 2014 and 2013, respectively. Major additions in 2014 included the completion of the renovations to the Math/Wellness/Fitness building – Phase 2 and a new fire loop at the Emergency Services Education Center. Disposals of capital assets approximated \$117,000 in 2014. Depreciation of \$4,128,077 was incurred in fiscal year 2014.

The District had outstanding debt of approximately \$90.3 million and \$93.8 million as of August 31, 2014 and 2013, respectively.

Schedule of Outstanding Debt
(In Thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 73,605	76,330	78,870
Revenue bonds	<u>16,675</u>	<u>17,425</u>	<u>18,145</u>
	<u>\$ 90,280</u>	<u>93,755</u>	<u>97,015</u>

For additional information concerning capital assets and debt administration, see Notes 6, 7, 8 and 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 increasing tuition and fees and local taxes. Currently, tuition and fees account for approximately 33% of the District's total (operating and non-operating) revenue, while state appropriations and local taxes account for 24% and 23%, respectively. The District expects state funding to continue to decline and has several options to address this trend. The District continues to rely on a proactive enrollment model to expand its course offerings based on student demand. Since its implementation in 2000, the District's enrollment has increased

from approximately 5,800 students to over 8,300 students during the fall 2014 semester. The District's enrollment model identifies drops in course demand so that the District can respond accordingly. The District recently created a new research analyst position that will formalize the application of the enrollment model in relation to scheduling and building utilization.

The District has one of the lower maintenance and operations tax rates with a current rate of \$0.103322 per \$100 valuation. The District is ranked 40th out of 50 community districts with a ranking of 1 representing the highest tax rate. The District has the authority to raise its tax rate to as much as \$0.25 cents per \$100 valuation. Consequently, the District has considerable capability to offset declining state funds with tax increases, if necessary.

In addition to declining state funds, changes in Pell grant and loan requirements and the continuation of a slow economic recovery represent potential challenges for Texas community colleges. During the fall 2014 semester, preliminary counts show more than 75% of the 50 Texas community colleges experienced a decline in enrollment. The District experienced an 8.5% decline in enrollment. The District experienced a 2.9% decline in enrollment during the fall 2014 semester. The large drops in previous years related to the changes in Pell grant rules appear to be leveling off. This change in enrollment also coincides with the implementation of a comprehensive student success initiative that requires all first-time-in-college students to enroll in a 1-hour student success class. This initiative and other success strategies are designed to improve retention on campus. Thus, it is anticipated that improvements in retention will to some degree offset recent enrollment declines. Although the District has experienced declines the last few fall semesters, these changes were anticipated through the use of predictive analytics. For example, the District budgeted for a 3% decline in tuition revenue this year. The decline in enrollment effectively aligns with this projection.

The District is also seeking new opportunities. The cost of attending the District is approximately 36% of the cost to attend a typical four-year state institution. In response to these findings, the District is in the process of expanding its University Center by adding new bachelor degree programs with Texas Tech University and by adding engineering courses to its offerings through Tarleton State University. The District also implemented a new partnership with Baylor University, Baylor Bound, which allows students to realize substantial savings by completing their first year at the District before transferring to Baylor University. The District is planning for the continued expansion of these initiatives, which is expected to increase demand for the District's current course offerings.

Beginning in the 2014-15 biennium, Texas community colleges are funded on a new model that allocates 10% of the appropriations on the basis of student success points and 90% on contact hours. The District has been actively engaged in the development of the new model. For the 2016-17 biennium, success point funding will be based on changes in total success points for each district. That is, the District will receive additional funds if success points increase and fewer funds if success points decrease. Preliminary analyses of the proposed success point model suggest that the District will earn all of the 10% of appropriations through the success points.

The District's reliance on data-driven decision making ensures it remains in a strong financial position. Aggressive cost efficiency strategies, coupled with increases in tuition, have allowed the District to not only address declining state funds, but to invest significantly in various student

success initiatives and to substantially increase the District's net position. The District continually monitors its internal and external environments for factors that may affect the District's financial position in either the short-term or long-term.

The District is aware that in September 2014, a principal taxpayer of the District filed a lawsuit against the McLennan County Appraisal District to seek a reduction in their taxable appraised value. The impact of this lawsuit on property tax revenues of the District is unknown at this time. In addition, as further described in Note 22 in the notes to the financial statements, the District will adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for the fiscal year ending August 31, 2015. The District is not aware of any other additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during subsequent fiscal years.

McLennan County Junior College District

Statements of Net Position (Exhibit 1)

August 31, 2014 and 2013

	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2014	2013	2014	2013
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 23,669,765	15,739,372	291,036	292,446
Accounts receivable, net	5,328,075	13,945,864	1,891,144	648,448
Prepaid expenses	703,588	274,468	-	-
Restricted cash and cash equivalents	1,114,781	942,201	-	-
Inventories	24,369	27,937	-	-
Total current assets	30,840,578	30,929,842	2,182,180	940,894
Noncurrent assets:				
Restricted cash, cash equivalents, and investments	-	-	13,307,544	10,620,277
Capital assets, net	134,347,235	136,173,349	-	-
Other assets	3,351	4,631	60,802	75,951
Total noncurrent assets	134,350,586	136,177,980	13,368,346	10,696,228
Total assets	165,191,164	167,107,822	15,550,526	11,637,122
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding	22,780	89,094	-	-
Total deferred outflows of resources	22,780	89,094	-	-
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	2,470,138	3,470,058	2,104	53,194
Accrued liabilities	2,716,396	2,282,950	-	-
Funds held for others	225,130	227,372	-	-
Unearned revenue	10,258,332	11,071,048	-	-
Bonds payable - current portion	3,605,000	3,475,000	-	-
Total current liabilities	19,274,996	20,526,428	2,104	53,194
Noncurrent liabilities:				
Bonds payable	88,285,541	92,076,107	-	-
Total noncurrent liabilities	88,285,541	92,076,107	-	-
Total liabilities	107,560,537	112,602,535	2,104	53,194
<u>Net Position</u>				
Net position:				
Net investment in capital assets	42,479,474	40,711,336	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	7,604,542	5,531,049
Other	-	-	818,000	783,000
Expendable:				
Scholarships and fellowships	2,197,579	2,055,426	6,657,930	4,883,681
Debt service	968,562	795,095	-	-
Other	-	-	191,909	113,057
Unrestricted	12,007,792	11,032,524	276,041	273,141
Total net position	\$ 57,653,407	54,594,381	15,548,422	11,583,928

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, 2014 and 2013

	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2014	2013	2014	2013
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operating revenues:				
Tuition and fees (net of scholarship allowances and discounts of \$9,675,862 and \$9,149,264, respectively)	\$ 17,003,014	19,436,996	-	-
Gifts	-	-	2,750,641	846,209
Sales and services of educational activities	839,538	920,543	-	-
Auxiliary enterprises	502,624	525,961	-	-
Other operating revenues	126,978	123,555	-	-
Total operating revenues	<u>18,472,154</u>	<u>21,007,055</u>	<u>2,750,641</u>	<u>846,209</u>
Operating expenses:				
Instruction	31,310,353	32,287,329	-	-
Public service	1,889,963	1,741,037	-	-
Academic support	2,740,485	2,591,574	-	-
Student services	3,753,039	3,657,723	-	-
Institutional support	8,692,518	8,706,689	508,341	429,977
Operation and maintenance of plant	5,408,840	5,356,334	22,254	581,172
Scholarships and fellowships	12,091,711	14,263,622	320,804	249,781
Auxiliary enterprises	1,618,837	1,579,928	-	-
Depreciation	4,128,077	4,029,443	-	-
Total operating expenses	<u>71,633,823</u>	<u>74,213,679</u>	<u>851,399</u>	<u>1,260,930</u>
Operating income (loss)	<u>(53,161,669)</u>	<u>(53,206,624)</u>	<u>1,899,242</u>	<u>(414,721)</u>
Nonoperating revenues (expenses):				
State appropriations	17,204,287	16,309,001	-	-
Ad valorem taxes for maintenance and operations	13,148,553	12,519,617	-	-
Ad valorem taxes for debt service	6,133,884	6,177,363	-	-
Federal grants and contracts	20,375,599	22,307,872	-	-
State grants and contracts	2,868,745	3,827,314	-	-
Local grants and contracts	290,796	110,355	-	-
Investment income	34,643	208,076	2,062,181	1,255,607
Gifts	173,114	711,139	-	-
Interest on capital asset-related debt	(3,949,560)	(4,189,280)	-	-
Other nonoperating revenues (expenses), net	(59,366)	(248,380)	3,071	2,728
Net nonoperating revenues	<u>56,220,695</u>	<u>57,733,077</u>	<u>2,065,252</u>	<u>1,258,335</u>
Increase in net position	3,059,026	4,526,453	3,964,494	843,614
Net position - beginning of year	<u>54,594,381</u>	<u>50,067,928</u>	<u>11,583,928</u>	<u>10,740,314</u>
Net position - end of year	<u>\$ 57,653,407</u>	<u>54,594,381</u>	<u>15,548,422</u>	<u>11,583,928</u>

See accompanying notes to the financial statements.

McLennan County Junior College District

Statements of Cash Flows (Exhibit 3)

Years Ended August 31, 2014 and 2013

	Primary Government	
	2014	2013
Cash flows from operating activities		
Receipts from students and other customers:		
Tuition and fees	\$ 16,660,527	19,295,405
Auxiliary enterprises and educational activities	827,131	1,231,122
Receipts from third-party student loans	21,604,992	25,880,497
Other receipts	126,978	123,555
Loans issued to students	(21,604,992)	(25,880,497)
Payments to employees	(33,610,661)	(33,739,229)
Payments to suppliers and students	(31,130,259)	(33,706,937)
Net cash used in operating activities	(47,126,284)	(46,796,084)
Cash flows from noncapital financing activities		
Receipts of state appropriations	13,456,451	13,731,138
Receipts from ad valorem taxes for maintenance and operation	13,138,165	12,542,046
Receipts of grants and contracts	32,205,675	25,214,911
Receipts from gifts for other than capital purposes	118,059	219,810
Net cash provided by noncapital financing activities	58,918,350	51,707,905
Cash flows from capital and related financing activities		
Receipts from ad valorem taxes for debt service	6,133,913	6,185,104
Other receipts	2,000	5,008
Purchases of capital assets	(2,360,250)	(3,468,051)
Payments on capital debt principal	(3,475,000)	(3,215,000)
Payments on capital debt interest	(4,077,828)	(4,255,498)
Other payments	54,536	(250,615)
Net cash used in capital and related financing activities	(3,722,629)	(4,999,052)
Cash flows from investing activities		
Receipts from interest on investments	33,536	220,463
Net cash provided by investing activities	33,536	220,463
Net increase in cash and cash equivalents	8,102,973	133,232
Cash and cash equivalents - beginning of year	16,681,573	16,548,341
Cash and cash equivalents - end of year	\$ 24,784,546	16,681,573
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (53,161,669)	(53,206,624)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	4,128,077	4,029,443
On-behalf payments	3,747,836	2,577,863
Change in assets and liabilities:		
Receivables, net	(462,756)	432,226
Inventories	3,568	9,450
Prepaid expenses	(429,120)	(23,045)
Accounts payable	(999,920)	980,310
Accrued liabilities	442,462	(806,508)
Funds held for others	(2,242)	(5,836)
Unearned revenue	(392,520)	(783,363)
Net cash used in operating activities	\$ (47,126,284)	(46,796,084)
Noncash capital, financing and investing activities:		
Contributed equipment	\$ -	537,140
State appropriations on-behalf payments	\$ 3,747,836	2,577,863

See accompanying notes to the financial statements.

McLennan County Junior College District

Notes to Financial Statements

August 31, 2014 and 2013

(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, 2014 and 2013, the Foundation expended \$534,823 and \$916,909, 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. Certain reclassifications have been made to the 2013 financial statements to make them comparable to those in the current year.

(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

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

encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. Encumbrances outstanding at year-end that were provided for in the subsequent year's budget are reported as designations of net position since they do not constitute expenditures or liabilities.

(c) Scholarship Allowances and Discounts

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

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

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

(d) Cash and Cash Equivalents

Cash equivalents of \$882,595 and \$192,249 at August 31, 2014 and 2013, respectively, consist of public funds investment pools. Cash equivalents are considered to be highly liquid debt instruments with original maturities of three months or less from the date of acquisition.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(d) Cash and Cash Equivalents (continued)

Restricted cash and cash equivalents represent resources accumulated for debt service payments for the Series 2005, 2007, and 2013 limited tax bonds payable and 2009 and 2010 revenue bonds payable at August 31, 2014 and 2013.

(e) Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value, except for money market funds and participating interest-earning investment contracts that mature within one year of the date of their acquisition and nonparticipating investment contracts which are stated at cost. Fair values are based on published market prices.

(f) Inventories

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

(g) Capital Assets

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

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

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

McLennan County Junior College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(h) Deferred Outflows of Resources

The District reports decreases in net position that relate to future periods as deferred outflows of resources. Deferred outflows at August 31, 2014 and 2013 represent net deferred charges on refunding resulting from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

(i) Unearned Revenue

Unearned revenue of the District at August 31, 2014 and 2013 consists of the following:

	2014	2013
Tuition and fees	\$ 9,551,234	9,915,558
Contributions	160,000	200,000
Federal grants	20,337	9,124
Scholarships	90,856	79,052
State grants	435,905	867,314
	\$ 10,258,332	11,071,048

(j) 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, and certain accrued liabilities. 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

McLennan County Junior College District

Notes to Financial Statements (Continued)

(3) Authorized Investments (continued)

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, 2014 and 2013 consist of the following:

	2014	2013
<u>Deposits</u>		
Cash - demand deposits	\$ 10,257,484	1,550,730
Cash - certificates of deposit	13,642,217	14,936,344
Cash - petty cash on hand	2,250	2,250
Total deposits	23,901,951	16,489,324
<u>Investments - cash equivalents</u>		
TexasTERM Local Government		
Investment Pool	8,324	8,321
Texas Local Government Investment Pool	873,994	183,651
Lone Star Investment Pool	277	277
Total cash and cash equivalents	24,784,546	16,681,573
<u>Investments</u>		
Other investments	3,351	4,631
Total investments	3,351	4,631
Total deposits and investments	\$ 24,787,897	16,686,204

Deposits and investments of the Foundation at August 31, 2014 and 2013 consist of the following:

	2014	2013
<u>Deposits</u>		
Cash - demand deposits	\$ 221,027	222,438
Cash - certificates of deposit	70,009	70,008
Total deposits	291,036	292,446

McLennan County Junior College District

Notes to Financial Statements (Continued)

(4) Deposits and Investments (continued)

	2014	2013
<u>Investments</u>		
Funds of a management investment company	\$ 12,745,106	10,614,066
Other investments	562,438	6,211
Total investments	13,307,544	10,620,277
Total deposits and investments	\$ 13,598,580	10,912,723

The weighted average maturity of investments (in days) of the District at August 31, 2014 and 2013 consists of the following:

	2014	2013
TexasTERM Local Government Investment Pool	45	57
Texas Local Government Investment Pool	53	56
Lone Star Investment Pool	49	57

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. Money market mutual funds must have a dollar weighted average stated maturity of 90 days or less. The maximum allowable stated maturity of any other individual investment owned by the District cannot exceed the limits established by the Public Funds Investment Act. If no maximum allowable stated maturity is provided for a particular investment, the maximum allowable stated maturity for such investment cannot exceed five years except for the purchase of investments related to the refunding of bonds in which case the maturity of the escrowed amount cannot exceed the life of the bond.

Credit Risk. Credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill obligations related to the investment. It is the District's policy to limit its investments in a manner that ensures the preservation of capital in the overall portfolio. Specifically, public funds investment pools must be rated not less than AAA or an equivalent rating by at least one nationally recognized rating service. At August 31, 2014 and 2013, public funds investment pools held by the District were rated AAAM by Standard & Poor's.

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(4) Deposits and Investments (continued)

As indicated above, investments of the District at August 31, 2014 and 2013 include deposits in the Texas Local Government Investment Pool, TexasTERM Local Government Investment Pool, and Lone Star Investment Pool (collectively, the Pools). These pools are public funds investment pools created pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to the Pools as custodians and to make investment purchases with the District's funds. The District does not own specific, identifiable investment securities with the Pools.

TexasTERM Local Government Investment Pool is a public funds investment pool organized under a common investment contract managed by an elected advisory board. TexasTERM Local Government Investment Pool is a non-taxable investment fund established for local governments in Texas under the provisions of the Texas Interlocal Cooperation Act. The pool offers two investment portfolios, TexasTERM and TexasDAILY. The District has investments in the TexasDAILY portfolio. TexasDAILY operates in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. TexasDAILY uses amortized cost rather than the market value to report net assets to compute share prices. Accordingly, the fair value of the position of TexasDAILY is the same as the value of the TexasDAILY shares.

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. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

Lone Star Investment Pool (Lone Star) is a member-owned, member-governed public funds investment pool offering three funds: Liquidity Fund, Liquidity Plus Fund, and U.S. Government Fund. The Board of Trustees, who has governance responsibilities, is comprised of participants in Lone Star and members of the Texas Association of School Business Officials. The District has investments in the Liquidity Fund of Lone Star. The Liquidity Fund operates in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. The Liquidity Fund uses amortized cost rather than the market value to report net assets to compute share prices. Accordingly, the fair value of the position of the Liquidity Fund is the same as the value of the Liquidity Fund shares.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(4) Deposits and Investments (continued)

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, 2014 and 2013 consisted of the following:

	2014	2013
Auxiliary and other	\$ 4,611,746	3,388,322
Tuition and fees	(294,852)	8,757,423
Taxes	1,080,472	1,058,210
Federal and state grants	689,861	1,446,249
Interest	1,682	1,855
	6,088,909	14,652,059
Less allowance for doubtful accounts	(760,834)	(706,195)
Accounts receivable, net	\$ 5,328,075	13,945,864

Accrued liabilities at August 31, 2014 and 2013 consisted of the following:

	2014	2013
Salaries and benefits payable	\$ 808,365	825,136
Claims liability	200,628	200,628
Interest payable	400,002	409,018
Other payables	1,307,401	848,168
Accrued liabilities	\$ 2,716,396	2,282,950

McLennan County Junior College District

Notes to Financial Statements (Continued)

(6) Capital Assets

Capital asset activity for the year ended August 31, 2014 was as follows:

	Balance September 1, 2013	Additions	Transfers and Retirements	Balance August 31, 2014
Capital assets not being depreciated:				
Land	\$ 6,747,040	-	-	6,747,040
Construction in progress	557,596	-	(557,596)	-
	<u>7,304,636</u>	<u>-</u>	<u>(557,596)</u>	<u>6,747,040</u>
Capital assets, being depreciated:				
Buildings and building improvements	142,365,404	895	-	142,366,299
Other real estate improvements	19,680,208	2,131,694	-	21,811,902
Total buildings and other real estate improvements	162,045,612	2,132,589	-	164,178,201
Library books	2,950,523	85,036	-	3,035,559
Furniture and equipment	6,178,778	701,476	(116,668)	6,763,586
Total buildings and other capital assets	<u>171,174,913</u>	<u>2,919,101</u>	<u>(116,668)</u>	<u>173,977,346</u>
Less accumulated depreciation:				
Buildings and building improvements	\$ 28,603,715	2,679,444	-	31,283,159
Other real estate improvements	7,852,402	853,253	-	8,705,655
Total buildings and other real estate improvements	36,456,117	3,532,697	-	39,988,814
Library books	2,346,251	79,146	-	2,425,397
Furniture and equipment	3,503,832	516,234	(57,126)	3,962,940
Total accumulated depreciation	<u>42,306,200</u>	<u>4,128,077</u>	<u>(57,126)</u>	<u>46,377,151</u>
	<u>128,868,713</u>	<u>(1,208,976)</u>	<u>(59,542)</u>	<u>127,600,195</u>
Net capital assets	<u>\$ 136,173,349</u>	<u>(1,208,976)</u>	<u>(617,138)</u>	<u>134,347,235</u>

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

Capital asset activity for the year ended August 31, 2013 was as follows:

	Balance September 1, 2012	Additions	Transfers and Retirements	Balance August 31, 2013
Capital assets not being depreciated:				
Land	\$ 6,747,040	-	-	6,747,040
Construction in progress	-	557,596	-	557,596
	<u>6,747,040</u>	<u>557,596</u>	<u>-</u>	<u>7,304,636</u>
Capital assets, being depreciated:				
Buildings and building improvements	142,365,404	-	-	142,365,404
Other real estate improvements	<u>17,717,354</u>	<u>1,962,854</u>	<u>-</u>	<u>19,680,208</u>
Total buildings and other real estate improvements	160,082,758	1,962,854	-	162,045,612
Library books	2,865,016	85,507	-	2,950,523
Furniture and equipment	<u>5,391,347</u>	<u>1,399,233</u>	<u>(611,802)</u>	<u>6,178,778</u>
Total buildings and other capital assets	<u>168,339,121</u>	<u>3,447,594</u>	<u>(611,802)</u>	<u>171,174,913</u>
Less accumulated depreciation:				
Buildings and building improvements	\$ 25,921,437	2,682,278	-	28,603,715
Other real estate improvements	<u>6,994,368</u>	<u>858,034</u>	<u>-</u>	<u>7,852,402</u>
Total buildings and other real estate improvements	32,915,805	3,540,312	-	36,456,117
Library books	2,267,605	78,646	-	2,346,251
Furniture and equipment	<u>3,681,499</u>	<u>410,486</u>	<u>(588,153)</u>	<u>3,503,832</u>
Total accumulated depreciation	<u>38,864,909</u>	<u>4,029,444</u>	<u>(588,153)</u>	<u>42,306,200</u>
	<u>129,474,212</u>	<u>(581,850)</u>	<u>(23,649)</u>	<u>128,868,713</u>
Net capital assets	<u>\$ 136,221,252</u>	<u>(24,254)</u>	<u>(23,649)</u>	<u>136,173,349</u>

McLennan County Junior College District

Notes to Financial Statements (Continued)

(7) Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2014 was as follows:

	Balance September 1, 2013	Additions	Reductions	Balance August 31, 2014	Current Portion
Bonds payable:					
Refunding revenue bonds payable	\$ 2,915,000	-	540,000	2,375,000	560,000
Revenue bonds payable	14,510,000	-	210,000	14,300,000	215,000
Limited tax bonds payable	60,565,000	-	1,520,000	59,045,000	1,580,000
Refunding limited tax bonds payable	15,765,000	-	1,205,000	14,560,000	1,250,000
Issuance premiums and discounts	1,796,107		185,566	1,610,541	-
	<u>\$ 95,551,107</u>	<u>-</u>	<u>3,660,566</u>	<u>91,890,541</u>	<u>3,605,000</u>

Long-term liability activity for the year ended August 31, 2013 was as follows:

	Balance September 1, 2012	Additions	Reductions	Balance August 31, 2013	Current Portion
Bonds payable:					
Refunding revenue bonds payable	\$ 3,440,000	-	525,000	2,915,000	540,000
Revenue bonds payable	14,705,000	-	195,000	14,510,000	210,000
Limited tax bonds payable	70,575,000	-	10,010,000	60,565,000	1,520,000
Refunding limited tax bonds payable	8,295,000	14,690,000	7,220,000	15,765,000	1,205,000
Issuance premiums and discounts	2,057,863	1,886,100	2,147,856	1,796,107	-
	<u>\$ 99,072,863</u>	<u>16,576,100</u>	<u>20,097,856</u>	<u>95,551,107</u>	<u>3,475,000</u>

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

Bonds payable are comprised of the following individual issues:

\$8,550,000 Refunding Limited Tax Bonds (Tax-Exempt) – Series 2013

To advance refund \$8,550,000 of outstanding Limited Tax Bonds – Series 2007; issued May 2, 2013; all authorized bonds have been issued; due in installments through 2025; secured by property tax revenues; no bond reserve fund is required; call year 2022.

\$6,140,000 Refunding Limited Tax Bonds (Taxable) – Series 2013

To advance refund \$6,185,000 of outstanding Refunding Limited Tax Bonds – Series 2005; issued May 2, 2013; all authorized bonds have been issued; due in installments through 2019; secured by property tax revenues; no bond reserve fund is required.

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

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

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

To acquire, construct, and improve buildings, structures, and facilities, including the construction of a parking garage facility; issued January 15, 2009; all authorized bonds have been issued; due in installments through 2023; secured by tuition revenue; call year 2018.

\$74,435,000 Limited Tax Bonds – Series 2007

To construct and equip school buildings and to rehabilitate, renovate, improve and repair certain District facilities; issued January 15, 2007; all authorized bonds have been issued; due in installments through 2032; secured by property tax revenues; no bond reserve fund is required; call year 2016.

\$6,310,000 Refunding Revenue Bonds – Series 2006

To advance refund \$6,550,000 of outstanding Refunding Revenue Bonds – Series 1995; issued March 23, 2006; all authorized bonds have been issued; due in installments through 2018; secured by pledged revenues of tuition, facility fees, net

McLennan County Junior College District

Notes to Financial Statements (Continued)

(7) Long-Term Liabilities (continued)

revenues from the District's book store, cafeteria and vending machine operations, interest earnings and revenues of any revenue-producing facilities acquired or constructed with bond proceeds; no bond reserve fund is required; call year 2015.

\$11,170,000 Refunding Limited Tax Bonds – Series 2005

To advance refund \$11,170,000 of outstanding Limited Tax Bonds – Series 1999; issued July 28, 2005; all authorized bonds have been issued; due in installments through 2019; secured by property tax revenues; no bond reserve fund is required; call year 2014.

Bonds payable are due in annual installments varying from \$30,000 to \$3,045,000 with interest rates from 2% to 5.75% with the final installment in 2032. Debt service requirements to amortize bonds payable as of August 31, 2014, are as follows:

For the Year Ended August 31,	Revenue Bonds		Tax Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 775,000	663,446	2,830,000	3,280,731
2016	805,000	634,921	2,930,000	3,181,031
2017	835,000	605,146	3,025,000	3,077,731
2018	870,000	573,821	3,135,000	2,970,931
2019	895,000	540,859	3,250,000	2,851,581
2020 - 2024	5,005,000	2,198,305	17,935,000	12,916,538
2025 - 2029	6,110,000	1,100,501	23,415,000	7,844,850
2030 - 2032	1,380,000	60,030	17,085,000	1,736,250
	<u>\$ 16,675,000</u>	<u>6,377,029</u>	<u>73,605,000</u>	<u>37,859,643</u>

The District has pledged certain future tuition and fees to repay \$16.7 million in revenue bonds issued in 2010, 2009 and 2006. Proceeds from the bonds provided financing for the construction of parking garage facilities, and refunding of the 1995 revenue bonds which provided funds for campus facility improvements. Annual principal and interest payments on the bonds are expected to require 40% of the pledged tuition and fees. The total principal and interest remaining to be paid on the bonds is \$23.1 million. Principal and interest paid for the current year and total of pledged tuition and fees were approximately \$1.4 million and \$3.2 million, respectively.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(8) Advance Refundings

On May 2, 2013, the District issued \$8,550,000 of Refunding Limited Tax Bonds (Tax-Exempt) – Series 2013 with interest rates ranging from 2% to 3%. The District issued the bonds to advance refund \$8,550,000 of the outstanding Limited Tax Bonds – Series 2007. Approximately \$9.9 million of the proceeds were deposited in an irremovable trust to provide for all future debt service on the refunding portion of the 2007 bonds. As a result, that portion of the 2007 series bond is considered defeased, and the District has removed the liability from the accompanying Statement of Net Position. The net carrying amount on the refunded portion of the 2007 series bond exceeded the reacquisition price by \$491,544. This amount is reflected as a deferred gain on refunding and amortized over the remaining life of the new debt which is a shorter period than the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next twelve years by \$1,155,316 and resulted in an economic gain of \$1,012,155.

On May 2, 2013, the District issued \$6,140,000 of Refunding Limited Tax Bonds (Taxable) – Series 2013 with interest rates ranging from 2% to 3.5%. The District issued the bonds to advance refund \$6,185,000 of the outstanding Refunding Limited Tax Bonds – Series 2005. Approximately \$6.6 million of the proceeds were deposited in an irremovable trust to provide for all future debt service on the refunding portion of the 2005 bonds. As a result, that portion of the 2005 series bond is 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 2005 series bond by \$449,887. This amount is reflected as a deferred charge on refunding and amortized over the remaining life of the refunded debt which is equal to the life of the new debt. This advance refunding was undertaken to reduce total debt service payments over the next six years by \$499,936 and resulted in an economic gain of \$476,907.

(9) Defeased Bonds Outstanding

In prior years and during 2013, 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, 2014, the following bonds outstanding are considered defeased:

	Year Refunded	Balance Outstanding
Refunding and Improvement Revenue		
Bonds - Series 1992	1995	\$ 2,440,000
Limited Tax Bonds - Series 1999	2005	6,300,000
Refunding Revenue Bonds - Series 1995	2006	2,460,000
Refunding Limited Tax Bonds - Series 2005	2013	6,185,000
Limited Tax Bonds - Series 2007	2013	8,550,000
		\$ 25,935,000

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

Plan Description. The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfers under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended pursuant to the state funding policy: (1) the state constitution requires the 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 of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years; or if the amortization period already exceeds 31 years, the period would be increased by such action. These amounts are set by the General Appropriations Act of the state. In certain instances, the District is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceed the statutory minimum.

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 the Teacher Retirement System of Texas. The optional retirement program provides for the purchase of annuity contracts. Beginning September 1, 2013, the state legislature limited the state contribution rate to 50% of the member rate. The percentages of participant salaries currently contributed by the state and each participant are 3.3% and 6.6%, respectively. The District supplements an additional 5.2%. Since these are individual annuity contracts, the state and the District have no additional or unfunded liability for this program.

Actual Funding. Contribution rates as a percentage of compensation and contributions made for TRS and ORP for 2012, 2013 and 2014 are shown in the table below.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(10) Employees' Retirement Plan (continued)

Year	Member		State	
	TRS / ORP Rate	Amount	TRS / ORP Rate	Amount
2014	6.4% / 6.6%	\$ 1,896,880	6.8% / 3.3%	\$ 1,431,129
2013	6.4% / 6.4%	1,853,718	N/A / N/A	879,969
2012	6.4% / 6.4%	1,831,228	N/A / N/A	850,471

During the 2011 legislative session (for 2012), the Texas Legislature appropriated funding for TRS on behalf of community colleges equal to 6.0% of each district's unrestricted general revenue appropriation for each year of the biennium state budget. This appropriation remained in effect for 2013. Consequently, the state funded an amount not based on compensation of members in the system and one that was less than that required under the Texas Constitution (not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during the fiscal year). As a result, TRS requested the District to remit the difference between the required state funding policy amount, and the amount appropriated and funded by the state. For 2013, this shortfall paid by the District, at the request of TRS, was \$786,873.

The total payroll for all College employees was \$33,593,890, \$33,751,856, and \$33,642,731 for the years ended August 31, 2014, 2013, and 2012, respectively. The total payroll of employees covered by TRS was \$17,546,985, \$17,323,138, and \$16,758,099; and the total payroll of employees covered by the optional retirement program was \$11,725,355, \$11,641,203, and \$11,854,845 for the years ended August 31, 2014, 2013, and 2012, 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 \$593,550 and \$600,929 at August 31, 2014 and 2013, respectively. It is the District's policy to classify the entire amount of compensated absences as a current liability since substantially all is used in the following fiscal year and is reflected as such in the accompanying Statements of Net Position. Sick leave, which can be accumulated up to 960 hours, is earned at the rate of eight hours per month. The District's policy is to recognize the cost of sick leave when paid. A liability for unpaid sick leave is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal and benefits are not vested.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(12) Operating Lease Commitments

The District leases certain equipment under operating leases through 2017. Included in operating expenses for the years ended August 31, 2014 and 2013 is \$73,124 and \$73,524, respectively, of rent paid or due under these operating leases. Minimum future rental payments under these noncancelable operating leases having remaining terms in excess of one year as of August 31, 2014 for each of the next three years are as follows:

<u>Year Ended</u> <u>August 31</u>	
2015	\$ 25,450
2016	12,540
2017	3,135

(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 \$174,917. 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>2014</u>	<u>2013</u>
Unpaid claims, beginning of year	\$ 200,628	200,628
Incurred claims (including IBNR) and changes to prior year estimates	(50,939)	(62,708)
Claim payments	<u>50,939</u>	<u>62,708</u>
Unpaid claims, end of year	<u>\$ 200,628</u>	<u>200,628</u>

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(14) Post-Retirement Health Care Benefits

Plan Description. The District contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan through the Group Benefits Program administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Texas Legislature. ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at www.ers.state.tx.us.

Funding Policy. Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the employer and retirees are established and may be amended by the ERS board of trustees. Retirees pay any premium over and above the employer contribution.

The employer's share of the cost of retiree healthcare coverage above the cost charged using a blended rate is known as the implicit rate subsidy. It is measured as the difference between the claims costs for the retirees and the amounts contributed by the retirees determined on a pay-as-you-go basis. State contributions to SRHP made on behalf of the District for the years ended August 31, 2014, 2013, and 2012 were \$1,169,534, \$1,062,669, and \$960,281, respectively, and are reported as revenues and expenses in the accompanying financial statements. The District's contributions to SRHP for the years ended August 31, 2014, 2013, and 2012 were \$128,812, \$109,335, and \$102,549, respectively, which equaled the remaining required contributions each year.

(15) Related Parties

During the years ended August 31, 2014 and 2013, the District furnished office space, utilities and staffing amounting to approximately \$263,000 and \$281,000, respectively, at no cost to the Foundation. In addition, at August 31, 2013, the District received contributed piano equipment of \$537,140 from 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:

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(16) Ad Valorem Property Taxes (continued)

	<u>2014</u>	<u>2013</u>
Assessed valuation of the District	\$ 16,531,869,952	16,232,279,649
Less: Abatements	61,890,851	67,815,706
Less: Exemptions	<u>3,640,007,310</u>	<u>3,517,726,602</u>
Net assessed valuation of the District	<u>\$ 12,829,971,791</u>	<u>12,646,737,341</u>

Tax rates authorized and assessed during fiscal year 2014 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized	\$ 0.250000	0.500000	0.750000
Tax rate per \$100 valuation for assessed	0.103322	0.048208	0.151530

Tax rates authorized and assessed during fiscal year 2013 were as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation for authorized	\$ 0.250000	0.500000	0.750000
Tax rate per \$100 valuation for assessed	0.101199	0.050331	0.151530

Taxes levied for the year ended August 31, 2014 are \$19,468,210. 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, 2014 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 13,032,526	6,080,717	19,113,243
Delinquent taxes collected	167,165	82,213	249,378
Penalties and interest collected	<u>141,517</u>	<u>65,282</u>	<u>206,799</u>
Total collections	<u>\$ 13,341,208</u>	<u>6,228,212</u>	<u>19,569,420</u>

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(16) Ad Valorem Property Taxes (continued)

Taxes levied for the year ended August 31, 2013 were \$19,178,209. Tax collections for the year ended August 31, 2013 were as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 12,367,882	6,151,120	18,519,002
Delinquent taxes collected	207,243	102,301	309,544
Penalties and interest collected	<u>158,065</u>	<u>74,614</u>	<u>232,679</u>
Total collections	<u>\$ 12,733,190</u>	<u>6,328,035</u>	<u>19,061,225</u>

Current tax collections for each of the years ended August 31, 2014 and 2013 were approximately 98% and 97%, respectively, of the current tax levy. An allowance for uncollectible taxes is based upon the historical experience in collecting property taxes.

(17) Budgets

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

(18) Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). The District had no unrelated business income tax liability for 2014 or 2013.

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

(19) Commitments and Contingencies

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

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(19) Commitments and Contingencies (continued)

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.

(20) Contracts and Grants

Contract and grant revenues are recognized as earned in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. For contract and grant awards, funds expended but not collected are reported as accounts receivable in the accompanying Statements of Net Position. Contract and grant awards that are not yet funded, and for which the District has not yet performed services, are not included in the financial statements. Such contract and grant awards already committed total \$2,167,870 and \$2,045,360 at August 31, 2014 and 2013, respectively, for federal contract and grant awards and \$271,953 and \$1,153,904 at August 31, 2014 and 2013, respectively, for state contract and grant awards.

(21) Business Concentrations

The District generally serves the McLennan County area; consequently, it is impacted by the general economy of the area. Also, the District receives a substantial portion of its funding from federal and state sources; consequently, the District is dependent upon continued funding from these sources.

(22) Authoritative Pronouncements Not Yet Effective

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement 68) – The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions and to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of Statement 68 are effective for financial statements for periods beginning after June 15, 2014.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* (Statement 71) – The objective of Statement 71 is to improve accounting and financial reporting by addressing an issue in Statement 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement

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

68 by employers and nonemployer contributing entities. The provisions of Statement 71 are effective for financial statements for periods beginning after June 15, 2014 and are required to be applied simultaneously with the provisions of Statement 68.

(23) Subsequent Events

The District has evaluated subsequent events from the date of the statements of net position through November 17, 2014, the date on which the financial statements were available to be issued, and has determined that there are no other items to disclose.

Supplemental Information

McLennan County Junior College District

Schedule of Operating Revenues (Schedule A)

Year Ended August 31, 2014
(With Memorandum Totals for the Year Ended August 31, 2013)

	Unrestricted	Restricted	Total		Total	
			Educational Activities	Auxiliary Enterprises	2014	2013
Tuition and fees:						
State funded credit courses:						
In-district resident tuition	\$ 15,163,901	-	15,163,901	-	15,163,901	16,346,415
Out-of-district resident tuition	3,800,099	-	3,800,099	-	3,800,099	4,098,742
Non-resident tuition	1,297,011	-	1,297,011	-	1,297,011	1,405,155
TPEG - credit (set aside)	1,128,779	-	1,128,779	-	1,128,779	1,220,956
State funded continuing education						
TPEG - non-credit (set aside)	847,459	-	847,459	-	847,459	1,044,198
TPEG - non-credit (set aside)	13,645	-	13,645	-	13,645	11,553
Non-state funded educational programs	29,133	-	29,133	-	29,133	25,408
Total tuition	<u>22,280,027</u>	<u>-</u>	<u>22,280,027</u>	<u>-</u>	<u>22,280,027</u>	<u>24,152,427</u>
Fees:						
Installment plan fees	72,825	-	72,825	-	72,825	69,500
Facility fees	1,136,936	-	1,136,936	-	1,136,936	1,226,925
General fees	568,468	-	568,468	-	568,468	613,461
Laboratory fees	817,938	-	817,938	-	817,938	782,838
Other fees	1,802,682	-	1,802,682	-	1,802,682	1,741,109
Total fees	<u>4,398,849</u>	<u>-</u>	<u>4,398,849</u>	<u>-</u>	<u>4,398,849</u>	<u>4,433,833</u>
Scholarship allowances and discounts:						
Remissions and exemptions	(1,154,974)	-	(1,154,974)	-	(1,154,974)	(421,166)
Title IV federal grants	(6,325,190)	-	(6,325,190)	-	(6,325,190)	(6,571,614)
TPEG awards	(813,329)	-	(813,329)	-	(813,329)	(960,509)
Other state grants	(425,789)	-	(425,789)	-	(425,789)	(278,400)
Other local grants	(956,580)	-	(956,580)	-	(956,580)	(917,575)
Total scholarship allowances	<u>(9,675,862)</u>	<u>-</u>	<u>(9,675,862)</u>	<u>-</u>	<u>(9,675,862)</u>	<u>(9,149,264)</u>
Total net tuition and fees	<u>17,003,014</u>	<u>-</u>	<u>17,003,014</u>	<u>-</u>	<u>17,003,014</u>	<u>19,436,996</u>
Additional operating revenues:						
Sales and services of educational activities	839,538	-	839,538	-	839,538	920,543
General operating revenues	126,978	-	126,978	-	126,978	123,555
Total additional operating revenues	<u>966,516</u>	<u>-</u>	<u>966,516</u>	<u>-</u>	<u>966,516</u>	<u>1,044,098</u>
Auxiliary enterprises:						
Bookstore (outsourced)	-	-	-	419,505	419,505	439,195
Other auxiliary enterprises	-	-	-	83,119	83,119	86,766
Total net auxiliary enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>502,624</u>	<u>502,624</u>	<u>525,961</u>
Total operating revenues	<u>\$ 17,969,530</u>	<u>-</u>	<u>17,969,530</u>	<u>502,624</u>	<u>18,472,154</u>	<u>21,007,055</u>

In accordance with Education Code 56.033, \$1,142,424 and \$1,232,509 of tuition was set aside for Texas Public Education Grants (TP for the years ended August 31, 2014 and 2013, respectively.

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Operating Expenses by Object
(Schedule B)

Year Ended August 31, 2014
(With Memorandum Totals for the Year Ended August 31, 2013)

	Operating Expenses			Total		
	Salaries and Wages	Benefits State	Local	Other Expenses	2014	2013
Unrestricted - educational activities:						
Instruction	\$ 21,883,641	-	2,692,492	2,680,984	27,257,117	27,973,872
Public service	158,813	-	15,802	103,333	277,948	319,382
Academic support	1,629,338	-	198,704	581,687	2,409,729	2,349,538
Student services	2,194,111	-	269,956	516,364	2,980,431	2,964,770
Institutional support	4,162,799	-	513,942	2,999,625	7,676,366	7,878,313
Operation and maintenance of plant	1,364,957	-	587,987	3,442,807	5,395,751	5,352,221
Scholarships and fellowships	-	-	-	1,983,626	1,983,626	2,012,711
Total unrestricted educational activities	<u>31,393,659</u>	<u>-</u>	<u>4,278,883</u>	<u>12,308,426</u>	<u>47,980,968</u>	<u>48,850,807</u>
Restricted - educational activities:						
Instruction	253,568	2,745,785	20,195	1,033,688	4,053,236	4,313,457
Public service	1,125,423	-	187,130	299,462	1,612,015	1,421,654
Academic support	64,641	204,436	1,948	59,731	330,756	242,036
Student services	277,969	275,300	53,149	166,190	772,608	692,954
Institutional support	98,633	522,315	7,644	387,560	1,016,152	828,376
Operation and maintenance of plant	13,089	-	-	-	13,089	4,113
Scholarships and fellowships	-	-	-	10,108,085	10,108,085	12,250,911
Total restricted educational activities	<u>1,833,323</u>	<u>3,747,836</u>	<u>270,066</u>	<u>12,054,716</u>	<u>17,905,941</u>	<u>19,753,501</u>
Total educational activities	<u>33,226,982</u>	<u>3,747,836</u>	<u>4,548,949</u>	<u>24,363,142</u>	<u>65,886,909</u>	<u>68,604,308</u>
Auxiliary enterprises	<u>366,908</u>	<u>-</u>	<u>207,643</u>	<u>1,044,286</u>	<u>1,618,837</u>	<u>1,579,928</u>
Depreciation expense:						
Buildings and other improvements	-	-	-	3,532,997	3,532,997	3,540,311
Equipment and furniture	-	-	-	516,234	516,234	410,486
Library books	-	-	-	78,846	78,846	78,646
Total depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,128,077</u>	<u>4,128,077</u>	<u>4,029,443</u>
Total operating expenses	<u>\$ 33,593,890</u>	<u>3,747,836</u>	<u>4,756,592</u>	<u>29,535,505</u>	<u>71,633,823</u>	<u>74,213,679</u>

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Nonoperating Revenues and Expenses (Schedule C)

Year Ended August 31, 2014
(With Memorandum Totals for the Year Ended August 31, 2013)

	Unrestricted	Restricted	Auxiliary Enterprises	Total	
				2014	2013
Nonoperating revenues:					
State appropriations:					
Education and general state support	\$ 13,456,451	-	-	13,456,451	13,677,168
State group insurance	-	2,316,707	-	2,316,707	1,697,894
State retirement matching	-	1,431,129	-	1,431,129	879,969
Hazelwood Legacy Act	-	-	-	-	53,970
Total state appropriations	<u>13,456,451</u>	<u>3,747,836</u>	<u>-</u>	<u>17,204,287</u>	<u>16,309,001</u>
Maintenance ad valorem taxes	13,148,553	-	-	13,148,553	12,519,617
Debt service ad valorem taxes	-	6,133,884	-	6,133,884	6,177,363
Federal grants and contracts	-	20,375,599	-	20,375,599	22,307,872
State grants and contracts	-	2,868,745	-	2,868,745	3,827,314
Local grants and contracts	290,796	-	-	290,796	110,355
Investment income	28,641	6,002	-	34,643	208,076
Gifts	173,114	-	-	173,114	711,139
Other nonoperating revenues	-	2,000	-	2,000	23,327
Total nonoperating revenues	<u>27,097,555</u>	<u>33,134,066</u>	<u>-</u>	<u>60,231,621</u>	<u>62,194,064</u>
Nonoperating expenses:					
Interest on capital related debt	-	3,949,560	-	3,949,560	4,189,280
Loss on disposal of capital assets	58,286	-	-	58,286	18,952
Other nonoperating expenses	-	3,080	-	3,080	252,755
Total nonoperating expenses	<u>58,286</u>	<u>3,952,640</u>	<u>-</u>	<u>4,010,926</u>	<u>4,460,987</u>
Net nonoperating revenues	<u>\$ 27,039,269</u>	<u>29,181,426</u>	<u>-</u>	<u>56,220,695</u>	<u>57,733,077</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, 2014

	Detail by Source				Available for Current Operation		
	Unrestricted	Restricted		Net Investment in Capital Assets	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 11,804,400	-	-	-	11,804,400	11,804,400	-
Scholarships and fellowships	-	2,197,579	-	-	2,197,579	-	2,197,579
Loan	(54,783)	-	-	-	(54,783)	-	(54,783)
Plant:							
Capital projects	585,806	-	-	-	585,806	-	585,806
Debt service	947,349	968,562	-	-	1,915,911	-	1,915,911
Investment in plant	(1,274,980)	-	-	42,479,474	41,204,494	-	41,204,494
Total net position, August 31, 2014	12,007,792	3,166,141	-	42,479,474	57,653,407	11,804,400	45,849,007
Total net position, August 31, 2013	11,032,524	2,850,521	-	40,711,336	54,594,381	10,576,451	44,017,930
Net increase in net position	\$ 975,268	315,620	-	1,768,138	3,059,026	1,227,949	1,831,077

See accompanying independent auditor's report.

McLennan County Junior College District

Schedule of Expenditures of Federal Awards (Schedule E)

Year Ended August 31, 2014

Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Indirect Costs, Pass Through Disbursements and Expenditures
<u>U.S. Department of Education:</u>			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Education Opportunity Grant Program	84.007		\$ 242,505
Federal Work Study Program	84.033		210,015
Federal Pell Grant Program	84.063		17,446,807
Federal Direct Student Loans	84.268		21,554,639
Teacher Education Assistance for College and Higher Education Grants	84.379		<u>8,424</u>
Total Student Financial Assistance Cluster			39,462,390
Federal Family Education Loans	84.032		50,353
TRIO Cluster:			
TRIO - Student Support Services	84.042		294,790
TRIO - Upward Bound	84.047		<u>343,369</u>
Total TRIO Cluster			<u>638,159</u>
Total Direct Programs			<u>40,150,902</u>
Pass Through From:			
Texas Workforce Commission:			
Adult Education & Family Literacy Act	84.002A	1314ABE000	531,725
Adult Education & Family Literacy Act	84.002A	1314AEL000	416
Adult Education & Family Literacy Act - Institutionalized	84.002A	1314ABE000	<u>25,000</u>
Total Adult Education & Family Literacy Act			<u>557,141</u>
Texas Higher Education Coordinating Board:			
Vocational Education - State Basic Grant Program	84.048	142050	<u>717,734</u>
Statewide Data Systems Cluster:			
Statewide Longitudinal Data Systems	84.372	R372A090010	<u>2,011</u>
Total U. S. Department of Education			<u>41,427,788</u>
<u>U. S. Department of Commerce</u>			
Pass Through From:			
National Institute of Standards & Technology: Summer Undergraduate Research Fellowship	11.069	70NANB14H143	<u>8,734</u>
Total U.S. Department of Commerce			<u>8,734</u>
<u>U. S. Department of Labor</u>			
Pass Through From:			
Texas Workforce Commission: Employment Service Cluster:			
Employment Service/Wagner-Peyser Funded Activities	17.207	1313WPB000	<u>27,710</u>
Total U.S. Department of Labor			<u>27,710</u>

McLennan County Junior College District

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

Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Indirect Costs, Pass Through Disbursements and Expenditures
<u>U. S. Institute of Museum and Library Science</u>			
Pass Through From:			
Texas State Library and Archives Commission: Mobile Web Development Grant	45.310	2014-A	\$ <u>8,481</u>
Total U. S. Institute of Museum and Library Science			<u>8,481</u>
<u>National Science Foundation</u>			
Pass Through From:			
Finger Lakes Community College: Community College Undergraduate Research Initiative	47.076	1118679	<u>1,018</u>
Total National Science Foundation			<u>1,018</u>
<u>U. S. Small Business Administration</u>			
Pass Through From:			
Dallas County Community College District: Small Business Development Center	59.037	SBAHQ-13-0007	22,477
Small Business Development Center	59.037	SBAHQ-14-B-0018	<u>97,399</u>
Total U. S. Small Business Administration			<u>119,876</u>
<u>U. S. Department of Veterans Affairs</u>			
Direct Program:			
Post 9/11 Veterans Educational Assistance	64.027		<u>84,649</u>
Total U. S. Department of Veterans Affairs			<u>84,649</u>
<u>U. S. Department of Health and Human Services</u>			
Pass Through From:			
Texas Workforce Commission: TANF Cluster: Temporary Assistance for Needy Families	93.558	1314ABE000	<u>62,085</u>
HOT Workforce Development Board: CCDF Cluster: Childcare Quality Improvement	93.596	07150C16FY14	<u>5,713</u>
Total U.S. Department of Health and Human Services			<u>67,798</u>
<u>Corporation for National and Community Service</u>			
Direct Programs:			
Heart of Texas Retired Senior Volunteer Program	94.002		178,505
Heart of Texas Retired Senior Volunteer Program	94.002		<u>56,032</u>
Total Corporation for National and Community Service			<u>234,537</u>
Total Federal Awards			\$ <u><u>41,980,591</u></u>

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

McLennan County Junior College District

Notes to Schedule of Expenditures of Federal Awards

Year Ended August 31, 2014

(1) Federal Revenue Reconciliation

Federal revenues for 2014 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	\$ 20,375,599
Add: Federal Family Education Loans made	50,353
Add: Federal Direct Student Loans made	<u>21,554,639</u>
Total per Schedule of Expenditures of Federal Awards	<u>\$ 41,980,591</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, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 OMB Circular A-87, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

McLennan County Junior College District

Schedule of Expenditures of State Awards
(Schedule F)

Year Ended August 31, 2014

Grantor Agency/Program Title	Grant Contract Number	Indirect Costs and Expenditures
Texas Higher Education Coordinating Board		
State Work Study		\$ 65,490
Nursing Shortage Reduction		20,950
Nursing Shortage Over 70		12,927
Nursing Shortage Over 70 Target		74,410
Texas Education Opportunity Grant		243,120
Developmental Ed (S3)	10894	87,708
Texas Grant Program		948,037
Total Texas Higher Education Coordinating Board		<u>1,452,642</u>
Texas Workforce Commission		
Skills Development	1312SDF002	295,626
Skills Development	1312SDF001	160,627
Skills Development	1313SDF000	609,872
Adult Education & Family Literacy Act	1314ABE000	134,363
Total Texas Workforce Commission		<u>1,200,488</u>
Texas Veterans Commission		
Connect a Vet		<u>54,933</u>
Small Business Development Center		
Small Business Development Center	SBAHQ-13-0007	6,986
Small Business Development Center	SBAHQ-14-B-0018	123,914
Total Small Business Development Center		<u>130,900</u>
Texas Department on Aging		
RSVP	13SRWTX007	<u>29,782</u>
Total State Awards		<u>\$ 2,868,745</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, 2014

(1) State Revenue Reconciliation

State revenues for 2014 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	\$ <u>2,868,745</u>
Total per Schedule of Expenditures of State Awards	\$ <u><u>2,868,745</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, 2014. The information in this Schedule is presented in accordance with the requirements of the *State of Texas Single Audit Circular* contained in the state's *Uniform Grant Management Standards*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(3) Summary of Significant Accounting Policies

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

Statistical Section

Statistical Section

Financial Trends Information

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

Net Position by Component

Revenues by Source

Expenses by Function and Changes in Net Position

Revenue Capacity Information

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

Tuition and Fees

Assessed Value and Estimated Actual Value of Taxable Property

Direct and Overlapping Property Tax Rates

Principal Taxpayers

Property Tax Levies and Collections

Debt Capacity Information

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

Ratios of Outstanding Debt by Type

Legal Debt Margin Information

Pledged Revenue Coverage

Demographic and Economic Information

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

Demographic and Economic Statistics

Principal Employers

Operating Information

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

State Appropriation - Operating Information

Faculty, Staff, and Administrators Statistics

Enrollment Details

Student Profile

Student Transfers to Senior Institutions

Capital Asset Information

McLennan County Junior College District

Net Position by Component

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

	For the Year Ended August 31,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net investment in capital assets	\$ 42,479	40,711	37,524	37,903	33,238	29,429	29,351	25,283	23,967	21,222
Restricted	3,166	2,850	2,587	2,227	5,101	4,445	3,807	1,232	1,198	945
Unrestricted	<u>12,008</u>	<u>11,033</u>	<u>9,957</u>	<u>5,306</u>	<u>4,189</u>	<u>7,276</u>	<u>7,380</u>	<u>8,139</u>	<u>6,730</u>	<u>6,512</u>
 Total primary government net position	 \$ <u>57,653</u>	 <u>54,594</u>	 <u>50,068</u>	 <u>45,436</u>	 <u>42,528</u>	 <u>41,150</u>	 <u>40,538</u>	 <u>34,654</u>	 <u>31,895</u>	 <u>28,679</u>

Note:

It is not practical for the District to restate years prior to 2011 for adoption of GASB 65 in fiscal year 2013 which results in bond issuance costs being expensed in full rather than amortized over the life of the related debt.

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)									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating expenses:										
Instruction	\$ 31,310	32,287	31,206	31,273	28,071	28,227	22,114	21,296	20,633	19,222
Public service	1,890	1,741	1,705	1,801	1,785	1,749	1,658	1,794	1,751	1,666
Academic support	2,740	2,591	2,374	2,062	2,049	1,990	1,822	1,984	1,780	1,788
Student services	3,753	3,658	3,494	3,726	3,428	3,037	2,985	3,024	2,955	2,770
Institutional support	8,693	8,707	8,372	8,244	7,854	8,642	7,997	7,345	6,635	6,075
Operation and maintenance of plant	5,409	5,356	5,164	5,570	5,311	4,644	4,747	4,008	4,104	4,543
Scholarships and fellowships	12,092	14,264	16,911	19,464	16,715	9,526	8,175	6,844	5,785	5,319
Auxiliary enterprises	1,619	1,580	1,572	1,528	1,531	1,549	1,509	1,545	1,332	1,094
Depreciation	4,128	4,030	3,886	3,564	3,451	2,129	1,726	1,687	1,587	1,518
Total operating expenses	<u>71,634</u>	<u>74,214</u>	<u>74,684</u>	<u>77,232</u>	<u>70,195</u>	<u>61,493</u>	<u>52,733</u>	<u>49,527</u>	<u>46,562</u>	<u>43,995</u>
Nonoperating expenses:										
Interest on capital related debt	3,950	4,189	4,584	4,292	4,664	2,520	3,338	2,526	821	942
Loss on disposal of fixed assets	58	19	-	49	6	11	9	100	12	11
Other nonoperating expenses	4	253	10	40	103	65	92	63	48	22
Total nonoperating expenses	<u>4,012</u>	<u>4,461</u>	<u>4,594</u>	<u>4,381</u>	<u>4,773</u>	<u>2,596</u>	<u>3,439</u>	<u>2,689</u>	<u>881</u>	<u>975</u>
Total expenses	\$ <u>75,646</u>	<u>78,675</u>	<u>79,278</u>	<u>81,613</u>	<u>74,968</u>	<u>64,089</u>	<u>56,172</u>	<u>52,216</u>	<u>47,443</u>	<u>44,970</u>
Change in net position	\$ <u>3,059</u>	<u>4,526</u>	<u>4,632</u>	<u>4,248</u>	<u>1,378</u>	<u>612</u>	<u>5,884</u>	<u>2,759</u>	<u>3,217</u>	<u>2,462</u>

	For the Year Ended August 31,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating expenses:										
Instruction	41.39%	41.04%	39.36%	38.32%	37.44%	44.04%	39.37%	40.78%	43.49%	42.74%
Public service	2.50%	2.21%	2.15%	2.21%	2.38%	2.73%	2.95%	3.44%	3.69%	3.70%
Academic support	3.62%	3.29%	2.99%	2.53%	2.73%	3.11%	3.24%	3.80%	3.75%	3.98%
Student services	4.96%	4.65%	4.41%	4.57%	4.57%	4.74%	5.31%	5.79%	6.23%	6.16%
Institutional support	11.49%	11.07%	10.56%	10.10%	10.48%	13.48%	14.24%	14.07%	13.99%	13.51%
Operation and maintenance of plant	7.15%	6.81%	6.51%	6.82%	7.08%	7.25%	8.45%	7.68%	8.65%	10.10%
Scholarships and fellowships	15.98%	18.13%	21.33%	23.85%	22.30%	14.86%	14.55%	13.11%	12.19%	11.83%
Auxiliary enterprises	2.14%	2.01%	1.98%	1.87%	2.04%	2.42%	2.69%	2.96%	2.81%	2.43%
Depreciation	5.46%	5.12%	4.90%	4.37%	4.60%	3.32%	3.07%	3.23%	3.35%	3.38%
Total operating expenses	<u>94.70%</u>	<u>94.33%</u>	<u>94.21%</u>	<u>94.63%</u>	<u>93.63%</u>	<u>95.95%</u>	<u>93.88%</u>	<u>94.85%</u>	<u>98.14%</u>	<u>97.83%</u>
Nonoperating expenses:										
Interest on capital related debt	5.22%	5.32%	5.78%	5.26%	6.22%	3.93%	5.94%	4.84%	1.73%	2.09%
Loss on disposal of fixed assets	0.08%	0.02%	0.00%	0.06%	0.01%	0.02%	0.02%	0.19%	0.03%	0.02%
Other non-operating expenses	0.01%	0.32%	0.01%	0.05%	0.14%	0.10%	0.16%	0.12%	0.10%	0.05%
Total nonoperating expenses	<u>5.30%</u>	<u>5.67%</u>	<u>5.79%</u>	<u>5.37%</u>	<u>6.37%</u>	<u>4.05%</u>	<u>6.12%</u>	<u>5.15%</u>	<u>1.86%</u>	<u>2.17%</u>
Total expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note:

It is not practical for the District to restate years prior to 2011 for adoption of GASB 65 in fiscal year 2013 which results in bond issuance costs being expensed in full rather than amortized over the life of the related debt.

McLennan County Junior College District

Tuition and Fees

Last Ten Academic Years (Unaudited)

Resident Students

Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	In- District Tuition	Out-of-District Tuition	General Services Fees	Facility Fees	Technology Fee	Cost for 12 SCH		Increase from Prior Year		SCH Resident
						In-District	Out-of- District	In-District	Out- of-District	
2013	\$ 106	124	3	6	-	1,380	1,596	-	-	132,964
2012	106	124	3	6	-	1,380	1,596	17.35%	16.67%	147,574
2011	98	114	3	6	-	1,176	1,368	24.05%	22.58%	164,400
2010	79	93	3	6	-	948	1,116	8.22%	9.41%	174,473
2009	64	76	3	6	-	876	1,020	4.29%	3.66%	164,345
2008	61	73	3	6	-	840	984	7.69%	6.49%	149,569
2007	56	68	3	6	-	780	924	-	-	145,210
2006	56	68	3	6	-	780	924	4.84%	4.05%	144,632
2005	53	65	3	6	-	744	888	-	-	141,711
2004	53	65	3	6	-	744	888	19.23%	29.82%	143,837

Non-Resident Students

Fees per Semester Credit Hour (SCH)

Academic	Tuition - Out of State	Tuition - International	General Services Fees	Facility Fees	Technology Fee	Cost for 12 SCH		Increase from Prior Year		SCH Non- Resident
						Out of State	International	Out of State	International	
2013	\$ 181	181	3	6	-	2,280	2,280	-	-	54,909
2012	181	181	3	6	-	2,280	2,280	5.56%	5.56%	55,632
2011	171	171	3	6	-	2,160	2,160	27.66%	27.66%	56,314
2010	141	141	3	6	-	1,692	1,692	6.02%	6.02%	55,602
2009	124	124	3	6	-	1,596	1,596	2.31%	2.31%	49,000
2008	121	121	3	6	-	1,560	1,560	4.00%	4.00%	31,093
2007	116	116	3	6	-	1,500	1,500	-	-	32,326
2006	116	116	3	6	-	1,500	1,500	2.46%	2.46%	28,252
2005	113	113	3	6	-	1,464	1,464	-	-	30,009
2004	113	113	3	6	-	1,464	1,464	8.93%	8.93%	30,138

Note:

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

McLennan County Junior College District

Assessed Value and Estimated Actual Value of Taxable Property

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

Fiscal Year	Real Property	Personal and Other Property	Total Assessed Valuation of Property	Less: Abatements and Exemptions	Taxable Assessed Value	Ratio of Taxable Assessed Value to Assessed Value	Estimated Actual Value	Direct Tax Rate		
								Maintenance and Operations	Debt Service	Total
2014	\$ 13,983,364	2,548,506	16,531,870	3,701,898	12,829,972	77.61%	\$ 13,091,808	0.103322	0.048208	0.151530
2013	13,531,650	2,700,629	16,232,279	3,585,542	12,646,737	77.91%	12,904,834	0.101199	0.050331	0.151530
2012	13,048,931	2,445,439	15,494,370	3,375,915	12,118,455	78.21%	12,365,770	0.100255	0.052568	0.152823
2011	12,228,481	2,342,980	14,571,461	3,091,195	11,480,266	78.79%	11,714,557	0.103439	0.052867	0.156306
2010	11,550,239	2,369,962	13,920,201	2,693,433	11,226,768	80.65%	11,455,886	0.104866	0.051466	0.156332
2009	11,021,839	2,296,162	13,318,001	2,539,309	10,778,692	80.93%	10,998,665	0.100101	0.051033	0.151134
2008	10,112,198	2,225,557	12,337,755	2,377,749	9,960,006	80.73%	10,163,271	0.100543	0.052459	0.153002
2007	9,446,522	2,103,258	11,549,780	2,262,518	9,287,262	80.41%	9,476,798	0.105039	0.015323	0.120362
2006	8,710,431	2,038,107	10,748,538	2,100,489	8,648,049	80.46%	8,824,540	0.104593	0.016483	0.121076
2005	7,924,047	2,284,481	10,208,528	1,970,958	8,237,570	80.69%	8,405,684	0.108545	0.017501	0.126046

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 (Continued)

Last Ten Fiscal Years (Unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
School Districts:										
Axtell Independent School District	\$ 1.1700	1.1700	1.1700	1.1700	1.1700	1.1700	1.1700	1.3700	1.5000	1.4970
Bosqueville Independent School District	1.4782	1.4879	1.4785	1.5376	1.5500	1.5550	1.5613	1.4198	1.5301	1.4921
Bruceville-Eddy Independent School District	1.3250	1.3250	1.3250	1.3250	1.3250	1.3250	1.3250	1.3257	1.4500	1.4500
China Spring Independent School District	1.5388	1.5400	1.3744	1.4114	1.4070	1.4372	1.4296	1.4595	1.5900	1.5380
Connally Independent School District	1.2744	1.2657	1.2691	1.2811	1.2888	1.2700	1.2300	1.5118	1.6525	1.6470
Crawford Independent School District	1.2414	1.2807	1.2131	1.2266	1.2688	1.2454	1.3778	1.4915	1.6199	1.5492
Gholson Independent School District	1.0400	1.0400	1.0400	1.0400	1.0400	1.0400	1.0400	1.3278	1.4524	1.4524
Hallsburg Independent School District	1.2910	1.0400	1.0400	1.0400	1.0400	1.0400	1.0401	1.3700	1.5000	1.5000
LaVega Independent School District	1.4650	1.4200	1.4200	1.3650	1.3600	1.2389	1.3128	1.5366	1.6925	1.7200
Lorena Independent School District	1.6400	1.6200	1.3100	1.2900	1.2700	1.3774	1.2474	1.5815	1.7000	1.7546
Mart Independent School District	1.2295	1.2071	1.2178	1.2018	1.9120	1.2200	1.1954	1.4204	1.5380	1.6329
McGregor Independent School District	1.3550	1.3550	1.1850	1.1900	1.1900	1.1900	1.2100	1.5211	1.6500	1.6500
Midway Independent School District	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.3200	1.5065	1.6220	1.6220
Moody Independent School District	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.2591	1.4200	1.4200
Oglesby Independent School District	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.3041	1.5049	1.5000
Riesel Independent School District	1.3100	1.3364	1.3029	1.2983	1.1082	1.1499	1.3263	1.5126	1.6455	1.6271
Robinson Independent School District	1.5100	1.3150	1.3150	1.3150	1.3150	1.3160	1.1800	1.5109	1.6275	1.6510
Valley Mills Independent School District	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.5100	1.6600	1.6750
Waco Independent School District	1.3532	1.3548	1.3552	1.3610	1.3650	1.3664	1.3591	1.4438	1.5641	1.5383
West Independent School District	1.2700	1.2700	1.2232	1.2250	1.2300	1.2253	1.2253	1.5510	1.7364	1.6964

Source: McLennan County Appraisal District

Note:

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

McLennan County Junior College District

Principal Taxpayers

Last Ten Years (Unaudited)

Taxpayer	Type of Business	Taxable Assessed Value (dollars expressed in thousands)									
		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Sandy Creek Energy	Utility	\$ 545,373	450,272	402,237	417,814	-	-	-	-	-	-
Oncor/TXU Electric	Utility	144,211	135,768	126,459	122,468	118,632	187,974	183,329	119,940	113,020	104,938
Caterpillar Logistics	Manufacturing	134,587	150,152	133,297	103,487	-	-	-	-	-	-
Mars SnackFoods US	Processing	97,170	-	90,346	117,838	110,584	158,527	162,909	92,810	77,282	81,983
Allergan	Manufacturing	88,235	79,152	69,984	71,108	64,610	101,931	67,001	43,662	42,624	42,464
Coca-Cola	Processing	81,431	75,673	83,185	82,569	78,061	112,011	119,415	56,616	57,040	57,569
Raytheon E-Systems/L3	Manufacturing	76,264	71,799	69,209	71,803	63,436	89,611	75,960	-	-	-
Sanderson Farms	Processing	68,830	67,825	64,675	68,389	71,806	105,387	-	-	-	-
Sandy Creek Energy (personal property)	Utility	57,325	-	-	-	-	-	-	-	-	-
Ferguson Enterprises	Distributor	55,919	-	-	-	49,807	77,284	101,794	66,531	39,623	-
Associated Hygiene Products	Manufacturing	-	53,025	-	-	-	-	-	-	-	-
Sherwin Williams	Distributor	-	51,798	62,264	-	46,933	59,350	59,453	38,858	-	-
Inland Western	Real estate	-	50,721	-	50,860	57,642	89,578	78,223	51,125	43,796	-
Space X	Technology	-	-	178,138	-	-	-	-	-	-	-
Southwestern Bell	Utility	-	-	-	44,744	57,479	84,576	120,907	76,313	76,483	73,296
Pilgrim's Pride	Processing	-	-	-	-	-	-	67,719	37,130	-	34,280
Richland Mall	Real estate	-	-	-	-	-	-	-	37,870	35,842	38,881
Huck International	Manufacturing	-	-	-	-	-	-	-	-	33,758	35,858
Owens Brockway	Manufacturing	-	-	-	-	-	-	-	-	32,703	39,682
Tyco Healthcare	Manufacturing	-	-	-	-	-	-	-	-	-	39,674
Totals		\$ <u>1,349,345</u>	<u>1,186,185</u>	<u>1,279,794</u>	<u>1,151,080</u>	<u>718,990</u>	<u>1,066,229</u>	<u>1,036,710</u>	<u>620,855</u>	<u>552,171</u>	<u>548,625</u>
Total taxable assessed value		\$ <u>12,829,972</u>	<u>12,646,737</u>	<u>12,118,455</u>	<u>11,480,266</u>	<u>11,226,768</u>	<u>10,778,692</u>	<u>9,960,006</u>	<u>9,287,262</u>	<u>8,648,049</u>	<u>8,237,570</u>

McLennan County Junior College District

Principal Taxpayers (Continued)

Last Ten Years (Unaudited)

Taxpayer	Type of Business	Percentage of Taxable Assessed Value									
		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Sandy Creek Energy	Utility	4.25%	3.56%	3.32%	3.64%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Oncor/TXU Electric	Utility	1.12%	1.07%	1.04%	1.07%	1.06%	1.74%	1.84%	1.29%	1.31%	1.27%
Caterpillar Logistics	Manufacturing	1.05%	1.19%	1.10%	0.90%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Mars SnackFoods US	Processing	0.76%	0.00%	0.75%	1.03%	0.99%	1.47%	1.64%	1.00%	0.89%	1.00%
Allergan	Manufacturing	0.69%	0.63%	0.58%	0.62%	0.58%	0.95%	0.67%	0.47%	0.49%	0.52%
Coca-Cola	Processing	0.63%	0.60%	0.69%	0.72%	0.70%	1.04%	1.20%	0.61%	0.66%	0.70%
Raytheon E-Systems/L3	Manufacturing	0.59%	0.57%	0.57%	0.63%	0.57%	0.83%	0.76%	0.00%	0.00%	0.00%
Sanderson Farms	Processing	0.54%	0.54%	0.53%	0.60%	0.64%	0.98%	0.00%	0.00%	0.00%	0.00%
Sandy Creek Energy (personal property)	Utility	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Ferguson Enterprises	Distributor	0.44%	0.00%	0.00%	0.00%	0.44%	0.72%	1.02%	0.72%	0.46%	0.00%
Associated Hygiene Products	Manufacturing	0.00%	0.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sherwin Williams	Distributor	0.00%	0.41%	0.51%	0.00%	0.42%	0.55%	0.60%	0.42%	0.00%	0.00%
Inland Western	Real estate	0.00%	0.40%	0.00%	0.44%	0.51%	0.83%	0.79%	0.55%	0.51%	0.00%
Space X	Technology	0.00%	0.00%	1.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Southwestern Bell	Utility	0.00%	0.00%	0.00%	0.39%	0.51%	0.78%	1.21%	0.82%	0.88%	0.89%
Pilgrim's Pride	Processing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.68%	0.40%	0.00%	0.42%
Richland Mall	Real estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.41%	0.41%	0.47%
Huck International	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.39%	0.44%
Owens Brockway	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.38%	0.48%
Tyco Healthcare	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.48%
	Totals	10.52%	9.38%	10.56%	10.03%	6.40%	9.89%	10.41%	6.69%	6.38%	6.66%

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
2014	\$ 19,468	19,113	98.18%	\$ 250	19,363	99.46%
2013	19,178	18,519	96.56%	310	18,829	98.18%
2012	18,574	18,076	97.32%	207	18,283	98.43%
2011	17,969	17,510	97.45%	261	17,771	98.90%
2010	17,581	16,962	96.48%	263	17,225	97.98%
2009	16,328	15,835	96.98%	387	16,222	99.35%
2008	15,239	14,909	97.83%	269	15,178	99.60%
2007	11,289	11,019	97.61%	256	11,275	99.88%
2006	10,561	10,250	97.06%	262	10,512	99.54%
2005	10,383	10,097	97.25%	182	10,279	99.00%

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)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Bonded Debt										
General obligation bonds	\$ 73,605	76,330	78,870	81,270	83,295	84,470	85,845	86,915	13,310	14,105
Other Debt										
Revenue bonds	16,675	17,425	18,145	18,845	19,555	10,600	5,355	5,790	6,205	6,550
Total outstanding debt	\$ 90,280	93,755	97,015	100,115	102,850	95,070	91,200	92,705	19,515	20,655
General Bonded Debt Ratios										
Per capita	Not available	\$ 316	332	341	355	362	373	381	59	64
Per student	\$ 11,747	11,270	10,717	10,599	17,079	15,787	14,506	15,158	2,321	2,450
As a percentage of taxable assessed value	0.57%	0.61%	0.65%	0.71%	0.97%	0.90%	0.86%	0.94%	0.15%	0.17%
Total Outstanding Debt Ratios										
Per capita	Not available	\$ 388	408	420	438	407	396	406	86	94
Per student	\$ 14,408	13,841	13,183	13,056	17,079	15,787	15,411	16,168	3,403	3,587
As a percentage of taxable assessed value	0.70%	0.75%	0.81%	0.87%	0.97%	0.90%	0.95%	1.00%	0.23%	0.25%
As a percentage of personal income	Not available	Not available	0.0132%	0.0130%	0.0130%	0.0133%	0.0127%	0.0014%	0.0003%	0.0003%

Note:

Debt per student calculated using full time equivalent enrollment.

McLennan County Junior College District

Legal Debt Margin Information

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Taxable assessed value	\$ <u>12,829,972</u>	<u>12,646,737</u>	<u>12,118,455</u>	<u>11,480,266</u>	<u>11,226,768</u>	<u>10,778,692</u>	<u>9,960,006</u>	<u>9,287,262</u>	<u>8,648,049</u>	<u>8,237,570</u>
Statutory tax levy limit for general obligation debt service	\$ 64,150	63,234	60,592	57,401	56,134	53,893	49,800	46,436	43,240	41,188
Current year debt service requirements	<u>6,112</u>	<u>6,034</u>	<u>6,275</u>	<u>5,977</u>	<u>5,692</u>	<u>5,750</u>	<u>5,165</u>	<u>1,422</u>	<u>1,425</u>	<u>1,423</u>
Excess of statutory tax levy limit for debt service over current requirements	\$ <u>58,038</u>	<u>57,200</u>	<u>54,317</u>	<u>51,424</u>	<u>50,442</u>	<u>48,143</u>	<u>44,635</u>	<u>45,014</u>	<u>41,815</u>	<u>39,765</u>
Current requirements as a percentage of statutory limit	<u>9.53%</u>	<u>9.54%</u>	<u>10.36%</u>	<u>10.41%</u>	<u>10.14%</u>	<u>10.67%</u>	<u>10.37%</u>	<u>3.06%</u>	<u>3.30%</u>	<u>3.45%</u>

Note:

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

McLennan County Junior College District

Pledged Revenue Coverage

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

Fiscal Year	Pledged Revenues							Debt Service Requirements			Coverage
	Tuition	Facility Fees	Community Education Fees	Interest Income	Vending Commission	Bookstore Commission	Total	Principal	Interest	Total	
2014	\$ 1,249	1,137	321	29	39	420	3,195	750	691	1,441	2.22
2013	1,391	1,227	228	205	44	439	3,534	720	717	1,437	2.46
2012	1,483	1,327	126	190	44	451	3,621	700	741	1,441	2.51
2011	1,595	1,380	146	172	45	488	3,826	710	765	1,475	2.59
2010	965	1,275	50	135	47	475	2,947	590	394	984	2.99
2009	762	1,076	51	155	48	395	2,487	740	263	1,003	2.48
2008	359	1,056	49	425	49	369	2,307	435	225	660	3.50
2007	346	1,030	56	618	41	317	2,408	415	239	654	3.68
2006	323	1,023	45	469	47	308	2,215	495	364	859	2.58
2005	378	1,035	64	248	46	277	2,048	470	386	856	2.39

McLennan County Junior College District

Demographic and Economic Statistics

Last Ten Fiscal Years
(Unaudited)

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Personal Income Per Capita</u>	<u>Unemployment Rate</u>
2013	241,481	Not available	Not available	6.1%
2012	237,811	\$ 8,350,456	\$ 35,114	6.7%
2011	238,564	7,673,685	32,166	7.4%
2010	234,906	7,888,000	33,579	7.4%
2009	233,378	7,172,056	30,731	4.6%
2008	230,213	7,153,670	31,074	4.6%
2007	228,123	6,772,688	29,689	3.9%
2006	226,192	6,399,000	28,290	4.8%
2005	220,364	6,006,016	27,255	5.2%
2004	219,763	5,683,075	25,860	4.0%

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

Note:
Information for 2014 not yet available.

McLennan County Junior College District

Principal Employers

Fiscal Years 2006 - 2014
(Unaudited)

Employer	Number of Employees								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
Baylor University	2,675	2,583	2,583	2,583	2,360	2,360	2,360	2,300	Not Available
Waco Independent School District	2,500	2,276	2,276	2,276	2,350	2,350	2,300	2,300	1,000+
Providence Health Center	2,397	2,538	2,538	2,618	2,434	2,434	2,182	1,565	1,000+
L-3 Communications									
Integrated Systems	2,300	2,079	2,079	2,079	1,619	1,619	1,620	1,706	1,000+
Hillcrest Health System	1,800	1,800	1,800	1,793	1,700	1,700	1,700	1,836	1,000+
Wal-Mart	1,656	2,561	2,561	2,561	1,290	1,290	Not Available	Not Available	Not Available
City of Waco, Texas	1,506	1,506	1,506	1,506	1,729	1,729	1,729	1,460	1,000+
HEB	1,500	1,500	1,500	1,500	1,350	Not Available	Not Available	Not Available	Not Available
Midway Independent School District	1,067	1,067	1,067	1,067	955	955	877	885	700+
Sanderson Farms	1,041	1,041	1,041	1,041	1,170	1,170	Not Available	Not Available	Not Available
EMSI, Inc.	850	850	850	861	750	750	Not Available	Not Available	Not Available
McLennan County	830	830	860	830	850	850	893	880	700+
McLennan Community College	826	826	871	805	816	835	757	718	710
Veterans Administration									
Medical Center	800	800	650	800	735	Not Available	Not Available	Not Available	Not Available
Cargill Foods, Inc.	685	685	685	685	694	694	775	Not Available	700+
Texas State Technical Institute	672	672	672	672	684	Not Available	Not Available	Not Available	Not Available
Veterans Regional Office	650	650	800	650	Not Available	Not Available	Not Available	Not Available	Not Available
McLennan County Juvenile									
Correctional Center	527	527	527	527	721	Not Available	Not Available	Not Available	Not Available
Masterfoods, USA	525	650	525	650	580	580	625	750	700+

Source: Greater Waco Area Chamber of Commerce

Notes:

Detailed information on employer size and total employment for 2006 was not available, and for certain employers in years subsequent to 2006

McLennan County Junior College District

State Appropriations – Operating Information

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	State Appropriation	Appropriation per FTSE		Appropriation per Contact Hour			
		Full-Time Student Equivalent	Appropriation Per FTSE	Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	Appropriation Per Contact Hour
2014	\$ 13,456,451	6,266	\$ 2,148	2,975,848	1,376,424	4,352,272	\$ 3.09
2013	13,677,168	6,777	2,018	3,440,072	1,241,292	4,681,364	2.92
2012	13,889,811	7,359	1,887	3,287,318	1,422,143	4,709,461	2.95
2011	13,085,035	7,668	1,706	3,398,541	1,491,638	4,890,179	2.68
2010	13,214,849	7,116	1,857	2,628,185	1,315,076	3,943,261	3.35
2009	13,803,606	6,022	2,292	2,418,587	1,467,037	3,885,624	3.55
2008	13,803,602	5,918	2,332	2,536,907	1,047,336	3,584,243	3.85
2007	13,286,922	5,762	2,306	2,400,348	1,166,588	3,566,936	3.73
2006	13,286,922	5,734	2,317	2,389,842	1,205,408	3,595,250	3.70
2005	11,875,795	5,758	2,062	2,380,570	1,250,624	3,631,194	3.27

Note:

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

McLennan County Junior College District

Faculty, Staff, and Administrators Statistics

Last Ten Fiscal Years (Unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Faculty										
Full-time	242	238	240	215	200	224	196	195	192	181
Part-time	210	225	299	242	245	218	209	194	186	170
Total	<u>452</u>	<u>463</u>	<u>539</u>	<u>457</u>	<u>445</u>	<u>442</u>	<u>405</u>	<u>389</u>	<u>378</u>	<u>351</u>
Percent:										
Full-time	<u>53.5%</u>	<u>51.4%</u>	<u>44.5%</u>	<u>47.0%</u>	<u>44.9%</u>	<u>50.7%</u>	<u>48.4%</u>	<u>50.1%</u>	<u>50.8%</u>	<u>51.6%</u>
Part-time	<u>46.5%</u>	<u>48.6%</u>	<u>55.5%</u>	<u>53.0%</u>	<u>55.1%</u>	<u>49.3%</u>	<u>51.6%</u>	<u>49.9%</u>	<u>49.2%</u>	<u>48.4%</u>
Staff and Administrators										
Full-time	317	307	310	318	341	367	338	319	319	309
Part-time	22	22	22	30	30	26	14	10	13	6
Total	<u>339</u>	<u>329</u>	<u>332</u>	<u>348</u>	<u>371</u>	<u>393</u>	<u>352</u>	<u>329</u>	<u>332</u>	<u>315</u>
Percent:										
Full-Time	<u>93.5%</u>	<u>93.3%</u>	<u>93.4%</u>	<u>91.4%</u>	<u>91.9%</u>	<u>93.4%</u>	<u>96.0%</u>	<u>97.0%</u>	<u>96.1%</u>	<u>98.1%</u>
Part-Time	<u>6.5%</u>	<u>6.7%</u>	<u>6.6%</u>	<u>8.6%</u>	<u>8.1%</u>	<u>6.6%</u>	<u>4.0%</u>	<u>3.0%</u>	<u>3.9%</u>	<u>1.9%</u>
Students per full-time faculty	<u>34</u>	<u>36</u>	<u>39</u>	<u>47</u>	<u>50</u>	<u>35</u>	<u>41</u>	<u>40</u>	<u>40</u>	<u>42</u>
Students per full-time staff member	<u>26</u>	<u>28</u>	<u>30</u>	<u>32</u>	<u>29</u>	<u>21</u>	<u>24</u>	<u>27</u>	<u>24</u>	<u>24</u>
Average annual faculty salary	\$ <u>62,021</u>	<u>61,546</u>	<u>60,272</u>	<u>61,432</u>	<u>61,403</u>	<u>59,074</u>	<u>54,980</u>	<u>54,858</u>	<u>53,281</u>	<u>50,501</u>

McLennan County Junior College District

Enrollment Details

Last Ten Fiscal Years (Unaudited)

Student Classification	Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	4,498	52.58%	4,949	53.20%	5,613	55.11%	5,498	55.46%	5,316	58.24%	4,278	54.26%	4,601	56.95%	4,275	54.85%	4,457	58.16%	4,428	58.80%
Sophomore	2,450	28.64%	2,587	27.81%	2,758	27.08%	2,678	27.02%	2,771	30.36%	2,175	27.59%	2,115	26.18%	2,212	28.38%	2,012	26.26%	2,021	26.84%
Unclassified	1,607	18.78%	1,766	18.99%	1,814	17.81%	1,737	17.52%	1,041	11.40%	1,431	18.15%	1,363	16.87%	1,307	16.77%	1,194	15.58%	1,082	14.37%
Total	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%	7,884	100.00%	8,079	100.00%	7,794	100.00%	7,663	100.00%	7,531	100.00%
Semester Hour Load																				
Less than 3	73	0.85%	79	0.85%	91	0.89%	82	0.83%	69	0.76%	94	1.19%	84	1.04%	81	1.04%	76	1.00%	68	0.90%
3-5 semester hours	1,364	15.94%	1,497	16.09%	1,497	14.70%	1,533	15.46%	1,496	16.39%	1,480	18.77%	1,389	17.19%	1,392	17.86%	1,242	16.27%	1,379	18.31%
6-8 Semester hours	1,771	20.70%	1,753	18.85%	2,015	19.78%	1,809	18.25%	1,726	18.91%	1,515	19.22%	1,519	18.80%	1,461	18.75%	1,393	18.25%	1,350	17.93%
9-11 semester hours	1,501	17.55%	1,706	18.34%	1,943	19.08%	1,605	16.19%	1,494	16.37%	1,373	17.42%	1,425	17.64%	1,393	17.87%	1,381	18.09%	1,410	18.72%
12-14 semester hours	3,202	37.43%	3,555	38.22%	3,922	38.51%	4,082	41.18%	3,640	39.88%	2,752	34.91%	2,903	35.93%	2,775	35.60%	2,850	37.34%	2,607	34.62%
15-17 semester hours	544	6.36%	636	6.84%	627	6.16%	699	7.05%	613	6.72%	593	7.52%	680	8.42%	609	7.81%	606	7.94%	623	8.27%
18 & over	100	1.17%	76	0.82%	90	0.88%	103	1.04%	90	0.99%	77	0.98%	79	0.98%	83	1.06%	85	1.11%	94	1.25%
Total	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%	7,884	100.00%	8,079	100.00%	7,794	100.00%	7,633	100.00%	7,531	100.00%
Average course load	9.6		9.5		9.6		9.7		9.6		9.3		9.5		9.4		9.7		9.7	
Tuition Status																				
Texas Resident (in-District)	6,768	82.97%	7,328	82.24%	8,393	83.75%	7,739	82.78%	7,602	84.04%	6,672	85.47%	6,573	85.16%	6,369	84.37%	6,304	85.04%	6,392	85.07%
Texas Resident (out-of-District)	1,209	14.82%	1,375	15.43%	1,414	14.11%	1,392	14.89%	1,272	14.06%	1,003	12.85%	1,025	13.28%	1,041	13.79%	983	13.26%	1,016	13.52%
Non-Resident Tuition	180	2.21%	208	2.33%	214	2.14%	218	2.33%	172	1.90%	131	1.68%	120	1.55%	139	1.84%	126	1.70%	106	1.41%
Total	8,157	100.00%	8,911	100.00%	10,021	100.00%	9,349	100.00%	9,046	100.00%	7,806	100.00%	7,718	100.00%	7,549	100.00%	7,413	100.00%	7,514	100.00%

McLennan County Junior College District

Student Profile

Last Ten Fiscal Years (Unaudited)

Gender	Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Female	5,568	65.08%	6,040	64.93%	6,656	65.35%	6,515	65.72%	6,086	66.67%	5,294	67.15%	5,396	66.79%	5,231	67.12%	5,179	67.58%	5,143	68.25%
Male	2,987	34.92%	3,262	35.07%	3,529	34.65%	3,398	34.28%	3,042	33.33%	2,590	32.85%	2,683	33.21%	2,563	32.88%	2,484	32.42%	2,393	31.75%
Total	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%	7,884	100.00%	8,079	100.00%	7,794	100.00%	7,663	100.00%	7,536	100.00%
Ethnic Origin																				
White	4,966	58.05%	5,370	57.73%	5,920	58.12%	5,915	59.67%	5,726	62.73%	5,051	64.07%	5,239	64.85%	5,023	64.45%	4,992	65.14%	4,999	66.33%
Hispanic	2,087	24.40%	1,434	15.42%	2,139	21.00%	1,934	19.51%	1,559	17.08%	1,299	16.48%	1,319	16.33%	1,230	15.78%	1,142	14.90%	1,095	14.53%
African American	1,318	15.41%	2,156	23.18%	1,781	17.49%	1,753	17.68%	1,666	18.25%	1,382	17.53%	1,364	16.88%	1,396	17.91%	1,373	17.92%	1,295	17.18%
Asian	103	1.20%	103	1.11%	113	1.11%	121	1.22%	109	1.19%	94	1.19%	91	1.13%	83	1.06%	97	1.27%	92	1.22%
Foreign	11	0.13%	16	0.17%	8	0.08%	-	0.00%	43	0.47%	36	0.46%	27	0.33%	34	0.44%	29	0.38%	31	0.41%
Native American	4	0.05%	5	0.05%	10	0.10%	6	0.06%	19	0.21%	22	0.28%	39	0.48%	28	0.36%	30	0.39%	24	0.32%
American Indian	25	0.29%	23	0.25%	39	0.38%	39	0.39%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Multiracial	5	0.06%	160	1.72%	122	1.20%	57	0.58%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Unknown/unreported	36	0.42%	35	0.38%	53	0.52%	88	0.89%	6	0.07%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	8,555	100.00%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%	7,884	100.00%	8,079	100.00%	7,794	100.00%	7,663	100.00%	7,536	100.00%
Age																				
Under 18	1,061	11.41%	1,117	12.01%	1,158	11.37%	1,113	11.23%	988	10.82%	977	12.39%	912	11.29%	729	9.35%	637	8.31%	726	9.63%
18 - 21	3,282	35.28%	3,517	37.81%	3,747	36.79%	3,636	36.68%	3,407	37.32%	3,066	38.89%	3,260	40.35%	3,163	40.58%	3,134	40.90%	3,117	41.36%
22 - 24	1,104	11.87%	1,192	12.81%	1,365	13.40%	1,323	13.35%	1,243	13.62%	1,110	14.08%	1,075	13.31%	1,051	13.48%	1,028	13.42%	947	12.57%
25 - 35	1,879	20.20%	2,020	21.72%	2,264	22.23%	2,410	24.31%	2,161	23.67%	1,660	21.06%	1,707	21.13%	1,692	21.71%	1,710	22.32%	1,660	22.03%
36 - 50	934	10.04%	1,122	12.06%	1,336	13.12%	1,154	11.64%	1,065	11.67%	843	10.69%	918	11.36%	955	12.25%	957	12.49%	910	12.08%
51 & over	295	3.17%	334	3.59%	315	3.09%	277	2.79%	264	2.89%	228	2.89%	207	2.56%	204	2.62%	197	2.57%	176	2.34%
Total	8,555	91.97%	9,302	100.00%	10,185	100.00%	9,913	100.00%	9,128	100.00%	7,884	100.00%	8,079	100.00%	7,794	100.00%	7,663	100.00%	7,536	100.00%
Average Age	25		26		26		25		26		25		25		25		26		25	

McLennan County Junior College District

Student Transfers to Senior Institutions

Last Ten Fiscal Years (Unaudited)

	Fall 2013		Fall 2012		Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Total Transfer Students	% of Transfer Students	Total Transfer Students	% of Transfer Students	Total Transfer Students	% of Transfer Students	Total Transfer Students	% of Transfer Students	Total Transfer Students	% of Transfer Students	Total Transfer Students	% of Transfer Students	Total Transfer Students	% of Transfer Students	Total Transfer Students	% of Transfer Students	Total Transfer Students	% of Transfer Students	Total Transfer Students	% of Transfer Students
Texas A&M University	132	13.05%	137	13.44%	170	15.56%	132	13.78%	151	15.91%	79	19.36%	173	20.47%	162	19.71%	146	17.59%	144	19.07%
University of Texas at Austin	61	6.03%	85	8.33%	75	6.86%	68	7.10%	66	6.95%	0	0.00%	71	8.40%	57	6.93%	54	6.51%	42	5.56%
Texas Tech University	99	9.78%	93	9.12%	107	9.79%	71	7.41%	61	6.43%	20	4.90%	53	6.27%	58	7.06%	68	8.19%	69	9.14%
Texas State University	66	6.52%	93	9.12%	73	6.68%	83	8.66%	86	9.06%	29	7.11%	79	9.35%	83	10.10%	86	10.36%	83	10.99%
Tarleton State University	427	42.19%	400	39.22%	450	41.17%	345	36.01%	302	31.82%	166	40.69%	211	24.97%	173	21.05%	168	20.24%	147	19.47%
Sam Houston State University	55	5.43%	52	5.10%	48	4.39%	47	4.91%	26	2.74%	9	2.21%	22	2.60%	36	4.38%	46	5.54%	29	3.84%
University of North Texas	56	5.53%	53	5.20%	42	3.84%	66	6.89%	60	6.32%	28	6.86%	69	8.17%	71	8.64%	75	9.04%	86	11.39%
University of Texas at Arlington	64	6.32%	64	6.27%	85	7.78%	106	11.06%	149	15.70%	63	15.44%	121	14.32%	150	18.25%	150	18.07%	115	15.23%
Stephen F. Austin State University	32	3.16%	30	2.94%	27	2.47%	23	2.40%	38	4.00%	10	2.45%	34	4.02%	18	2.19%	29	3.49%	30	3.97%
University of Texas at San Antonio	20	1.98%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
University of Houston	-	0.00%	13	1.27%	16	1.46%	17	1.77%	10	1.05%	4	0.98%	12	1.42%	14	1.70%	8	0.96%	10	1.32%
	<u>1,012</u>	<u>100.00%</u>	<u>1,020</u>	<u>100.00%</u>	<u>1,093</u>	<u>100.00%</u>	<u>958</u>	<u>100.00%</u>	<u>949</u>	<u>100.00%</u>	<u>408</u>	<u>100.00%</u>	<u>845</u>	<u>100.00%</u>	<u>822</u>	<u>100.00%</u>	<u>830</u>	<u>100.00%</u>	<u>755</u>	<u>100.00%</u>

Source: Texas Higher Education Coordinating Board and National Student Clearinghouse.

McLennan County Junior College District

Capital Asset Information

Last Ten Fiscal Years (Unaudited)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Academic buildings	17	17	17	16	15	16	13	13	13	13
Square footage*	564	564	564	549	538	549	304	304	304	304
Libraries	1	1	1	1	1	1	1	1	1	1
Square footage*	70	70	70	70	70	70	70	70	70	70
Number of volumes*	82	82	81	79	78	84	83	83	82	80
Administrative and support buildings	18	18	18	18	18	16	12	12	12	11
Square footage*	676	676	678	676	493	458	240	240	240	222
Dining facilities	2	2	2	2	2	2	2	2	2	2
Square footage*	15	15	15	15	15	15	15	15	15	15
Average daily customers	926	928	999	803	1,000	900	750	700	500	500
Athletic facilities										
Square footage*	43	43	43	43	43	43	43	43	43	25
Stadiums	2	2	2	2	2	2	2	2	2	2
Gymnasiums	2	2	2	2	2	2	2	2	2	2
Fitness centers	3	2	2	2	2	2	2	2	2	2
Tennis courts	8	8	8	8	8	8	8	8	8	8
Plant facilities										
Square footage*	1,077	1,077	1,077	1,077	1,077	1,077	614	614	614	596
Transportation										
Cars	4	4	4	6	5	6	6	6	5	5
Light trucks/vans	6	6	6	10	10	10	12	11	12	14
SUV's	9	9	9	10	7	6	5	5	4	3
Buses	2	2	2	2	2	2	3	3	3	3

* in thousands

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



JAYNES REITMEIER BOYD & THERRELL, P.C.
Certified Public Accountants
5400 Bosque Blvd., Ste. 500 | Waco, TX 76710
P.O. Box 7616 | Waco, TX 76714
Main 254.776.4190 | Fax 254.776.8489 | jrbt.com

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

The Board of Trustees
McLennan County Junior College District:

We have audited the financial statements of the business-type activities and the discretely presented component unit of McLennan County Junior College District (the District), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 17, 2014. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of McLennan Community College Foundation, a discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with McLennan Community College Foundation.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Jayne, Reitzner, Boyd & Threlk, P.C.

November 17, 2014



JAYNES REITMEIER BOYD & THERRELL, P.C.
 Certified Public Accountants
 5400 Bosque Blvd., Ste. 500 | Waco, TX 76710
 P.O. Box 7616 | Waco, TX 76714
 Main 254.776.4190 | Fax 254.776.8489 | jrbt.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
 MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL
 OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133* 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 Circular A-133 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, 2014. 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 the requirements of laws, regulations, contracts, and grants 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Uniform Grant Management Standards*. Those standards and OMB Circular A-133 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, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Jayne, Reitzman, Boyd & Threlkoff, P.C.

November 17, 2014

McLennan County Junior College District
Schedule of Findings and Questioned Costs
Year Ended August 31, 2014

(1) Summary of Auditor's Results**Financial Statements**

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no
 Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported
 Noncompliance material to financial statements noted? yes no

Federal and State Awards

Internal control over major programs:

Material weakness(es) identified? yes no
 Significant deficiency(ies) identified that are not considered to be material weaknesses? yes 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 section 510(a) of Circular A-133 and the Uniform Grant Management Standards?

yes no

Identification of major federal programs:

CFDA Number(s)Name of Federal Program or Cluster

Student Financial Assistance Cluster:	
84.007	Federal Supplemental Educational Opportunity Grant Program
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans Program
84.379	Teacher Education Assistance for College and Higher Education Grants
TRIO Cluster:	
84.042	Student Support Services
84.047	Upward Bound

Identification of major state programs:

Grant Number(s)Name of State Program or Cluster

1312SDF002	Skills Development
1312SDF001	Skills Development
1313SDF000	Skills Development

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

\$300,000

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

\$300,000

Auditee qualified as low-risk auditee?

yes no

McLennan County Junior College DistrictSchedule of Findings and Questioned Costs
(Continued)(2) Financial Statement Findings

None noted.

(3) Federal Award Findings and Questioned Costs

None noted

(4) State Award Findings and Questioned Costs

None noted