

**COLLEGE OF THE MAINLAND**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

**Years Ended August 31, 2020 and 2019  
with Independent Auditor's Report**



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# **COLLEGE OF THE MAINLAND**

## **ORGANIZATIONAL DATA**

**For the Fiscal Year Ended August 31, 2020**

### **BOARD OF TRUSTEES**

### **OFFICERS AND MEMBERS**

			<b>Term Expires May 31,</b>
Kyle Dickson	Chairperson	Texas City, Texas	2021
Alan Waters	Vice-Chairperson	La Marque, Texas	2021
Melissa Skipworth	Secretary	Dickinson, Texas	2023
Dawn King	Member	Dickinson, Texas	2025
Dr. Verna Henson	Member	Texas City, Texas	2025
Dr. William (Bill) McGarvey	Member	Texas City, Texas	2025
Donald G. Gartman	Member	Texas City, Texas	2023

### **PRINCIPAL ADMINISTRATIVE OFFICERS**

Dr. Warren Nichols..... President  
Dr. Jerry Fliger..... Vice President for Instruction  
Dr. Vicki Stanfield..... Vice President for Student Services  
Dr. Lisa Watson ..... Executive Director of Foundation and Resource Development  
Dr. Clen Burton, CPA..... Vice President for Fiscal Affairs  
Trudy Trochesset ..... Controller



## REPORT OF INDEPENDENT AUDITORS

Board of Trustees  
College of the Mainland  
Texas City, Texas

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, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the College’s basic financial statements as listed in the table of contents.

### Management’s Responsibility for the Financial Statements

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

### Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. The College of the Mainland Foundation, the discretely presented component unit, was not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of College of the Mainland as of August 31, 2020 and 2019, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Prior Year Summarized Information

We have previously audited the College of the Mainland Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 11 and pension and other post-employment benefit information on pages 60 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The Supplemental Schedules A through F 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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*, as listed in the table of contents, are also presented for additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedules A through F, (as listed in the table of contents) 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 4, 2020 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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas  
December 4, 2020



## **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 2020 and 2019. 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 by \$27.8 million (net deficit). This deficit is primarily the result of the recognition of the net pension and net other post-employment benefits (OPEB) liabilities of \$11.3 million and \$28.8 million, respectively. Compared to fiscal year 2019, net position decreased by \$3.3 million.

In fiscal year 2019, the net pension and net OPEB liabilities were \$11.4 and \$26.5 million, respectively. These two liabilities were the cause of the net deficit in fiscal year 2019. In 2018, the College also reported a net deficit of \$23.9 million. The net pension and net OPEB liabilities were \$6.2 million and \$37.4 million, respectively.

Current liabilities increased by \$3.6 million primarily due to an increase of \$2.0 million in accounts payable and \$1.6 million in bonds payable due in one year. Current liabilities between 2018 and 2019 increased by \$3.2 million primarily due to an increase of \$2.9 million accounts payable related to the 2017 Maintenance Tax Notes projects that begun in fiscal year 2018.

Noncurrent liabilities increased by \$76.6 million. During fiscal year 2020, the College issued general obligation bonds in the amount of \$66.6 million. The bonds were issued at a premium, totaling \$10.6 million. The College's net OPEB liability increased by \$2.4 million, while the net pension liability decreased by \$76 thousand. The deferred inflows related to the College's net OPEB liability decreased by \$1.4 million from the prior year. Fiscal year 2018, was the first year that the District reported its proportionate share of the net OPEB liability which totaled \$37.4 million.

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

Summary data for the Statement of Net Position is provided in the table below for fiscal years 2020, 2019, and 2018.

	2020	2019	2018
Current assets	\$ 19,314,829	\$ 22,549,142	\$ 20,902,558
Capital assets (net)	98,467,786	41,933,735	23,235,261
Other non-current assets	104,568,371	84,674,954	9,714,456
Total Assets	222,350,986	149,157,831	53,852,275
Deferred Outflows of Resources	8,283,296	5,985,132	2,503,128
Current liabilities	16,558,119	12,949,742	10,647,301
Non-current liabilities	225,507,576	148,884,637	59,590,894
Total Liabilities	242,065,695	161,834,379	70,238,195
Deferred Inflows of Resources	16,385,191	17,793,083	9,997,686
Net investment in capital assets	9,660,686	15,282,562	14,867,221
Restricted net position	2,076,189	2,218,436	2,057,500
Unrestricted net position	(39,553,479)	(41,985,497)	(40,805,199)
Total net position	\$ (27,816,604)	\$ (24,484,499)	\$ (23,880,478)

**Capital Assets and Long-Term Debt**

The College's capital assets increased by \$56.5 million. The College's capital asset additions totaled \$58.4 million, while the accumulated depreciation increased by \$1.9 million (depreciation expense). Details about the College's capital assets can be found on pages 30 and 31.

In 2019, the College's capital assets increased by \$18.7 million, which capital asset additions of \$20.5 million and depreciation expense of \$1.8 million.

In 2018, College's capital assets increased by \$9.8 million. The College's capital asset additions totaled \$11.5 million, while the accumulated depreciation increased by \$1.5 million.

**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 2020, the College's net position decreased by \$3.3 million. The details of the operating and non-operating revenues and expenses are described below.

**Operating Revenue**

Operating revenue for fiscal year 2020 decreased by \$1.1 million from the prior year. Tuition and fees revenue decreased by \$0.5 million. Tuition and fee, makes up 54 percent of total operating revenues and totaled \$6.7 million compared to \$7.2 million from the prior year. During fiscal year 2019, the District recognized \$1.3 million in insurance proceeds related to Hurricane Harvey and losses from water damage and was a one-time revenue stream for fiscal year 2019. Federal grant and contracts increased by \$1.3 million in fiscal year 2020 due to the CARES Act funding received by the College.

Operating revenue for fiscal year 2019 increased by \$1.4 million from fiscal year 2018. Tuition and fees revenue increased by \$0.4 million. Tuition revenues totaled \$7.2 million in fiscal year 2019 compared to \$6.8 million from the prior year. As mentioned above, the College recognized \$1.3 million in insurance proceeds related to Hurricane Harvey and losses from water damage.

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

**Operating Expenses**

In 2020, operating expenses increased by \$0.9 million compared to the prior year. Expenses in scholarships and fellowships increased by \$1.0 million. Student services, operation and maintenance of plant and depreciation expense increased by \$0.4 million, \$0.5 million and \$0.1 million, respectively. Institutional support and instruction decreased by \$0.3 million and \$0.9 million, respectively.

In 2019, operating expenses increased by \$0.7 million compared to the prior year. The College's recognized a negative OPEB expense due to the change in assumptions reported by ERS for measurement year 2018. Expenses in operation and maintenance of plant decreased by \$1.0 million. Student services and scholarships and fellowships increased by \$0.3 million and \$0.4 million respectively. Academic support and instruction decreased by \$0.2 million and \$0.4 million respectively.

**Non-Operating Revenues (Expenses)**

During fiscal year 2020, non-operating revenues (net of non-operating expense) decreased by \$0.8 million from fiscal year 2019. Although, the state appropriations and property taxes increased by \$0.9 million and \$1.2 million, respectively, interest and fees on the bonds and maintenance tax notes increased by \$3.2 million.

During fiscal year 2019, non-operating revenues decreased by \$0.5 million from fiscal year 2018. Although the College's investment income increased by \$1.0 million, interest payments increased by \$1.7 million. State appropriations decreased by \$0.5 million, but federal revenue increased by \$0.4 million and property taxes increased by \$0.2 million.

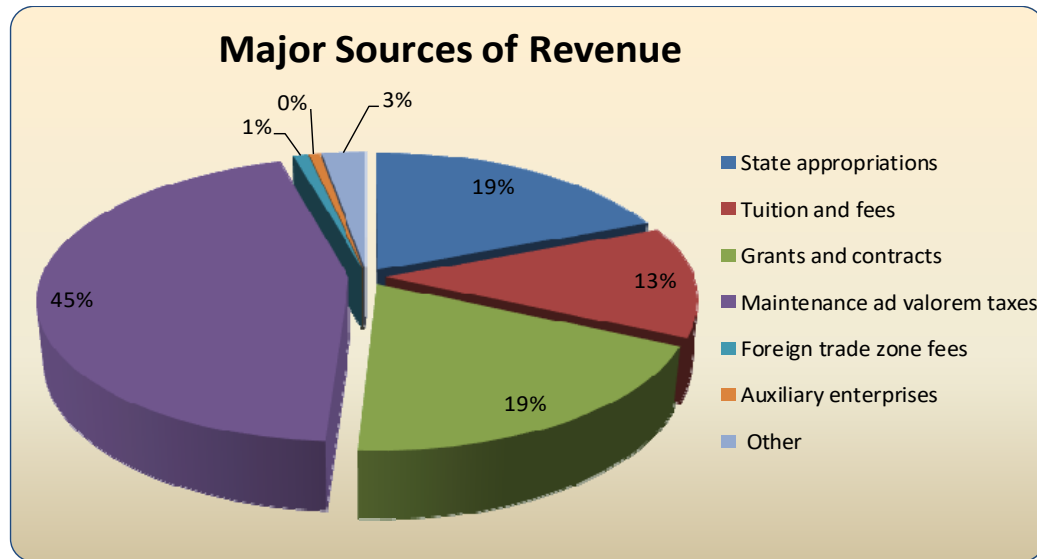
	2020	2019	2018
Operating revenues	\$ 12,434,413	\$ 13,463,745	\$ 12,063,504
Operating expenses	(50,879,161)	(49,987,713)	(49,217,163)
Net operating income (loss)	(38,444,748)	(36,523,968)	(37,153,659)
Non-operating revenues (expenses)	35,112,643	35,919,947	36,452,872
Total increase (decrease) in net position	\$ (3,332,105)	\$ (604,021)	\$ (700,787)

The College's combined operating and non-operating revenues by major source for fiscal years 2020, 2019 and 2018 are shown in the table below.

	2020	2019	2018
State appropriations	\$ 10,121,585	\$ 9,232,044	\$ 9,711,741
Tuition and fees (net of discounts)	6,731,005	7,223,980	6,789,561
Grants and contracts	10,116,624	8,725,005	8,426,428
Maintenance ad valorem taxes	23,739,139	22,567,888	22,328,742
Foreign trade zone fees	483,127	379,940	297,608
Auxiliary enterprises	354,742	491,031	437,331
Other	1,446,175	3,010,686	1,047,921
<b>Total</b>	<b>\$ 52,992,397</b>	<b>\$ 51,630,574</b>	<b>\$ 49,039,332</b>

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

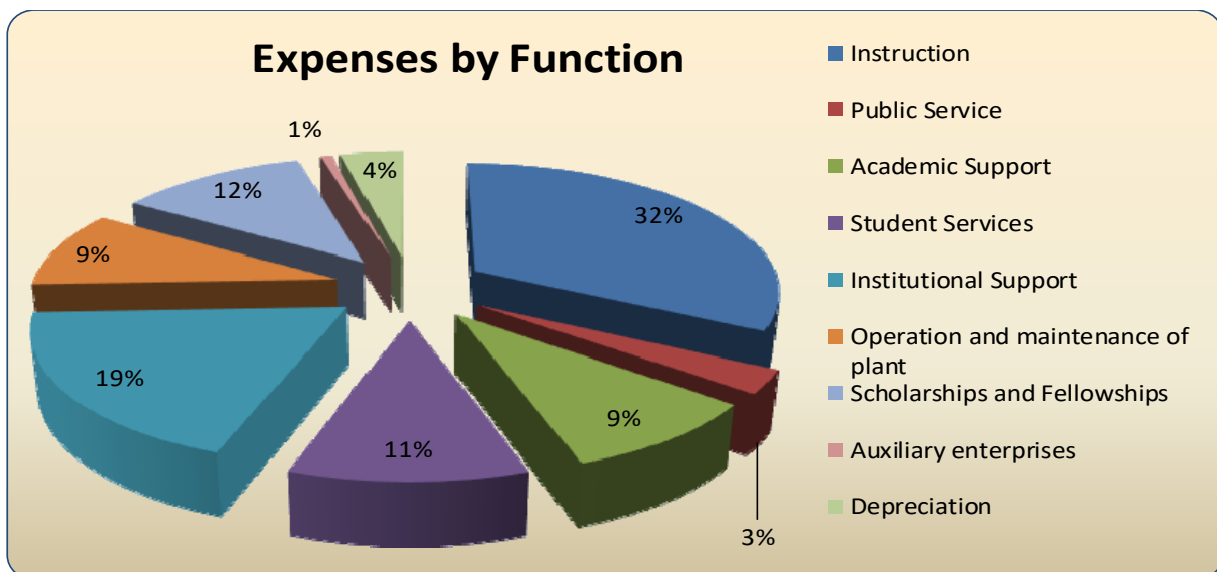
The table data for operating and non-operating for 2020 is shown graphically below.



Operating expenses are reported in the financial statement by functional classification and are presented below in the table for fiscal years 2020, 2019 and 2018.

	2020	2019	2018
Instruction	\$ 16,554,634	\$ 17,441,178	\$ 17,841,131
Public Service	1,471,652	1,428,687	1,654,186
Academic Support	4,744,806	4,595,761	5,053,643
Student Services	5,412,397	5,052,709	4,714,930
Institutional Support	9,655,128	9,927,340	8,183,248
Operation and maintenance of plant	4,828,223	4,353,209	5,314,915
Scholarships and Fellowships	5,905,907	4,926,181	4,559,466
Auxiliary enterprises	362,896	461,406	434,703
Depreciation	1,943,518	1,801,242	1,460,941
<b>Total operating expenses</b>	<b>\$ 50,879,161</b>	<b>\$ 49,987,713</b>	<b>\$ 49,217,163</b>

Please see the graphical depiction for the table data above for fiscal year 2020.



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

**Statement of Cash Flows**

In fiscal year 2020, cash from operations decreased by \$2.5 million primarily due to the other receipts category. In fiscal year 2019, the College had received approximately \$1.3 million in insurance proceeds for Hurricane Harvey. This was a one-time cash receipt. In addition, receipts from students and customers also decreased by \$1.3 million. Cash from non-capital financing activities increased by \$2.0 million due to an increase in state appropriations and property taxes of \$0.4 million and \$1.2 million, respectively. The cash provided by financing activities decreased by \$61.1 million. Even though the College issued \$77.2 million in bonds, those proceeds were offset by disbursements for the acquisition of capital assets of \$58.4 million.

In 2019, cash flows from operating activities indicate the College cash payments were more than the prior year by \$0.2 million. Cash receipts from operating activities during 2018 were higher by approximately \$1 million when compared to fiscal year 2018. Payroll and payroll related payments increased by \$0.6 million and the payments to suppliers were higher than the prior year by \$1.4 million. The College spent \$20.5 million to invest in capital assets. Non-operating cash receipts were less than the prior year by \$0.1 million.

The College also issued General Obligation bonds. The initial deposit was approximately \$95.4 million. The College also issued the Maintenance Tax Notes during fiscal year 2018 which totaled \$16.4 million in proceeds. Interest income totaled \$0.5 million and principal and interest totaled \$1.2 million.

**Conclusion**

College of the Mainland continues to maintain excellent financial health. During 2020, the bond rating agencies of SP Global and Moody both rated the College's bonds as investment grade, the highest classification each agency offers. The College has ample cash reserves to meet operational needs and maintain our board required minimal cash balance.

Fiscal relief provided by the CARES Act allowed the College to respond to financial stresses caused by the impacts of the COVID-19 virus. Because of the foresight and prior resource allocation of the President and the Board of Trustees, COM had the information technology infrastructure in place to meet demands the response to the COVID-19 virus required. Because of this preparation minimal spending was required on technology. During the 2020-21 fiscal year, the College:

- sold \$72 million in bonds,
- will use the proceeds from bond sale to begin construction on a new Industrial Careers building, Theater expansion, and new Police Station,
- Did not raise tuition or fees, and
- Did not raise the ad valorem tax rate above the no new revenue rate.

The College is appreciative of the support the community is providing for both the operation of the institution and the facilities improvements.

The financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for funds the College receives. If you have questions about this report or need additional financial information, contact the Vice President for Fiscal Affairs at College of the Mainland, 1200 Amburn Road, Texas City, Texas 77591.





## **BASIC FINANCIAL STATEMENTS**

**COLLEGE OF THE MAINLAND**  
**STATEMENT OF NET POSITION**  
**August 31, 2020 and August 31, 2019**

**Exhibit 1**

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 15,590,196	\$ 18,682,096
Accounts receivable (net)	3,339,599	3,519,778
Due from others	845	845
Prepaid expenses	384,189	346,423
<b>Total current assets</b>	<b>19,314,829</b>	<b>22,549,142</b>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	104,539,183	84,645,424
Loans receivable (net)	29,188	29,530
Capital assets (net), (see notes)	98,467,786	41,933,735
<b>Total noncurrent assets</b>	<b>203,036,157</b>	<b>126,608,689</b>
<b>Total Assets</b>	<b>222,350,986</b>	<b>149,157,831</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pension activities	5,425,999	5,620,291
Deferred outflows related to OPEB activities	2,857,297	364,841
<b>Total deferred outflows of resources</b>	<b>8,283,296</b>	<b>5,985,132</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	8,531,281	6,472,503
Accrued liabilities	913,260	859,985
Compensated absences and severance payable - current	297,298	236,814
Funds held for others	117,010	117,863
Unearned income	3,684,926	3,956,720
Tax refund payable - current portion	-	411,073
Bond payable - current	1,575,000	-
Tax maintenance note - current	525,000	505,000
Net OPEB liability - current	914,344	389,784
<b>Total current liabilities</b>	<b>16,558,119</b>	<b>12,949,742</b>
<b>Noncurrent liabilities:</b>		
Compensated absences and severance payable - noncurrent	764,428	608,951
Net pension liability	11,299,584	11,375,668
Bonds payable - noncurrent	171,442,815	96,136,075
Tax maintenance note payable - noncurrent	14,066,326	14,655,522
Net OPEB liability - noncurrent	27,934,423	26,108,420
<b>Total noncurrent liabilities</b>	<b>225,507,576</b>	<b>148,884,636</b>
<b>Total Liabilities</b>	<b>242,065,695</b>	<b>161,834,378</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pension activities	2,245,573	1,217,016
Deferred inflows related to OPEB activities	14,139,618	16,576,067
<b>Total deferred inflows of resources</b>	<b>16,385,191</b>	<b>17,793,083</b>
<b>Net Position</b>		
Net Investment in capital assets	9,660,686	15,282,562
Restricted for:		
Expendable:		
Grants and donor restrictions	2,076,189	2,218,436
Unrestricted	(39,553,479)	(41,985,497)
<b>Total Net Position (Schedule D)</b>	<b>\$ (27,816,604)</b>	<b>\$ (24,484,499)</b>

The accompanying notes are an integral part of the financial statements.

**COLLEGE OF THE MAINLAND**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**STATEMENTS OF FINANCIAL POSITION**

**College of the Mainland Foundation - Fiscal Years August 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 141,561	\$ 143,903
Contributions receivable, net	686,709	107,865
Restricted assets:		
Cash and cash equivalents	1,219,102	228,643
Investments, at fair value	<u>3,364,612</u>	<u>3,242,959</u>
<b>Total Assets</b>	<u><u>\$ 5,411,984</u></u>	<u><u>\$ 3,723,370</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	<u>\$ 176,849</u>	<u>\$ 201,097</u>
<b>Total liabilities</b>	<u>176,849</u>	<u>201,097</u>
<b>Net Assets:</b>		
Without Donor Restrictions:		
Undesignated	60,376	4,319
With donor restrictions	<u>5,174,759</u>	<u>3,517,954</u>
<b>Total Net Assets</b>	<u><u>5,235,135</u></u>	<u><u>3,522,273</u></u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 5,411,984</u></u>	<u><u>\$ 3,723,370</u></u>

The accompanying notes are an integral part of the financial statements.

**COLLEGE OF THE MAINLAND****Exhibit 2****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION***For the Years Ended August 31, 2020 and August 31, 2019*

	<b>2020</b>	<b>2019</b>
<b>Operating Revenues</b>		
Tuition and fees (net of discounts of \$1,793,459 and \$1,642,879)	\$ 6,731,005	\$ 7,223,980
Federal grants and contracts	4,138,414	2,736,784
State grants and contracts	501,448	419,801
Private grants and contracts	683,459	1,068,038
Sales and services of educational activities	16,519	28,147
Auxiliary enterprises (net of discounts)	354,742	491,031
General operating revenues	8,826	1,495,964
<b>Total operating revenues (Schedule A)</b>	<b>12,434,413</b>	<b>13,463,745</b>
<b>Operating Expenses</b>		
Instruction	16,554,634	17,441,178
Public service	1,471,652	1,428,687
Academic support	4,744,806	4,595,761
Student services	5,412,397	5,052,709
Institutional support	9,655,128	9,927,340
Operation and maintenance of plant	4,828,223	4,353,209
Scholarships and fellowships	5,905,907	4,926,181
Auxiliary enterprises	362,896	461,406
Depreciation expense	1,943,518	1,801,242
<b>Total operating expenses (Schedule B)</b>	<b>50,879,161</b>	<b>49,987,713</b>
<b>Operating income (loss)</b>	<b>(38,444,748)</b>	<b>(36,523,968)</b>
<b>Non-operating revenues (expenses)</b>		
State appropriations	10,121,585	9,232,044
Maintenance ad valorem taxes	23,739,139	22,567,888
Federal revenue, non-operating	4,793,303	4,500,382
Investment income	1,420,830	1,486,575
Foreign trade zone fees	483,127	379,940
Interest and fees on capital-related debt	(5,445,341)	(2,246,882)
<b>Net non-operating revenues (expenses) (Schedule C)</b>	<b>35,112,643</b>	<b>35,919,947</b>
Increase (decrease) in net position	(3,332,105)	(604,021)
<b>Net position - beginning of year</b>	<b>(24,484,499)</b>	<b>(23,880,478)</b>
<b>Net position - end of year</b>	<b>\$ (27,816,604)</b>	<b>\$ (24,484,499)</b>

The accompanying notes are an integral part of the financial statements.

**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, 2020 with Comparative Totals for 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Year Ended August 31,</b>	
			<b>2020</b>	<b>2019</b>
<b>Revenue and Support:</b>				
Contributions	\$ 63,746	\$ 1,441,379	\$ 1,505,125	\$ 393,895
In-kind contributions	304,260	-	304,260	321,566
Interest and investment income	-	10,175	10,175	18,520
Net realized and unrealized gains on investments	-	463,482	463,482	151,508
Net assets released from restrictions	258,231	(258,231)	-	-
<b>Total Revenue and Support</b>	<b>626,237</b>	<b>1,656,805</b>	<b>2,283,042</b>	<b>885,489</b>
<b>Expenses:</b>				
Program Expenses:				
Student Scholarships	100,077	-	100,077	206,959
Other Program Payments	127,358	-	127,358	56,936
<b>Supporting services:</b>				
In-kind personnel and benefits	290,012	-	290,012	286,317
In-kind general, facilities and equipment	14,248	-	14,248	35,249
Management and general:				
Fundraising	10,050	-	10,050	-
Other management and general	28,435	-	28,435	27,758
<b>Total Expenses</b>	<b>570,180</b>	<b>-</b>	<b>570,180</b>	<b>613,219</b>
 Change in Net Assets	 56,057	 1,656,805	 1,712,862	 272,270
 <b>Net Assets, at beginning of year</b>	 <b>4,319</b>	 <b>3,517,954</b>	 <b>3,522,273</b>	 <b>3,250,003</b>
 <b>Net Assets, at end of year</b>	 <b>\$ 60,376</b>	 <b>\$ 5,174,759</b>	 <b>\$ 5,235,135</b>	 <b>\$ 3,522,273</b>

The accompanying notes are an integral part of the financial statements.

**COLLEGE OF THE MAINLAND**  
**STATEMENT OF CASH FLOWS**  
*For the Years Ended August 31, 2020 and 2019*

**Exhibit 3**

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Receipts from students and other customers	\$ 7,020,347	\$ 8,310,173
Receipts from grants and contracts	5,414,772	4,216,144
Payments to suppliers for goods and services	(8,222,399)	(8,863,578)
Payments to or on behalf of employees	(30,499,713)	(30,076,882)
Payments for scholarships and fellowships	(5,905,907)	(4,926,181)
Other receipts	8,826	1,670,142
<b>Net cash (used) by operating activities</b>	<b>(32,184,074)</b>	<b>(29,670,182)</b>
<b>Cash flows from non-capital financing activities:</b>		
Receipts from state appropriations	6,535,285	6,101,964
Receipts from ad valorem taxes	23,766,463	22,563,118
Receipts from foreign trade zone participants	483,127	379,940
Receipts from Non Operating Federal Revenue	4,798,338	4,505,549
Payment for tax refund liability	(411,073)	(411,072)
Receipts from student organizations and other agency transactions	117,010	117,863
Payments to student organization and other agency transactions	(117,010)	(117,863)
Receipts from loan receivable	342	1,540
<b>Net cash provided by non-capital financing activities</b>	<b>35,172,482</b>	<b>33,141,039</b>
<b>Cash flows from capital and related financing activities:</b>		
Issuance of general obligation bonds and related premium	77,269,016	95,376,880
Purchase of capital assets	(58,477,569)	(20,516,097)
Payments on bonds - interest and fees	(5,203,676)	(1,374,464)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>13,587,771</b>	<b>73,486,319</b>
<b>Cash flows from investing activities:</b>		
Payments on notes - principal	(505,000)	(495,000)
Payments on notes - interest	(690,150)	(705,000)
Investment income	1,420,830	1,486,575
<b>Net cash provided (used) by investing activities</b>	<b>225,680</b>	<b>286,575</b>
Increase (decrease) in cash and cash equivalents	16,801,859	77,243,751
<b>Cash and cash equivalents, beginning of year</b>	<b>103,327,520</b>	<b>26,083,769</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 120,129,379</b>	<b>\$ 103,327,520</b>
<b>Components of cash and cash equivalents</b>		
Cash and cash equivalents	\$ 15,590,196	\$ 18,682,096
Restricted cash and cash equivalents	104,539,183	84,645,424
	<b>\$ 120,129,379</b>	<b>\$ 103,327,520</b>
<b>Reconciliation of net operating income (loss) to net cash provided (used) by operating activities:</b>		
<b>Operating income (loss)</b>	<b>\$ (38,444,748)</b>	<b>\$ (36,523,968)</b>
<b>Adjustments:</b>		
Depreciation expense and amortization	1,943,518	1,801,242
Bad debt expense	117,656	632,439
Loss on disposal of capital asset	-	16,381
Payments made directly by state for benefits	3,586,300	3,130,080
Changes in assets and liabilities:		
Receivables, net	147,820	682,177
Deferred outflows	(2,298,164)	(3,482,004)
Deferred inflows	(1,407,892)	7,795,397
Net pension liability	(76,084)	5,177,030
Net OPEB liability	2,350,563	(10,890,239)
Prepaid expenses	(37,766)	(15,313)
Accounts payable	2,058,778	1,964,667
Accrued liabilities	(68,222)	129,608
Compensated absences/retirement incentive payable	215,961	(138,306)
Unearned income	(271,794)	50,627
<b>Net cash (used) by operating activities</b>	<b>\$ (32,184,074)</b>	<b>\$ (29,670,182)</b>

The accompanying notes are an integral part of the financial statements.

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

**College of the Mainland Foundation - Fiscal Year August 31, 2020 with Comparative Totals for 2019**

	<b>Year Ended August 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Cash received from contributions, grants and events	\$ 926,281	\$ 331,589
Cash received from interest earnings	10,175	18,520
Cash paid for scholarships and grants	(251,683)	(290,744)
Cash paid for management and general expenses	(38,485)	(27,758)
<b>Net cash provided by operating activities</b>	<b>646,288</b>	<b>31,607</b>
<b>Cash flows from investing activities:</b>		
Reinvestment income and fees in endowments	28,082	46,834
Proceeds from sales and maturities of investments	343,048	-
Purchases of investments	(29,301)	(57,185)
<b>Net cash provide by (used in) investing activities</b>	<b>341,829</b>	<b>(10,351)</b>
Net change in cash and cash equivalents	988,117	21,256
<b>Cash and cash equivalents at beginning of year</b>	<b>372,546</b>	<b>351,290</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,360,663</b>	<b>\$ 372,546</b>
<b>Presented on statement of financial position as follows:</b>		
Cash and cash equivalents	\$ 141,561	\$ 143,903
Restricted Cash and Cash Equivalents	1,219,102	228,643
	<b>\$ 1,360,663</b>	<b>\$ 372,546</b>
<b>Reconciliation of Increase in Net Assets to</b>		
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 1,712,862	\$ 272,270
Adjustments to reconcile increase (decrease) in net assets to net cash provided by:		
Net Unrealized and realized (gain) loss in investments	(463,482)	(151,508)
(Increase) decrease in contribution receivables	(578,844)	(62,306)
Increase (decrease) in accounts payable	(24,248)	(26,849)
<b>Net cash provided by operating activities</b>	<b>\$ 646,288</b>	<b>\$ 31,607</b>

See accompanying notes to the financial statements.





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

**Note 1 - Reporting Entity**

College of the Mainland (the “College”) was established in 1962, in accordance with the laws of the State of Texas, to serve the educational needs of Texas City and the surrounding communities. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (“GASB”) Statement 61, *The Financial Reporting Entity: Omnibus* (an amendment of GASB Statements No 14. and No. 34). While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

The basic financial statements of the College include the funds of all organizational entities for which the College has oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In evaluating how to define the College for financial reporting purposes, management has considered all potential component units, including the College of the Mainland Foundation (the “Foundation”).

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

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

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

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

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

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

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

**Reporting Guidelines**

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's *Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The College applies all applicable GASB pronouncements. The College is reported as a special-purpose government engaged in business-type activities.

**Tuition Discounting**

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

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

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

**Basis of Accounting**

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

***Net Position***

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

***Net Investment in Capital Assets***

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

***Restricted Net Position - Expendable***

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

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

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

***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*.

***Capital Assets***

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

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

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

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

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

***Deferred Outflows of Resources***

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The College has two items that qualify for reporting in this category:

Deferred outflows of resources for pension – This deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of (1) differences between projected and actual earnings on pension plan investments; (2) changes in actuarial assumptions; (3) differences between expected and actual actuarial experiences and (4) changes in the College's proportional share of pension liabilities. 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 next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Deferred outflows of resources for OPEB - This deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of (1) differences between projected and actual earnings on OPEB plan investments; (2) changes in actuarial assumptions; (3) differences between expected and actual actuarial experiences and (4) changes in the College's proportional share of OPEB liabilities. The deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period. The remaining OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with benefits through the OPEB plan.

***Deferred Inflows of Resources***

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The College has two item that qualifies for reporting in this category:

Deferred inflows of resources for pension - This deferred inflows result primarily from (1) changes in actuarial assumptions; (2) differences between expected and actual actuarial experiences and (3) changes in the College's proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Deferred inflows of resources for OPEB - This deferred inflows result primarily from (1) changes in actuarial assumptions; (2) differences between expected and actual actuarial experiences and (3) changes in the College's proportional share of OPEB liabilities. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB benefits through the OPEB plan, primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

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

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

***Unearned Revenues***

Tuition, fees, and other revenues received that are related to the period after August 31, 2020 are reported as unearned revenues. Those amounts are as follows:

	<b>2020</b>	<b>2019</b>
Tuition and fees	\$ 2,790,077	\$ 3,290,704
Season tickets - Theater	286,799	275,309
Federal, state and local grants	562,585	346,742
Other	45,465	43,965
	<u>\$ 3,684,926</u>	<u>\$ 3,956,720</u>

***Estimates***

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

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

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

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

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

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

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

***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.

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

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

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

The fiduciary net position of the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

***Reclassifications***

Certain amounts for 2019 have been reclassified to conform to current year reporting requirements.

**Note 3 - Authorized Investments**

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

**Note 4 - Deposits and Investments**

At August 31, 2020 and 2019, 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, 2020 and 2019.

During the fiscal years 2020 and 2019, the College held investments in TexPool, 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. The College also invests in Local Government Investment Cooperative (LOGIC), which is organized and existing 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.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the College's investments in TexPool are stated at cost, which approximates fair value.

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

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

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

	<u>2020</u>	<u>2019</u>
<b>Cash and Deposits:</b>		
Bank Deposits:		
Demand deposits	\$ 1,377,039	\$ 861,131
Cash on cash equivalents:		
Petty cash on hand and change funds	1,790	1,790
<b>Total Cash and Deposits</b>	<u>\$ 1,378,829</u>	<u>\$ 862,921</u>

Reconciliation of Deposits and Investments to Exhibit 1:

<u>Type of Security</u>	<u>Fair Value</u>	
	<u>2020</u>	<u>2019</u>
<i>Investments:</i>		
Government Investment Pools:		
TexPool	\$ 13,843,738	\$ 11,463,455
LOGIC	104,906,812	91,001,144
<b>Total Investments</b>	<u>118,750,550</u>	<u>102,464,599</u>
<b>Total Cash and Deposits</b>	<u>1,378,829</u>	<u>862,921</u>
<b>Total Deposits and Investments</b>	<u>\$ 120,129,379</u>	<u>\$ 103,327,520</u>
Cash and temporary investments (Exhibit 1):		
Cash and cash equivalents	\$ 15,590,196	\$ 18,682,096
Restricted cash and cash equivalents	104,539,183	84,645,424
<b>Total Deposits and Investments</b>	<u>\$ 120,129,379</u>	<u>\$ 103,327,520</u>

As of August 31, 2020, the College had the following investments and maturities:

	<u>Carrying Value</u>	<u>Credit Quality Rating</u>	<u>Percentage of Investments</u>
<b>Investment Type:</b>			
Local Government Investment Pools:			
TexPool	\$ 13,843,738	AAAm	11.7%
LOGIC	104,906,812	AAAm	88.3%
Total Local Government Investment Pools	<u>118,750,550</u>		<u>100.0%</u>
<b>Total investments</b>	<u>\$ 118,750,550</u>		<u>100.0%</u>
	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
<b>Investments</b>			
Local Government Investment Pools:			
TexPool	\$ 13,843,738	11.7%	27
LOGIC	104,906,812	88.3%	51
Total Local Government Investment Pools	<u>118,750,550</u>	<u>100.0%</u>	<u>48</u>
<b>Total investments</b>	<u>\$ 118,750,550</u>	<u>100.0%</u>	<u>48</u>

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

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

***Interest Rate Risk***

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

***Credit Risk***

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. As of August 31, 2020, 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, 2020.

***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 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Interest income	\$ 1,420,830	\$ 1,486,575
<b>Total Investment Earnings</b>	<u><u>\$ 1,420,830</u></u>	<u><u>\$ 1,486,575</u></u>

As of August 31, 2020, and 2019, cash and cash equivalents was restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Grants and awards	\$ 2,175,088	\$ 2,266,524
Payment of long-term debt and unspent bond proceeds	102,364,095	82,378,900
<b>Total restricted cash and cash equivalents</b>	<u><u>\$ 104,539,183</u></u>	<u><u>\$ 84,645,424</u></u>



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

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

Accounts receivable at August 31, 2020, and 2019, consisted of the following:

	<b>2020</b>	<b>2019</b>
Property taxes receivable	\$ 2,530,669	\$ 2,600,703
Allowance for uncollectible property taxes	(1,383,034)	(1,425,744)
Property taxes receivable, net	<u>1,147,635</u>	<u>1,174,959</u>
Tuition and fees receivable	3,258,311	3,421,767
Allowance for uncollectible tuition and fees	(1,699,774)	(1,582,118)
Tuition and fees receivable, net	<u>1,558,537</u>	<u>1,839,649</u>
Due from tax collector	8,054	8,054
Due from other governments for grant awards	459,693	328,896
Due from grantors for private awards	67,953	62,043
Other receivables	97,727	106,177
<b>Total receivables, net</b>	<u><u>\$ 3,339,599</u></u>	<u><u>\$ 3,519,778</u></u>

Accrued liabilities at August 31, 2020, and 2019, consisted of the following:

	<b>2020</b>	<b>2019</b>
Accrued wages payable	\$ 318,545	\$ 463,145
Reserve for incurred but not reported worker's compensation benefits	90,642	113,260
Other accrued liabilities	<u>504,073</u>	<u>283,580</u>
<b>Total accrued liabilities</b>	<u><u>\$ 913,260</u></u>	<u><u>\$ 859,985</u></u>

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

**Note 6 - Capital Assets**

Capital assets activity for the year ended August 31, 2020, was as follows:

	<b>Balance 09/01/19</b>	<b>Additions</b>	<b>Retirements and Transfers</b>	<b>Balance 08/31/20</b>
<b>Not depreciated:</b>				
Land	\$ 372,145	\$ -	\$ -	\$ 372,145
Construction in progress	9,153,452	57,550,762	-	66,704,214
<b>Subtotal</b>	<b>9,525,597</b>	<b>57,550,762</b>	<b>-</b>	<b>67,076,359</b>
<b>Buildings and other capital assets:</b>				
Buildings and building improvements	35,574,055	-	-	35,574,055
Improvements other than buildings	19,650,066	-	-	19,650,066
<b>Total buildings and other real estate improvements</b>	<b>55,224,121</b>	<b>-</b>	<b>-</b>	<b>55,224,121</b>
Furniture, equipment and vehicles	4,926,718	640,859	(64,619)	5,502,958
Telecommunication equipment	5,964,903	223,701	-	6,188,604
Library books	1,890,548	62,247	-	1,952,795
<b>Total buildings and other capital assets</b>	<b>68,006,290</b>	<b>926,807</b>	<b>(64,619)</b>	<b>68,868,478</b>
<b>Accumulated depreciation:</b>				
Buildings and building improvements	(13,943,332)	(579,857)	-	(14,523,189)
Improvements other than buildings	(12,032,097)	(619,779)	-	(12,651,876)
<b>Total buildings and other real estate improvements</b>	<b>(25,975,429)</b>	<b>(1,199,636)</b>	<b>-</b>	<b>(27,175,065)</b>
Furniture, equipment and vehicles	(3,055,218)	(360,029)	64,619	(3,350,628)
Telecommunication equipment	(5,069,703)	(331,486)	-	(5,401,189)
Library books	(1,497,802)	(52,367)	-	(1,550,169)
<b>Total Accumulated depreciation</b>	<b>(35,598,152)</b>	<b>(1,943,518)</b>	<b>64,619</b>	<b>(37,477,051)</b>
<b>Net capital assets</b>	<b>\$ 41,933,735</b>	<b>\$ 56,534,051</b>	<b>\$ -</b>	<b>\$ 98,467,786</b>

Commitments related to construction projects are as follows:

	<b>Remaining Balance</b>
STEAM AH Building	\$ 30,007,447
Program Administration	6,754,112
Administration Building New Construction	10,832,029
Admin Building Demolition	18,945
Industrial Careers Building	41,387,670
Campus-wide Fiber Cable/IT	1,414,989
	<b>\$ 90,415,192</b>

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

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

Capital assets activity for the year ended August 31, 2019, was as follows:

	<b>Balance 09/01/18</b>	<b>Additions</b>	<b>Retirements and Transfers</b>	<b>Balance 08/31/19</b>
<b>Not depreciated:</b>				
Land	\$ 372,145	\$ -	\$ -	\$ 372,145
Construction in progress	10,165,218	17,972,155	(18,983,921)	9,153,452
<b>Subtotal</b>	<b>10,537,363</b>	<b>17,972,155</b>	<b>(18,983,921)</b>	<b>9,525,597</b>
<b>Buildings and other capital assets:</b>				
Buildings and building improvements	16,590,134	-	18,983,921	35,574,055
Improvements other than buildings	17,698,887	1,951,179	-	19,650,066
<b>Total buildings and other real estate improvements</b>	<b>34,289,021</b>	<b>1,951,179</b>	<b>18,983,921</b>	<b>55,224,121</b>
Furniture, equipment and vehicles	4,736,922	233,838	(44,042)	4,926,718
Telecommunication equipment	5,717,557	298,146	(50,800)	5,964,903
Library books	1,829,769	60,779	-	1,890,548
<b>Total buildings and other capital assets</b>	<b>46,573,269</b>	<b>2,543,942</b>	<b>18,889,079</b>	<b>68,006,290</b>
<b>Accumulated depreciation:</b>				
Buildings and building improvements	(13,411,802)	(531,530)	-	(13,943,332)
Improvements other than buildings	(11,355,293)	(676,804)	-	(12,032,097)
<b>Total buildings and other real estate improvements</b>	<b>(24,767,095)</b>	<b>(1,208,334)</b>	<b>-</b>	<b>(25,975,429)</b>
Furniture, equipment and vehicles	(2,800,647)	(282,232)	27,661	(3,055,218)
Telecommunication equipment	(4,860,548)	(259,955)	50,800	(5,069,703)
Library books	(1,447,081)	(50,721)	-	(1,497,802)
<b>Total Accumulated depreciation</b>	<b>(33,875,371)</b>	<b>(1,801,242)</b>	<b>78,461</b>	<b>(35,598,152)</b>
<b>Net capital assets</b>	<b>\$ 23,235,261</b>	<b>\$ 18,714,855</b>	<b>\$ (16,381)</b>	<b>\$ 41,933,735</b>

Commitments in fiscal year 2018 remaining balance was \$9,168,004.

**Note 7 - Long-term Debt**

Noncurrent liabilities activity for the year ended August 31, 2020, was as follows:

	<b>Balance 09/01/19</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 08/31/20</b>	<b>Current Portion</b>
<b>Bonds and Notes Payable</b>					
Maintenance Tax Notes, 2017	\$ 14,005,000	\$ -	\$ (505,000)	\$ 13,500,000	\$ 525,000
Premium on bonds and maintenance tax notes	7,361,597	10,644,016	(451,472)	17,554,141	-
General Obligation Bonds	89,930,000	66,625,000	-	156,555,000	1,575,000
	<b>111,296,597</b>	<b>\$ 77,269,016</b>	<b>\$ (956,472)</b>	<b>\$ 187,609,141</b>	<b>\$ 2,100,000</b>
<b>Other liabilities</b>					
Compensated absences payable	\$ 845,765	\$ 354,329	\$ (138,368)	\$ 1,061,726	\$ 297,298
Property tax refund payable	411,073	-	(411,073)	-	-
	<b>1,256,838</b>	<b>354,329</b>	<b>(549,441)</b>	<b>1,061,726</b>	<b>297,298</b>
<b>Total noncurrent liabilities</b>	<b>\$ 112,553,435</b>	<b>\$ 77,623,345</b>	<b>\$ (1,505,913)</b>	<b>\$ 188,670,867</b>	<b>\$ 2,397,298</b>

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

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

The College issued 2017 Maintenance Tax Notes with a par value of \$15.1 million and a premium of \$1.3 million. The interest rates range from 2.0% to 5.0% and mature in fiscal year 2037. The following details the payments due through the date of maturity:

<b>Year Ending August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2021	\$ 525,000	\$ 675,000	\$ 1,200,000
2022	550,000	648,750	1,198,750
2023	575,000	621,250	1,196,250
2024	605,000	592,500	1,197,500
2025	635,000	562,250	1,197,250
2026-2030	3,680,000	2,302,500	5,982,500
2031-2035	4,705,000	1,285,000	5,990,000
2036-2037	2,225,000	168,250	2,393,250
	<u>\$ 13,500,000</u>	<u>\$ 6,855,500</u>	<u>\$ 20,355,500</u>

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

<b>Year Ending August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2021	\$ 1,575,000	\$ 3,828,650	\$ 5,403,650
2022	1,655,000	3,749,900	5,404,900
2023	1,735,000	3,667,150	5,402,150
2024	1,805,000	3,597,750	5,402,750
2025	1,890,000	3,515,400	5,405,400
2026-2030	10,920,000	16,091,000	27,011,000
2031-2035	13,755,000	13,267,400	27,022,400
2036-2040	16,735,000	10,278,800	27,013,800
2041-2045	20,345,000	6,666,400	27,011,400
2046-2049	19,515,000	2,115,248	21,630,248
	<u>\$ 89,930,000</u>	<u>\$ 66,777,698</u>	<u>\$ 156,707,698</u>

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

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

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

<b>Year Ending August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2021	\$ -	\$ 2,809,600	\$ 2,809,600
2022	2,580,000	2,809,600	5,389,600
2023	2,980,000	2,680,600	5,660,600
2024	1,310,000	2,531,600	3,841,600
2025	1,375,000	2,466,100	3,841,100
2026-2030	7,965,000	11,229,000	19,194,000
2031-2035	9,865,000	9,324,800	19,189,800
2036-2040	12,010,000	7,187,200	19,197,200
2041-2045	14,605,000	4,585,600	19,190,600
2046-2049	13,935,000	1,420,800	15,355,800
	<u>\$ 66,625,000</u>	<u>\$ 47,044,900</u>	<u>\$ 113,669,900</u>

The amount of bonds authorized is \$162,500,000 and the amount remaining authorized but not issued is \$5,945,000.

Noncurrent liabilities activity for the year ended August 31, 2019, was as follows:

	<b>Balance 09/01/18</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 08/31/19</b>	<b>Current Portion</b>
<b>Bonds and Notes Payable</b>					
Maintenance Tax Notes, 2017	\$ 14,500,000	\$ -	\$ (495,000)	\$ 14,005,000	\$ 505,000
Premium on bonds and maintenance tax notes	1,219,718	6,309,510	(167,631)	7,361,597	-
General Obligation Bonds 2019	-	89,930,000	-	89,930,000	-
	<u>\$ 15,719,718</u>	<u>\$ 6,309,510</u>	<u>\$ (662,631)</u>	<u>\$ 111,296,597</u>	<u>\$ 505,000</u>
<b>Other liabilities</b>					
Compensated absences payable	\$ 774,630	\$ 199,445	\$ (128,310)	\$ 845,765	\$ 236,814
Retirement incentive payable	209,441	-	(209,441)	-	-
Property tax refund payable	822,145	-	(411,072)	411,073	411,073
	<u>1,806,216</u>	<u>199,445</u>	<u>(748,823)</u>	<u>1,256,838</u>	<u>647,887</u>
<b>Total noncurrent liabilities</b>	<u>\$ 17,525,934</u>	<u>\$ 6,508,955</u>	<u>\$ (1,411,454)</u>	<u>\$ 112,553,435</u>	<u>\$ 1,152,887</u>

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

**Note 8 - Defined Benefit Pension Plan**

**A. Plan Description**

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

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

**B. Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2018.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2018.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**C. Benefits Provided**

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

**D. Contributions**

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

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

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

**D. Contributions (continued)**

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

	<b>Contribution Rates</b>	
	<b>Plan Fiscal Year</b>	
	<b>2019</b>	<b>2020</b>
Member (Employee)	7.7%	7.7%
Non-employer contributing agency (State)	6.8%	7.5%
District	6.8%	7.5%

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

	<b>Measurement Year (2019)</b>	<b>Fiscal Year (2020)</b>
	<b>Contributions Required and Made</b>	<b>TRS Contributions Made During Fiscal Year</b>
Member (Employee)	\$ 1,302,441	\$ 1,509,605
Non-employer contributing agency (State)	526,864	646,748
College	760,822	862,530

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

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

In addition to the employer contributions listed above, 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.

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

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

**E. Actuarial Assumptions**

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial valuation rolled forward to August 31, 2019 was determined using the following assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Investment Rate of Return	7.25
Municipal Bond Rate	2.63%*
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%, including inflation
Benefit Changes During the Year	None
Ad hoc post-employment benefit changes	None

\* 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."

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, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

**F. Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. 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 arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019, are summarized below:



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

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

**F. Discount Rate (continued)**

<b>Asset Class</b>	<b>Target Allocation <sup>1</sup></b>	<b>New Target Allocation <sup>2</sup></b>	<b>Long-Term Expected Geometric Real Rate of Return</b>
<b>Global Equity</b>			
U.S.	18%	18.00%	6.40%
Non-U.S. Developed	13%	13.00%	6.30%
Emerging Markets	9%	9.00%	7.30%
Directional Hedge Funds	4%	0.00%	0.00%
Private Equity	13%	14.00%	8.40%
<b>Stable Value</b>			
U.S. Treasuries	11%	16.00%	3.10%
Absolute Return	0%	5.00%	4.50%
Stable Value Hedge Funds	4%	0.00%	0.00%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.00%	0.00%
Real Estate	14%	15.00%	8.50%
Energy and Natural Resources	5%	6.00%	7.30%
Commodities	0%	0.00%	0.00%
<b>Risk Parity</b>			
Risk Parity	5%	8.00%	5.8%/6.5%
<b>Leverage</b>			
Cash	1%	2.00%	2.50%
Asset Allocation Leverage	0%	-6.0%	2.70%
<b>Expected Return</b>	<b>100%</b>	<b>100%</b>	<b>7.23%</b>

<sup>1</sup> Target allocations are based on the Strategic Asset Allocation as of FY2019

<sup>2</sup> New allocations are based on the Strategic Asset Allocation to be implemented in FY2020

<sup>3</sup> 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

<sup>4</sup> New Target Allocation groups Government Bonds within the stable value allocation  
This includes global sovereign nominal and inflation-linked bonds

<sup>5</sup> 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) volatility

**G. Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.250%) in measuring the 2019 Net Pension Liability.

	<b>1% Decrease 6.250%</b>	<b>Current Discount Rate 7.250%</b>	<b>1% Increase 8.250%</b>
College's proportional share of the net pension liability	\$ 17,369,102	\$ 11,299,584	\$ 6,382,103

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

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

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

At August 31, 2020, the College reported a liability of \$11,299,584 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	\$ 11,299,584
State's proportionate share of the net pension liability associated with the College	<u>7,825,217</u>
Total	<u><u>\$ 19,124,801</u></u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019, the employer's proportion of the collective net pension liability was 0.02174%, which was an increase from its proportion measured as of August 31, 2018, of 0.02067%.

**Changes since the Prior Actuarial Valuation**

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2020, the College recognized pension expense of \$2,000,479 and an additional on-behalf revenue and expense of \$526,864 for support provided by the State.

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

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

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

At August 31, 2020, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 47,468	\$ 392,339
Changes in actuarial assumptions	3,505,686	1,448,715
Net difference between projected and actual investment earnings	113,460	-
Changes in proportion and differences between College contributions and proportionate share of contributions	896,855	404,519
Contributions paid to TRS subsequent to the measurement date	862,530	-
Total	<u>\$ 5,425,999</u>	<u>\$ 2,245,573</u>

The \$862,530 reported as 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, 2020 or fiscal year ended August 31, 2021. 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 August 31</b>	<b>Amount</b>
2021	\$ 343,689
2022	251,828
2023	755,373
2025	754,656
2026	293,350
Thereafter	(81,000)
	<u>\$ 2,317,896</u>

In fiscal year 2019 the College reported a net pension liability of \$11,375,668 and deferred outflows and deferred inflows of resources of \$5,620,291 and \$1,217,016, respectively.

**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.

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

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

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

**Optional Retirement Plan (continued)**

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.6% and 6.65%, respectively. The College contributes 8.5% for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense to the State for the College was \$103,433 and \$105,676 for the fiscal years ended August 31, 2020 and 2019, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all college employees was \$25,920,102 and \$25,687,812 fiscal years 2020 and 2019, respectively. The total payroll of employees covered by the Teacher Retirement System was \$19,605,266 and \$18,525,427 for fiscal years 2020 and 2019, respectively. The total payroll of employees covered by the Optional Retirement System was \$3,134,340 and \$3,202,313 for fiscal years 2020 and 2019, respectively.

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

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

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

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

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

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

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

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

<b>Employer Contribution Rates</b>		
<b>Retiree Health and Basic Life Premium</b>		
	<b>2020</b>	<b>2019</b>
Retiree Only	\$ 624.82	\$ 621.90
Retiree & Spouse	982.82	1,334.54
Retiree & Children	864.52	1,099.06
Retiree & Family	1,222.52	1,811.70

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

**Premium Contributions by Source**  
**Group Benefits Program Plan**  
**For the Measurement Year Ended August 31, 2019**

Employers	\$	352,293
Members (Employees)		169,543
Nonemployer Contributing Entity (State of Texas)		255,763

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

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

**Actuarial Assumptions.** The total OPEB liability was determined by an actuarial valuation as of August 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	August 31, 2019
Actuarial Cost Method	Entry Age
Amortization Method	Level of Percent of Pay, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	N/A, plan operates on a pay-as-you-go basis
Inflation Assumption Rate	2.50%
Health Select	7.30% for FY20, 7.40% for FY21, 7.00% for FY22, decreasing 0.5% per year to 4.50% for FY27 and later years
HealthSelect Medicare Advantage	11.80% for FY20, 13.40% for FY21, 7.00% for FY22, decreasing 0.5% per year to 4.50% for FY27 and later years
Projected annual salary increase (includes	2.50% to 9.50%, including inflation
Discount Rate	2.97%
Mortality	<ol style="list-style-type: none"> <li>1. State Agency Members <ol style="list-style-type: none"> <li>a. Service Retirees, Survivors and other Inactive Members – 2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017.</li> <li>b. Disability Retirees- RP-2014 Disabled Retiree Mortality</li> <li>c. Active Members – RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale from the year 2014</li> </ol> </li> <li>2. Higher Education Members <ol style="list-style-type: none"> <li>a. Service Retirees, Survivors and other Inactive Members - Tables based on Teachers Retirement System of Texas experience with Ultimate MP Projection Scale from the year 2018.</li> <li>b. Disability Retirees - Tables based on Teachers Retirement System of Texas experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.</li> <li>c. Active Members - Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014</li> </ol> </li> </ol>

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period (ex. September 1, 2010 to August 31, 2014) for higher education members.

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

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

**Investment Policy.** The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4% (see FY19 ERS CAFR, OPEB footnote).

**Discount Rate.** Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.96%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 2.97%, which amounted to a decrease of 0.99%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) 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 (2.97%) in measuring the net OPEB Liability.

	1% Decrease 1.97%	Current Discount Rate 2.97%	1% Increase 3.97%
College's proportional share of the net OPEB liability	\$ 34,425,551	\$ 28,848,767	\$ 24,557,633

**Healthcare Trend Rate Sensitivity Analysis.** The initial healthcare trend rate is 7.30% for HealthSelect and 10.8% for HealthSelect Medicare Advantage and the ultimate rate is 4.5% for both. 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 8.5% decreasing to 4.5% in measuring the net OPEB liability.

	1% Decrease (6.30% decreasing to 3.50%)	Current Healthcare Cost Trend Rates 7.30% decreasing to 4.50%)	1% Increase (8.30% decreasing to 5.50%)
College's proportionate share of net OPEB liability	\$ 24,224,054	\$ 28,848,767	\$ 34,892,206

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

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

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

At August 31, 2020, the College reported a liability of \$28,848,767 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		0.0834680%
College's proportionate share of the net OPEB liability	\$	28,848,767
State's proportionate share of the net OPEB liability associated with the College		27,566,035
Total	\$	<u>56,414,802</u>

The net OPEB liability was measured as of August 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018, thru August 31, 2019.

At the measurement date of August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.0834680%. In the previous year, proportionate share was 0.0894070%. For the year ended August 31, 2018, the College recognized a negative OPEB expense of \$1,784,681 and an additional on-behalf revenue and expense of \$31,230 for support provided by the State.

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

In addition, assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost, Retiree Contribution and Expense trends have been updated to reflect recent experience and its effects on our short-term expectations. Furthermore, (a) the percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence and (b) the percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.

Lastly, the discount rate assumption was decreased from 3.96% to 2.97% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20- year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.



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

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

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

At August 31, 2019 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	\$ -	\$ 750,671
Changes in actuarial assumptions	2,053,013	6,446,605
Net difference between projected and actual investment earnings	11,860	-
Changes in proportion and differences between College contributions and proportionate share of contributions	-	6,942,342
Contributions paid to TRS subsequent to the measurement date	792,424	-
Total	<u>\$ 2,857,297</u>	<u>\$ 14,139,618</u>

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

<b>Year ended August 31</b>	<b>Amount</b>
2021	\$ (3,809,005)
2022	(3,809,005)
2023	(3,018,000)
2024	(1,437,690)
2025	(414)
	<u>\$ (12,074,114)</u>

**Note 10 - Deferred Compensation Program**

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

**Note 11 - Compensated Absences**

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

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

**Note 11 - Compensated Absences (continued)**

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

The College's vacation leave payable at August 31, 2020 and 2019 was \$1,061,726 and \$845,765, respectively, and is included in accrued compensable absences on the balance sheet. The following is a summary of changes in vacation leave payable:

	<b>2020</b>	<b>2019</b>
Balance, September 1	\$ 845,765	\$ 774,630
Additions	354,329	199,445
Payments	(138,368)	(128,310)
Balance, August 31	<u>\$ 1,061,726</u>	<u>\$ 845,765</u>
Current	\$ 297,298	\$ 236,814
Noncurrent	764,428	608,951
	<u>\$ 1,061,726</u>	<u>\$ 845,765</u>

**Note 12 - Pending Lawsuits and Claims**

On August 31 2020, various lawsuits and claims involving the College were pending. While the ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

**Note 13 - Operating Lease Commitments and Rental Agreements**

Commitments under operating lease agreements for facilities and equipment are cancelable at any time. The College is therefore not obligated for minimum future rental payments at August 31, 2020. Rental expenditures were paid only 2020 and 2019, and were \$693,805 and \$750,899, respectively.

**Note 14 - Property Tax Refund Liability**

During fiscal year 2020, the District entered into a Property Tax Refund Agreement after settlement of several lawsuits related to appraised values for ad valorem taxes. The College's portion totaled \$1,233,217 and will be repaid in three equal payments of \$411,072, beginning January 15, 2018. The final payment was due January 15, 2020. The ending balance as of fiscal years 2020 and 2019 was \$0 and \$411,073, respectively.

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

**Note 15 - 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 16 - Self-Insured Plans**

The College participates in the TASB Risk Management Fund's (the Fund's) Property Casualty Program with coverage in Auto Liability, Auto Physical Damage, General Liability, Property, Sexual Misconduct Endorsement, and SP Legal Liability. The Fund was created and is operated under the provisions 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 the Property Casualty Program. 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, 2020, the Fund anticipates the College has no additional liability beyond the contractual obligations for payment of contributions.

During the year ended August 31, 2020, the College provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month 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 Unemployment Compensation pool members.

For the year ended August 31, 2020, the College participated with other governments to form a Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for the Texas Public Jr. and Community College Employee Benefits Consortium (the "Pool"). The agreement for formation of the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$200,000 for each insured event and \$5,000,000 in the aggregate.

The pooling agreement requires the Pool to be self-sustaining. The estimated range of losses to be borne by the College as of August 31, 2020 and 2019 amounted to \$90,642 and \$113,260, respectively.

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

# COLLEGE OF THE MAINLAND

## NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

### Note 17 - 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.

### Note 18 - 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>2020</u>	<u>2019</u>
Assessed Valuation of the College:	\$ 14,976,674,864	\$ 14,191,962,866
Less: Exemptions	<u>(2,954,952,139)</u>	<u>(3,349,493,910)</u>
Net Assessed Valuation of the College	<u><u>\$ 12,021,722,725</u></u>	<u><u>\$ 10,842,468,956</u></u>

	<u>2020</u>			<u>2019</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	\$ 0.000000	\$ 0.600000	\$ 0.600000	\$ 0.000000	\$ 0.600000
Assessed Tax Rate per \$100 Valuation	\$ 0.204254	\$ 0.000000	\$ 0.204254	\$ 0.212755	\$ 0.000000	\$ 0.212755

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, 2020 and 2019 amounted to \$24,017,007 and \$23,002,693 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, 2019 and 2018 approximated 98.0% of the current year levy for 2020 and 97.9% for 2019. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes.

### Note 20 - 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, 2020 and 2019.

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

**Note 21 - Tax Abatements**

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

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

During fiscal year 2020, inventory within the Foreign Trade Zone totaled \$236.5 million. The College received a tax equivalency payment of \$483,127 for fiscal year 2020 and \$379,940 for fiscal year 2019.

**Note 23 - Subsequent Events**

During the general election in November 2020 a proposal for the purpose of refinancing the college's maintenance tax notes was not approved by the voters. As of the date of this report, there were no other subsequent events to report.

## **COLLEGE OF THE MAINLAND**

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

#### **Note 24 - Disclosures Related to Discretely Presented Component Unit**

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

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

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

##### **Basis of Accounting**

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

##### **Basis of Presentation**

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

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

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

##### **Fair Value Considerations**

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

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

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

**Note 24 - Disclosures Related to Discretely Presented Component Unit (continued)**

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

**Cash and Cash Equivalents**

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

At August 31, 2020 and 2019, cash and cash equivalents included \$431,900 and \$228,643, respectively, of restricted endowment funds. The promise scholarship funds restricted cash and cash equivalents at August 31, 2020 and 2019 were \$787,202 and \$0, respectively.

**Investments and Investment Return**

In accordance with ASC 958-320, *"Accounting for Certain Investments Held by Not for Profit Organizations"* (formerly SFAS No. 124), investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the combining statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. At August 31, 2020 and 2019, investments included \$3,364,612 and \$3,242,959, respectively, of restricted assets.

**Contributions Receivable and Promises to Give**

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

If contributions receivable become doubtful of collection, allowances are made to the extent the amounts are determined to be doubtful, and are charged to expense. If doubtful amounts are subsequently determined to be uncollectible, they are written off against allowances in the period determined. As of August 31, 2020 and 2019, the Foundation has no allowance for doubtful accounts balances.

**In-Kind Services**

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

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

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

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

**Note 24 - Disclosures Related to Discretely Presented Component Unit (continued)**

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

**Federal Income Taxes**

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

The Foundation accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of August 31, 2020, management believes there were no uncertain tax positions.

**Use of Estimates**

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

**Reclassifications**

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

**B. Fair Value Measurements**

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

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

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



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

**Note 24 - Disclosures Related to Discretely Presented Component Unit (continued)**

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

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

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>August 31, 2020</b>			
Equity index fund	\$ -	\$ 844,087	\$ -
Core equity fund	-	1,043,531	-
High quality bond fund	-	1,476,994	-
Total	<u>\$ -</u>	<u>\$ 3,364,612</u>	<u>\$ -</u>
<b>August 31, 2019</b>			
Equity index fund	\$ -	\$ 786,971	\$ -
Core equity fund	-	933,406	-
High quality bond fund	-	1,522,582	-
Total	<u>\$ -</u>	<u>\$ 3,242,959</u>	<u>\$ -</u>

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

	<b>2020</b>	<b>2019</b>
Dividends and interest income	\$ 10,175	\$ 18,520
Net realized and unrealized gain	463,482	151,508
Total investment income (loss)	<u>\$ 473,657</u>	<u>\$ 170,028</u>

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

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

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

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

**Note 24 - Disclosures Related to Discretely Presented Component Unit (continued)**

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

	<b>2020</b>	<b>2019</b>
Less than one year	\$ 599,533	\$ 107,865
One to five years	92,092	-
Total Contributions receivable	691,625	107,865
Less: discount 2.00%	(4,916)	-
Less: Allowance for doubtful amounts	-	-
	<u>\$ 686,709</u>	<u>\$ 107,865</u>

The present value of cash flows from contributions for years ended August 31, 2020 and 2019 are -\$4,916 and \$0, respectively.

**D. Net Assets With Donors Restrictions**

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

	<b>2020</b>	<b>2019</b>
Scholarships	\$ 2,559,090	\$ 1,164,566
Total	<u>\$ 2,559,090</u>	<u>\$ 1,164,566</u>

**E. Endowments**

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

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

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

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

**Note 24 - Disclosures Related to Discretely Presented Component Unit (continued)**

**E. Endowments (continued)**

The Foundation has adopted investment and spending policies. The assets are managed in a manner that attempts to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment as well as capital appreciation, which exceeds the annual distributions with acceptable levels of risk. Endowment assets are investment in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make distributions as needed, while growing the funds if possible. There is not an established expectation of an average rate of return. Investment risk is measured in terms of total endowment funds; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. At August 31, 2020 and 2019, the endowments funds were held and managed by Common fund. The objective is to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

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

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

Changes in endowment net assets are as follows:

Endowment net assets, August 31, 2018	\$ 2,235,557
Contributions	41,634
Fees and others	(5,881)
Investment return:	
Investment income	13,341
Net change in value of investments	110,371
Transfer of scholarship funds	<u>(41,634)</u>
Endowment net assets, August 31, 2019	2,353,388
Fees and others	(80,877)
Investment return:	
Investment income	7,254
Net change in value of investments	<u>335,904</u>
Endowment net assets, August 31, 2020	<u><u>\$ 2,615,669</u></u>

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

**Note 24 - Disclosures Related to Discretely Presented Component Unit (continued)**

**F. Related Party Transactions**

The College provides office space to the Foundation at no cost. In addition, the Foundation's payroll expenses, all employee benefits, and certain supplies are paid for by the College. The Foundation does not reimburse the College for these costs. As such, in-kind revenue and expense are recorded in the statement of activities for these costs. For the years ended August 31, 2020 and 2019, in-kind revenue and expense totaled \$304,260 and \$321,566, respectively.

All student scholarship expenditures are disbursed to the College. These expenses totaled \$100,077 and \$206,959, for the years ended August 31, 2020 and 2019, respectively.

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

**G. Concentration of Credit Risk**

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

**H. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position for fiscal year 2020 is comprised of the following:

Cash and cash equivalents	\$	141,561
Contributions receivable, net		599,533
	\$	<u>741,094</u>

The Foundation's designated endowment funds consist of funds designated by the Board of Directors as endowments. Income from board-designated endowments is available for general use. Principal from board-designated endowment funds are not available for general expenditure.

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

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

## **COLLEGE OF THE MAINLAND**

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

#### **Note 24 - Disclosures Related to Discretely Presented Component Unit (continued)**

##### **I. Risks and Uncertainties**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States of America. Efforts implemented by local and national governments, as well as businesses, including temporary closures, are expected to have adverse impacts on local, national, and global economies. Although the disruption is currently expected to be temporary, there is uncertainty around the duration and the related economic impact. Therefore, while management expects this matter to have an impact on the Organization's activities, the continuing impact to the results of operations and financial position cannot be reasonably estimated at this time.

##### **J. Subsequent Events**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 4, 2020, the date on which the financial statements were available to be issued.



**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 Six Measurement Years**

	<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><u>\$ 19,124,801</u></u>	<u><u>\$ 19,223,557</u></u>	<u><u>\$ 10,822,809</u></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%	67.25%	38.62%
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><u>\$ 12,186,036</u></u>	<u><u>\$ 11,890,359</u></u>	<u><u>\$ 10,653,677</u></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.



**COLLEGE OF THE MAINLAND**  
**Schedules of Required Supplementary Information**  
**SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS**  
**Teacher Retirement System of Texas**  
**Last Six Fiscal Years**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contributions	\$ 862,530	\$ 760,637	\$ 693,320
Contributions in relation to the contractual required contributions	862,530	760,637	693,320
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%
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contributions	\$ 635,854	\$ 574,687	\$ 551,555
Contributions in relation to the contractual required contributions	635,854	574,687	551,555
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%

**Changes Since Prior Actuarial Valuation for Pensions**

The following changes to actuarial assumptions and other inputs affected the measurement of the amounts reported in the RSI schedules related to pensions:

- The discount rate was changed from 6.907% as of August 31, 2018 to 7.25% as of August 31, 2019
- The Municipal Bond Rate was changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019.
- Projection of cash flows used to determine the single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session.
- It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years; including all employer and state contributions for active and rehired retirees.
- With the enactment of SB 3 by the 86th Texas Legislature, 2019, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

**COLLEGE OF THE MAINLAND**

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

**EMPLOYEES RETIREMENT SYSTEM OF TEXAS**

*For the Last Three Measurement Years ended August 31 <sup>(1)</sup>*

	<b>2019</b>	<b>2018</b>	<b>2017</b>
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 *	280.05%	246.00%	290.10%

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

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

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

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

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

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

## **COLLEGE OF THE MAINLAND**

### ***NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB***

#### **Changes in Benefit Terms**

Under Q/A #4.107 of GASB's Implementation Guide No. 2017-2, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, any plan changes that have been adopted and communicated to plan members by the time the valuation is prepared must be included in the valuation. Accordingly, this valuation reflects the benefit changes that will become effective January 1, 2020, since these changes were communicated to plan members in advance of the preparation of the valuation used for this report. The only benefit change for FY2020 for HealthSelect retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) from \$6,650 to \$6,750 for individuals and from \$13,300 to \$13,500 for families in order to remain consistent with Internal Revenue Service maximums. This minor benefit change is provided for in the FY2020 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary. For a complete description of the benefit provisions, see Section VII of this report.

#### **Changes in Actuarial Assumptions**

##### **Demographic Assumptions**

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
- Percentage of future male retirees assumed to be married and electing coverage for their spouse
- Percentage of future retirees and future retiree spouses assumed to use tobacco

##### **Economic Assumptions**

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 effect on our short-term expectations.

The discount rate was changed from 3.96% to 2.97% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Minor benefit changes have been reflected in the FY 2020 Assumed Per Capita Health Benefits Costs.



## **SUPPLEMENTAL SCHEDULES**

COLLEGE OF THE MAINLAND  
SCHEDULE OF OPERATING REVENUES

For the Year Ended August 31, 2020

With Memorandum Totals for the Year Ended August 31, 2019

Schedule A

	Educational Activities			Auxiliary Enterprises	Total	
	Unrestricted	Restricted	Total		2020	2019
<b>Tuition</b>						
State funded credit courses:						
In-district resident tuition	\$ 2,738,649	\$ -	\$ 2,738,649	\$ -	\$ 2,738,649	\$ 2,661,485
Out-of-district resident tuition	2,384,411	-	2,384,411	-	2,384,411	2,360,231
Non-resident tuition	111,700	-	111,700	-	111,700	119,258
TPEG- credit (set aside)*	234,899	-	234,899	-	234,899	230,994
State funded continuing education	317,725	25,023	342,748	-	342,748	505,128
Non-state funded educational programs	167,423	27,386	194,809	-	194,809	277,889
<b>Total tuition</b>	<b>5,954,807</b>	<b>52,409</b>	<b>6,007,216</b>	<b>-</b>	<b>6,007,216</b>	<b>6,154,985</b>
<b>Fees</b>						
Campus fees	180,823	-	180,823	-	180,823	177,260
Facility fees	915,279	-	915,279	-	915,279	907,901
Laboratory fees	168,396	-	168,396	-	168,396	194,220
Processing fees	552,221	-	552,221	-	552,221	579,371
Student service fees	-	-	-	183,529	183,529	181,530
Other fees	700,529	-	700,529	-	700,529	853,122
<b>Total fees</b>	<b>2,517,248</b>	<b>-</b>	<b>2,517,248</b>	<b>183,529</b>	<b>2,700,777</b>	<b>2,893,404</b>
<b>Scholarship allowances and discounts</b>						
Remissions and exemptions - state	(73,656)	-	(73,656)	-	(73,656)	(91,910)
Remissions and exemptions - local	(1,510,696)	-	(1,510,696)	-	(1,510,696)	(1,351,754)
TPEG awards	(209,107)	-	(209,107)	-	(209,107)	(199,215)
<b>Total scholarship allowances and discounts</b>	<b>(1,793,459)</b>	<b>-</b>	<b>(1,793,459)</b>	<b>-</b>	<b>(1,793,459)</b>	<b>(1,642,879)</b>
<b>Total net tuition and fees</b>	<b>6,678,596</b>	<b>52,409</b>	<b>6,731,005</b>	<b>183,529</b>	<b>6,914,534</b>	<b>7,405,510</b>
<b>Additional operating revenues</b>						
Federal grants and contracts	118,793	4,019,621	4,138,414	-	4,138,414	2,736,784
State grants and contracts	4,705	496,743	501,448	-	501,448	419,801
Private grants and contracts	-	683,459	683,459	-	683,459	1,068,038
Sales and services of educational activities	16,519	-	16,519	-	16,519	28,147
General operating revenues	8,826	-	8,826	-	8,826	1,495,964
<b>Total additional operating revenues</b>	<b>148,843</b>	<b>5,199,823</b>	<b>5,348,666</b>	<b>-</b>	<b>5,348,666</b>	<b>5,748,734</b>
Auxiliary Enterprises						
Bookstore	-	-	-	90,537	90,537	153,523
Other auxiliary	-	-	-	80,676	80,676	155,978
<b>Total net auxiliary</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>171,213</b>	<b>171,213</b>	<b>309,501</b>
<b>Total operating revenues</b>	<b>\$ 6,827,439</b>	<b>\$ 5,252,232</b>	<b>\$ 12,079,671</b>	<b>\$ 354,742</b>	<b>\$ 12,434,413</b>	<b>\$ 13,463,745</b>

\*In accordance with Education Code 56.033, \$209,107 and \$199,215 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, 2020  
With Memorandum Totals for the Year Ended August 31, 2019

**Schedule B**

	Operating Expenses				Total	
	Salaries and Wages	Benefits			2020	2019
		State	Local	Other expenses		
Unrestricted - Educational Activities						
Instruction	\$ 11,975,167	\$ -	\$ 2,391,443	\$ 780,054	\$ 15,146,664	\$ 15,791,303
Public service	582,452	-	89,065	62,418	733,935	773,591
Academic support	2,670,535	-	372,128	1,065,514	4,108,177	4,169,434
Student services	2,760,175	-	405,313	683,019	3,848,507	3,472,366
Institutional support	4,442,076	-	1,557,907	2,782,556	8,782,539	9,340,100
Operation and maintenance of plant	626,367	-	148,519	3,646,545	4,421,431	4,050,164
Scholarships and fellowships	-	-	6,875	-	6,875	437
<b>Total Unrestricted Educational Activities</b>	<b>23,056,772</b>	<b>-</b>	<b>4,971,250</b>	<b>9,020,106</b>	<b>37,048,128</b>	<b>37,597,395</b>
<b>Restricted - Educational Activities</b>						
Instruction	1,029,345	111,077	54,510	213,038	1,407,970	1,649,875
Public service	458,192	132,485	-	147,040	737,717	655,096
Academic support	206,777	427,054	-	2,798	636,629	426,327
Student services	722,352	537,029	-	304,509	1,563,890	1,580,343
Institutional support	155,690	557,671	-	159,228	872,589	587,240
Operation and maintenance of plant	82,421	124,972	-	199,399	406,792	303,045
Scholarships and fellowships	115,110	9,680	-	5,774,242	5,899,032	4,925,744
<b>Total Restricted Educational Activities</b>	<b>2,769,887</b>	<b>1,899,968</b>	<b>54,510</b>	<b>6,800,254</b>	<b>11,524,619</b>	<b>10,127,670</b>
<b>Total Educational Activities</b>	<b>25,826,659</b>	<b>1,899,968</b>	<b>5,025,760</b>	<b>15,820,360</b>	<b>48,572,747</b>	<b>47,725,065</b>
<b>Auxiliary Enterprises</b>	<b>93,443</b>	<b>72,160</b>	<b>-</b>	<b>197,293</b>	<b>362,896</b>	<b>461,406</b>
<b>Depreciation Expense:</b>						
Building and other real estate improvements	-	-	-	1,199,637	1,199,637	1,208,334
Equipment and furniture	-	-	-	691,514	691,514	542,187
Library books	-	-	-	52,367	52,367	50,721
<b>Total Depreciation Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,943,518</b>	<b>1,943,518</b>	<b>1,801,242</b>
<b>Total Operating Expenses</b>	<b>\$ 25,920,102</b>	<b>\$ 1,972,128</b>	<b>\$ 5,025,760</b>	<b>\$ 17,961,171</b>	<b>\$ 50,879,161</b> (Exhibit 2)	<b>\$ 49,987,713</b> (Exhibit 2)

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES**  
**For the Year Ended August 31, 2020**  
**With Memorandum Totals for the Year Ended August 31, 2019**

**Schedule C**

	Unrestricted	Restricted	Total	Auxiliary Enterprises	Total	
					2020	2019
<b>Non-operating revenues</b>						
State appropriations:						
Academic appropriation	\$ 6,535,285	\$ -	\$ 6,535,285	\$ -	\$ 6,535,285	\$ 6,101,964
Workforce appropriation	-	-	-	-	-	-
Hold harmless	-	-	-	-	-	-
State group insurance	-	2,357,069	2,357,069	-	2,357,069	2,353,348
State retirement matching	-	1,229,231	1,229,231	-	1,229,231	776,732
<b>Total state appropriations</b>	<b>6,535,285</b>	<b>3,586,300</b>	<b>10,121,585</b>	<b>-</b>	<b>10,121,585</b>	<b>9,232,044</b>
Maintenance and ad valorem taxes	23,739,139	-	23,739,139	-	23,739,139	22,567,888
Federal revenue, non-operating	6,850	4,786,453	4,793,303	-	4,793,303	4,500,382
Investment income	1,420,830	-	1,420,830	-	1,420,830	1,486,575
Foreign trade zone fees	483,127	-	483,127	-	483,127	379,940
Other	-	-	-	-	-	-
<b>Total non-operating revenues</b>	<b>25,649,946</b>	<b>4,786,453</b>	<b>30,436,399</b>	<b>-</b>	<b>30,436,399</b>	<b>28,934,785</b>
<b>Non-operating expenses</b>						
Interest and fees on capital-related debt	(811,647)	(4,633,694)	(5,445,341)	-	(5,445,341)	(2,246,882)
<b>Total non-operating expenses</b>	<b>(811,647)</b>	<b>(4,633,694)</b>	<b>(5,445,341)</b>	<b>-</b>	<b>(5,445,341)</b>	<b>(2,246,882)</b>
Net non-operating revenues (expenses)	<u>\$ 31,373,584</u>	<u>\$ 3,739,059</u>	<u>\$ 35,112,643</u>	<u>\$ -</u>	<u>\$ 35,112,643</u> (Exhibit 2)	<u>\$ 35,919,947</u> (Exhibit 2)

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY**  
*For the Year Ended August 31, 2020*

Schedule D

	Detail by Source				Available for Current	
	Unrestricted	Restricted Expendable	Net Investment in Capital Assets	Total	Yes	No
Current						
Unrestricted						
Net pension liability	\$ (11,299,584)	\$ -	\$ -	\$ (11,299,584)	\$ -	\$ (11,299,584)
Net OPEB liability	(28,848,767)	-	-	(28,848,767)	-	(28,848,767)
Other	(1,281,143)	-	-	(1,281,143)	(1,281,143)	-
Auxiliary enterprises	1,876,015	-	-	1,876,015	1,876,015	-
Grants and donor restrictions	-	2,076,189	-	2,076,189	2,076,189	-
Plant:						
Investment in plant	-	-	9,660,686	9,660,686	-	9,660,686
Total Net Position, end of year	(39,553,479)	2,076,189	9,660,686	(27,816,604) (Exhibit 1)	2,671,061	(30,487,665)
Total Net Position, beginning of the year	(41,985,497)	2,218,436	15,282,562	(24,484,499) (Exhibit 1)	(1,893,188)	(22,591,311)
Net increase (decrease) in net position	\$ 2,432,018	\$ (142,247)	\$ (5,621,876)	\$ (3,332,105) (Exhibit 2)	\$ 4,564,249	\$ (7,896,354)

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2020**

*Schedule E*  
*(Page 1 of 2)*

<b>Federal Grantor / Pass-through Grantor / Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
<b>Pass-Through From:</b>			
Texas Department of Agriculture:			
<i>USDA Food Program</i>	10.558	806780706	\$ 15,376
<b>Total U.S. Department of Agriculture</b>			<u>15,376</u>
<b>U.S. Department of Labor</b>			
<b>Pass-Through From:</b>			
Texas Workforce Commission:			
<i>Electric Apprenticeship</i>	17.278	2820APT000	23,040
<b>Total U.S. Department of Labor</b>			<u>23,040</u>
<b>U.S. Department of Education</b>			
<b>Direct Programs:</b>			
<u>Student Financial Aid Cluster:</u>			
<i>Supplemental Educational Opportunity Grant</i>	84.007	P007A193984	98,813
<i>Federal College Work-Study Program</i>	84.033	P033A193984	75,248
<i>Federal Pell Grant</i>	84.063	P063P192888	4,619,242
<i>Federal Direct Loan Program</i>	84.268	P268K202888	762,776
<b>Total Student Financial Aid Cluster</b>			<u>5,556,079</u>
<u>TRIO Cluster:</u>			
<i>TRIO - Student Support Services</i>	84.042A	P042A150335	255,077
<i>TRIO - Student Support Services - Upward Bound</i>	84.047A	P047A170441	251,757
<b>Total TRIO Cluster</b>			<u>506,834</u>
 Title V - A Pathway to Student Success	84.031S	P031S150040	485,823
Students Who are Parents Succeed (SWAPS)	84.335A	P335A180325	23,386
Emergency Assistance to Institutions of Higher Ed	84.938T	P938T180055	204,039
 Education Stabilization Fund: HEERF - Student (COVID-19)	84.425E	P425E202521	500,450
Education Stabilization Fund: HEERF - Institution (COVID-19)	84.425F	P425F200356	883,941
Education Stabilization Fund: HEERF - MSI (COVID-19)	84.425L	P425L00074	82,007
<i>Total CFDA # 84.425</i>			<u>1,466,398</u>
<b>Pass-Through From:</b>			
Texas Workforce Commission:			
<i>Distance Learning Capacity Building Initiative</i>	84.002A	2919AEL001	102,377
Houston-Galveston Area Council:			
<i>Adult Education and Family Literacy</i>	84.002A	AEL 211-20	556,487
<i>Adult Education English Literacy &amp; Civics Ed.</i>	84.002A	AEL 211-20	86,792
<i>Adult Education Corrections Institute</i>	84.002A	AEL 211-20	9,521
<i>Adult Education - Federal Workforce</i>	84.002A	AEL 211-20	127,395
<i>Adult Education - ELC Workforce</i>	84.002A	AEL 211-20	32,188
<i>Adult Education and Family Literacy</i>	84.002A	AEL 211-21	132,521
<i>Adult Education English Literacy &amp; Civics Ed.</i>	84.002A	AEL 211-21	35,790
<i>Adult Education - Federal Workforce</i>	84.002A	AEL 211-21	22,045
<i>Adult Education - ELC Workforce</i>	84.002A	AEL 211-21	2,280
<i>Total CFDA # 84.002</i>			<u>1,107,396</u>
Texas Higher Education Coordinating Board:			
<i>Carl Perkins Vocational Education</i>	84.048	204231	180,748
<b>Total U.S. Department of Education</b>			<u>9,530,703</u>

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended August 31, 2020*

*Schedule E*  
*(Page 2 of 2)*

<b>Federal Grantor / Pass-through Grantor / Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
<b>Pass-Through From:</b>			
Texas Division of Emergency Management:			
<i>FEMA Public Assistance Grant</i>	97.036		\$ 125,374
<b>Total U.S. Department of Homeland Security</b>			<u>125,374</u>
 <b>Total Schedule of Expenditures of Federal Awards</b>			 <u><u>\$ 9,694,493</u></u>

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
*For the Year Ended August 31, 2020*

*Schedule F*

<b>Grantor Agency / Program Title</b>	<b>Grantor / Project Number</b>	<b>Expenditures</b>
<b>Texas Comptroller of Public Accounts</b>		
<i>LEOSE</i>	N/A	\$ 744
<b>Total Texas Comptroller of Public Accounts</b>		<u>744</u>
<b>Texas Higher Education Coordinating Board</b>		
<i>Texas Education Opportunity Grant</i>	N/A	<u>238,000</u>
<b>Total Texas Higher Education Coordinating Board</b>		<u>238,000</u>
<b>TXWorkforce Solutions</b>		
<i>Texas Rising Star Child Care</i>	212271	<u>44,912</u>
<b>Total TXWorkforce Solutions</b>		<u>44,912</u>
<b>Texas Workforce Commission</b>		
<i>Electric Apprenticeship</i>	2820ATP000	34,560
<i>Jobs and Education for Texans Grant Program-PTEC</i>	2819JET001	<u>183,232</u>
<b>Total Texas Workforce Commission</b>		<u>217,792</u>
<b>Total Expenditures of State Awards</b>		<u>\$ 501,448</u>

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





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

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

We have audited the financial statements of the business-type activities, and the discretely presented component unit of the College of the Mainland (the “College”), as of and for the years ended August 31, 2020 and 2019, 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 4, 2020. 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 and therefore, material weaknesses and or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Trustees  
College of the Mainland

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas  
December 4, 2020

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE *UNIFORM GUIDANCE***

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

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

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, 2020. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

To the Board of Trustees  
College of the Mainland

## Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Whitley Penn LLP

Houston, Texas  
December 4, 2020

**COLLEGE OF THE MAINLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**

**I. Summary of Auditors' Results**

**Financial Statements**

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**

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 section 2 CFR 200.516(a)?	None

Identification of major programs:

<b><u>Name of Federal Program or Cluster</u></b>	<b><u>CFDA Numbers</u></b>
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**US Department of Education**

<i>Education Stabilization Fund: HEERF - Support (COVID-19)</i>	84.425E
<i>Education Stabilization Fund: HEERF - Institution (COVID-19)</i>	84.425F
<i>Education Stabilization Fund: HEERF - MSI (COVID-19)</i>	84.425L
<i>Emergency Assistance to Institutions of Higher Ed</i>	84.938T
<i>Title V – A Pathway to Student Success</i>	84.031S

Dollar Threshold Considered Between Type A and B:	\$750,000
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Auditee qualified as low risk auditee?	Yes
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**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

#### Note 1 - Federal Assistance Reconciliation

Federal Grants and Contracts revenue - Per Schedule A	\$ 4,138,414
Add: Non Operating Federal Revenue Per Schedule C	4,793,303
Total Federal Revenues per Statement of Revenues, Expenses and Changes and Net Position	<u>8,931,717</u>
Reconciling Item:	
Add: Direct Students Loans	762,776
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 9,694,493</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, 2020***

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, 2020***

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