

# **COLLEGE OF THE MAINLAND**

## **ANNUAL FINANCIAL AND COMPLIANCE REPORT**

**Years Ended August 31, 2023 and 2022  
with Independent Auditor's Report**



# COLLEGE OF THE MAINLAND

## TABLE OF CONTENTS

	<u>Page</u>
<b>Organizational Data</b> .....	5
<b>Independent Auditor's Report</b> .....	7
<b>Management's Discussion and Analysis</b> .....	11
<b>Basic Financial Statements</b>	
Exhibit 1    Statements of Net Position .....	21
Exhibit 1A  Discretely Presented Component Unit Statements of Financial Position .....	22
Exhibit 2    Statements of Revenues, Expenses, and Changes in Net Position .....	23
Exhibit 2A  Discretely Presented Component Unit Statements of Activities and Changes in Net Assets .....	24
Exhibit 3    Statements of Cash Flows .....	25
Exhibit 3A  Discretely Presented Component Unit Statements of Cash Flows .....	26
Notes to the Basic Financial Statements .....	21
<b>Required Supplementary Information (RSI) Schedules</b>	
Schedule of the College's Proportionate Share of the Net Pension Liability .....	53
Schedule of the College's Contributions .....	54
Notes to Required Supplementary Information - Pension .....	55
Schedule of the College's Proportionate Share of the Net OPEB Liability .....	56
Schedule of the College's OPEB Contributions .....	57
Notes to Required Supplementary Information - OPEB .....	58
<b>Supplemental Schedules</b>	
Schedule A    Schedule of Operating Revenues .....	66
Schedule B    Schedule of Operating Expenses by Object .....	67
Schedule C    Schedule of Non-Operating Revenues and Expenses .....	68
Schedule D    Schedule of Net Position by Source and Availability .....	69
Schedule E    Schedule of Expenditures of Federal Awards .....	70
Schedule F    Schedule of Expenditures of State Awards .....	71
Notes to Supplementary Schedules .....	72
<b>Overall Compliance, Internal Controls and Federal and State Awards Section</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	75
Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the <i>Uniform Guidance</i> .....	77
Schedule of Findings and Questioned Costs .....	80
Notes to Schedule of Expenditures of Federal Awards .....	83
Summary Schedule of Prior Audit Findings .....	84
Corrective Action Plan .....	85



**COLLEGE OF THE MAINLAND**

**ORGANIZATIONAL DATA**

**For the Fiscal Year Ended August 31, 2023**

**BOARD OF TRUSTEES**

**OFFICERS AND MEMBERS**

			<b>Term Expires May 31,</b>
Donald G. Gartman	Chairperson	Texas City, Texas	2029
Dawn King	Vice-Chairperson	Dickinson, Texas	2025
Melissa Skipworth	Secretary	Dickinson, Texas	2029
Dr. William (Bill) McGarvey	Member	Texas City, Texas	2025
Alan Waters	Member	La Marque, Texas	2027
Dr. Verna Henson	Member	Texas City, Texas	2025
Kyle Dickson	Member	Texas City, Texas	2027

**PRINCIPAL ADMINISTRATIVE OFFICERS**

Dr. Warren Nichols ..... President  
Dr. Jerry Flinger ..... Vice President for Instruction  
Dr. Helen Brewer ..... Vice President for Student Services  
Dr. Lisa Watson ..... Vice President for Instructional Advancement  
Dr. David Wesse ..... Vice President for Fiscal Affairs  
Trudy Trochesset ..... Controller



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
College of the Mainland

### 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, 2023 and 2022 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, 2023 and 2022, 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

#### **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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022, 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 11, 2023 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.



Houston, Texas  
December 11, 2023



**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 2023 and 2022. 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 2023 and 2022, resulting in net deficits of \$8.3 million and \$18.0 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 \$40.5 million and \$43.3 in 2023 and 2022, respectively. Net position increased by \$9.7 million in fiscal year 2023, compared to fiscal year 2022 when the College experienced an increase of \$7.1 million.

Current liabilities decreased by \$5.4 million in 2023 primarily due to a decrease of \$3.8 million in accounts payable. Current liabilities decreased by \$3.1 million in 2022 primarily due to a decrease of \$3.6 million in accounts payable.

Noncurrent liabilities decreased by \$9.6 million in fiscal year 2023 due to a decrease of \$9.0 million in bonds payable due in greater than one year, plus an increase of \$0.2 million in the net pension liability and net OPEB liability due in more than 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.

**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 2023, 2022, and 2021.

	<b>2023</b>	<b>2022, as Restated</b>	<b>2021</b>
Current assets	\$ 23,362,859	\$ 25,912,401	\$ 19,314,829
Capital assets (net)	187,509,577	175,375,708	98,467,789
Other non-current assets	5,467,797	23,342,586	104,568,371
<b>Total Assets</b>	<u>216,340,233</u>	<u>224,630,695</u>	<u>222,350,989</u>
<b>Deferred Outflows of Resources</b>	<u>8,446,768</u>	<u>7,810,526</u>	<u>8,283,296</u>
Current liabilities	13,661,023	19,018,610	16,558,119
Non-current liabilities	206,249,015	215,826,188	225,507,576
<b>Total Liabilities</b>	<u>219,910,038</u>	<u>234,844,798</u>	<u>242,065,695</u>
<b>Deferred Inflows of Resources</b>	<u>13,224,985</u>	<u>15,606,732</u>	<u>16,385,191</u>
Net investment in capital assets	9,231,599	7,524,421	9,660,686
Restricted net position	7,860,183	6,379,397	2,076,189
Unrestricted net position	(25,439,804)	(31,914,127)	(39,553,479)
<b>Total Net Position</b>	<u>\$ (8,348,022)</u>	<u>\$ (18,010,309)</u>	<u>\$ (27,816,604)</u>

**Capital Assets and Long-Term Debt**

The College's capital assets increased by \$12.1 million in fiscal year 2023 as a result of additions of \$19.2 million, net of depreciation expense of \$7.0 million. 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.

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 2023, the College's net position increased by \$9.7 million. The details of the operating and non-operating revenues and expenses are described below.

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

**Operating Revenue**

Operating revenue for fiscal year 2023 decreased by \$3.0 million from the prior year. Tuition and fees revenue increased by \$0.4 million and federal grants and contracts decreased by \$4.0 million as the College recognized \$4.5 million less in federal grants related to the Higher Education Emergency Relief Fund (HEERF).

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.

Tuition and fees made up 46% and 36% of total operating revenues in 2023 and 2022, respectively. Federal grants and contracts made up 33% and 50% of total operating revenues in 2023 and 2022, respectively.

**Operating Expenses**

In 2023, operating expenses increased by \$4.5 million compared to the prior year. Expenses in decreased by \$0.1 million. Scholarships and fellowships decreased by \$1.7 million. Operation and maintenance of plant increased by \$1.0 million.

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.

**Non-Operating Revenues (Expenses)**

During fiscal year 2023, non-operating revenues (net of non-operating expense) increased by \$10.0 million from the prior fiscal year primarily as a result of an increase of \$5.9 million in property tax revenues, net of an increase of \$1.0 million in state appropriations. Comparing fiscal year 2023 to 2022, the M&O tax rate decreased by 8% from \$0.165300 to \$0.151420, the I&S tax rate increased by 13% from \$0.102400 to \$0.116200. Therefore, the total tax rate decreased by 0% from \$0.267700 to \$0.267620 when compared to the prior fiscal year.

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.

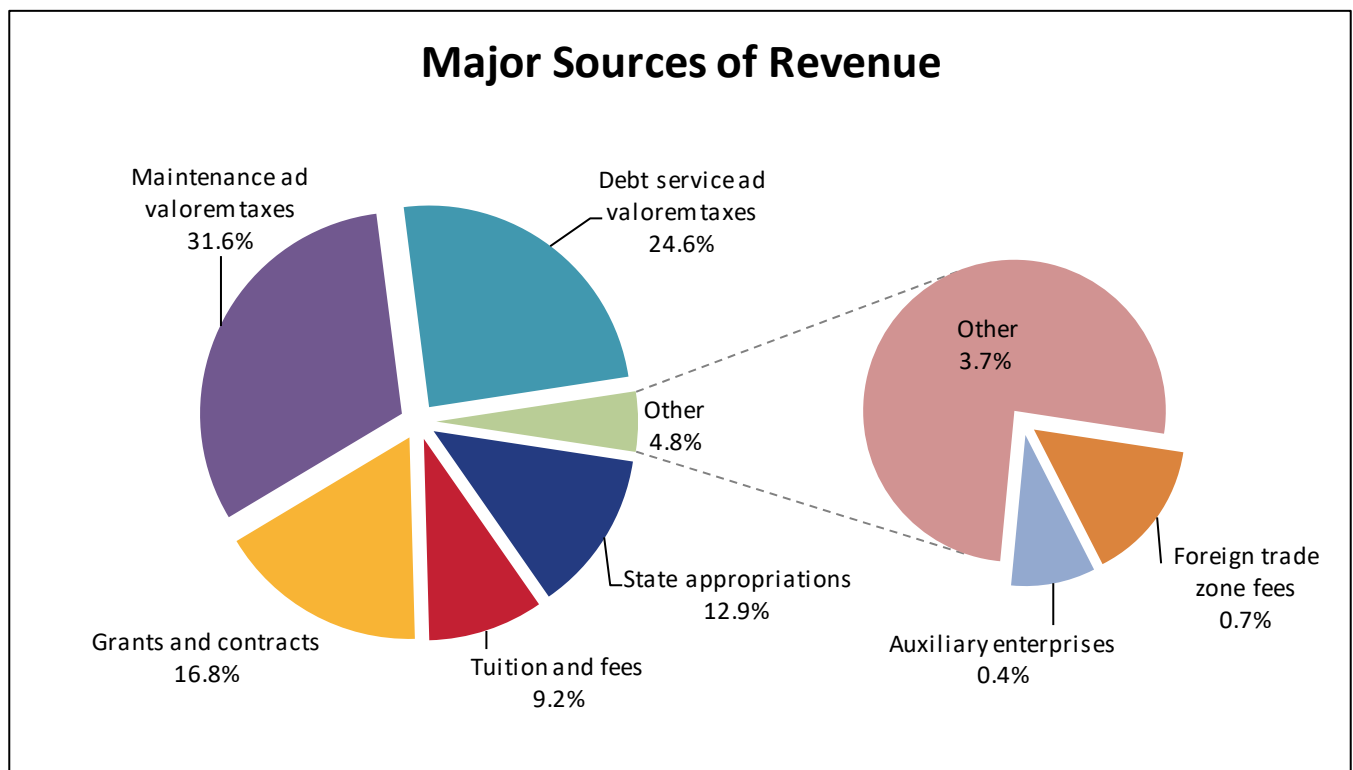
	<b>2023</b>	<b>2022, as Restated</b>	<b>2021</b>
Operating revenues	\$ 15,219,684	\$ 18,207,979	\$ 15,892,398
Operating expenses	(59,570,022)	(55,090,119)	(50,763,661)
Net operating income (loss)	(44,350,338)	(36,882,140)	(34,871,263)
Non-operating revenues (expenses)	54,012,625	44,011,091	37,548,607
<b>Total increase (decrease) in net position</b>	<b>\$ 9,662,287</b>	<b>\$ 7,128,951</b>	<b>\$ 2,677,344</b>

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

The College's combined operating and non-operating revenues by major source for fiscal years 2023, 2022 and 2021 are shown in the table below.

	<b>2023</b>	<b>2022</b>	<b>2021</b>
State appropriations	\$ 9,716,984	\$ 8,720,843	\$ 9,610,650
Tuition and fees (net of discounts)	6,956,510	6,578,600	6,302,278
Grants and contracts	12,667,443	15,698,076	13,016,576
Maintenance ad valorem taxes	23,763,027	22,252,912	23,626,866
Debt service ad valorem taxes	18,511,994	14,098,493	7,068,868
Foreign trade zone fees	547,722	357,062	531,472
Auxiliary enterprises	326,862	256,764	246,024
Other revenues	2,755,711	726,242	291,485
<b>Total Revenues</b>	<b>\$ 75,246,253</b>	<b>\$ 68,688,992</b>	<b>\$ 60,694,219</b>

The table data for operating and non-operating for 2023 is shown graphically below.

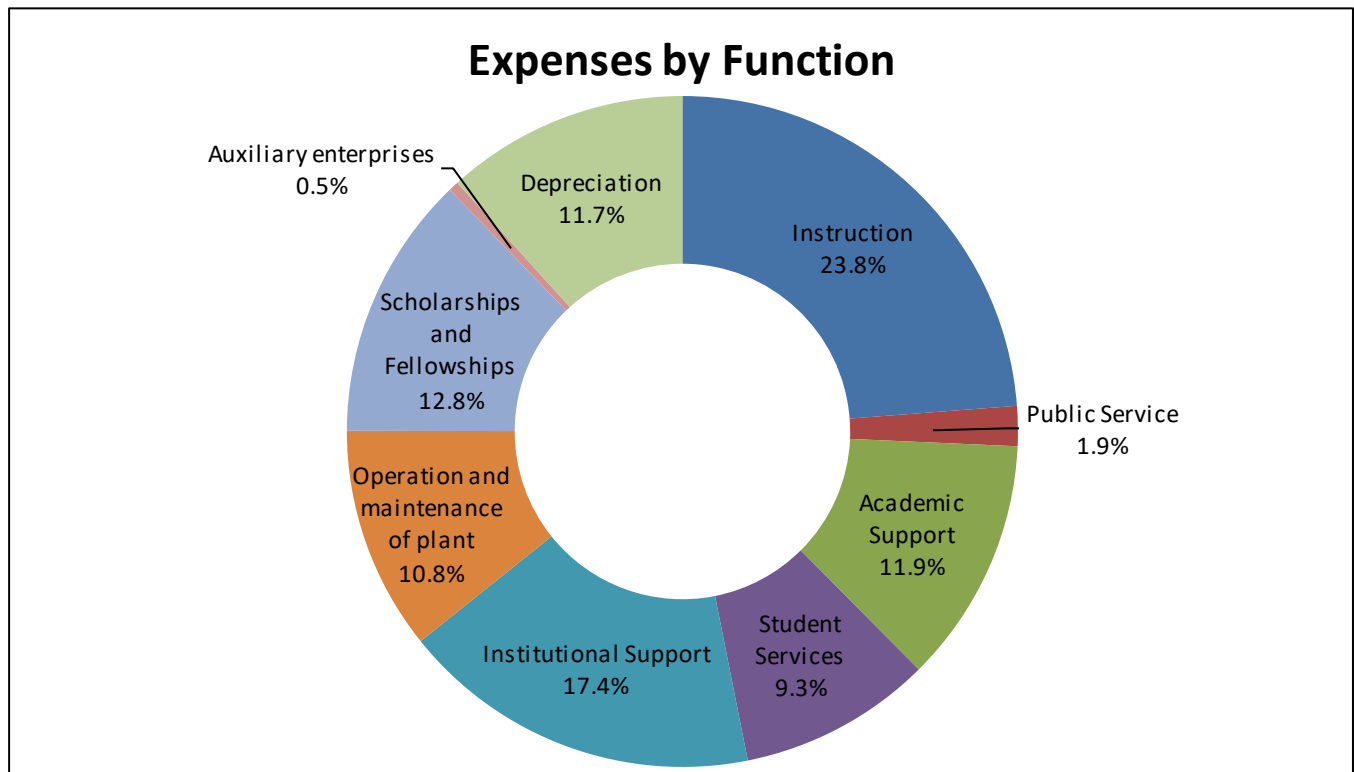


**COLLEGE OF THE MAINLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Operating expenses are reported in the financial statement by functional classification and are presented below in the table for fiscal years 2023, 2022 and 2021.

	<b>2023</b>	<b>2022, as Restated</b>	<b>2021</b>
Instruction	\$ 14,164,470	\$ 14,241,762	\$ 15,568,340
Public Service	1,148,759	1,199,859	1,377,028
Academic Support	7,060,185	4,781,852	4,809,715
Student Services	5,552,956	4,822,964	4,756,132
Institutional Support	10,347,086	8,937,217	8,910,175
Operation and maintenance of plant	6,425,833	5,469,420	5,475,663
Scholarships and Fellowships	7,607,325	9,297,419	5,663,864
Auxiliary enterprises	290,155	216,626	88,331
Depreciation	6,973,253	6,123,000	4,114,413
<b>Total operating expenses</b>	<b>\$ 59,570,022</b>	<b>\$ 55,090,119</b>	<b>\$ 50,763,661</b>

Please see the graphical depiction for the table data above for fiscal year 2023.



**Statement of Cash Flows**

In fiscal year 2023, cash from operations decreased by \$4.2 million primarily as a result of an increase of \$2.2 million for payments to suppliers for goods and services, plus an increase of \$1.5 million for payments to or on-behalf of employees.

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.

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

**Conclusion**

Since 1967, College of the Mainland (COM) has constructed pathways for student success by providing two-year associate degrees, transfer credits and workforce 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**

*Title V*

In a unique distinction, COM has been selected for three concurrent U.S. Department of Education Title V grants in support of expanded student support opportunities for underrepresented students. As a proud Hispanic Serving Institution (HSI), COM serves a diverse student body, with 35 percent of its students identifying as Hispanic.

The latest grant awarded will fund the innovative project, "*Semillas: Planting the Seeds for a Brighter Tomorrow*," which is aimed at enhancing educational outcomes for underrepresented students and strengthening student support services.

Totaling \$9 million in funding, these three awards will further propel the College's ongoing commitment to serving its diverse student population through a variety of effective strategies to improve success rates, increase persistence and provide better overall outcomes for COM students.

*A New Community College Funding Model*

During the 88<sup>th</sup> Texas Legislature, policymakers enacted House Bill 8 (HB 8), redefining the way Texas community colleges are funded through state allocations. This is the first time the community college funding model has been updated in more than 50 years. This new funding model rewards colleges for positive student outcomes. Additionally, it increases affordability and access to financial aid for low-income students and increases the capacity for community colleges to meet changing workforce needs.

As part of HB 8, a \$78.6 million Financial Aid for Swift Transfer (FAST) scholarship was created to fully cover the cost of tuition for educationally disadvantaged students enrolled in dual credit courses at participating institutions of higher education. COM will begin accepting FAST-eligible dual credit students in spring 2024.

**Forward Momentum – COM 2023 Bond Progress**

During the May 2023 election, COM successfully passed its \$250 million general obligation bond. This bond will allow the College to complete phase two of its long-range master facilities plan, which seeks to update and/or replace a significant percentage of the 57+- year old, aging facilities at the main campus.

The College's long-range master facilities plan directly addresses the region's immense growth, and ensuing education and workforce training needs through the development of new programs, new buildings and new opportunities for student success. Through a competitive closed bidding and in-person interview process, the College has identified and assigned new facility projects to four architectural design firms. Bond progress updates will be provided regularly through the College's bond website, [compass2025.com](https://compass2025.com).



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

**New Programs on the Horizon**

COM released its newest academic master plan in fall 2023, which serves as the roadmap for the College's Instructional Division over the next five years. Within the plan, there are several new and expanded programs being planned across dual credit, Continuing Education and College credit.

*Extension of Programming Through Dual Credit*

- Fire
- Emergency Medical Technician (EMT)
- Law Enforcement
- Process Technology (PTEC)
- Phlebotomy
- Dental Assisting
- Information Technology
- Culinary Arts

*Continuing Education*

- Maritime Ship-to-Shore Operations
- Crane Operations (using augmented reality training)
- Expand current OSHA training through development of OSHA Training Institute Education Center
- Plumbing Pre-Apprenticeship

*College Credit Programs*

- Culinary Arts (coming in fall 2024)
- Dental Hygiene (coming in fall 2024)
- Hospitality Management
- Logistics
- Medical Lab Technician
- Aerospace/Aviation Technician  
Instrumentation & Electrical (currently offered as a certificate)



## **BASIC FINANCIAL STATEMENTS**



**COLLEGE OF THE MAINLAND**  
**STATEMENTS OF NET POSITION**  
**August 31, 2023 and 2022**

**Exhibit 1**

	<b>2023</b>	<b>2022, as Restated</b>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 17,182,538	\$ 19,764,326
Accounts receivable (net)	5,040,040	5,044,075
Prepaid expenses	1,140,281	1,104,000
<b>Total current assets</b>	<u>23,362,859</u>	<u>25,912,401</u>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	5,439,983	23,314,538
Loans receivable (net)	27,814	28,048
Capital assets (net), (see notes)	187,509,577	175,375,708
<b>Total noncurrent assets</b>	<u>192,977,374</u>	<u>198,718,294</u>
<b>Total Assets</b>	<u>216,340,233</u>	<u>224,630,695</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pension activities	4,680,054	3,175,096
Deferred outflows related to OPEB activities	3,766,714	4,635,430
<b>Total Deferred Outflows of Resources</b>	<u>8,446,768</u>	<u>7,810,526</u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	2,024,979	5,842,917
Accrued liabilities	1,013,949	960,920
Compensated absences and severance payable - current	126,187	253,346
Funds held for others	183,918	148,240
Unearned income	4,604,501	4,672,850
Leases payable - due within one year	727,887	818,706
SBITA payable - due within one year	634,357	417,223
Bond payable - due within one year	3,695,000	5,265,000
Net OPEB liability - current	650,245	639,408
<b>Total current liabilities</b>	<u>13,661,023</u>	<u>19,018,610</u>
<b>Noncurrent liabilities:</b>		
Compensated absences and severance payable	715,067	651,462
Leases payable	5,698,600	6,426,491
SBITA payable	848,524	930,584
Net pension liability	11,320,935	5,009,836
Net OPEB liability	24,361,216	30,472,818
Bonds payable	163,304,673	172,334,997
<b>Total noncurrent liabilities</b>	<u>206,249,015</u>	<u>215,826,188</u>
<b>Total Liabilities</b>	<u>219,910,038</u>	<u>234,844,798</u>
<b>Deferred Inflows of Resources</b>		
Deferred gain on refunding	601,850	644,839
Deferred inflows related to pension activities	1,576,116	6,102,487
Deferred inflows related to OPEB activities	11,047,019	8,859,406
<b>Total Deferred Inflows of Resources</b>	<u>13,224,985</u>	<u>15,606,732</u>
<b>Net Position</b>		
Net Investment in capital assets	9,231,599	7,524,421
Restricted for:		
Expendable:		
Grants and donor restrictions	1,389,915	1,397,012
Loan Funds	27,814	28,048
Debt service	6,442,454	4,954,337
Unrestricted	(25,439,804)	(31,914,127)
<b>Total Net Position (Schedule D)</b>	<u>\$ (8,348,022)</u>	<u>\$ (18,010,309)</u>

**COLLEGE OF THE MAINLAND**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**STATEMENTS OF FINANCIAL POSITION**  
*College of the Mainland Foundation*  
*August 31, 2023 and 2022*

	<b>August 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 856,242	\$ 273,964
Contributions receivable, net	163,066	290,975
Restricted assets:		
Cash and cash equivalents	2,701,208	2,370,294
Investments, at fair value	4,091,807	4,555,321
<b>Total Assets</b>	<u>\$ 7,812,323</u>	<u>\$ 7,490,554</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 95,705	\$ 109,175
<b>Total Liabilities</b>	<u>95,705</u>	<u>109,175</u>
<b>Net Assets:</b>		
Without Donor Restrictions:		
Undesignated	1,080,727	1,153,470
With Donor Restrictions	6,635,891	6,227,909
<b>Total Net Assets</b>	<u>7,716,618</u>	<u>7,381,379</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 7,812,323</u>	<u>\$ 7,490,554</u>

**COLLEGE OF THE MAINLAND**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Years Ended August 31, 2023 and August 31, 2022**

Exhibit 2

	<b>2023</b>	<b>2022, as Restated</b>
<b>Operating Revenues</b>		
Tuition and fees (net of discounts of \$1,505,915 and \$1,526,779)	\$ 6,956,510	\$ 6,578,600
Federal grants and contracts	5,064,766	9,064,879
State grants and contracts	454,204	706,524
Private grants and contracts	1,364,318	1,198,838
Sales and services of educational activities	20,711	20,430
Auxiliary enterprises (net of discounts)	326,862	256,764
General operating revenues	<u>1,032,313</u>	<u>381,944</u>
<b>Total Operating Revenues (Schedule A)</b>	<u>15,219,684</u>	<u>18,207,979</u>
<b>Operating Expenses</b>		
Instruction	14,164,470	14,241,762
Public service	1,148,759	1,199,859
Academic support	7,060,185	4,781,852
Student services	5,552,956	4,822,964
Institutional support	10,347,086	8,937,217
Operation and maintenance of plant	6,425,833	5,469,420
Scholarships and fellowships	7,607,325	9,297,419
Auxiliary enterprises	290,155	216,626
Depreciation expense	<u>6,973,253</u>	<u>6,123,000</u>
<b>Total Operating Expenses (Schedule B)</b>	<u>59,570,022</u>	<u>55,090,119</u>
<b>Operating income (loss)</b>	(44,350,338)	(36,882,140)
<b>Non-Operating Revenues (expenses)</b>		
State appropriations	9,716,984	8,720,843
Maintenance ad valorem taxes	23,763,027	22,252,912
Debt service ad valorem taxes	18,511,994	14,098,493
Federal revenue, non-operating	5,784,155	4,727,835
Investment income	1,702,687	323,868
Foreign trade zone fees	547,722	357,062
Interest and fees on capital-related debt	<u>(6,013,944)</u>	<u>(6,469,922)</u>
<b>Non-Operating Revenue (expenses) (Schedule C)</b>	<u>54,012,625</u>	<u>44,011,091</u>
Increase (decrease) in net position	9,662,287	7,128,951
<b>Net Position - Beginning of Year</b>	<u>(18,010,309)</u>	<u>(25,139,260)</u>
<b>Net Position - End of Year</b>	<u>\$ (8,348,022)</u>	<u>\$ (18,010,309)</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, 2023 with Comparative Totals for 2022**

	Without Donor Restrictions	With Donor Restrictions	Year Ended August 31,	
			2023	2022
<b>Revenues, Gains, and Support:</b>				
Contributions	\$ 80,993	\$ 1,010,197	\$ 1,091,190	\$ 1,248,651
In-kind contributions	413,219	-	413,219	360,213
Interest and investment income	-	261,355	261,355	11,162
Net realized and unrealized gain (Loss) on investments	-	6,440	6,440	(488,716)
Net assets released from restrictions	870,010	(870,010)	-	-
<b>Total Revenues, Gains and Support</b>	<b>1,364,222</b>	<b>407,982</b>	<b>1,772,204</b>	<b>1,131,310</b>
<b>Expenses:</b>				
Program expenses:				
Student scholarships	869,510	-	869,510	679,058
Other program payments	29,681	-	29,681	110,499
Supporting services:				
In-kind personnel and benefits	370,148	-	370,148	344,013
In-kind general, facilities and equipment	43,071	-	43,071	16,200
Management and general:				
Bad debt	52,092	-	52,092	-
Fundraising	3,585	-	3,585	6,935
Other management and general	68,878	-	68,878	34,266
<b>Total Expenses</b>	<b>1,436,965</b>	<b>-</b>	<b>1,436,965</b>	<b>1,190,971</b>
Changes in Net Assets	(72,743)	407,982	335,239	(59,661)
<b>Net Assets, Beginning of Year</b>	<b>1,153,470</b>	<b>6,227,909</b>	<b>7,381,379</b>	<b>7,441,040</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,080,727</b>	<b>\$ 6,635,891</b>	<b>\$ 7,716,618</b>	<b>\$ 7,381,379</b>



**COLLEGE OF THE MAINLAND**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2023 and 2022**

**Exhibit 3**

	<b>2023</b>	<b>2022, as Restated</b>
<b>Cash flows from operating activities:</b>		
Receipts from students and other customers	\$ 6,715,355	\$ 6,659,000
Receipts from grants and contracts	7,767,273	10,541,123
Payments to suppliers for goods and services	(17,372,827)	(15,135,694)
Payments to or on behalf of employees	(31,100,936)	(29,595,811)
Payments for scholarships and fellowships	(7,607,325)	(9,297,419)
Other receipts	1,007,254	438,984
<b>Net cash (used) by operating activities</b>	<b>(40,591,206)</b>	<b>(36,389,817)</b>
<b>Cash flows from non-capital financing activities:</b>		
Receipts from state appropriations	6,649,122	6,649,122
Receipts from ad valorem taxes	41,940,509	36,038,322
Receipts from foreign trade zone participants	547,722	357,062
Receipts from Non Operating Federal Revenue	5,784,155	4,727,835
Receipts from student organizations and other agency transactions	-	845
Payments to student organization and other agency transactions	35,678	27,690
Other payments	(77,229)	(77,229)
Loans made to others	234	936
<b>Net cash provided by non-capital financing activities</b>	<b>54,880,191</b>	<b>47,724,583</b>
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets	(19,769,817)	(34,177,555)
Payments on bonds - principal	(9,980,000)	(5,745,000)
Payments on leases - principal	(818,710)	(821,092)
Payments on SBITAs - principal	(433,817)	(425,390)
Payments on long-term debt - interest and fees	(5,445,671)	(6,985,550)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(36,448,015)</b>	<b>(48,154,587)</b>
<b>Cash flows from investing activities:</b>		
Investment income	1,702,687	323,868
<b>Net cash provided (used) by investing activities</b>	<b>1,702,687</b>	<b>323,868</b>
Increase (decrease) in cash and cash equivalents	(20,456,343)	(36,495,953)
<b>Cash and cash equivalents, beginning of year</b>	<b>43,078,864</b>	<b>79,574,817</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 22,622,521</b>	<b>\$ 43,078,864</b>
<b>Components of cash and cash equivalents</b>		
Cash and cash equivalents	\$ 17,182,538	\$ 19,764,326
Restricted cash and cash equivalents	5,439,983	23,314,538
<b>Total cash and cash equivalents</b>	<b>\$ 22,622,521</b>	<b>\$ 43,078,864</b>
<b>Reconciliation of net operating income (loss) to net cash provided (used)</b>		
<b>by operating activities:</b>		
<b>Operating income (loss)</b>	<b>\$ (44,350,338)</b>	<b>\$ (36,882,140)</b>
<b>Adjustments:</b>		
Depreciation expense and amortization	6,973,253	6,123,000
Bad debt expense	77,229	77,229
Payments made directly by state for benefits	3,067,862	2,071,721
Changes in assets and liabilities:		
(Increase) decrease in receivables (net)	338,547	(935,599)
(Increase) decrease in prepaid expenses	(36,281)	(310,337)
(Increase) decrease in pension/OPEB related deferred outflows	(636,242)	1,443,799
Increase (decrease) in accounts payable	(3,817,938)	(3,559,107)
Increase (decrease) in accrued liabilities	53,029	39,275
Increase (decrease) in unearned income	(68,349)	366,727
Increase (decrease) in compensated absences payable	(63,554)	(42,020)
Increase (decrease) in net pension liability	6,311,099	(6,221,282)
Increase (decrease) in net OPEB liability	(6,100,765)	1,147,655
Increase (decrease) in pension/OPEB related deferred inflows	(2,338,758)	291,262
<b>Net cash (used) by operating activities</b>	<b>\$ (40,591,206)</b>	<b>\$ (36,389,817)</b>

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

*College of the Mainland Foundation - Year Ended August 31, 2023 with Comparative Totals for 2022*

	<b>Year Ended August 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows provided (used) by from operating activities:</b>		
Cash received from contributions, grants and events	\$ 1,219,099	\$ 1,399,632
Cash received from interest earnings	261,355	11,162
Cash paid for scholarships and grants	(912,661)	(721,901)
Cash paid for management and general expenses	(72,463)	(41,201)
<b>Net cash provided (used) by operating activities:</b>	<u>495,330</u>	<u>647,692</u>
<b>Cash flows provided (used) by investing activities:</b>		
Reinvestment income and fees	170,609	10,593
Proceeds from sales and maturities of investments	1,054,212	1,207,576
Purchases of investments	(806,959)	(2,307,270)
<b>Net cash provided (used) by investing activities</b>	<u>417,862</u>	<u>(1,089,101)</u>
Net change in cash and cash equivalents	913,192	(441,409)
<b>Cash and cash equivalents at beginning of year</b>	<u>2,644,258</u>	<u>3,085,667</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 3,557,450</u>	<u>\$ 2,644,258</u>
<b>Presented on statement of financial position as follows:</b>		
Cash and cash equivalents	\$ 856,242	\$ 273,964
Restricted cash and cash equivalents	2,701,208	2,370,294
	<u>\$ 3,557,450</u>	<u>\$ 2,644,258</u>
<b>Reconciliation of change in net assets to cash flows provided (used) by operating activities</b>		
Increase (decrease) in net assets	\$ 335,239	\$ (59,661)
Adjustments to reconcile change in net assets to net cash provided (used) by:		
Net unrealized and realized loss (gain) in investments	(6,440)	488,716
Bad debt expense	52,092	-
(Increase) decrease in contribution receivables	127,909	150,981
Increase (decrease) in accounts payable	(13,470)	67,656
<b>Net cash provided by operating activities</b>	<u>\$ 495,330</u>	<u>\$ 647,692</u>

**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 College of the Mainland Foundation (the "Foundation") is a non-profit organization established in 1996 for the purpose of providing benefits, such as scholarships and grants, to the College through private funds raised by the Foundation. Under GASB Statement No. 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an organization should report as a discretely presented component unit those organizations that raise and hold economic resources for the direct benefit of a government unit. Accordingly, the Foundation's most recent fiscal year-end comparative Statements of Financial Position, Statements of Activities and Changes in Net Assets, and Statements of Cash Flows, which are prepared in accordance with the standards of the Financial Accounting Standards Board, are included in the College's annual comprehensive financial report as a discretely presented component unit. Complete financial statements for the Foundation may be obtained by contacting the Foundation's business office at 1200 Amburn Road, Texas City, TX 77591.

**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.

## COLLEGE OF THE MAINLAND

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

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

##### **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.

##### **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 as three levels, is based on the valuation inputs used to measure as 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*.

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

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

**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, including intangible capital assets (right-to-use lease assets and subscription assets). 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/amortization 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

The right-to-use lease assets are amortized over the lesser of the underlying asset’s useful life and the lease term. The right-to-use subscription assets are amortized over the contract term.

**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, 2023 are reported as unearned revenues. Those amounts are as follows:

	<u>2023</u>	<u>2022</u>
Tuition and fees	\$ 3,278,583	\$ 2,985,373
Federal, state and local grants	1,269,256	1,644,012
Other	56,662	43,465
	<u>\$ 4,604,501</u>	<u>\$ 4,672,850</u>

## **COLLEGE OF THE MAINLAND**

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

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

##### ***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.

##### ***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.

## COLLEGE OF THE MAINLAND

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

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

##### **Leases and Subscription-Based Information Technology Arrangements (SBITAs)**

The District is under contract for various agreements for leases for the right-to-use lease assets and SBITAs for the right-to-use subscription assets (software). The agreements are noncancellable, and the District recognizes a liability and an intangible right-to-use asset for agreements with an initial, individual value of \$5,000 or more.

At the commencement of the agreement, the District initially measures the liability at the present value of payments expected to be made during the term. Subsequently, the liability is reduced by the principal portion of payments made. The intangible capital asset is initially measured as the sum of (1) the initial liability amount, (2) payments made to the vendor before commencement of the contract/subscription term, and (3) capitalizable implementation costs, less any incentives received from the vendor at or before the commencement of the term. Key estimates and judgments related to leases and SBITAs include how the District determines (1) the discount rate it uses to discount the expected payments to present value, (2) terms, and (3) payments.

- The District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate.
- The term includes the noncancellable period of the right-to-use the intangible capital asset and payments included in the measurement of the liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its assets and liabilities and will remeasure if certain changes occur that are expected to significantly affect the amount of the liability. The intangible capital assets are reported with other capital assets and liabilities are reported with long-term debt on the statement of net position.

##### **Reclassifications**

Certain amounts for 2022 have been reclassified to conform to current year reporting requirements.

##### **Implementation of New Standards**

GASB Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* was issued in March 2020 and is effective for periods beginning after June 15, 2022. This Statement addresses issues related to public-private and public-public partnership arrangements (PPPs). The Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for periods beginning after June 15, 2022. The District has evaluated the effects of this standard and has determined that it does not impact the financial statements.

GASB Statement No. 96 *Subscription-Based Information Technology Arrangements* (SBITA), was issued in May 2020 and was effective for periods beginning after June 15, 2022. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. As such the District has incorporated such SBITAs into its capital assets and long-term liabilities on both the face of the financial statements and the note disclosures.

GASB issued Statement No. 99, *Omnibus 2022* was issued in April 2022. This Statement was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements of this Statement are effective immediately upon issuance, for periods beginning after June 15, 2022 and June 15, 2023, depending on the topical area.

## COLLEGE OF THE MAINLAND

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

#### 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, 2023 and 2022, 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, 2023 and 2022.

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.

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>2023</u>	<u>2022</u>
<b>Cash and Deposits:</b>		
Bank Deposits:		
Demand deposits	\$ 660,513	\$ 835,093
Cash on cash equivalents:		
Petty cash on hand and change funds	1,760	1,790
<b>Total Cash and Deposits</b>	<u>\$ 662,273</u>	<u>\$ 836,883</u>



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

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

Reconciliation of Deposits and Investments to Exhibit 1:

Type of Security	Fair Value	
	2023	2022
<b>Investments:</b>		
Government Investment Pools:		
TexPool	\$ 16,548,173	\$ 18,954,179
LOGIC	5,412,075	23,287,802
<b>Total Investments</b>	<u>21,960,248</u>	<u>42,241,981</u>
<b>Total Cash and Deposits</b>	<u>662,273</u>	<u>836,883</u>
<b>Total Deposits and Investments</b>	<u>\$ 22,622,521</u>	<u>\$ 43,078,864</u>
<b>Cash and temporary investments (Exhibit 1):</b>		
Cash and cash equivalents	\$ 17,182,538	\$ 19,764,326
Restricted cash and cash equivalents	5,439,983	23,314,538
<b>Total Deposits and Investments</b>	<u>\$ 22,622,521</u>	<u>\$ 43,078,864</u>

As of August 31, 2023, the College had the following investments and maturities:

Investment Type:	Fair Value	Credit Quality Rating	Percentage of Investments	Weighted Average Maturity (Days)
Local Government Investment Pools:				
TexPool	\$ 16,548,173	AAAm	75.4%	24
LOGIC	5,412,075	AAAm	24.6%	26
Total Local Government Investment Pools	<u>21,960,248</u>		<u>100.0%</u>	
<b>Total Investments</b>	<u>\$ 21,960,248</u>		<u>100.0%</u>	

**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, 2023, 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, 2023.

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

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

**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 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Interest income	\$ 1,702,687	\$ 323,868
<b>Total Investment Earnings</b>	<u>\$ 1,702,687</u>	<u>\$ 323,868</u>

As of August 31, 2023 and 2022, cash and cash equivalents was restricted for the following purposes:

	<u>2023</u>	<u>2022</u>
Grants and awards	\$ 2,160,945	\$ -
Payment of long-term debt and unspent bond proceeds	3,279,038	23,314,538
<b>Total Restricted Cash and Cash Equivalents</b>	<u>\$ 5,439,983</u>	<u>\$ 23,314,538</u>

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

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

	<u>2023</u>	<u>2022</u>
Property taxes receivable	\$ 3,116,669	\$ 2,975,875
Allowance for uncollectible property taxes	(1,318,362)	(1,512,080)
<b>Total property taxes receivable, net</b>	<u>1,798,307</u>	<u>1,463,795</u>
<b>Tuition and fees receivable</b>	4,576,337	3,978,729
Allowance for uncollectible tuition and fees	(1,863,699)	(1,786,470)
<b>Total tuition and fees receivable, net</b>	<u>2,712,638</u>	<u>2,192,259</u>
<b>Grants receivable:</b>		
Federal	299,825	846,092
State	48,751	394,172
Local	110,836	103,133
<b>Grants receivable</b>	<u>459,412</u>	<u>1,343,397</u>
Other receivables	69,683	44,624
<b>Total receivables, net</b>	<u>\$ 5,040,040</u>	<u>\$ 5,044,075</u>

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

**Note 5 - Disaggregation of Receivables and Payables Balances (continued)**

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

	<u>2023</u>	<u>2022</u>
Accrued interest payable	\$ 270,285	\$ 291,226
Accrued wages payable	422,863	426,932
Accrued benefits and other payroll liabilities	316,767	238,712
Other accrued liabilities	4,034	4,050
<b>Total accrued liabilities</b>	<u>\$ 1,013,949</u>	<u>\$ 960,920</u>

**Note 6 - Capital Assets**

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

	<u>Balance 09/01/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance 08/31/23</u>
<b>Capital assets, not being depreciated</b>					
Land	\$ 372,145	\$ -	\$ -	\$ -	\$ 372,145
Construction in progress	31,323,486	14,691,523	-	(45,474,223)	540,786
<b>Total capital assets, not being depreciated</b>	<u>31,695,631</u>	<u>14,691,523</u>	<u>-</u>	<u>(45,474,223)</u>	<u>912,931</u>
<b>Capital assets, being depreciated</b>					
Buildings and building improvements	141,837,127	2,411,683	(120,192)	45,474,223	189,602,841
Improvements other than buildings	19,650,066	-	-	-	19,650,066
Furniture, equipment and vehicles	8,712,977	963,564	(34,678)	-	9,641,863
Telecommunication equipment	8,574,545	498,443	-	-	9,072,988
Right-to-use lease assets	8,389,502	-	(607,475)	-	7,782,027
Right-to-use subscription assets	1,890,051	568,892	-	-	2,458,943
Library books	2,067,377	60,291	-	-	2,127,668
<b>Total capital assets, being depreciated</b>	<u>191,121,645</u>	<u>4,502,873</u>	<u>(762,345)</u>	<u>45,474,223</u>	<u>240,336,396</u>
<b>Accumulated depreciation:</b>					
Buildings and building improvements	(18,572,391)	(3,570,381)	39,663	-	(22,103,109)
Improvements other than buildings	(13,914,866)	(548,006)	-	-	(14,462,872)
Furniture, equipment and vehicles	(4,466,365)	(740,182)	34,187	-	(5,172,360)
Telecommunication equipment	(6,761,183)	(740,700)	-	-	(7,501,883)
Right-to-use lease assets	(1,585,024)	(818,069)	601,221	-	(1,801,872)
Right-to-use subscription assets	(480,628)	(500,897)	-	-	(981,525)
Library books	(1,661,111)	(55,018)	-	-	(1,716,129)
<b>Total Accumulated depreciation</b>	<u>(47,441,568)</u>	<u>(6,973,253)</u>	<u>675,071</u>	<u>-</u>	<u>(53,739,750)</u>
<b>Net capital assets</b>	<u>\$ 175,375,708</u>	<u>\$ 12,221,143</u>	<u>\$ (87,274)</u>	<u>\$ -</u>	<u>\$ 187,509,577</u>

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

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

Commitments related to construction projects as of August 31, 2023 are as follows:

	<b>Budget</b>	<b>Construction in Progress</b>	<b>Remaining Balance</b>
Program Management	\$ 9,670,000	\$ 207,807	\$ 9,462,193
Technical Vocational Building Demolition	693,449	264,063	429,386
Library Classroom Building	92,479,202	68,916	92,410,286
	<u>\$ 102,842,651</u>	<u>\$ 540,786</u>	<u>\$ 102,301,865</u>

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

	<b>Balance, as Restated 09/01/21</b>	<b>Additions</b>	<b>Retirements</b>	<b>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>	<u>42,976,174</u>	<u>31,356,652</u>	<u>-</u>	<u>(42,637,195)</u>	<u>31,695,631</u>
<b>Capital assets, being depreciated</b>					
Buildings and building improvements	99,270,569	-	(70,637)	42,637,195	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 lease assets	8,389,502	-	-	-	8,389,502
Right-to-use subscription assets	1,890,051	-	-	-	1,890,051
Library books	2,010,882	56,495	-	-	2,067,377
<b>Total capital assets, being depreciated</b>	<u>145,731,510</u>	<u>2,829,674</u>	<u>(76,734)</u>	<u>42,637,195</u>	<u>191,121,645</u>
<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 lease assets	(602,627)	(982,397)	-	-	(1,585,024)
Right-to-use subscription assets	-	(480,628)	-	-	(480,628)
Library books	(1,606,399)	(54,712)	-	-	(1,661,111)
<b>Total Accumulated depreciation</b>	<u>(41,337,115)</u>	<u>(6,123,000)</u>	<u>18,547</u>	<u>-</u>	<u>(47,441,568)</u>
<b>Net capital assets</b>	<u>\$ 147,370,569</u>	<u>\$ 28,063,326</u>	<u>\$ (58,187)</u>	<u>\$ -</u>	<u>\$ 175,375,708</u>

**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, 2023, was as follows:

	<u>Balance 09/01/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 08/31/23</u>	<u>Current Portion</u>
<b>Bonds and Notes Payable</b>					
Premium	\$ 17,359,997	\$ -	\$ (620,324)	\$ 16,739,673	\$ -
General obligation bonds	160,240,000	-	(9,980,000)	150,260,000	3,695,000
<b>Total Bonds and Notes Payable</b>	<u>177,599,997</u>	<u>-</u>	<u>(10,600,324)</u>	<u>166,999,673</u>	<u>3,695,000</u>
<b>Other Liabilities</b>					
Compensated absences	904,808	-	(63,554)	841,254	126,187
Leases payable	7,245,197	-	(818,710)	6,426,487	727,887
SBITA payable	1,347,807	568,891	(433,817)	1,482,881	634,357
<b>Total Noncurrent Liabilities</b>	<u>\$ 187,097,809</u>	<u>\$ 568,891</u>	<u>\$ (11,916,405)</u>	<u>\$ 175,750,295</u>	<u>\$ 5,183,431</u>

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

	<u>Balance, as Restated 09/01/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 08/31/22</u>	<u>Current Portion</u>
<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	946,828	95,700	(137,720)	904,808	253,346
Leases payable	8,066,289	-	(821,092)	7,245,197	818,706
SBITA payable	1,773,197	-	(425,390)	1,347,807	417,223
<b>Total Noncurrent Liabilities</b>	<u>\$ 194,718,276</u>	<u>\$ 95,700</u>	<u>\$ (7,716,167)</u>	<u>\$ 187,097,809</u>	<u>\$ 6,754,275</u>

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

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

**Series 2019 Limited Tax General Obligation Bonds**

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. In August 2023, the College partially defeased \$4,715,000 of the Limited Tax General Obligation Bonds, Series 2019 with a contribution of \$5,081,619, to pay for principal, interest and other fees associated with the defeasance. The following details the payments due through maturity as of August 31, 2023:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2024	\$ 1,805,000	\$ 3,262,000	\$ 5,067,000
2025	1,890,000	3,179,650	5,069,650
2026	1,980,000	3,085,150	5,065,150
2027	2,075,000	2,992,650	5,067,650
2028	2,180,000	2,888,900	5,068,900
2029 - 2033	12,605,000	12,730,100	25,335,100
2034 - 2038	15,485,000	9,855,850	25,340,850
2039 - 2043	18,810,000	6,522,450	25,332,450
2044 - 2048	18,120,000	2,594,752	20,714,752
2049 - 2053	3,300,000	123,750	3,423,750
	<u>\$ 78,250,000</u>	<u>\$ 47,235,252</u>	<u>\$ 125,485,252</u>

**Series 2020 Limited Tax General Obligation Bonds**

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 were 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 as of August 31, 2023:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
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	1,590,000	2,249,600	3,839,600
2029 - 2033	9,105,000	10,085,100	19,190,100
2034 - 2038	11,100,000	8,093,000	19,193,000
2039 - 2043	13,505,000	5,687,600	19,192,600
2044 - 2048	16,435,000	2,761,800	19,196,800
2049 - 2053	3,690,000	147,600	3,837,600
	<u>\$ 61,065,000</u>	<u>\$ 38,745,100</u>	<u>\$ 99,810,100</u>

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

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

**Series 2021 Limited Tax General Obligation Refunding Bonds**

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 were \$3.7 million. The refunding resulted in a deferred gain on refunding of \$0.7 million. The following details the payments due through maturity as of August 31, 2023:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
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	705,000	298,200	1,003,200
2029 - 2033	4,025,000	984,150	5,009,150
2034 - 2038	3,720,000	283,050	4,003,050
	<u>\$ 10,945,000</u>	<u>\$ 3,077,700</u>	<u>\$ 14,022,700</u>

**Total General Obligation Bonds**

The following details the payments due through maturity for all bonds outstanding as of August 31, 2023:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2024	\$ 3,695,000	\$ 6,216,550	\$ 9,911,550
2025	3,870,000	6,039,700	9,909,700
2026	4,060,000	5,846,200	9,906,200
2027	4,260,000	5,649,700	9,909,700
2028	4,475,000	5,436,700	9,911,700
2029 - 2033	25,735,000	23,799,350	49,534,350
2034 - 2038	30,305,000	18,231,900	48,536,900
2039 - 2043	32,315,000	12,210,050	44,525,050
2044 - 2048	34,555,000	5,356,552	39,911,552
2049 - 2053	6,990,000	271,350	7,261,350
	<u>\$ 150,260,000</u>	<u>\$ 89,058,052</u>	<u>\$ 239,318,052</u>

The amount of bonds authorized is \$162,500,000 and all have been issued as of August 31, 2023.

**Limited Tax Revolving Note Program**

In June 2023, the College approved an order establishing the College of the Mainland Limited Tax Revolving Note Program and authorized the issuance of program obligations, from time to time, in an aggregate principal Amount not to exceed \$100,000,000 outstanding at any one time. The interest & sinking fund (I&S) tax rate will be the funding source, accessed through a note purchase agreement or bank line. As of August 31, 2023 the College had not withdrawn any funds under the agreement.

**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, 2023 for the right to use buildings. The College terminated another lease agreement in fiscal year 2022, which resulted in a loss of \$78,476.

<u>Description</u>	<u>Start Date</u>	<u>End Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Lease Liability as of</u>	
					<u>August 31, 2023</u>	<u>August 31, 2022</u>
320 Delaney	09/17/17	09/30/22	0.419%	\$ 316,658	\$ -	\$ 12,997
1411 Main	01/01/20	08/31/31	1.048%	3,549,646	2,917,741	3,265,563
10000 EF Lowry	08/15/21	12/31/31	1.890%	4,238,565	3,508,746	3,873,832
15007-13 Delaney	03/01/08	07/31/23	0.466%	285,468	-	92,805
				<u>\$ 8,390,337</u>	<u>\$ 6,426,487</u>	<u>\$ 7,245,197</u>

The future principal and interest lease payments as of August 31, 2023, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 727,887	\$ 89,548	\$ 817,435
2025	743,230	81,052	824,282
2026	758,846	69,876	828,722
2027	774,772	58,433	833,205
2028	791,015	46,718	837,733
2029 - 2033	2,630,737	67,680	2,698,417
	<u>\$ 6,426,487</u>	<u>\$ 413,307</u>	<u>\$ 6,839,794</u>

**Subscription-Based Information Technology Arrangements (SBITAs)**

The College has three SBITAs outstanding as of August 31, 2023 for the right to use subscription assets.

<u>Description</u>	<u>Start Date</u>	<u>End Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>SBITA Liability as of</u>	
					<u>August 31, 2023</u>	<u>August 31, 2022</u>
ERP Software	09/01/20	08/31/25	5.000%	\$ 1,773,197	\$ 930,585	\$ 1,347,807
Educational Software	06/30/23	08/31/28	5.000%	568,892	552,296	-
				<u>\$ 2,342,089</u>	<u>\$ 1,482,881</u>	<u>\$ 1,347,807</u>

The future principal and interest lease payments as of August 31, 2023, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 634,357	\$ 26,923	\$ 661,280
2025	562,614	28,855	591,469
2026	87,703	14,296	101,999
2027	95,149	9,910	105,059
2028	103,058	5,153	108,211
	<u>\$ 1,482,881</u>	<u>\$ 85,137</u>	<u>\$ 1,568,018</u>



## COLLEGE OF THE MAINLAND

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

#### Note 8 - Defined Benefit Pension Plan

##### ***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). The 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.

##### ***Pension Plan Fiduciary Net Position***

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained online or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

##### ***Benefits Provided***

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on 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.

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

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

Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

**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.

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

	<b>Fiscal Year Contribution Rates</b>	
	<b>2023</b>	<b>2022</b>
Employer (College)	8.00%	7.75%
Employee (Member)	8.00%	8.00%
Non-employer Contributing Entity (State)	8.00%	7.75%

The College’s contributions to the TRS pension plan, as reported in the Schedule of College Contributions for pensions in the Required Supplementary Information section of these financial statements, the employee contributions, and the estimated state of Texas on-behalf contributions in fiscal years 2023 and 2022, were as follows:

	<b>2023</b>
Employer (College)	\$ 978,170
Employee (Member)	1,664,351
Non-employer Contributing Entity (State)	754,665

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 the fiscal year reduced by the amounts described below which are paid by the employers.

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

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

Public junior colleges or junior college districts are required to pay the employer contribution rate in the following instances:

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

**Actuarial Assumptions**

The total pension liability in the August 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

<b>Component</b>	<b>Result</b>
Valuation Date	August 31, 2021, rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2020	3.91% - 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)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% 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, 2021. For a full description of these assumptions please see the actuarial valuation report dated November 12, 2021.

**Discount Rate**

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. 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.

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

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

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

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

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2022 are summarized below:

Asset Class	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%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity <sup>1</sup>	14.00%	7.70%	1.55%
<b>Stable Value</b>			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return <sup>1</sup>	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
<b>Real Return</b>			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources & Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
<b>Risk Parity</b>	8.00%	4.60%	0.43%
<b>Asset Allocation Leverage</b>			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag <sup>4</sup>			-0.91%
<b>Expected Return</b>	100.00%		8.21%

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

<sup>2</sup> Target allocations are based on the fiscal year 2022 policy model.

<sup>3</sup> Capital Market Assumptions come from Aon Hewitt as of August 31, 2022.

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

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

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

**Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (7.00%) in measuring the Net Pension Liability.

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>6.00%</b>	<b>Discount Rate</b>	<b>8.00%</b>
	<b>6.00%</b>	<b>7.00%</b>	<b>8.00%</b>
College's proportional share of the net pension liability	\$ 17,611,083	\$ 11,320,935	\$ 6,222,475

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

At August 31, 2023, the College reported a liability of \$11,320,935 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	\$ 11,320,935
State's proportionate share of the net pension liability associated with the College	<u>7,639,558</u>
<b>Total</b>	<u><u>\$ 18,960,493</u></u>

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

At August 31, 2023, the employer's proportion of the collective net pension liability was 0.0191%, which was a decrease of 0.0006% from its proportion measured as of August 31, 2022.

For the year ended August 31, 2023, the College recognized pension expense of \$1,257,421 and an additional on-behalf revenue and expense of \$730,255 for support provided by the State.

*Change Since the Prior Actuarial Valuation* - The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

At August 31, 2023, 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</b>	<b>Deferred</b>
	<b>Outflows of</b>	<b>Inflows of</b>
	<b>Resources</b>	<b>Resources</b>
Differences between expected and actual experience	\$ 164,153	\$ (246,818)
Changes of assumptions	2,109,459	(525,736)
Net difference between projected and actual earnings on plan investments	1,118,472	-
Changes in proportion and differences between District contributions and proportionate share of contributions	309,800	(803,562)
District contributions subsequent to the measurement date	<u>978,170</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 4,680,054</u></u>	<u><u>\$ (1,576,116)</u></u>

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

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

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, 2023 or fiscal year ended August 31, 2024.

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>	
2024	\$ 687,132
2025	273,613
2026	(74,787)
2027	1,129,596
2028	110,214
	<u>\$ 2,125,768</u>

**Note 9 - 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.

	<b>Fiscal Year</b>	
	<b>2023</b>	<b>2022</b>
State On-Behalf Retirement Expense	\$ 85,020	\$ 84,491
Covered Payroll - TRS Employees	20,804,386	19,524,009
Covered Payroll - ORP Employees	2,576,355	2,560,337
Covered Payroll - All Employees	26,527,479	25,127,088

The retirement expense to the State for the College represents the portion of expended appropriations made by the State Legislature on behalf of the College.

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

**Note 10 - 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 a separately issued ERS Comprehensive Annual Financial Report that includes financial statements, notes to the financial statements, and required supplementary information. That report may be obtained online; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377.

**Benefits Provided**

Retiree health benefits offered through 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 participants 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 the ERS staff and consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated, and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds. There are no long-term contracts for contributions to the plan.

The following table summarizes the maximum monthly employer contribution toward eligible retiree’s 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.

Maximum monthly contribution by the employer for fiscal years 2023 and 2022 were as follows:

	<b>Fiscal Year</b>	
	<b>2023</b>	<b>2022</b>
Retiree only	\$ 624.82	\$ 624.82
Retiree & Spouse	1,339.90	982.36
Retiree & Children	1,103.58	864.20
Retiree & Family	1,818.66	1,221.74

**COLLEGE OF THE MAINLAND**

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

**Note 10 - 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.

	<u>2023</u>	<u>2022</u>
Employer (College)	\$ 643,915	\$ 589,028
Employee (Member)	167,399	166,878
Non-employer Contributing Entity (State)	2,309,136	2,324,606

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of August 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	August 31, 2022
Actuarial Cost Method	Entry age
Amortization Method/Period	Level of percentage of payroll, open / 30 years
Asset Valuation Method	Not applicable
Inflation	2.30%
Salary Increases	2.30% to 8.95%, including inflation
Discount Rate	3.59%
Aggregate Payroll Growth	2.7%
Retirement Age	Experience-based tables of rates that are specific to the class of employee.

**Healthcare Cost Trend Rates**

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Medication (HealthSelect)	5.60% for FY2024, 5.30% for FY2025, 5.00% for FY2026, 4.75% for FY2027, 4.60% for FY2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2031 and later years
Medical (HealthSelect Medicare Advantage)	66.67% for FY2024, 24.00% for FY2025, 5.00% for FY2026, 4.75% for FY2027, 4.60% for FY2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2031 and later years
Pharmacy	10.00% for FY2024, 10.00% for FY2025, decreasing 100 basis points per year to 5.00% for FY2030 and 4.30% for FY2031 and later years

**Mortality**

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Service Retirees, Survivors, and Other Inactive Members	Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021.
Disability Retirees	Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.
Active Members	Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP-2021 Projection Scale from the year 2010.



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

**Note 10 - Other Post-Employment Benefit Plan (OPEB) (continued)**

**Actuarial Assumptions (continued)**

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, 2021.

**Investment Policy**

The SRHP is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The ERS’s Board of Trustees amended the investment policy statement in August 2022 to require that all funds in the SRHP be invested in cash and equivalent securities. The expected rate of return on these investments is currently 4.1%, in line with the prevailing returns on 90-day US treasury bills.

**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 3.59% 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.

**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 (3.59%) in measuring the net OPEB Liability.

	<b>1% Decrease</b> <b>2.59%</b>	<b>Current</b> <b>Discount Rate</b> <b>3.59%</b>	<b>1% Increase</b> <b>4.59%</b>
College's proportional share of the net OPEB liability	\$ 29,170,923	25,011,461	\$ 21,684,893

**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</b> <b>Healthcare Cost</b> <b>Trend Rates</b>	<b>1% Increase</b>
College's proportional share of the net OPEB liability	\$ 21,418,880	\$ 25,011,461	\$ 29,598,219

**COLLEGE OF THE MAINLAND**

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

**Note 10 - Other Post-Employment Benefit Plan (OPEB) (continued)**

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

At August 31, 2023, the College reported a liability of \$25,011,461 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	0.08779967%
College's proportionate share of the net OPEB liability	\$ 25,011,461
State's proportionate share of the net OPEB liability associated with the College	<u>22,309,162</u>
<b>Total</b>	<b><u>\$ 47,320,623</u></b>

The net OPEB liability was measured as of August 31, 2022 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 of September 1, 2021, thru August 31, 2022.

At the measurement date of August 31, 2022, the employer’s proportion of the collective net OPEB liability was 0.0878% which was an increase of 0.0011% from the previous year. For the year ended August 31, 2023, the College recognized a negative OPEB expense of \$2,398,497 and an additional negative on-behalf revenue and expense of \$811,214 for support provided by the State.

*Changes Since the Prior Actuarial Valuation* – Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follows: (a) discount rate increased from 2.14% to 3.59%, (b) 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, (c) proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement, (d) demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members, (e) proportion of future retirees assumed to cover dependent children , (f) the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and (g) assumptions for Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends.

At August 31, 2023 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	\$ -	\$ (789,142)
Changes of assumptions	1,469,523	(7,731,280)
Net difference between projected and actual earnings on plan investments	4,314	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,648,962	(2,526,597)
District contributions subsequent to the measurement date	<u>643,915</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 3,766,714</u></b>	<b><u>\$ (11,047,019)</u></b>

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

**Note 10 - Other Post-Employment Benefit Plan (OPEB) (continued)**

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:

Year ended August 31	Amount
2024	\$ (2,888,023)
2025	(1,430,445)
2026	(1,450,010)
2027	(1,426,410)
2028	(729,332)
	<u>\$ (7,924,220)</u>

**Note 11 - 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.

**Note 12 - 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**

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>2023</u>	<u>2022</u>
Balance, September 1	\$ 904,808	\$ 946,828
Additions	-	95,700
Payments	(63,554)	(137,720)
Balance, August 31	<u>\$ 841,254</u>	<u>\$ 904,808</u>
Current	\$ 715,067	\$ 651,462
Noncurrent	126,187	253,346
	<u>\$ 841,254</u>	<u>\$ 904,808</u>

## COLLEGE OF THE MAINLAND

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

#### Note 13 - Pending Lawsuits and Claims

On August 31, 2023, 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 14 - 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.

#### Note 15 - Self-Insured Plans

##### **Workers' Compensation Pool**

During the year ended August 31, 2023, 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. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2022, the Fund carries a discounted reserve of \$50,647,775 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2023, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2022, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

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, 2023 and 2022 amounted to \$8,946 and \$13,321, respectively.

## **COLLEGE OF THE MAINLAND**

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

#### **Note 15 - Self-Insured Plans (continued)**

##### ***Auto, Liability, and/or Property Programs***

During the year ended August 31, 2023, College of the Mainland participated in the following TASB Risk Management Fund (the Fund) programs: Auto Liability, Auto Physical Damage, Privacy & Information Security, and School Liability.

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2023, the Fund anticipates that College of the Mainland has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2022, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

##### ***Unemployment Compensation Pool***

During the year ended August 31, 2023, College of the Mainland 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, 2023, the Fund anticipates that College of the Mainland has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2022, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

#### **Note 16 - 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 17 - 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>2023</u>	<u>2022</u>
Assessed Valuation of the College:	\$ 21,422,296,269	\$ 17,994,292,381
Less: Exemptions	<u>(4,507,617,257)</u>	<u>(3,648,478,425)</u>
Net Assessed Valuation of the College	<u>\$ 16,914,679,012</u>	<u>\$ 14,345,813,956</u>

	<u>2023</u>			<u>2022</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	\$ 0.151420	\$ 0.116200	\$ 0.267620	\$ 0.165300	\$ 0.102400	\$ 0.267700

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, 2023 and 2022 amounted to \$42,903,967 and \$36,578,684 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, 2023 and 2022 approximated 97.93% of the current year levy for 2023 and 97.98% for 2022. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes.

**Note 18 - 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, 2023 and 2022.

## COLLEGE OF THE MAINLAND

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

#### Note 19 - 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 several 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. Below is a brief summary:

- 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.

Inventory within the Foreign Trade Zone totaled \$204.7 million and \$133.4 million as of August 31, 2023 and August 31, 2022, respectively. The College received a tax equivalency payments of \$547,722 and \$357,062 for fiscal years 2023 and 2022, respectively.

## COLLEGE OF THE MAINLAND

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

#### Note 20 – Disclosures Related to Discretely Presented Component Unit - College of the Mainland Foundation

The College of the Mainland Foundation (the “Foundation”) was organized in the State of Texas in 1972 to function as a legally separate, not-for-profit 501(c)(3), tax-exempt organization and is controlled by a separate Board of Trustees. The College does not appoint any of the Foundation board members nor does it fund or is it obligated to pay debt related to the Foundation. The duration of the Foundation is perpetual. The Foundation was established to raise private funds for the College for charitable, scientific, literary, and educational purposes, which are to be administered by the Foundation solely for the benefit of the College, and to account for and enhance the value of funds submitted to it in support of the educational mission of the College.

Using the criteria established by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statement No. 14 and No. 34*, and GASB No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*, the College’s management has determined that the Foundation should be reported as a discretely presented component unit of the College because of the nature and significance of its relationship with the College. The Foundation raises and holds economic resources for the direct benefit of the College. Accordingly, the Foundation’s financial statements are included in the College’s annual financial report as a discretely presented component as: Statements of Financial Position (Exhibit 1A), Statements of Activities and Changes in Net Assets (Exhibit 2A), and Statements of Cash Flows (Exhibit 3A).

#### Note 21 – Subsequent Events

##### **Limited Tax Revolving Note Program**

In June 2023, the College approved an order establishing the College of the Mainland Limited Tax Revolving Note Program and authorized the issuance of program obligations, from time to time, in an aggregate principal Amount not to exceed \$100,000,000 outstanding at any one time. The interest & sinking fund (I&S) tax rate will be the funding source, accessed through a note purchase agreement or bank line. In October 2023, the College paid approximately \$660,621 in loan origination costs and fees. As of December 11, 2023 the College had \$1.7 million outstanding related to the agreement.



**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 Nine Measurement Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
College's proportion of the net pension liability	0.0191%	0.0197%	0.0210%
College's proportionate share of the net pension liability	\$ 11,320,935	\$ 5,009,836	\$ 11,231,118
State's proportionate share of the net pension liability associated with the College	<u>15,983,626</u>	<u>3,819,626</u>	<u>8,423,778</u>
Total	<u>\$ 27,304,561</u>	<u>\$ 8,829,462</u>	<u>\$ 19,654,896</u>
College's covered payroll (for Measurement Year)	\$ 19,524,009	\$ 19,113,934	\$ 19,605,266
College's proportionate share of the net pension liability as a percentage of it's covered payroll	57.98%	26.21%	57.29%
Plan fiduciary net position as a percentage of the total pension liability *	75.65%	88.79%	75.54%
Plan's net pension liability as a percentage of covered payroll *	112.72%	51.08%	110.36%
	<u>2019</u>	<u>2018</u>	<u>2017</u>
College's proportion of the net pension liability	0.0217%	0.0207%	0.0194%
College's proportionate share of the net pension liability	\$ 11,299,584	\$ 11,375,668	\$ 6,198,638
State's proportionate share of the net pension liability associated with the College	<u>7,825,217</u>	<u>7,847,889</u>	<u>4,624,171</u>
Total	<u>\$ 19,124,801</u>	<u>\$ 19,223,557</u>	<u>\$ 10,822,809</u>
College's covered payroll (for Measurement Year)	\$ 18,525,427	\$ 16,914,824	\$ 16,048,298
College's proportionate share of the net pension liability as a percentage of it's covered payroll	60.99%	67%	38.6%
Plan fiduciary net position as a percentage of the total pension liability *	75.24%	73.74%	82.17%
Plan's net pension liability as a percentage of covered payroll *	114.93%	126.11%	75.93%
	<u>2016</u>	<u>2015</u>	<u>2014</u>
College's proportion of the net pension liability	0.0181%	0.0187%	0.0223%
College's proportionate share of the net pension liability	\$ 6,846,918	\$ 6,610,980	\$ 5,947,744
State's proportionate share of the net pension liability associated with the College	<u>5,339,118</u>	<u>5,279,379</u>	<u>4,705,933</u>
Total	<u>\$ 12,186,036</u>	<u>\$ 11,890,359</u>	<u>\$ 10,653,677</u>
College's covered payroll (for Measurement Year)	\$ 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	45.8%	45.4%	40.8%
Plan fiduciary net position as a percentage of the total pension liability *	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered payroll *	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.

Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2014. Net pension liability and 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 Nine Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contributions	\$ 978,170	\$ 890,348	\$ 839,421
Contributions in relation to the contractual required contributions	<u>978,170</u>	<u>890,348</u>	<u>839,421</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 20,804,386	\$ 19,524,009	\$ 19,113,934
Contributions as a percentage of covered payroll	4.70%	4.56%	4.39%
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 862,530	\$ 760,637	\$ 693,320
Contributions in relation to the contractual required contributions	<u>862,530</u>	<u>760,637</u>	<u>693,320</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 19,605,266	\$ 18,525,427	\$ 16,914,824
Contributions as a percentage of covered payroll	4.40%	4.11%	4.10%
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 635,854	\$ 574,687	\$ 551,555
required contributions	<u>635,854</u>	<u>574,687</u>	<u>551,555</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 16,048,298	\$ 14,959,647	\$ 14,576,449
Contributions as a percentage of covered payroll	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.

Measurement Year 2022: The discount rate changed from 7.25% to 7.00%.

**COLLEGE OF THE MAINLAND**

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

**EMPLOYEES RETIREMENT SYSTEM OF TEXAS**

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
College's proportion of the net OPEB liability	0.0878%	0.0867%	0.0907%
College's proportionate share of the net OPEB liability	\$ 25,011,462	\$ 31,112,227	\$ 29,964,571
State's proportionate share of the net OPEB liability associated with the College	22,309,162	27,747,972	25,552,721
Total	<u>\$ 47,320,624</u>	<u>\$ 58,860,199</u>	<u>\$ 55,517,292</u>
College's covered-employee payroll (for Measurement Year)	\$ 19,524,009	\$ 19,837,004	\$ 19,378,778
College's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	128.11%	156.84%	154.63%
Plan fiduciary net position as a percentage of the total OPEB liability *	0.57%	0.38%	0.32%
Plan's net OPEB liability as a percentage of covered-employee payroll *	223.71%	285.03%	261.11%
	<u>2019</u>	<u>2018</u>	<u>2017</u>
College's proportion of the net OPEB liability	0.0835%	0.0894%	0.1097%
College's proportionate share of the net OPEB liability	\$ 28,848,767	\$ 26,498,202	\$ 37,388,442
State's proportionate share of the net OPEB liability associated with the College	27,566,035	22,486,778	31,831,667
Total	<u>\$ 56,414,802</u>	<u>\$ 48,984,980</u>	<u>\$ 69,220,109</u>
College's covered-employee payroll (for Measurement Year)	\$ 18,495,216	\$ 17,111,319	\$ 16,683,458
College's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	155.98%	154.86%	224.10%
Plan fiduciary net position as a percentage of the total OPEB liability *	0.17%	1.27%	2.04%
Plan's net OPEB liability as a percentage of covered-employee payroll *	280.54%	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.

(1) 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 Eight Fiscal Years**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Contractually required contributions	\$ 643,915	\$ 589,028	\$ 653,072	\$ 351,791
Contributions in relation to the contractual required contributions	<u>643,915</u>	<u>589,028</u>	<u>653,072</u>	<u>351,791</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 20,804,386	\$ 19,524,009	\$ 19,837,004	\$ 19,378,778
Contributions as a percentage of covered payroll	3.10%	3.02%	3.29%	1.82%
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contractually required contributions	\$ 352,293	\$ 1,049,808	\$ 1,029,156	\$ 939,421
Contributions in relation to the contractual required contributions	<u>352,293</u>	<u>1,049,808</u>	<u>1,029,156</u>	<u>939,421</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 18,495,216	\$ 17,111,319	\$ 16,683,458	\$ 16,889,962
Contributions as a percentage of covered payroll	1.90%	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 since the last valuation was prepared for this plan (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 TRS Trustees. These new assumptions were adopted to reflect an experience study on the TRS retirement plan performed by the TRS retirement plan actuary.

In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees assumed to cover dependent children.
- Proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.
- 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.
- The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act has been updated to reflect the most recent available information.
- The discount rate was changed from 2.14% to 3.59% as a result of requirements by GASB No. 75 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.

Actuarial assumption changes are described in ERS's Annual Comprehensive Financial Report and the ERS Actuarial Valuation Report for the year ended August 31, 2023, which can be accessed at <https://ers.texas.gov/about-ers/reports-and-studies/gasb-requirements>



## **SUPPLEMENTAL SCHEDULES**



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

*Schedule A*

*For the Year Ended August 31, 2023*

*With Memorandum Totals for the Year Ended August 31, 2022*

	Educational Activities			Auxiliary Enterprises	Total	
	Unrestricted	Restricted	Total		2023	2022
<b>Tuition</b>						
State funded credit courses:						
In-district resident tuition	\$ 2,614,439	\$ -	\$ 2,614,439	\$ -	\$ 2,614,439	\$ 2,399,235
Out-of-district resident tuition	2,203,692	-	2,203,692	-	2,203,692	2,215,227
Non-resident tuition	129,816	-	129,816	-	129,816	102,328
TPEG- credit (set aside)*	222,746	-	222,746	-	222,746	209,190
State funded continuing education	514,643	52,619	567,262	-	567,262	470,567
Non-state funded educational programs	72,072	16,765	88,837	-	88,837	230,121
<b>Total Tuition</b>	<b>5,757,408</b>	<b>69,384</b>	<b>5,826,792</b>	<b>-</b>	<b>5,826,792</b>	<b>5,626,668</b>
<b>Fees</b>						
Campus fees	169,004	-	169,004	-	169,004	160,747
Facility fees	869,003	-	869,003	-	869,003	820,651
Laboratory fees	185,745	-	185,745	-	185,745	173,194
Processing fees	507,508	-	507,508	-	507,508	485,087
Other fees	904,373	-	904,373	-	904,373	839,032
<b>Total Fees</b>	<b>2,635,633</b>	<b>-</b>	<b>2,635,633</b>	<b>-</b>	<b>2,635,633</b>	<b>2,478,711</b>
<b>Scholarship Allowances and Discounts</b>						
Remissions and exemptions - state	(69,663)	-	(69,663)	-	(69,663)	(78,614)
Remissions and exemptions - local	(1,206,123)	-	(1,206,123)	-	(1,206,123)	(1,267,688)
TPEG awards	(230,129)	-	(230,129)	-	(230,129)	(180,477)
<b>Total Scholarship Allowances and Discounts</b>	<b>(1,505,915)</b>	<b>-</b>	<b>(1,505,915)</b>	<b>-</b>	<b>(1,505,915)</b>	<b>(1,526,779)</b>
<b>Total Net Tuition and Fees</b>	<b>6,887,126</b>	<b>69,384</b>	<b>6,956,510</b>	<b>-</b>	<b>6,956,510</b>	<b>6,578,600</b>
<b>Additional Operating Revenues</b>						
Federal grants and contracts	148,853	4,915,913	5,064,766	-	5,064,766	9,064,879
State grants and contracts	4,729	449,475	454,204	-	454,204	706,524
Private grants and contracts	-	1,364,318	1,364,318	-	1,364,318	1,198,838
Sales and services of educational activities	20,711	-	20,711	-	20,711	20,430
General operating revenues	1,032,313	-	1,032,313	-	1,032,313	381,944
<b>Total Additional Operating Revenues</b>	<b>1,206,606</b>	<b>6,729,706</b>	<b>7,936,312</b>	<b>-</b>	<b>7,936,312</b>	<b>11,372,615</b>
<b>Auxiliary Enterprises</b>						
Bookstore	-	-	-	133,378	133,378	83,449
Other auxiliary	-	-	-	193,484	193,484	173,315
<b>Total Net Auxiliary</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>326,862</b>	<b>326,862</b>	<b>256,764</b>
<b>Total Operating Revenues</b>	<b>\$ 8,093,732</b>	<b>\$ 6,799,090</b>	<b>\$ 14,892,822</b>	<b>\$ 326,862</b>	<b>\$ 15,219,684</b>	<b>\$ 18,207,979</b>

\*In accordance with Education Code 56.033, \$230,129 and \$180,477 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**  
**For the Year Ended August 31, 2023**  
**With Memorandum Totals for the Year Ended August 31, 2022**

Schedule B

	Operating Expenses				Total	
	Salaries and Wages	Benefits		Other Expenses	2023	2022
		State	Local			
<b>Unrestricted - Educational Activities</b>						
Instruction	\$ 10,378,418	\$ -	\$ 106,297	\$ 779,847	\$ 11,264,562	\$ 11,827,313
Public service	470,719	-	(8,465)	114,122	576,376	582,768
Academic support	4,533,326	-	222,360	1,481,064	6,236,750	3,922,400
Student services	3,165,314	-	104,965	475,664	3,745,943	3,110,594
Institutional support	4,929,770	-	1,372,482	2,657,165	8,959,417	7,610,195
Operation and maintenance of plant	615,943	-	62,877	5,489,853	6,168,673	4,962,813
Scholarships and fellowships	-	-	74	-	74	140
<b>Total Unrestricted Educational Activities</b>	<b>24,093,490</b>	<b>-</b>	<b>1,860,590</b>	<b>10,997,715</b>	<b>36,951,795</b>	<b>32,016,223</b>
<b>Restricted - Educational Activities</b>						
Instruction	1,081,745	1,196,465	-	621,698	2,899,908	2,414,449
Public service	353,496	92,036	-	126,851	572,383	617,091
Academic support	136,945	582,894	-	103,596	823,435	859,452
Student services	605,390	521,537	-	680,086	1,807,013	1,712,370
Institutional support	125,840	521,537	-	740,292	1,387,669	1,327,022
Operation and maintenance of plant	52,078	153,393	-	51,689	257,160	506,607
Scholarships and fellowships	64,675	-	-	7,542,576	7,607,251	9,297,279
<b>Total Restricted Educational Activities</b>	<b>2,420,169</b>	<b>3,067,862</b>	<b>-</b>	<b>9,866,788</b>	<b>15,354,819</b>	<b>16,734,270</b>
<b>Total Educational Activities</b>	<b>26,513,659</b>	<b>3,067,862</b>	<b>1,860,590</b>	<b>20,864,503</b>	<b>52,306,614</b>	<b>48,750,493</b>
<b>Auxiliary Enterprises</b>	<b>13,820</b>	<b>-</b>	<b>2,425</b>	<b>273,910</b>	<b>290,155</b>	<b>216,626</b>
<b>Depreciation/Amortization Expense:</b>						
Building and other real estate improvements	-	-	-	4,118,387	4,118,387	3,238,207
Equipment and furniture	-	-	-	1,480,882	1,480,882	1,367,056
Library books	-	-	-	55,018	55,018	54,712
Right-to-use lease assets	-	-	-	818,069	818,069	982,397
Right-to-use subscription assets	-	-	-	500,897	500,897	480,628
<b>Total Depreciation/Amortization Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,973,253</b>	<b>6,973,253</b>	<b>6,123,000</b>
<b>Total Operating Expenses</b>	<b>\$ 26,527,479</b>	<b>\$ 3,067,862</b>	<b>\$ 1,863,015</b>	<b>\$ 28,111,666</b>	<b>\$ 59,570,022</b>	<b>\$ 55,090,119</b>

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES**  
**For the Year Ended August 31, 2023**  
**With Memorandum Totals for the Year Ended August 31, 2022**

Schedule C

	Unrestricted	Restricted	Total	Auxiliary Enterprises	Total	
					2023	2022
<b>Non-Operating Revenues:</b>						
State appropriations:						
Academic appropriation	\$ 6,649,122	\$ -	\$ 6,649,122	\$ -	\$ 6,649,122	\$ 6,649,122
State group insurance	-	1,497,922	1,497,922	-	1,497,922	1,971,960
State retirement matching	-	1,569,940	1,569,940	-	1,569,940	99,761
Total state appropriations	<u>6,649,122</u>	<u>3,067,862</u>	<u>9,716,984</u>	<u>-</u>	<u>9,716,984</u>	<u>8,720,843</u>
Maintenance and ad valorem taxes	23,763,027	-	23,763,027	-	23,763,027	22,252,912
Interest and sinking ad valorem taxes	-	18,511,994	18,511,994	-	18,511,994	14,098,493
Federal revenue, non-operating	7,680	5,776,475	5,784,155	-	5,784,155	4,727,835
Investment income	1,256,926	445,761	1,702,687	-	1,702,687	323,868
Foreign trade zone fees	547,722	-	547,722	-	547,722	357,062
<b>Total Non-Operating Revenues</b>	<u>32,224,477</u>	<u>27,802,092</u>	<u>60,026,569</u>	<u>-</u>	<u>60,026,569</u>	<u>50,481,013</u>
<b>Non-Operating Expenses</b>						
Interest and fees on capital-related debt	-	(6,013,944)	(6,013,944)	-	(6,013,944)	(6,469,922)
<b>Total Non-Operating Expenses</b>	<u>-</u>	<u>(6,013,944)</u>	<u>(6,013,944)</u>	<u>-</u>	<u>(6,013,944)</u>	<u>(6,469,922)</u>
<b>Net non-operating revenues (expenses)</b>	<u>\$ 32,224,477</u>	<u>\$ 21,788,148</u>	<u>\$ 54,012,625</u>	<u>\$ -</u>	<u>\$ 54,012,625</u>	<u>\$ 44,011,091</u>
					(Exhibit 2)	(Exhibit 2)

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY**  
**For the Year Ended August 31, 2023**

*Schedule D*

	Detail by Source			Available for Current		
	Unrestricted	Restricted Expendable	Net Investment in Capital Assets	Total	Yes	No
<b>Current</b>						
Unrestricted:						
Net pension liability	\$ (11,320,935)	\$ -	\$ -	\$ (11,320,935)	\$ -	\$ (11,320,935)
Net OPEB liability	(25,011,461)	-	-	(25,011,461)	-	(25,011,461)
Other	12,997,280	-	-	12,997,280	12,997,280	-
Auxiliary enterprises	(2,104,688)	-	-	(2,104,688)	(2,104,688)	-
Restricted:						
Grants and donor restrictions	-	1,389,915	-	1,389,915	1,389,915	-
Loan funds	-	27,814	-	27,814	-	27,814
Plant:						
Debt Service	-	6,442,454	-	6,442,454	6,442,454	-
Investment in plant	-	-	9,231,599	9,231,599	-	9,231,599
Total Net Position, end of year	(25,439,804)	7,860,183	9,231,599	(8,348,022)	18,724,961	(27,072,983)
Total Net Position, beginning of the year	(31,914,127)	6,379,397	7,524,421	(18,010,309)	3,314,087	(21,386,082)
				Exhibit 1		
				Exhibit 1		
<b>Net increase (decrease) in net position</b>	<u>\$ 6,474,323</u>	<u>\$ 1,480,786</u>	<u>\$ 1,707,178</u>	<u>\$ 9,662,287</u> (Exhibit 2)	<u>\$ 15,410,874</u>	<u>\$ (5,686,901)</u>

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2023**

*Schedule E*

Federal Grantor / Pass-through Grantor / Program Title	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	2823ATP002	\$ 11,477
<i>Total WIOA Cluster (ALN 17.278)</i>			<u>11,477</u>
<b>Total U.S. Department of Labor</b>			<u><b>11,477</b></u>
<b>U.S. Department of Treasury</b>			
<i>Texas Reskilling &amp; Upskilling through Education (TRUE) (COVID-19)</i>	21.027	2021-C5-21027/THECB #27268	530,000
<b>Total U.S. Department of Treasury</b>			<u><b>530,000</b></u>
<b>National Science Foundation</b>			
<i>Robotic Process Automation Career Training</i>	47.076	2202036	77,230
<i>Total Research and Development Cluster (ALN 47.076)</i>			<u>77,230</u>
<b>Total National Science Foundation</b>			<u><b>77,230</b></u>
<b>U.S. Department of Education</b>			
<i>Supplemental Educational Opportunity Grant</i>	84.007	P007A223984	121,528
<i>Federal College Work-Study Program</i>	84.033	P033A223984	61,118
<i>Federal College Work-Study Program</i>	84.033	P033A233984	261
<i>Federal Pell Grant</i>	84.063	P063P222888	5,601,509
<i>Federal Direct Loan Program</i>	84.268	P268K232888	737,264
<i>Total Student Financial Aid Cluster (84.007, 84.003, 84.063, 84.268)</i>			<u>6,521,680</u>
<i>TRIO - Student Support Services</i>	84.042A	P042A201150	238,019
<i>TRIO - Student Support Services - Upward Bound</i>	84.047A	P047A221380	233,737
<i>Total TRIO Cluster (ALN 84.042, 84.047)</i>			<u>471,756</u>
<i>Title V - Pathways Accelerating STEM Success</i>	84.031S	P031S200014	668,869
<i>Title V - Pasos Hacia el Futuro: Improving Achievement Through Culture, Community, and Care</i>	84.031S	P031S220133	167,488
<i>Total Higher Education Institutional Aid (ALN 84.031)</i>			<u>836,357</u>
<i>ARP Higher Education Institutional Emergency Relief III (COVID-19)</i>	84.425F	P425F200356-20B	456,144
<i>ARP Higher Education Institutional Emergency Relief III (COVID-19)</i>	84.425E	P425E202521-20B	619,102
<i>ARP Higher Education Institutional Emergency Relief III (COVID-19)</i>	84.425L	P425L200074-20C	177,674
<b>Pass-Through from Texas Higher Education Coordination Board:</b>			
<i>Texas Reskilling Grant (COVID-19)</i>	84.425	2020-GE-84425C/THECB #24085	43,800
<i>Texas Reskilling &amp; Upskilling for Education (TRUE) (COVID-19)</i>	84.425C	2020-GE-84425C/THECB #25703	132,745
<i>Reporting Modernization Grant II (COVID-19)</i>	84.425	2020-GE-84425C/THECB #27569	7,200
<i>Accelerated Student Success Planning Grant</i>	84.425	2020-GE-84425C/THECB #27309	35,863
<i>Student Success Acceleration Program - Implementation Grant</i>	84.425C	S425C210050/THECB #28566	209,624
<i>Total Education Stabilization Fund (ALN 84.425)</i>			<u>1,682,152</u>
<b>Pass-Through from Texas Higher Education Coordination Board:</b>			
<i>Carl Perkins Vocational Education</i>	84.048	2342020271/THECB #27616	172,246
<b>Pass-Through from Texas Workforce Commission:</b>			
<b>Houston-Galveston Area Council:</b>			
<i>Adult Education and Family Literacy</i>	84.002A	AEL 211-23	1,003,357
<i>Adult Education English Literacy &amp; Civics Ed.</i>	84.002A	AEL 211-23	90,399
<i>Adult Education - Federal Workforce</i>	84.002A	AEL 211-24	105,667
<i>Adult Education - ELC Workforce</i>	84.002A	AEL 211-24	12,705
<i>Adult Education and Family Literacy</i>	84.002A	AEL 211-24	22,366
<i>Adult Education - Federal Workforce</i>	84.002A	AEL 211-24	48,793
<i>Total Adult Education - Basic Grants to States (ALN 84.002)</i>			<u>1,283,287</u>
<b>Total U.S. Department of Education</b>			<u><b>10,967,478</b></u>
<b>Total Schedule of Expenditures of Federal Awards</b>			<u><b>\$ 11,586,185</b></u>

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
*For the Year Ended August 31, 2023*

*Schedule F*

<u>Grantor Agency / Program Title</u>	<u>Grantor / Project Number</u>	<u>Expenditures</u>
<b>Texas Comptroller of Public Accounts</b>		
<i>LEOSE</i>	N/A	\$ 773
<b>Total Texas Comptroller of Public Accounts</b>		<u>773</u>
<b>Texas Higher Education Coordinating Board</b>		
<i>Texas Education Opportunity Grant</i>	N/A	323,872
<i>Nursing Shortage Reduction Program - Regular</i>	N/A	32,711
<i>Nursing Shortage Reduction Program - Under 70</i>	N/A	70,885
<b>Total Texas Higher Education Coordinating Board</b>		<u>427,468</u>
<b>Texas Workforce Commission</b>		
<i>Electric Apprenticeship</i>	2823ATP002	25,963
<b>Total Texas Workforce Commission</b>		<u>25,963</u>
<b>Total Expenditures of State Awards</b>		<u>\$ 454,204</u>



**COLLEGE OF THE MAINLAND**  
**NOTES TO SUPPLEMENTAL SCHEDULES**

**On-Behalf Revenues Recognized as Non-Operating Revenues**

A reconciliation of the amounts recognized as non-operating revenues for support received by the State on-behalf of the College is as follows:

	<b>Estimated Payments Made by State On-Behalf of College</b>	<b>Pension/OPEB Expense Incurred by State On-Behalf of College</b>	<b>Total</b>
State Group Insurance:			
ERS (see Note 10)	\$ 2,309,136	\$ (811,214)	\$ 1,497,922
Total State Group Insurance:	<u>2,309,136</u>	<u>(811,214)</u>	<u>1,497,922</u>
State Retirement Matching:			
TRS (see Note 8)	754,665	730,255	1,484,920
ORP (see Note 9)	85,020	-	85,020
Total State Retirement Matching:	<u>839,685</u>	<u>730,255</u>	<u>1,569,940</u>
<b>Total Non-Operating Revenues Related to Pension/OPEB</b>	<u>\$ 3,148,821</u>	<u>\$ (80,959)</u>	<u>\$ 3,067,862</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

We have audited the financial statements of the business-type activities, and the discretely presented component unit of the College of the Mainland (the “College”), as of and for the years ended August 31, 2023 and 2022, 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 11, 2023. 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 or significant deficiencies 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, professional style.

Houston, Texas  
December 11, 2023

**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

**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, 2023. 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, 2023.

***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 11, 2023



**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended August 31, 2023*

**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, 84.425C, 84.425E, 84.425F, 84.425L
Higher Education Institutional Aid	84.031S
Texas Reskilling & Upskilling through Education (TRUE)	21.027
Adult Education - Basic Grants to States	84.002A

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, 2023***

**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, 2023**

**Note 1 - Federal Assistance Reconciliation**

Federal Grants and Contracts Revenue (Schedule A)	\$ 5,064,766
Non-Operating Federal Revenue (Schedule C)	5,784,155
Total Federal Revenues per Statement of Revenues, Expenses and Changes and Net Position	<u>10,848,921</u>
Add: Direct Students Loans	737,264
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>\$ 11,586,185</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, 2023***

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, 2023***

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

