

FINAL OFFICIAL STATEMENT
Date: August 6, 2024

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Jackson Walker LLP, bond counsel to the District (“Bond Counsel”), based upon an analysis of existing laws, regulations, ruling and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds (see “TAX MATTERS” herein). A proposed form of opinion of Bond Counsel is set forth in Appendix C (see “TAX MATTERS” herein).

\$14,920,000
MCLENNAN COUNTY JUNIOR COLLEGE DISTRICT
(McLennan and Falls Counties, Texas)
LIMITED TAX REFUNDING BONDS,
SERIES 2024

Dated Date: August 15, 2024
(Interest Accrual: Delivery Date)

Due: August 15, as shown on page ii

The McLennan County Junior College District (the “District”) is issuing its \$14,900,000 Limited Tax Refunding Bonds, Series 2024 (the “Bonds”) pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Chapter 1207, Texas Government Code, as amended, and a bond order (the “Bond Order”) adopted by the Board of Trustees of the District (the “Board”) on April 30, 2024, in which the District delegated pricing of the Bonds to an authorized representative through the execution of a pricing certificate (the “Pricing Certificate”) (the Bond Order and the Pricing Certificate are jointly referred to herein as the “Order”). The Pricing Certificate was executed on August 6, 2024. The Bonds constitute direct obligations of the District, payable from a continuing ad valorem tax levied on all taxable property located within the District, within the limits prescribed by law, as provided in the Order (see “THE BONDS – Authorization and Purpose”).

Interest on the Bonds will accrue from the date of initial delivery (the “Delivery Date”) to the Underwriter listed below (the “Underwriter”) and will be payable February 15 and August 15 of each year, commencing February 15, 2025, until maturity or prior redemption. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple within a maturity. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.

The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (the “Paying Agent/Registrar”), initially by BOKF, N.A., Dallas, Texas, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “BOOK-ENTRY-ONLY SYSTEM” and “REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar”).

The Bonds will not be subject to optional redemption prior to their stated maturity (see “THE BONDS - Redemption Provisions”).

Proceeds from the sale of the Bonds will be used to (i) refund certain outstanding obligations of the District (the “Refunded Bonds”) (see “SCHEDULE I – SCHEDULE OF BONDS TO BE REFUNDED”) and (ii) pay the costs of issuance related to the Bonds. The refunding is being undertaken to lower the District’s debt service payments and will result in a present value debt service savings to the District.

SEE INSIDE COVER PAGE FOR MATURITY AND PRICING SCHEDULE

The Bonds are offered for delivery when, as and if issued, subject to the approving opinions of the Attorney General of the State of Texas and of Jackson Walker LLP, Houston, Texas, Bond Counsel. Certain matters will be passed on for the Underwriter by McCall Parkhurst & Horton L.L.P., Austin, Texas, as counsel to the Underwriter. The Bonds are expected to be available for delivery through DTC on or about August 29, 2024 (the “Delivery Date”).

SAMCO CAPITAL MARKETS

MATURITY AND PRICING SCHEDULE*

\$14,920,000
LIMITED TAX REFUNDING BONDS, SERIES 2024

Maturity Date (August 15)	Principal Amount	Interest Rate	Initial Yield^(B)	CUSIP Suffix^(A)
2025	\$1,040,000	5.00%	3.00%	LG1
2026	4,120,000	5.00%	3.00%	LH9
***	***	***	***	***
2028	4,540,000	4.00%	3.00%	LJ5
***	***	***	***	***
2031	5,220,000	4.00%	3.06%	LK2

(Interest Accrues from Delivery Date)

Redemption Provisions... The Bonds are not subject to redemption prior to their stated maturity (see “THE BONDS – Redemption Provisions”).

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^(B) The initial yields and prices have been established by and are the sole responsibility of the Underwriter and may subsequently be changed at the discretion of the Underwriter.

MCLENNAN COUNTY JUNIOR COLLEGE DISTRICT

ELECTED OFFICIALS

BOARD OF TRUSTEES

<u>Name</u>	<u>Term Expires</u>	<u>Occupation</u>
Earl Stinnett, Sr. – Chairman	2027	Retired, Program Coordinator, City of Waco Parks Department
Ricky Turman – Vice – Chairman	2027	Executive Vice President and Chief Financial Officer of Brazos Higher Education Service Corporation, Inc.
Dr. Elizabeth Palacios – Secretary	2025	Dean for Student Development, Division of Student Life, Baylor University
Dr. Dennis Clark – Trustee	2025	President/CEO – Equine Performance Veterinarians, PLLC
Jonathan Hill – Trustee	2029	Senior Brand Strategy Specialist, Baylor University
K. Paul Holt – Trustee	2027	Chapter Manager – Associated General Contractors
Ilda Sabido – Trustee	2029	Assistant Program Manager for the McLennan Community Investment Fund

CERTAIN APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Dr. Johnette McKown	President	36 Years
Mark Harmsen*	Vice President, Finance and Administration	<1 year
Grayson Meek	Comptroller	4 Years

*Mark Harmsen joined the District in July 2024 after 13 years at Central Texas College in Killeen, Texas.

CONSULTANTS AND ADVISORS

Certified Public Accountants..... Jaynes Reitmeier Boyd & Therrell, P.C.
Waco, Texas

Bond Counsel..... Jackson Walker LLP
Houston, Texas

Municipal AdvisorRBC Capital Markets, LLC
Dallas, Texas

FOR ADDITIONAL INFORMATION PLEASE CONTACT:

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter.

This Official Statement, which includes the cover page, Schedule I and Appendices hereto, is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Neither the District, the Municipal Advisor nor the Underwriter make any representation regarding the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System. CUSIP numbers have been assigned to the Bonds by the CUSIP Service Bureau for the convenience of the owners of the Bonds.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in the Official Statement pursuant to its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with any purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

References to website addresses presented herein are for informational purposes only and may not be in the form of a hyperlink solely for reader convenience. Unless specified otherwise, such websites and information or links contained therein are not incorporated into and are not part of the Official Statement for purposes of and as the term is defined in Rule 15c2-12.

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FOR THE YEAR ENDED AUGUST 31, 2023		APPENDIX D	

The cover page hereof, the section entitled “Selected Data from the Official Statement,” this Table of Contents, the Schedule and Appendices attached hereto are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is a summary of certain information contained herein and is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement (which includes the Schedule and Appendices attached hereto). No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement (which includes the Schedule and Appendices attached hereto).

The District	McLennan County Junior College District (the “District”) is a county-wide junior college district located in McLennan County, Texas (the “County”). The voters of the County voted to establish the District in November of 1965. The District is governed by a seven-member Board of Trustees (the “Board”).
The Bonds	The District’s Limited Tax Refunding Bonds, Series 2024 shall mature on the dates and in the amounts set forth on page ii of this Official Statement (see “THE BONDS – General Description”).
Authority for Issuance	The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Chapter 1207, Texas Government Code, as amended, and a bond order (the “Bond Order”) adopted by the Board on April 30, 2024, in which the District delegated pricing of the Bonds to an authorized representative through the execution of a pricing certificate (the “Pricing Certificate”) (the Bond Order and the Pricing Certificate are jointly referred to as the “Order”). The Pricing Certificate was executed on August 6, 2024 (see “THE BONDS – Authorization and Purpose”).
Payment of Interest	Interest on the Bonds will accrue from the date of their delivery to the Underwriter (the “Delivery Date”) and will be payable February 15 and August 15 of each year commencing February 15, 2025, until maturity, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months (see “THE BONDS – General Description”).
Security	The Bonds constitute direct obligations of the District, payable from a continuing ad valorem tax levied on all taxable property located within the District, within the limits prescribed by law, as provided in the Order (see “THE BONDS – Security”).
Purpose	Proceeds from the sale of the Bonds will be used to refund certain outstanding obligations of the District (the “Refunded Bonds”) (see “SCHEDULE I – SCHEDULE OF BONDS TO BE REFUNDED”) and to pay the costs of issuance related to the Bonds. The refunding is being undertaken to lower the District’s debt service payments and will result in a present value debt service savings to the District.
Redemption Provisions	The Bonds are <u>not</u> subject to redemption prior to their stated maturity (see “THE BONDS - Redemption Provisions”).
Paying Agent/Registrar	The initial Paying Agent/Registrar is by BOKF, N.A., Dallas, Texas. The District intends to use the Book-Entry-Only System of The Depository Trust Company (“DTC”) (see “BOOK-ENTRY-ONLY SYSTEM”).
Tax Matters	In the opinion of Jackson Walker LLP, bond counsel to the District (“Bond Counsel”), based upon an analysis of existing laws, regulations, ruling and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds (see “TAX MATTERS” herein). A proposed form of opinion of Bond Counsel is set forth in Appendix C (see “TAX MATTERS” herein).
Ratings	S&P Global Ratings, a division of S&P Global Inc. (“S&P”) has assigned municipal bond ratings of “AA” to the Bonds (see “RATINGS”).
Payment Record	The District has never defaulted in the payment of its bonded indebtedness.
Legal Opinion	Jackson Walker LLP, Houston, Texas

OFFICIAL STATEMENT

relating to

**MCLENNAN COUNTY JUNIOR COLLEGE DISTRICT
(McLennan and Falls Counties, Texas)**

**\$14,920,000
LIMITED TAX REFUNDING BONDS,
SERIES 2024**

INTRODUCTORY STATEMENT

This Official Statement, including Schedule I and Appendices A and B, has been prepared by the McLennan County Junior College District (the “District”) with the assistance of RBC Capital Markets, LLC, Municipal Advisor to the District, in connection with the offering by the District of its Limited Tax Refunding Bonds, Series 2024 (the “Bonds”). Capitalized terms used herein have the same meanings as assigned to such terms in the order authorizing the issuance of the Bonds, except as otherwise indicated.

All financial and other information presented in this Official Statement has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see “FORWARD-LOOKING STATEMENTS”).

This Official Statement speaks only as of its date and the information contained herein is subject to change. A copy of the final Official Statement will be submitted to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the District’s undertaking to provide certain information on a continuing basis.

THE BONDS

Authorization and Purpose

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Chapter 1207, Texas Government Code, as amended, and a bond order (the “Bond Order”) adopted by the Board of Trustees of the District (the “Board”) on April 30, 2024 in which the District delegated pricing of the Bonds to an authorized representative through the execution of a pricing certificate (the “Pricing Certificate”) (the Bond Order and the Pricing Certificate are jointly referred to as the “Order”). The Pricing Certificate was executed on August 6, 2024.

Proceeds from the sale of the Bonds will be used to refund certain outstanding obligations of the District (the “Refunded Bonds”) (see “SCHEDULE I – SCHEDULE OF BONDS TO BE REFUNDED”) and to pay the costs of issuance related to the Bonds. The refunding is being undertaken to lower the District’s debt service payments and will result in a present value debt service savings to the District.

Refunded Bonds

The Refunded Bonds, and interest due thereon, are to be paid on the redemption date shown on Schedule I attached hereto from funds to be deposited with The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (the “Refunded Bonds Paying Agent”). The Order provides that the District will deposit with the Refunded Bonds Paying Agent a portion of the proceeds from the sale of the Bonds, together with other lawfully available funds of the District, if any, in an amount which will be sufficient to accomplish the discharge and final payment of the Refunded Bonds (the “Deposited Funds”). The Deposited Funds will be irrevocably held by the Refunded Bonds Paying Agent for the benefit of the owners of the Refunded Bonds for the purpose of paying the principal and interest of the Refunded Bonds on their scheduled redemption date.

At the time of delivery of the Bonds to the Underwriter, either the Paying Agent for the Refunded Bonds or the District’s Municipal Advisor will certify that the Deposited Funds will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds on their scheduled redemption date (the “Sufficiency Certificate”). The Deposited Funds will not be available to pay the debt service on the Bonds.

By the deposit with the Refunded Bonds Paying Agent, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the order authorizing the issuance of Refunded Bonds. The opinion of Bond Counsel will note that as a result of such Deposited Funds and in reliance upon Sufficiency Certificate, firm banking and financial arrangements will have been made and therefore the Refunded Bonds will be outstanding only for the purpose of

receiving payments from the cash held for such purpose by the Refunded Bonds Paying Agent, and the Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

General Description

The Bonds are dated August 15, 2024 and are to mature on the dates and in the principal amounts shown on page ii hereof. The Bonds will each be issued as fully registered obligations in principal denominations of \$5,000 or any integral multiple thereof within a maturity. Interest on the Bonds will accrue from the date of delivery at the interest rates shown on page ii hereof and such interest shall be payable to the registered owners thereof on February 15, 2025 and semiannually thereafter on August 15 and February 15 in each year until maturity or prior redemption. Interest accruing on the Bonds will be calculated on the basis of 360-day year of twelve 30-day months. The paying agent and registrar (the “Paying Agent/Registrar”) for the Bonds is initially BOKF, N.A., Dallas, Texas.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the Book-Entry-Only System described below. No physical delivery of the Bonds will be made to the beneficial owners.

Interest on the Bonds is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The record date (the “Record Date”) for the interest payable on any interest payment date is the close of business on the last business day of the month next preceding such interest payment date (see “REGISTRATION, TRANSFER AND EXCHANGE – Record Date for Interest Payment” herein). The principal of the Bonds will be payable only upon presentation of such Bonds at the designated office of the Paying Agent/Registrar upon maturity or prior redemption; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under “BOOK-ENTRY-ONLY SYSTEM” herein.

Redemption Provisions

The Bonds are not subject to redemption at the option of the District prior to their stated maturity.

Notices

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity any action premised on any such notice.

Security

The Bonds constitute direct obligations of the District, payable from a continuing ad valorem tax levied on all taxable property located within the District, within the limits prescribed by law, as provided in the Order. Pursuant to Chapter 130, Texas Education Code, as amended (the “Act”) and an election held in the District on November 2, 1965 (the “1965 Election”), the District is authorized to levy annual ad valorem taxes for maintenance and operations at a rate not to exceed \$0.25 per \$100 assessed valuation of taxable property in the District. Pursuant to the Act and the 1965 Election, the District is authorized to levy annual ad valorem taxes for debt service, including payment of principal and interest on the Bonds, at a rate not to exceed \$0.50 per \$100 assessed valuation of taxable property in the District (see “AD VALOREM PROPERTY TAX INFORMATION – Tax Rate Limitations”).

Legality

The Bonds are offered for delivery when, as and if issued, subject to the approving opinions of the Attorney General of the State of Texas and of Jackson Walker LLP, Houston, Texas, Bond Counsel (Legal Opinion to be printed on or attached to the Bonds – see “LEGAL MATTERS” and “APPENDIX C – FORM OF BOND COUNSEL’S OPINION” herein).

Payment Record

The District has never defaulted in the payment of its bonded indebtedness.

Ownership

The District, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of principal and interest, and for all other purposes, whether or not such Bond is overdue, and neither the District nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary.

All payments made to the person deemed to be the owner of any Bond in accordance with the Order will be valid and effectual and will discharge the liability of the District and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

Sources and Uses of Proceeds

The proceeds from the sale of the Bonds, along with other available funds of the District will be applied approximately as follows:

<u>Sources:</u>	
Principal Amount	\$14,920,000.00
Original Issue Premium	<u>649,049.80</u>
Total Sources	<u>\$15,569,049.80</u>
 <u>Uses:</u>	
Deposit to Escrow Fund	\$15,362,256.94
Costs of Issuance	121,572.77 ^(A)
Underwriter’s Discount	<u>85,220.09</u>
Total Uses	<u>\$15,569,049.80</u>

^(A) Includes additional proceeds in the amount of \$3,072.77.

REGISTERED OWNERS’ REMEDIES

The Order does not provide for the appointment of a trustee to represent the interests of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Order. Furthermore, the Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. A registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner’s only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Order. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The District is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the

U.S. Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the U.S. Bankruptcy Code.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the Depository Trust Company (“DTC”), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Municipal Advisor and the Underwriter believe the source of such information to be reliable, but none of the District, the Municipal Advisor or the Underwriter takes any responsibility for the accuracy or completeness thereof.

The District, the Municipal Advisor, and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notice to the Beneficial Owners (as hereinafter defined), or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security will be issued for each maturity of the Bonds, as set forth on page ii hereof, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered (see "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration").

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository.) In that event, Bonds will be printed and delivered in accordance with the Order.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

BOKF, N.A has been named to serve as initial Paying Agent/Registrar for the Bonds. The Bonds are being issued in fully registered form in integral multiples of \$5,000 of principal amount. Interest on the Bonds will be payable semiannually by the Paying Agent/Registrar by check mailed on each Interest Payment Date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date or by such other customary banking arrangement acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the Owner.

In the Order, the District retains the right to replace the Paying Agent/Registrar on note less than thirty (30) day written notice, so long as any such notice is effected not less than sixty (60) days prior to the next succeeding prior or interest payment date on the Bonds. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a competent and legally qualified bank, trust company, financial institution or other agency duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Future Registration

In the event the Book-Entry-Only System is discontinued, printed Bond certificates will be delivered to the owners of the Bonds and thereafter the Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds.

Record Date for Interest Payment

The record date (the "Record Date") for the interest payable on any interest payment date for the Bonds means the close of business on the last business day of the month next preceding the interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar shall be required to make any transfer or exchange (i) with respect to any Bond, during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond of like kind and in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the District and the Paying Agent/Registrar a certificate to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

Defeasance

The Order provides that the Bonds may be defeased in any manner now or hereafter permitted by law.

Amendments

The District may amend the Order without the consent of or notice to any registered owner in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may with the written consent of the holders of a majority of the aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of the registered owners of the Bonds affected, no such amendment, addition or rescission may (i) make any change in the maturity of any of the outstanding Bonds; (ii) reduce the rate of interest borne by any of the outstanding Bonds; (iii) reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modify the terms of payment of principal or of interest or redemption premium on outstanding Bonds or any of them or impose any condition with respect to such payment; or (v) change the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment.

AD VALOREM PROPERTY TAX INFORMATION

Authority to Levy Taxes

The District is authorized to levy an annual ad valorem tax, within the limitations prescribed by law, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. The District agrees in the Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS – General Description." Under Texas law, the District also levies and collects an annual ad valorem tax for the operation and maintenance of the District and its facilities and for the payment of certain contractual obligations.

Tax Rate Limitations

The District will covenant in the Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which when added to other funds legally available to the District for payment of outstanding debt obligations is adequate to provide funds to pay the principal of and interest on the Bonds. Pursuant to the Act and the 1965 Election, the District is authorized to levy annual ad valorem taxes for maintenance and operations at a rate not to exceed \$0.25 per \$100 assessed valuation of taxable property in the District. The District currently has a maintenance and operations ad valorem tax limitation of \$0.109841 per \$100 assessed valuation (see Table 7 in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT"). Pursuant to the Act and the 1965 Election, the District is authorized to levy annual ad valorem taxes for debt service, including payment of

principal and interest on the Bonds, at a rate not to exceed \$0.50 per \$100 assessed valuation of taxable property in the District. The District currently levies a debt service tax in the amount of \$0.018668 per \$100 assessed valuation.

No-New Revenue Tax Rate and Voter-Approval Tax Rate

During the 2019 Regular Legislative Session, the Legislature made numerous changes to the requirements for the levy and collection of ad valorem taxes and the calculation of defined tax rates, including particularly those contained in Senate Bill 2 (“SB 2”). To date, there have been no substantive changes to the limitations previously in place for junior college districts as they are defined as a “Special Taxing Unit” under SB 2 and such entities are exempt from many of the requirements placed on other political subdivisions of the State. Under current law, if the District adopts a tax rate that exceeds its Voter-Approval Tax Rate (discussed and defined below), the registered voters must determine, at an election, whether to approve the adopted tax rate.

Process for Calculating Tax Rates

By the later of September 30th or 60 days after the date the certified appraisal roll is received by the District, the Board adopts a tax rate per \$100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures and (2) a rate for debt service.

Under the Property Tax Code, the District must annually calculate and publicize its “No-New-Revenue Tax Rate” and “Voter-Approval Tax Rate”. The Board may not adopt a tax rate that exceeds the prior year's levy until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the voter-approval tax rate, the qualified voters of the District by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the voter-approval tax rate.

“No-New-Revenue Tax Rate” means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). “Adjusted” means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

“Voter-Approval Tax Rate” means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities, counties, and hospital districts in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. The Property Tax Code sets forth calculation methodology for the no new revenue tax rate and the voter-approval tax rate of Special Taxing Units, such as the District, related to the imposition of additional sales and use taxes.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Ad Valorem Taxation

The Texas Tax Code (the “Tax Code”) contains provisions relating to property subject to taxation; property exempt from taxation and other exemptions granted and allowed, if claimed; the appraisal of property for purposes of taxation and the procedures to be followed and limitations applicable to the levy and collection of ad valorem taxes. Among other features, the Tax Code, as amended, provides as follows with respect to the District:

1. The McLennan Central Appraisal Districts (the “Appraisal District”) is responsible for appraising property in the District, as well as in the other taxing units within McLennan County. The Appraisal District is governed by a board of directors appointed by the governing bodies of the various governmental units within the county.
2. All property in the District is assessed at 100% of its appraised value and assessment of property for taxation on the basis of a percentage of its appraised value is prohibited.
3. By the later of September 30th or the 60th day after the date the certified appraisal rolls are received by the District, the District is required to adopt a tax rate for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service. If the tax rate exceeds the “voter-approval tax rate” (the highest tax rate that the District may adopt without holding an election to seek voter approval of the rate), 10% of the qualified voters of the District may petition for an election to determine whether to reduce the tax rate the District may adopt to the “voter-approval tax rate”. The “voter-approval tax rate” is generally equal to 1.08 times the “no-new-revenue tax rate” for the current year, excluding tax rates for bonds, contractual obligations and other debt obligations of the District and adjusted for new improvements, lost property and exemptions.
4. An increase in the District's tax rate above the lower of the “voter-approval tax rate” (as defined by the Tax Code) or 100% of the “no-new-revenue tax rate” will require a public hearing.

5. Penalties for delinquent taxes are as follows:
 - a. 6% - First month;
 - b. 1% - Additional penalty each month through June;
 - c. 12% - All delinquencies on July 1 regardless of delinquency period; and
 - d. The District, as permitted, has adopted an additional penalty for all delinquencies as of July 1 of 15%, the maximum allowed under State law, of taxes, penalty and interest due in order to defray costs of collection.
6. Interest charges on delinquent taxes are:
 - a. 1% - First month; and
 - b. An additional 1% increase each month thereafter.
7. Property within the Appraisal District must be reappraised at least once every three years.
8. Uniform discovery and appraisal procedures are provided for all types of business inventories without regard to the nature of the property comprising the inventory.
9. Local governments have the option of granting homestead exemptions of up to 20% of market value. The minimum exemption for junior college districts is \$5,000. Taxes may continue to be levied against the value of the homestead exempted where ad valorem taxes have been previously pledged for the payment of debt, if cessation of the levy would impair the obligation of the contract by which the debt was created. The District grants an exemption of 20% of the market value of residential homesteads; minimum exemption of \$5,000. The District also grants an additional optional homestead exemption of \$12,000 for taxpayers 65 years of age or older and disabled persons. Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt.
10. Local governments have the option to provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. The District has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older. Additionally, the District can make no representations or predictions concerning the impact that a tax limitation might have on the taxing rates of the District or its ability to make debt service payments if such optional exemption were adopted.
11. Article VIII, Section 1-j of the Texas Constitution exempts from taxation goods, wares, merchandise, other tangible personal property, and ores (other than oil, natural gas, and other petroleum products) acquired or imported by a person for assembling, storing, manufacturing, processing or fabricating by the person that acquired or imported the property while such property is being detained in the State of Texas, and such property is transported outside the State of Texas within 175 days after the date of its acquisition or importation by such person. Notwithstanding such exemption, counties, school districts, junior college districts and municipalities (including home-rule cities) may continue to tax such tangible personal property provided official action to tax was taken before January 1, 1990. The official action to tax such property can subsequently be rescinded and, if rescinded, such property shall thereafter be exempt from taxation. The District does not tax freport property.
12. Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.
13. State law and Section 2, Article VIII of the Texas Constitution, provides that a person who owns property located in an area declared by the Governor to be a disaster area following a disaster is entitled to a temporary exemption from ad valorem taxation by a political subdivision of a portion of the appraised value of that property. State law requires an exemption adopted by a political subdivision to specify the disaster to which the exemption pertains and be adopted not later than the 60th day after the date the Governor first declares territory in the taxing unit to be a disaster area as a result of the disaster, amongst other requirements.
14. State law and Section 2, Article VIII of the Texas Constitution, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000. In addition, a disabled veteran who receives 100% disability compensation due to a service

connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Effective January 1, 2012, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. Effective January 1, 2018, SB 15 expanded the surviving spouse exemption to survivors of a first responder killed in the line of duty.

15. Article VIII, Section 1-n of the Texas Constitution, provides for an exemption from taxation for “goods-in-transit”, which are defined as personal property acquired or imported into the State and transported to another location inside or outside the State within 175 days of the date the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motors, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. Senate Bill 1, passed by the 82nd Legislature, 1st Called Session, requires again that the governmental entities take affirmative action prior to January 1 of the first tax years in which the governing body proposes to tax goods-in-transit to continue its taxation of goods-in-transit in the 2012 tax year and beyond. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. The District has not taken action to tax goods-in-transit.
16. The District and the other taxing bodies within McLennan County may jointly agree to the creation of a tax increment reinvestment zone (“TIRZ”), under which the tax values on property in the zone are “frozen” at the value of the property at the time of creation of the zone. The District also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The District in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to ten years. The District has established a Tax Abatement Zone to promote economic development in the City of Waco and City of McGregor area but currently the District is not party to any abatement agreements. The District participates as a participating taxing unit in the following TIRZs:

City of Waco TIRZ #1...The City of Waco, Texas established TIRZ #1 in 1982 for 40 years on a 2,388-acre tract of retail, commercial and residential land. The proposed improvements to the property in the TIRZ include public buildings and facilities, water/sewer and drainage projects, roadwork, parks, landscaping and lighting, façade renovation, parking, historic preservation, environmental remediation and economic development. The District participates 50% as a participating tax unit in the City of Waco TIRZ #1 along with the City of Waco and McLennan County. The total captured TIRZ value of the City of Waco TIRZ #1 is approximately \$840,300,000.

City of Waco TIRZ #3...The City of Waco, Texas established TIRZ #3 in 1986 for 40 years on a 302-acre tract of undeveloped land. The proposed improvements to the property in the TIRZ include commercial/industrial development. The District participates 100% as a participating tax unit in the City of Waco TIRZ #3 along with the City of Waco and McLennan County. The total captured TIRZ value of the City of Waco TIRZ #3 is approximately \$12,600,000.

City of Waco TIRZ #4...The City of Waco, Texas established TIRZ #4 in 2022 for 30 years 17.4 square miles of underdeveloped and undeveloped land. The proposed improvements to the property in the TIRZ include public buildings and facilities, water/sewer and drainage projects, roadwork, parks, landscaping and lighting, façade renovation, parking, historic preservation, environmental remediation and economic development. The District participates 50% as a participating tax unit in the City of Waco TIRZ #4 along with the City of Waco and McLennan County. The total captured TIRZ value of the City of Waco TIRZ #4 is approximately \$337,000,000.

City of McGregor TIRZ #1...The City of McGregor, Texas established TIRZ #1 in 2022 for 40 years on a 8,000-acre tract of undeveloped land. The proposed improvements to the property in the TIRZ include commercial/industrial development. The District participates 50% as a participating tax unit in the City of McGregor TIRZ #1 along with the City of McGregor, McLennan County. The total captured TIRZ value of the City of McGregor TIRZ #1 is approximately \$22,700,000.

The cumulative captured TIRZ value for each of the TIRZ's the District participates in is \$1,212,600,000.

Appraisal Value Cap

During the Second Special Session of the 88th Legislature, the Legislature passed Senate Bill 2 which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “subjected property”) whose appraised values are not more than \$5 million dollars (the “maximum property value”) to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the “appraisal cap”). After the 2024 tax year, through December 31, 2026,

the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. The appraisal cap took effect on January 1, 2024.

The District can make no representations or predictions regarding any actions the Legislature has taken or may concerning the substance or effect of any legislation passed in previous sessions or in a future session of the Legislature (see “RISK FACTORS FOR JUNIOR COLLEGES – Future Legislation”).

STATE JUNIOR COLLEGE FINANCING PROGRAM

Effective 2024 junior college districts (including the College) are subject to a state financing program (the financing program”) that ensures each public junior college has access to adequate state appropriations and local resources. The financing program consists of two components: (1) a base tier of state and local funding (the “Base Tier Formula”) and (2) a performance tier of state funding (the “Performance Tier Formula”) which constitutes the majority of state funding to be distributed based on measurable outcomes aligned with (a) regional and state workforce needs and (b) state goals aligned to the state’s long-range master plan for higher education. The Texas Higher Education Coordinating Board (“THECB”) has adopted rules that require reporting by junior college districts and take other actions to administer the financing program. Each tier is described in detail below.

Base Tier Formula

The Base Tier Formula a junior college district is entitled to receive from the state for instruction and operations for a state fiscal year is the amount a junior college district’s Guaranteed Instruction and Operations Funding (defined below) exceeds its Local Share (defined below).

“Guaranteed Instruction and Operations Funding” means, for a state fiscal year, the sum of: (1) the product of (A) the amount per weighted full-time equivalent student set by the general appropriations act or other legislative appropriation and (B) the number of weighted full-time equivalent students enrolled at the public junior college; and (2) the public junior college's weighted contact hour funding by discipline. For purposes of this definition, the THECB has adopted rules that establish student weights for purposes of applying the financing program.

“Local Share” means, an amount equal to the sum of amounts of revenue estimated to be generated by (1) imposing a maintenance and operations ad valorem tax in the district at a rate of \$0.05 and (2) assessing an amount of tuition and fees to each full-time equivalent student enrolled at the public junior college equal to the statewide average amount of tuition and fees assessed by public junior college districts to a full-time equivalent student, as provided and determined by THECB rule.

Performance Tier Formula

The Performance Tier Formula of state funding entitles a junior college district to performance tier funding pursuant to the following measurable outcomes: (1) the number of credentials of value awarded (as determined by the THECB based on analyses of wages and costs associated with the credential, including degrees, certificates and other credentials from credit and non-credited programs that equip students for continued learning and greater earnings in the state economy, with an additional weight for placement of students who earn such credential in a high-demand occupation (as determined by THECB rule)); (2) the number of students who earn at least 15 semester credit hours or the equivalent at the public junior college and who (a) subsequently transfer to a general academic teaching institution or (b) are enrolled in a structured co-enrollment program (as defined by THECB rule); and (3) the number of students who complete a sequence of at least 15 semester credit hours or the equivalent for dual credit courses that apply toward academic or workforce program requirements at the postsecondary level.

FAST Program

In addition to this new financing program, there was also a change to dual credit funding called the FAST program. Under the FAST program the state would pay \$55 per credit hour for dual credit students that meet the standards to receive free/reduced lunch. Junior college districts that enroll in the FAST Program would not be able to charge students that meet the standards to receive free/reduced lunch students for tuition, fees, or books and would be limited to charging \$55 per credit hour in tuition for all other dual credit students.

THE COLLEGE

General Description

The District was created in 1965 by county-wide election (the “1965 Election”). The District operates for the benefit of McLennan Community College (the “College”). The College offers courses that are transferable to universities. The College also offers occupational/technical training courses in one-year and two-year programs and remedial courses. The College is located on a scenic 275-acre campus adjacent to Cameron Park and Bosque River in the City of Waco. The District’s service area includes McLennan and Falls counties and the territory within the Calvert Independent School District and Bremond Independent School District.

Governance

Policy-making and supervisory functions are the responsibility of and are vested in a seven-member Board of Trustees (the “Board”). Members of the Board serve six-year staggered terms with elections being held each odd-numbered year on the first Saturday in May. The Board delegates administrative responsibilities to the President of the College and her staff. Various supporting services are provided by independent consultants and advisors.

Coordinating Board

The District is subject to the supervisory powers of the Texas Higher Education Coordinating Board (the “Coordinating Board”). The Coordinating Board is an agency of the State established to promote the efficient use of State resources by providing coordination and leadership for the State’s higher education systems, institutions and governing boards. The Coordinating Board is the highest authority in the State in matters of public higher education and exercises general control of the public junior colleges of Texas. The Coordinating Board has the responsibility for adopting policies, enacting regulations and establishing general rules necessary for carrying out the duties with respect to public junior colleges as prescribed by the Legislature. The Coordinating Board periodically reviews all degrees and certificate programs offered by the State’s junior colleges and annually reviews the academic courses offered by such institutions.

Accreditation and Affiliations

McLennan Community College is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (1866 Southern Lane, Decatur, Georgia 30033-4097; Telephone number (404-697-4500)) to award the Associate of Arts, Associate of Science, Associate of Arts in Teaching, and Associate of Applied Science degrees.

Faculty

For the Fall semester of 2023, 190 full-time faculty members and approximately 160 part-time faculty members were employed by the College. At present approximately 18% of the full-time faculty members hold doctorate degrees and approximately 54% hold master’s degrees. These figures include instructors in occupational/technical programs where the major emphasis is on skills and experience instructors have obtained in their respective fields of training.

Curriculum

The College is recognized for excellence in both transfer and technical instruction. Students planning to earn baccalaureate degrees may complete their first two years of study at the College and then transfer as juniors to a four-year university. The arts and science courses at the College are of a quality consistent with major universities throughout the nation.

College students also may choose to earn an associate degree or a certificate in a wide range of technical fields, including those leading to careers in business, health and service. The College offers a wide selection of one-year and two-year technical programs that prepare students for direct entry into a career. Most technical programs include hands-on clinical rotations at medical facilities, study tours, internships at local businesses, extensive field observation or similar experiences.

The College’s nursing program produces over 50 associate degree graduates each year. Other health career programs include Medical Laboratory Technical, Emergency Medical Technician/Paramedicine, Occupational Therapy Assistant, Radiologic Technology, Physical Therapist Assistant, Phlebotomy, Respiratory Care Technician, Surgical Technology, and Veterinary Technology among others.

For the Fall semester of 2023, approximately 84% of the students were enrolled in academic transfer programs and 16% were enrolled in technical programs. The College provides two Associate of Arts degrees, 13 Associate of Science degrees, 14 Fields of Study, 42 Associate of Applied Science degrees, 57 options for a Certificate of Completion, and 27 Occupational Skills Awards.

Instructional Programs

Students who plan to transfer to a four-year institution are provided courses designed to fulfill the first two years of a baccalaureate degree. Matriculation efforts are made with four-year institutions through routine course equivalency reviews.

Occupational/Technical programs are developed with the assistance of individuals who represent business, industry, or professional groups. Each Occupational/Technical degree program must provide both academic and career-related courses. Occupational/Technical programs are reviewed annually by an advisory committee and College staff. When extensive revisions are suggested, a community needs study and/or program evaluation is conducted to determine revisions necessary for the local labor market.

Student Services, Counseling and Activities

The College offers a complete program of student services designed to meet individual needs and enhance the overall educational development of its students. The services include success coaching, tutoring, counseling, career testing and planning, job placement, assistance for veterans and veterans’ dependents, and special services for the handicapped and non-traditional students. Additionally, the College offers intercollegiate athletics, as well as many student activities/programs, including intramural sports.

Enrollment

The College has an open-door admissions policy, welcoming all adults who want to learn. The following tables set forth historical enrollment information.

Historical Enrollment^(A)

School Year Ending 8/31	Fall	Spring	Summer Session		Non-Credit
			First	Second	
2010	9,128	9,928	5,895	3,056	15,505
2011	10,190	10,947	4,975	3,025	12,868
2012	10,188	10,707	4,743	2,621	10,515
2013	9,302	9,949	4,335	2,458	14,701
2014	8,558	9,225	4,275	2,454	11,533
2015	8,333	9,348	4,023	2,408	12,469
2016	8,305	9,243	4,705	2,821	12,868
2017	8,791	9,871	4,828	2,397	13,281
2018	8,880	9,861	4,711	2,678	13,302
2019	8,955	10,047	4,937	2,849	13,570
2020	8,705	8,878	4,751	2,895	13,172
2021	7,742	9,269	4,489	2,461	11,762
2022	7,337	8,525	4,230	2,483	11,241
2023	6,927	7,861	4,201	2,622	11,033
2024	7,199	8,108	N/A	N/A	N/A

Source: District Records

^(A) Flexible entry (FE) head count enrollment is included in totals.

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Tuition and Fees

The following tables set forth the tuition and fee charges for the 2023/24 school year.

Semester Hours	Tuition ^(A)				Fees – All Students	
	District Resident	Out of District	Out of State	Foreign Student	Facility	General Services
1	\$212	\$248	\$385	\$385	\$6	\$10
2	212	248	385	385	12	20
3	318	372	543	543	18	30
4	424	496	724	724	24	40
5	530	620	905	905	30	50
6	636	744	1,086	1,086	36	60
7	742	868	1,267	1,267	42	70
8	848	992	1,448	1,448	48	80
9	954	1,116	1,629	1,629	54	90
10	1,060	1,240	1,810	1,810	60	100
11	1,166	1,364	1,991	1,991	66	110
12	1,272	1,488	2,172	2,172	72	120
13	1,378	1,612	2,353	2,353	78	130
14	1,484	1,736	2,534	2,534	84	140
15	1,590	1,860	2,715	2,715	90	150
16	1,696	1,984	2,896	2,896	96	160
17	1,802	2,108	3,077	3,077	102	170
18	1,908	2,232	3,258	3,258	108	180
19	2,014	2,356	3,439	3,439	114	190
20	2,120	2,480	3,620	3,620	120	200
21	2,226	2,604	3,801	3,801	126	210
22	2,332	2,728	3,982	3,982	132	220
23	2,438	2,852	4,163	4,163	138	230
24	2,544	2,976	4,344	4,344	144	240

Source: District Records

^(A) The Bonds are secured solely by a pledge of the limited tax described herein, and none of the revenues derived from tuition and fee charges will be pledged to secure or be available to pay principal and interest on the Bonds.

Sources of Funding for the District

The District relies upon three primary revenue sources: local taxes, tuition and fees, and state appropriations. Over the past several years, the College has responded to declining state funds and lower enrollment by reducing costs and taking advantage of increased taxable assessed valuations. Currently, the District’s total (operating and non-operating) revenue is largely comprised of local taxes at approximately 36%, tuition and fees (before discounts) at approximately 25% and state appropriations at approximately 17%.

The District has benefitted from growth in its taxable assessed valuation in recent years with an average annual growth rate of 12.8% from fiscal year 2022 to fiscal year 2024 (see Table 2 in “APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT”). The District has one of the lower maintenance and operations tax rates of community colleges in the State with a rate of \$0.109841 per \$100 valuation for fiscal year 2024. The District is ranked in the bottom half of the 50 Texas community college districts in terms of tax rates for fiscal year 2023. The District has the authority to raise its maintenance and operations tax rate to as much as \$0.25 cents per \$100 valuation. Consequently, the District has considerable capability to offset declining state funds with tax increases as long as the Legislature does not reduce the cap on annual maintenance and operations tax revenue increases (currently set at 8%) (see “AD VALOREM PROPERTY TAX INFORMATION – No-New Revenue Tax Rate and over Approval Tax Rate”).

In fiscal year 2023, the District saw an increase Legislature funding as the State passed legislation that addressed state funding to community colleges statewide with 49 of 50 Texas community colleges seeing an increase in fiscal year 2024. The new funding model focuses more on students that graduate with a degree or certificate or transfer to a four-year university (“student completion and transfers”) as opposed to the old funding model that provided state funding based on contact hours (the number of hours students spend in a classroom) (see performance (see “STATE JUNIOR COLLEGE FINANCING PROGRAM”). The District continues to evaluate its course offerings based on student demand. The District’s enrollment peaked at 10,190 students in fall 2011 and currently stands at 7,199 students as of the Fall 2023 semester. The District’s Office of Institutional Research and academic program chairs monitor course demand and utilization during registration to tailor offerings to demand. The District developed a Strategic Enrollment

Management Committee with various subcommittees to look at ways to increase enrollment. Committees in each academic department have been formed and are looking at implementing changes with the hopes to increase enrollment for future semesters.

A change in the student enrollment represents potential challenges for Texas community colleges. Currently there is an increase in overall enrollment experienced by nearly all community colleges in Texas. For Fall 2023, total enrollment was up 3.6%. Additionally, graduation and transfer rates are increasing, leading to more students moving on to complete a bachelor's degree or going to work. The District is focused on retaining current students and beginning a strategic enrollment management process and expects to begin to see impacts from the process starting in Spring 2024. The District is also seeking new opportunities. The cost of attending the District is approximately 36% of the cost to attend a typical state four-year institution. In response to these findings, the District continues the process of expanding its University Center by adding new bachelor degree programs with Texas Tech University and by adding to its offerings through Tarleton State University. The District is planning for the continued expansion of these initiatives, which is expected to increase demand for the District's current course offerings.

Beginning in the fiscal year 2024, the funding model of Texas community colleges was adjusted to allocate money based on two tiers: base and performance (see "STATE JUNIOR COLLEGE FINANCING PROGRAM"). The District did not receive any base tier funding based on this formula for fiscal year 2024. Instead all of the District's fiscal year 2024 funding comes from the performance tier which is based on student completion and transfers. This was an overall increase in funding for the District. While the old model set the amounts for two years in a row, the new model gets recalculated every year. This creates more uncertainty around the amount of funding, but also benefits community colleges that see better scores each year. The District has enrolled in the FAST Program for fall 2024. Based on the District already providing free tuition and fees for dual credit students on free/reduced lunch, the net effect of participating in the program is projected to be a near zero financial impact.

The most significant potential impacts to the District's funding sources are additional actions by the Legislature in future legislative sessions, additional unfunded mandates and limitations on the ability of the District to increase revenue from property taxes. While community colleges currently have a tax rate increase cap of 8%, it is possible that there will be pressure on legislators in the future to reduce the cap to 3.5% which is the cap imposed on other taxing entities in the State. The District is not aware of any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during subsequent years. The District can make no representations or predictions concerning the substance or the effect of any legislation that may be passed in the future or how such legislation could affect the District.

FINANCIAL POLICIES AND ADMINISTRATION

Basis of Accounting

For financial statement purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements of the District are presented using the economic measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Encumbrance accounting, under which purchase order, contracts, and other commitments for expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the financial statements. Under State 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 reservations of net assets since they do not constitute expenditures or liabilities.

Net Assets

The District's net assets are classified as follows:

Investment in Capital Assets, Net of Related Debt. This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of investment in capital assets, net of related debt.

Restricted Net Assets – Expendable. Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted Net Assets – Nonexpendable. Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted Net Assets. Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet the current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Investments. The District accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying values of investments are reported as a component of investment income in the statements of revenue, expenses, and changes in net assets.

Classification of Revenues

The District has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues under GASB No. 9, Reporting Cash Flows of Propriety and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances

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

EMPLOYEES' RETIREMENT PLAN

Retirement Plans

*Teacher Retirement System...*The District participates in a cost-sharing, multiple employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas ("TRS") and is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees do not have the authority to establish or amend benefit terms. All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the plan.

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

Contribution requirements are established or amended pursuant to Article 16, Sec. 67 of the Texas Constitution which 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 paid to members of the plan during the

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

Year	Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2023	8.0%	\$2,306,204	8.0%	\$673,337	8.0%	\$2,305,523
2022	8.0%	2,055,309	7.8%	665,351	7.8%	1,991,081
2021	7.7%	1,927,005	7.5%	666,422	7.5%	1,876,953

At August 31, 2023 and 2022, the District reported a liability of \$16,731,431 and \$7,293,846, respectively, for its proportionate share of the TRS net pension liability.

Optional Retirement Program... The state has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program (“ORP”) is in lieu of participation in TRS. ORP provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. Contribution requirements are not actuarially determined but are established and amended by the Legislature. The percentages of participant salaries currently contributed by the state and each participant are 3.3% and 6.6%, respectively. The District supplements an additional 5.2%. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. As of September 1, 2013, the State’s contribution was limited to 50% of eligible employees in the reporting district. Contribution rates as a percentage of compensation and contributions made for ORP for 2021, 2022 and 2023 are shown in the table below.

Year	Member		State	
	Rate	Amount	Rate	Amount
2023	6.6%	\$597,134	3.3%	\$295,523
2022	6.6%	609,630	3.3%	297,604
2021	6.6%	604,279	3.3%	301,758

For more detailed information concerning the retirement plan, post-retirement benefits and post-employment benefits of the District, see Notes 9 in “APPENDIX D – EXCERPTS FROM THE DISTRICT’S ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED AUGUST 31, 2023.

Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by State law, as are strikes by teachers. There are various local, State and national organized employee groups who engage in efforts to better terms and conditions of employment of school employees. Some colleges have adopted a policy to consult with employee groups with respect to certain terms and conditions of employment. The District does not recognize any organized, outside employee group for such purposes.

Other Post-Employment Benefits

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

Retiree health benefits offered through the GBP are available to most State retirees and their eligible dependents. Participants need at least 10 years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Legislature in connection with benefits provided through the GBP. The

Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds. There are no long-term contracts for contributions to the plan. Contributions of premiums to the GBP plan for the current and prior fiscal year by sources are summarized in the following table.

<u>Year</u>	<u>State Amount</u>	<u>District Amount</u>
2023	\$1,134,748	\$1,361,014
2022	1,076,817	1,317,050
2021	1,059,826	1,261,618

At August 31, 2023 and 2022, the District reported a liability of \$39,806,777 and \$50,443,572, respectively, for its proportionate share of the ERS’s OPEB liability. This liability reflects an increase in the State support provided to the District for OPEB.

See Note 12 in “APPENDIX D – EXCERPTS FROM THE DISTRICT’S ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED AUGUST 31, 2023” for information on the District’s post-retirement health care benefits.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of “A” or its equivalent as to investment quality by a national rating agency (see “RATINGS”). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

Further, Section 130.122, Texas Education Code, provides that the Bonds are legal and authorized investments for banks, trust companies, building and loan associations, savings and loan associations, small business investment corporations, insurance companies of all kinds and types, fiduciaries, trustees, and guardians, and for interest and sinking funds and other public funds of the State and all agencies, subdivisions, and instrumentalities thereof, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic. The Bonds are eligible to secure all deposits of public funds of the State and all agencies, subdivisions, and instrumentalities thereof, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the Bonds.

The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The District has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE DISTRICT

District funds are invested as authorized by State law, particularly the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the “PFIA”), and in accordance with investment policies approved by the District. Both State law and the District’s investment policies are subject to change.

Under State law, the District is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the “FDIC”) or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the “NCUSIF”) or their respective successors; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a

depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3;(9) (i) certificates of deposit or share certificates that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1) above or clause (12) below, (iii) require the securities being purchased by the District or cash held by the District to be pledged to the District, either directly or through a joint account (an account maintained by a custodian bank and established on behalf of two or more parties to engage in aggregate repurchase agreement transactions) approved by the District and held in the District's name either directly or through a joint account approved by the District, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that comply with Securities and Exchange Rule 2a-7; (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either have a duration of one year or more and invest exclusively in obligations described in clauses (1) through (13) above, or clauses (15) or (16) below, or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) and (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Objectives

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment

management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board.

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Operating Officer and investment officers; (7) restrict reverse repurchase agreements to not more than ninety (90) days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

See Table 13 in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" for details on the current value of the District's investments.

RISK FACTORS FOR JUNIOR COLLEGES

State Appropriations and Ad Valorem Taxes

A significant amount of the District's current fund revenues are derived from State appropriations and the collection of ad valorem taxes levied for maintenance and operation purposes. Neither State appropriations nor ad valorem taxes levied for maintenance and operations purposes are pledged to the payment of the Bonds. State appropriations are determined at each session of the Legislature, which meets biennially, and are not pledged to payment of debt service on the Bonds. The State is not obligated to provide a specific appropriation in any year. The result of the future legislative deliberations cannot be predicted. Among the factors driving the allocation of State spending are population trends, court resolutions and lawsuits, federal mandates, statutory formulas and dedicated funds. State funding on education cannot be predicted until available money and other demands can be more precisely predicted or identified.

Risks Relating to Revenues of the District

The revenues of the District from tuition and fees and other fee based services may be affected by any event which would either reduce the student enrollment at its facilities or otherwise diminish the amount of anticipated fees to be generated by student enrollees. Revenues of the District may be affected by future events and conditions including, among others: demand for the use of the District's facilities; the ability of the District to attract qualified instructors; academic programming of the District; enrollment initiatives of the District; demand for higher educational institutions responsive to regional and national employment needs; economic developments

in the area served by the District and, to some extent, competition from other universities and colleges or other institutions which might reflect changing attitudes toward traditional college education; tuition, fees and other costs of education; state and Federal regulation, including possible legislation and court decisions affecting the District's fee structure; and the impact on the District of "distance learning" programs that are offered by the District (to persons residing outside of the District's service area) and by competing educational institutions (to persons residing in the District's service area).

Future Legislation

The Legislature convenes in regular session every two years on odd years. The 89th Legislature will convene its Regular Session from January 14, 2025 through June 2, 2025. Thereafter, the Governor may call one or more additional special sessions which may last no more than 30 days and for which the Governor sets the agenda. In future sessions the Legislature may consider bills that could have a direct impact on the District. The District can make no representations or predictions concerning the substance or the effect of any legislation that may be passed in the future or how such legislation could affect the District.

Cyber Security

Computer networks and data transmission and collection are vital to the operations of the District. Information technology and infrastructure of the College may be subject to attacks by outside or internal hackers and may be subject to breach by employee error, negligence or malfeasance. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the College. To mitigate these risks, McLennan Community College continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture. The College uses the Texas Administrative Code (TAC) 202 that establishes a baseline of security standards for institutions of higher education to guide decisions and activities about cyber security. The College is compliant with these standards and as of the distribution of this Official Statement, has not had experienced a cyber-attack that has disrupted operations or caused financial harm.

Weather Events

The District is located in central Texas which is susceptible to high winds and tornados. The District could experience, and is susceptible to additional, weather events and natural disasters that could be deemed extreme including, without limitation, periods of heat, droughts, floods, tornados and other wind conditions and wildfires, which could result in negative economic impacts on the District. If a future weather event significantly damaged all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenue and/or necessitate an increase in the District's tax rate. Under certain conditions, Texas law allows the District to increase property tax rates without voter approval upon the occurrence of certain disasters such as a tornado, flooding or extreme drought and upon gubernatorial or presidential declaration of disaster. There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repay any damaged improvements within the District or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected. The District cannot predict the occurrence or extent of any future extreme weather events or natural disasters or the economic impacts that the occurrence of any such events may have on the District.

LEGAL MATTERS

The District will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas as to the Bonds to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, with respect to the Bonds, issued in compliance with the provisions of the Order. A form of such opinion for the Bonds is attached hereto as Appendix C.

Bond Counsel was engaged by, and only represents, the District. Except as noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions or subcaptions "THE BONDS" (except under the subcaptions "Payment Record" and "Sources and Uses of Proceeds"), "REGISTRATION, TRANSFER AND EXCHANGE," "AD VALOREM PROPERTY TAX INFORMATION – Tax Rate Limitations," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" (first paragraph only), "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance With Prior Undertakings") and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions and subcaptions is an accurate and fair description of the information purported to be shown therein and, with respect to the Bonds, such information conforms to the Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon

the sale and delivery of the Bonds. The legal opinions will be printed on, or will accompany, the definitive Bonds. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Certain legal matters will be passed upon for the Underwriter by their counsel, McCall, Parkhurst & Horton, L.L.P., Austin, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

REGISTRATION AND QUALIFICATION OF THE BONDS FOR SALE

No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

In the opinion of Jackson Walker LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. A complete copy of the proposed form of opinion of Jackson Walker LLP is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of Underwriter, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply

with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest with respect to the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of execution and delivery of the Bonds may adversely affect the value of, or the tax status of interest on, the Series Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains an "obligated person" with respect to the Bonds, within the meaning of the Rule. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in Tables 1-16 in Appendix A. The District will update and provide this information in the numbered tables within six months after the end of each fiscal year ending in or after 2024 and, if then available, audited financial statements of the District. If audited financial statements are not available when the information is provided, the District will provide audited financial statements when and if they become available, but in any event within 12 months after the end of each fiscal year. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's EMMA system or filed with the SEC, as permitted by the Rule.

The District's current fiscal year end is August 31. Accordingly, the Annual Financial Information must be provided by the last day of February in each year, and the Financial Statements must be provided by August 31 of each year, unless the District changes its fiscal year.

If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to this Section.

Notice of Certain Events

The District will also provide timely notices of certain specified events to the MSRB via EMMA. The District will provide notice of any of the following events with respect to the Bonds within ten Business Days after the occurrence of such event: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor trustee or change in the name of the trustee, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District and (b) the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

The District shall also file notice with the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data described in “Annual Reports” above by the time required as described above.

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Bonds free of charge through the MSRB’s EMMA system at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions

of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District is of the view that during the past five years it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule 15c2-12.

RATINGS

S&P Global Ratings, a division of S&P Global Inc. (“S&P”), has assigned an underlying bond rating of “AA” to the Bonds.

The District has outstanding bonds that also carry a rating with Fitch Ratings (“Fitch”). The District did not request a rating on the Bonds from Fitch.

An explanation of the significance of the foregoing ratings may only be obtained from S&P. The foregoing ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The above ratings are not a recommendation to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by S&P. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price or marketability of the Bonds.

MUNICIPAL ADVISOR

In its role as Municipal Advisor, RBC Capital Markets, LLC has relied on the District for certain information concerning the District and the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement. The fee of the Municipal Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the District at an underwriting discount of \$85,220.09. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds and such public offering prices may be changed from time to time by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

LITIGATION

The financing system for public junior colleges, including the District, has not been challenged in court and is not the subject of any existing litigation.

Additionally, the District is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial condition of the District or upon the Bonds or the District’s ability to issue and secure the Bonds as described herein.

At the time of the initial delivery of the Bonds, the District will provide the Underwriter with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

The Order approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorizes its further use in the re-offering and distribution of the Bonds by the Underwriter in accordance with the provisions of the Rule.

This Official Statement has been approved, and the execution and delivery of this Official Statement has been authorized by the Board.

By: /s/ Johnette McKown
Authorized Officer
McLennan County Junior College District

**SCHEDULE I
SCHEDULE OF BONDS TO BE REFUNDED**

MCLENNAN COUNTY JUNIOR COLLEGE DISTRICT

<u>Series</u>	<u>Original Dated Date</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding</u>	<u>Maturities Being Refunded</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Being Refunded</u>	<u>Redemption Date</u>
Limited Tax Refunding Bonds, Series 2015	02/15/15	\$52,765,000	\$17,500,000	08/15/25	\$ 1,060,000	\$ 1,060,000	09/10/2024
				08/15/26	4,255,000	4,255,000	09/10/2024
				***	***	***	
				08/15/28	4,685,000	4,685,000	09/10/2024
				***	***	***	
			08/15/31	<u>5,320,000</u>	<u>5,320,000</u>	09/10/2024	
Total Bonds Refunded				<u>\$ 15,320,000</u>	<u>\$ 15,320,000</u>		

APPENDIX A
FINANCIAL INFORMATION REGARDING THE DISTRICT

**CONTINUING DISCLOSURE INFORMATION REGARDING THE
MCLENNAN COMMUNITY COLLEGE**

**TABLE 1
ASSESSED VALUATION AND BOND DEBT INFORMATION**

2024/25 Total Certified Valuation		\$ 43,931,482,036
Less Exemptions:		
Over 65 Persons	\$ 251,648,329	
Charitable Organizations	5,812,110	
Residential Homestead	3,156,755,970	
Disabled Persons	18,430,474	
Disabled Veterans	753,409,655	
Productivity Loss	2,343,821,041	
Exempt Property	4,280,248,427	
Pollution Control	113,424,048	
Leased Vehicles, MED, Other	240,682,320	
Homestead Cap	2,042,950,252	
SS - First Res/Active Duty	4,016,301	
Low income housing	7,718,810	
Total Exemptions		13,218,917,737
2024/25 Taxable Assessed Valuation		\$ 30,712,564,299

Source: McLennan Central Appraisal District.

General Obligation Bonded Debt as of August 15, 2024.....		\$ 38,550,000
Less: The Refunded Bonds.....		(15,320,000)
Plus: The Bonds.....		14,920,000
Total		\$ 38,150,000
Less: Interest and Sinking Fund Balance as of August 1, 2024		(5,311,967)
Net General Obligation Bonded Debt		\$ 33,238,033
Ratio of Gross General Obligation Bonded Debt to Taxable Assessed Valuation		0.126%

2024 Population*		273,080
Per Capita Taxable Assessed Valuation	\$	112,467
Gross General Obligation Bonded Debt Per Capita	\$	141.17
Net General Obligation Bonded Debt Per Capita	\$	121.72

* Source: World Population Review

**TABLE 2
HISTORICAL TAXABLE ASSESSED VALUATIONS AND GENERAL OBLIGATION DEBT**

<u>Fiscal Year</u>	<u>Taxable Assessed Valuation</u>	<u>% Valuation Increase/ (Decrease) Over Prior Year</u>	<u>General Obligation Bond Debt Outstanding at End of Year</u>	<u>Ratio of Bond Debt to Taxable Assessed Valuation</u>
2019/20	\$19,095,767,063	8.68%	\$52,080,000	0.273%
2020/21	20,450,950,266	7.10%	48,650,000	0.238%
2021/22	21,691,563,127	6.07%	44,450,000	0.205%
2022/23	25,236,030,635	16.34%	41,210,000	0.163%
2023/24	29,263,318,453	15.96%	38,150,000 ^(A)	0.130%

Source: McLennan Central Appraisal District

^(A) Includes the Bonds. Excludes the Refunded Bonds

**TABLE 3
TOP TEN AD VALOREM TAXPAYERS IN FISCAL YEAR 2023/24**

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>Taxable Assessed Valuation</u>	<u>% of Total Taxable Assessed Valuation</u>
Amazon.com Services Inc	Wholesale Supplier/Distribution Center	\$ 305,872,580	1.05%
Caterpillar Logistics Inc.	Equipment	274,722,310	0.94%
Oncor Electric Delivery Co. LLC	Electric Utility/Power Plant	269,448,070	0.92%
Refresco Beverages US Inc.	Beverage Manufacturing Plant	222,346,530	0.76%
Sandy Creek Energy Assoc. LP	Electric Utility/Power Plant	221,099,690	0.76%
Usre Diana LLC	Wholesale Supplier/Distribution Center	142,888,190	0.49%
Mars Chocolate North America LLC	Food Packaging/Processing	142,421,320	0.49%
Sherwin Williams Co. Inc.	Wholesale Supplier/Distribution Center	128,175,350	0.44%
Allergan Inc.	Pharmacy	123,311,150	0.42%
Atmos Energy/Mid-Tex Dist.	Natural Gas Utility	105,169,130	0.36%
Total		\$ 1,935,454,320	6.61%

Source: The Texas MAC and McLennan Central Appraisal District. Top taxpayers for FY2025 not yet available.

**TABLE 4
TOTAL APPRAISED VALUATION BY CATEGORY**

<u>Fiscal Year</u>	<u>Real Property</u>		<u>Personal and Other Property^(A)</u>		<u>Total Appraised Valuation</u>
	<u>Appraised Valuation</u>	<u>% of Total</u>	<u>Appraised Valuation</u>	<u>% of Total</u>	
2020/21	\$21,466,658,984	75.39%	\$7,005,951,285	24.61%	\$28,472,610,269
2021/22	23,198,933,188	76.53%	7,112,821,747	23.47%	30,311,754,935
2022/23	29,196,909,349	78.74%	7,881,229,037	21.26%	37,078,138,386
2023/24	32,955,746,556	77.64%	9,492,232,233	22.36%	42,447,978,789
2024/25	34,062,761,427	77.54%	9,868,720,609	22.46%	43,931,482,036

^(A) Includes real and tangible personal property relating to utilities.

**TABLE 5
CLASSIFICATION OF ASSESSED VALUE BY USE CATEGORY**

Property Use Category	Total Tax Roll for Fiscal Years				
	2024/25	2023/24	2022/23	2021/22	2020/21
Real Property:					
Single-Family Residential	\$20,009,318,542	\$19,131,615,715	\$17,042,989,809	\$13,046,029,111	\$11,445,184,097
Multi-Family Residential	2,077,701,368	2,235,348,942	2,038,670,660	1,710,913,217	1,583,317,001
Vacant Lots/Tracts	592,082,140	539,158,966	536,190,798	389,532,515	381,572,232
Acreage	2,528,326,966	2,473,834,103	2,252,818,324	1,948,248,979	1,887,780,970
Farm & Ranch Improvements	2,265,088,578	2,186,075,072	2,001,851,785	1,499,529,819	1,358,061,442
Commercial and Industrial	6,590,179,585	6,389,652,653	5,324,326,250	4,604,612,490	4,810,677,288
Minerals, Oil and Gas	64,248	61,105	61,723	67,057	65,954
Tangible Personal Property:					
Commercial and Industrial	4,461,476,072	4,120,163,510	3,150,739,220	2,798,897,784	2,771,888,723
Other, MH, Inventory	268,308,696	266,523,724	219,798,211	182,540,522	187,222,203
Real & Tangible Personal:					
Utilities	827,042,456	777,347,350	698,489,207	643,710,397	580,883,627
Totally Exempt Property	4,311,893,385	4,328,197,649	3,812,202,399	3,487,673,044	3,465,956,732
Total Appraised Valuation	\$43,931,482,036	\$42,447,978,789	\$37,078,138,386	\$30,311,754,935	\$28,472,610,269
Less Exemptions					
Over 65 Persons	\$251,648,329	\$244,104,816	\$236,401,574	\$232,708,722	\$227,908,781
Charitable Organizations	5,812,110	6,018,750	4,951,710	4,233,439	4,416,619
Residential Homestead	3,156,755,970	2,986,488,982	2,631,696,965	1,998,052,762	1,755,342,354
Disabled Persons	18,430,474	18,647,408	18,464,450	20,909,904	18,187,894
Disabled Veterans	753,409,655	627,228,095	507,590,997	423,054,249	363,846,980
Productivity Loss	2,343,821,041	2,303,729,801	2,091,027,216	1,812,547,573	1,758,748,418
Exempt Property	4,280,248,427	4,311,218,509	3,797,087,097	3,469,539,330	3,450,804,198
Tax-Abatement	-	-	-	-	-
Pollution Control	113,424,048	108,671,161	103,995,425	95,218,132	170,085,429
Leased Vehicles, MED, Other	240,682,320	2,101,510	2,599,090	11,235,438	1,647,498
Homestead Cap	2,042,950,252	2,563,889,029	2,437,654,681	550,809,875	269,243,769
SS - First Res/Active Duty	4,016,301	3,703,395	3,213,934	1,882,383	-
Low income housing	7,718,810	8,858,880	7,424,612	-	-
TIF	-	-	-	-	1,428,063
Total Exemptions	\$13,218,917,737	\$13,184,660,336	\$11,842,107,751	\$8,620,191,808	\$8,021,660,003
Taxable Assessed Valuation	\$30,712,564,299	\$29,263,318,453	\$25,236,030,635	\$21,691,563,127	\$20,450,950,266

Source: McLennan Central Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the McLennan Central Appraisal District updates records.

**TABLE 6
PERCENTAGE OF ASSESSED VALUE BY USE CATEGORY**

Property Use Category	Total Tax Roll for Fiscal Years				
	2024/25	2023/24	2022/23	2021/22	2020/21
Real Property:					
Single-Family Residential	45.55%	45.07%	45.97%	43.04%	40.20%
Multi-Family Residential	4.73%	5.27%	5.50%	5.64%	5.56%
Vacant Lots/Tracts	1.35%	1.27%	1.45%	1.29%	1.34%
Acreage	5.76%	5.83%	6.08%	6.43%	6.63%
Farm & Ranch Improvements	5.16%	5.15%	5.40%	4.95%	4.77%
Commercial and Industrial	15.00%	15.05%	14.36%	15.19%	16.90%
Minerals, Oil and Gas	0.00%	0.00%	0.00%	0.00%	0.00%
Tangible Personal Property:					
Commercial and Industrial	10.16%	9.71%	8.50%	9.23%	9.74%
Other, MH, Inventory	0.61%	0.63%	0.59%	0.60%	0.66%
Real & Tangible Personal:					
Utilities	1.88%	1.83%	1.88%	2.12%	2.04%
Totally Exempt Property	9.82%	10.20%	10.28%	11.51%	12.17%
Total Appraised Valuation	100.00%	100.00%	100.00%	100.00%	100.00%

**TABLE 7
PROPERTY TAX RATES AND COLLECTION RATES**

Fiscal Year Ending 8/31	Total Tax Rate	Local Maintenance	Interest and Sinking Fund	Percent of Current Collections	Percent of Total Collections
2018/19	\$0.147696	\$0.115430	\$0.032266	97.62%	97.37%
2019/20	0.147696	0.117287	0.030409	97.80%	98.13%
2020/21	0.149782	0.121741	0.028041	98.36%	99.97%
2021/22	0.149782	0.124795	0.024987	98.80%	99.47%
2022/23	0.139074	0.115691	0.023383	98.24%	98.84%
Five Year Average Collection Rates.....				98.16%	98.76%
2023/24	\$0.128509	\$0.109841	\$0.018668	97.72% *	97.84% *

Source: District records and Annual Financial Report.

*Collection in process, as of June 30, 2024.

**TABLE 8
ESTIMATED OVERLAPPING DEBT STATEMENT**

<u>Taxing Body</u>	<u>Gross Amount</u>	<u>As of</u>	<u>% Overlapping</u>	<u>\$ Overlapping</u>
Axtell ISD	\$ 3,310,000	07/31/2024	78.88%	\$ 2,610,928.00
Bellmead, City of	8,230,000	07/31/2024	100.00%	8,230,000
Bosqueville ISD	24,795,000	07/31/2024	100.00%	24,795,000
Bruceville-Eddy ISD	4,430,000	07/31/2024	84.28%	3,733,604
Bruceville-Eddy, City of	266,000	07/31/2024	95.26%	253,391.60
China Spring ISD	76,134,986	07/31/2024	96.88%	73,759,574.73
Connally ISD	6,850,000	07/31/2024	100.00%	6,850,000
Crawford ISD	11,850,000	07/31/2024	96.53%	11,438,805
Crawford, City of	4,275,000	07/31/2024	100.00%	4,275,000
Gholson ISD	-	07/31/2024	100.00%	-
Hallsburg ISD	1,755,008	07/31/2024	100.00%	1,755,008
Hewitt, City of	46,520,000	07/31/2024	100.00%	46,520,000
La Vega ISD	30,871,337	07/31/2024	100.00%	30,871,337
Lacy-Lakeview, City of	15,547,000	07/31/2024	100.00%	15,547,000
Lorena ISD	22,394,122	07/31/2024	97.73%	21,885,775
Lorena, City of	9,375,000	07/31/2024	100.00%	9,375,000
Mart ISD	31,100,000	07/31/2024	38.08%	11,842,880
Mart, City of	15,083,000	07/31/2024	98.50%	14,856,755
McGregor ISD	20,880,485	07/31/2024	100.00%	20,880,485
McGregor, City of	38,526,000	07/31/2024	97.70%	37,639,902
McLennan Co	85,055,000	07/31/2024	100.00%	85,055,000
Midway ISD [McLennan]	170,740,000	07/31/2024	100.00%	170,740,000
Moody ISD	20,265,000	07/31/2024	62.04%	12,572,406
Moody, City of	3,487,283	07/31/2024	99.24%	3,460,779
Oglesby ISD	896,403	07/31/2024	1.61%	14,432
Riesel ISD	23,855,000	07/31/2024	70.55%	16,829,703
Riesel, City of	-	07/31/2024	100.00%	-
Robinson ISD	20,934,992	07/31/2024	98.16%	20,549,788
Robinson, City of	41,915,000	07/31/2024	99.29%	41,617,404
Valley Mills ISD	14,377,286	07/31/2024	27.55%	3,960,942
Waco ISD	453,665,000	07/31/2024	100.00%	453,665,000
Waco, City of	958,590,000	07/31/2024	100.00%	958,590,000
West ISD	17,794,902	07/31/2024	97.95%	17,430,106
West, City of	23,345,000	07/31/2024	100.00%	23,345,000
Woodway, City of	28,680,000	07/31/2024	100.00%	28,680,000
TOTALS	\$ 2,235,793,805			\$ 2,183,631,007
McLennan College GO Debt:	\$ 38,150,000	08/15/2024	100.00%	\$ 38,150,000 ^(A)
Total Direct and Overlapping Debt:				\$ 2,221,781,007
Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation.....				7.23%
Ratio of Direct and Overlapping Debt to Total Assessed Valuation.....				5.06%
Per Capita and Overlapping Debt.....				\$ 8,136

Source: The Municipal Advisory Council of Texas

^(A) Includes the Bonds; excludes the Refunded Bonds.

**TABLE 9
DEBT SERVICE REQUIREMENT OF THE DISTRICT'S
OUTSTANDING LIMITED TAX SUPPORTED DEBT**

Fiscal Year End 8/31	Outstanding Limited Tax Debt		Less: Debt Service Refunded Bonds ^(A)	Plus: The Bonds		Total Outstanding Debt Service Requirement
	Principal	Interest		Principal	Interest	
2024	\$ 2,660,000	\$ 2,818,599	\$ -	\$ -	\$ -	\$ 5,478,599
2025	4,150,000	1,334,599	(1,668,500)	1,040,000	623,184	5,479,284
2026	4,345,000	1,262,226	(4,821,100)	4,120,000	596,400	5,502,526
2027	4,555,000	1,048,378	(353,350)	-	390,400	5,640,428
2028	4,735,000	866,178	(5,038,350)	4,540,000	390,400	5,493,228
2029	4,880,000	724,808	(212,800)	-	208,800	5,600,808
2030	5,075,000	529,608	(212,800)	-	208,800	5,600,608
2031	5,320,000	326,608	(5,532,800)	5,220,000	208,800	5,542,608
2032	5,490,000	113,808				5,603,808
Total	\$ 41,210,000	\$ 9,024,812	\$ (17,839,700)	\$ 14,920,000	\$ 2,626,784	\$ 49,941,896

**TABLE 10
TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S LIMITED TAX DEBT SERVICE REQUIREMENTS**

Projected Maximum Principal and Interest Requirements - Fiscal Year Ending 2031.....	\$5,640,428.20
\$0.01894 Tax Rate at 97% Collection Produces ^(A)	\$5,642,450.89

^(A) Based upon fiscal year 2024/25 taxable assessed valuation of \$30,712,564,299.

**TABLE 11
AUTHORIZED BUT UNISSUED LIMITED TAX BONDS**

The District has no authorized but unissued bonds remaining.

TABLE 12
REVENUE SUPPORTED DEBT^(A)

Fiscal Year End 31-Aug	Outstanding Revenue Debt		
	Principal	Interest	Total
2024	\$ 1,440,000	\$ 507,150	\$ 1,947,150
2025	1,485,000	449,550	1,934,550
2026	1,535,000	399,000	1,934,000
2027	1,590,000	346,350	1,936,350
2028	1,645,000	291,400	1,936,400
2029	1,710,000	225,600	1,935,600
2030	1,780,000	157,200	1,937,200
2031	505,000	86,000	591,000
2032	525,000	65,800	590,800
2033	550,000	44,800	594,800
2034	570,000	22,800	592,800
Total	\$ 13,335,000	\$ 2,595,650	\$ 15,930,650

^(A)Revenue bond debt service of the District is payable solely from certain tuition and revenue fees of the District pledged to such revenue bonds and are not secured by ad valorem taxes of the District

TABLE 13
REVENUE DEBT SERVICE COVERAGE

Debt Service Coverage	Fiscal Year Ending August 31,				
	2023	2022	2021	2020	FY2019
Pledged Tuition ^(A)	\$ 301,527	\$ 300,049	\$ 305,690	\$ 362,889	\$ 365,924
Pledged Facility Fees ^(B)	992,658	981,678	1,051,117	# 1,177,657	1,229,267
Community Education Fees ^(C)	17,294	17,896	14,494	# 13,080	27,238
Designated Parking Fee Transfer ^(D)	745,300	766,245	784,550	914,425	933,480
Interest Income	1,486,609	194,183	132,871	211,708	361,242
Bookstore Commission	108,506	167,129	170,539	293,834	337,782
Vending Commission	31,065	31,569	15,503	29,243	41,468
Other revenues ^(E)	750,000	750,000	750,000	750,000	750,000
Total Pledged Revenues	\$ 4,432,959	\$ 3,208,749	\$ 3,224,764	\$ 3,752,836	\$ 4,046,401
Fiscal Year Annual Debt Service	1,931,950	1,931,950	1,973,231	1,989,318	1,391,839
Current Year ADS Coverage Ratio	2.29x	1.66x	1.63x	1.89x	2.91x
Average Annual Debt Service	1,448,241	1,488,550	1,522,648	1,580,004	1,607,291
Average ADS Coverage Ratio	3.06x	2.16x	2.12x	2.38x	2.52x
Maximum Annual Debt Service	1,947,150	1,947,150	1,947,150	1,985,631	1,989,318
Maximum ADS Coverage Ratio	2.28x	1.65x	1.66x	1.89x	2.03x

Source: District records.

^(A) Tuition pledge included first \$15 of tuition per long semester per student and first \$7.50 of tuition per summer term per student.

^(B) Facility Fee is \$6 per semester hour for academic courses and 25% of tuition for Community Education classes.

^(C) Community Education Fees includes a \$1 building use fee per student per class and a \$1 parking fee per student per class.

^(D) Designated Parking Fee transfer reflects an annual budgeted transfer of tuition by the College to the revenue debt service fund of \$5 per student per semester hour. This annual transfer was initiated in fiscal year 2010 when the College completed its two parking garages.

^(E) Other revenues include an annual budgeted transfer from the College's Capital Improvement Fund to be used to pay debt service on the revenue bonds. The College has been making this annual transfer since 2019.

TABLE 14
CURRENT INVESTMENTS

As of May 31, 2024, the District's investment portfolio book value was \$43,731,896 and was invested in the following categories of investments:

<u>Type of Investment</u>	<u>Book Value</u>	<u>Percentage</u>
TFNB Insured Cash Sweep	\$ 16,773,764	38.36%
TFNB Money Market Accounts	9,391,529	21.48%
Lone Star Investment Pool	217	0.00%
Texas Range	9,665	0.02%
TexPool	598,330	1.37%
Certificates of Deposit	16,958,391	38.78%
Total	\$ 43,731,896	100.0%

TABLE 15
STATEMENT OF NET POSITION

Fiscal Year Ending August 31,

	2023	2022	2021	2020	2019
Assets					
Current assets					
Cash and cash equivalents	\$ 34,344,419	\$ 26,514,934	\$ 22,494,499	\$ 12,075,788	\$ 12,549,819
Accounts receivable, net	11,257,614	13,540,032	12,031,202	13,578,153	16,745,872
Prepaid expenses	286,975	1,018,185	887,254	239,839	351,310
Restricted cash & cash equivalents	758,365	435,778	519,502	4,715,012	9,006,348
Inventories	1,839	21,875	-	3,431	14,670
Total current assets	\$ 46,649,212	\$ 41,530,804	\$ 35,932,457	\$ 30,612,223	\$ 38,668,019
Non-Current Assets					
Capital assets, net	\$ 125,556,265	\$ 126,869,033	\$ 121,657,717	\$ 123,966,758	\$ 122,978,253
Right-of-use lease assets, net	-	-	1,050,025	-	-
Total non-current assets	\$ 125,556,265	\$ 126,869,033	\$ 122,707,742	\$ 123,966,758	\$ 122,978,253
Total Assets	\$ 172,205,477	\$ 168,399,837	\$ 158,640,199	\$ 154,578,981	\$ 161,646,272
Deferred Outflows of Resources					
Deferred outflows of resources	\$ 15,417,791	\$ 17,103,981	\$ 22,295,128	\$ 24,673,659	\$ 21,022,373
Total Deferred Outflows of Resources	\$ 15,417,791	\$ 17,103,981	\$ 22,295,128	\$ 24,673,659	\$ 21,022,373
Liabilities					
Current liabilities					
Accounts payable	\$ 1,481,308	\$ 3,329,637	\$ 1,430,248	\$ 1,661,936	\$ 1,774,408
Accrued liabilities	5,835,434	5,363,550	4,720,623	4,100,004	3,342,651
Funds held for others	248,008	109,010	184,370	117,906	202,887
Unearned revenues	9,630,155	8,457,596	9,399,992	9,145,176	10,109,184
Lease liabilities - current	334,111	366,367	366,863	-	-
Subscription liabilities - current	794,437	726,473	-	-	-
Bonds payable - current	4,100,000	4,610,000	5,125,000	4,745,000	4,545,000
Total current liabilities	\$ 22,423,453	\$ 22,962,633	\$ 21,227,096	\$ 19,770,022	\$ 19,974,130
Non-current liabilities					
Lease liabilities	\$ -	\$ 333,932	\$ 700,299	\$ -	\$ -
Subscription liabilities	305,205	950,781	-	-	-
Bonds payable	55,085,693	60,337,805	66,078,763	70,609,480	76,219,797
Net pension liability	16,731,431	7,293,846	16,261,639	16,048,584	15,561,725
Net OPEB liability	39,806,777	50,443,572	47,067,445	48,545,614	40,273,748
Total non-current liabilities	\$ 111,929,106	\$ 119,359,936	\$ 130,108,146	\$ 135,203,678	\$ 132,055,270
Total Liabilities	\$ 134,352,559	\$ 142,322,569	\$ 151,335,242	\$ 154,973,700	\$ 152,029,400
Deferred Inflows of Resources					
Deferred inflows of resources	\$ 16,074,515	\$ 15,543,434	\$ 14,576,206	\$ 15,385,965	\$ 17,359,721
Total Deferred Inflows of Resources	\$ 16,074,515	\$ 15,543,434	\$ 14,576,206	\$ 15,385,965	\$ 17,359,721
Net assets					
Investments in capital assets	\$ 67,896,835	\$ 62,958,045	\$ 54,140,006	\$ 51,210,723	\$ 45,097,276
Restricted/Expendable	989,053	581,958	1,337,769	5,797,608	10,316,922
Unrestricted	(31,689,694)	(35,902,188)	(40,453,896)	(47,815,536)	(45,420,099)
Total Net Position	\$ 37,196,194	\$ 27,637,815	\$ 15,023,879	\$ 9,192,795	\$ 9,994,099

Source: District's Annual Financial Report.

TABLE 16
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Fiscal Year Ending August 31,				
	2023	2022	2021	2020	2019
Revenues					
Operating Revenues					
Tuition and fees, net	\$ 11,512,886	\$ 11,610,425	\$ 12,876,439	\$ 12,671,608	\$ 13,453,670
Sales & services of educ activities	1,200,435	1,100,686	1,078,826	878,283	1,015,863
Auxiliary enterprises	427,998	408,217	244,135	353,871	403,484
Other operating revenues	326,749	450,462	413,388	85,803	137,057
Total operating revenues	\$ 13,468,068	\$ 13,569,790	\$ 14,612,788	\$ 13,989,565	\$ 15,010,074
Expenses					
Operating expenses					
Instruction	\$ 32,372,871	\$ 30,070,935	\$ 32,101,405	\$ 34,173,142	\$ 32,987,202
Public service	2,375,184	2,154,057	2,257,139	2,096,889	2,264,847
Academic support	3,849,067	3,441,966	3,256,528	3,132,142	2,870,689
Student services	6,743,955	13,144,081	8,681,226	8,149,337	5,269,865
Institutional Support	14,481,142	16,879,743	13,982,978	12,954,508	10,797,337
Operation & maint. of plant	5,379,515	5,388,827	5,657,604	6,724,070	5,773,536
Scholarships & fellowships	8,035,607	8,277,366	9,095,547	9,738,166	9,895,348
Auxiliary enterprises	3,084,880	2,794,993	2,063,815	2,372,153	2,546,354
Depreciation	5,646,711	5,401,044	4,708,685	4,528,888	4,118,138
Total operating expenses	\$ 81,968,932	\$ 87,553,012	\$ 81,804,927	\$ 83,869,295	\$ 76,523,316
Operating income/(loss)	\$ (68,500,864)	\$ (73,983,222)	\$ (67,192,139)	\$ (69,879,730)	\$ (61,513,242)
Nonoperating revenues (expenses)					
State appropriations	\$ 15,848,161	\$ 15,746,346	\$ 17,245,234	\$ 17,761,073	\$ 17,138,675
Taxes for maint. & operations	28,267,499	25,810,450	23,947,224	21,809,084	20,175,004
Taxes for debt service	5,871,699	5,282,242	5,521,883	5,654,307	5,648,591
Federal grants and contracts	25,947,573	38,094,661	26,897,574	24,774,086	20,420,431
State grants and contracts	1,527,090	1,132,991	1,461,420	1,044,692	1,487,941
Local grants and contracts	789,128	404,966	100,258	196,061	232,828
Investment income	1,692,106	224,327	148,333	313,724	479,285
Gifts	244,287	1,854,448	363,204	255,065	298,883
Int. on capital asset-related debt	(2,123,857)	(2,046,400)	(2,159,099)	(2,692,812)	(2,545,478)
Other nonop rev/(exp), net	(4,443)	155,580	(514,991)	(36,674)	(152,029)
Total Non-Operating Revenues	\$ 78,059,243	\$ 86,659,611	\$ 73,011,040	\$ 69,078,606	\$ 63,184,131
Increase (Decrease) in Net Position	\$ 9,558,379	\$ 12,676,389	\$ 5,818,901	\$ (801,124)	\$ 1,670,889
Net Position					
Net Position--Beginning of Year	\$ 27,637,815	\$ 15,023,879	\$ 9,192,975	\$ 9,994,099	\$ 11,549,733
Cumulative Effect of Changes in Accounting Principles*	-	(62,453)	12,003	-	-
Prior Period Adjustment	-	-	-	-	(3,226,523)
Net Position--End of Year	\$ 37,196,194	\$ 27,637,815	\$ 15,023,879	\$ 9,192,975	\$ 9,994,099

Source: District's Annual Financial Report.

*GASB 68 adopted in 2015, GASB 75 adopted in 2018.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

The campus of the McLennan Community College (the “College”) is located in the City of Waco, Texas (the “City”). The City is the county seat and principal commercial center of McLennan County (the “County”).

The City of Waco (the “City”), founded in 1849, is the 24th largest city in the State and covers approximately 101 square miles. The City is the county seat of McLennan County, which encompasses over 1,000 square miles. The City is the approximate geographic center of Texas’ population and is often referred to as the “Heart of Texas.” The City lies between the three largest cities in the state: 90 miles south of Dallas, 200 miles northwest of Houston and 180 miles northeast of San Antonio with some 80% of the State’s population is within 300 miles of the City. The City’s 2020 U.S. census population was 138,486 and its July 2022 estimated population was 143,984.

Historically, the City has been a trade and agriculture center. The central location in the State makes the City commercially attractive as a distribution center for trade goods of all kinds. The City has a diverse economy and the top employment industries include: education and healthcare, government, manufacturing, retail trade, leisure and hospitality, and professional and business services. The City is a popular with outdoor enthusiasts due to a large number of parks, a zoo, and a major lake and river and is an attractive tourist destination because of its numerous museums, unusual attractions and the Magnolia Market.

McLennan County was created and organized in 1850, covers approximately 1,060 miles, and includes 22 incorporated cities and 2 unincorporated areas. The County’s economy is based primarily on manufacturing and agriculture, with higher education also making a significant impact on the economy. The County is traversed by Interstate Highway 35, U.S. Highways 77, 81 and 84; State Highways 6, 31, and 317 and numerous farm-to-market and park roads. The County’s 2020 U.S. census population was 260,579 and its July 2023 estimated population is 268,583.

Major employers in the Waco Metropolitan Statistical Area include:

Entities with over 1,000 Employees

<u>Company</u>	<u>Type of Business</u>
Ascension Providence	Health Care
Baylor Scott & White Medical Center Hillcrest	Health Care
Baylor University	Higher Education
City of Waco	City Government
H-E-B	Grocer/Retail
McLennan County	County Government
Midway ISD	Public Education
Sanderson Farms, Inc.	Manufacturing
Waco ISD	Public Education
Wal-Mart Stores	Grocer/Retail

Entities with over 400 Employees

<u>Company</u>	<u>Type of Business</u>
AbbVie	Manufacturing
Aramark	Professional Services
American Income Life Insurance	Life Insurance
Big Creek Construction	Construction
Cargill Value Added Meats	Manufacturing
Clayton Homes #932	Manufacturing
Coca Cola North America	Manufacturing
Examination Management Services	Professional Services
Family Health Center	Health Care
Howmet Fastening Systems	Manufacturing
L-3 Harris	Aerospace
La Vega ISD	Public Education
Magnolia Market	Retail
Mars Wrigley Confectionery	Manufacturing
McLennan Community College	Higher Education
Pilgrims	Manufacturing
S2G Support Services, LTD	Professional Services
SpaceX	Aerospace
Texas Department of Human Services	State Agency

Texas Farm Bureau and Affiliated Companies
 Texas Materials
 Texas State Technical College
 Tractor Supply Company Distribution
 Versalift – a Time Manufacturing Company
 Veterans Administration Medical Center
 Veterans Affairs Regional Office

Insurance
 Manufacturing
 Higher Education
 Retail Distribution
 Manufacturing
 Health Care
 Feder. Government

Source: Greater Waco Chamber of Commerce, U.S Census Bureau QuickFacts.

The following table summarizes the recent comparative unemployment rates for the City, the County, the State of Texas and the U.S.

Comparative Unemployment Rates

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024*</u>
City of Waco	6.8%	5.2%	3.9%	4.1%	4.7%
McLennan County	6.2%	4.8%	3.6%	3.7%	4.3%
State of Texas	7.7%	5.6%	3.9%	3.9%	4.5%
United States of America	8.1%	5.3%	3.6%	3.6%	4.3%

Source: Labor Market Information Department, Texas Workforce Commission.

*As of June 2024.

APPENDIX C
FORM OF BOND COUNSEL'S OPINION

August __, 2024

We have acted as Bond Counsel for the McLennan County Junior College District, a political subdivision of the State of Texas (the "District") in connection with the issuance of \$14,920,000 aggregate principal amount of bonds designated as "MCLENNAN COUNTY JUNIOR COLLEGE DISTRICT, LIMITED TAX REFUNDING BONDS, SERIES 2024." The Bonds are authorized by an order (the "Order") adopted by the Board of Trustees of the District on April 30, 2024. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

In such connection, we have reviewed the Order, the tax certificate of the District dated the date hereof (the "Tax Certificate"), certificates of the District, and others, a transcript of certain certified proceedings pertaining to the issuance of the Bonds and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the District.

2. The Board of Trustees of the District has the power to and is obligated to levy an annual ad valorem tax, within the limits prescribed by law, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.
3. The deposit made with the Refunded Bonds Paying Agent constitutes the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; in reliance upon the Sufficiency Certificate, the Refunded Bonds, having been discharged and paid are no longer outstanding and the lien on and pledge of ad valorem taxes and other revenues as set forth in the order authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest in the Refunded Bonds only out of the funds provided therefore for now held by the Refunded Bonds Paying Agent; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds deposited with the Refunded Bonds Paying Agent.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

JACKSON WALKER LLP

APPENDIX D

**EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2023**



JAYNES REITMEIER BOYD & THERRELL, P.C.
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
McLennan County Junior College District:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of McLennan County Junior College District (the District) as of and for the years ended August 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District as of August 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the McLennan Community College Foundation, a discretely presented component unit of the District, as of and for the years ended August 31, 2023 and 2022, were not audited in accordance with *Government Auditing Standards*.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principle

As discussed in Note 2m to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective September 1, 2022. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16, the schedule of the District's proportionate share of the net pension liability on page 60, the schedule of the District's contributions to the Teacher Retirement System of Texas on page 61, the schedule of the District's proportionate share of the OPEB liability on page 62, and the schedule of the District's contributions to the Employee Retirement System of Texas on page 63 (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Jaynes, Keitmeier, Boyd & Huell, P.C.

December 6, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

The Management's Discussion and Analysis (MD&A) is designed to provide an easy to read analysis of McLennan County Junior College District's (the District) financial activities for the years ended August 31, 2023 and 2022. This overview is based on facts, decisions and conditions known as of the date of the independent auditor's report. There are three financial statements presented: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. These statements provide both long-term and short-term financial information on the District as a whole and should be read in conjunction with the Notes to Financial Statements.

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

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

Financial and Enrollment Highlights

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

Statement of Net Position

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

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

Condensed Statements of Net Position (In Thousands)

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

Statement of Net Position (continued)

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

Total assets increased by \$3.8 million from 2022 to 2023. Cash and cash equivalents increased by \$8.1 million as explained below in the "Statement of Cash Flow" section. There were approximately \$4.3 million in capital assets added during 2023. Significant additions include renovation projects on the Gym HVAC and Cameron Hall of \$1.4 million that were not yet completed at year-end, and completing the renovation of the baseball and softball fields for \$1.3 million. Depreciation and amortization expense of \$5.6 million was incurred which resulted in a \$1.3 million decrease in total capital assets, net of depreciation. Total assets increased by \$8.2 million from 2021 to 2022. There were approximately \$7.4 million in capital assets added during 2022. Significant additions included renovation projects on the ballfields and BPAC Stage of \$2.9 million that were not yet completed at year-end 2022, renovating the HVAC system at the CSC Module E wing of \$1.6 million, LTC 3rd floor renovation of \$0.4 million, and the restroom and floor renovation in the CSC Module E wing of \$0.4 million. Depreciation and amortization expense of \$5.4 million was incurred which resulted in a \$2.6 million increase in total capital assets, net of depreciation.

Total deferred outflows of resources decreased by approximately \$1.7 million from 2022 to 2023. Total deferred outflows of resources decreased by approximately \$5.2 million from 2021 to 2022. These outflows for 2023 and 2022 include deferred charges on the 2015, 2017, and 2021 Refunding Bonds, changes in pension contributions, changes in assumptions, differences between projected and actual earnings, changes in proportion and differences in District contributions and proportionate share of contributions, and differences between expected and actual economic experience of the pension and OPEB plans.

Total liabilities decreased by approximately \$8.0 million from 2022 to 2023. Principal payments on bonds approximated \$4.6 million in 2023. The District's net pension liability increased approximately \$9.4 million and the OPEB liability decreased approximately \$10.6 million from 2022 to 2023. Additionally, the District had a reduction in accounts payable of \$1.8 million due to the timing of payments at year end. Total liabilities decreased approximately \$10.6 million from 2021 to 2022. Principal payments on bonds approximated \$5.1 million in 2022. The District's net pension liability decreased approximately \$9.0 million and the OPEB liability increased approximately \$3.4 million from 2021 to 2022. Additionally, the District recognized \$0.6 million more in accrued liabilities due to the timing of payments at year end.

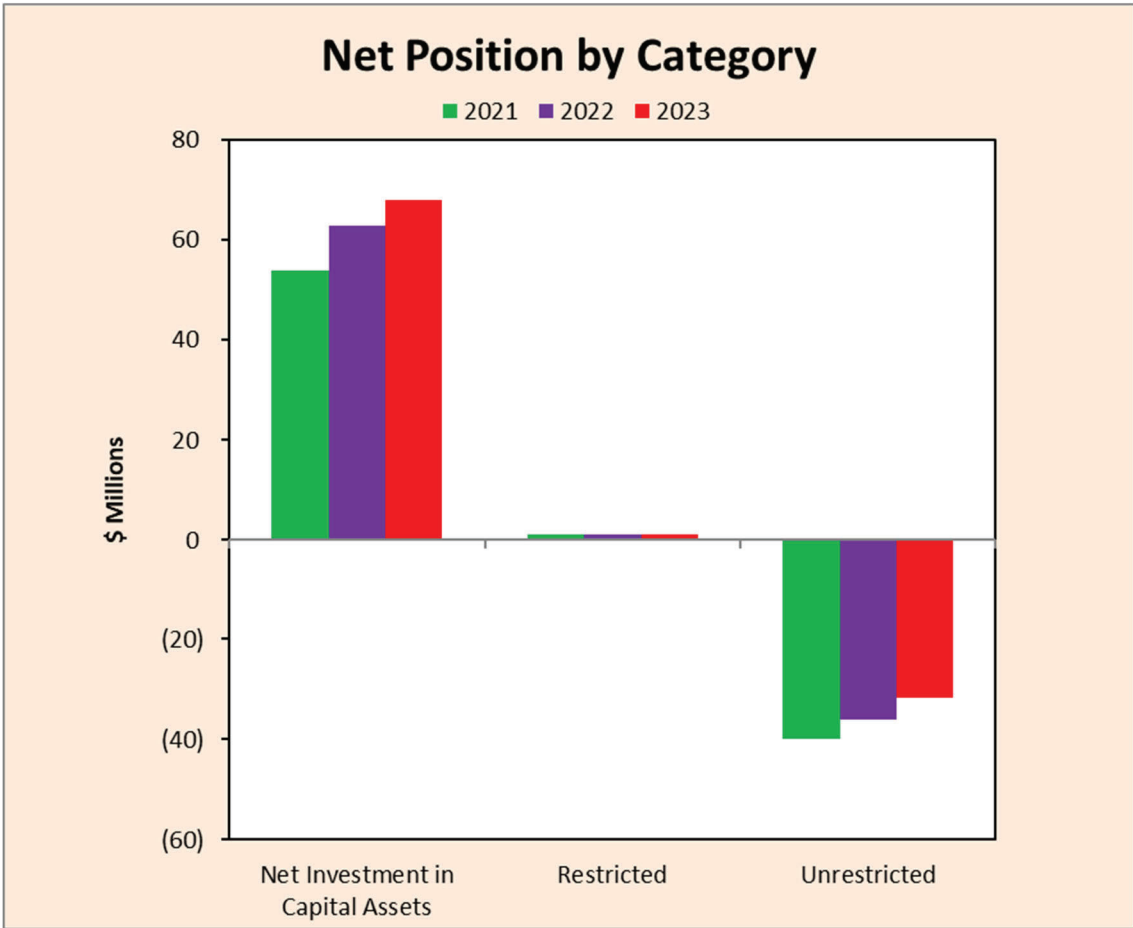
Total deferred inflows of resources increased by approximately \$0.5 million from 2022 to 2023. Total deferred inflows of resources decreased by approximately \$1.0 million from 2021 to 2022.

Statement of Net Position (continued)

These deferred inflows include deferred gains on bond refundings, deferred inflows from leases, differences between projected and actual investment earnings, differences between expected and actual economic experience, changes in assumptions and changes in proportion and differences in District contributions and proportionate share of contributions to the pension and OPEB plans.

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

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



Statement of Revenues, Expenses and Changes in Net Position

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

The following table reflects a summary of the Statement of Revenues, Expenses and Changes in Net Position for the years ended August 31, 2023, 2022 and 2021. This summary indicates the operating loss and the overall increase (decrease) in net position for each of the years displayed.

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

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

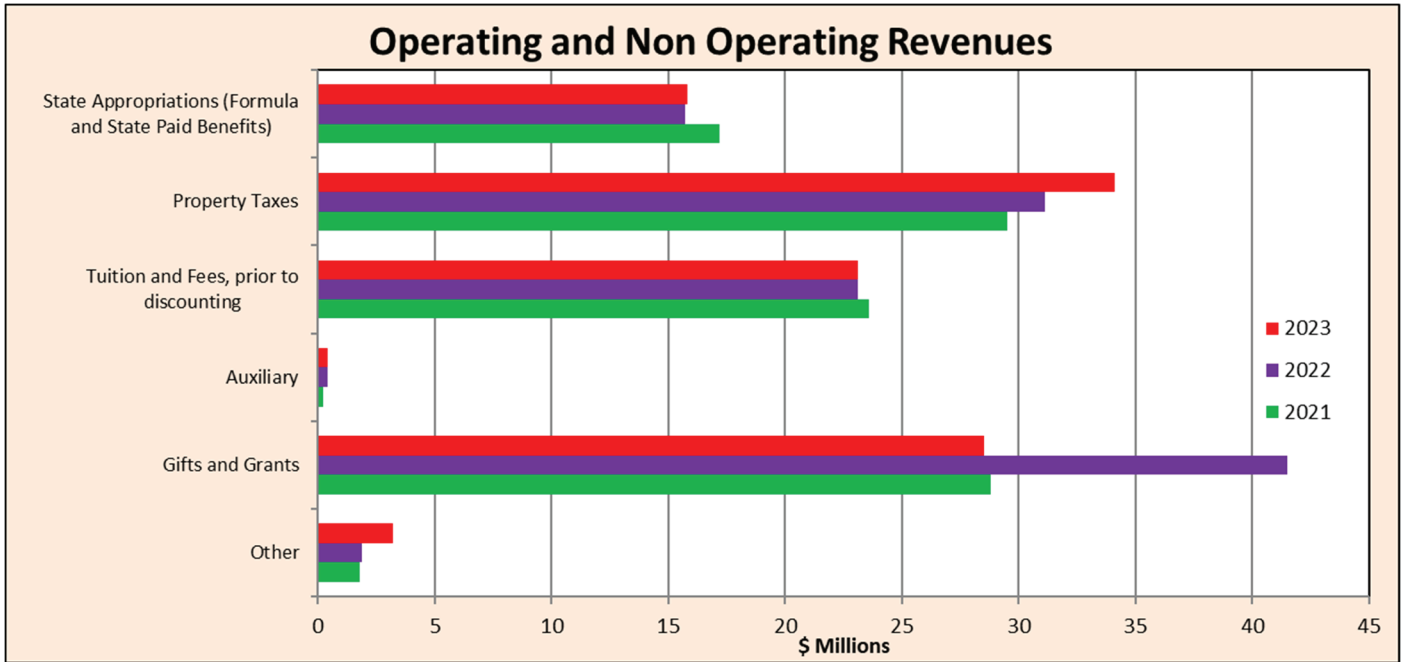
Operating and Non-operating Revenues

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

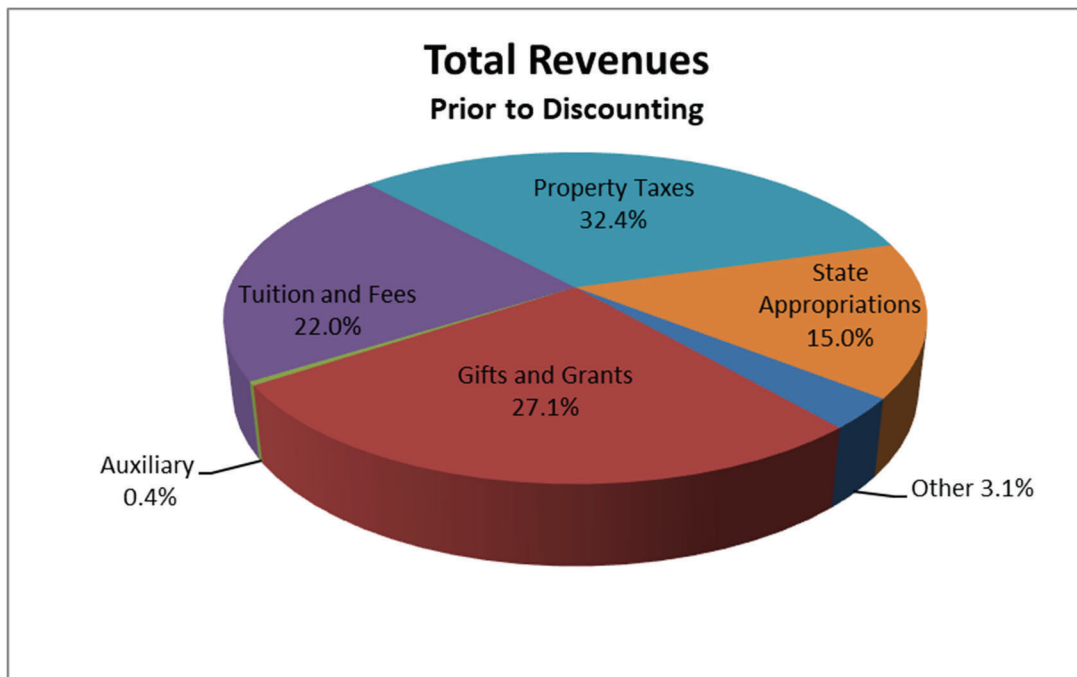
- Gross tuition and fee revenue for 2023 was \$23.1 million and only a slight decrease from 2022 amounts by approximately \$0.1 million or less than 1%. Credit tuition decreased by approximately by \$0.4 million, and state funded continuing education tuition increased by \$0.2 million. Tuition and fee rates remained the same in 2023. Gross tuition and fee revenue for 2022 was \$23.2 million and decreased from 2021 amounts by approximately \$0.4 million or 2%. Credit tuition decreased by approximately by \$0.4 million, and state funded continuing education tuition decreased by \$0.4 million. Tuition and fee rates remained the same in 2022. During 2021, the District generated a gross total of \$23.6 million and fees charged to credit and non-credit students attending classes at the District.
- State appropriated revenue for 2023 was \$15.8 million which was an increase of \$0.1 million from 2022. Of the total increase, \$0.8 million represents the portion of pension and OPEB expense that was recognized by the State of Texas on behalf of the District. This was offset by a \$0.7 million decrease in state appropriations as determined by the legislature and offset a little by higher amounts paid by the State for insurance premiums on behalf of the District. State appropriated revenue for 2022 was \$15.7 million which was a decrease of \$1.5 million from 2021. State appropriated revenue for 2021 was \$17.2 million.
- Property tax revenue was \$34.1 million in 2023 which exceeded the prior year by approximately \$3.0 million or 9.8%. Tax revenue was \$31.1 million in 2022 which exceeded the prior year by approximately \$1.6 million or 5.5%. Tax revenue for 2021 was \$29.5 million. The combined tax rate was \$0.139074 per \$100 of valuation in 2023 and \$0.149782 per \$100 of valuation for 2022. Tax rates for maintenance and operations decreased but were offset by the large increase in assessed taxable property values that continue to increase each year resulting in increases to revenues.
- Revenues from gifts, grants and contracts are not consistent from year to year, as private funds are given for specific purposes and many governmental grants are non-recurring. In 2023 federal Pell grants were \$14.0 million which was a decrease of \$0.4 million from 2022. Federal Pell grants were \$14.4 million and \$13.8 million, respectively, for 2022 and 2021.
- State grants in 2023 were \$1.5 million and increased by approximately \$0.4 million from 2022. State grants were \$1.1 million and \$1.5 million, respectively, for 2022 and 2021.

The following presentation graphically displays revenue trends.

Operating and Non-operating Revenues (continued)

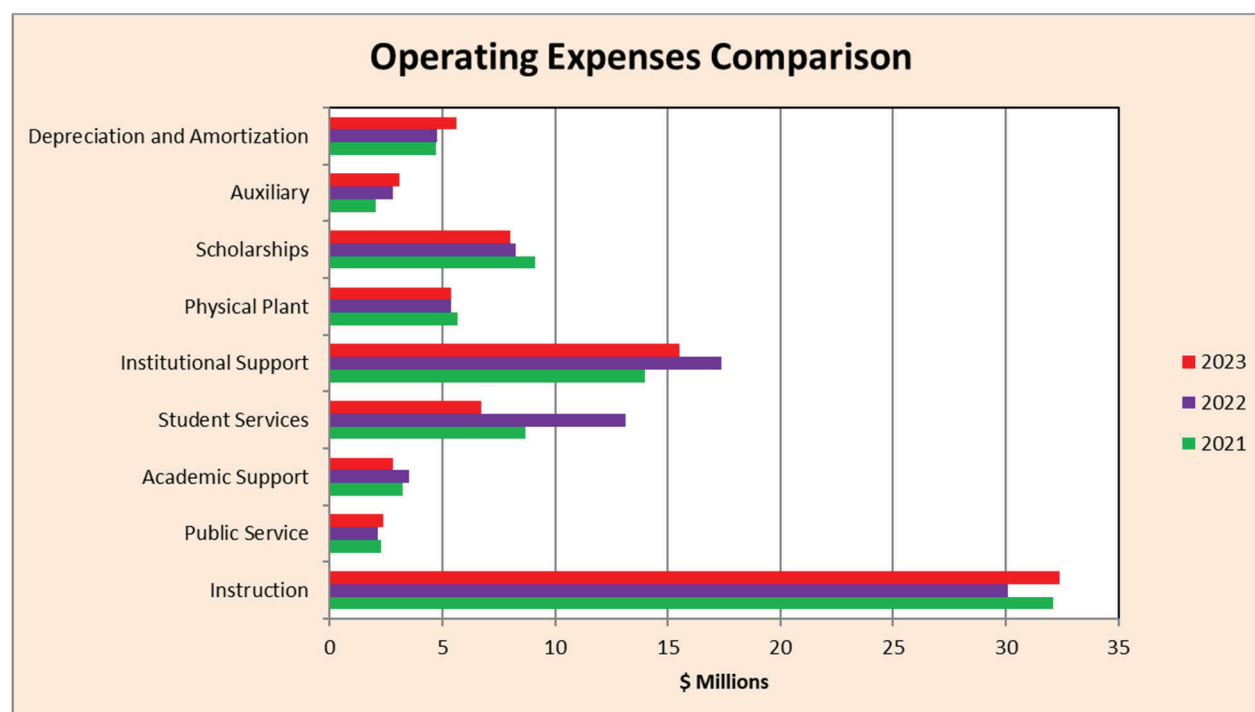


The following chart reflects revenues from all sources for 2023. For purposes of this presentation, tuition and fees revenues are shown prior to scholarship discounts. The Statements of Revenues, Expenses and Changes in Net Position reflect these revenues net of scholarships.



Operating Expenses

Functional classifications are the traditional categories that have been used to show expenses. They represent the type of programs and services provided. The following chart shows the District's 2023 expenses compared to the 2022 and 2021 expenses.



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

Statement of Cash Flows

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

Condensed Statements of Cash Flows (In Thousands)

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

Statement of Cash Flows (continued)

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

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

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

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

Capital Assets and Debt Administration

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

Schedule of Capital Assets (In Thousands)

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

Capital Assets and Debt Administration (continued)

Capital asset additions totaled \$4.3 million and \$7.4 million in 2023 and 2022, respectively. The major additions in 2023 was the completion of the baseball and softball fields, progress on the Gym HVAC renovation, and progress on the Cameron Hall renovation. Depreciation and amortization expense of \$5.6 million was incurred in 2023. The major additions in 2022 were the CSC E HVAC upgrade, CSC E restroom and floor renovations, LTC 3rd floor renovation, BPAC plaza renovation, and construction in progress on the Baseball and Softball fields, BPAC stage replacement, and CSC F AHU replacement. Depreciation and amortization expense of \$5.4 million was incurred in 2022. Major additions in 2021 were the ESC roof replacement, CSC Module B air handler unit replacement, and construction in progress on the Central Plant and LTC 3rd floor renovations. Depreciation and amortization expense of \$5.2 million was incurred in 2021.

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

Schedule of Outstanding Debt
(In Thousands)

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

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

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

Economic Factors That Will Affect the Future

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

Economic Factors That Will Affect the Future (continued)

The District has seen an increase state funding as state congress passed legislation that addressed state funding to community colleges statewide with 49 of 50 Texas community colleges seeing an increase in FY2024. The new funding model focuses more on completion numbers than the number of students enrolled. The District continues to evaluate its course offerings based on student demand. The District's enrollment peaked at 10,180 students in fall 2010 and currently stands at more than 7,400 students during the fall 2023 semester. The District's Office of Institutional Research and academic program chairs monitor course demand and utilization on a daily basis during registration to tailor offerings to demand. The District developed a Strategic Enrollment Management committee with various subcommittees to look at ways to increase enrollment. Committees in each department have been formed and are looking at implementing changes with the hopes to increase enrollment for future semesters.

The District has one of the lower maintenance and operations tax rates with a rate of \$0.115691 per \$100 valuation for FY2023. The District is ranked in the bottom half of the 50 community college districts in terms of tax rates. The District has the authority to raise its tax rate to as much as \$0.25 cents per \$100 valuation. Consequently, the District has considerable capability to offset declining state funds with tax increases as long as the Legislature does not reduce the cap on annual tax revenue increases (currently set at 8%).

A change in the student enrollment represents potential challenges for Texas community colleges. Currently there is an increase in overall enrollment experienced by nearly all community colleges in Texas. For fall 2023, total enrollment was up 3.6%. Additionally, graduation and transfer rates are increasing, leading to more students moving on to complete a bachelor's degree or going to work. The District is focused on retaining current students and beginning a strategic enrollment management process, and expects to begin to see impacts from the process starting in Spring 2024.

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

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

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

The most significant potential impacts are the action of the Texas Legislature in imposing adding additional unfunded mandates or limiting the ability of the college to increase revenue from taxes. While community colleges currently have a tax rate increase cap of 8%, it is possible that there will be pressure on legislators in the future to reduce the cap to like other taxing entities have experienced. The District was able to use HEERF funds to upgrade technology on campus and make other operational adjustments to remain financially stable. The District is not aware of any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during subsequent years.

McLennan County Junior College District

Statements of Net Position
(Exhibit 1)

August 31, 2023 and 2022

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

See accompanying notes to the financial statements.

McLennan County Junior College District

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

Years Ended August 31, 2023 and 2022

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

See accompanying notes to the financial statements.

McLennan County Junior College District

Statements of Cash Flows
(Exhibit 3)

Years Ended August 31, 2023 and 2022

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

See accompanying notes to the financial statements.



MCCLENNAN
COMMUNITY COLLEGE

McLennan County Junior College District

Notes to Financial Statements

August 31, 2023 and 2022

(1) Nature of Operations and Reporting Entity

McLennan County Junior College District (the District) was established in 1965, in accordance with the laws of the State of Texas, to serve the education needs of McLennan County. The District offers courses which are transferable to senior colleges and universities. Students may also choose to earn associate degrees or certifications in a wide range of technical fields, including those leading to careers in business, health and service. The District is considered to be a primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity Omnibus: An Amendment of GASB Statements No. 14 and No. 34*. While the District receives funding from local, state, and federal sources and must comply with the spending, reporting, and record-keeping requirements of these entities, it is not a component unit of any other governmental entity. The accompanying financial statements present the District and its component unit described below. The discretely presented component unit is reported in a separate column to emphasize that it is legally separate from the District.

McLennan Community College Foundation (the Foundation) is a legally separate, tax-exempt entity organized to solicit and receive support for purposes of developing and extending the facilities of the District and enhancing the educational opportunities of residents in the geographical area the District serves. The Foundation receives a significant portion of its revenue from individuals and businesses in the Central Texas area. The District does not control the timing or amount of receipts from the Foundation. However, the majority of resources or income thereon that the Foundation holds and invests is for the benefit of the District or its constituents. Because the net position of the Foundation compared to the District is significant, because substantially all resources held by the Foundation can only be used by, or for the benefit of, the District, and because the Foundation has historically provided resources to the District or its constituents, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements. During the years ended August 31, 2023 and 2022, the Foundation expended \$804,690 and \$2,346,655, respectively, directly to the District or to the District on behalf of students. Complete financial statements for the Foundation can be obtained from the Foundation office at 1400 College Drive, Waco, Texas 76708.

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

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

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

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

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

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

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

(c) Scholarship Allowances and Discounts

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

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

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

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

(2) Summary of Significant Accounting Policies (continued)

(d) Cash and Cash Equivalents

Cash equivalents of \$94,102 and \$379,218 at August 31, 2023 and 2022, respectively, consist of public funds investment pools. Cash equivalents are considered to be highly liquid debt instruments with original maturities of three months or less from the date of acquisition.

Restricted cash and cash equivalents represent resources accumulated for debt service payments for the Series 2013, 2015, and 2021 limited tax bonds payable and 2017, 2019, and 2021 revenue bonds payable at August 31, 2023 and 2022.

(e) Investments

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

(f) Inventories

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

(g) Capital Assets

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

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

(2) Summary of Significant Accounting Policies (continued)

(g) Capital Assets (continued)

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

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

(h) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows and inflows as of August 31, 2023 and 2022 consist of the following:

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

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

(2) Summary of Significant Accounting Policies (continued)

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

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

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

(2) Summary of Significant Accounting Policies (continued)

(i) Unearned Revenue

Unearned revenue of the District at August 31, 2023 and 2022 consists of the following:

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

(j) Pensions

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

(k) Other Post-Employment Benefits (OPEB)

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

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

(2) Summary of Significant Accounting Policies (continued)

(l) Use of Estimates

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

(m) Change in Accounting Principle

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

(3) Authorized Investments

The District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute. The District is also required to follow specific investment practices prescribed by the Public Funds Investment Act (the Act) related to establishment of appropriate investment policies and management reports.

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

(4) Deposits and Investments

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

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

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

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

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

(4) Deposits and Investments (continued)

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

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

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

Credit Risk. Credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill obligations related to the investment. It is the District's policy to limit its investments in a manner that ensures the preservation of capital in the overall portfolio. Specifically, public funds investment pools must be rated not less than AAA or an equivalent rating by at least one nationally recognized rating service. At August 31, 2023 and 2022, public funds investment pools held by the District were rated AAAM by Standard & Poor's.

As indicated above, investments of the District at August 31, 2023 and 2022 include deposits in the Texas Local Government Investment Pool, Texas Range Local Government Investment Program (Pool), and Lone Star Investment Pool (collectively, the Pools). These Pools are public funds investment pools created pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to the Pools as custodians and to make investment purchases with the District's funds. The District does not own specific, identifiable investment securities within the Pools.

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

(4) Deposits and Investments (continued)

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

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

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

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

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

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

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

(5) Disaggregation of Accounts Receivable and Accrued Liabilities

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

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

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

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

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

(6) Capital Assets

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

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

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

(6) Capital Assets (continued)

Capital asset activity for the year ended August 31, 2022 was as follows:

	Balance September 1, 2021	Additions	Transfers and Retirements	Balance August 31, 2022
Capital assets not being depreciated:				
Land	\$ 6,814,770	-	-	6,814,770
Construction in progress	951,871	3,232,708	(951,871)	3,232,708
	<u>7,766,641</u>	<u>3,232,708</u>	<u>(951,871)</u>	<u>10,047,478</u>
Capital assets, being depreciated:				
Buildings and building improvements	\$ 147,392,908	-	-	147,392,908
Buildings - right-of-use lease assets	1,380,775	-	-	1,380,775
Other real estate improvements	29,005,125	3,080,576	951,871	33,037,572
Total buildings and other real estate improvements	177,778,808	3,080,576	951,871	181,811,255
Library books	2,590,034	84,988	-	2,675,022
Furniture and equipment	8,584,655	1,015,133	(301,251)	9,298,537
Furniture and equipment - right-of-use lease assets	119,185	-	-	119,185
Software - right-of-use subscription assets	2,705,252	660,808	-	3,366,060
Total buildings and other capital assets	<u>191,777,934</u>	<u>4,841,505</u>	<u>650,620</u>	<u>197,270,059</u>
Less accumulated depreciation and amortization:				
Buildings and building improvements	\$ 50,048,446	2,621,785	-	52,670,231
Buildings - right-of-use lease assets	373,960	338,626	-	712,586
Other real estate improvements	15,531,717	1,099,102	-	16,630,819
Total buildings and other real estate improvements	65,954,123	4,059,513	-	70,013,636
Library books	1,954,105	79,122	-	2,033,227
Furniture and equipment	6,147,378	590,616	(257,287)	6,480,707
Furniture and equipment - right-of-use lease assets	75,975	27,503	-	103,478
Software - right-of-use subscription assets	1,173,166	644,290	-	1,817,456
Total accumulated depreciation	<u>75,304,747</u>	<u>5,401,044</u>	<u>(257,287)</u>	<u>80,448,504</u>
	<u>116,473,187</u>	<u>(559,539)</u>	<u>907,907</u>	<u>116,821,555</u>
Net capital assets	<u>\$ 124,239,828</u>	<u>2,673,169</u>	<u>(43,964)</u>	<u>126,869,033</u>

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

Construction in progress at August 31, 2023 consists of:

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

(7) Long-Term Liabilities

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

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

Long-term liability activity for the year ended August 31, 2022 was as follows:

	Balance September 1, 2021	Additions	Reductions	Balance August 31, 2022	Current Portion
Bonds payable:					
Revenue bonds payable	\$ 16,035,000	-	1,330,000	14,705,000	1,370,000
Refunding limited tax bonds payable	48,245,000	-	3,795,000	44,450,000	3,240,000
Bond issuance premiums and discounts	6,923,763	-	1,130,958	5,792,805	-
Lease liabilities	1,067,162	-	366,863	700,299	366,367
Subscription liabilities	1,594,539	660,808	578,093	1,677,254	726,473
Net pension liability	16,261,639	-	8,967,793	7,293,846	-
OPEB liability	47,067,445	5,558,025	2,181,898	50,443,572	-
	\$ 137,194,548	6,218,833	18,350,605	125,062,776	5,702,840

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

Bonds payable are comprised of the following individual issues:

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

To refund \$2,385,000 of outstanding Revenue Bonds – Series 2010; issued May 15, 2021; all authorized bonds have been issued; due in installments through 2030; secured by pledged revenues of tuition, facility fees, net revenues from the District's bookstore, cafeteria and vending machine operations, interest earnings and revenues of any revenue-producing facilities acquired or constructed with bond proceeds; no bond reserve fund is required.

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

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

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

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

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

To advance refund \$9,050,000 of outstanding Revenue Bonds – Series 2009 and 2010; issued August 11, 2017; all authorized bonds have been issued; due in installments through 2030; secured by pledged revenues of tuition, facility fees, net revenues from the District's bookstore, cafeteria and vending machine operations, interest earnings and revenues of any revenue-producing facilities acquired or constructed with bond proceeds; no bond reserve fund is required; call year 2027.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

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

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

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

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

Bonds payable are due in annual installments varying from \$50,000 to \$5,490,000 with interest rates from 0.3% to 5% with the final installment in 2034. Debt service requirements to amortize bonds payable as of August 31, 2023, are as follows:

For the Year Ended August 31,	Revenue Bonds		Tax Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 1,440,000	507,150	2,660,000	2,818,600
2025	1,485,000	449,550	4,150,000	1,334,600
2026	1,535,000	399,000	4,345,000	1,262,226
2027	1,590,000	346,350	4,555,000	1,048,378
2028-2032	6,165,000	826,000	25,500,000	2,561,007
2033-2034	1,120,000	67,600	-	-
	<u>\$ 13,335,000</u>	<u>2,595,650</u>	<u>41,210,000</u>	<u>9,024,811</u>

The District has pledged certain future tuition and fees to repay \$13.3 million in revenue bonds issued in 2021, 2019, and 2017. Proceeds from the bonds provided financing for the remodel of the business and technology building, construction of parking garage facilities, and refunding of the 1995, 2009, and 2010 revenue bonds which provided funds for campus facility improvements. Annual principal and interest payments on the bonds are expected to require 40% of the pledged tuition and fees. The total principal and interest remaining to be paid on the bonds is \$15.9 million. Principal and interest paid for the current year and total of pledged tuition and fees were approximately \$1.9 million and \$4.4 million, respectively.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

Leases

The District leases certain copier, register, and mowing equipment under lease agreements through 2024. In addition, the District leases housing for its athletes under a lease agreement with an initial lease term through July 31, 2021 with month-to-month lease renewals thereafter. Leases have imputed interest rates ranging from 2% to 6.66% and monthly payment terms ranging from \$29.98 to \$29,535.

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

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

Subscription-Based Information Technology Arrangements

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

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

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

McLennan County Junior College District

Notes to Financial Statements (Continued)

(8) Defeased Bonds Outstanding

During 2021, the District defeased certain bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2023, the following bond outstanding is considered defeased:

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

(9) Employees' Retirement Plan

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

All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detail information about TRS's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/aboutpublications.aspx>, by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698, or by calling (512) 542-6592.

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(9) Employees' Retirement Plan (continued)

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

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, Sec. 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation paid to members of the system during the fiscal year.

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

Year	Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2023	8.0%	\$ 2,306,204	8.0%	\$ 673,334	8.0%	\$ 2,305,523
2022	8.0%	2,055,309	7.8%	665,351	7.8%	1,991,081
2021	7.7%	1,927,005	7.5%	666,422	7.5%	1,876,953

McLennan County Junior College DistrictNotes to Financial Statements
(Continued)(9) Employees' Retirement Plan (continued)

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

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

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

In addition to the employer contributions listed above, there is a surcharge an employer is subject to.

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

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(9) Employees' Retirement Plan (continued)

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

	Valuation Date	
	August 31, 2021 rolled forward to August 31, 2022	August 31, 2020 rolled forward to August 31, 2021
Actuarial cost method	Individual entry age, normal	Individual entry age, normal
Asset valuation method	Fair value	Fair value
Actuarial assumptions:		
Single discount rate	7.00%	7.25%
Long-term expected investment rate of return	7.00%	7.25%
Municipal bond rate	3.91%	1.95%
Salary increases	2.95% to 8.95% (includes inflation of 2.3%)	3.05% to 9.05% (includes inflation of 2.3%)
Benefit changes during the year	None	None
Ad hoc post-employment benefit changes	None	None

The actuarial methods and assumptions used in the determination of the total pension liability as of August 31, 2022 and 2021 are the same, except as indicated otherwise above. For a full description of these assumptions please see the actuarial valuation report dated November 20, 2021.

Discount Rate. A single discount rate of 7.00% was used to measure the total pension liability as of August 31, 2022. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

McLennan County Junior College District

Notes to Financial Statements (Continued)

(9) Employees' Retirement Plan (continued)

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2022 are summarized below:

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

* Absolute Return includes Credit Sensitive Investments.

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

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

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

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(9) Employees' Retirement Plan (continued)

Discount Rate Sensitivity Analysis. The following schedule shows the impact to the District's net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the 2022 net pension liability:

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

The following schedule shows the impact to the District's net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2021 net pension liability:

	<u>1% Decrease</u> <u>(6.25%)</u>	<u>Current Rate</u> <u>(7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
District's proportionate share of the net pension liability	\$ <u>15,938,211</u>	<u>7,293,846</u>	<u>280,642</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2023 and 2022, the District reported a liability of \$16,731,431 and \$7,293,846, respectively, for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District at August 31, 2023 and 2022 as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District is as follows:

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

The 2023 net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net

McLennan County Junior College District

Notes to Financial Statements (Continued)

(9) Employees' Retirement Plan (continued)

pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022. The District's proportion of the collective net pension liability was 0.028% which was consistent with its proportion measured as of August 31, 2022.

The 2022 net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all participating employers to the plan for the period September 1, 2020 to August 31, 2021. The District's proportion of the collective net pension liability was 0.029% which was consistent with its proportion measured as of August 31, 2021.

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

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

At August 31, 2023 and 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(9) Employees' Retirement Plan (continued)

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 12,206	513,493
Changes in actuarial assumptions	2,578,232	1,123,888
Differences between projected and actual investment earnings, net	-	6,115,795
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	682,938	875,875
Contributions paid to TRS subsequent to the measurement date	1,292,233	-
Total	\$ 4,565,609	8,629,051

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

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

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

Optional Retirement Program. The state has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program (ORP) is in lieu of participation in TRS. ORP provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

McLennan County Junior College District

Notes to Financial Statements (Continued)

(9) Employees' Retirement Plan (continued)

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 3.3% and 6.6%, respectively.

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

Contribution rates as a percentage of compensation and contributions made for ORP for 2021, 2022 and 2023 are shown in the table below.

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

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

(10) Compensated Absences

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

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(11) Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years. The District has established a limited risk management program for workers' compensation. A liability for workers' compensation claims is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess commercial insurance policy covers individual workers' compensation claims in excess of \$204,643. The claim liability includes an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Estimated future payments for incurred claims are charged to operating expenses. Changes in the balance of claims liability included in accrued liabilities during the past two years are as follows:

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

(12) Other Post-Employment Benefits (OPEB)

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

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

OPEB Plan Fiduciary Net Position. Detailed information about the GBP's fiduciary net position is available in a separately-issued ERS Annual Comprehensive Financial Report that includes financial statements, notes to the financial statements, and required supplementary information. That report may be obtained online; by writing to ERS at 200 East 18th Street, Austin, Texas, 78701; or by calling (877) 275-4377.

Benefits Provided. Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least 10 years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

Contributions. Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds. There are no long-term contracts for contributions to the plan.

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

McLennan County Junior College District

Notes to Financial Statements (Continued)

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

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

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

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

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

	Valuation Date	
	August 31, 2022	August 31, 2021
Actuarial cost method:	Entry age normal	Entry age normal
Amortization method	Level percent of payroll, open	Level percent of payroll, open
Amortization period	30 years	30 years
Actuarial assumptions:		
Discount rate	3.59%	2.14%
Salary increases	2.30% to 8.95% (includes inflation of 2.3%)	2.30% to 9.05% (includes inflation of 2.3%)
Annual healthcare trend rates	5.60% for fiscal year 2024, 5.30% for fiscal year 2025, 5.00% for fiscal year 2026, 4.75% for fiscal year 2027, 4.60% for fiscal year 2028, decreasing 10 basis point per year to an ultimate rate of 4.30% for fiscal year 2031 and later years	5.25% for fiscal year 2023, 5.15% for fiscal year 2024, 5.00% for fiscal year 2025, 4.75% for fiscal year 2026, 4.60% for fiscal year 2027, decreasing 10 basis point per year to an ultimate rate of 4.30% for fiscal year 2030 and later years
Mortality Assumptions:		
Service Retirees, Survivors, and Other Inactive Members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2021	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018
Disability Retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active Members	Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP Projection Scale from the year 2010.	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014

McLennan County Junior College District

Notes to Financial Statements
(Continued)

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

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

Investment Policy. The SRHP is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The ERS's Board of Trustees amended the investment policy in August 2022 to require that all funds in the plan be invested in cash and equivalent securities. The expected rate of return on these investments was 4.1%.

Discount Rate. Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.14%. The discount rate used to determine the total OPEB liability as of the end of the measurement year was 3.59%, which amounted to a increase of 1.45%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and, therefore, the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

Discount Rate Sensitivity Analysis. The following schedule shows the impact to the District's proportionate share of the collective OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.59%) in measuring the 2022 OPEB liability:

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

McLennan County Junior College District

Notes to Financial Statements
(Continued)

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

The following schedule shows the impact to the District's proportionate share of the collective OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.14%) in measuring the 2021 OPEB liability:

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

Healthcare Trend Rate Sensitivity Analysis. The initial healthcare trend rate is 5.60% and the ultimate rate is 4.3%. The following schedule shows the impact to the District's proportionate share of the collective OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used (5.60% decreasing to 4.3%) in measuring the 2022 OPEB liability:

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

The initial healthcare trend rate is 5.25% and the ultimate rate is 4.3%. The following schedule shows the impact to the District's proportionate share of the collective OPEB liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used (5.25% decreasing to 4.3%) in measuring the 2021 OPEB liability:

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

McLennan County Junior College District

Notes to Financial Statements
(Continued)

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

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

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

The 2023 OPEB liability was measured as of August 31, 2022 and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021 to August 31, 2022. At the measurement date of August 31, 2022, the District's proportion of the collective OPEB liability was 0.1397%, which was a decrease of 0.0009% from its proportion measured as of August 31, 2021.

The 2022 OPEB liability was measured as of August 31, 2021 and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 to August 31, 2021. At the measurement date of August 31, 2021, the District's proportion of the collective OPEB liability was 0.1406%, which was a decrease of 0.0018% from its proportion measured as of August 31, 2020.

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

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

Changes Since the 2021 Actuarial Valuation: The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period.

Demographic Assumptions: The following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The proportion of future retirees assumed to cover dependent children.
- The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the opt-out credit at retirement.
- The percentage of higher education vested terminated members assumed to have terminated less than one year before the valuation date.

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

The discount rate assumption was changed from 2.14% as of August 31, 2021 to 3.59% as of August 31, 2022 as a result of requirements to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

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

McLennan County Junior College District

Notes to Financial Statements
(Continued)

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

At August 31, 2023 and 2022, the District reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	1,255,952
Changes in actuarial assumptions	2,338,807	12,304,652
Differences between projected and actual investment earnings	6,866	-
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	2,414,810	526,004
Contributions paid to ERS subsequent to the measurement date	847,896	-
Total	\$ 5,608,379	14,086,608
	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	1,237,324
Changes in actuarial assumptions	3,453,565	5,618,285
Differences between projected and actual investment earnings	8,934	-
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	5,056,641	-
Contributions paid to ERS subsequent to the measurement date	720,680	-
Total	\$ 9,239,820	6,855,609

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

McLennan County Junior College District

Notes to Financial Statements
(Continued)

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

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

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

(13) Related Parties

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

(14) Ad Valorem Property Taxes

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

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

Tax rates authorized and assessed during fiscal year 2023 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax rate per \$100 valuation authorized	\$ 0.250000	0.500000	0.750000
Tax rate per \$100 valuation for assessed	0.115691	0.023383	0.139074

McLennan County Junior College District

Notes to Financial Statements
(Continued)

(14) Ad Valorem Property Taxes (continued)

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

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

Taxes levied for the year ended August 31, 2023 are \$34,891,355. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Tax collections for the year ended August 31, 2023 are as follows:

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

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

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 26,540,900	5,314,143	31,855,043
Delinquent taxes collected	171,703	45,429	217,132
Penalties and interest collected	<u>250,336</u>	<u>58,448</u>	<u>308,784</u>
Total collections	<u>\$ 26,962,939</u>	<u>5,418,020</u>	<u>32,380,959</u>

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

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

(15) Tax Abatements

The District enters into property tax abatement agreements with local businesses in conjunction with those entered into by the City of Waco, Texas (the City). The City Council grants abatements for the City when they create economic development opportunities. The District is able to approve a similar abatement to what was approved by the City with terms commensurate with their taxing authority.

For the fiscal years ended August 31, 2023 and 2022, the District, did not enter into any tax abatement agreements.

(16) Budgets

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

(17) Income Taxes

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

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

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

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

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

(19) Contracts and Grants

Contract and grant revenues are recognized as earned in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. For contract and grant awards, funds expended but not collected are reported as accounts receivable in the accompanying Statements of Net Position. Contract and grant awards that are not yet funded, and for which the District has not yet performed services, are not included in the financial statements. Such contract and grant awards already committed total \$3,877,650 and \$600,700 at August 31, 2023 and 2022, respectively, for federal contract and grant awards; and \$59,830 and \$59,530 at August 31, 2023 and 2022, respectively, for state contract and grant awards.

(20) Business Concentrations and Uncertainties

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

(21) Authoritative Pronouncements Not Yet Effective

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

GASB Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB 62* (issued June 2022) – the objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for financial statements for fiscal years beginning after June 15, 2023.

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

GASB Statement No. 101, *Compensated Absences* (issued June 2022) – the objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences through a unified recognition and measurement model and amendment of certain previously required disclosures. The requirements of this statement are effective for financial statements for fiscal years beginning after December 15, 2023.

(22) Subsequent Events

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

Required Supplementary Information

McLennan County Junior College District

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

Last Ten Measurement Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.000281828	0.000286410	0.000303627	0.000308727	0.000282722	0.000276629	0.000267743	0.000275359	0.000315418
District's proportionate share of the net pension liability	\$ 16,731,431	7,293,846	16,261,639	16,048,584	15,561,725	8,845,093	10,117,620	9,733,576	8,425,251
State's proportionate share of the net pension liability associated with the District	8,566,566	3,970,528	8,650,513	7,960,368	8,157,571	4,484,587	5,023,253	5,097,186	4,294,738
Total	\$ 25,297,997	11,264,374	24,912,152	24,008,952	23,719,296	13,329,680	15,140,873	14,830,762	12,719,989
District's covered payroll	\$ 25,691,368	25,026,038	25,349,666	23,661,343	21,172,101	19,754,585	18,323,250	18,057,981	17,546,985
District's proportionate share of the net pension liability as a percentage of its covered payroll	65.1%	29.1%	64.1%	67.8%	73.5%	44.8%	55.2%	53.9%	48.0%
Plan's fiduciary net position as a percentage of the total pension liability	75.6%	88.8%	75.5%	75.2%	73.7%	82.2%	78.0%	78.4%	83.3%

Note:

Information for measurement years prior to 2014 is not available.

See accompanying independent auditor's report.

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

Last Ten Fiscal Years

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

See accompanying independent auditor's report.

McLennan County Junior College District

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

Last Ten Measurement Years

	2022	2021	2020	2019	2018	2017
District's proportion of the OPEB liability	0.001397368	0.001406073	0.001424360	0.001404568	0.001358867	0.001097339
District's proportionate share of the OPEB liability	\$ 39,806,777	50,443,572	47,067,445	48,545,614	40,273,748	37,389,647
State's proportionate share of the OPEB liability associated with the District	<u>31,752,425</u>	<u>37,216,564</u>	<u>34,272,215</u>	<u>36,655,189</u>	<u>30,841,481</u>	<u>30,343,586</u>
Total	<u>\$ 71,559,201</u>	<u>87,660,136</u>	<u>81,339,660</u>	<u>85,200,803</u>	<u>71,115,229</u>	<u>67,733,233</u>
District's covered payroll	<u>\$ 30,297,975</u>	<u>29,605,912</u>	<u>30,153,598</u>	<u>28,661,998</u>	<u>27,333,296</u>	<u>26,351,878</u>
District's proportionate share of the OPEB liability as a percentage of its covered payroll	<u>131.4%</u>	<u>170.4%</u>	<u>156.1%</u>	<u>169.4%</u>	<u>147.3%</u>	<u>141.9%</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	<u>0.6%</u>	<u>0.4%</u>	<u>0.3%</u>	<u>0.2%</u>	<u>1.3%</u>	<u>2.0%</u>

Note:

Information for measurement years prior to 2017 is not available.

See accompanying independent auditor's report.

McLennan County Junior College District

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

Last Ten Fiscal Years

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

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

McLennan County Junior College District

Notes to Required Supplementary Information – Employee Retirement System of Texas

Year Ended August 31, 2023

(1) Changes in Benefit Terms

Any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, this valuation reflects the benefit changes that will become effective September 1, 2022, since these changes were communicated to plan members in advance of the preparation of the latest valuation report.

There are no significant changes to benefit terms.

(2) Changes in Assumptions

Demographic Assumptions: The following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The proportion of future retirees assumed to cover dependent children.
- The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the opt-out credit at retirement.
- The percentage of higher education vested terminated members assumed to have terminated less than one year before the valuation date.

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

The discount rate assumption was changed from 2.14% as of August 31, 2021 to 3.59% as of August 31, 2022 as a result of requirements to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.