

# **COLLEGE OF THE MAINLAND**

## **ANNUAL FINANCIAL AND COMPLIANCE REPORT**

**Years Ended August 31, 2022 and 2021  
with Independent Auditor's Report**



# COLLEGE OF THE MAINLAND

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# COLLEGE OF THE MAINLAND

## ORGANIZATIONAL DATA

For the Fiscal Year Ended August 31, 2022

### BOARD OF TRUSTEES

#### OFFICERS AND MEMBERS

			<u>Term Expires May 31,</u>
Dr. William (Bill) McGarvey	Chairperson	Texas City, Texas	2025
Alan Waters	Vice-Chairperson	La Marque, Texas	2027
Melissa Skipworth	Secretary	Dickinson, Texas	2023
Dawn King	Member	Dickinson, Texas	2025
Dr. Verna Henson	Member	Texas City, Texas	2025
Kyle Dickson	Member	Texas City, Texas	2027
Donald G. Gartman	Member	Texas City, Texas	2023

#### PRINCIPAL ADMINISTRATIVE OFFICERS

Dr. Warren Nichols .....	President
Dr. Jerry Fliger.....	Vice President for Instruction
Dr. Helen Brewer.....	Vice President for Student Services
Dr. Lisa Watson.....	Vice President for Instructional Advancement
Dr. Clen Burton, CPA.....	Vice President for Fiscal Affairs
Trudy Trochesset .....	Controller



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
College of the Mainland  
Texas City, Texas

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of College of the Mainland (the "College") as of and for the years ended August 31, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit information of the College as of August 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit 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. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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*

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 College'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 College'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 College'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.

### ***Report on Summarized Comparative Information***

We have previously audited the College of the Mainland Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other post-employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College’s basic financial statements. The Supplemental Schedules A through D, as required by the Texas Higher Education Coordinating Board’s (THECB) *Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*, the Schedule of Expenditures of Federal Awards (Schedule E), as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Expenditures of State Awards (Schedule F), as required by the *Texas Grant Management Standards* are presented for additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedules A through F 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 Schedules A through F are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2022 on our consideration of the College’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 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 College’s internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, professional style.

Houston, Texas  
December 6, 2022



**COLLEGE OF THE MAINLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

In June 1999, the Governmental Accounting Standards Board ("GASB") released Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applies the new reporting standards to public colleges and universities. College of the Mainland (the "College") is a local government entity and falls under GASB Standards for accounting and financial reporting. The College also falls under the financial reporting standards of the Texas Higher Education Coordinating Board (the "Coordinating Board"), and as directed by GASB 34, the Coordinating Board implemented the new accounting standards for fiscal year 2002.

The following analysis provides an overview of the College's financial activities for fiscal year 2022 and 2021. The purpose of this overview is to present an "objective and easily readable analysis of the financial activities based on currently known facts, decisions, or conditions." The analysis conforms to topics covered in GASB Statement 34, paragraph 4, and reflects transactions, events, legislation and conditions that are presented in the College's financial report.

The College is a comprehensive public community college funded primarily through state appropriations, tuition and fees, taxes, and grant income. The College district is coterminous with the boundaries of five school districts; Dickinson ISD, Hitchcock ISD, La Marque ISD, Santa Fe ISD, and Texas City ISD. It has a service area that covers the whole of mainland Galveston County, Texas. The College employs approximately 340 full time staff and several hundred part-time staff and student workers.

Three financial statements are required to be presented under the new GASB requirements and they are: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. Management's discussion will address all three (3).

**The Statement of Net Position**

The Statement of Net Position represents the financial position of the College and presents all assets, deferred outflows/inflows of resources and liabilities using the accrual basis of accounting.

The College's liabilities and deferred inflows exceeded its assets and deferred outflows in 2022 and 2021, resulting in net deficits of \$18.1 million and \$25.1 million, respectively. These deficits were primarily the result of the recognition of the net pension and net other post-employment benefits (OPEB) liabilities and related deferred amounts. The combined negative impact of these amounts was \$43.3 million and \$46.6 in 2022 and 2021, respectively. Net position increased by \$7.1 million in fiscal year 2022, compared to fiscal year 2021 when the College experienced an increase of \$2.7 million.

Current liabilities decreased by \$3.1 million in 2022 primarily due to a decrease of \$3.6 million in accounts payable. Current liabilities increased by \$4.2 million in 2021 primarily due to an increase of \$1.1 million in accounts payable and \$2.6 million in bonds payable due in one year.

Noncurrent liabilities decreased by \$12.5 million in fiscal year 2022 due to a decrease of \$6.9 million in bonds payable due in greater than one year, plus a decrease of \$4.7 million in the net pension liability and net OPEB liability due in more than one year. Noncurrent liabilities decreased by \$5.4 million in fiscal year 2021 due the College paying off its 2017 Maintenance Tax Notes and related premium of \$14.1 million. This decrease was offset by the increase in the net OPEB liability of \$1.0 million and bonds payable of \$8.1 million.

**COLLEGE OF THE MAINLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Summary data for the Statement of Net Position is provided in the table below for fiscal years 2022, 2021, and 2020.

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 25,912,401	\$ 24,880,936	\$ 19,314,829
Capital assets (net)	173,966,215	145,784,901	98,467,786
Other non-current assets	23,342,586	59,456,741	104,568,371
<b>Total Assets</b>	<b>223,221,202</b>	<b>230,122,578</b>	<b>222,350,986</b>
<b>Deferred Outflows of Resources</b>	<b>7,810,526</b>	<b>9,254,325</b>	<b>8,283,296</b>
Current liabilities	18,601,387	21,716,613	16,558,119
Non-current liabilities	214,895,604	227,441,091	225,507,576
<b>Total Liabilities</b>	<b>233,496,991</b>	<b>249,157,704</b>	<b>242,065,695</b>
<b>Deferred Inflows of Resources</b>	<b>15,606,732</b>	<b>15,358,459</b>	<b>16,385,191</b>
Net investment in capital assets	14,707,932	6,314,888	9,660,686
Restricted net position	1,848,806	2,051,558	2,076,189
Unrestricted net position	(34,628,733)	(33,505,706)	(39,553,479)
<b>Total Net Position</b>	<b>\$ (18,071,995)</b>	<b>\$ (25,139,260)</b>	<b>\$ (27,816,604)</b>

**Capital Assets and Long-Term Debt**

The College's capital assets increased by \$28.2 million in fiscal year 2022 as a result of additions of \$34.2 million, net of depreciation expense of \$5.7 million. The College's capital assets increased by \$39.2 million in fiscal year 2021 as a result of additions of \$43.3 million, net of depreciation of \$4.1 million.

Details about the College's capital assets can be found in Note 6.

**Statement of Revenues, Expenses, and Changes in Net Position**

This statement represents the operating activity of the College, which reflects revenue, expenses, gains and losses during the year. In 2022, the College's net position increased by \$7.1 million. The details of the operating and non-operating revenues and expenses are described below.

**Operating Revenue**

Operating revenue for fiscal year 2022 increased by \$2.3 million from the prior year. Tuition and fees revenue increased by \$0.3 million and federal grants and contracts increased by \$1.4 million as the College recognized \$0.8 million more in federal grants related to the additional Higher Education Emergency Relief Fund (HEERF) and \$0.9 million more in federal grants for the student financial aid cluster.

Operating revenues for fiscal year 2021 increased by \$3.5 million from the prior year. Tuition and fees revenue decreased by \$0.4 million and federal grants and contracts decreased by \$3.6 million as the College recognized \$3.5 million more in federal grants related to the additional Higher Education Emergency Relief Fund (HEERF).

Tuition and fees made up 36% and 40% of total operating revenues in 2022 and 2021, respectively. Federal grants and contracts made up 50% and 48% of total operating revenues in 2022 and 2021, respectively.

**COLLEGE OF THE MAINLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Operating Expenses**

In 2022, operating expenses increased by \$4.4 million compared to the prior year. Expenses in decreased by \$1.3 million. Scholarships and fellowships increased by \$3.6 million. Operation and maintenance of plant decreased by \$0.0 million.

In 2021, operating expenses decreased by \$0.3 million compared to the prior year. Expenses in instruction decreased by \$1.0 million. Student services and institutional support each decreased by \$0.7 million. Scholarships and fellowships and auxiliary enterprises decreased by \$0.2 million and \$0.3 million. Operation and maintenance of plant and depreciation expense increased by \$0.4 million, \$2.2 million, respectively.

**Non-Operating Revenues (Expenses)**

During fiscal year 2022, non-operating revenues (net of non-operating expense) increased by \$6.5 million from the prior fiscal year primarily as a result of an increase of \$5.7 million in property tax revenues, net of a decrease of \$0.9 million in state appropriations. Comparing fiscal year 2022 to 2021, the M&O tax rate decreased by 12% from \$0.186771 to \$0.165300, the I&S tax rate increased by 86% from \$0.055192 to \$0.102400. Therefore, the total tax rate increased by 11% from \$0.241963 to \$0.267700 when compared to the prior fiscal year.

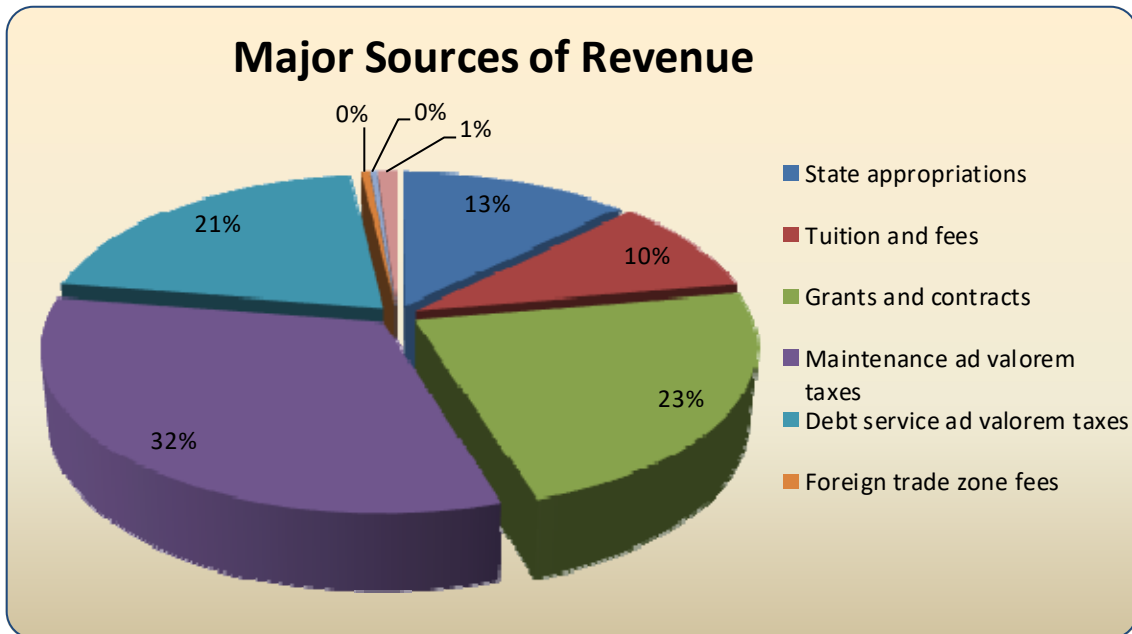
During fiscal year 2021, non-operating revenues (net of non-operating expense) increased by \$2.4 million from fiscal year 2020. Although, the state appropriations decreased by \$0.5 million, property taxes increased by \$7.0 million due to the new taxes for interest and sinking for debt service. Investment income decrease by \$1.3 million due to lower rates and use of construction funds for capital projects. Interest and fees on the debt service increased by \$1.8 million.

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Operating revenues	\$ 18,207,979	\$ 15,892,398	\$ 12,434,413
Operating expenses	<u>(55,151,805)</u>	<u>(50,763,661)</u>	<u>(50,879,161)</u>
Net operating income (loss)	(36,943,826)	(34,871,263)	(38,444,748)
Non-operating revenues (expenses)	<u>44,011,091</u>	<u>37,548,607</u>	<u>35,112,643</u>
<b>Total increase (decrease) in net position</b>	<u><u>\$ 7,067,265</u></u>	<u><u>\$ 2,677,344</u></u>	<u><u>\$ (3,332,105)</u></u>

The College's combined operating and non-operating revenues by major source for fiscal years 2022, 2021 and 2020 are shown in the table below.

	<b>2022</b>	<b>2021</b>	<b>2020</b>
State appropriations	\$ 8,720,843	\$ 9,610,650	\$ 10,121,585
Tuition and fees (net of discounts)	6,578,600	6,302,278	6,731,005
Grants and contracts	15,698,076	13,016,576	10,116,624
Maintenance ad valorem taxes	22,252,912	23,626,866	23,739,139
Debt service ad valorem taxes	14,098,493	7,068,868	-
Foreign trade zone fees	357,062	531,472	483,127
Auxiliary enterprises	256,764	246,024	354,742
Other	726,242	291,485	1,446,175
<b>Total Revenues</b>	<u><u>\$ 68,688,992</u></u>	<u><u>\$ 60,694,219</u></u>	<u><u>\$ 52,992,397</u></u>

The table data for operating and non-operating for 2022 is shown graphically below.

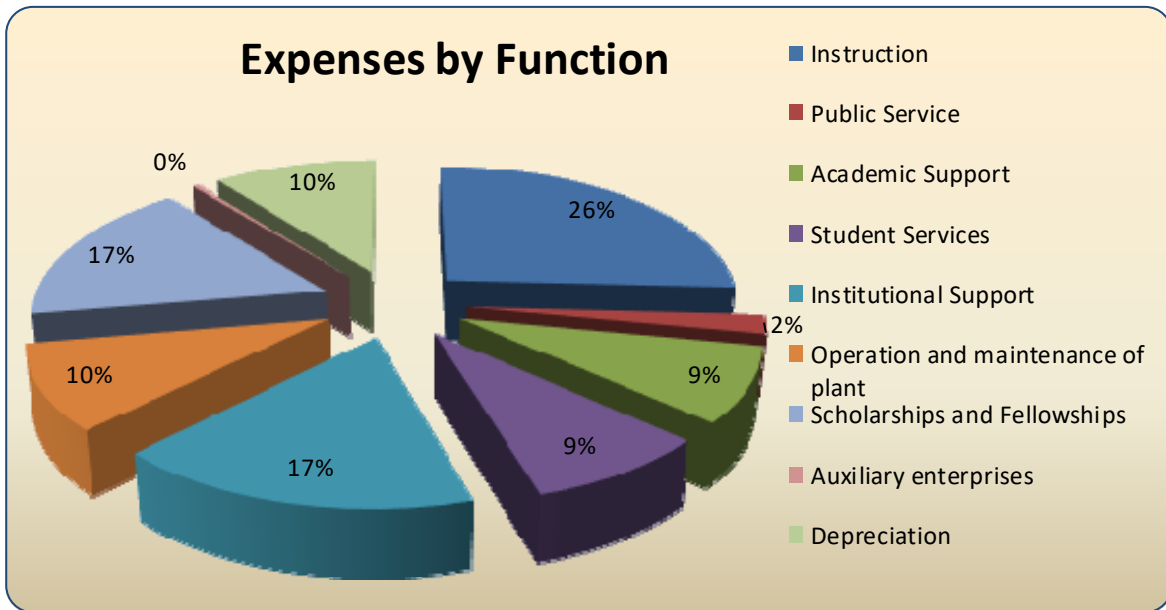


Operating expenses are reported in the financial statement by functional classification and are presented below in the table for fiscal years 2022, 2021 and 2020.

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Instruction	\$ 14,241,762	\$ 15,568,340	\$ 16,554,634
Public Service	1,199,859	1,377,028	1,471,652
Academic Support	4,781,852	4,809,715	4,744,806
Student Services	4,822,964	4,756,132	5,412,397
Institutional Support	9,384,592	8,910,175	9,655,128
Operation and maintenance of plant	5,469,420	5,475,663	4,828,223
Scholarships and Fellowships	9,297,419	5,663,864	5,905,907
Auxiliary enterprises	216,626	88,331	362,896
Depreciation	5,737,311	4,114,413	1,943,518
Total operating expenses	<u>\$ 55,151,805</u>	<u>\$ 50,763,661</u>	<u>\$ 50,879,161</u>

**COLLEGE OF THE MAINLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Please see the graphical depiction for the table data above for fiscal year 2022.



**Statement of Cash Flows**

In fiscal year 2022, cash from operations decreased by \$8.0 million primarily as a result of an increase of \$5.6 million for payments to suppliers for goods and services, plus an increase of \$3.6 million for payments for scholarships and fellowships.

In fiscal year 2021, cash from operations increased by \$3.3 million primarily due to the increase in federal grants and contracts of \$3.9 million. The College spent \$5.3 million the HEERF funds. Cash payments to suppliers increased by \$1.7 million which decreased cash. Payroll related payments decreased by \$1.3 million. Cash from non-capital financing activities increased by \$6.4 million due to an increase in ad valorem taxes. Fiscal year 2021 was the first year that the College levied taxes for debt service purposes. The cash provided by financing activities decreased by \$53.0 million. The College spent \$43.3 million on acquisition of capital assets. The refunding bonds issued offset principal and interest payments in this category. The cash from investing activities decreased by \$13.8 million due to the retirement of the 2017 Maintenance Tax Notes.

**CONCLUSION**

Since 1967, College of the Mainland has constructed pathways for student success by providing two-year associate degrees, transfer credits and certificates. Steadfast in its support to the mainland community, COM has also become a critical hub for leaders and organizations to envision and plan for future growth. Further developing these collaborative efforts is central to COM’s strategic plan.

**Pipelines for Student Success**

Meta-majors and Guided Pathways offer clearly defined and intentional educational avenues so that students can quickly and purposefully complete their academic journey. COM has also expanded its Opening Doors Promise Scholarship initiative to now serve all of its taxing district. The program offers local high school graduates an opportunity to obtain a high-quality education at COM tuition and fees free.

**Laying the Foundation for the Future**

The College has expanded geographically and now operates multiple learning centers – COM Main Campus, COM League City and the Gulf Coast Safety Institute. COM’s newest educational facility, Mainland City Centre, has allowed the College to expand our Lifelong Learning and Cosmetology programs to a new 35,000+ sq. ft. facility in Texas City.

## **COLLEGE OF THE MAINLAND**

### ***MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)***

After overwhelming voter approval during our November 2018 bond referendum, College of the Mainland has welcomed in a number of new and upgraded learning spaces to better serve the growing needs of our students and community. The four-story, 160,000 square-foot Science, Technology, Arts, Engineering and Math (STEAM) building, which opened in spring 2021, features an expansion of our popular nursing program, as well as several new allied health and engineering programs.

The College also recently expanded its Process Technology (PTEC) program in the new Industrial Careers Building (ICB) which opened in fall 2022. Space in the 90,000 square-foot building also includes the Occupational Health and Safety Technician (OSHT), Heating, Ventilation and Air Conditioning (HVAC) and Collegiate High School (CHS) programs.

#### **New Programs on the Horizon**

Several new programs have recently launched or are on the horizon. Most notably, COM recently launched its first baccalaureate degree, the RN to Bachelor of Science Degree in Nursing (BSN).

COM is also excited to now offer an Associate of Science (AS) degree in both chemical and mechanical engineering and an Associate of Applied Science (AAS) in Cyber Security. The College will also be expanding its allied health offerings to include Radiology and Surgical Technician programs. The College also recently launched an Accelerated Associate of Arts degree at its League City facility.

COM looks to serve the higher educational needs in its community. The key to a robust, resilient regional economy is human capital and a skilled workforce. College of the Mainland is a vital partner in this effort.



## **BASIC FINANCIAL STATEMENTS**

**COLLEGE OF THE MAINLAND**  
**STATEMENT OF NET POSITION**  
**August 31, 2022 and 2021**

**Exhibit 1**

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 19,764,326	\$ 20,147,060
Accounts receivable (net)	5,044,075	3,939,368
Prepaid expenses	1,104,000	793,663
Due from others	-	845
<b>Total current assets</b>	<u>25,912,401</u>	<u>24,880,936</u>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	23,314,538	59,427,757
Loans receivable (net)	28,048	28,984
Capital assets (net), (see notes)	173,966,215	145,784,901
<b>Total noncurrent assets</b>	<u>197,308,801</u>	<u>205,241,642</u>
<b>Total Assets</b>	<u>223,221,202</u>	<u>230,122,578</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pension activities	3,175,096	4,394,482
Deferred outflows related to OPEB activities	4,635,430	4,859,843
<b>Total Deferred Outflows of Resources</b>	<u>7,810,526</u>	<u>9,254,325</u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	5,842,917	9,402,024
Accrued liabilities	960,920	921,645
Compensated absences and severance payable - current	253,346	265,112
Funds held for others	148,240	120,550
Unearned income	4,672,850	4,306,123
Leases payable - due within one year	818,706	956,648
Bond payable - due within one year	5,265,000	4,745,000
Net OPEB liability - current	639,408	999,511
<b>Total current liabilities</b>	<u>18,601,387</u>	<u>21,716,613</u>
<b>Noncurrent liabilities:</b>		
Compensated absences and severance payable	651,462	681,716
Leases payable	6,426,491	7,376,235
Net pension liability	5,009,836	11,231,118
Net OPEB liability	30,472,818	28,965,060
Bonds payable	172,334,997	179,186,962
<b>Total noncurrent liabilities</b>	<u>214,895,604</u>	<u>227,441,091</u>
<b>Total Liabilities</b>	<u>233,496,991</u>	<u>249,157,704</u>
<b>Deferred Inflows of Resources</b>		
Deferred gain on refunding	644,839	687,828
Deferred inflows related to pension activities	6,102,487	1,917,595
Deferred inflows related to OPEB activities	8,859,406	12,753,036
<b>Total Deferred Inflows of Resources</b>	<u>15,606,732</u>	<u>15,358,459</u>
<b>Net Position</b>		
Net Investment in capital assets	14,707,932	6,314,888
Restricted for:		
Expendable:		
Grants and donor restrictions	1,397,012	1,892,551
Loan Funds	28,048	28,984
Debt service	423,746	130,023
Unrestricted	(34,628,733)	(33,505,706)
<b>Total Net Position (Schedule D)</b>	<u>\$ (18,071,995)</u>	<u>\$ (25,139,260)</u>

**COLLEGE OF THE MAINLAND**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**STATEMENT OF FINANCIAL POSITION**  
*College of the Mainland Foundation*

	<b>August 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 273,964	\$ 1,187,231
Contributions receivable, net	290,975	441,956
Restricted assets:		
Cash and cash equivalents	2,370,294	1,898,436
Investments, at fair value	<u>4,555,321</u>	<u>3,954,936</u>
<b>Total Assets</b>	<u><u>\$ 7,490,554</u></u>	<u><u>\$ 7,482,559</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	<u>\$ 109,175</u>	<u>\$ 41,519</u>
<b>Total Liabilities</b>	<u>109,175</u>	<u>41,519</u>
<b>Net Assets:</b>		
Without Donor Restrictions:		
Undesignated	1,153,470	1,135,187
With Donor Restrictions	<u>6,227,909</u>	<u>6,305,853</u>
<b>Total Net Assets</b>	<u>7,381,379</u>	<u>7,441,040</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 7,490,554</u></u>	<u><u>\$ 7,482,559</u></u>

**COLLEGE OF THE MAINLAND**
**Exhibit 2**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Years Ended August 31, 2022 and August 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating Revenues</b>		
Tuition and fees (net of discounts of \$1,525,277 and \$1,713,725)	\$ 6,578,600	\$ 6,302,278
Federal grants and contracts	9,064,879	7,707,627
State grants and contracts	706,524	472,254
Private grants and contracts	1,198,838	982,622
Sales and services of educational activities	20,430	11,965
Auxiliary enterprises (net of discounts)	256,764	246,024
General operating revenues	381,944	169,628
<b>Total Operating Revenues (Schedule A)</b>	<u>18,207,979</u>	<u>15,892,398</u>
<b>Operating Expenses</b>		
Instruction	14,241,762	15,568,340
Public service	1,199,859	1,377,028
Academic support	4,781,852	4,809,715
Student services	4,822,964	4,756,132
Institutional support	9,384,592	8,910,175
Operation and maintenance of plant	5,469,420	5,475,663
Scholarships and fellowships	9,297,419	5,663,864
Auxiliary enterprises	216,626	88,331
Depreciation expense	5,737,311	4,114,413
<b>Total Operating Expenses (Schedule B)</b>	<u>55,151,805</u>	<u>50,763,661</u>
<b>Operating income (loss)</b>	(36,943,826)	(34,871,263)
<b>Non-Operating Revenues (expenses)</b>		
State appropriations	8,720,843	9,610,650
Maintenance ad valorem taxes	22,252,912	23,626,866
Debt service ad valorem taxes	14,098,493	7,068,868
Federal revenue, non-operating	4,727,835	3,854,073
Investment income	323,868	109,892
Foreign trade zone fees	357,062	531,472
Interest and fees on capital-related debt	(6,469,922)	(7,253,214)
<b>Non-Operating Revenue (expenses) (Schedule C)</b>	<u>44,011,091</u>	<u>37,548,607</u>
Increase (decrease) in net position	7,067,265	2,677,344
<b>Net Position - Beginning of Year</b>	<u>(25,139,260)</u>	<u>(27,816,604)</u>
<b>Net Position - End of Year</b>	<u>\$ (18,071,995)</u>	<u>\$ (25,139,260)</u>

**COLLEGE OF THE MAINLAND**

**DISCRETELY PRESENTED COMPONENT UNIT**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

*College of the Mainland Foundation - Fiscal Year August 31, 2022 with Comparative Totals for 2021*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Year Ended August 31,</b>	
			<b>2022</b>	<b>2021</b>
<b>Revenues, Gains, and Support:</b>				
Contributions	\$ 175,541	\$ 1,073,110	\$ 1,248,651	\$ 1,961,686
In-kind contributions	360,213	-	360,213	329,663
Interest and investment income	-	11,162	11,162	5,103
Net realized and unrealized gain (Loss) on investments	-	(488,716)	(488,716)	622,222
Net assets released from restrictions	673,500	(673,500)	-	-
<b>Total Revenues, Gains and Support</b>	<b>1,209,254</b>	<b>(77,944)</b>	<b>1,131,310</b>	<b>2,918,674</b>
<b>Expenses:</b>				
Program expenses:				
Student scholarships	679,058	-	679,058	245,776
Other program payments	110,499	-	110,499	91,612
Supporting services:				
In-kind personnel and benefits	344,013	-	344,013	304,530
In-kind general, facilities and equipment	16,200	-	16,200	25,133
Management and general:				
Fundraising	6,935	-	6,935	6,302
Other management and general	34,266	-	34,266	39,416
<b>Total Expenses</b>	<b>1,190,971</b>	<b>-</b>	<b>1,190,971</b>	<b>712,769</b>
Changes in Net Assets	18,283	(77,944)	(59,661)	2,205,905
<b>Net Assets, Beginning of Year</b>	<b>1,135,187</b>	<b>6,305,853</b>	<b>7,441,040</b>	<b>5,235,135</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,153,470</b>	<b>\$ 6,227,909</b>	<b>\$ 7,381,379</b>	<b>\$ 7,441,040</b>

**COLLEGE OF THE MAINLAND**  
**STATEMENT OF CASH FLOWS**  
**For the Years Ended August 31, 2022 and 2021**

**Exhibit 3**

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Receipts from students and other customers	\$ 6,659,000	\$ 6,438,723
Receipts from grants and contracts	10,541,123	9,356,150
Payments to suppliers for goods and services	(15,583,069)	(9,939,483)
Payments to or on behalf of employees	(29,595,811)	(29,232,894)
Payments for scholarships and fellowships	(9,297,419)	(5,663,864)
Other receipts	438,984	169,628
<b>Net cash (used) by operating activities</b>	<u>(36,837,192)</u>	<u>(28,871,740)</u>
<b>Cash flows from non-capital financing activities:</b>		
Receipts from state appropriations	6,649,122	6,534,911
Receipts from ad valorem taxes	36,038,322	30,625,911
Receipts from foreign trade zone participants	357,062	531,472
Receipts from Non Operating Federal Revenue	4,727,835	3,851,742
Receipts from student organizations and other agency transactions	845	120,550
Payments to student organization and other agency transactions	27,690	(120,550)
Other payments	(77,229)	-
Loans made to others	936	204
<b>Net cash provided by non-capital financing activities</b>	<u>47,724,583</u>	<u>41,544,240</u>
<b>Cash flows from capital and related financing activities:</b>		
Issuance of refundings bonds and placed in escrow net transaction	-	13,959,078
Purchase of capital assets	(33,905,688)	(42,822,390)
Payments on bonds - principal	(5,745,000)	(2,575,000)
Payments on bonds - interest and fees	(6,985,550)	(7,470,410)
Payments on leases - principal	(956,648)	(462,712)
Payments on leases - interest	(114,326)	(63,824)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(47,707,212)</u>	<u>(39,435,258)</u>
<b>Cash flows from investing activities:</b>		
Payments on notes - principal	-	(13,500,000)
Payments on notes - interest	-	(401,696)
Investment income	323,868	109,892
<b>Net cash provided (used) by investing activities</b>	<u>323,868</u>	<u>(13,791,804)</u>
Increase (decrease) in cash and cash equivalents	(36,495,953)	(40,554,562)
<b>Cash and cash equivalents, beginning of year</b>	<u>79,574,817</u>	<u>120,129,379</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 43,078,864</u>	<u>\$ 79,574,817</u>
<b>Components of cash and cash equivalents</b>		
Cash and cash equivalents	\$ 19,764,326	\$ 20,147,060
Restricted cash and cash equivalents	23,314,538	59,427,757
	<u>\$ 43,078,864</u>	<u>\$ 79,574,817</u>
<b>Reconciliation of net operating income (loss) to net cash provided (used)</b>		
<b>by operating activities:</b>		
<b>Operating income (loss)</b>	\$ (36,943,826)	\$ (34,629,638)
<b>Adjustments:</b>		
Depreciation expense and amortization	5,737,311	3,482,534
Bad debt expense	77,229	9,467
Loss on disposal of capital asset	-	8,656
Payments made directly by state for benefits	2,071,721	3,075,739
<b>Changes in assets and liabilities:</b>		
(Increase) decrease in receivables (net)	(935,599)	(143,301)
(Increase) decrease in prepaid expenses	(310,337)	(409,474)
(Increase) decrease in pension/OPEB related deferred outflows	1,443,799	(971,029)
Increase (decrease) in accounts payable	(3,559,107)	1,099,441
Increase (decrease) in accrued liabilities	39,275	(207,326)
Increase (decrease) in unearned income	366,727	595,311
Increase (decrease) in compensated absences/retirement incentive payable	(42,020)	(114,898)
Increase (decrease) in net pension liability	(6,221,282)	(68,466)
Increase (decrease) in net OPEB liability	1,147,655	1,115,804
Increase (decrease) in pension/OPEB related deferred inflows	291,262	(1,714,560)
<b>Net cash (used) by operating activities</b>	<u>\$ (36,837,192)</u>	<u>\$ (28,871,740)</u>

**COLLEGE OF THE MAINLAND**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**STATEMENTS OF CASH FLOWS**

*College of the Mainland Foundation - Fiscal Year August 31, 2022 with Comparative Totals for 2021*

	<b>Year Ended August 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Cash received from contributions, grants and events	\$ 1,399,632	\$ 2,206,439
Cash received from interest earnings	11,162	5,103
Cash paid for scholarships and grants	(721,901)	(472,718)
Cash paid for management and general expenses	(41,201)	(45,718)
<b>Net cash provided by operating activities</b>	<b>647,692</b>	<b>1,693,106</b>
<b>Cash flows from investing activities:</b>		
Reinvestment income and fees	10,593	31,989
Proceeds from sales and maturities of investments	1,207,576	-
Purchases of investments	(2,307,270)	-
<b>Net cash provided (used in) by investing activities</b>	<b>(1,089,101)</b>	<b>31,989</b>
Net change in cash and cash equivalents	(441,409)	1,725,004
<b>Cash and cash equivalents at beginning of year</b>	<b>3,085,667</b>	<b>1,360,663</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 2,644,258</b>	<b>\$ 3,085,667</b>
<b>Presented on statement of financial position as follows:</b>		
Cash and cash equivalents	\$ 273,964	\$ 1,187,231
Restricted cash and cash equivalents	2,370,294	1,898,436
	<b>\$ 2,644,258</b>	<b>\$ 3,085,667</b>
<b>Reconciliation of Increase in Net Assets to Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ (59,661)	\$ 2,205,905
Adjustments to reconcile increase (decrease) in net assets to net cash provided by:		
Net unrealized and realized loss (gain) in investments	488,716	(622,222)
(Increase) decrease in contribution receivables	150,981	244,753
Increase (decrease) in accounts payable	67,656	(135,330)
<b>Net cash provided by operating activities</b>	<b>\$ 647,692</b>	<b>\$ 1,693,106</b>





**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**Note 1 - Reporting Entity**

College of the Mainland (the "College") was established in 1962, in accordance with the laws of the State of Texas, to serve the educational needs of Texas City and the surrounding communities. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board ("GASB") Statement 61, *The Financial Reporting Entity: Omnibus* (an amendment of GASB Statements No. 14, and No. 34). While the College 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 basic financial statements of the College include the funds of all organizational entities for which the College has oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In evaluating how to define the College for financial reporting purposes, management has considered all potential component units, including the College of the Mainland Foundation (the "Foundation").

The Foundation is a legally separate not-for-profit organization, which provides benefits such as scholarships to the College's students and assists in the development and growth of the College. The Foundation does not provide a financial benefit or impose a financial burden on the College. The College does not appoint any of the Foundation's board members. As a result, the financial position and results of operations of the Foundation are not combined with the financial position and changes in net position of the College.

GASB Statement 39 requires governments to report certain legally separate organizations as component units even though the primary government is *not* financially accountable for those organizations. The standard is directed principally toward fund-raising organizations. GASB Statement 39 requires a legally separate tax-exempt organization to be reported as a component unit if *all* of these criteria are met:

- a. The economic resources of the separate organization entirely, or almost entirely, directly benefit the primary government, its component units, or its constituents.
- b. The primary government or its component units are entitled to, or can otherwise access, a majority of the economic resources of the separate organization.
- c. The economic resources of the individual separate organization the primary government or the component unit is entitled to, or can otherwise access, are significant to that primary government.

Organizations that are component units based solely on the criteria established by GASB Statement 39 are required to be reported using discrete presentation. These organizations may not be blended.

Therefore, the Foundation has been presented as a discretely presented component unit in the College's financial statements. Note disclosures pertinent to the Foundation's financial information are contained in the notes to these financial statements. The Foundation's separately issued financial statements may be obtained by contacting the Foundation's business office at 1200 Amburn Road, Texas City, TX 77591.

## COLLEGE OF THE MAINLAND

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 2 - Summary of Significant Accounting Policies

##### Reporting Guidelines

The significant accounting policies followed by the College 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*. The College applies all applicable GASB pronouncements. The College is reported as a special-purpose government engaged in business-type activities.

##### Tuition Discounting

**Title IV, Higher Education Act Program Funds** - certain Title IV HEA Program funds are received by the College to pass through to the student. These funds are initially received by the College and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

**Texas Public Education Grants** - certain tuition amounts are required to be set aside for the use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG) is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code Section 56.0333). When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

**Other Tuition Discounts** - the College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amounts are recorded as tuition discounts. If the amount is disbursed directly to the student, the amount is recorded as a scholarship expense.

##### Basis of Accounting

The basic financial statements of the College have been prepared on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

##### Net Position

The College's net position categories are classified as follows:

###### **Net Investment in Capital Assets**

This represents the College'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 net investment in capital assets.

###### **Restricted Net Position - Expendable**

Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

###### **Unrestricted Net Position**

Unrestricted net position 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 College and may be used at the discretion of the governing board to meet 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. The pension related items such as the deferred outflows and inflows of resources and net pension liability are included in unrestricted net position.

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

***Budgetary Data***

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 College’s Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget 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.

***Cash and Cash Equivalents***

The College’s cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

***Investments***

Short-term investments have an original maturity greater than three months, but less than one year at the time of purchase. Long-term investments have an original maturity of greater than one year at the time of acquisition.

The College reports all investments at fair value, except for investment pools. The College’s investment pools are valued and reported at amortized cost, which approximates fair value. The College categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The College’s local government investment pools are recorded at amortized costs as permitted by GASB Statement no. 79, *Certain Investment Pools and Pool Participants*.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the College’s capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations of \$100,000 to buildings and infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets’ lives are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following estimated useful lives are used:

Buildings .....	50 years
Facilities and other improvements .....	20 years
Furniture, machinery, vehicles and other equipment .....	10 years
Telecommunications and peripheral equipment .....	5 years
Library books .....	15 years

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

***Deferred Inflows/Outflows of Resources***

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense) until then. The College has two items that qualify for reporting in this category. These items are the deferred amounts related to pension and the deferred amounts related to OPEB. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The College has three items that qualify for reporting in this category. These items are the deferred gain on refunding, deferred amounts related to pension, and deferred amounts related to OPEB. The deferred gain on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price, which is deferred and amortized over the shorter of the life of the refunded or refunding debt.

***Unearned Revenues***

Tuition, fees, and other revenues received that are related to the period after August 31, 2022 are reported as unearned revenues. Those amounts are as follows:

	<b>2022</b>	<b>2021</b>
Tuition and fees	\$ 2,985,373	\$ 2,799,328
Federal, state and local grants	1,644,012	1,157,896
Other	43,465	348,899
	<u>\$ 4,672,850</u>	<u>\$ 4,306,123</u>

***Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Application of Restricted and Unrestricted Resources***

The College’s policy is to first apply an expense against restricted resources then toward unrestricted resources, when both restricted and unrestricted resources are available to pay an expense.

***Operating and Non-Operating Revenue and Expense Policy***

The College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the College’s principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include cost of sales and services, administrative expenses, and depreciation on capital assets.

***Presentation of State Benefit Payments on Cash Flow Statements***

In response to guidance from the Texas Higher Education Coordinating Board, benefit payments made by the state directly to the Employees’ Retirement System of Texas (ERS) on behalf of the College are excluded from cash flows from operating activities on the Statement of Cash Flows. Instead, these payments are now included as reconciling items in the reconciliation of operating loss to net cash used by operating activities.

## **COLLEGE OF THE MAINLAND**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### ***Pensions***

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined based on the flow of economic resource 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, and 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.

##### ***Other Post-Employment Benefits (OPEB)***

The fiduciary net position of the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

##### ***Reclassifications***

Certain amounts for 2021 have been reclassified to conform to current year reporting requirements.

#### **Note 3 - Authorized Investments**

The College 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.

#### **Note 4 - Deposits and Investments**

At August 31, 2022 and 2021, the carrying amounts of the bank balances exceeded the federal depository insurance of \$250,000, but were properly covered by collateral pledged in the College's name for the years ended August 31, 2022 and 2021.

The College holds investments in two government investment pools: (1) TexPool and (2) LOGIC. Texpool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (the "Trust Company") to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of or obligations guaranteed by the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; commercial paper and fully collateralized direct repurchase agreements secured by U.S. Government agency securities and placed through a primary government securities dealer. The Trust Company was incorporated by the State Treasurer upon authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep and invests public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC (Local Government Investment Cooperative) is organized and exists as a business trust under the laws of the State of Texas with all Participants funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants.

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 4 - Deposits and Investments (continued)**

The investment pools use amortized cost rather than fair value to report net position to compute share prices. Therefore, the fair value of the position in each investment pool is the same as the value of the investment pool shares. Accordingly, the College's investment pools are stated at amortized cost, which approximates fair value.

Cash and Deposits as reported on Exhibit 1, Statement of Net Position, consist of the items reported below:

	<u>2022</u>	<u>2021</u>
<b>Cash and Deposits:</b>		
Bank Deposits:		
Demand deposits	\$ 835,093	\$ 998,174
Cash on cash equivalents:		
Petty cash on hand and change funds	1,790	1,790
<b>Total Cash and Deposits</b>	<u>\$ 836,883</u>	<u>\$ 999,964</u>

Reconciliation of Deposits and Investments to Exhibit 1:

<u>Type of Security</u>	<u>Fair Value</u>	
	<u>2022</u>	<u>2021</u>
<b>Investments:</b>		
Government Investment Pools:		
TexPool	\$ 18,954,179	\$ 19,871,673
LOGIC	23,287,802	58,703,180
<b>Total Investments</b>	<u>42,241,981</u>	<u>78,574,853</u>
<b>Total Cash and Deposits</b>	836,883	999,964
<b>Total Deposits and Investments</b>	<u>\$ 43,078,864</u>	<u>\$ 79,574,817</u>
<b>Cash and temporary investments (Exhibit 1):</b>		
Cash and cash equivalents	\$ 19,764,326	\$ 20,147,060
Restricted cash and cash equivalents	23,314,538	59,427,757
<b>Total Deposits and Investments</b>	<u>\$ 43,078,864</u>	<u>\$ 79,574,817</u>

As of August 31, 2022, the College had the following investments and maturities:

<b>Investment Type:</b>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
Local Government Investment Pools:				
TexPool	\$ 18,954,179	AAAm	44.9%	24
LOGIC	23,287,802	AAAm	55.1%	26
<b>Total Local Government Investment Pools</b>	<u>42,241,981</u>		<u>100.0%</u>	
<b>Total Investments</b>	<u>\$ 42,241,981</u>		<u>100.0%</u>	

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 4 - Deposits and Investments (continued)**

**Interest Rate Risk**

The College has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate changes.

**Credit Risk**

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. As of August 31, 2022, the College's investment in TexPool and LOGIC (public funds investment pools) were rated AAAM by Standard and Poor's.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, both TexPool and LOGIC do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

**Concentration of Credit Risk**

The College places no limit on the amount that may be invested in any one issuer. One hundred percent (100%) of the College's investments were invested in public investment pools as of August 31, 2022.

**Custodial Credit Risk**

The College's deposits are subject to custodial credit risk as total deposits were uninsured but collateralized by securities held by the pledging financial institutions agent in the College's name. The College's deposits were fully collateralized at year-end and through-out the year.

Investment income for 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Interest income	\$ 323,868	\$ 109,892
<b>Total Investment Earnings</b>	<u>\$ 323,868</u>	<u>\$ 109,892</u>

As of August 31, 2022 and 2021, cash and cash equivalents was restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
Grants and awards	\$ -	\$ 2,200,648
Payment of long-term debt and unspent bond proceeds	23,314,538	57,227,109
<b>Total Restricted Cash and Cash Equivalents</b>	<u>\$ 23,314,538</u>	<u>\$ 59,427,757</u>

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 5 - Disaggregation of Receivables and Payables Balances**

Accounts receivable at August 31, 2022 and 2021, consisted of the following:

	<b>2022</b>	<b>2021</b>
Property taxes receivable	2,975,875	2,662,792
Allowance for uncollectible property taxes	(1,512,080)	(1,445,334)
<b>Total property taxes receivable, net</b>	<b>1,463,795</b>	<b>1,217,458</b>
<b>Tuition and fees receivable</b>	<b>3,978,729</b>	<b>3,415,208</b>
Allowance for uncollectible tuition and fees	(1,786,470)	(1,709,241)
<b>Total tuition and fees receivable, net</b>	<b>2,192,259</b>	<b>1,705,967</b>
<b>Grants receivable:</b>		
Federal	846,092	822,929
State	394,172	41,860
Local	103,133	49,490
<b>Grants receivable</b>	<b>1,343,397</b>	<b>914,279</b>
Other receivables	44,624	101,664
<b>Total receivables, net</b>	<b>\$ 5,044,075</b>	<b>\$ 3,939,368</b>

Accrued liabilities at August 31, 2022, and 2021, consisted of the following:

	<b>2022</b>	<b>2021</b>
Accrued interest payable	291,226	304,980
Accrued wages payable	426,932	380,552
Accrued benefits and other payroll liabilities	238,712	182,582
Other accrued liabilities	4,050	53,531
<b>Total accrued liabilities</b>	<b>\$ 960,920</b>	<b>\$ 921,645</b>



**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 6 - Capital Assets**

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

	<b>Balance 09/01/21</b>	<b>Additions</b>	<b>Retirements and Transfers</b>	<b>Balance 08/31/22</b>
<b>Capital assets, not being depreciated</b>				
Land	\$ 372,145	\$ -	\$ -	\$ 372,145
Construction in progress	42,604,029	31,356,652	(42,637,195)	31,323,486
<b>Total capital assets, not being depreciated</b>	<b>42,976,174</b>	<b>31,356,652</b>	<b>(42,637,195)</b>	<b>31,695,631</b>
<b>Capital assets, being depreciated</b>				
Buildings and building improvements	99,270,569	-	42,566,558	141,837,127
Improvements other than buildings	19,650,066	-	-	19,650,066
Furniture, equipment and vehicles	6,777,774	1,941,300	(6,097)	8,712,977
Telecommunication equipment	7,742,666	831,879	-	8,574,545
Right-to-use leased equipment	8,795,595	-	(405,258)	8,390,337
Library books	2,010,882	56,495	-	2,067,377
<b>Total capital assets, being depreciated</b>	<b>144,247,552</b>	<b>2,829,674</b>	<b>42,155,203</b>	<b>189,232,429</b>
<b>Accumulated depreciation:</b>				
Buildings and building improvements	(15,939,432)	(2,645,409)	12,450	(18,572,391)
Improvements other than buildings	(13,322,068)	(592,798)	-	(13,914,866)
Furniture, equipment and vehicles	(3,827,828)	(644,634)	6,097	(4,466,365)
Telecommunication equipment	(6,038,761)	(722,422)	-	(6,761,183)
Right-to-use leased equipment	(704,337)	(1,077,336)	195,744	(1,585,929)
Library books	(1,606,399)	(54,712)	-	(1,661,111)
<b>Total Accumulated depreciation</b>	<b>(41,438,825)</b>	<b>(5,737,311)</b>	<b>214,291</b>	<b>(46,961,845)</b>
<b>Net capital assets</b>	<b>\$ 145,784,901</b>	<b>\$ 28,449,015</b>	<b>\$ (267,701)</b>	<b>\$ 173,966,215</b>

Commitments related to construction projects are as follows:

	<b>Remaining Balance</b>
Program Administration	\$ 362,725
STEAM	5,816,662
Industrial Careers	7,473,083
Fine Arts	7,504,999
Emergency Management System	384,541
Campus-wide Fiber	1,407,347
Tech Vo Demo	693,449
New Police	348,277
	<b>\$ 23,991,083</b>

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 6 - Capital Assets (continued)**

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

	<b>Balance, as Restated 09/01/20</b>	<b>Additions</b>	<b>Retirements and Transfers</b>	<b>Balance 08/31/21</b>
<b>Capital assets, not being depreciated</b>				
Land	\$ 372,145	\$ -	\$ -	\$ 372,145
Construction in progress	66,704,214	40,461,961	(64,562,146)	42,604,029
<b>Total capital assets, not being depreciated</b>	<b>67,076,359</b>	<b>40,461,961</b>	<b>(64,562,146)</b>	<b>42,976,174</b>
<b>Capital assets, being depreciated</b>				
Buildings and building improvements	35,574,055	-	63,696,514	99,270,569
Improvements other than buildings	19,650,066	-	-	19,650,066
Furniture, equipment and vehicles	5,502,958	1,274,816	-	6,777,774
Telecommunication equipment	6,188,604	1,554,062	-	7,742,666
Right-to-use leased equipment	4,557,030	4,238,565	-	8,795,595
Library books	1,952,795	58,087	-	2,010,882
<b>Total capital assets, being depreciated</b>	<b>73,425,508</b>	<b>7,125,530</b>	<b>63,696,514</b>	<b>144,247,552</b>
<b>Accumulated depreciation:</b>				
Buildings and building improvements	(14,523,189)	(2,273,219)	856,976	(15,939,432)
Improvements other than buildings	(12,651,876)	(670,192)	-	(13,322,068)
Furniture, equipment and vehicles	(3,350,628)	(477,200)	-	(3,827,828)
Telecommunication equipment	(5,401,189)	(637,572)	-	(6,038,761)
Right-to-use leased equipment	-	(704,337)	-	(704,337)
Library books	(1,550,169)	(56,230)	-	(1,606,399)
<b>Total Accumulated depreciation</b>	<b>(37,477,051)</b>	<b>(4,818,750)</b>	<b>856,976</b>	<b>(41,438,825)</b>
<b>Net capital assets</b>	<b>\$ 103,024,816</b>	<b>\$ 42,768,741</b>	<b>\$ (8,656)</b>	<b>\$ 145,784,901</b>

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Long-term Debt**

Noncurrent liabilities activity for the year ended August 31, 2022, was as follows:

	Balance 09/01/21	Additions	Retirements	Balance 08/31/22	Current Portion
<b>Bonds and Notes Payable</b>					
Premium	\$ 17,946,962	\$ -	\$ (586,965)	\$ 17,359,997	\$ -
General Obligation Bonds	165,985,000	-	(5,745,000)	160,240,000	5,265,000
<b>Total Bonds and Notes Payable</b>	<u>183,931,962</u>	<u>-</u>	<u>(6,331,965)</u>	<u>177,599,997</u>	<u>5,265,000</u>
<b>Other Liabilities</b>					
Compensated absences payable	946,828	95,700	(137,720)	904,808	253,346
Leases payable	8,332,883	-	(1,087,686)	7,245,197	818,706
<b>Total Noncurrent Liabilities</b>	<u>\$ 193,211,673</u>	<u>\$ 95,700</u>	<u>\$ (7,557,371)</u>	<u>\$ 185,750,002</u>	<u>\$ 6,337,052</u>

On March 20, 2019, the College issued Limited Tax General Obligation Bonds, Series 2019 in the amount of \$89,930,000 and at a premium of \$6,309,510. The bonds will be used for construction, renovation, acquisition and equipment of school buildings for the College and the purchase of the necessary sites for school buildings and for paying all costs associated with the issuance of the bonds. The interest rate ranges from 3.00 percent to 5.00 percent. The bonds mature in in 2049.

In February 2021 the College partially defeased \$1,000,000 of the Limited Tax General Obligation Bonds, Series 2019 with a contribution of \$1,388,000, to pay for principal, interest and other fees associated with the defeasance. In September 2021, the College partially defeased \$1,000,000 of the Limited Tax General Obligation Bonds, Series 2019 with a contribution of \$1,149,107, to pay for principal, interest and other fees associated with the defeasance.

The following details the payments due through maturity.

Year Ending August 31,	Principal	Interest	Totals
2023	\$ 1,735,000	\$ 3,567,150	\$ 5,302,150
2024	1,805,000	3,497,750	5,302,750
2025	1,890,000	3,415,400	5,305,400
2026	1,980,000	3,320,900	5,300,900
2027	2,075,000	3,228,400	5,303,400
2028 - 2032	12,035,000	14,478,500	26,513,500
2033 - 2037	14,890,000	11,630,200	26,520,200
2038 - 2042	18,090,000	8,421,000	26,511,000
2043 - 2047	22,040,000	4,476,476	26,516,476
2048 - 2049	8,160,000	451,126	8,611,126
	<u>\$ 84,700,000</u>	<u>\$ 56,486,902</u>	<u>\$ 141,186,902</u>

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Long-term Debt (continued)**

On March 4, 2020, the College issued Limited Tax General Obligations Bonds, Series 2020 with a par value of \$66,625,000 and a premium of \$10,644,016. The bonds will be used for construction, renovation, acquisition and equipment of school buildings for the College and the purchase of the necessary sites for school buildings and for paying all costs associated with the issuance of the bonds. The interest rate ranges from 2.36 to 5.00 percent. The following details the payments due through maturity.

<b>Year Ending August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2023	\$ 2,980,000	\$ 2,680,600	\$ 5,660,600
2024	1,310,000	2,531,600	3,841,600
2025	1,375,000	2,466,100	3,841,100
2026	1,440,000	2,397,350	3,837,350
2027	1,515,000	2,325,350	3,840,350
2028 - 2032	8,725,000	10,466,700	19,191,700
2033 - 2037	10,670,000	8,519,800	19,189,800
2038 - 2042	12,990,000	6,207,200	19,197,200
2043 - 2047	15,800,000	3,393,800	19,193,800
2048 - 2049	7,240,000	437,200	7,677,200
	<u>\$ 64,045,000</u>	<u>\$ 41,425,700</u>	<u>\$ 105,470,700</u>

On August 4, 2021, the College issued \$12,005,000 Limited Tax General Obligation Refunding Bonds, Series 2021 at a premium of \$2,051,831. The bonds were used to refund \$13,500,000 Maintenance Tax Notes Series, 2017. The net present value savings \$3.7 million. The refunding resulted in a deferred gain on refunding of \$0.7 million.

<b>Year Ending August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2023	\$ 550,000	\$ 450,450	\$ 1,000,450
2024	580,000	422,950	1,002,950
2025	605,000	393,950	998,950
2026	640,000	363,700	1,003,700
2027	670,000	331,700	1,001,700
2028 - 2032	3,865,000	1,144,800	5,009,800
2033 - 2037	4,585,000	420,600	5,005,600
	<u>\$ 11,495,000</u>	<u>\$ 3,528,150</u>	<u>\$ 15,023,150</u>

The amount of bonds authorized is \$162,500,000 and all have been issued as of August 31, 2022.

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Long-term Debt (continued)**

**Leases**

The College has four leases outstanding as of August 31, 2022 for the right to use buildings. The College terminated another lease agreement in fiscal year 2022, which resulted in a loss of \$78,476.

Description	Start Date	End Date	Interest Rate	Original Amount	Lease Liability as of	
					August 31, 2022	August 31, 2021
320 Delaney	09/17/17	09/30/22	0.419%	\$ 316,658	\$ 12,997	\$ 168,089
1411 Main	01/01/20	08/31/31	1.048%	3,549,646	3,265,563	3,474,688
10000 EF Lowry Expressway	08/15/21	08/14/31	1.890%	4,238,565	3,873,832	4,229,245
15007-13 Delaney	03/01/08	07/31/23	0.466%	285,468	92,805	190,764
14045 Delaney	06/01/16	03/31/22	0.466%	405,258	-	270,097
				\$ 8,795,595	\$ 7,245,197	\$ 8,332,883

The future principal and interest lease payments as of August 31, 2022, were as follows:

Year Ending August 31,	Principal	Interest	Totals
2023	\$ 818,706	\$ 102,845	\$ 921,551
2024	727,918	91,966	819,884
2025	743,234	81,050	824,284
2026	758,848	69,876	828,724
2027	774,776	58,432	833,208
2028 - 2032	3,421,715	114,363	3,536,078
2033 - 2037	970,000	29,100	999,100
	\$ 8,215,197	\$ 547,632	\$ 8,762,829

Noncurrent liabilities activity for the year ended August 31, 2021, was as follows:

	Balance, as Restated 09/01/20	Additions	Retirements	Balance 08/31/21	Current Portion
<b>Bonds and Notes Payable</b>					
Maintenance Tax Notes, 2017	\$ 13,500,000	\$ -	\$ (13,500,000)	\$ -	\$ -
Premium	17,554,141	2,051,831	(1,659,010)	17,946,962	-
General Obligation Bonds	156,555,000	12,005,000	(2,575,000)	165,985,000	4,745,000
<b>Total Bonds and Notes Payable</b>	<b>187,609,141</b>	<b>14,056,831</b>	<b>(17,734,010)</b>	<b>183,931,962</b>	<b>4,745,000</b>
<b>Other Liabilities</b>					
Compensated absences payable	1,061,726	33,926	(148,824)	946,828	265,112
Leases payable	4,557,030	4,238,565	(462,712)	8,332,883	956,648
<b>Total Noncurrent Liabilities</b>	<b>\$ 193,227,897</b>	<b>\$ 18,329,322</b>	<b>\$ (18,345,546)</b>	<b>\$ 193,211,673</b>	<b>\$ 5,966,760</b>

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Defined Benefit Pension Plan**

**A. Plan Description**

The College participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 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 educational 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.

**B. Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/TRS%20Documents/acfr-2021.pdf>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**C. 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 a 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

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

**D. Contributions**

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Defined Benefit Pension Plan (continued)**

**D. Contributions (continued)**

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% 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 thru 2025. Contributions for all contributors were as follows:

	<b>Contribution Rates</b>	
	<b>Plan Fiscal Year</b>	
	<b>2022</b>	<b>2021</b>
Member (Employee)	8.00%	7.70%
Non-employer contributing agency (State)	7.75%	7.50%
District	7.75%	7.50%

	<b>Contributions</b>
	<b>Made During Fiscal Year</b>
Member (Employee)	\$ 1,561,922
Non-employer contributing agency (State)	669,895
College	890,348

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 participating members of the pension trust fund during that fiscal year, reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, 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 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.

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Defined Benefit Pension Plan (continued)**

**D. Contributions (continued)**

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.6% of the member’s salary beginning in fiscal year 2021, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

**E. Actuarial Assumptions**

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

<b>Component</b>	<b>Result</b>
Valuation Date	August 31, 2020, rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	1.95% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2120
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

**F. Discount Rate**

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this 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 percent 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 projected future benefits payment 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.



**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Defined Benefit Pension Plan (continued)**

**F. Discount Rate (continued)**

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2021 are summarized below:

Asset Class <sup>1</sup>	Target Allocation <sup>2</sup>	Long-Term Expected Geometric Real Rate of Return <sup>3</sup>	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
USA	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
<b>Stable Value</b>			
Government Bonds	16.00%	-0.20%	0.01%
Absolute Return	0.00%	1.10%	0.00%
Stable Value Hedge Funds	5.00%	2.20%	0.12%
<b>Real Return</b>			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources & Infrastructure	6.00%	4.70%	0.35%
Commodities	0.00%	1.70%	0.00%
<b>Risk Parity</b>	<b>8.00%</b>	<b>2.80%</b>	<b>0.28%</b>
<b>Leverage</b>			
Cash	2.00%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
Inflation Expectation			2.20%
Volatility Drag <sup>4</sup>			-0.95%
<b>Expected Return</b>	<u><u>100.00%</u></u>		<u><u>6.90%</u></u>

<sup>1</sup> Absolute Return includes Credit Sensitive Investments.

<sup>2</sup> Target allocations are based on the fiscal year 2021 policy model.

<sup>3</sup> Capital Market Assumptions come from Aon Hewitt as of August 31, 2021.

<sup>4</sup> The volatility drag results from the conversion between arithmetic and geometric mean returns.

**G. Discount Rate Sensitivity Analysis**

The following table presents the District's proportional share of the Net Pension Liability of the plan using the discount rate of 7.25%, and what the Net Pension Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	Current Discount		
	1% Decrease 6.25%	Rate 7.25%	1% Increase 8.25%
College's proportional share of the net pension liability	\$ 10,947,287	5,009,836	\$ 192,761

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Defined Benefit Pension Plan (continued)**

**H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At August 31, 2022, the College reported a liability of \$5,009,836 for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College 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 College were as follows:

College's proportionate share of the net pension liability	\$ 5,009,836
State's proportionate share of the net pension liability associated with the College	<u>3,819,626</u>
Total	<u><u>\$ 8,829,462</u></u>

The 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 employer’s contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

At August 31, 2022, the employer’s proportion of the collective net pension liability was 0.0197%, which was a decrease of 0.0013% from its proportion measured as of August 31, 2021.

**Changes since the Prior Actuarial Valuation**

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

For the year ended August 31, 2022, the College recognized pension expense of \$73,433 and an additional on-behalf revenue and expense of \$15,270 for support provided by the State.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 8,384	\$ (352,696)
Changes in actuarial assumptions	1,770,879	(771,951)
Net difference between projected and actual investment earnings	-	(4,200,682)
Changes in proportion and differences between College contributions and proportionate share of contributions	505,485	(777,158)
Contributions paid to TRS subsequent to the measurement date	<u>890,348</u>	<u>-</u>
Total	<u><u>\$ 3,175,096</u></u>	<u><u>\$ (6,102,487)</u></u>

The deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2022 or fiscal year ended August 31, 2023.

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Defined Benefit Pension Plan (continued)**

**H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

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

<b>Year ended</b>	<b>Amount</b>
<b>August 31</b>	
2023	\$ (608,045)
2024	(606,499)
2025	(1,030,820)
2026	(1,387,570)
2027	(145,551)
Thereafter	(39,254)
	<u>\$ (3,817,739)</u>

**Optional Retirement Plan**

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

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.6% and 6.65%, respectively. The College contributes 8.5% for employees who were participating in the optional retirement program prior to September 1, 1995. 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.

The retirement expense to the State for the College was \$98,688 and \$98,679 for the fiscal years ended August 31, 2022 and 2021, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all college employees was \$25,096,834 and \$24,842,538 fiscal years 2022 and 2021, respectively. The total payroll of employees covered by the Teacher Retirement System was \$19,524,009 and \$19,113,934 for fiscal years 2021 and 2020, respectively. The total payroll of employees covered by the Optional Retirement System was \$2,560,337 and \$2,990,270 for fiscal years 2022 and 2021, respectively.

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Other Post-Employment Benefit Plan (OPEB)**

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

**OPEB Plan Fiduciary Net Position.** Detailed information about the GBP’s fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet at <https://ers.texas.gov/AboutERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

**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 ten 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.

The following table summarizes the maximum monthly employer contribution toward eligible retirees’ health and basic life premium. 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.

<b>Employer Contribution Rates</b>		
<b>Retiree Health and Basic Life Premium</b>		
	<u>August 31, 2022</u>	<u>August 31, 2021</u>
Retiree Only	\$ 624.82	\$ 624.82
Retiree & Spouse	982.36	982.82
Retiree & Children	864.20	864.52
Retiree & Family	1,221.74	1,222.52

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Other Post-Employment Benefit Plan (OPEB) (continued)**

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

**Premium Contributions by Source**  
**Group Benefits Program Plan**  
**For the Measurement Year Ended August 31, 2021**

Employers	\$	589,028
Members (Employees)		166,878
Nonemployer Contributing Entity (State of Texas)		494,842

**Actuarial Assumptions.** The total OPEB liability was determined by an actuarial valuation as of August 31, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	August 31, 2021
Actuarial cost method	Entry Age
Amortization method	Level percent of payroll - open
Remaining amortization period	30 years
Asset valuation method	Not applicable
Actuarial assumptions:	
Discount rate	2.14%
Projected annual salary increase	2.30% to 9.50%, including inflation
Annual healthcare trend rate per year:	
HealthSelect	5.25% for FY2023, 5.15% for FY2024, 5.00% for FY2025, 4.75% for FY2026, 4.60% for FY2027, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2030 and later years
HealthSelect Medicare Advantage *	0.00% for FY2023, 66.67% for FY2024, 24.00% for FY2025, 4.75% for FY2026, 4.6% for FY2027, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2030 and later years
Inflation assumption rate	2.30%
Ad hoc post-employment benefit changes	None
*Comprised of a current portion of \$737,300,807 and a long-term portion of \$35,138,206,601	

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Other Post-Employment Benefit Plan (OPEB) (continued)**

**Actuarial Assumptions (continued)**

The mortality assumptions used in the valuation were as follows:

1. State Agency Members:
  - a. Service Retirees, Survivors and other Inactive Members (Regular, Elected, CPO/CO and JRS I and II Employee Classes): 2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members. Generational mortality improvements in accordance with the Ultimate MP Projection Scale are projected from the year 2020.
  - b. Disability Retirees (Regular, Elected, CPO/CO and JRS I and II Employee Classes): 2020 State Retirees of Texas Mortality table set forward three years for males and females. Generational mortality improvements in accordance with the Ultimate MP Projection Scale are projected from the year 2020. Minimum rates of 3.0% and 2.5% apply at all ages for males and females, respectively.
  - c. Active Members: Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members. Pub-2010 Public Safety Active Member Mortality table for CPO/CO members. Generational mortality improvements in accordance with the Ultimate MP Projection Scale are projected from the year 2010
2. Higher Education Members:
  - a. Service Retirees, Survivors and other Inactive Members -  
Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018.
  - b. Disability Retirees -  
Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.
  - c. Active Members -  
Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS retirement plan actuary as of August 31, 2019 and the TRS retirement plan actuary as of August 31, 2017. Several assumptions or other inputs have been updated since the prior valuation as shown in Section VI of this report.

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

**Discount Rate.** Because the SRHP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bond rates. The discount rate used to determine the total OPEB liability as of the end of the measurement year was 2.14% to reflect the requirements of GASB 75. 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 SRHP are equal to projected benefit payments out of the plan. Because SRHP 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.

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Other Post-Employment Benefit Plan (OPEB) (continued)**

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact on the College’s proportionate share of the collective net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (2.14%) in measuring the net OPEB Liability.

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>1.14%</b>	<b>2.14%</b>	<b>3.14%</b>
College's proportional share of the net OPEB liability	\$ 37,055,842	31,112,226	\$ 26,462,235

**Healthcare Trend Rate Sensitivity Analysis.** The following schedule shows the impact on the College’s proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used in measuring the net OPEB liability.

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
College's proportionate share of net OPEB liability	\$ 26,052,827	\$ 31,112,226	\$ 37,740,940

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At August 31, 2022, the College reported a liability of \$31,112,226 for its proportionate share of the ERS’s net OPEB liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College's proportion of the net OPEB liability	0.08672275%
College's proportionate share of the net OPEB liability	\$ 31,112,226
State's proportionate share of the net OPEB liability associated with the College	<u>27,747,972</u>
Total	<u><u>\$ 58,860,198</u></u>

The net OPEB liability was measured as of August 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net OPEB liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020, thru August 31, 2021.

At the measurement date of August 31, 2021, the employer’s proportion of the collective net OPEB liability was 0.0867% which was a decrease of 0.0040% from the previous year. For the year ended August 31, 2022, the College recognized a negative OPEB expense of \$1,931,161 and an additional negative on-behalf revenue and expense of \$338,549 for support provided by the State.

Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the Teacher Retirement System (TRS) Trustees. These new assumptions were adopted to reflect an experience study on the TRS retirement plan performed by the TRS retirement plan actuary.

**COLLEGE OF THE MAINLAND**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Other Post-Employment Benefit Plan (OPEB) (continued)**

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)***

At August 31, 2022 the College 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (763,148)
Changes in actuarial assumptions	2,130,065	(3,465,206)
Net difference between projected and actual investment earnings	5,510	-
Changes in proportion and differences between College contributions and proportionate share of contributions	1,910,827	(4,631,052)
Contributions paid to TRS subsequent to the measurement date	589,028	-
Total	<u>\$ 4,635,430</u>	<u>\$ (8,859,406)</u>

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

<b>Year ended August 31</b>	<b>Amount</b>
2023	\$ (3,126,598)
2024	(1,506,093)
2025	(53,562)
2026	(73,825)
2027	(52,926)
	<u>\$ (4,813,004)</u>

**Note 10 - Deferred Compensation Program**

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001.



**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 11 - Compensated Absences**

**Sick Leave** - All 100 percent full-time equivalent employees of the College earn one day of sick leave for each month of service. Sick leave benefits are earned by benefit eligible employees that are less than 100 percent full-time equivalent on a pro-rata basis. The maximum amount employees that are 100 percent full-time equivalent are eligible to accrue is 960 hours. Effective September 1, 2013, sick leave is no longer paid out when an employee separates their employment with the College.

**Vacation Leave - Employees Hired Before or by June 30, 2012** – Vacation Leave - Employees Hired Before or by June 30, 2012 – All 100 percent full-time equivalent, non-faculty personnel employed on a 12-month basis shall earn vacation time at the rate of 13.33 hours per calendar month of service and are entitled to 20 working days of vacation per year. Benefit eligible employees that are less than 100 percent full-time equivalent, non-faculty personnel employed on a 12-month basis shall earn vacation time on a pro-rata basis related to their full-time equivalency, Personnel that are eligible to earn vacation time but are employed for a period less than 12 months will earn vacation time on a pro-rata basis related to their full-time equivalency. All accrued vacation over 240 hours or 30 days must be taken or shall be lost by the employee’s anniversary date of service each year unless the employee is prevented from taking vacation for the convenience of the College. The maximum accrual of 240 hours shall be adjusted pro-rata for benefit eligible employees, non-faculty employees that are less than 100 percent full-time equivalent.

The College's vacation leave payable is included in accrued compensable absences on the balance sheet. The following is a summary of changes in vacation leave payable:

	<u>2022</u>	<u>2021</u>
Balance, September 1	\$ 946,828	\$ 1,061,726
Additions	95,700	33,926
Payments	(137,720)	(148,824)
Balance, August 31	<u>\$ 904,808</u>	<u>\$ 946,828</u>
Current	651,462	681,716
Noncurrent	253,346	265,112
	<u>\$ 904,808</u>	<u>\$ 946,828</u>

**Note 12 - Pending Lawsuits and Claims**

On August 31, 2022, various lawsuits and claims involving the College were pending. While the ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

**Note 13 - Contract and Grant Awards**

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Funds received, but not expended during the reporting period, are unearned. Revenues are recognized on Exhibit 2 as funds are actually expended. For federal and state contract and grant awards, funds expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements.

## **COLLEGE OF THE MAINLAND**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 14 - Self-Insured Plans**

During the year ended August 31, 2022, College of the Mainland met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher-than-expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million.

During the year ended August 31, 2022, the College provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2022, the Fund anticipates that the College has no additional liability beyond the contractual obligation for payment of contribution.

For the year ended August 31, 2022, the College participated with other governments to form a Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for the Texas Public Jr. and Community College Employee Benefits Consortium (the "Pool"). The agreement for formation of the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$200,000 for each insured event and \$5,000,000 in the aggregate.

The pooling agreement requires the Pool to be self-sustaining. The estimated range of losses to be borne by the College as of August 31, 2022 and 2021 amounted to \$13,321 and \$13,640, respectively.

The Texas Public Jr. and Community College Employee Benefits Consortium publishes its own financial report, which can be obtained from Claims Administrative Services, Inc.

#### **Note 15 - Related Parties**

The College of the Mainland Foundation is a nonprofit organization with the sole purpose of providing scholarships for College of the Mainland students. The College does not appoint a voting majority; it confirms appointments made by the Foundation board of directors which is not substantive in nature. The College does not fund nor is it obligated to pay debt related to the Foundation. The College does not approve or amend the Foundation's budget. However, the College does have the ability to significantly influence the policies of the Foundation. The Foundation solicits donations to provide scholarships.

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 16 - Property Tax**

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

	<u>2022</u>	<u>2021</u>
Assessed Valuation of the College:	\$ 17,994,292,381	\$ 16,571,390,286
Less: Exemptions	<u>(3,648,478,425)</u>	<u>(3,241,728,711)</u>
Net Assessed Valuation of the College	<u>\$ 14,345,813,956</u>	<u>\$ 13,329,661,575</u>

	<u>2022</u>			<u>2021</u>		
	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Authorized Tax Rate per \$100 Valuation	\$ 0.600000	\$ 0.500000	\$ 1.100000	\$ 0.600000	\$ 0.500000	\$ 1.100000
Assessed Tax Rate per \$100 Valuation	\$ 0.165300	\$ 0.102400	\$ 0.267700	\$ 0.186771	\$ 0.055192	\$ 0.241963

The maximum combined authorized tax rate approved by voters in the College district is \$0.60. No separate limit is imposed on the tax rate specifically for current operations or debt service. However, pursuant to Texas Education Code Section 130.122 *Junior College Districts - Tax Bonds and Maintenance Tax*, the debt service portion of the combined tax rate may not exceed \$0.50.

Taxes levied for the year ended August 31, 2022 and 2021 amounted to \$36,578,684 and \$24,017,007 respectively, including any penalty and interest assessed. 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 years ended August 31, 2022 and 2021 approximated 97.98% of the current year levy for 2022 and 98.33% for 2021. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes.

**Note 17 - Income Taxes**

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2022 and 2021.

## COLLEGE OF THE MAINLAND

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 18 - Tax Abatements

The City of Texas City operates a Foreign Trade Zone (#199) in accordance with the Foreign Trade Zone Act, which was created to "expedite and encourage foreign commerce" in the United States. The primary mission of Foreign Trade Zone #199 is to provide the local petrochemical industries and other enterprises engaging in international commerce with a competitive global marketing advantage that stimulates expansion of their operations and enhances the local, state, and national economies. A U.S.-based manufacturer can bring foreign-sourced parts or materials into the Zone, pay no duty, incorporate those parts or materials into a finished product using U.S. parts and labor, and, if the finished product entered the U.S. commerce, pay duty on the value of the foreign non-duty-paid content only. The City of Texas City oversees Foreign Trade Zone #199, and allows interested parties to create a subzone that is then operated by the business and then provides reports to the City. There are a number of consultants and sources with information as to how the ability of a company to create a subzone for a Foreign Trade Zone is available. The City of Texas City will work with the company after an agreement is prepared. Local Ad Valorem taxes are still paid under the agreement, but all other benefits of the Foreign Trade Zone are provided to the business. A brief summary follows:

- Duty Exemption on Re-exports: If merchandise is re-exported after being placed in a FTZ or shipped to another FTZ and then re-exported, then no duty is ever paid.
- Relief from Inverted Tariffs: Generally, if foreign merchandise is brought into a FTZ or Subzone and manufactured into a product that carries a lower duty rate, then the lower rate applies.
- Duty Elimination on Waste and Scrap: No duty is charged on most waste and scrap from production in FTZs.
- No Duty on Rejected or Defective Parts: Merchandise found to be defective or faulty may be returned to the country of origin for repair or simply destroyed. Whichever choice is taken, no duty is paid. Many companies suffer from the "double duty crunch". That is, they pay duty on imported merchandise, find it to be faulty and return it to the country of origin for repair, and then pay duty again when the merchandise reenters the United States. If you are a FTZ user or Subzone, the "double duty crunch" is never a problem, because your merchandise never enters the commerce of the United States.
- Duty Deferral: No duty is ever charged on merchandise while it is in a FTZ, and there is no limit on the length of time merchandise may be kept in a FTZ. By deferring the duty, capital is freed for more important needs.
- No Duty on Domestic Content or Value Added: The "value added" to a product in a FTZ (including manufacture using domestic parts, cost of labor, overhead and profit) is not included in its dutiable value when the final product leaves the Zone. Final duties are assessed on foreign content only.
- No Duty on Sales to the U.S. Military or NASA: No duty is charged on merchandise sold from a FTZ to the U.S. Military or NASA, returned to the country of origin for repair or simply destroyed. Whichever choice is taken, no duty is paid.

During fiscal year 2022, inventory within the Foreign Trade Zone totaled \$133.4 million with a tax equivalency amount of \$357.1 million. The College received a tax equivalency payments of \$357,062 and \$531,472 for fiscal years 2022 and 2021, respectively.

## COLLEGE OF THE MAINLAND

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 19 - Disclosures Related to Discretely Presented Component Unit

##### A. Basis of Presentation and Summary of Significant Accounting Policies

The College of the Mainland Foundation (the "Foundation") was established in 1972 as a separate 501(c)(3), tax-exempt organization to provide funding for student and College needs. The mission of the COM Foundation is to support and encourage educational excellence through the College of the Mainland. The Foundation seeks to heighten community awareness of the mission and accomplishments of the College and to facilitate the creation of a student-centered learning community dedicated to excellence in education.

The Foundation provides student scholarships to the College's students based on financial need or academic merit.

##### Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

##### Basis of Presentation

On August 18, 2016 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016- 14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

The Foundation's financial statements are prepared in accordance with ASU 2016-14 *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958, the Foundation has reported its net assets with and without donor restrictions.

In addition, the Foundation is required by FASB ASC 958-205-45-4 to present a statement of cash flows.

##### Fair Value Considerations

The Foundation uses fair value to measure financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Foundation did not elect the fair value option for the measurement of any eligible assets or liabilities.

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 19 - Disclosures Related to Discretely Presented Component Unit (continued)**

**A. Basis of Presentation and Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in demand deposits and certificates of deposit. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less at date of purchase to be cash equivalents.

At August 31, 2022 and 2021, cash and cash equivalents included \$1,425,838 and \$868,617, respectively, of restricted endowment funds. The promise scholarship funds, Gulf Coast Safety Institute and other restricted cash and cash equivalents at August 31, 2022 and 2021 were \$944,456 and \$1,029,819, respectively.

**Investments and Investment Return**

In accordance with ASC 958-320, "Accounting for Certain Investments Held by Not for Profit Organizations" (formerly SFAS No. 124), investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the combining statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. At August 31, 2022 and 2021, investments included \$4,555,321 and \$3,954,936, respectively, of restricted assets.

**Contributions Receivable and Promises to Give**

Contributions receivable are amounts recorded from unconditional promises to give by third parties. Unconditional promises to give are recorded at net realizable value if expected to be collected in one year. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Conditional promises to give are recorded as refundable advances when received, and are recognized as revenue when the conditions have been met.

If contributions receivable become doubtful of collection, allowances are made to the extent the amounts are determined to be doubtful, and are charged to expense. If doubtful amounts are subsequently determined to be uncollectible, they are written off against allowances in the period determined. As of August 31, 2022 and 2021, the Foundation has no allowance for doubtful accounts balances.

**In-Kind Services**

Contributions received are recorded as without donors restriction or with donors restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donors restrictions are reclassified to net assets without donors restrictions upon satisfaction of the time or purpose restrictions.

The Foundation recognizes donated services at their fair market value in the period received if the services received create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation receives donated services from unpaid volunteers who assist with program services and fundraising. The value of the contributed time is not reflected in the accompanying financial statements because it does not require a specialized skill or create or enhance a nonfinancial asset.

The College performs various administrative functions on behalf of the Foundation. The value of these services is recorded as in-kind revenue in the statements of activities (see Note F).

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 19 - Disclosures Related to Discretely Presented Component Unit (continued)**

**A. Basis of Presentation and Summary of Significant Accounting Policies (continued)**

**Federal Income Taxes**

The Foundation is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of August 31, 2022, management believes there were no uncertain tax positions.

**Use of Estimates**

The Foundation uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the reported revenues and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used. Estimates that have the most impact on financial position and results of operations primarily relate to collectability of receivables and the fair value of investments. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

**Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The reclassification had no effect on changes in net assets.

**B. Fair Value Measurements**

The Foundation has adopted the provisions of ASC 820, "*Fair Value Measurements and Disclosures*" (formerly SFAS 157), with respect to its investments. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Significant unobservable inputs that are supported by little or no market activity.

**COLLEGE OF THE MAINLAND**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 19 - Disclosures Related to Discretely Presented Component Unit (continued)**

**B. Fair Value Measurements (continued)**

The Foundation utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Investments in corporate stocks, money market funds, and government and corporate bonds that are currently traded in active markets are classified as Level 2.

The value of assets measured at fair value on a recurring basis is as follows:

	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>August 31, 2022</b>			
Certificate of Deposits	\$ 2,307,269	\$ -	\$ -
Equity index fund	-	1,480,687	-
Fixed Income	-	767,365	-
<b>Total</b>	<b>\$ 2,307,269</b>	<b>\$ 2,248,052</b>	<b>\$ -</b>
<b>August 31, 2021</b>			
Equity index fund	\$ -	\$ 1,105,431	\$ -
Core equity fund	-	1,357,788	-
High quality bond fund	-	1,491,717	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 3,954,936</b>	<b>\$ -</b>

The following summarizes the investment return in the statements of activities and changes in net assets:

	<b>2022</b>	<b>2021</b>
Dividends and interest income	\$ 11,162	\$ 5,103
Net realized and unrealized gain (loss)	(488,716)	622,222
<b>Total investment income (loss)</b>	<b>\$ (477,554)</b>	<b>\$ 627,325</b>

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the fair values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position and the statements of activities and changes in net assets.

The Foundation's remaining financial instruments (primarily cash and cash equivalents, receivables, and payables) are carried in the financial statements at amounts that reasonably approximate fair value.



**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 19 - Disclosures Related to Discretely Presented Component Unit (continued)**

**C. Contributions Receivable**

Contributions are due to be collected as follows at August 31:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 133,500	\$ 356,010
One to five years	167,092	92,092
Total Contributions receivable	<u>300,592</u>	<u>448,102</u>
Less: discount 2.00%	(9,617)	(6,146)
	<u>\$ 290,975</u>	<u>\$ 441,956</u>

The present value of cash flows from contributions (discounts) for years ended August 31, 2022 and 2021 are \$9,617 and \$6,146, respectively.

**D. Net Assets With Donors Restrictions**

Net assets with donors restriction that are restricted as to use include the following at August 31:

	<u>2022</u>	<u>2021</u>
Scholarships	\$ 3,532,529	\$ 3,226,877
Restricted for Endowments	<u>2,695,380</u>	<u>4,214,163</u>
Total	<u>\$ 6,227,909</u>	<u>\$ 7,441,040</u>

**E. Endowments**

The Foundation has net asset with donor-restrictions - endowment funds which are maintained in accordance with explicit donor stipulations. The Foundation is subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) which has been enacted by the state of Texas. The Board has interpreted TUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by TUPMIFA.

In accordance with TUPMIFA, the Foundation considers the following factors in making determination to distribute accumulated donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies and objectives of the Foundation

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 19 - Disclosures Related to Discretely Presented Component Unit (continued)**

**E. Endowments (continued)**

The Foundation has adopted investment and spending policies. The assets are managed in a manner that attempts to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment as well as capital appreciation, which exceeds the annual distributions with acceptable levels of risk. Endowment assets are investment in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make distributions as needed, while growing the funds if possible. There is not an established expectation of an average rate of return. Investment risk is measured in terms of total endowment funds; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. At August 31, 2022 and 2021, the endowments funds were held and managed by Common fund. The objective is to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

The Foundation has adopted a policy of appropriating distributions annually from its investments. The policy caps spending at 4.5% of a three-year rolling average of the Foundation’s portfolio as determined by the annual audits in December of each year. The investment committee will recommend a distribution from 0% to 4.5% depending on market conditions.

The endowment funds consist of a multitude of named endowments. The principal balance of the permanently restricted endowments will remain in perpetuity and all earnings will be distributed as scholarships.

Changes in endowment net assets are as follows:

Endowment net assets, August 31, 2020	\$ 2,615,669
Contributions	(7,261)
Investment return:	
Net change in value of investments	<u>470,568</u>
Endowment net assets, August 31, 2021	3,078,976
Fees and others	(9,227)
Investment return:	
Investment income	(285)
Net change in value of investments	<u>(374,084)</u>
Endowment net assets, August 31, 2022	<u><u>\$ 2,695,380</u></u>

**COLLEGE OF THE MAINLAND**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 19 - Disclosures Related to Discretely Presented Component Unit (continued)**

**F. Related Party Transactions**

The College provides office space to the Foundation at no cost. In addition, the Foundation's payroll expenses, all employee benefits, and certain supplies are paid for by the College. The Foundation does not reimburse the College for these costs. As such, in-kind revenue and expense are recorded in the statement of activities for these costs. For the years ended August 31, 2022 and 2021, in-kind revenue and expense totaled \$360,213 and \$329,663, respectively.

All student scholarship expenditures are disbursed to the College. These expenses totaled \$679,058 and \$245,776, for the years ended August 31, 2022 and 2021, respectively.

As discussed in Note A, the Foundation operates as a separate organization for the purpose of assisting in and contributing to the academic and physical growth and development of the College. Presently, two (2) Directors of the Foundation Board serve by virtue of their status as a Trustee of the College. In addition, the College President serves as a Director of the Foundation. These positions are non-voting.

**G. Concentration of Credit Risk**

The Foundation maintains its cash balances in one financial institution. At various times during the year, the Foundation may have bank deposits in excess of FDIC insurance limits. Management believes the credit risk is low due to the overall financial strength of the financial institution.

**H. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position for fiscal year 2022 is comprise of the following:

Cash and cash equivalents	\$ 273,964
Contributions receivable, net	<u>133,500</u>
	<u>\$ 407,464</u>

The Foundation's designated endowment funds of \$2,695,380 consists of funds designated by the Board of Directors as endowments. Income from board-designated endowments is available for general use. Principal from board-designated endowment funds are not available for general expenditure.

Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of its liquidity management plan, the Foundation invests cash in excess of daily requirements in Common fund.



**REQUIRED SUPPLEMENTARY INFORMATION**  
**(RSI) SCHEDULES**

**COLLEGE OF THE MAINLAND**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - TRS**

**Last Eight Measurement Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
College's proportion of the net pension liability	0.0197%	0.0210%	0.0217%	0.0207%
College's proportionate share of the net pension liability	\$ 5,009,836	\$ 11,231,118	\$ 11,299,584	\$ 11,375,668
State's proportionate share of the net pension liability associated with the College	<u>3,819,626</u>	<u>8,423,778</u>	<u>7,825,217</u>	<u>7,847,889</u>
Total	<u>\$ 8,829,462</u>	<u>\$ 19,654,896</u>	<u>\$ 19,124,801</u>	<u>\$ 19,223,557</u>
College's covered payroll (for Measurement Year)	\$ 19,113,934	\$ 19,605,266	\$ 18,525,427	\$ 16,914,824
College's proportionate share of the net pension liability as a percentage of it's covered payroll	26.21%	57.29%	60.99%	67.25%
Plan fiduciary net position as a percentage of the total pension liability *	88.79%	75.54%	75.24%	73.74%
Plan's net pension liability as a percentage of covered payroll *	51.08%	110.36%	114.93%	126.11%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
College's proportion of the net pension liability	0.0194%	0.0181%	0.0187%	0.0223%
College's proportionate share of the net pension liability	\$ 6,198,638	\$ 6,846,918	\$ 6,610,980	\$ 5,947,744
State's proportionate share of the net pension liability associated with the College	<u>4,624,171</u>	<u>5,339,118</u>	<u>5,279,379</u>	<u>4,705,933</u>
Total	<u>\$ 10,822,809</u>	<u>\$ 12,186,036</u>	<u>\$ 11,890,359</u>	<u>\$ 10,653,677</u>
College's covered payroll (for Measurement Year)	\$ 16,048,298	\$ 14,959,647	\$ 14,576,449	\$ 14,570,113
College's proportionate share of the net pension liability as a percentage of it's covered payroll	39%	45.8%	45.4%	40.8%
Plan fiduciary net position as a percentage of the total pension liability *	82.17%	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered payroll *	75.93%	92.75%	91.94%	72.89%

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

Net pension liability is calculated using an new methodology and will be presented prospectively in accordance with GASB 68. related ratios will be presented prospectively as data becomes available.

\* Per TRS' ACFR

**COLLEGE OF THE MAINLAND**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS**  
**Teacher Retirement System of Texas**  
**Last Eight Fiscal Years**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Contractually required contributions	\$ 890,348	\$ 839,421	\$ 862,530	\$ 760,637
Contributions in relation to the contractual required contributions	890,348	839,421	862,530	760,637
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 19,524,009	\$ 19,113,934	\$ 19,605,266	\$ 18,525,427
Contributions as a percentage of covered payroll	4.56%	4.39%	4.40%	4.11%
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contributions	\$ 693,320	\$ 635,854	\$ 574,687	\$ 551,555
Contributions in relation to the contractual required contributions	693,320	635,854	574,687	551,555
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 16,914,824	\$ 16,048,298	\$ 14,959,647	\$ 14,576,449
Contributions as a percentage of covered payroll	4.10%	3.96%	3.84%	3.78%

**COLLEGE OF THE MAINLAND**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS**

**Changes of Assumptions**

Measurement Year 2018: The discount rate changed from 8.0% as of August 31, 2017 to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017 to 7.25% as of August 31, 2018. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

Measurement Year 2020: The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.

Measurement Year 2021: The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.



**COLLEGE OF THE MAINLAND**

**SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

**EMPLOYEES RETIREMENT SYSTEM OF TEXAS**

**For the Last Five Measurement Years ended August 31 (1)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
College's proportion of the net OPEB liability	0.0867%	0.0907%	0.0835%
College's proportionate share of the net OPEB liability	\$ 31,112,227	\$ 29,964,571	\$ 28,848,767
State's proportionate share of the net OPEB liability associated with the College	<u>27,747,972</u>	<u>25,552,721</u>	<u>27,566,035</u>
Total	<u>\$ 58,860,199</u>	<u>\$ 55,517,292</u>	<u>\$ 56,414,802</u>
College's covered-employee payroll (for Measurement Year)	\$ 19,837,004	\$ 19,378,778	\$ 18,495,216
College's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	156.84%	154.63%	155.98%
Plan fiduciary net position as a percentage of the total OPEB liability *	0.38%	0.32%	0.17%
Plan's net OPEB liability as a percentage of covered-employee payroll *	285.03%	261.11%	280.54%
	<u>2018</u>	<u>2017</u>	
College's proportion of the net OPEB liability	0.0894%	0.1097%	
College's proportionate share of the net OPEB liability	\$ 26,498,202	\$ 37,388,442	
State's proportionate share of the net OPEB liability associated with the College	<u>22,486,778</u>	<u>31,831,667</u>	
Total	<u>\$ 48,984,980</u>	<u>\$ 69,220,109</u>	
College's covered-employee payroll (for Measurement Year)	\$ 17,111,319	\$ 16,683,458	
College's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	154.86%	224.10%	
Plan fiduciary net position as a percentage of the total OPEB liability *	1.27%	2.04%	
Plan's net OPEB liability as a percentage of covered-employee payroll *	246.01%	290.10%	

The amounts presented for each Plan year which ends the preceding August 31 of the College's fiscal year.

\* Per Employees Retirement System of Texas' comprehensive annual financial report.

<sup>(1)</sup> Ten year of data should be presented in this schedule, but data was unavailable prior to 2017

Net OPEB liability and related ratios will be presented as data becomes available.

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF THE COLLEGE'S OPEB CONTRIBUTIONS**  
**EMPLOYEES RETIREMENT SYSTEM OF TEXAS**  
**For the Last Seven Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contributions	\$ 589,028	\$ 653,072	\$ 351,791	\$ 352,293
Contributions in relation to the contractual required contributions	589,028	653,072	351,791	352,293
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 19,524,009	\$ 19,837,004	\$ 19,378,778	\$ 18,495,216
Contributions as a percentage of covered-employee payroll	3.02%	3.29%	1.82%	1.90%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	
Contractually required contributions	\$ 1,049,808	\$ 1,029,156	\$ 939,421	
Contributions in relation to the contractual required contributions	1,049,808	1,029,156	939,421	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
College's covered-employee payroll	\$ 17,111,319	\$ 16,683,458	\$ 16,889,962	
Contributions as a percentage of covered-employee payroll	6.14%	6.17%	5.56%	

## COLLEGE OF THE MAINLAND

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB

#### Changes Since Prior Actuarial Valuation

The following changes since the prior actuarial valuation affected the measurement of the amounts reported in the required supplementary schedules:

- Demographic assumptions (including rates of retirement, termination and mortality and assumed salary increases for select classes of State Agency members)
- Assumed aggregate payroll increases and rate of general inflation
- Discount rate was changed from 2.20% to 2.14% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.
- 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
- Percentage of female members assumed to be married and electing coverage for their spouse
- Proportion of future retirees assumed to cover dependent children
- The Patient-Centered Outcome Research Institute (PCORI) fees payable under the ACA have been updated since the previous valuation to reflect IRS Notice 2020-44 published June 8, 2020.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.
- Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for FY2022, are provided for in the FY2022 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

Actuarial assumption changes are described in ERS's Comprehensive Annual Financial Report and the ERS Actuarial Valuation Report for the year ended August 31, 2022, which can be accessed at <https://ers.texas.gov/about-ers/reports-and-studies/reports-on-overall-ers-operations-and-financial-management/2021-acfr.pdf> and <https://ers.texas.gov/about-ers/reports-and-studies/gasb-requirements/2021-ers-opeb-valuation-report-november-2021.pdf>



## **SUPPLEMENTAL SCHEDULES**

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF OPERATING REVENUES**

*Schedule A*

*For the Year Ended August 31, 2022*

*With Memorandum Totals for the Year Ended August 31, 2021*

	Educational Activities			Auxiliary Enterprises	Total	
	Unrestricted	Restricted	Total		2022	2021
<b>Tuition</b>						
State funded credit courses:						
In-district resident tuition	\$ 2,399,235	\$ -	\$ 2,399,235	\$ -	\$ 2,399,235	\$ 2,308,679
Out-of-district resident tuition	2,215,227	-	2,215,227	-	2,215,227	2,353,954
Non-resident tuition	102,328	-	102,328	-	102,328	108,887
TPEG- credit (set aside)*	209,190	-	209,190	-	209,190	210,913
State funded continuing education	441,764	28,803	470,567	-	470,567	356,947
Non-state funded educational programs	212,074	18,047	230,121	-	230,121	121,717
<b>Total Tuition</b>	<b>5,579,818</b>	<b>46,850</b>	<b>5,626,668</b>	<b>-</b>	<b>5,626,668</b>	<b>5,461,097</b>
<b>Fees</b>						
Campus fees	160,747	-	160,747	-	160,747	161,958
Facility fees	820,651	-	820,651	-	820,651	822,340
Laboratory fees	173,194	-	173,194	-	173,194	153,345
Processing fees	485,087	-	485,087	-	485,087	497,213
Other fees	839,032	-	839,032	-	839,032	920,050
<b>Total Fees</b>	<b>2,478,711</b>	<b>-</b>	<b>2,478,711</b>	<b>-</b>	<b>2,478,711</b>	<b>2,554,906</b>
<b>Scholarship Allowances and Discounts</b>						
Remissions and exemptions - state	(78,614)	-	(78,614)	-	(78,614)	(75,977)
Remissions and exemptions - local	(1,267,688)	-	(1,267,688)	-	(1,267,688)	(1,456,618)
TPEG awards	(180,477)	-	(180,477)	-	(180,477)	(181,130)
<b>Total Scholarship Allowances and Discounts</b>	<b>(1,526,779)</b>	<b>-</b>	<b>(1,526,779)</b>	<b>-</b>	<b>(1,526,779)</b>	<b>(1,713,725)</b>
<b>Total Net Tuition and Fees</b>	<b>6,531,750</b>	<b>46,850</b>	<b>6,578,600</b>	<b>-</b>	<b>6,578,600</b>	<b>6,302,278</b>
<b>Additional Operating Revenues</b>						
Federal grants and contracts	265,837	8,799,042	9,064,879	-	9,064,879	7,707,627
State grants and contracts	6,640	699,884	706,524	-	706,524	472,254
Private grants and contracts	-	1,198,838	1,198,838	-	1,198,838	982,622
Sales and services of educational activities	20,430	-	20,430	-	20,430	11,965
General operating revenues	339,364	42,580	381,944	-	381,944	169,628
<b>Total Additional Operating Revenues</b>	<b>632,271</b>	<b>10,740,344</b>	<b>11,372,615</b>	<b>-</b>	<b>11,372,615</b>	<b>9,344,096</b>
<b>Auxiliary Enterprises</b>						
Bookstore	-	-	-	83,449	83,449	70,733
Other auxiliary	-	-	-	173,315	173,315	175,291
<b>Total Net Auxiliary</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>256,764</b>	<b>256,764</b>	<b>246,024</b>
<b>Total Operating Revenues</b>	<b>\$ 7,164,021</b>	<b>\$ 10,787,194</b>	<b>\$ 17,951,215</b>	<b>\$ 256,764</b>	<b>\$ 18,207,979</b>	<b>\$ 15,892,398</b>

\*In accordance with Education Code 56.033, \$180,477 and \$181,130 of tuition was set aside for Texas Public Education Grants (TPEG) for the current and prior year, respectively.

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF OPERATING EXPENSES BY OBJECT**

*Schedule B*

*For the Year Ended August 31, 2022*

*With Memorandum Totals for the Year Ended August 31, 2021*

	Operating Expenses				Total	
	Salaries and Wages	Benefits		Other Expenses	2022	2021
		State	Local			
<b>Unrestricted - Educational Activities</b>						
Instruction	\$ 10,653,413	\$ -	\$ 89,475	\$ 1,084,425	\$ 11,827,313	\$ 13,974,137
Public service	479,271	-	9,359	94,138	582,768	512,249
Academic support	2,632,048	-	65,116	1,225,236	3,922,400	3,073,761
Student services	2,664,631	-	51,879	394,084	3,110,594	2,815,065
Institutional support	4,410,932	-	984,812	2,661,826	8,057,570	7,181,888
Operation and maintenance of plant	460,590	-	18,420	4,483,803	4,962,813	4,700,403
Scholarships and fellowships	-	-	140	-	140	-
<b>Total Unrestricted Educational Activities</b>	<b>21,300,885</b>	<b>-</b>	<b>1,219,201</b>	<b>9,943,512</b>	<b>32,463,598</b>	<b>32,257,503</b>
<b>Restricted - Educational Activities</b>						
Instruction	1,260,816	884,327	-	269,306	2,414,449	1,594,203
Public service	444,907	42,041	-	130,143	617,091	864,779
Academic support	520,459	335,246	-	3,747	859,452	1,735,954
Student services	833,923	254,096	-	624,351	1,712,370	1,941,067
Institutional support	471,923	472,822	-	382,277	1,327,022	1,728,287
Operation and maintenance of plant	193,144	81,500	-	231,963	506,607	775,260
Scholarships and fellowships	60,582	-	-	9,236,697	9,297,279	5,663,864
<b>Total Restricted Educational Activities</b>	<b>3,785,754</b>	<b>2,070,032</b>	<b>-</b>	<b>10,878,484</b>	<b>16,734,270</b>	<b>14,303,414</b>
<b>Total Educational Activities</b>	<b>25,086,639</b>	<b>2,070,032</b>	<b>1,219,201</b>	<b>20,821,996</b>	<b>49,197,868</b>	<b>46,560,917</b>
<b>Auxiliary Enterprises</b>	<b>10,195</b>	<b>-</b>	<b>876</b>	<b>205,555</b>	<b>216,626</b>	<b>88,331</b>
<b>Depreciation/Amortization Expense:</b>						
Building and other real estate improvements	-	-	-	3,238,207	3,238,207	2,943,411
Equipment and furniture	-	-	-	1,367,056	1,367,056	1,114,772
Library books	-	-	-	54,712	54,712	56,230
Right-to-use leased buildings	-	-	-	1,077,336	1,077,336	-
<b>Total Depreciation/Amortization Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,737,311</b>	<b>5,737,311</b>	<b>4,114,413</b>
<b>Total Operating Expenses</b>	<b>\$ 25,096,834</b>	<b>\$ 2,070,032</b>	<b>\$ 1,220,077</b>	<b>\$ 26,764,862</b>	<b>\$ 55,151,805</b>	<b>\$ 50,763,661</b>
					(Exhibit 2)	(Exhibit 2)

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES**  
**For the Year Ended August 31, 2022**  
**With Memorandum Totals for the Year Ended August 31, 2021**

Schedule C

	Unrestricted	Restricted	Total	Auxiliary Enterprises	Total	
					2022	2021
<b>Non-Operating Revenues:</b>						
State appropriations:						
Academic appropriation	\$ 6,649,122	\$ -	\$ 6,649,122	\$ -	\$ 6,649,122	\$ 6,534,911
State group insurance	-	1,971,960	1,971,960	-	1,971,960	2,062,541
State retirement matching	-	99,761	99,761	-	99,761	1,013,198
<b>Total state appropriations</b>	<b>6,649,122</b>	<b>2,071,721</b>	<b>8,720,843</b>	<b>-</b>	<b>8,720,843</b>	<b>9,610,650</b>
Maintenance and ad valorem taxes	22,252,912	-	22,252,912	-	22,252,912	23,626,866
Interest and sinking ad valorem taxes	-	14,098,493	14,098,493	-	14,098,493	7,068,868
Federal revenue, non-operating	6,815	4,721,020	4,727,835	-	4,727,835	3,854,073
Investment income	146,480	177,388	323,868	-	323,868	109,892
Foreign trade zone fees	357,062	-	357,062	-	357,062	531,472
<b>Total Non-Operating Revenues</b>	<b>29,412,391</b>	<b>21,068,622</b>	<b>50,481,013</b>	<b>-</b>	<b>50,481,013</b>	<b>44,801,821</b>
<b>Non-Operating Expenses</b>						
Interest and fees on capital-related debt	-	(6,469,922)	(6,469,922)	-	(6,469,922)	(7,253,214)
<b>Total Non-Operating Expenses</b>	<b>-</b>	<b>(6,469,922)</b>	<b>(6,469,922)</b>	<b>-</b>	<b>(6,469,922)</b>	<b>(7,253,214)</b>
Net non-operating revenues (expenses)	\$ 29,412,391	\$ 14,598,700	\$ 44,011,091	\$ -	\$ 44,011,091	\$ 37,548,607
					(Exhibit 2)	(Exhibit 2)



**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY**  
**For the Year Ended August 31, 2022**

Schedule D

	Detail by Source			Available for Current		
	Unrestricted	Restricted Expendable	Net Investment in Capital	Total	Yes	No
			Assets			
<b>Current</b>						
Unrestricted:						
Net pension liability	\$ (5,009,836)	\$ -	\$ -	\$ (5,009,836)	\$ -	\$ (5,009,836)
Net OPEB liability	(31,112,226)	-	-	(31,112,226)	-	(31,112,226)
Other	3,561,310	-	-	3,561,310	3,561,310	-
Auxiliary enterprises	(2,067,981)	-	-	(2,067,981)	(2,067,981)	-
Restricted:						
Grants and donor restrictions	-	1,397,012	-	1,397,012	1,397,012	-
Loan funds	-	28,048	-	28,048	-	28,048
Plant:						
Debt Service	-	423,746	-	423,746	423,746	-
Investment in plant	-	-	14,707,932	14,707,932	-	14,707,932
Total Net Position, end of year	<u>(34,628,733)</u>	<u>1,848,806</u>	<u>14,707,932</u>	<u>(18,071,995)</u>	<u>3,314,087</u>	<u>(21,386,082)</u>
				(Exhibit 1)		
Total Net Position, beginning of the year	<u>(33,505,706)</u>	<u>2,051,558</u>	<u>6,314,888</u>	<u>(25,139,260)</u>	<u>9,712,557</u>	<u>(34,851,817)</u>
				(Exhibit 1)		
<b>Net increase (decrease) in net position</b>	<u>\$ (1,123,027)</u>	<u>\$ (202,752)</u>	<u>\$ 8,393,044</u>	<u>\$ 7,067,265</u>	<u>\$ (6,398,470)</u>	<u>\$ 13,465,735</u>
				(Exhibit 2)		

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2022**

*Schedule E*

Federal Grantor / Pass-through Grantor / Program Title	Federal ALN	Pass-Through Grantor's Number	Expenditures
<b>U.S. Department of Labor</b>			
<b>Pass-Through from Texas Workforce Commission:</b>			
<i>Electric Apprenticeship</i>	17.278	2822ATP005	\$ 17,690
<b>Total U.S. Department of Labor</b>			<b>17,690</b>
<b>U.S. Department of Education</b>			
<b>Direct:</b>			
<i>Supplemental Educational Opportunity Grant</i>	84.007	P007A213984	167,137
<i>Federal College Work-Study Program</i>	84.033	P033A213984	52,359
<i>Federal College Work-Study Program</i>	84.033	P033A223984	1,935
<i>Federal Pell Grant</i>	84.063	P063P212888	4,508,339
<i>Federal Direct Loan Program</i>	84.268	P268K222888	554,244
<i>Total Student Financial Aid Cluster (84.007, 84.003, 84.063, 84.268)</i>			<u>5,284,014</u>
<i>TRIO - Student Support Services</i>	84.042A	P042A201150	269,556
<i>TRIO - Student Support Services - Upward Bound</i>	84.047A	P047A170441	358,420
<i>Total TRIO Cluster (ALN 84.042, 84.047)</i>			<u>627,976</u>
<i>Title V - A Pathway to Student Success</i>	84.031S	P031S150040	2,534
<i>Title V - Pathways Accelerating STEM Success</i>	84.031S	P031S200014	741,629
<i>Total ALN 84.031</i>			<u>744,163</u>
<i>CRRSAA Higher Education Institutional Emergency Relief II (COVID-19)</i>	84.425E	P425E202521-20A	262,888
<i>CRRSAA Higher Education Institutional Emergency Relief II (COVID-19)</i>	84.425L	P425L200074-20B	113,717
<i>ARP Higher Education Institutional Emergency Relief III (COVID-19)</i>	84.425F	P425F200356-20B	2,946,902
<i>ARP Higher Education Institutional Emergency Relief III (COVID-19)</i>	84.425E	P425E202521-20B	1,943,856
<i>ARP Higher Education Institutional Emergency Relief III (COVID-19)</i>	84.425L	P425L200074-20C	202,325
<b>Pass-Through from Texas Higher Education Coordination Board:</b>			
<i>Texas Reskilling Grant (COVID-19)</i>	84.425C	2020-GE-84425C/THECB #24085	292,878
<i>Texas Reskilling &amp; Upskilling for Education (TRUE) (COVID-19)</i>	84.425C	2020-GE-84425C/THECB #25703	295,299
<i>Texas Completion Repayment Grant Program (COVID-19)</i>	84.425C	2020-GE-84425C/THECB #26141	125,000
<i>Reporting Modernization Grant II (COVID-19)</i>	84.425	2020-GE-84425C/THECB #27569	16,000
<i>Reporting Modernization Grant II (Pre-Award) (COVID-19)</i>	84.425	2020-GE-84425C/THECB #27569	26,800
<i>Total Education Stabilization Fund (ALN 84.425)</i>			<u>6,225,665</u>
<b>Pass-Through from Texas Higher Education Coordination Board:</b>			
<i>Carl Perkins Vocational Education</i>	84.048	2242020271/THECB #24980	236,654
<b>Pass-Through from Texas Workforce Commission:</b>			
<b>Houston-Galveston Area Council:</b>			
<i>Adult Education and Family Literacy</i>	84.002A	AEL 211-22	833,059
<i>Adult Education English Literacy &amp; Civics Ed.</i>	84.002A	AEL 211-22	79,223
<i>Adult Education - Federal Workforce</i>	84.002A	AEL 211-22	60,979
<i>Adult Education - ELC Workforce</i>	84.002A	AEL 211-22	1,177
<i>Adult Education and Family Literacy</i>	84.002A	AEL 211-23	226,255
<i>Adult Education - Federal Workforce</i>	84.002A	AEL 211-23	10,103
<i>Total ALN 84.002</i>			<u>1,210,796</u>
<b>Total U.S. Department of Education</b>			<b>14,329,268</b>
<b>Total Schedule of Expenditures of Federal Awards</b>			<b>\$ 14,346,958</b>

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
*For the Year Ended August 31, 2022*

*Schedule F*

Grantor Agency / Program Title	Grantor / Project Number	Expenditures
<b>Texas Higher Education Coordinating Board</b>		
<i>Texas Education Opportunity Grant</i>	N/A	\$ 284,857
<i>Nursing Shortage Reduction Program - Regular</i>	N/A	996
<i>Nursing Innovation Grant Program</i>	N/A	44,135
<b>Total Texas Higher Education Coordinating Board</b>		<u>329,988</u>
<b>Texas Workforce Commission</b>		
<i>Electric Apprenticeship</i>	2822ATP005	26,536
<i>Jobs and Education for Texans Grant Program-PTEC</i>	2821JET003	350,000
<b>Total Texas Workforce Commission</b>		<u>376,536</u>
<b>Total Expenditures of State Awards</b>		<u>\$ 706,524</u>



**OVERALL COMPLIANCE, INTERNAL CONTROLS  
AND FEDERAL AWARDS SECTION**



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

To the Board of Trustees  
College of the Mainland  
Texas City, Texas

We have audited the financial statements of the business-type activities, and the discretely presented component unit of the of College of the Mainland (the “College”), as of and for the years ended August 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise of the College’s basic financial statements, and have issued our report thereon dated December 6, 2022. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of College of the Mainland Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with College of the Mainland Foundation.

***Internal Control over Financial Reporting***

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

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

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

To the Board of Trustees  
College of the Mainland

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive style with a large, stylized "P" for "Penn".

Houston, Texas  
December 6, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE *UNIFORM GUIDANCE***

To the Board of Trustees  
College of the Mainland  
Texas City, Texas

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

***Opinion on Each Major Program***

We have audited College of the Mainland's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2022. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the College's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

To the Board of Trustees  
College of the Mainland

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Whitley Penn LLP*

Houston, Texas  
December 6, 2022

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended August 31, 2022*

**I. Summary of Auditors' Results**

**Financial Statements**

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Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness( es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

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Internal control over major programs:	
Material weakness( es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516( a) ?	No

**Identification of major programs:**

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number ( ALN)</u>
Education Stabilization Fund	84.425
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Auditee qualified as low risk auditee?	Yes

**COLLEGE OF THE MAINLAND**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)***  
***For the Year Ended August 31, 2022***

**II. Financial Statement Findings**

None reported.

**III. Federal Award Findings and Questioned Costs**

None reported.

**COLLEGE OF THE MAINLAND**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL**  
**AWARDS For the Year Ended August 31, 2022**

**Note 1 - Federal Assistance Reconciliation**

Federal Grants and Contracts Revenue (Schedule A)	\$ 9,064,879
Non-Operating Federal Revenue (Schedule C)	<u>4,727,835</u>
Total Federal Revenues per Statement of Revenues, Expenses and Changes and Net Position	13,792,714
Add: Direct Students Loans	<u>554,244</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>\$ 14,346,958</u></u>

**Note 2 - Significant Accounting Policies Used in Preparing the Schedule**

The expenditures included in Schedule E are reported for the College’s fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported on Schedule E represent funds that have been expended by the College for the purposes of the award. The expenditures reported on Schedule E may not have been reimbursed by the funding agencies as of the end of the fiscal year. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule. The College did not use the 10 percent de Minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3 - Expenditures not subject to Federal Single Audit**

N/A

**Note 4 - Student Loans Processed and Administrative Costs Recovered**

N/A

**Note 5 - Nonmonetary federal assistance received**

N/A

**Note 6 - Amounts passed through by the College**

N/A

**COLLEGE OF THE MAINLAND**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
***For the Year Ended August 31, 2022***

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

**I. Prior Audit Findings**

None Noted

**COLLEGE OF THE MAINLAND**  
***CORRECTIVE ACTION PLAN***  
***For the Year Ended August 31, 2022***

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

**I. Corrective Action Plan**

Not Applicable