

McLennan County Junior College District
Annual Financial Report
August 31, 2012 and 2011

Introductory Section

McLennan County Junior College District

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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	2015
K. Paul Holt, Waco, Texas	2015
James Lewis, Waco, Texas	2017
Bob Sheehy, Jr., Waco, Texas	2013
Geneva Watley, Waco, Texas	2013

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
Paul Illich	Vice President, Research, Planning and Information Technology
Terry Lechler	Director of Financial Services

Financial Section



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Independent Auditors' Report

The Board of Trustees
McLennan County Junior College District:

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, 2012 and 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the McLennan Community College Foundation, a discretely presented component unit of the District, as of and for the years ended August 31, 2012 and 2011 were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012, on our consideration of the District's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. 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 accompanying 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 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. The 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 information 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.

Jaynes, Reisman, Boyd & Threll, P. C.

November 21, 2012

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, 2012 and 2011. 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 Assets, the Statement of Revenues, Expenses, and Changes in Net Assets 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 the basic 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 \$51.2 million, \$46.7 million, and \$42.5 million for the years ended August 31, 2012, 2011, and 2010, respectively. Of these amounts, unrestricted net assets were \$11.1 million for 2012, \$6.6 million for 2011 and \$4.2 million for 2010.
- The District's financial position as a whole was strengthened as total net assets increased by approximately \$4.5 million during 2012 and by approximately \$4.2 million during fiscal year 2011. Of these amounts, unrestricted net assets increased by approximately \$4.5 million and \$2.4 million for 2012 and 2011, respectively.
- The total taxable value in the District increased by approximately \$923 million, or 6.33%, from 2011 to 2012 and by \$651 million or 4.68% from 2010 to 2011. From 2009 to 2010 the total taxable value increased by 4.52% or \$602 million.
- Capital assets (net) increased by approximately \$439,000 in 2012 and by approximately \$8.9 million during 2011.
- Bonds decreased by approximately \$3.2 million in 2012 and by approximately \$2.8 million during 2011.

- During 2012, the unduplicated head count of credit students decreased by 29 students, duplicated head count of credit students decreased by 2,501 students, and contact hours decreased to 196,882 contact hours. During fiscal year 2011 the unduplicated head count of credit students increased by 828 students, duplicated head count of credit students increased by 6,357, and contact hours increased by 269,417.

Statement of Net Assets

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

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

Condensed Statements of Net Assets (In Thousands)

	2012	2011	2010	Increase (Decrease)	
				2011 to 2012	2010 to 2011
Assets					
Current assets	\$ 30,283	29,958	32,458	325	(2,500)
Noncurrent assets:					
Capital assets, net of depreciation	136,221	135,782	126,879	439	8,903
Other assets	<u>1,152</u>	<u>1,266</u>	<u>3,511</u>	<u>(114)</u>	<u>(2,245)</u>
Total assets	<u>167,656</u>	<u>167,006</u>	<u>162,848</u>	<u>650</u>	<u>4,158</u>
Liabilities					
Current liabilities	20,955	21,541	18,383	(586)	3,158
Noncurrent liabilities	<u>95,482</u>	<u>98,763</u>	<u>101,937</u>	<u>(3,281)</u>	<u>(3,174)</u>
Total liabilities	<u>116,437</u>	<u>120,304</u>	<u>120,320</u>	<u>(3,867)</u>	<u>(16)</u>
Net Assets					
Invested in capital assets, net of related debt	37,524	37,903	33,238	(379)	4,665
Restricted, expendable	2,587	2,227	5,101	360	(2,874)
Unrestricted	<u>11,108</u>	<u>6,572</u>	<u>4,189</u>	<u>4,536</u>	<u>2,383</u>
Total net assets	\$ <u>51,219</u>	<u>46,702</u>	<u>42,528</u>	<u>4,517</u>	<u>4,174</u>

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, reflects the District's equity in capital assets less the related debt. The next category, restricted net assets, is divided into nonexpendable and expendable. The District does not have any nonexpendable net assets. Expendable restricted net assets are 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 assets, which are available to the District for any lawful purpose.

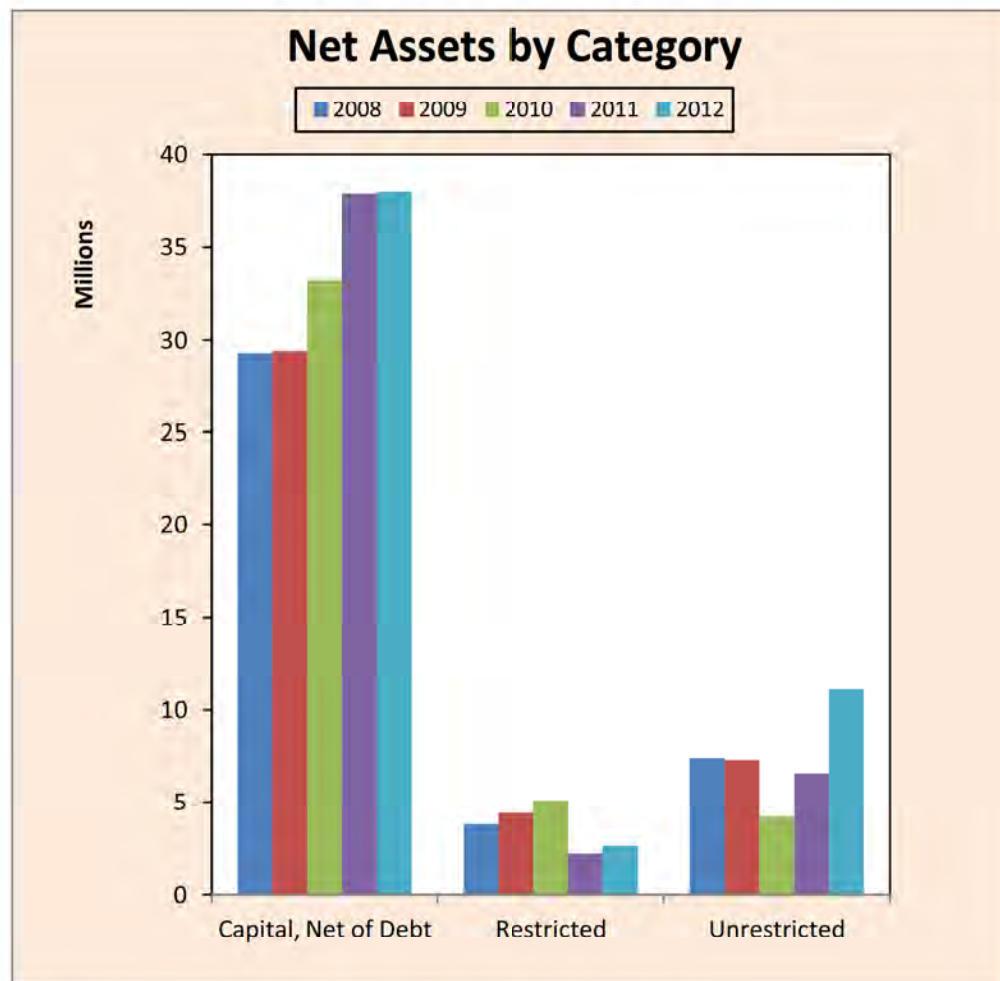
There was minimal change in total assets from 2011 to 2012. All of the bond proceeds have been expended and there was approximately \$4.3 million in capital assets added during 2012. The largest of these were the completion of the Health Professions Simulation Lab, Student Services roof, agility course at the Emergency Services Education Center, and renovations to the Math/Wellness building.

Total liabilities decreased by approximately \$3.9 million due to the decrease in bonds payable as a result of scheduled debt service payments and a decrease in deferred revenue for Fall 2012 due to enrollment declines described later in this analysis. These decreases were offset by an increase in accrued liabilities of \$763,833. The primary reason for this increase is the recording of a Teacher Retirement System contingent liability of \$724,308. Historically the State of Texas has funded a portion of each employee's monthly contribution for their retirement account. The contribution has been matched based on the gross salary paid to the employee. The Texas Constitution Article 16, Sec. 67(b)(3) provides that the State of Texas must contribute "not less than six percent nor more than ten percent of the aggregate compensation paid to individuals participating in the system," referring to the Teacher Retirement System (TRS) of Texas and the Optional Retirement Program (ORP). During the Legislative Session in Spring 2011, Rider 13 (the Rider) was attached to the appropriations bill for community/junior colleges. The Rider restricted the State's contribution to six percent of the general revenue appropriations and not the statutory percentage of aggregate compensation paid. The Rider placed the appropriations bill in a position such that it was not consistent with State of Texas statutes governing the retirement plan contributions. The general revenue appropriation for the District is an amount significantly less than the District's aggregate compensation paid or contracted to be paid to employees who are TRS or ORP participants. The percentage of general revenue appropriations will therefore not contribute the minimum statutory matching contribution to the appropriate retirement system account. The state agencies responsible for the administration of the TRS/ORP funds (TRS, the Comptroller's Office, and the Legislative Budget Board) have taken the position that any shortfall should be made up by the District. The state agencies have not identified any legal basis for this position or any legal authority that places the responsibility on the community/junior colleges except for the Rider to the appropriations bill that is not consistent with the State of Texas Constitution. The District has taken the position that there is an expectation of payment though and notice to pay the recognized shortfall will be forthcoming. The District has therefore expensed the estimation of the shortfall and established an appropriate liability. If in the subsequent fiscal year, a legal bound request is made to pay the shortfall, funds will be transmitted and the liability satisfied.

Of the \$51.2 million in net assets, approximately \$37.5 million is invested in capital assets, net of related debt. This went down slightly from 2011; even though the District added \$4.3 million in capital assets during the year, principal payments of \$3.1 million were paid and \$3.9 million in depreciation was recorded which affects the ending balance of this category of net assets.

The unrestricted net assets increased by \$4.5 million. Of this amount, \$8.9 million is in the unrestricted general operating category. This increased by \$2.7 million from 2011 mainly because of budgeting a possible reduction in state appropriations of \$2.3 million and the District did not have to return this to the State. There were additional savings in unfilled positions through the year.

The following graph illustrates the comparative changes in net assets by category over the past five years. The District's financial position is strong and stable as reflected in the chart. Unrestricted net assets are critical to support the District's overall mission; therefore, it is important that unrestricted net assets be adequately maintained. The chart illustrates that unrestricted net assets have grown in a consistent manner and that the District has not been required to use these resources to fund operations. Restricted net assets 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 Assets

The Statement of Revenues, Expenses and Changes in Net Assets 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 chart reflects a condensed version of the Statement of Revenues, Expenses and Changes in Net Assets for the years ended August 31, 2012, 2011 and 2010. This summary indicates the operating loss and the overall increase in net assets for each of the years displayed.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues:			
Tuition and fees, net	\$ 18,760	15,876	12,677
Other	1,342	1,494	1,451
	<u>20,102</u>	<u>17,370</u>	<u>14,128</u>
Operating expenses:			
Instruction	31,206	31,273	28,071
Public service	1,705	1,802	1,785
Academic support	2,374	2,062	2,049
Student services	3,494	3,726	3,428
Institutional support	8,373	8,244	7,854
Operation and maintenance of plant	5,163	5,570	5,311
Scholarships and fellowships	16,911	19,464	16,715
Auxiliary enterprises	1,572	1,527	1,531
Depreciation	3,886	3,564	3,451
	<u>74,684</u>	<u>77,232</u>	<u>70,195</u>
Operating loss	<u>(54,582)</u>	<u>(59,862)</u>	<u>(56,067)</u>
Non-operating revenues (expenses):			
State appropriations	16,351	17,408	17,581
Ad valorem taxes	18,283	17,771	17,225
Grants and contracts	28,330	31,566	26,345
Interest on debt	(4,584)	(4,292)	(4,664)
Other	720	1,583	958
	<u>59,100</u>	<u>64,036</u>	<u>57,445</u>
Increase in net assets	<u>\$ 4,518</u>	<u>4,174</u>	<u>1,378</u>

Operating and Non-operating Revenues

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

- Gross tuition and fee revenue for 2012 exceeded 2011 amounts by approximately \$3.1 million or 12.5%. Even though head count decreased in 2012, the total dollar amount increased because of the increase in tuition rate per semester hour. In-district tuition rates increased by approximately 24% while out-of-district and nonresident rates each increased approximately 22.6% and 22.3%, respectively, effective Summer I, 2011. Tuition rates were increased by approximately 8% for all students effective Summer I, 2012.

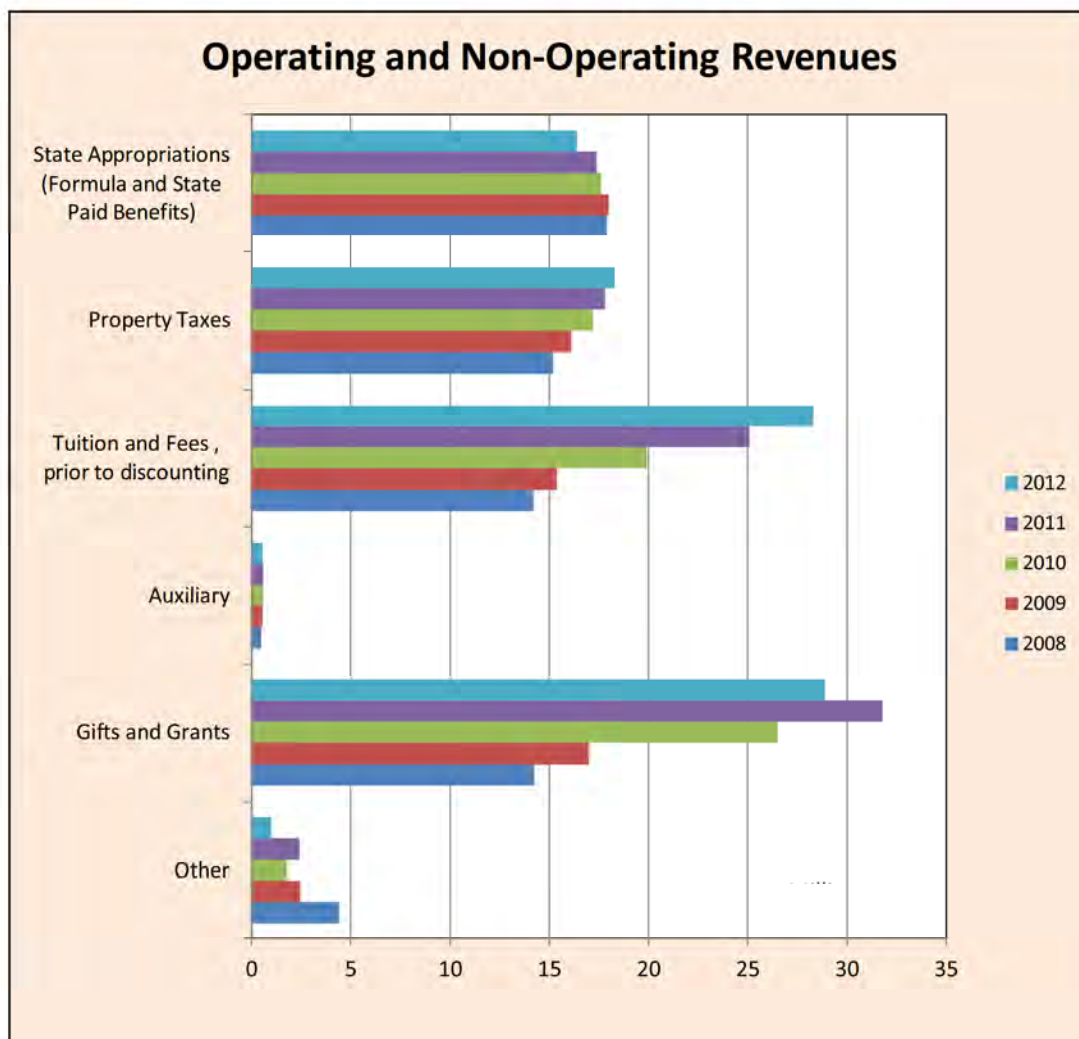
During 2011, the District generated a gross total of \$25,132,982 for tuition and fees charged to credit and non-credit students attending classes at the District. This is an increase of \$5,266,728 or 26.51% from fiscal year 2010. The tuition rate increased \$3 per semester hour starting with the spring semester 2011 and \$16 per semester hour starting in the first summer session in 2011. Headcount enrollment increased 3.2% in fiscal year 2011 from fiscal year 2010.

- State appropriated revenue for 2012 was \$1,056,741 less than 2011 due to reductions imposed by the legislature on previously appropriated funding and the TRS retirement shortfall noted earlier. State appropriated revenue for 2011 was \$172,986 less than 2010 due to reductions in formula funding imposed by the legislature.
- Property tax revenue for maintenance and operations in 2012 exceeded the prior year by \$227,763, or 1.94%, while 2011 revenues exceeded 2010 amounts by \$546,087, or 3.2%. The combined tax rate was \$0.152823 per \$100 of valuation for 2012 and \$0.156306 for 2011.
- 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 2012, Pell grants decreased by approximately \$2.0 million from the 2011 amount. Two major changes in financial aid affected the amount of Pell grants disbursed for 2012 were: (1) 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, and (2) additional Pell funds were eliminated for the summer terms. In addition, the District had over \$900,000 in ARRA grants in 2011 and had no ARRA grants in 2012.

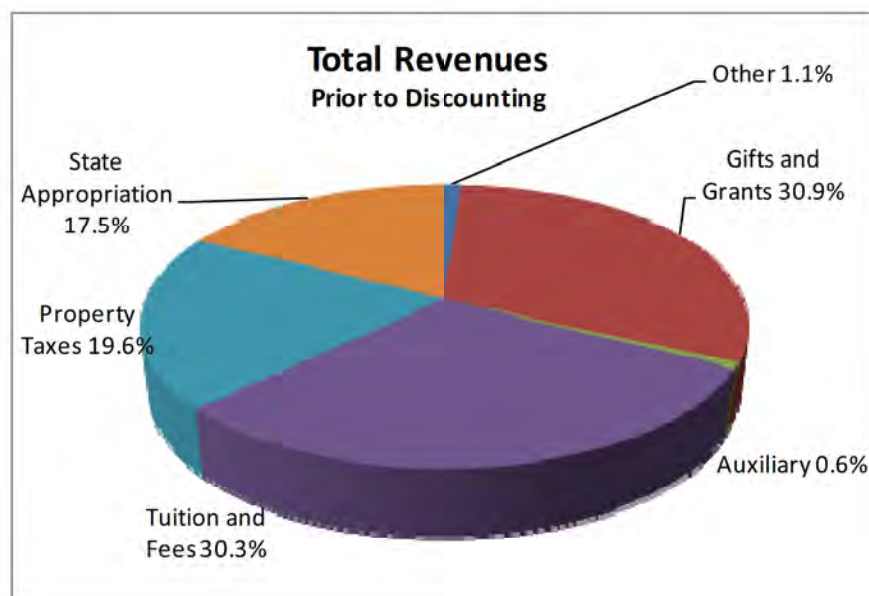
In 2011, Pell grants increased by \$4.3 million from the 2010 amount.

State grants decreased by \$247,123 in 2012 due to decreases in the Texas Grants and Jobs and Education for Texans (JET) grants in 2012. State grants increased in 2011 by over \$443,000 because of the additional grants received in 2011 (JET and Skills Development) that were not received in 2010.

The following presentation graphically displays revenue trends.

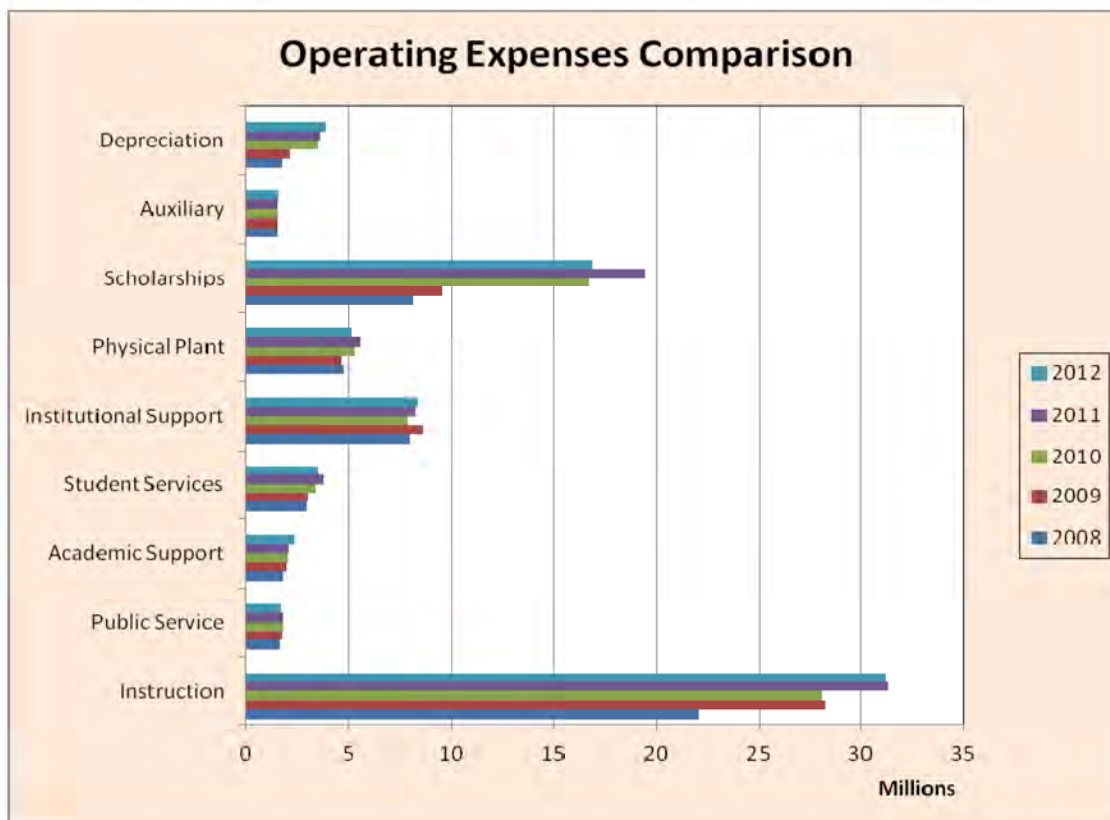


The following chart reflects revenues from all sources for fiscal year 2012. For purposes of this presentation, tuition and fees revenues are shown prior to scholarship discounts. The Statements of Revenues, Expenses and Changes in Net Assets reflect these revenues net of scholarship discounts.



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 2012 expenses compared to the 2011, 2010, 2009, and 2008 expenses.



Total operating expenses for 2012 decreased by approximately \$2.5 million or 3.3%. The reason for this decrease is due to scholarships. The changes in financial aid that were discussed earlier affected the scholarship expense incurred by the District. Total operating expenses were \$77,232,367 in 2011.

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)

	2012	2011	2010
Cash and cash equivalents provided by (used in):			
Operating activities	\$ (36,927)	(63,683)	(51,078)
Noncapital financing activities	43,445	68,502	51,576
Capital and related financing activities	(5,861)	(13,165)	(5,279)
Investing activities	246	485	892
Changes in cash and cash equivalents	\$ 903	(7,861)	(3,889)

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, net of accumulated depreciation.

Schedule of Capital Assets
(In Thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land	\$ 6,747	6,747	6,740
Library books	2,865	2,781	2,701
Construction in progress	-	1,141	7,028
Buildings	142,365	138,265	121,174
Improvements	17,717	16,861	16,559
Furniture, equipment and vehicles	<u>5,391</u>	<u>5,139</u>	<u>4,313</u>
	<u>\$ 175,085</u>	<u>170,934</u>	<u>158,515</u>

Capital assets additions totaled approximately \$4.3 million and \$12.1 million in 2012 and 2011, respectively. Additions in 2012 included the completion of the Health Professions Simulation Lab, Student Services roof, Agility Course at Emergency Services Education Center, and renovations to the Math/Wellness building.

The District had outstanding debt of approximately \$97 million and \$100.1 million as of August 31, 2012 and 2011, respectively.

Schedule of Outstanding Debt
(In Thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 78,870	81,270	83,295
Revenue bonds	<u>18,145</u>	<u>18,845</u>	<u>19,555</u>
	<u>\$ 97,015</u>	<u>100,115</u>	<u>102,850</u>

For additional information concerning capital assets and debt administration, see Notes 6, 7 and 8 in the Notes to the Financial Statements.

Economic Factors That Will Affect the Future

The District relies upon three primary revenue sources: local taxes, tuition and fees, and state appropriations. Over the past several years, the District has responded to declining state funds by reducing costs and increasing tuition and fees and local taxes. Currently, tuition and fees account for 30.3% of the District's total (operating and non-operating) revenue, while state appropriations and local taxes account for 17.5% and 19.6%, 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 10,000 students during the fall 2011 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 \$0.100255 per \$100 valuation. The District is ranked 39th 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, the continuation of a slow economic recovery represents a potential challenge for Texas community colleges. Preliminary fall 2012 enrollment data suggest that nearly 80% of the Texas community colleges experienced a decline in enrollment. The decline is likely due to multiple factors including changes in financial aid regulations, as well as general economic factors. While these economic conditions appear to have resulted in declines in some demographic populations, they also represent opportunities for others. 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 College is in the process of expanding its University Center by adding three new bachelor degree programs with Texas Tech University and by adding engineering courses to its offerings through Tarleton State University. Beginning the fall 2012 semester, the College doubled its facilities fees that it charges University Center partners. The District also implemented a new partnership with Baylor University that allows students to take up to two years at the District before completing the final two years at 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.

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 assets. The District has increased its net assets substantially over the last two years and has current unrestricted net assets available for current operations of \$8,899,320. 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 not aware of any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during subsequent fiscal years.

McLennan County Junior College District

Statements of Net Assets (Exhibit 1)

August 31, 2012 and 2011

	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2012	2011	2012	2011
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 15,585,923	10,090,572	89,239	94,527
Accounts receivable, net	13,440,075	14,039,129	803,295	1,289,481
Prepaid expenses	251,423	224,156	-	-
Restricted cash and cash equivalents	968,552	5,561,442	-	-
Inventories	37,387	43,173	-	-
Total current assets	30,283,360	29,958,472	892,534	1,384,008
Noncurrent assets:				
Restricted cash, cash equivalents, and investments	-	-	9,234,469	7,792,998
Capital assets, net	136,221,252	135,781,860	557,538	577,936
Other assets	1,151,419	1,265,586	56,023	53,750
Total noncurrent assets	137,372,671	137,047,446	9,848,030	8,424,684
Total assets	167,656,031	167,005,918	10,740,564	9,808,692
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	2,489,748	3,771,627	250	4,051
Accrued liabilities	3,113,643	2,349,810	-	6,693
Funds held for others	233,208	182,570	-	-
Deferred revenue	11,902,966	12,136,899	-	-
Note payable	-	-	-	148,308
Bonds payable - current portion	3,215,000	3,100,000	-	-
Total current liabilities	20,954,565	21,540,906	250	159,052
Noncurrent liabilities:				
Bonds payable	95,482,119	98,763,409	-	-
Total noncurrent liabilities	95,482,119	98,763,409	-	-
Total liabilities	116,436,684	120,304,315	250	159,052
<u>Net Assets</u>				
Net assets:				
Invested in capital assets, net of related debt	37,524,133	37,902,981	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	5,243,488	5,069,219
Other	-	-	500,000	-
Expendable:				
Scholarships and fellowships	1,780,232	1,176,879	4,643,613	4,058,448
Capital projects	-	468,978	-	-
Debt service	806,743	580,891	-	-
Other	-	-	83,023	190,426
Unrestricted	11,108,239	6,571,874	270,190	331,547
Total net assets	\$ 51,219,347	46,701,603	10,740,314	9,649,640

See accompanying notes to the financial statements.

McLennan County Junior College District

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

Years Ended August 31, 2012 and 2011

	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2012	2011	2012	2011
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Operating revenues:				
Tuition and fees (net of scholarship allowances and discounts of \$9,508,177 and \$9,256,948, respectively)	\$ 18,759,783	15,876,034	-	-
Gifts	-	-	1,746,778	2,231,845
Sales and services of educational activities	745,613	674,992	-	-
Auxiliary enterprises	545,661	587,810	-	-
Other operating revenues	51,007	231,517	-	-
Total operating revenues	<u>20,102,064</u>	<u>17,370,353</u>	<u>1,746,778</u>	<u>2,231,845</u>
Operating expenses:				
Instruction	31,205,938	31,273,190	-	-
Public service	1,704,640	1,801,547	-	-
Academic support	2,374,009	2,062,451	-	-
Student services	3,494,416	3,725,825	-	-
Institutional support	8,372,174	8,243,709	426,134	481,479
Operation and maintenance of plant	5,163,887	5,570,715	675,821	138,905
Scholarships and fellowships	16,910,683	19,463,728	266,787	211,106
Auxiliary enterprises	1,572,093	1,527,514	-	-
Depreciation	3,885,986	3,563,688	-	-
Total operating expenses	<u>74,683,826</u>	<u>77,232,367</u>	<u>1,368,742</u>	<u>831,490</u>
Operating income (loss)	<u>(54,581,762)</u>	<u>(59,862,014)</u>	<u>378,036</u>	<u>1,400,355</u>
Nonoperating revenues (expenses):				
State appropriations	16,350,904	17,407,645	-	-
Ad valorem taxes for maintenance and operations	11,994,785	11,767,022	-	-
Ad valorem taxes for debt service	6,287,850	6,003,696	-	-
Federal grants and contracts	25,745,083	29,005,549	-	-
State grants and contracts	2,277,233	2,524,356	-	-
Local grants and contracts	307,652	36,092	-	-
Investment income	228,219	389,778	710,219	731,430
Gifts	539,581	243,267	-	-
Interest on capital asset-related debt	(4,584,316)	(4,291,836)	-	-
Other nonoperating revenues (expenses), net	(47,485)	949,981	2,419	2,989
Net nonoperating revenues	<u>59,099,506</u>	<u>64,035,550</u>	<u>712,638</u>	<u>734,419</u>
Increase in net assets	4,517,744	4,173,536	1,090,674	2,134,774
Net assets - beginning of year	<u>46,701,603</u>	<u>42,528,067</u>	<u>9,649,640</u>	<u>7,514,866</u>
Net assets - end of year	<u>\$ 51,219,347</u>	<u>46,701,603</u>	<u>10,740,314</u>	<u>9,649,640</u>

See accompanying notes to the financial statements.

McLennan County Junior College District

Statements of Cash Flows (Exhibit 3)

Years Ended August 31, 2012 and 2011

	McLennan County Junior College District		Component Unit McLennan Community College Foundation	
	2012	2011	2012	2011
Cash flows from operating activities				
Receipts from students and other customers:				
Tuition and fees	\$ 30,866,470	15,937,892	-	-
Auxiliary enterprises and educational activities	1,017,904	1,152,611	-	-
Receipts from third-party student loans	28,689,856	30,235,303		
Other receipts	51,007	231,517	1,967,518	1,128,334
Loans issued to students	(28,689,856)	(30,235,303)	-	-
Payments to employees	(33,620,610)	(33,236,299)	-	-
Payments to suppliers and students	(35,241,836)	(47,768,700)	(1,093,246)	(707,455)
Net cash provided by (used in) operating activities	<u>(36,927,065)</u>	<u>(63,682,979)</u>	<u>874,272</u>	<u>420,879</u>
Cash flows from noncapital financing activities				
Receipts of state appropriations	13,889,811	13,085,035	-	-
Receipts from ad valorem taxes for maintenance and operation	11,983,627	11,738,496	-	-
Receipts of grants and contracts	16,920,612	42,694,246	-	-
Receipts from gifts for other than capital purposes	650,927	983,849	-	-
Net cash provided by noncapital financing activities	<u>43,444,977</u>	<u>68,501,626</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities				
Receipts from ad valorem taxes for debt service	6,272,465	5,981,821	-	-
Other receipts	2,828	130,761	-	-
Purchases of capital assets	(4,339,951)	(12,165,203)	-	-
Payments on capital debt principal	(3,100,000)	(2,735,000)	(148,308)	(195,622)
Payments on capital debt interest	(4,664,843)	(4,376,593)	-	-
Other payments	(31,044)	(704)	-	-
Net cash used in capital and related financing activities	<u>(5,860,545)</u>	<u>(13,164,918)</u>	<u>(148,308)</u>	<u>(195,622)</u>
Cash flows from investing activities				
Proceeds from sale of investments	20	-	539,272	-
Receipts from interest on investments	245,807	485,333	156,562	145,559
Purchase of investments	-	-	(1,427,086)	(461,368)
Net cash provided by (used in) investing activities	<u>245,827</u>	<u>485,333</u>	<u>(731,252)</u>	<u>(315,809)</u>
Net increase (decrease) in cash and cash equivalents	903,194	(7,860,938)	(5,288)	(90,552)
Cash and cash equivalents - beginning of year	15,645,147	23,506,085	94,527	185,079
Cash and cash equivalents - end of year	<u>\$ 16,548,341</u>	<u>15,645,147</u>	<u>89,239</u>	<u>94,527</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (54,581,762)	(59,862,014)	378,036	1,400,355
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	3,885,986	3,563,688	20,398	20,396
On-behalf payments	2,461,093	4,322,610	-	-
Change in assets and liabilities:				
Receivables, net	12,708,112	(14,508,058)	486,186	(864,326)
Inventories	5,786	(13,600)	-	-
Prepaid expenses	(27,267)	39,667	-	-
Other assets	-	-	(20,842)	562
Accounts payable	(1,281,879)	135,767	3,801	(130,813)
Accrued liabilities	777,661	379,236	6,693	(5,295)
Funds held for others	50,638	(48,325)	-	-
Deferred revenue	(925,433)	2,308,050	-	-
Net cash provided by (used in) operating activities	<u>\$ (36,927,065)</u>	<u>(63,682,979)</u>	<u>874,272</u>	<u>420,879</u>
Noncash capital, financing and investing activities:				
Contributed land and buildings	\$ -	25,761	-	-
State appropriations on-behalf payments	\$ 2,461,093	4,322,610	-	-

See accompanying notes to the financial statements.

McLennan County Junior College District

Notes to Financial Statements

August 31, 2012 and 2011

(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. 14, *The Financial Reporting Entity*. 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 assets of the Foundation compared to the District are 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, 2012 and 2011, the Foundation expended \$1,024,101 and \$530,061, 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. The District applies all applicable GASB pronouncements and all applicable Financial Accounting Standards Board (FASB)

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(1) Nature of Operations and Reporting Entity (continued)

standards issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB.

(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 FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. Encumbrances outstanding at year-end that were provided for in the subsequent year's budget are reported as designations of net assets 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 assets. 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 \$531,351 and \$123,861 at August 31, 2012 and 2011, respectively, consist of public funds investment pools and money market mutual funds. 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 and 2007 limited tax bonds payable and 2009 and 2010 revenue bonds payable at August 31, 2012 and 2011, and remaining bond proceeds from the Series 2007 limited tax bond for various construction projects at August 31, 2011.

(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 Revenue

Deferred revenue of the District at August 31, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
Tuition and fees	\$ 10,621,683	11,418,565
Contributions	240,000	280,000
Federal grants	16,259	1,663
Scholarships	116,290	204,841
State grants	<u>908,734</u>	<u>231,830</u>
	\$ <u><u>11,902,966</u></u>	<u><u>12,136,899</u></u>

(i) 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 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, 2012 and 2011 consist of the following:

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(4) Deposits and Investments (continued)

	<u>2012</u>	<u>2011</u>
<u>Deposits</u>		
Cash - demand deposits	\$ 1,211,092	774,504
Cash - certificates of deposit	14,800,048	14,740,889
Cash - petty cash on hand	<u>5,850</u>	<u>5,893</u>
Total deposits	<u>16,016,990</u>	<u>15,521,286</u>
<u>Investments - cash equivalents</u>		
TexasTERM Local Government Investment Pool	8,313	8,305
Texas Local Government Investment Pool	522,762	115,280
Lone Star Investment Pool	<u>276</u>	<u>276</u>
Total cash and cash equivalents	<u>16,548,341</u>	<u>15,645,147</u>
<u>Investments</u>		
Other investments	<u>6,134</u>	<u>6,867</u>
Total investments	<u>6,134</u>	<u>6,867</u>
Total deposits and investments	\$ <u><u>16,554,475</u></u>	\$ <u><u>15,652,014</u></u>

Deposits and investments of the Foundation at August 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
<u>Deposits</u>		
Cash - demand deposits	\$ 19,263	19,551
Cash - certificates of deposit	<u>69,976</u>	<u>74,976</u>
Total deposits	<u>89,239</u>	<u>94,527</u>
<u>Investments</u>		
Funds of a management investment company	9,186,697	7,755,541
Other investments	<u>47,772</u>	<u>37,457</u>
Total investments	<u>9,234,469</u>	<u>7,792,998</u>
Total deposits and investments	\$ <u><u>9,323,708</u></u>	\$ <u><u>7,887,525</u></u>

McLennan County Junior College District

Notes to Financial Statements (Continued)

(4) Deposits and Investments (continued)

The weighted average maturity of investments (in days) of the District at August 31, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
TexasTERM Local Government Investment Pool	57	55
Texas Local Government Investment Pool	38	46
Lone Star Investment Pool	46	38

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, 2012 and 2011, public funds investment pools held by the District were rated AAAM by Standard & Poor's.

As indicated above, investments of the District at August 31, 2012 and 2011 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.

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

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.

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.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(4) Deposits and Investments (continued)

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) Desegregation of Accounts Receivable and Accrued Liabilities

Accounts receivable at August 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Auxiliary and other	\$ 2,751,351	1,403,617
Tuition and fees	9,405,031	11,386,513
Taxes	1,101,937	1,063,469
Federal and state grants	828,721	773,699
Interest	15,745	34,086
	<u>14,102,785</u>	<u>14,661,384</u>
Less allowance for doubtful accounts	<u>(662,710)</u>	<u>(622,255)</u>
Accounts receivable, net	\$ <u><u>13,440,075</u></u>	<u><u>14,039,129</u></u>

Accrued liabilities at August 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Salaries and benefits payable	\$ 812,509	790,388
Claims liability	200,628	200,628
Interest payable	433,203	447,438
Other payables	<u>1,667,303</u>	<u>911,356</u>
Accrued liabilities	\$ <u><u>3,113,643</u></u>	<u><u>2,349,810</u></u>

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(6) Capital Assets

Capital asset activity for the year ended August 31, 2012 was as follows:

	Balance September 1, 2011	Additions	Transfers and Retirements	Balance August 31, 2012
Capital assets not being depreciated:				
Land	\$ 6,747,040	-	-	6,747,040
Construction in progress	1,141,281	-	(1,141,281)	-
	<u>7,888,321</u>	<u>-</u>	<u>(1,141,281)</u>	<u>6,747,040</u>
Capital assets, being depreciated:				
Buildings and building improvements	138,264,651	4,100,753	-	142,365,404
Other real estate improvements	16,860,485	856,869	-	17,717,354
Total buildings and other real estate improvements	155,125,136	4,957,622	-	160,082,758
Library books	2,780,963	84,053	-	2,865,016
Furniture and equipment	5,139,475	439,557	(187,685)	5,391,347
Total buildings and other capital assets	<u>163,045,574</u>	<u>5,481,232</u>	<u>(187,685)</u>	<u>168,339,121</u>
Less accumulated depreciation:				
Buildings and building improvements	23,307,046	2,614,391	-	25,921,437
Other real estate improvements	6,175,303	819,065	-	6,994,368
Total buildings and other real estate improvements	29,482,349	3,433,456	-	32,915,805
Library books	2,189,883	77,722	-	2,267,605
Furniture and equipment	3,479,803	374,808	(173,112)	3,681,499
Total accumulated depreciation	<u>35,152,035</u>	<u>3,885,986</u>	<u>(173,112)</u>	<u>38,864,909</u>
	<u>127,893,539</u>	<u>1,595,246</u>	<u>(14,573)</u>	<u>129,474,212</u>
Net capital assets	<u>\$ 135,781,860</u>	<u>1,595,246</u>	<u>(1,155,854)</u>	<u>136,221,252</u>

McLennan County Junior College District

Notes to Financial Statements (Continued)

(6) Capital Assets (continued)

Capital asset activity for the year ended August 31, 2011 was as follows:

	Balance September 1, 2010	Additions	Transfers and Retirements	Balance August 31, 2011
Capital assets not being depreciated:				
Land	\$ 6,739,998	7,042	-	6,747,040
Construction in progress	7,027,598	1,141,281	(7,027,598)	1,141,281
	<u>13,767,596</u>	<u>1,148,323</u>	<u>(7,027,598)</u>	<u>7,888,321</u>
Capital assets, being depreciated:				
Buildings and building improvements	121,173,509	17,146,088	(54,946)	138,264,651
Other real estate improvements	16,559,454	382,510	(81,479)	16,860,485
Total buildings and other real estate improvements	137,732,963	17,528,598	(136,425)	155,125,136
Library books	2,700,568	80,395	-	2,780,963
Furniture and equipment	4,313,574	775,172	50,729	5,139,475
Total buildings and other capital assets	<u>144,747,105</u>	<u>18,384,165</u>	<u>(85,696)</u>	<u>163,045,574</u>
Less accumulated depreciation:				
Buildings and building improvements	20,926,211	2,380,835	-	23,307,046
Other real estate improvements	5,379,333	795,970	-	6,175,303
Total buildings and other real estate improvements	26,305,544	3,176,805	-	29,482,349
Library books	2,113,229	76,654	-	2,189,883
Furniture and equipment	3,217,180	310,229	(47,606)	3,479,803
Total accumulated depreciation	<u>31,635,953</u>	<u>3,563,688</u>	<u>(47,606)</u>	<u>35,152,035</u>
	<u>113,111,152</u>	<u>14,820,477</u>	<u>(38,090)</u>	<u>127,893,539</u>
Net capital assets	<u>\$ 126,878,748</u>	<u>15,968,800</u>	<u>(7,065,688)</u>	<u>135,781,860</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, 2012 was as follows:

	Balance September 1, 2011	Additions	Reductions	Balance August 31, 2012	Current Portion
Bonds payable:					
Refunding revenue bonds payable	\$ 3,940,000	-	500,000	3,440,000	525,000
Revenue bonds payable	14,905,000	-	200,000	14,705,000	195,000
Limited tax bonds payable	71,975,000	-	1,400,000	70,575,000	1,460,000
Refunding limited tax bonds	9,295,000	-	1,000,000	8,295,000	1,035,000
Deferred amounts:					
For issuance premiums and discounts	2,261,504	-	203,641	2,057,863	-
On refunding	(513,095)	-	(137,351)	(375,744)	-
	<u>\$ 101,863,409</u>	<u>-</u>	<u>3,166,290</u>	<u>98,697,119</u>	<u>3,215,000</u>

Long-term liability activity for the year ended August 31, 2011 was as follows:

	Balance September 1, 2010	Additions	Reductions	Balance August 31, 2011	Current Portion
Bonds payable:					
Refunding revenue bonds payable	\$ 4,430,000	-	490,000	3,940,000	500,000
Revenue bonds payable	15,125,000	-	220,000	14,905,000	200,000
Limited tax bonds payable	73,035,000	-	1,060,000	71,975,000	1,400,000
Refunding limited tax bonds	10,260,000	-	965,000	9,295,000	1,000,000
Deferred amounts:					
For issuance premiums and discounts	2,471,414	-	209,910	2,261,504	-
On refunding	(649,545)	-	(136,450)	(513,095)	-
	<u>\$ 104,671,869</u>	<u>-</u>	<u>2,808,460</u>	<u>101,863,409</u>	<u>3,100,000</u>

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

Bonds payable are comprised of the following individual issues:

\$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 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 \$60,000 to \$3,525,000 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, 2012, are as follows:

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

For the Year Ended August 31,	Revenue Bonds		Tax Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 720,000	716,946	2,495,000	3,779,981
2014	750,000	690,696	2,595,000	3,680,181
2015	775,000	663,446	2,700,000	3,576,381
2016	805,000	634,921	2,820,000	3,457,181
2017	835,000	605,146	2,940,000	3,332,581
2018 - 2022	4,655,000	2,548,484	16,845,000	14,530,975
2023 - 2027	5,630,000	1,577,019	21,310,000	10,066,300
2028 - 2032	3,975,000	348,015	27,165,000	4,207,000
	<u>\$ 18,145,000</u>	<u>7,784,673</u>	<u>78,870,000</u>	<u>46,630,580</u>

The District has pledged certain future tuition and fees to repay \$18.1 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 \$25.9 million. Principal and interest paid for the current year and total of pledged tuition and fees were approximately \$1.4 million and \$3.6 million, respectively.

(8) Defeased Bonds Outstanding

In prior years, 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, 2012, the following bonds outstanding are considered defeased:

	Year Refunded	Balance Outstanding
Refunding and Improvement Revenue		
Bonds - Series 1992	1995	\$ 3,460,000
Limited Tax Bonds - Series 1999	2005	8,395,000
Refunding Revenue Bonds - Series 1995	2006	<u>3,505,000</u>
		<u>\$ 15,360,000</u>

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(9) 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. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.4%, respectively. The District supplements an additional 2.10%. 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 2010, 2011 and 2012 are shown in the table below.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(9) Employees' Retirement Plan (continued)

<u>Year</u>	<u>Member</u>		<u>State</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2012	6.4%	\$ 1,831,228	N/A	\$ 850,471
2011	6.4%	1,820,694	6.644%	1,694,653
2010	6.4%	1,764,947	6.644%	1,638,706

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. Consequently, the state funded an amount not based on compensation of members in the system and one that is 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 initially requested the District to remit the difference between the required state funding policy amount, and the amount appropriated and funded by the state. However, the District is not aware of any legal requirement that places responsibility for the appropriation shortfall on it, and did not make any payments to TRS for the shortfall. There is currently no pending litigation concerning this issue, i.e., either to hold that the state appropriations satisfy the requirements or to attempt to collect any shortfall contributions from the District. The District is unable to predict the ultimate outcome of this uncertainty of legal responsibility in funding the shortfall; however, there is an expectation of payment and that notice to pay the shortfall will be forthcoming. Consequently, the District charged approximately \$724,000 to operations in the accompanying financial statements for the estimated shortfall in 2012. It is at least reasonably possible that a change in this estimate will occur in the near term.

The total payroll for all College employees was \$33,642,731, \$33,298,539, and \$32,042,662 for the years ended August 31, 2012, 2011, and 2010, respectively. The total payroll of employees covered by TRS was \$16,758,099, \$16,378,034, and \$16,010,503; and the total payroll of employees covered by the optional retirement program was \$11,854,845, \$12,070,306, and \$11,566,798 for the years ended August 31, 2012, 2011, and 2010, respectively.

(10) Compensated Absences

Full-time employees earn annual leave of 6.67 hours per month. The District's policy is that any employee may carry accrued leave forward from one fiscal year to another fiscal year with a maximum number of paid hours upon termination of 160. The District recognized an accrued liability for the unpaid annual leave of \$603,795 at August 31, 2012 and 2011, 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

McLennan County Junior College District

Notes to Financial Statements (Continued)

(10) Compensated Absences (continued)

fiscal year and is reflected as such in the accompanying Statements of Net Assets. 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.

(11) Operating Lease Commitments

The District leases certain equipment under operating leases through 2017. Included in operating expenses for the years ended August 31, 2012 and 2011 is \$77,971 and \$86,333, 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, 2012 for each of the next five years are as follows:

<u>Year Ended</u> <u>August 31</u>	
2013	\$ 73,532
2014	73,133
2015	12,545
2016	12,545
2017	12,545

(12) Risk Management

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

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(12) Risk Management (continued)

	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning of year	\$ 200,628	200,628
Incurred claims (including IBNR) and changes to prior year estimates	37,217	47,636
Claim payments	<u>(37,217)</u>	<u>(47,636)</u>
Unpaid claims, end of year	\$ <u>200,628</u>	<u>200,628</u>

(13) 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, 2012, 2011, and 2010 were \$960,281, \$810,716, and \$840,104, 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, 2012, 2011, and 2010 were \$102,549, \$106,565, and \$89,229, respectively, which equaled the remaining required contributions each year.

(14) Related Parties

During the years ended August 31, 2012 and 2011, the District furnished office space, utilities and staffing amounting to approximately \$268,000 and \$242,000, respectively, at no cost to the Foundation.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(15) Ad Valorem Property Taxes

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

	2012	2011
Assessed valuation of the District	\$ 15,494,370,640	14,571,461,358
Less: Abatements	75,983,120	71,584,812
Less: Exemptions	3,299,931,857	3,019,610,507
Net assessed valuation of the District	\$ 12,118,455,663	11,480,266,039

Tax rates authorized and assessed during fiscal year 2012 are as follows:

	Current Operations	Debt Service	Total
Tax rate per \$100 valuation for authorized	\$ 0.250000	0.500000	0.750000
Tax rate per \$100 valuation for assessed	0.100255	0.052568	0.152823

Tax rates authorized and assessed during fiscal year 2011 were as follows:

	Current Operations	Debt Service	Total
Tax rate per \$100 valuation for authorized	\$ 0.250000	0.500000	0.750000
Tax rate per \$100 valuation for assessed	0.103439	0.052867	0.156306

Taxes levied for the year ended August 31, 2012 are \$18,574,101. 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, 2012 are as follows:

McLennan County Junior College District

Notes to Financial Statements (Continued)

(15) Ad Valorem Property Taxes (continued)

	Current Operations	Debt Service	Total
Current taxes collected	\$ 11,858,095	6,217,707	18,075,802
Delinquent taxes collected	167,926	81,335	249,261
Penalties and interest collected	143,428	67,831	211,259
Total collections	\$ 12,169,449	6,366,873	18,536,322

Taxes levied for the year ended August 31, 2011 were \$17,969,029. Tax collections for the year ended August 31, 2011 were as follows:

	Current Operations	Debt Service	Total
Current taxes collected	\$ 11,587,759	5,922,428	17,510,187
Delinquent taxes collected	188,086	83,991	272,077
Penalties and interest collected	136,135	64,217	200,352
Total collections	\$ 11,911,980	6,070,636	17,982,616

Current tax collections for each of the years ended August 31, 2012 and 2011 were approximately 97% of the current tax levy. An allowance for uncollectible taxes is based upon the historical experience in collecting property taxes.

(16) Budgets

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

McLennan County Junior College District

Notes to Financial Statements (Continued)

(17) Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). The District had no unrelated business income tax liability for 2012 or 2011.

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

(18) Commitments and Contingencies

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

Effective May 27, 2008, the District entered into a ten-year agreement with a corporation for the management and operation of its bookstore. The agreement provides for the District to receive a percentage of gross revenues from the operation of the bookstore.

(19) Contracts and Grants

Contract and grant revenues are recognized as earned in the accompanying Statements of Revenues, Expenses, and Changes in Net Assets. For contract and grant awards, funds expended but not collected are reported as accounts receivable in the accompanying Statements of Net Assets. 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 \$1,587,453 and \$1,561,465 at August 31, 2012 and 2011 respectively for federal contract and grant awards and \$1,557,281 and \$245,884 at August 31, 2012 and 2011, respectively for state contract and grant awards.

(20) 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.

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

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

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus- an amendment of GASB Statements No. 14 and No.34 (Statement 61)* – The objective of Statement 61 is to improve financial reporting for a governmental financial reporting entity related to its component units. The provisions of Statement 61 are effective for financial statements for periods beginning after June 15, 2012.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (Statement 62)* – The objective of Statement 62 is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ Committee on Accounting Procedures issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The provisions of Statement 62 are effective for financial statements for periods beginning after December 15, 2011.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (Statement 63)* – The objective of Statement 63 is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources (i.e. consumption of net assets that is applicable to a future reporting period and acquisition of net assets that is applicable to a future reporting period, respectively – distinct from assets and liabilities). In addition, Statement 63 provides financial reporting guidance for net position which represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities (Statement 65)* – The objective of Statement 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of Statement 65 are effective for financial statements for periods beginning after December 15, 2012.

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

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 65 are effective for financial statements for periods beginning after June 15, 2014.

(22) Subsequent Events

The District has evaluated subsequent events from the date of the statements of net assets through November 21, 2012, 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, 2012

(With Memorandum Totals for the Year Ended August 31, 2011)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total	
					2012	2011
Tuition and fees:						
State funded credit courses:						
In-district resident tuition	\$ 16,833,887	-	16,833,887	-	16,833,887	14,821,228
Out-of-district resident tuition	3,894,330	-	3,894,330	-	3,894,330	3,333,832
Non-resident tuition	1,252,683	-	1,252,683	-	1,252,683	1,139,030
TPEG - credit (set aside)	1,242,659	-	1,242,659	-	1,242,659	1,111,950
State funded continuing education	562,927	-	562,927	-	562,927	577,404
TPEG - non-credit (set aside)	10,418	-	10,418	-	10,418	10,154
Non-state funded educational programs	28,670	-	28,670	-	28,670	31,365
Total tuition	23,825,574	-	23,825,574	-	23,825,574	21,024,963
Fees:						
Installment plan fees	70,750	-	70,750	-	70,750	60,525
Facility fees	1,326,518	-	1,326,518	-	1,326,518	1,380,368
General fees	663,259	-	663,259	-	663,259	688,745
Laboratory fees	720,172	-	720,172	-	720,172	696,760
Other fees	1,661,687	-	1,661,687	-	1,661,687	1,281,621
Total fees	4,442,386	-	4,442,386	-	4,442,386	4,108,019
Scholarship allowances and discounts:						
Title IV federal grants	(7,209,145)	-	(7,209,145)	-	(7,209,145)	(7,114,859)
Other federal grants	-	-	-	-	-	(11,758)
TPEG awards	(838,678)	-	(838,678)	-	(838,678)	(923,614)
Other state grants	(298,305)	-	(298,305)	-	(298,305)	(321,483)
Other local grants	(1,162,049)	-	(1,162,049)	-	(1,162,049)	(885,234)
Total scholarship allowances	(9,508,177)	-	(9,508,177)	-	(9,508,177)	(9,256,948)
Total net tuition and fees	18,759,783	-	18,759,783	-	18,759,783	15,876,034
Additional operating revenues:						
Sales and services of educational activities	745,613	-	745,613	-	745,613	674,992
General operating revenues	51,007	-	51,007	-	51,007	231,517
Total additional operating revenues	796,620	-	796,620	-	796,620	906,509
Auxiliary enterprises:						
Bookstore (outsourced)	-	-	-	450,868	450,868	487,985
Other auxiliary enterprises	-	-	-	94,793	94,793	99,825
Total net auxiliary enterprises	-	-	-	545,661	545,661	587,810
Total operating revenues	\$ 19,556,403	-	19,556,403	545,661	20,102,064	17,370,353

In accordance with Education Code 56.033, \$1,253,077 and \$1,122,104 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2012 and 2011, respectively.

See accompanying independent auditors' report.

McLennan County Junior College District

Schedule of Operating Expenses by Object (Schedule B)

Year Ended August 31, 2012
(With Memorandum Totals for the Year Ended August 31, 2011)

	Operating Expenses				Total	
	Salaries and Wages	Benefits		Other Expenses	2012	2011
		State	Local			
Unrestricted - educational activities:						
Instruction	\$ 22,253,666	-	2,724,845	3,163,050	28,141,561	26,275,755
Public service	180,672	-	18,498	124,234	323,404	290,192
Academic support	1,580,995	-	188,651	447,042	2,216,688	1,838,222
Student services	1,909,426	-	233,799	564,400	2,707,625	2,881,209
Institutional support	4,158,492	-	514,119	2,959,908	7,632,519	7,179,626
Operation and maintenance of plant	1,365,972	-	579,471	3,211,292	5,156,735	5,565,191
Scholarships and fellowships	-	-	-	1,696,357	1,696,357	1,360,805
Total unrestricted educational activities	<u>31,449,223</u>	<u>-</u>	<u>4,259,383</u>	<u>12,166,283</u>	<u>47,874,889</u>	<u>45,391,000</u>
Restricted - educational activities:						
Instruction	232,726	1,831,559	28,149	971,943	3,064,377	4,997,435
Public service	1,060,293	-	155,154	165,789	1,381,236	1,511,355
Academic support	27,199	130,122	-	-	157,321	224,229
Student services	362,337	157,153	58,361	208,940	786,791	844,616
Institutional support	136,170	342,259	16,509	244,717	739,655	1,064,083
Operation and maintenance of plant	7,152	-	-	-	7,152	5,524
Scholarships and fellowships	-	-	-	15,214,326	15,214,326	18,102,923
Total restricted educational activities	<u>1,825,877</u>	<u>2,461,093</u>	<u>258,173</u>	<u>16,805,715</u>	<u>21,350,858</u>	<u>26,750,165</u>
Total educational activities	<u>33,275,100</u>	<u>2,461,093</u>	<u>4,517,556</u>	<u>28,971,998</u>	<u>69,225,747</u>	<u>72,141,165</u>
Auxiliary enterprises	<u>367,631</u>	<u>-</u>	<u>178,543</u>	<u>1,025,919</u>	<u>1,572,093</u>	<u>1,527,514</u>
Depreciation expense:						
Buildings and other improvements	-	-	-	3,433,455	3,433,455	3,176,805
Equipment and furniture	-	-	-	375,474	375,474	310,229
Library books	-	-	-	77,057	77,057	76,654
Total depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,885,986</u>	<u>3,885,986</u>	<u>3,563,688</u>
Total operating expenses	<u>\$ 33,642,731</u>	<u>2,461,093</u>	<u>4,696,099</u>	<u>33,883,903</u>	<u>74,683,826</u>	<u>77,232,367</u>

See accompanying independent auditors' report.

McLennan County Junior College District

Schedule of Nonoperating Revenues and Expenses
(Schedule C)

Year Ended August 31, 2012
(With Memorandum Totals for the Year Ended August 31, 2011)

	Unrestricted	Restricted	Auxiliary Enterprises	Total	
				2012	2011
Nonoperating revenues:					
State Appropriations:					
Education and general state support	\$ 13,889,811	-	-	13,889,811	13,036,882
State group insurance	-	1,610,622	-	1,610,622	2,627,957
State retirement matching	-	850,471	-	850,471	1,694,653
Enrollment growth	-	-	-	-	48,153
Total state appropriations	<u>13,889,811</u>	<u>2,461,093</u>	<u>-</u>	<u>16,350,904</u>	<u>17,407,645</u>
Maintenance ad valorem taxes	11,994,785	-	-	11,994,785	11,767,022
Debt service ad valorem taxes	-	6,287,850	-	6,287,850	6,003,696
Federal grants and contracts	-	25,745,083	-	25,745,083	29,005,549
State grants and contracts	-	2,277,233	-	2,277,233	2,524,356
Local grants and contracts	307,652	-	-	307,652	36,092
Investment income	189,889	38,330	-	228,219	389,778
Gifts	143,888	395,693	-	539,581	243,267
Gain on disposal of capital assets	6,835	-	-	6,835	-
Other nonoperating revenues	-	22,409	-	22,409	1,117,016
Total nonoperating revenues	<u>26,532,860</u>	<u>37,227,691</u>	<u>-</u>	<u>63,760,551</u>	<u>68,494,421</u>
Nonoperating expenses:					
Interest on capital related debt	-	4,584,316	-	4,584,316	4,291,836
Loss on disposal of capital assets	-	-	-	-	48,937
Other nonoperating expenses	-	76,729	-	76,729	118,098
Total nonoperating expenses	<u>-</u>	<u>4,661,045</u>	<u>-</u>	<u>4,661,045</u>	<u>4,458,871</u>
Net nonoperating revenues	<u>\$ 26,532,860</u>	<u>32,566,646</u>	<u>-</u>	<u>59,099,506</u>	<u>64,035,550</u>

See accompanying independent auditors' report.

McLennan County Junior College District

Schedule of Net Assets by Source and Availability
(Schedule D)

Year Ended August 31, 2012

	Detail by Source				Available for Current Operation		
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 8,899,320	-	-	-	8,899,320	8,899,320	-
Scholarships and fellowships	-	1,780,232	-	-	1,780,232	-	1,780,232
Loan	(54,791)	-	-	-	(54,791)	-	(54,791)
Plant:							
Capital projects	1,377,801	-	-	-	1,377,801	-	1,377,801
Debt service	947,349	806,743	-	-	1,754,092	-	1,754,092
Investment in plant	(61,440)	-	-	37,524,133	37,462,693	-	37,462,693
Total net assets, August 31, 2012	11,108,239	2,586,975	-	37,524,133	51,219,347	8,899,320	42,320,027
Total net assets, August 31, 2011	6,571,874	2,226,748	-	37,902,981	46,701,603	6,151,982	40,549,621
Net increase (decrease) in net assets	\$ 4,536,365	360,227	-	(378,848)	4,517,744	2,747,338	1,770,406

See accompanying independent auditors' report.

McLennan County Junior College District

Schedule of Expenditures of Federal Awards
(Schedule E)

Year Ended August 31, 2012

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		\$ 156,806
Federal Family Education Loans	84.032		35,731
Federal Work Study Program	84.033		217,117
Federal Pell Grant Program	84.063		22,762,302
Federal Direct Student Loans	84.268		28,654,125
Teacher Education Assistance for College and Higher Education Grants	84.379		<u>6,500</u>
Total Student Financial Assistance Cluster			51,832,581
Strengthening Institutions Program - eCampus	84.031A		65,315
TRIO Cluster:			
TRIO - Student Support Services	84.042		330,626
TRIO - Upward Bound	84.047		<u>339,588</u>
Total TRIO Cluster			<u>670,214</u>
Total Direct Programs			<u>52,568,110</u>
Pass Through From:			
Texas Education Agency:			
Adult Education	84.002A	124100017110390	589,932
Adult Education - Institutionalized	84.002A	134100017110488	<u>25,533</u>
Total Adult Education			<u>615,465</u>
Texas Higher Education Coordinating Board:			
Vocational Education - State Basic Grant Program	84.048	114230	<u>747,353</u>
Total U. S. Department of Education			<u>53,930,928</u>

McLennan County Junior College District

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

<u>Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor Number</u>	<u>Indirect Costs, Pass Through Disbursements and Expenditures</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	1311WPB000	\$ <u>281,276</u>
Total U.S. Department of Labor			<u>281,276</u>
<u>U. S. Small Business Administration</u>			
Pass Through From:			
Dallas County Community College District:			
Small Business Development Center	59.037	SBAHQ-12-B-0051	63,672
Small Business Development Center	59.037	10-603001-Z-0076-24	<u>12,052</u>
Total U. S. Small Business Administration			<u>75,724</u>
<u>U. S. Department of Health and Human Services</u>			
Pass Through From:			
Texas Education Agency:			
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	123625017110365	<u>68,820</u>
HOT Workforce Development Board:			
CCDF Cluster:			
Childcare Quality Improvement	93.596	07150C16FY11	8,496
Childcare Quality Improvement	93.596	07150C16FY12	<u>9,999</u>
Total CCDF Cluster			<u>18,495</u>
Total U.S. Department of Health and Human Services			<u>87,315</u>
<u>Corporation for National and Community Service</u>			
Direct Programs:			
Heart of Texas Retired Senior Volunteer Program	94.002		34,653
Heart of Texas Retired Senior Volunteer Program	94.002		<u>25,043</u>
Total Corporation for National and Community Service			<u>59,696</u>
Total Federal Awards			<u>\$ 54,434,939</u>

See accompanying independent auditors' 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, 2012

(1) Federal Revenue Reconciliation

Federal revenues for 2012 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	\$ 25,745,083
Add: Federal Family Education Loans made	35,731
Add: Federal Direct Student Loans made	<u>28,654,125</u>
 Total per Schedule of Expenditures of Federal Awards	 <u>\$ 54,434,939</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, 2012. 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 assets 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, 2012

Grantor Agency/Program Title	Grant Contract Number	Indirect Costs and Expenditures
Texas Higher Education Coordinating Board		
State Work Study		\$ 68,063
Nursing Shortage Reduction		78,422
NGIP At Risk Tracking		27,190
Texas Cross-Agency Summer Institute		1,160
Texas Education Opportunity Grants		207,182
Alternative Teacher Certification		17,826
Texas Grant Program		740,675
Total Texas Higher Education Coordinating Board		<u>1,140,518</u>
Texas Workforce Commission		
Skills Development	1311SDF000	660,734
Skills Development	1311SSD000	250
Skills Development	1312SDF001	46,868
Skills Development	1312SDF000-1	137,145
Total Texas Workforce Commission		<u>844,997</u>
Texas Education Agency		
State Adult Education	120100017110390	142,123
Total Texas Education Agency		<u>142,123</u>
Small Business Development Center	SBAHQ-12-B-0051	77,892
Small Business Development Center	1-603001-Z-0046-24	13,458
Total Small Business Development Center		<u>91,350</u>
Texas Department on Aging		
RSVP	11RZWTX018	29,782
Texas State Comptroller		
Jobs and Education for Texans (JET) - Round 6 Nursing	Contract #5112-6	28,463
Total Texas State Comptroller		<u>28,463</u>
Total State Awards		<u>\$ 2,277,233</u>

See accompanying independent auditors' 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, 2012

(1) State Revenue Reconciliation

State revenues for 2012 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	\$ <u>2,277,233</u>
Total per Schedule of Expenditures of State Awards	\$ <u><u>2,277,233</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, 2012. 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 assets 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

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 Assets by Component

Revenues by Source

Expenses by Function and Changes in Net Assets

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 Assets by Component

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

		For the Year Ended August 31,									
		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Invested in capital assets, net of related debt	\$	37,524	37,903	33,238	29,429	29,351	25,283	23,967	21,222	19,922	20,491
Restricted		2,587	2,227	5,101	4,445	3,807	1,232	1,198	945	1,212	3,092
Unrestricted		11,108	6,572	4,189	7,276	7,380	8,139	6,730	6,512	5,083	2,261
Total primary government net assets	\$	51,219	46,702	42,528	41,150	40,538	34,654	31,895	28,679	26,217	25,844

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				
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			
2003	43	48	3	6	-	624	684	10.64%	9.62%	136,687			
2002	34	39	3	6	4	564	624	9.25%	8.51%	128,777			

Non-Resident Students													
Fees per Semester Credit Hour (SCH)													
Year	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				
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			
2003	103	103	3	6	-	1,344	1,344	4.67%	4.67%	27,147			
2002	94	94	3	6	4	1,284	1,284	0.94%	0.94%	25,289			

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
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
2004	7,621,241	1,665,205	9,286,446	1,810,387	7,476,059	80.51%	7,628,632	0.106193	0.019853	0.126046
2003	6,861,995	1,848,083	8,711,078	1,651,522	7,059,556	81.04%	7,203,629	0.094770	0.021757	0.116527

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)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
School Districts:										
Axtell Independent School District	\$ 1.1700	1.1700	1.1700	1.1700	1.1700	1.3700	1.5000	1.4970	1.5000	1.3800
Bosqueville Independent School District	1.4785	1.5376	1.5500	1.5550	1.5613	1.4198	1.5301	1.4921	1.5898	1.5910
Bruceville-Eddy Independent School District	1.3250	1.3250	1.3250	1.3250	1.3250	1.3257	1.4500	1.4500	1.4100	1.4100
China Spring Independent School District	1.3744	1.4114	1.4070	1.4372	1.4296	1.4595	1.5900	1.5380	1.5725	1.5600
Connally Independent School District	1.2691	1.2811	1.2888	1.2700	1.2300	1.5118	1.6525	1.6470	1.6243	1.4985
Crawford Independent School District	1.2131	1.2266	1.2688	1.2454	1.3778	1.4915	1.6199	1.5492	1.5492	1.5299
Gholson Independent School District	1.0400	1.0400	1.0400	1.0400	1.0400	1.3278	1.4524	1.4524	1.4500	1.4052
Hallsburg Independent School District	1.0400	1.0400	1.0400	1.0400	1.0401	1.3700	1.5000	1.5000	1.5000	1.5000
LaVega Independent School District	1.4200	1.3650	1.3600	1.2389	1.3128	1.5366	1.6925	1.7200	1.5400	1.5080
Lorena Independent School District	1.3100	1.2900	1.2700	1.3774	1.2474	1.5815	1.7000	1.7546	1.6894	1.6894
Mart Independent School District	1.2178	1.2018	1.9120	1.2200	1.1954	1.4204	1.5380	1.6329	1.6500	1.6500
McGregor Independent School District	1.1850	1.1900	1.1900	1.1900	1.2100	1.5211	1.6500	1.6500	1.6500	1.6500
Midway Independent School District	1.3200	1.3200	1.3200	1.3200	1.3200	1.5065	1.6220	1.6220	1.6220	1.6020
Moody Independent School District	N/A	N/A	N/A	N/A	N/A	1.2591	1.4200	1.4200	1.4200	1.3800
Oglesby Independent School District	N/A	N/A	N/A	N/A	N/A	1.3041	1.5049	1.5000	1.5000	1.5000
Riesel Independent School District	1.3029	1.2983	1.1082	1.1499	1.3263	1.5126	1.6455	1.6271	1.6334	1.6486
Robinson Independent School District	1.3150	1.3150	1.3150	1.3160	1.1800	1.5109	1.6275	1.6510	1.6571	1.6403
Valley Mills Independent School District	N/A	N/A	N/A	N/A	N/A	1.5100	1.6600	1.6750	1.6750	1.6950
Waco Independent School District	1.3552	1.3610	1.3650	1.3664	1.3591	1.4438	1.5641	1.5383	1.5242	1.4850
West Independent School District	1.2232	1.2250	1.2300	1.2253	1.2253	1.5510	1.7364	1.6964	1.6293	1.4974

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)

		Taxable Assessed Value (dollars expressed in thousands)									
Taxpayer		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Type of Business											
Sandy Creek Energy	Utility	\$ 402,237	417,814	-	-	-	-	-	-	-	-
Space X	Technology	178,138	-	-	-	-	-	-	-	-	-
Caterpillar Logistics	Manufacturing	133,297	103,487	-	-	-	-	-	-	-	-
Oncor/TXU Electric	Utility	126,459	122,468	118,632	187,974	183,329	119,940	113,020	104,938	100,771	97,967
Mars SnackFoods US	Processing	90,346	117,838	110,584	158,527	162,909	92,810	77,282	81,983	83,936	84,815
Coca-Cola	Processing	83,185	82,569	78,061	112,011	119,415	56,616	57,040	57,569	59,065	49,715
Allergan	Manufacturing	69,984	71,108	64,610	101,931	67,001	43,662	42,624	42,464	41,405	37,915
Raytheon E-Systems/L3	Manufacturing	69,209	71,803	63,436	89,611	75,960	-	-	-	29,867	-
Sanderson Farms	Processing	64,675	68,389	71,806	105,387	-	-	-	-	-	-
Sherwin Williams	Distributor	62,264	-	46,933	59,350	59,453	38,858	-	-	-	30,747
Inland Western	Real estate	-	50,860	57,642	89,578	78,223	51,125	43,796	-	-	-
Southwestern Bell	Utility	-	44,744	57,479	84,576	120,907	76,313	76,483	73,296	81,321	89,603
Ferguson Enterprises	Distributor	-	-	49,807	77,284	101,794	66,531	39,623	-	-	-
Pilgrim's Pride	Processing	-	-	-	-	67,719	37,130	-	34,280	-	-
Richland Mall	Real estate	-	-	-	-	-	37,870	35,842	38,881	38,411	-
Huck International	Manufacturing	-	-	-	-	-	-	33,758	35,858	31,397	41,270
Owens Brockway	Manufacturing	-	-	-	-	-	-	32,703	39,682	40,533	58,760
Tyco Healthcare	Manufacturing	-	-	-	-	-	-	-	39,674	39,208	-
Paragon Manufacturing	Manufacturing	-	-	-	-	-	-	-	-	-	34,731
TXU Trading House	Utility	-	-	-	-	-	-	-	-	-	32,890
Totals		\$ 1,279,794	1,151,080	718,990	1,066,229	1,036,710	620,855	552,171	548,625	545,914	558,413
Total taxable assessed value		\$ 12,118,455	11,480,266	11,226,768	10,778,692	9,960,006	9,287,262	8,648,049	8,237,570	7,476,059	7,059,557

McLennan County Junior College District

Principal Taxpayers (Continued)

Last Ten Years (Unaudited)

Taxpayer	Type of Business	Percentage of Taxable Assessed Value												
		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002			
Sandy Creek Energy	Utility	3.32%	3.64%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Space X	Technology	1.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Caterpillar Logistics	Manufacturing	1.10%	0.90%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Oncor/TXU Electric	Utility	1.04%	1.07%	1.06%	1.74%	1.84%	1.29%	1.31%	1.27%	1.35%	1.39%	1.39%	1.39%	1.39%
Mars SnackFoods US	Processing	0.75%	1.03%	0.99%	1.47%	1.64%	1.00%	0.89%	1.00%	1.12%	1.20%	1.20%	1.20%	1.20%
Coca-Cola	Processing	0.69%	0.72%	0.70%	1.04%	1.20%	0.61%	0.66%	0.70%	0.79%	0.79%	0.79%	0.79%	0.79%
Allergan	Manufacturing	0.58%	0.62%	0.58%	0.95%	0.67%	0.47%	0.49%	0.52%	0.55%	0.54%	0.54%	0.54%	0.54%
Raytheon E-Systems/L3	Manufacturing	0.57%	0.63%	0.57%	0.83%	0.76%	0.00%	0.00%	0.00%	0.40%	0.00%	0.00%	0.00%	0.00%
Sanderson Farms	Processing	0.53%	0.60%	0.64%	0.98%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sherwin Williams	Distributor	0.51%	0.00%	0.42%	0.55%	0.60%	0.42%	0.00%	0.00%	0.00%	0.44%	0.44%	0.44%	0.44%
Inland Western	Real estate	0.00%	0.44%	0.51%	0.83%	0.79%	0.55%	0.51%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Southwestern Bell	Utility	0.00%	0.39%	0.51%	0.78%	1.21%	0.82%	0.88%	0.89%	1.09%	1.27%	1.27%	1.27%	1.27%
Ferguson Enterprises	Distributor	0.00%	0.00%	0.44%	0.72%	1.02%	0.72%	0.46%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Pilgrim's Pride	Processing	0.00%	0.00%	0.00%	0.00%	0.68%	0.40%	0.00%	0.42%	0.00%	0.00%	0.00%	0.00%	0.00%
Richland Mall	Real estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.41%	0.41%	0.47%	0.51%	0.00%	0.00%	0.00%	0.00%
Huck International	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.39%	0.44%	0.42%	0.58%	0.58%	0.58%	0.58%
Owens Brockway	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.38%	0.48%	0.54%	0.83%	0.83%	0.83%	0.83%
Tyco Healthcare	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.48%	0.52%	0.00%	0.00%	0.00%	0.00%
Paragon Manufacturing	Manufacturing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.49%	0.49%	0.49%	0.49%
TXU Trading House	Utility	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.47%	0.47%	0.47%	0.47%
Totals		10.56%	10.03%	6.40%	9.89%	10.41%	6.69%	6.38%	6.66%	7.30%	7.91%	7.91%	7.91%	7.91%

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
2012	\$ 18,574	18,076	97.32%	\$ 249	18,283	98.43%
2011	17,969	17,510	97.45%	272	17,771	98.90%
2010	17,581	16,962	96.48%	218	17,225	97.98%
2009	16,328	15,835	96.98%	204	16,222	99.35%
2008	15,239	14,909	97.83%	202	15,178	99.60%
2007	11,289	11,019	97.61%	206	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%
2004	9,423	9,234	97.99%	177	9,411	99.87%
2003	8,226	7,939	96.51%	111	8,050	97.86%

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)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Bonded Debt										
General obligation bonds	\$ 78,870	81,270	83,295	84,470	85,845	86,915	13,310	14,105	14,955	15,605
Other Debt										
Revenue bonds	18,145	18,845	19,555	10,600	5,355	5,790	6,205	6,550	7,020	7,465
Total outstanding debt	\$ 97,015	100,115	102,850	95,070	91,200	92,705	19,515	20,655	21,975	23,070

General Bonded Debt Ratios

Per capita	Not available	341	355	362	373	381	59	64	68	71
Per student	\$ 10,717	10,599	17,079	15,787	14,506	15,158	2,321	2,450	2,797	3,038
As a percentage of taxable assessed value	0.66%	0.71%	0.97%	0.90%	0.86%	0.94%	0.15%	0.17%	0.20%	0.22%

Total Outstanding Debt Ratios

Per capita	Not available	420	438	407	396	406	86	94	100	105
Per student	\$ 13,183	13,056	17,079	15,787	15,411	16,168	3,403	3,587	4,111	4,492
As a percentage of taxable assessed value	0.81%	0.87%	0.97%	0.90%	0.95%	1.00%	0.23%	0.25%	0.29%	0.33%
As a percentage of personal income	Not available	0.0130%	0.0130%	0.0133%	0.0127%	0.0014%	0.0003%	0.0003%	0.0004%	0.0004%

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)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Taxable assessed value	\$ 12,118,455	11,480,266	11,226,768	10,778,692	9,960,006	9,287,262	8,648,049	8,237,570	7,476,029	7,059,557
Statutory tax levy limit for general obligation debt service	\$ 60,592	57,401	56,134	53,893	49,800	46,436	43,240	41,188	37,380	35,298
Current year debt service requirements	6,275	5,977	5,692	5,750	5,165	1,422	1,425	1,423	1,470	1,441
Excess of statutory tax levy limit for debt service over current requirements	\$ 54,317	51,424	50,442	48,143	44,635	45,014	41,815	39,765	35,910	33,857
Current requirements as a percentage of statutory limit	10.36%	10.41%	10.14%	10.67%	10.37%	3.06%	3.30%	3.45%	3.93%	4.08%

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		
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	
2004	320	980	61	54	45	247	1,707	445	408	853	2.00	
2003	316	834	117	64	38	242	1,611	430	428	858	1.88	

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>
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%
2003	220,123	5,398,617	24,525	5.1%
2002	217,826	5,174,555	23,755	4.7%

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 2012 not yet available.

McLennan County Junior College District

Principal Employers

Fiscal Years 2006 - 2012
(Unaudited)

Employer	Number of Employees						
	2012	2011	2010	2009	2008	2007	2006
Baylor University	2,583	2,583	2,360	2,360	2,360	2,300	Not Available
Wal-Mart	2,561	2,561	1,290	1,290	Not Available	Not Available	Not Available
Providence Health Center	2,538	2,618	2,434	2,434	2,182	1,565	1,000+
Waco Independent School District	2,276	2,276	2,350	2,350	2,300	2,300	1,000+
L-3 Communications							
Integrated Systems	2,079	2,079	1,619	1,619	1,620	1,706	1,000+
Hillcrest Health System	1,800	1,793	1,700	1,700	1,700	1,836	1,000+
City of Waco, Texas	1,506	1,506	1,729	1,729	1,729	1,460	1,000+
HFB	1,500	1,500	1,350	Not Available	Not Available	Not Available	Not Available
Midway Independent School District	1,067	1,067	955	955	877	885	700+
McLennan Community College	871	805	816	835	757	718	710
Sanderson Farms	1,041	1,041	1,170	1,170	Not Available	Not Available	Not Available
McLennan County	860	830	850	850	893	880	700+
EMSI, Inc.	850	861	750	750	Not Available	Not Available	Not Available
Veterans Regional Office	800	650	Not Available	Not Available	Not Available	Not Available	Not Available
Cargill Foods, Inc.	685	685	694	694	775	Not Available	700+
Texas State Technical Institute	672	672	684	Not Available	Not Available	Not Available	Not Available
Veterans Administration							
Medical Center	650	800	735	Not Available	Not Available	Not Available	Not Available
McLennan County Juvenile							
Correctional Center	527	527	721	Not Available	Not Available	Not Available	Not Available
Masterfoods, USA	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
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
2004	11,875,990	5,346	2,221	2,283,669	1,156,048	3,439,717	3.45
2003	10,814,452	5,136	2,106	2,127,111	1,149,296	3,276,407	3.30

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)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Faculty										
Full-time	240	215	200	224	196	195	192	181	177	176
Part-time	299	242	245	218	209	194	186	170	163	146
Total	539	457	445	442	405	389	378	351	340	322
Percent:										
Full-time	44.5%	47.0%	44.9%	50.7%	48.4%	50.1%	50.8%	51.6%	52.1%	54.7%
Part-time	55.5%	53.0%	55.1%	49.3%	51.6%	49.9%	49.2%	48.4%	47.9%	45.3%
Staff and Administrators										
Full-time	310	318	341	367	338	319	319	309	299	295
Part-time	22	30	30	26	14	10	13	6	4	8
Total	332	348	371	393	352	329	332	315	303	303
Percent:										
Full-Time	93.4%	91.4%	91.9%	93.4%	96.0%	97.0%	96.1%	98.1%	98.7%	97.4%
Part-Time	6.6%	8.6%	8.1%	6.6%	4.0%	3.0%	3.9%	1.9%	1.3%	2.6%
Students per full-time faculty	39	47	50	35	41	40	40	42	40	37
Students per full-time staff member	30	32	29	21	24	27	24	24	24	22
Average annual faculty salary	\$ 60,272	61,432	61,403	59,074	54,980	54,858	53,281	50,501	N/A	N/A

Note:

Average annual faculty salary data not available for all years.

McLennan County Junior College District

Enrollment Details

Last Ten Fiscal Years (Unaudited)

Student Classification	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Freshman	5,613	55.11%	5,498	53.98%	5,316	53.63%	4,278	46.87%	4,601	58.36%	4,275	52.91%	4,457	57.19%	4,428	57.78%	4,234	56.22%	4,122	58.43%
Sophomore	2,758	27.08%	2,678	26.29%	2,771	27.95%	2,175	23.83%	2,115	26.83%	2,212	27.38%	2,012	25.81%	2,021	26.37%	1,866	24.78%	1,617	22.92%
Unclassified	1,814	17.81%	1,737	17.05%	1,041	10.50%	1,431	15.68%	1,363	17.29%	1,307	16.18%	1,194	15.32%	1,082	14.12%	955	12.68%	793	11.24%
Total	10,185	100.00%	9,913	97.33%	9,128	92.08%	7,884	86.37%	8,079	102.47%	7,794	96.47%	7,663	98.32%	7,531	98.28%	7,055	93.68%	6,532	92.59%
Semester Hour Load																				
Less than 3	91	0.89%	82	0.81%	69	0.70%	94	1.03%	84	1.07%	81	1.00%	76	0.98%	68	0.89%	86	1.14%	77	1.09%
3-5 semester hours	1,497	14.70%	1,533	15.05%	1,496	15.09%	1,480	16.21%	1,389	17.62%	1,392	17.23%	1,242	15.94%	1,379	18.07%	1,246	16.54%	1,306	18.51%
6-8 Semester hours	2,015	19.78%	1,809	17.76%	1,726	17.41%	1,515	16.60%	1,719	19.27%	1,461	18.08%	1,393	17.87%	1,350	17.69%	1,276	16.94%	1,128	15.98%
9-11 semester hours	1,943	19.08%	1,605	15.76%	1,494	15.07%	1,373	15.04%	1,425	18.07%	1,393	17.24%	1,381	17.72%	1,410	18.47%	1,374	18.24%	1,223	17.33%
12-14 semester hours	3,922	38.51%	4,082	40.08%	3,640	36.72%	2,752	30.15%	2,903	36.82%	2,775	34.35%	2,850	36.57%	2,607	34.15%	2,422	32.16%	2,167	30.71%
15-17 semester hours	627	6.16%	699	6.86%	613	6.18%	593	6.50%	680	8.63%	609	7.54%	606	7.78%	623	8.16%	577	7.66%	544	7.71%
18 & over	90	0.88%	103	1.01%	90	0.91%	77	0.84%	79	1.00%	83	1.03%	85	1.09%	94	1.23%	76	1.01%	87	1.23%
Total	10,185	100.00%	9,913	97.33%	9,128	92.08%	7,884	86.37%	8,079	102.47%	7,794	96.47%	7,633	97.93%	7,531	98.66%	7,057	93.71%	6,532	92.56%
Average course load	9.6		9.7		9.6		9.3		9.5		9.4		9.7		9.7		9.9		9.9	
Tuition Status																				
Texas Resident (in-District)	8,393	83.75%	7,739	77.23%	7,602	81.31%	6,672	73.76%	6,573	84.20%	6,369	82.52%	6,304	83.51%	6,392	86.23%	5,588	79.69%	5,547	78.77%
Texas Resident (out-of-District)	1,414	14.11%	1,392	13.89%	1,272	13.61%	1,003	11.09%	1,025	13.13%	1,041	13.49%	983	13.02%	1,016	13.71%	950	12.64%	872	12.38%
Non-Resident Tuition	214	2.14%	218	2.18%	172	1.84%	131	1.45%	120	1.34%	139	1.80%	126	1.67%	106	1.43%	104	1.38%	82	1.16%
Total	10,021	100.00%	9,349	93.29%	9,046	96.76%	7,806	86.29%	7,718	98.87%	7,549	97.81%	7,413	98.20%	7,514	101.36%	7,042	93.72%	6,501	92.32%

McLennan County Junior College District

Student Profile

Last Ten Fiscal Years (Unaudited)

Gender	Fall 2011		Fall 2010		Fall 2009		Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002		
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Female	6,056	65.35%	6,515	65.72%	6,086	66.67%	5,294	67.15%	5,396	67.15%	5,231	67.12%	5,179	67.58%	5,143	68.25%	4,803	68.04%	4,427	67.51%	
Male	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%	2,256	31.96%	2,131	32.49%	
Total	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%	7,059	100.00%	6,558	100.00%	
Ethnic Origin																					
White	5,920	58.12%	5,915	59.67%	5,726	62.73%	5,051	64.07%	5,239	64.85%	5,023	64.85%	4,992	65.14%	4,999	66.33%	4,786	67.80%	4,448	67.83%	
Hispanic	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%	983	13.93%	857	13.07%	
African American	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%	1,154	16.35%	1,126	17.17%	
Asian	113	1.11%	121	1.22%	109	1.19%	94	1.13%	91	1.06%	83	1.06%	97	1.27%	92	1.22%	73	1.03%	66	1.01%	
Foreign	8	0.08%	-	0.00%	43	0.47%	36	0.46%	27	0.33%	34	0.44%	29	0.38%	31	0.41%	43	0.61%	34	0.52%	
Native American	10	0.10%	6	0.06%	19	0.21%	22	0.28%	39	0.48%	28	0.36%	30	0.39%	24	0.32%	20	0.28%	27	0.41%	
American Indian	39	0.38%	39	0.39%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	
Multiracial	122	1.20%	57	0.58%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	
Unknown/unreported	53	0.52%	88	0.89%	6	0.07%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	
Total	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%	7,059	100.00%	6,558	100.00%	
Age																					
Under 18	1,158	11.68%	1,113	11.23%	988	9.97%	977	10.70%	912	11.57%	729	9.35%	637	8.31%	726	9.63%	663	9.39%	577	8.80%	
18 - 21	3,747	37.80%	3,636	36.68%	3,407	34.37%	3,066	33.59%	3,260	41.35%	3,163	40.58%	3,134	40.90%	3,117	41.36%	2,981	42.23%	2,854	43.52%	
22 - 24	1,365	13.77%	1,323	13.35%	1,243	12.54%	1,110	12.16%	1,075	13.64%	1,051	13.48%	1,028	13.42%	947	12.57%	871	12.34%	784	11.95%	
25 - 35	2,264	22.84%	2,410	24.31%	2,161	21.80%	1,660	18.19%	1,707	21.65%	1,692	21.71%	1,710	22.32%	1,660	22.03%	1,480	20.97%	1,343	20.48%	
36 - 50	1,336	13.48%	1,154	11.64%	1,065	10.74%	843	9.24%	918	11.64%	955	12.25%	957	12.49%	910	12.08%	863	12.23%	821	12.52%	
51 & over	315	3.18%	277	2.79%	264	2.66%	228	2.50%	207	2.63%	204	2.62%	197	2.57%	176	2.34%	201	2.85%	179	2.73%	
Total	10,185	102.74%	9,913	100.00%	9,128	92.08%	7,884	86.37%	8,079	102.47%	7,794	100.00%	7,663	100.00%	7,536	100.00%	7,059	100.00%	6,558	100.00%	
Average Age	26		25		26		25		25		25		26		25		25		25		25

McLennan County Junior College District

Student Transfers to Senior Institutions

Last Ten Fiscal Years (Unaudited)

	Fall 2011			Fall 2010			Fall 2009			Fall 2008			Fall 2007			Fall 2006			Fall 2005			Fall 2004			Fall 2003			Fall 2002					
	Total Students	% of Transfer Students	% of Total Transfer Students	Total Students	% of Transfer Students	% of Total Transfer Students	Total Students	% of Transfer Students	% of Total Transfer Students	Total Students	% of Transfer Students	% of Total Transfer Students	Total Students	% of Transfer Students	% of Total Transfer Students	Total Students	% of Transfer Students	% of Total Transfer Students	Total Students	% of Transfer Students	% of Total Transfer Students	Total Students	% of Transfer Students	% of Total Transfer Students	Total Students	% of Transfer Students	% of Total Transfer Students	Total Students	% of Transfer Students	% of Total Transfer Students			
Texas A&M University	170	15.56%	13.78%	132	13.78%	15.91%	79	19.36%	173	20.47%	162	19.71%	146	17.59%	144	19.07%	49	20.08%	152	26.71%													
University of Texas at Austin	75	6.86%	7.10%	68	7.10%	6.95%	0	0.00%	71	8.40%	57	6.93%	54	6.51%	42	5.56%	52	7.01%	68	11.95%													
Texas Tech University	107	9.79%	7.41%	71	7.41%	6.43%	20	4.90%	53	6.27%	58	7.06%	68	8.19%	69	9.14%	68	9.16%	41	7.21%													
Texas State University	73	6.68%	8.66%	83	8.66%	9.06%	29	7.11%	79	9.35%	83	10.10%	86	10.36%	83	10.99%	87	11.73%	62	10.90%													
Tarleton State University	450	41.17%	36.01%	345	36.01%	31.82%	166	40.69%	211	24.97%	173	21.05%	168	20.24%	147	19.47%	138	18.60%	68	11.95%													
Sam Houston State University	48	4.39%	4.91%	47	4.91%	2.74%	9	2.21%	22	2.60%	36	4.38%	46	5.54%	29	3.84%	27	3.64%	28	4.92%													
University of North Texas	42	3.84%	6.89%	66	6.89%	6.32%	28	6.86%	69	8.17%	71	8.64%	75	9.04%	86	11.39%	74	9.97%	47	8.26%													
University of Texas at Arlington	85	7.78%	11.06%	106	11.06%	15.70%	63	15.44%	121	14.32%	150	18.25%	150	18.07%	115	15.23%	104	14.02%	50	8.79%													
Stephen F. Austin State University	27	2.47%	2.40%	23	2.40%	4.00%	10	2.45%	34	4.02%	18	2.19%	29	3.49%	30	3.97%	29	3.91%	39	6.85%													
University of Houston	16	1.46%	1.77%	17	1.77%	1.05%	4	0.98%	12	1.42%	14	1.70%	8	0.96%	10	1.32%	14	1.89%	14	2.46%													
	1,093	100.00%	958	100.00%	949	100.00%	408	100.00%	845	100.00%	822	100.00%	830	100.00%	755	100.00%	742	100.00%	569	100.00%													

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

Notes:

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

McLennan County Junior College District

Capital Asset Information

Last Ten Fiscal Years (Unaudited)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Academic buildings	17	16	15	16	13	13	13	13	13	13
Square footage*	564	549	538	549	304	304	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*	81	79	78	84	83	83	82	80	80	80
Administrative and support buildings	18	18	18	16	12	12	12	11	11	11
Square footage*	678	676	493	458	240	240	240	222	222	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	999	803	1,000	900	750	700	500	500	500	500
Athletic facilities										
Square footage*	43	43	43	43	43	43	43	25	25	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	2	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	614	614	614	596	596	596
Transportation										
Cars	4	6	5	6	6	6	5	5	6	6
Light trucks/vans	6	10	10	10	12	11	12	14	14	14
SUV's	9	10	7	6	5	5	4	3	2	2
Buses	2	2	2	2	3	3	3	3	2	2

* in thousands

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



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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, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2012. We conducted our audit 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 McLennan Community College Foundation, a discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

This report is intended solely for the information and use of the Board of Trustees, management, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jayns, Reitzmaier, Boyd & Threlk, A.C.

November 21, 2012



JAYNES, REITMEIER, BOYD & THERRELL, P.C.
Certified Public Accountants

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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal and State Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Uniform Grant Management Standards

The Board of Trustees
McLennan County Junior College District:

Compliance

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, 2012. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2012.

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jaynes, Reitzman, Boyd & Thawell, P.C.

November 21, 2012

McLennan County Junior College District
Schedule of Findings and Questioned Costs
Year Ended August 31, 2012

(1) Summary of Auditors' Results***Financial Statements***

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes x no***Federal and State Awards***

Internal control over major programs:

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

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

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 x no

Identification of major federal programs:

CFDA Number(s)Name of Federal Program or Cluster

Student Financial Assistance Cluster:	
<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007	Federal Supplemental Educational Opportunity Grant Program
84.032	Federal Family Educational Loan 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
84.002A	Adult Education

Identification of major state programs:

Grant Number(s)Name of State Program or Cluster

--	Texas Grant Program
----	---------------------

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?

 x yes _____ no

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

None noted.

(3) Federal Award Findings

None noted

(4) State Award Findings

None Noted