ANNUAL FINANCIAL REPORT

FISCAL YEAR 2025

TSTC
Texas State Technical College

ANNUAL FINANCIAL REPORT

TEXAS STATE TECHNICAL COLLEGE

FISCAL YEAR ENDED AUGUST 31, 2025

Texas State Technical College
Annual Financial Report
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OFFICE OF THE CHANCELLOR

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November 17, 2025

Honorable Greg Abbott, Governor
Honorable Glenn Hegar, Texas Comptroller of Public Accounts
Jerry McGinty, Director, Legislative Budget Board
Lisa Collier, State Auditor

All:

We are pleased to submit the Annual Financial Report of Texas State Technical College for the year ended August 31, 2025, in compliance with Texas Government Code §2101.011 and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in **Governmental Accounting Standards Board (GASB) Statement No. 34**, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas *Annual Comprehensive Financial Report* (ACFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Jessica Montalvo at 956-364-4058. For questions related to the Schedule of Expenditures of Federal Awards, please contact Alyssa Ayala at alyssa.ayala@tstc.edu.

Sincerely,

Michael L. Reeser
Chancellor & Chief Executive Officer

TEXAS STATE TECHNICAL COLLEGE

ORGANIZATIONAL DATA
For the Fiscal Year Ended August 31, 2025

Board of Regents
Data as of August 31, 2025

Officers

Ron Widup	Arlington, Texas	Chairman of the Board
Robert J. "Robb" Misso III	Cedar Park, Texas	Vice Chair
Dr. Tiffany Tremont	New Braunfels, Texas	Executive Committee
Keith Honey	Longview, Texas	Executive Committee
Lizzy de la Garza Putegnat	Harlingen, Texas	Executive Committee

Members

		Term Expires August 31,
Kathy Stewart	San Angelo, Texas	2025
Keith Honey	Longview, Texas	2025
Ron Widup	Arlington, Texas	2025
		August 31,
Curtis Cleveland	Waco, Texas	2027
Lizzy de la Garza Putegnat	Harlingen, Texas	2027
Ron Rohrbacher	League City, Texas	2027
		August 31,
Dr. Tiffany Tremont	New Braunfels, Texas	2029
Eric Beckman	Frisco, Texas	2029
Robert J. "Robb" Misso III	Cedar Park, Texas	2029

Key Officers

Michael L. Reeser	Chancellor & Chief Executive Officer
Gail Lawrence	Deputy Chancellor
Chad Wooten	Vice Chancellor & Chief Financial Officer
Cledia Hernandez	Vice Chancellor & Chief External Relations Officer
Dale Bundy	Vice Chancellor & Chief Information Officer
Jonathan Hoekstra	Executive Vice Chancellor & Chief Operating Officer
Kevin Semien	Vice Chancellor & Chief Campus Services Officer
Michael Bettersworth	Senior Vice Chancellor & Chief Marketing Officer
Pamela Mayfield	Vice Chancellor & Chief Human Resource Officer
Rick Herrera	Senior Vice Chancellor & Chief Campus Expansion Officer
Jason Mallory	Vice Chancellor & Chief Audit Executive

Texas State Technical College

Management's Discussion and Analysis

For the Year Ended August 31, 2025

Introduction

For nearly 60 years, Texas State Technical College (TSTC) has prepared Texans for the high-demand careers that drive the state's economy. Today, TSTC is a statewide, multi-campus institution uniquely focused on technical education. In 2015, the College unified its campuses under a single accreditation to strengthen program alignment and better support Texas industries.

TSTC is the only institution in Texas primarily funded through a performance-based model tied directly to student employment outcomes. This ensures programs remain closely aligned with labor market needs and reinforces the College's mission to place Texans into high-paying, high-demand jobs. Since 2023, enrollment has grown steadily, reflecting both strong student interest in technical careers and employer confidence in TSTC graduates. The College continues to place Texans into high-wage fields in advanced manufacturing, energy, aviation, and automation, supporting economic growth and addressing statewide workforce shortages.

The College's statewide impact continues to expand. Legislative approval has advanced new campuses in Denton and Guadalupe/Comal counties, and the East Williamson County site has been elevated from an extension center to a full campus. In September 2025, five additional TSTC facilities opened statewide, further increasing access to workforce and technical education. TSTC also launched the WorkSITE in Waco — an innovative, industry-grade training facility developed with McLennan County and the City of Waco. The WorkSITE provides accelerated, hands-on training and micro-certifications tailored to employer needs. It represents a new model that TSTC plans to replicate at other locations across Texas.

As noted in the Subsequent Events (Note 16), TSTC reached a major milestone on November 4, 2025, when voters approved the $850 million endowment bill, which creates the Texas Institution Infrastructure Fund (TIIF). This permanent funding source will support facility upgrades, modernization of instructional and training equipment, and expansion of instructional capacity across campuses. The endowment provides a stable foundation for growth in high-demand programs, addresses statewide workforce needs, and ensures students have access to industry-aligned learning environments.

Overview of the Financial Statements

The objective of Management's Discussion and Analysis (MD&A) is to provide an overview of the financial position and activities of TSTC as of and for the years ended August 31, 2025 and 2024, with an emphasis on the current year. Management has prepared the financial statements and related footnote disclosures, along with this MD&A. The following discussion should be read in conjunction with the accompanying transmittal letter, financial statements, and note disclosures.

TSTC's financial report includes three primary financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The financial statements are prepared applying the following principles and standards:

- Reporting is on the full accrual basis of accounting and all current year revenues and expenses are recognized when earned and incurred, regardless of when the cash is received or disbursed.

- Depreciation and amortization expense on capital assets is reported as an operating expense on the Statement of Revenues, Expenses and Changes in Net Position. The historical cost of capital assets, net of accumulated depreciation and amortization, is reported on the Statement of Net Position.

- Revenues and expenses are categorized as operating and non-operating. Revenues from state appropriations, gifts, and investment income are reported as non-operating revenue in accordance with *GASB Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended.

- TSTC implemented *GASB 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, in fiscal year 2025, however, this standard should have been adopted in 2023. Accordingly, restatement of $357,875 was recorded (see Note 14 and 27), and the comparative 2024 financial statements presented in the MD&A have been retroactively adjusted.

Financial Highlights

TSTC continued its significant growth trajectory in fiscal year 2025, driven by major capital investments, expanded instructional capacity, and the continued success under TSTC's unique outcomes-based funding model. The following key financial developments shaped the year:

- Capital Expansion and Asset Growth: TSTC issued $50.2 million in bonds to support strategic land acquisitions in Midlothian and East Williamson County and advanced construction projects from $298.8 million in 2023 bonds. Multiple facilities opened shortly after year-end, increasing statewide instructional capacity by more than 1,000 student seats. Net investment in plant totaled $184.8 million at August 31, 2025, up $14.8 million from 2024, reflecting continued progress in the College's expansion plan.

- Enrollment and Tuition Growth: Enrollment averaged an 10% increase during fiscal year 2025, with tuition growth contributing a net 14% increase in revenue. This strong performance reinforced TSTC's ability to expand access to workforce-ready education across Texas.

- Unrestricted Net Position and OPEB: The unrestricted net position deficit continues to grow due to recognition of Other Post-Employment Benefits (OPEB) expense, which totaled $3.9 million in 2025, down from $10.3 million in 2024. Excluding this book expense, the unrestricted net position stood at $15.5 million, or 7.1% of total net position, at year-end.

- Change in Net Position: Total net position increased by $6.7 million in 2025, slightly above the $6.6 million increase in 2024. Despite planned use of reserves for expansion, strong non-operating revenue, including capital contributions and investment income, supported a net overall positive change.

- Investment Income: Earnings from unspent bond proceeds exceeded $10 million and were restricted for capital projects, significantly contributing to net position growth.

- State Appropriations: Appropriation revenues remained consistent with 2024, as both years fall within the 88th Legislative Session biennium. Continued funding of TSTC's Return-Value Formula resulted in a $28.6 million increase compared to the 2022–2023 biennium.

Statement of Net Position

The Statement of Net Position presents the financial position of TSTC at fiscal year-end. Readers of this statement are able to determine the assets available to continue operations and the amount that TSTC owes to vendors, bond holders, and lending institutions. The Statement of Net Position provides an overview of the resources that are available to cover expenses. When revenues and other support exceed expenses, the result is an increase in net position. The change in net position is one indicator of whether the financial condition has improved or worsened during the fiscal year, but many other non-financial factors, such as enrollment, student retention, and condition of facilities must also be considered when assessing the overall health of TSTC.

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows and net position of TSTC as of the end of the year. The net position section of the statement is reported by three major categories: Net Investment in Capital Assets, Restricted, and Unrestricted. The Net Investment in Capital Assets section presents TSTC's equity in property, plant, and equipment, net of accumulated depreciation and amortization, capital asset related bonds and other debt. Restricted Net Position is reported for amounts subject to constraints that are either externally imposed or imposed by law. Unrestricted Net Position is available for any lawful purpose of TSTC.

The following table reflects the Condensed Comparative Statement of Net Position for TSTC as of August 31, 2025 and 2024. The section following the table includes explanations and management's analysis of significant changes within the Statement of Net Position.

Texas State Technical College
Condensed Comparative Statements of Net Position
As of August 31, 2025 and 2024

	2025	2024	% Increase
Assets and Deferred Outflows of Resources			
Current Assets	$ 219,571,415	$ 123,113,860	78.3%
Non-Current Assets:			
Capital Assets, Net	565,739,101	366,327,601	54.4%
Other Non-Current Assets	8,377,990	246,401,942	-96.6%
Deferred Outflows of Resources	17,825,880	29,367,667	-39.3%
Total Assets and Deferred Outflows of Resources	**811,514,386**	**765,211,070**	**6.1%**
Liabilities and Deferred Inflows of Resources			
Current Liabilities	103,563,039	91,231,416	13.5%
Non-Current Liabilities:			
Long-term Debt	421,464,134	386,608,750	9.0%
Other Non-Current Liabilities	72,972,666	83,045,299	-12.1%
Deferred Inflows of Resources	60,063,521	57,595,353	4.3%
Total Liabilities and Deferred Inflows of Resources	**658,063,360**	**618,480,818**	**6.4%**
Net Position, Restated			
Net investment in capital assets	184,764,562	169,913,092	8.7%
Restricted, expendable	17,814,048	18,493,217	-3.7%
Restricted, non-expendable	616,800	606,057	1.8%
Unrestricted	(49,744,384)	(42,282,114)	17.6%
Total Net Position	**153,451,026**	**146,730,252**	**4.6%**
Total Liabilities and Net Assets	**$ 811,514,386**	**$ 765,211,070**	**6.1%**

Current Assets

Current assets increased in fiscal year 2025 primarily due to the transfer of matured long-term bond investments into current holdings, making funds available for near-term spending as major construction projects approached completion. Unrestricted cash and investment reserves decreased by approximately $5 million, consistent with the planned use of reserves incorporated into the College's operating budget. Restricted cash and investments decreased significantly following the expenditure of over $200 million in bond proceeds throughout the year. Accounts receivable increased by $5.6 million, driven by higher enrollment for the Fall 2025 semester; this increase is mirrored in the growth of unearned revenue.

Non-Current Assets – Capital Assets, Net

Fiscal year 2025 represented one of the most substantial periods of capital asset growth in TSTC's history. Net capital assets increased by $199.4 million, or 54.4%, as the College continued to deploy proceeds from the $298.8 million in bonds issued in 2023. The College added $42.7 million in completed facilities statewide and recorded an additional $142.0 million in facilities under construction in progress at year-end, with many projects completing shortly after the close of the fiscal year. Land acquisitions totaled $61.0 million, supporting continued expansion into high-growth regions.

Other capital additions included $22.9 million in facility improvements, furniture, equipment, and aircraft. In addition, a material item recorded as an "adjustment" in Note 2 reflects the inclusion of $21.9 million in housing facilities related to the public-private partnership (P3) arrangement discussed further in Note 27. These increases were offset by the disposal of fully depreciated assets and $25.9 million in depreciation and amortization expense.

Other Non-Current Assets

Other non-current assets decreased primarily due to the maturity and reclassification of long-term bond investments, consistent with the changes described in the current assets section. Also included in other non-current assets are lease receivables related to various revenue-generating properties across the state, in accordance with *GASB No. 87, Leases* (see Note 8), which remained consistent to prior year. Additionally, cash and investments from endowment funds are classified as non-current assets, although no new endowments were received during fiscal year 2025. No other significant changes occurred in this category during the fiscal year.

Deferred Outflows of Resources

Deferred outflows of resources decreased by $11.5 million, or 39.3%, in 2025 primarily due to the reductions in both pension and OPEB related balances. Material factors that impact pension and OPEB deferred outflows amounts include changes in actuarial assumptions and a change in the proportion of the College's share of the State of Texas' total amount. The calculation for TSTC's share of the deferred outflows, deferred inflows, and related liability is calculated and provided by the State Comptroller's Office.

Current Liabilities

Current liabilities increased by $12.3 million, or 13.5%, in fiscal year 2025. Accounts payable rose by approximately $3.2 million, driven primarily by continued construction activity across the state. Unearned revenue increased by $5.6 million, reflecting growth in student receivables and higher enrollment for the Fall 2025 semester. Student enrollment increased by approximately 10%, and semester credit hours rose by 7%. Although tuition rates within each tier remained unchanged, annual reassessment of program tiers based on market demand resulted in shifts among tiers, producing a 17% increase in unearned tuition revenue. Additional increases included approximately $1.0 million in payroll liabilities and $2.4 million in the current portion of revenue bonds payable associated with the Series 2024 bonds issued during the year.

Non-Current Liabilities

Non-current liabilities mainly consist of non-current portions of revenue bonds payable, net pension and other post-employment benefits liabilities, employees' compensable leave payable, capital lease obligations, and right to use lease and subscription obligations.

Total long-term debt increased by $34.9 million, or 9.0%, due to the issuance of $50.2 million in Series 2024 bonds and a $2.8 million net increase in right-to-use obligations for leased assets, offset by regular amortization and principal payments made during the year. Other non-current liabilities, largely composed of pension and OPEB obligations, decreased by $10.1 million, or 12.1%. This reduction was driven by lower recognition of pension and OPEB expenses in 2025, as well as updated actuarial valuations. These changes reflect long-term employee benefit trends that are expected to continue evolving over time.

Deferred Inflows of Resources

Deferred inflows of resources increased by $2.5 million, or 4.3%, in 2025. The 2024 balance reflects a restatement to include $22.3 million related to the P3 arrangement (as discussed above and in Note 27), which declined in 2025 due to normal amortization and recognition of approximately $855,000 in capital contribution revenue. Pension related deferred inflows increased by $3.9 million, which was offset by a $663,000 decrease in OPEB-related deferred inflows. Pension and OPEB deferred inflows and outflows are subject to netting across measurement periods due to differences between projected and actual investment returns.

Total Net Position

Total net position represents the residual interest in TSTC's total assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Total net position increased by $6.7 million, or 4.7%, in 2025, as explained in the *Financial Highlights* section above.

Restricted Net Position

Restricted net position includes TSTC's grants subject to externally imposed restrictions governing their use as well as interest earned on proceeds from the issuance of bonds. In total, restricted net position decreased by approximately $650,000 in 2025, primarily due to the planned spending of restricted interest earnings on capital projects.

Unrestricted Net Position

Unrestricted net position decreased by $7.5 million in 2025, driven primarily by substantial OPEB expense. Excluding this book expense, unrestricted net position declined by approximately $3.5 million, reflecting planned use of reserves to support growth and expansion. TSTC is in an active growth phase, with increased spending to expand operations and infrastructure.

While this has required a temporary draw on reserves, the College is seeing corresponding increases in enrollment and state appropriations as demand for skilled workers continues to rise. This enrollment growth is expected to strengthen future revenue and support long-term financial stability as TSTC scales its programs statewide. The College is managing this transition carefully to maintain financial sustainability while advancing its expansion efforts.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents TSTC's revenues earned and the expenses incurred, regardless of when cash is received or paid. Activities are reported as either operating or non-operating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal course of operations, including a provision for depreciation and amortization on capital assets. Additionally, TSTC relies heavily on revenue sources such as state appropriations and certain grants, which are required to be reported as non-operating revenues per GASB Statement No. 35. Revenues are reported by major source, and expenses are reported on the face of the statement by functional categories as defined by the National Association of College and University Business Officers (NACUBO).

The following table reflects TSTC's condensed comparative Statement of Revenues, Expenses, and Changes in Net Position for the years ended August 31, 2025 and 2024:

Texas State Technical College
Condensed Comparative Statements of Revenues, Expenses and Changes in Net Position
As of August 31, 2025 and 2024

	2025	2024	% Increase (Decrease)
Operating Revenue	$ 82,850,933	$ 80,921,387	2.4%
Operating Expenses	(300,808,012)	(284,681,663)	5.7%
Operating Income (Loss)	**(217,957,079)**	**(203,760,276)**	**7.0%**
Non-Operating Revenues (Expenses)	207,823,620	201,783,629	3.0%
Income (Loss) Before Other Rev., Exp. and Transfers	**(10,133,459)**	**(1,976,647)**	**412.7%**
Other Revenues, Expenses and Transfers	16,854,233	8,599,359	96.0%
Change in Net Position	**6,720,775**	**6,622,711**	**1.5%**
Net Position, Beginning of Year (Restated)	146,730,252	140,107,540	4.7%
Net Position, End of Year	**$ 153,451,026**	**$ 146,730,252**	**4.6%**

Operating Revenues

TSTC's primary sources of operating revenue are tuition and fees, along with federal, state, and local grants. In 2025, net tuition and fees accounted for approximately 49% of operating revenues, with scholarship discounts and allowances presented separately in the financial statements. Total operating revenues reached $82.9 million in 2025, reflecting a $1.9 million, or 2.4%, increase from the prior year. Gross tuition revenue grew by $9.6 million, while net tuition (after discounts and allowances) increased by $2.0 million compared to the previous year. More than half of student tuition continues to be supported through various federal, state, and local financial aid programs.

The increase in tuition revenue was driven primarily by a 10% rise in overall enrollment and a 14% rise in semester credit hours taken, with no tuition price adjustments made during the year. Enrollment growth was especially strong in higher-tier programs, and the existing tiered tuition pricing structure helped reflect these shifts in demand. Tiered pricing aligns tuition rates with the technical complexity and labor-market value of programs, with specialized technical programs priced higher than academic programs. Factors used in determining tier placement include projected graduate wages, labor-market demand, and program-specific instructional costs. This structure helps ensure that tuition rates remain aligned with program value while supporting long-term financial sustainability.

Grant revenue, which represented 27% of total operating revenue in 2025, decreased by $3.6 million from the prior year. Fiscal year 2024 included two one-time grants totaling $5.6 million, which did not continue into fiscal year 2025. This decline was partially offset by an approximate $2.0 million increase in scholarship grant activity (both public and private), consistent with higher enrollment levels. In addition, certain federal grants slowed or remained temporarily on hold due to ongoing political and federal budget uncertainties.

Auxiliary Services revenue increased by $4.7 million, consistent with historical trends in which auxiliary activity typically scales with enrollment. Other sales of goods and services decreased by approximately $1.0 million, due to a one-time reimbursement received in the prior year. Collectively, these operating revenue sources continue to support TSTC's operations and contribute to the College's financial capacity to expand programs and student services statewide.

Operating Expenses

Operating expenses for TSTC totaled $300.8 million in 2025, reflecting an increase of $16.1 million, or 5.7%, compared to 2024. Personnel-related costs accounted for the largest portion of this increase. Salaries rose by approximately $11.7 million, while payroll-related costs decreased by $5.5 million, primarily due to the substantial reduction in OPEB expense. OPEB expense totaled $3.9 million in 2025, compared to $10.5 million in 2024. Excluding OPEB, payroll-related costs increased by $1.1 million, consistent with salary growth.

Scholarship expense increased by $9.3 million, or 31.6%, driven by higher enrollment and expanding student access to Pell, state, and institutional financial aid programs. More than half of all tuition continues to be supported through financial aid, and the rise in scholarship expense aligns with the College's mission to ensure accessibility while meeting statewide workforce needs.

Personnel costs increased primarily due to program expansion and the additional staffing required to support enrollment growth and new or expanding campuses, including the New Braunfels (Guadalupe/Comal Counties) location. As TSTC continues to scale operations statewide, personnel expenses are expected to rise in proportion to instructional and administrative needs.

Professional fees and services decreased by approximately $1.9 million, reflecting the completion of the Workday ERP implementation for student services, which successfully transitioned during fiscal year 2025. Other operating costs—such as materials and supplies, travel, and general operating expenses—increased by $1.5 million. These increases reflect the broader institutional growth but were managed carefully. The College implemented targeted cost controls to moderate spending in non-instructional categories, ensuring that operational expansion did not result in disproportionate increases in overhead.

Depreciation and amortization expense increased by nearly $1.0 million in 2025. This increase is modest compared to the anticipated rise in depreciation expected in fiscal year 2026, when a significant number of CCAP-funded facilities—completed shortly after year end—will be placed into service.

The table below shows the amount and percentage change of operating expenses based on natural classification for the year ended August 31, 2025:

Texas State Technical College
Operating Expenses by Natural Classification
For the Years Ended August 31, 2025 and 2024

	2025	2024	% Increase (Decrease)
Operating Expenses			
Cost of Goods Sold	$ 2,335,054	$ 1,864,100	25.26%
Salaries and Wages	134,547,546	122,866,730	9.51%
Payroll Related Cost	47,369,027	52,866,441	-10.40%
Professional Fees and Services	2,461,839	4,417,331	-44.27%
Travel	2,128,619	2,300,677	-7.48%
Materials and Supplies	18,922,457	19,179,413	-1.34%
Communications and Utilities	6,921,603	6,578,451	5.22%
Repairs and Maintenance	5,551,954	6,006,154	-7.56%
Rentals and Leases	4,028,200	2,297,907	75.30%
Printing and Reproduction	48,901	292,154	-83.26%
Depreciation and Amortization	25,876,311	24,911,336	3.87%
Scholarships	38,820,960	29,490,234	31.64%
Other Operating Expenses	11,795,541	11,610,735	1.59%
Total Operating Expenses	**$ 300,808,012**	**$ 284,681,663**	**5.66%**

The table below shows the amount and percentage change of operating expenses based on NACUBO functional (programmatic) classification for the year ended August 31, 2025:

Texas State Technical College
Operating Expenses by NACUBO Function
For the Years Ended August 31, 2025 and 2024

	2025	2024	% Increase (Decrease)
Operating Expenses			
Instruction	$ 114,025,486	$ 108,828,646	4.78%
Research	2,086,190	3,435,535	-39.28%
Academic Support	24,831,358	26,225,743	-5.32%
Student Services	26,851,843	26,440,299	1.56%
Institutional Support	36,669,487	36,743,451	-0.20%
Operations and Maintenance of Plant	20,322,971	18,627,462	9.10%
Scholarships and Fellowships	38,783,350	29,236,746	32.65%
Auxiliary Enterprises	11,361,016	10,232,445	11.03%
Depreciation and Amortization	25,876,311	24,911,336	3.87%
Total Operating Expenses	**$ 300,808,012**	**$ 284,681,663**	**5.66%**

Non-operating Revenues and Expenses

Certain recurring revenues and expenses are classified as non-operating for financial reporting purposes. TSTC's primary sources of non-operating revenue include state appropriations, federal Pell grants, and gifts. The major non-operating expenses consist of interest expense, fiscal charges, and other non-operating costs. In the 2026-2027 biennium, TSTC experienced an increase in legislative appropriations of approximately $28.4 million annually compared to the 2024-2025 biennium, largely due to increases in funding under the returned-value formula.

Other non-operating expenses totaled $9.6 million in 2025, an increase of $2.4 million over the prior year. Both fiscal years included non-capitalized repairs and maintenance costs; however, with many CCAP projects nearing completion in 2025, materials and supplies purchases increased as expenditures shifted below capitalization thresholds. Repairs and maintenance also remained a priority as TSTC continues to invest in campus facilities statewide.

Investment income earned on bond proceeds decreased by $5.2 million in 2025 compared to 2024, reflecting the spending down of bond proceeds throughout the year. Non-operating federal revenues—primarily federal financial scholarships awarded to students—increased by $10.2 million, corresponding with higher enrollment and changes in Pell award distribution methodologies.

Other Revenues, Expenses, and Transfers

Other revenues, expenses, and transfers is comprised of capital contributions, annual Higher Education Fund (HEF) capital appropriations, other legislative transfers (Hazelwood), and legislative appropriation lapses. Legislative appropriation lapses, while rare, occurred in both 2025 and 2024. TSTC lapsed $1.6 million and $2.8 million, respectively, for unused appropriated debt service related to unissued authorized bonds. Although the remaining authorized bonds were issued during fiscal year 2025, the appropriated debt service amounts were based on preliminary estimates, and excess appropriations were returned to the state.

Capital contributions totaled $9.0 million in fiscal year 2025, compared to $2.1 million in 2024. The increase is largely attributable to an $8.6 million capital contribution received for the construction of a workforce training center in Waco (the WorkSITE, mentioned in the Introduction Section above).

Debt Administration

As of August 31, 2025 and 2024, TSTC had $400.8 million and $435.1 million in net outstanding debt, respectively. Bonds payable represent the largest portion of the College's indebtedness, all of which relate to the financing of capital projects and program expansions. More than half of this debt is supported by state debt service appropriations.

During 2025, TSTC issued $50.2 million in Series 2024 bonds, of which $13.6 million is supported by state appropriations and $36.6 million is supported by local funds. Additionally, the completion of the WorkSITE in Waco resulted in a $4 million increase in capital lease obligations. As noted above, this facility was partially funded by $8.6 million in capital gifts.

The General Obligation (HEF) Bonds maintain a credit rating of "AAA" and "Aaa" from two major bond rating agencies, Fitch and Moody's, respectively. The Revenue Financing System Bonds maintain a credit rating of "A+" and "A2" from the same bond rating agencies. More detailed information regarding the College's bonded indebtedness is provided in Note 5, *Long-Term Liabilities*, and Note 6, *Bonded Indebtedness*, in the accompanying Notes to the Financial Statements.

The TSTC Foundation

TSTC receives financial and other support through The TSTC Foundation, a 501(c) (3) non-profit foundation created to support TSTC. The Foundation has financed several debt-related projects for the construction or purchase of buildings at various campuses. The Foundation also assists TSTC by providing funding for scholarships and investing gifts and donations.

Economic Outlook

TSTC's financial position remains strong, supported by continued enrollment growth, disciplined resource management, and sustained legislative investment in technical education. As the College expands its statewide presence and modernizes its facilities, it is well-positioned to meet Texas' growing workforce demands in high-wage, high-demand fields.

The 2025–26 fiscal year marks a pivotal period of growth and modernization. With five new facilities opening in September 2025 across Waco, Harlingen, Fort Bend, Marshall, West Texas, and North Texas, TSTC's Capital Construction Assistance Projects (CCAP) continue to expand capacity and improve the learning environment at legacy campuses. These investments strengthen instructional quality, enhance training capabilities, and prepare students for the evolving needs of Texas industry.

The passage of TSTC's omnibus bill further reinforces the College's long-term foundation by establishing new campuses and ensuring a county-wide presence for each existing location. Expansion within the fast-growing Texas Triangle continues to align TSTC's reach with the state's population and industrial centers, creating greater access to technical education and workforce training.

TSTC's outcomes-based funding model continues to serve as a national example of performance accountability, aligning state investment with student employment outcomes and first-year wage data. In the 89th Legislative Session (fiscal years 2026 and 2027), TSTC earned an additional $20 million annually in returned-value funding, reflecting increases in both the number of former students found working and the average wages they earned. In addition, the Higher Education Fund (HEF) was reauthorized as scheduled, and TSTC's portion increased by 50% ($4.3 million) in annual appropriations. Legislative support remains strong, as shown by the inclusion of non-credit programs in the funding formula and the creation of the Technical Institution Infrastructure Fund (TIIF)—a permanent endowment designed to support long-term infrastructure and capital needs.

Enrollment continues to grow at a healthy pace, with Fall 2025 enrollment up approximately 10% over the prior year. Over the next five years, tuition, state appropriations, and workforce training revenue are projected to rise steadily, supported by expanding facilities and new program offerings. Positive operating margins are expected to continue through the forecast period, reflecting sound financial management and strong student demand.

Overall, TSTC's economic outlook is highly favorable. With stable funding, expanding infrastructure, and sustained enrollment momentum, the College is well-positioned to advance its mission—strengthening Texas' economy by placing more Texans in great-paying jobs.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Statement of Net Position
August 31, 2025

		TOTAL
ASSETS		
Current Assets:		
Cash and Cash Equivalents		
Cash on Hand	$	25,095.00
Cash in Bank		8,814,583.64
Cash in State Treasury		1,315,604.50
Short-term Investments		24,875,318.27
Restricted Cash and Cash Equivalents		
Cash in Bank		4,305,203.14
Restricted Investments		118,662,188.76
Legislative Appropriations		12,927,528.36
Accounts Receivable, Net		23,502,636.82
Federal Receivables		21,643,386.07
Accrued Interest Receivable		20,096.01
Due From Other Agencies		492,372.78
Lease Receivable		1,126,032.25
Merchandise Inventories		1,861,368.92
Total Current Assets		219,571,414.52
Non-Current Assets:		
Restricted		
Cash and Cash Equivalents		
Cash in Bank		316,011.45
Short-term Investments		300,788.90
Lease Receivable		7,761,189.29
Capital Assets, Non-Depreciable or Non-Amortizable		
Land and Land Improvements		99,685,876.70
Other Capital Assets		1,234,611.83
Construction in Progress		175,598,346.14
Capital Assets, Depreciable or Amortizable		
Buildings and Building Improvements		401,765,408.46
Less Accumulated Depreciation		(191,029,260.81)
Infrastructure		40,142,402.71
Less Accumulated Depreciation		(16,018,968.41)
Facilities and Other Improvements		7,255,687.98
Less Accumulated Depreciation		(5,174,844.64)
Furniture and Equipment		91,625,609.72
Less Accumulated Depreciation		(58,972,924.03)
Vehicles, Boats, and Aircraft		16,817,277.96
Less Accumulated Depreciation		(10,420,523.63)
Other Capital Assets		1,284,792.52
Less Accumulated Depreciation		(534,962.95)
Computer Software		598,858.20
Less Accumulated Amortization		(315,525.40)
Right to Use Assets: Buildings & Building Improvements		889,511.12
Less Accumulated Amortization		(496,473.74)
Right to Use Assets: Equipment		215,287.52
Less Accumulated Amortization		(60,988.73)
Right to Use Assets: Subscription Software		18,119,532.97
Less Accumulated Amortization		(6,469,629.02)
Total Non-Current Assets		574,117,092.11
TOTAL ASSETS	$	793,688,506.63

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Statement of Net Position
August 31, 2025

		TOTAL
DEFERRED OUTFLOWS OF RESOURCES	$	17,825,879.64
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	18,470,790.90
Payroll Payables		13,094,844.69
Federal Payables		947,686.05
Due to Other Agencies		65,221.83
Unearned Revenue		38,726,073.62
Employees' Compensable Leave		1,127,038.27
Right to Use Lease Obligations		188,734.56
Right to Use Subscription Obligations		1,967,330.52
Capital Lease Obligations - Direct Borrowings		1,032,973.90
Deposits Payable		775,543.12
General Obligation Bonds Payable, Net		2,915,000.00
Revenue Bonds Payable, Net		15,389,846.54
Revenue Bonds Payable - Direct Borrowings		2,955,000.00
Accrued Interest Payable - Bonds		2,225,492.72
Funds Held for Others		1,169,255.70
Net Other Post Employment Benefits (OPEB) Liability		2,512,207.00
Total Current Liabilities		103,563,039.42
Non-Current Liabilities:		
Employees' Compensable Leave		7,547,960.57
Right to Use Lease Obligations		411,875.25
Right to Use Subscription Obligations		8,274,739.80
Capital Lease Obligations - Direct Borrowings		23,940,864.87
Revenue Bonds Payable, Net		372,891,654.04
Revenue Bonds Payable - Direct Borrowings		15,945,000.00
Net Other Post Employment Benefits (OPEB) Liability		50,820,722.00
Net Pension Liability		14,603,983.00
Total Non-Current Liabilities		494,436,799.53
TOTAL LIABILITIES	$	597,999,838.95
DEFERRED INFLOWS OF RESOURCES	$	60,063,520.96
NET POSITION		
Net Investment in Capital Assets	$	184,764,562.21
Restricted for:		
Capital Projects		16,635,369.55
Other		1,178,678.29
True and Other Endowments		
Non-Expendable		616,800.35
Unrestricted		(49,744,384.04)
TOTAL NET POSITION	$	153,451,026.36

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Statement of Revenues, Expenses, and Changes in Net Position
For The Fiscal Year Ended August 31, 2025

		TOTAL
OPERATING REVENUES:		
Sales of Goods and Services:		
Tuition and Fees	$	15,334,415.14
Tuition and Fees - Pledged		63,974,410.92
Discounts and Allowances		(38,909,890.94)
Auxiliary Enterprises		1,505,624.17
Auxiliary Enterprises - Pledged		12,762,112.63
Discounts and Allowances		(2,793,458.35)
Other Sales of Goods and Services - Pledged		7,187,684.62
Interest and Investment Income		6,916.25
Interest and Investment Income - Pledged		1,751,315.27
Federal Revenue		2,619,421.46
Federal Pass-Through Revenue		2,847,876.67
State Grant Pass-Through Revenue		10,326,468.49
Other Contracts and Grants		6,234,945.05
Other Operating Revenues		3,092.00
Total Operating Revenues		82,850,933.38
OPERATING EXPENSES:		
Instruction		114,025,486.32
Research		2,086,190.43
Academic Support		24,831,357.95
Student Services		26,851,843.00
Institutional Support		36,669,487.40
Operations and Maintenance of Plant		20,322,970.68
Scholarships and Fellowships		38,783,349.82
Auxiliary Enterprises		11,361,015.58
Depreciation and Amortization		25,876,310.94
Total Operating Expenses		300,808,012.12
Operating Income (Loss)		(217,957,078.74)
NONOPERATING REVENUES (EXPENSES):		
Legislative Appropriation Revenue		175,959,171.09
Gifts		2,558,369.49
Contracts and Grants - Pledged		1,604,482.00
Investment Income		9,776,945.84
Investment Income - Pledged		253,908.98
Federal Revenue		46,606,607.44
Federal Pass-Through Revenue		391,715.00
Gain (Loss) on Disposal of Assets		(52,753.62)
Interest Expense and Fiscal Charges		(19,722,664.26)
Settlement of Claims		20,553.53
Other Nonoperating (Expenses)		(9,572,715.44)
Total Nonoperating Revenues (Expenses)		207,823,620.05
Income (Loss) Before Other Revenues, Expenses, Gains/(Losses), and Transfers		(10,133,458.69)

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Statement of Revenues, Expenses, and Changes in Net Position
For The Fiscal Year Ended August 31, 2025

		TOTAL
OTHER REVENUES, EXPENSES, GAINS (LOSSES) AND TRANSFERS:		
Capital Contributions		8,970,854.22
Capital Appropriations (HEAF)		8,662,500.00
Transfers from Other State Agencies		74,711.00
Legislative Transfers In		745,459.00
Legislative Appropriation Lapses		(1,599,290.82)
Total Other Revenues, Expenses, Gains/(Losses) and Transfers		16,854,233.40
CHANGE IN NET POSITION		6,720,774.71
Net Position - September 1, 2024		147,088,126.27
Restatements		(357,874.62)
Net Position - September 1, 2024 - As Restated		146,730,251.65
NET POSITION - August 31, 2025	$	153,451,026.36

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Matrix of Operating Expenses
Reported by Function
For the Fiscal Year Ended August 31, 2025

Operating Expenses		Instruction	Research	Academic Support	Student Services
Cost of Goods Sold	$	-	-	-	-
Salaries and Wages		61,978,830.93	1,487,530.27	19,737,674.61	17,616,009.99
Payroll Related Cost		39,096,373.90	403,627.71	1,735,338.12	1,613,432.37
Professional Fees and Services		274,349.67	126,630.44	651,784.63	150,381.48
Travel		545,224.08	11,409.74	132,632.98	740,965.98
Materials and Supplies		9,122,760.81	34,531.65	1,182,584.71	1,462,378.70
Communications and Utilities		98,930.97	-	305,258.92	63,084.37
Repairs and Maintenance		548,726.95	-	412,842.06	67,908.97
Rentals and Leases		627,396.95	-	451,109.73	535,181.49
Printing and Reproduction		1,495.70	-	536.38	44,662.78
Depreciation and Amortization		-	-	-	-
Bad Debt Expense		3,061.93	-	-	8.00
Interest		0.03	-	-	339.93
Scholarships		37,610.00	-	-	-
Less: Tuition Discounting		-	-	-	-
Other Operating Expenses		1,690,724.40	22,460.62	221,595.81	4,557,488.94
Capital		4,411,397.83	-	118,446.30	167,118.81
Less: Capital Additions		(4,411,397.83)	-	(118,446.30)	(167,118.81)
Total Operating Expenses	$	114,025,486.32	$ 2,086,190.43	$ 24,831,357.95	$ 26,851,843.00

Institutional Support	Operation and Maintenance of Plant	Scholarships and Fellowships	Auxiliary Enterprises	Depreciation and Amortization	Total Expenditures
-	-	-	2,335,053.69	-	$ 2,335,053.69
23,765,282.57	7,619,723.05	-	2,342,494.40	-	134,547,545.82
2,647,545.85	907,459.24	-	965,249.37	-	47,369,026.56
1,069,497.13	136,682.43	-	52,513.54	-	2,461,839.32
565,519.90	106,200.45	-	26,665.81	-	2,128,618.94
3,764,402.29	1,688,735.40	-	1,667,063.65	-	18,922,457.21
231,136.82	4,925,259.56	-	1,297,932.30	-	6,921,602.94
681,449.25	2,197,565.68	-	1,643,461.39	-	5,551,954.30
1,173,745.14	1,169,223.03	-	71,543.96	-	4,028,200.30
5,481.00	-	-	-	-	52,175.86
-	-	-	-	25,876,310.94	25,876,310.94
4,476.09	-	-	503,030.99	-	510,577.01
350.95	-	-	-	-	690.91
-	-	80,486,699.11	-	-	80,524,309.11
-	-	(41,703,349.29)	-	-	(41,703,349.29)
2,760,600.41	1,572,121.84	-	456,006.48	-	11,280,998.50
258,867.28	551,189.86	-	162,580.00	-	5,669,600.08
(258,867.28)	(551,189.86)	-	(162,580.00)	-	(5,669,600.08)
$ 36,669,487.40	$ 20,322,970.68	$ 38,783,349.82	$ 11,361,015.58	$ 25,876,310.94	$ 300,808,012.12

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Statement of Cash Flows
For the Fiscal Year Ended August 31, 2025

		TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from Tuition and Fees	$	41,198,466.61
Proceeds from Customers (Other Sales and Services)		7,441,151.00
Proceeds from Grants and Contracts		23,432,550.08
Proceeds from Auxiliaries		7,983,736.40
Proceeds from a Defined Benefit Pension Plan		97,249.00
Proceeds from a Defined Benefit OPEB Plan		3,948,854.00
Payments to Suppliers for Goods and Services		(47,074,114.10)
Payments to Employees for Salaries and Wages		(133,347,981.52)
Payments to Employees for Benefits		(42,909,039.05)
Payments to Pension Benefits to Plan Members		(97,249.00)
Payments to OPEB Benefits to Plan Members		(3,948,854.00)
Payments for Other Expenses		(41,005,731.13)
Net Cash Provided (Used) by Operating Activities		(184,280,961.71)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from State Appropriations		183,942,532.18
Proceeds from Grants and Contracts		46,606,607.44
Proceeds from Transfers from Other State Agencies		820,170.00
Proceeds from Gifts		1,501,571.66
Proceeds from Other Revenues		20,553.53
Payments for Other Uses		(9,182,782.84)
Net Cash Provided (Used) by Noncapital Financing Activities		223,708,651.97
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Grants and Contracts		1,604,482.00
Proceeds from Debt Issuance		50,195,000.00
Proceeds from Other Financing Activities		1,110,707.06
Payments for Additions to Capital Assets		(206,022,887.84)
Payments of Other Costs on Debt Issuance		(389,932.60)
Payments of Principal on Debt Issuance		(19,730,680.67)
Payments on Leases/SBITA		(2,606,186.36)
Payments of Interest on Debt Issuance		(20,720,243.72)
Net Cash Provided (Used) by Capital and Related Financing Activities		(196,559,742.13)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments		488,584,529.74
Proceeds from Interest and Investment Income		11,608,999.42
Payments to Acquire Investments		(342,704,604.85)
Net Cash Provided (Used) by Investing Activities		157,488,924.31

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Statement of Cash Flows
For the Fiscal Year Ended August 31, 2025

Increase (Decrease) in Cash and Cash Equivalents	$	356,872.44
Cash and Cash Equivalents, September 1, 2023		14,419,625.29
Cash and Cash Equivalents, August 31, 2024	$	14,776,497.73
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$	(217,565,363.74)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Amortization and Depreciation		25,876,310.94
Bad Debt Expense		510,577.01
Pension Expenses		(1,523,332.00)
OPEB Expenses		(4,040,821.00)
Operating Income and Cash Flow Categories		
Classification Differences		
Interest and Investment Income from Operating Activities		(1,758,231.52)
Operating Expenses Associated with Non Cash Acquisitions		1,056,797.83
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables		(7,036,785.54)
(Increase) Decrease in Inventories		217,284.52
(Increase) Decrease in Due from Other Agencies		1,796,189.55
(Increase) Decrease in Deferred Outflows of Resources - Pensions		3,273,297.00
(Increase) Decrease in Deferred Outflows of Resources - OPEB		8,111,671.00
Increase (Decrease) in Payables		4,343,976.79
Increase (Decrease) in Deposits Payable		177,137.63
Increase (Decrease) in Unearned Revenues		5,673,708.19
Increase (Decrease) in Funds Held for Others		(55,461.46)
Increase (Decrease) in Employees' Compensable Leave		413,884.51
Increase (Decrease) in Deferred Inflows of Resources - Pensions		(663,576.00)
Increase (Decrease) in Deferred Inflows of Resources - OPEB		3,872,722.00
Increase (Decrease) in Liabilities to Employees for Defined Benefit Pensions		(989,140.00)
Increase (Decrease) in Liabilities to Employees for Defined Benefit OPEB		(3,997,810.00)
Increase (Decrease) in Due to Other Agencies		61,673.18
Lessor Related Balances		(1,181,258.64)
P3 Related Balances		(854,411.96)
Total Adjustments		33,284,402.03
Net Cash Provided (Used) by Operating Activities	$	(184,280,961.71)
NON CASH TRANSACTIONS		
Donations of Capital Assets	$	8,970,854.22
Other Additions to Capital Assets		5,939,534.38
Net Change in Fair Value of Investments		180,086.92
Borrowing Under Lease Purchase		5,010,026.05
Capital Assets received from P3 Arrangement		23,965,518.00
Other		(655,490.15)
Total Non Cash Transactions	$	43,410,529.42

Note 1: Summary of Significant Accounting Policies

Entity

Texas State Technical College (TSTC/College) is an agency of the State of Texas and its financial records comply with State statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for Annual Financial Reports of State Agencies and Universities and with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Since its inception, TSTC operated as a system of separately accredited colleges, expanding over time to include campuses in Harlingen, Marshall, Waco, and West Texas. In June 2015, the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) approved the consolidation of these institutions into a single, statewide college. Today, TSTC operates across 11 locations throughout Texas, with the newest campus in New Braunfels (Guadalupe/Comal counties) which opened in 2024. The Texas Legislature recently authorized the creation of two additional campuses in Denton and Guadalupe/Comal counties, as well as the elevation of the East Williamson County site from an extension center to a full campus, further expanding TSTC's footprint in two of the State's fastest-growing regions.

As the only State-supported technical college in Texas with multiple campuses, TSTC plays a critical role in addressing the high-tech workforce needs of the State. Through strategic partnerships with businesses, government agencies, and other educational institutions, TSTC is well-positioned to meet the demands of today's state economy. The College is recognized for its high graduation rates, exceptional postgraduate employment outcomes, and its commitment to graduating individuals from diverse cultural and socioeconomic backgrounds.

Component Units

No component units have been identified that should have been blended into an appropriate fund or discretely presented within this financial report.

Fund Structure

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity. The fund designation for institutions of higher education is Business-Type Activity within the Proprietary Fund Type.

Proprietary Fund Types

Enterprise Funds

Business type funds are used for activities that are financed through the charging of fees for goods or services to the ultimate user. Institutions of higher education are required to report their financial activities as business type because the predominance of their funding comes through charges to students, sales of goods and services, and grant revenues.

Agency Funds

Agency funds are used to account for assets the college holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Basis of Accounting and Presentation

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The financial statements of TSTC have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary non-exchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary non-exchange transactions. Government-mandated or voluntary non-exchange transactions that are not program specific (such as State appropriations), investment income and interest on capital asset-related debt are included in non-operating revenues and expenses.

Budget and Budgetary Accounting

The budget of the State of Texas is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act). Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Assets

Assets relate to cash and cash equivalents, investments, legislative appropriations, accounts and other receivables, merchandise inventories, and capital and intangible assets.

Cash and Cash Equivalents

Short-term highly liquid investments that are both readily convertible to known amounts of cash and having an original maturity of three months or less are considered cash equivalents. It is the College's policy to exclude items that meet this definition if they are part of an investment pool, which has an investment horizon of one year or greater. Therefore, highly liquid investments that are part of the long-term investment pool are not considered cash and cash equivalents. Additionally, endowments invested in money market accounts are also excluded from cash and cash equivalents, as the intent is to invest these funds for more than one year. Cash held in the State Treasury is considered cash and cash equivalents. Restricted cash and cash equivalents include restricted sources of funds used for construction of capital assets as well as funds held for debt service. The College holds bond proceeds in restricted investment accounts to be disbursed to support capital projects.

Investments

Investments are generally stated at fair value with certain exceptions in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Fair value, which is determined based on quoted market prices, is the amount of which an investment could be exchanged in a current transaction between parties other than in a forced or liquidation sale. Changes in unrealized gain or loss on the carrying value of the investments are reported as a component of investment income. Restricted investments include investments restricted by legal or contractual requirements, including those related to donors and constitutional restrictions.

Short-term investments consist of investments in Texas pooled accounts. The fair value of these funds are measured at amortized cost provided by the pool. The College may withdraw pooled funds on demand. Long-term investments consist of investments exceeding one year from date of purchase, mainly endowed CD's.

Legislative Appropriations

The appropriation of revenues by the Texas Legislature (the Legislature) is in the form of general revenue held in the state treasury until spent. When the Legislature meets during the odd-numbered years, they approve a two-year (biennial) budget for all State agencies. The general revenue appropriation to the College supports the instruction and operations. Appropriations also include payments made by the State on behalf of the System for benefits related to salaries funded by state appropriations. There is no assurance that the Legislature will continue its state appropriations to the System in future years; however, the College expects that the Legislature will continue to do so. Higher Education Funds ("HEF") are general revenue appropriations received from the State designated for the acquisition of certain capital assets and capital projects.

Accounts and Other Receivables

Accounts receivable represent amounts owed to the College from private persons or organizations for goods and services provided. These consist primarily of amounts owed by students for tuition and fees, by sponsors, and by private organizations and federal and state government for grants and contracts. Accounts receivable is recorded net of estimated uncollectible amounts. Federal receivables include federal grants and education scholarships.

Due from Other Agencies include amounts due from state government or private sources in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Lease receivable is calculated as the present value of the lease receipts expected during the lease term. The lessor records a lease receivable and deferred inflow of resources on its financial statements.

Inventories

Inventories include merchandise inventories on hand for sale. Inventories are valued at cost, generally utilizing the last-in, first-out method.

Capital and Intangible Assets

The College follows the State's capitalization policy, which requires capitalization of assets with an initial individual cost of more than $10,000 for equipment items. Buildings, infrastructure, facilities and other assets are capitalized when they meet the following thresholds:

Capital Asset Category	Threshold
Buildings and Building Improvements	$ 100,000
Infrastructure	500,000
Facilities and Other Improvements	100,000
Software (Purchased)	100,000
Software (Internally Developed)	1,000,000

These assets are capitalized at cost or, if donated, at appraised fair value as of the date of acquisition. For leased assets, the College capitalizes in accordance with GASB Statement No. 87, *Leases*, all lease agreements with a net present value of future lease payment per unit exceeding $100,000. For SBITAs, the College capitalizes in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, all SBITA agreements with a net present value of future subscription payments per contract exceeding $500,000.

Purchases of library books are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Outlays for construction in progress are capitalized when incurred. Interest expense related to construction is expensed in accordance with the requirements of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.*

Depreciation are reported on all exhaustible assets. Inexhaustible assets such as works of art and historical treasures are not depreciated. Assets are depreciated over the estimated useful life of the asset using the straight-line method. Depreciation of capital assets is recorded as a periodic expense and accumulated as an offset to the asset book values. Depreciation of capital assets is based on allocation methods and estimated lives as summarized below:

Capital / Intangible Asset Category	Useful Life
Buildings and Building Improvements	15-30 years
Infrastructure	15-30 years
Facilities and Other Improvements	10-23 years
Furniture and Equipment	3-15 years
Vehicles/Airplanes	5-10 years
Software	5 years

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, as amended, requires all intangible not specifically excluded by scope provisions to be classified as capital assets. The College has computer software that meets that criteria. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets is applied to computer software, as applicable.

GASB Statement No. 87, *Leases*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, established accounting and financial reporting standards for the right to use assets. Right to use assets, and the related accumulated amortization, are disclosed separately from other capital assets.

Deferred Outflows of Resources

Deferred outflows of resources relate to unamortized losses on the refunding of debt, and certain amounts related to pensions, and other post-employment benefits (OPEB).

Deferred Outflows of Resources Related to Debt Refunding

For debt refunding, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter, in the Statement of Revenues, Expenses and Changes in Net Position as a component of interest expense.

Deferred Outflows of Resources Related to Pensions

Certain changes in the collective net pension liability of the Teacher Retirement System of Texas (TRS) Plan (TRS Plan) are reported as deferred outflows or as deferred inflows of resources related to pensions, depending on the type of change. The types of deferred outflows of resources related to pensions and their respective accounting treatments are discussed below.

- College contributions subsequent to the measurement date of the collective net pension liability are recognized as a reduction in the net pension liability in the following year.

- The effect on the College's proportionate share of the total pension liability of changes of economic and demographic assumptions or of other inputs that increase the total pension liability is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- The effect on the College's proportionate share of the total pension liability of differences between expected and actual experience that increase the total pension liability is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- Increases in the College's proportion of the collective net pension liability are amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- College contributions during the measurement period that are greater than its proportionate share of total contributions is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- The effect on the College's proportionate share of the collective net pension liability of the difference between expected and actual earnings on investments is amortized as a component of pension expense using the straight-line method over a period of five years.

Deferred Outflows of Resources Related to OPEB

Certain changes in the net OPEB liability of the Employees Retirement System of Texas (ERS) Plan (ERS Plan) are reported as deferred outflows or as deferred inflows of resources related to OPEB, depending on the type of change. The types of deferred outflows of resources related to OPEB and their respective accounting treatments are discussed below.

- College contributions for retirees subsequent to the measurement date of the net OPEB liability are recognized as a reduction in the OPEB liability in the following year.
- The effect on the College's proportionate share of the total OPEB liability of changes of economic and demographic assumptions or of other inputs that increase the total OPEB liability is amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- Increases in the College's proportion of the collective net OPEB liability are amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- College contributions during the measurement period that are greater than its proportionate share of total contributions is amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- The effect on the College's proportionate share of the net OPEB liability of the difference between expected and

- actual earnings on investments is amortized as a component of OPEB expense using the straight-line method over a period of five years.

Liabilities

Liabilities related to accounts and other payables, unearned revenue, revenue bonds payable, employees' compensable leave, lease obligations, subscription obligations, funds held for others, net pension liability, and net OPEB liability.

Accounts and Other Payable

Accounts and other payable represents the liability for the value of assets or services received at the Statement of Net Position date for which payment is pending.

Unearned Revenues

Unearned revenues represent tuition and fees inflows as of the end of the fiscal year which will not be earned until the subsequent fiscal year.

Employees' Compensable Leave Balances

Employees' compensable leave balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the statement of net position. These obligations are normally paid from the same funding source(s) from which each employee's salary or wage compensation was paid.

Capital Lease (Direct Borrowings) / Right to Use Lease Obligations / Right to Use Subscription Obligations

Capital lease obligations represent the liability for future lease payments under capital lease contracts contingent upon the appropriation of funding by the Legislature. Right to use lease obligations and subscription obligations are lease liabilities representing the amount recognized by TSTC, as the lessee, on its financial statements regarding its leases. It is initially measured at the present value of lease payments and is remeasured whenever there is a change in lease payments or lease modification. Liabilities are reported separately as either current or non-current in the Statement of Net Position.

Bonds Payable – General Obligation Bonds and Revenue Bonds

General obligation bonds and Revenue bonds are accounted for in proprietary funds for business-type activities. These payables are reported as either current or non-current in the statement of net position. The bonds are reported at par, net of unamortized premiums, discounts, and gains/(losses) on bond refunding activities.

Funds Held for Others

Funds held for others represent assets held by the College on behalf of others in a purely custodial capacity, including funds owned by various student organizations and temporary holdings of student loan funds prior to disbursing to the students.

Net Pension Liability

The fiduciary net position of the TRS Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the TRS Plan, and additions to/deductions from the TRS Plan's fiduciary net position have been determined on the same basis as they are reported by TRS. Benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach.

Net OPEB Liability

The fiduciary net position of the ERS Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. Benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments of the Other Employee Benefit Trust Fund are reported at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings.

Deferred Inflows of Resources

Deferred inflows of resources relate to leases, pensions, OPEB and PPP.

Deferred Inflows of Resources Related to Leases

The College recognizes a deferred inflow of resources for lessor leases, equal to the lease receivable's initial measurement, plus lease payments received from the lessee at or before lease commencement that relate to future periods. The deferred inflow is systematically reduced over the lease term, corresponding with the recognition of lease revenue.

Deferred Inflows of Resources Related to Pensions

Certain changes in the collective net pension liability of the TRS Plan are reported as deferred outflows of resources related to pensions or as deferred inflows of resources related to pensions, depending on the type of change. The types of deferred inflows of resources related to pensions and their respective accounting treatments are discussed below.

- The effect on the College's proportionate share of the total pension liability of changes of economic and demographic assumptions or of other inputs that decrease the total pension liability is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.

- The effect on the College's proportionate share of the total pension liability of differences between expected and actual experience that decrease the total pension liability is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- Decreases in the College's proportion of the collective net pension liability are amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- College contributions during the measurement period that are less than its proportionate share of total contributions is amortized as a component of pension expense using the straight-line method over the expected average remaining service lives of active and inactive employees.

Deferred Inflows of Resources Related to OPEB

Certain changes in the net OPEB liability of the ERS Plan are reported as deferred outflows of resources related to OPEB or as deferred inflows of resources related to OPEB, depending on the type of change. The types of deferred inflows of resources related to OPEB and their respective accounting treatments are discussed below.

- The effect on the College's proportionate share of the total OPEB liability of changes of economic and demographic assumptions or of other inputs that decrease the total OPEB liability is amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- The effect on the College's proportionate share of the total OPEB liability of differences between expected and actual experience that decrease the total OPEB liability is amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- Decreases in the College's proportion of the total OPEB liability are amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.
- College contributions during the measurement period that are less than its proportionate share of total contributions is amortized as a component of OPEB expense using the straight-line method over the expected average remaining service lives of active and inactive employees.

Deferred Inflows of Resources Related to PPP

The College establishes a deferred inflow of resources related to PPP transactions as the sum of the amount of the initial measurement of the receivable for installment payments, plus PPP payments received from the operator at or before the commencement of the PPP term, plus the amounts for all of the initial measurements of the underlying PPP asset, improvements to the underlying PPP asset, and receivable for the underlying PPP asset.

Net Position

Net position relates to net investment in capital assets, restricted net position, and unrestricted net position.

Net Investment in Capital Assets

Net Investment in capital assets consists of capital, leased, and right to use assets, net of accumulated depreciation or amortization, and unspent bond proceeds reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Position

Restricted net position primarily consists of permanent investments subject to restrictions externally imposed by creditors, grantors and contributors, or imposed by law through constitutional provisions or enabling legislation. Restricted nonexpendable net position is subject to externally imposed stipulations that require the amounts be maintained in perpetuity by the College. Such assets include the College's permanent endowment funds.

Restricted expendable net position is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire with the passage of time.

Unrestricted Net Position

Unrestricted net position consists of net resources that do not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management but can be removed or modified.

Revenues and Expenses

Revenues and expenses relate to operating revenues and expenses, scholarships and allowances and student aid, and nonoperating revenues and expenses.

Operating Revenues and Expenses

Operating revenues include activities such as tuition and fees, net of discounts and allowances; sales and services of auxiliary enterprises; most federal, state, and local grants and contracts; and interest income earned from operating activities. Operating revenues are classified as pledged to the extent that they are pledged as security for the College's bonded debt service. Non-pledged revenues consist of revenues that are not lawfully available to the College to be used for payments on bonded debt service.

Operating expenses include cost of goods sold, salaries and wages, payroll related costs, professional fees and services, travel, materials and supplies, communications and utilities, repairs and maintenance, rentals and leases, printing and reproduction, depreciation and amortization, and scholarships and fellowships.

Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements as prescribed by the National Association of College and University Business Officers ("NACUBO").

Certain aid (student loans, funds provided to students as awarded by third parties, and Federal Direct Lending) is accounted for as third-party payments (credited to the student's account and reported as revenue as if the student made the payment). All other aid is reflected in the financial statements either as operating expense or as scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

Historically, due to the implementation of GASB 34/35, an allocation methodology was adopted and used to estimate the discount associated with student tuition and fees revenue. The allocation was based on pooled student refunds within the fiscal year. The use of refunds as a basis for the discount allocation introduced non-discountable transactions into the estimation which reduced the accuracy of the final discount amounts.

TSTC transitioned student accounting functionality to Workday Student for fiscal year 2025, and this enterprise system advancement created the capacity for more accurate reporting on student accounting and financial aid activity. This change has enabled a new methodology based on reports that identify each discountable transaction per student and per semester, and no longer relies on estimates. The new calculation methodology for tuition and fees discounting was adopted in fiscal year 2025. The Discounts and Allowances and the Scholarships and Fellowships line items within the Statement of Revenues, Expenses, and Changes in Net Position are affected by the described changes in methodology.

Nonoperating Revenues and Expenses

Non-operating revenues include activities such as State appropriations, federal student financial aid, insurance recoveries on property claims, and investment income. Non-operating expenses include activities such as interest expense on capital asset financing and expenses on capital assets not meeting the capitalization thresholds set by the State.

The appropriations of revenues by the Texas Legislature (Legislature) is in the form of general revenues. The Legislature meets every odd numbered year and approves a two-year budget (biennial) for all State agencies. The general revenue appropriations to the College supports the instruction, research and operation of the College. Appropriations also include payments made by the State on behalf of the College for benefits related to salaries funded by State appropriations. There is no assurance that the Legislature will continue its appropriations to the College in future years; however, the College expects that the Legislature will continue to do so.

Income Taxes

As a state institution of higher education, the income of the College is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the College is subject to federal income tax on any unrelated business taxable income.

Upcoming Accounting Pronouncements

- GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement under a unified model and amending certain previously required disclosures. This statement was implemented in fiscal year 2025 and did not have any material impact on the College's financial statements. See Note 5 for disclosures relating to this GASB.
- GASB Statement No. 102, *Certain Risk Disclosures*, requires state and local governments to disclose risks related to concentrations (lack of diversity in significant resource flows) and constraints (limitations imposed by external or internal forces) that could significantly impact their ability to provide services or meet obligations. Governments must assess whether these risks are likely to cause a substantial impact within 12 months of the financial statement date and disclose relevant details, including the nature of the risk, associated events, and any mitigation actions taken. This statement was implemented in fiscal year 2025 and did not have any material impact on the College's financial statements.
- GASB Statement No. 103, *Financial Reporting Model Improvements*, aims to enhance government financial reporting by refining key components of the financial reporting model. It requires improvements to Management's Discussion and Analysis (MD&A), including more focused explanations of financial changes, and mandates the separate presentation of unusual or infrequent items in the financial statements. The statement also clarifies the definitions of operating and nonoperating revenues and expenses for proprietary funds and requires the separate presentation of major component units and budgetary comparison information with detailed variances and explanations. This statement will be implemented in fiscal year 2026 or earlier if the State chooses to implement standard early. The College anticipates minimal impact to the financial statements.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets,* improves the transparency of capital asset reporting by requiring state and local governments to separately disclose specific asset types, such as lease assets, intangible right-to-use assets, and subscription-based assets, in the notes to financial statements. Additionally, governments must disclose capital assets held for sale, including their ending balance, historical cost, accumulated depreciation, and any related debt pledged as collateral. Effective for fiscal years beginning after June 15, 2025, with earlier adoption encouraged, this Statement aims to enhance financial reporting by providing users with consistent, relevant information that improves comparability across governments. This statement will be implemented in fiscal year 2026 or earlier if the State chooses to implement standard early. The College anticipates minimal impact to the financial statements.

Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2025 is presented below:

	Balance 9/1/2024	Adjustments
Non-depreciable or Non-amortizable Assets		
Land and Land Improvements	$ 38,682,662.44	$ -
Construction in Progress	76,679,122.96	-
Other Tangible Capital Assets	1,234,611.83	-
Total Non-depreciable/Non-amortizable Assets	116,596,397.23	-
Depreciable Assets		
Buildings and Building Improvements	$ 332,611,347.49	$ 23,965,518.00
Infrastructure	40,142,402.71	-
Facilities and Other Improvements	7,255,687.98	-
Furniture and Equipment	82,339,454.66	-
Vehicle, Boats and Aircraft	14,490,621.11	-
Other Capital Assets	1,344,844.02	-
Total Depreciable Assets	478,184,357.97	23,965,518.00
Less Accumulated Depreciation for:		
Buildings and Building Improvements	$ (176,806,706.68)	$ (2,069,749.28)
Infrastructure	(14,451,413.64)	-
Facilities and Other Improvements	(4,887,182.86)	-
Furniture and Equipment	(54,255,648.80)	-
Vehicles, Boats and Aircraft	(10,011,557.46)	-
Other Capital Assets	(499,688.94)	-
Total Accumulated Depreciation	(260,912,198.38)	(2,069,749.28)
Depreciable Assets, Net	217,272,159.59	21,895,768.72
Amortizable Assets - Intangible		
Computer Software	$ 621,183.20	$ -
Total Amortizable Assets - Intangible	621,183.20	-
Less Accumulated Amortization for:		
Computer Software	$ (256,350.60)	$ -
Total Accumulated Amortization	(256,350.60)	-
Amortizable Assets - Intangible, Net	364,832.60	-
Business-Type Activities Capital Assets, Net	$ 334,233,389.42	$ 21,895,768.72

Completed CIP	Additions	Deletions	Balance 8/31/2025
	$ 61,003,214.26	$ -	$ 99,685,876.70
(43,086,469.40)	142,005,692.58		175,598,346.14
		-	1,234,611.83
(43,086,469.40)	203,008,906.84	-	276,518,834.67
$ 42,688,469.40	$ 2,699,523.57	$ (199,450.00)	$ 401,765,408.46
-			40,142,402.71
			7,255,687.98
	11,447,044.46	(2,160,889.40)	91,625,609.72
398,000.00	2,629,163.37	(700,506.52)	16,817,277.96
	220,951.20	(281,002.70)	1,284,792.52
43,086,469.40	16,996,682.60	(3,341,848.62)	558,891,179.35
$ -	$ (12,342,281.90)	$ 189,477.05	$ (191,029,260.81)
-	(1,567,554.77)	-	(16,018,968.41)
-	(287,661.78)	-	(5,174,844.64)
-	(6,854,255.87)	2,136,980.64	(58,972,924.03)
-	(1,088,466.72)	679,500.55	(10,420,523.63)
-	(269,935.55)	234,661.54	(534,962.95)
-	(22,410,156.59)	3,240,619.78	(282,151,484.47)
43,086,469.40	(5,413,473.99)	(101,228.84)	276,739,694.88
$ -	$ -	$ (22,325.00)	$ 598,858.20
-	-	(22,325.00)	598,858.20
$ -	$ (81,499.80)	$ 22,325.00	$ (315,525.40)
-	(81,499.80)	22,325.00	(315,525.40)
-	(81,499.80)	-	283,332.80
$ -	$ 197,513,933.05	$ (101,228.84)	$ 553,541,862.35

In accordance with the implementation of GASB Statement No. 87, *Leases* and GASB Statement No. 96, *SBITA*, leased assets are presented separately. A summary of changes in intangible right to use (RTU) assets for the year ended August 31, 2025 is presented below:

	Balance 9/1/2024	Additions	Deletions	Balance 8/31/2025
Amortizable Assets - Intangible				
Land	$ 881,353.24	$ -	$ (881,353.24)	$ -
Buildings and Building Improvements	1,057,091.17	-	(167,580.05)	889,511.12
Furniture and Equipment	215,287.52	-	-	215,287.52
Subscription Assets	14,294,341.64	5,939,534.38	(2,114,343.05)	18,119,532.97
Total Amortizable Intangible RTU Assets	$ 16,448,073.57	$ 5,939,534.38	$ (3,163,276.34)	$ 19,224,331.61
Less Accumulated Amortization for:				
Land	$ (330,507.48)	$ -	$ 330,507.48	$ -
Buildings and Building Improvements	(505,821.71)	(152,995.20)	162,343.17	(496,473.74)
Furniture and Equipment	(17,931.17)	(43,057.56)	-	(60,988.73)
Subscription Assets	(5,395,370.28)	(3,188,601.79)	2,114,343.05	(6,469,629.02)
Total Accumulated Amortization RTU Assets	$ (6,249,630.64)	$ (3,384,654.55)	$ 2,607,193.70	$ (7,027,091.49)
Business-Type Activities, RTU Assets, Net	**$ 10,198,442.93**	**$ 2,554,879.83**	**$ (556,082.64)**	**$ 12,197,240.12**

Note 3: Deposits, Investments and Repurchase Agreements

Deposits

As of August 31, 2025, the carrying amount of deposits was $13,435,798.23 as presented below.

Cash in Bank - Carrying Amount	**$** 13,746,587.13
Less: Certificates of Deposit included in Current Short-Term Investments	(10,000.00)
Less: Certificates of Deposit included in Non-Current Restricted Short-term Investments	(300,788.90)
Cash in Bank per Statement of Net Position	**$ 13,435,798.23**

Current Unrestricted Assets - Cash in Bank	**$** 8,814,583.64
Current Restricted Assets - Cash in Bank	4,305,203.14
Noncurrent Restricted Assets - Cash in Bank	316,011.45
Total	**$ 13,435,798.23**

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure of a depository financial institution, TSTC will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. TSTC's bank accounts are secured by FDIC and collateral pledged. TSTC has no deposits that are at risk of recovery due to the failure of a depository financial institution. As of August 31, 2025, the College's total bank balance was $12,595,310.50.

Investments

Texas State Technical College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Tex. Gov't Code Ann. Sec 2256.001) and the Uniform Prudent Management of Institutional Funds Act (Tex. Property Code Sec. 163.001) following the "prudent person rule". 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. There were no significant violations of legal provisions during the period.

TSTC values its investments at fair value. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is an exit price at the measurement date from the perspective of market participant that holds the asset. This is a market-based measurement. As of August 31, 2025 the College does not have any recurring fair value measurements. The following investments are measured at amortize cost, which is equivalent to fair market value:

8/31/2025	**Amortized Cost**
Other Commingled Funds (TexasTERM – TexasDAILY)	$ 143,527,507.03
Total Investments	**$ 143,527,507.03**

Reconciliation of Investments to Statement of Net Position	
Current Unrestricted Assets - Short-term Investments	$ 24,865,318.27
Current Restricted Assets - Short-term Investments	118,662,188.76
Add: Certificates of Deposit disclosed as deposits but reported as Current Short-term Investments	10,000.00
Add: Certificates of Deposit disclosed as deposits but reported as Noncurrent Restricted Short-term Investments	300,788.90
Total Investments Per Statement of Net Position	**$ 143,838,295.93**

Custodial Credit Risk - custodial credit risk for investments is the risk that the College will not be able to recover the value of its investments in the event of a counterparty failure. The College uses third-party banks' custody and safekeeping services for its investment securities. Securities are held in custody at third-party banks registered in the name of the College and are segregated from securities owned by those institutions or held in custody by those institutions.

Credit Risk - the College's investment policy seeks to control credit risk by investing in compliance with the policy, qualifying the broker and financial institution with whom the College will transact, sufficient collateralization, portfolio diversification and limiting maturity. The College's investment policy limits the types of investment instruments that may be purchased by the College.

Concentration of Credit Risk - the College's investment policy requires the portfolio to be structured with diversification and securities that have a high credit rating and are liquid in nature.
The College places no limit on the amount the College may invest in any one issuer, however, the College manages exposure to concentration of credit risk through diversification.

Interest Rate Risk - as a means of minimizing risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the College funds. This is accomplished by purchasing quality, short-to-medium term securities that will complement each other in a laddered or barbell maturity structure. Currently, all investments of the College mature within one year.

Foreign Currency Risk – the College does not engage in any deposit or investment transactions involving foreign currency.

Note 4: Short Term Debt

TSTC does not have any short term debt.

Note 5: Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2025, the following changes occurred in long-term liabilities:

	Balance 9/1/2024	Restatements/ Adjustments	Additions	Reductions	Balance 8/31/2025	Amounts Due Within One Year	Amounts Due Thereafter
General Obligation Bonds Payable	$ 6,102,239.21	$ (402,239.21)	$ -	$ (2,785,000.00)	$ 2,915,000.00	$ 2,915,000.00	$ -
Revenue Bonds Payable	351,729,450.77	(752,950.19)	50,195,000.00	(12,890,000.00)	388,281,500.58	15,389,846.54	372,891,654.04
Revenue Bonds - Direct Borrowings	21,780,000.00	-	-	(2,880,000.00)	18,900,000.00	2,955,000.00	15,945,000.00
Total Bonds Payable	**379,611,689.98**	**(1,155,189.40)**	**50,195,000.00**	**(18,555,000.00)**	**410,096,500.58**	**21,259,846.54**	**388,836,654.04**
Right to Use Lease Obligations	$ 1,396,257.79	$ -	$ -	$ (795,647.98)	$ 600,609.81	$ 188,734.56	$ 411,875.25
Right to Use Subscription Obligations	6,715,810.85	-	5,939,534.38	(2,413,274.91)	10,242,070.32	1,967,330.52	8,274,739.80
Capital Lease - Direct Borrowings	21,139,493.39	-	5,010,026.05	(1,175,680.67)	24,973,838.77	1,032,973.90	23,940,864.87
Employees' Compensable Leave	8,261,114.34	32,041.50	7,046,830.85	(6,664,987.85)	8,674,998.84	1,127,038.27	7,547,960.57
Net Pension Liability	17,116,455.00	-	-	(2,512,472.00)	14,603,983.00	-	14,603,983.00
Net OPEB Liability	61,371,560.00	-	-	(8,038,631.00)	53,332,929.00	2,512,207.00	50,820,722.00
Total Long-Term Liabilities	**$ 495,612,381.35**	**$ (1,123,147.90)**	**$ 68,191,391.28**	**$ (40,155,694.41)**	**$ 522,524,930.32**	**$ 28,088,130.79**	**$ 494,436,799.53**

The adjustments in the above table include the amortization of bond premiums.

Revenue Bonds Payable – Direct Borrowings

Scheduled principal and interest payments for revenue bonds payable – direct borrowings outstanding as of August 31, 2025 are as follows:

Year	Principal	Interest	Total
2026	$ 2,955,000.00	$ 440,789.25	$ 3,395,789.25
2027	3,030,000.00	365,079.00	3,395,079.00
2028	3,110,000.00	287,408.00	3,397,408.00
2029	3,185,000.00	207,776.25	3,392,776.25
2030	3,270,000.00	126,120.50	3,396,120.50
2031	3,350,000.00	42,377.50	3,392,377.50
Total	$ 18,900,000.00	$ 1,469,550.50	$ 20,369,550.50

See further information on these bonds in Note 6, *Bonded Indebtedness*.

Revenue Bonds Payable and General Obligation Bonds Payable

Revenue Bonds payable and General Obligation Bonds payable obligations are described in Note 6, *Bonded Indebtedness*.

Capital Lease – Direct Borrowings

Texas State Technical College has entered into long-term leases for financing the purchase of certain capital assets. Such leases are classified as capital leases – direct borrowings for accounting purposes and are recorded at the present value of the future minimum lease payments at the inception of the lease. The future minimum lease payments under these capital leases as of August 31, 2025 are as follows:

Year	Principal	Interest	Total
2026	$ 1,008,507.69	$ 983,202.31	$ 1,991,710.00
2027	1,081,054.83	910,655.17	1,991,710.00
2028	1,121,020.79	870,689.21	1,991,710.00
2029	1,166,083.96	825,626.04	1,991,710.00
2030	1,211,110.11	780,599.89	1,991,710.00
2031-2035	6,792,574.21	3,165,975.80	9,958,550.01
2036-2040	6,969,610.16	1,771,913.71	8,741,523.87
2041-2045	5,623,877.02	548,697.15	6,172,574.17
Total	$ 24,973,838.77	$ 9,857,359.28	$ 34,831,198.05

The financing leases are secured by the underlying assets being leased.

Claims and Judgments

TSTC has no outstanding liabilities for claims or judgments as of August 31, 2025.

Pollution Remediation Obligations

Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishes accounting and reporting guidelines for the recognition and measurement of pollution remediation obligation (liabilities). During fiscal year 2025, TSTC incurred expense totaling $44,244.62 for mold remediation. There are no additional expenses for the abatement of asbestos expected in fiscal year 2026.

Employees' Compensable Leave

Full-time State employees earn annual leave from eight to twenty-one hours per month depending on the respective employee's years of State employment. The State's policy is that an employee may carry his/her accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 532 for those employees with 35 or more years of State service. Employees with at least six months of State service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The College recognizes the accrued liability for the unpaid annual leave in the Statement of Net Position.

This obligation is usually paid from the same funding source(s) from which the employee's salary or wage compensation was paid. For the year ended August 31, 2025, the accrued liability totaled $8,674,998.84.

The College made lump sum payments totaling $920,703.06 for accrued vacation and/or compensatory time to employees who separated from State service during fiscal year ending August 31, 2025.

Employees' Sick Leave

Employees accrue sick leave from the first day of employment through the last day of duty (the last day the employee actually worked). A full-time employee accrues eight hours of sick leave on the first day of each month worked. There is no limitation on the amount to be carried forward into the next fiscal year. Once state employment is terminated, the employee is not entitled to payment for any sick leave accrued.

According to GASB Statement No. 101, *Compensated Absences*, the College is required to accrue for sick leave that has accumulated and is likely to be used, even though the employee will never be eligible for a termination payment related to unused sick leave. For financial accounting and reporting purposes, sick leave taken first comes out of hours earned in the current fiscal year, Last-In First-Out (LIFO) flows assumption, with calculations made at fiscal year-end.

The calculation is performed at each reporting date to evaluate the need for a compensated absences sick leave liability. For the fiscal year ended August 31, 2025, the College determined that, on an institutional basis, hours earned exceeded hours taken; accordingly, no liability was recorded.

Net Pension Liability

See Note 1, *Summary of Significant Accounting Policies*, and Note 9, *Defined Benefit Pension Plan and Defined Contribution Plan*, for more information on the Net Pension Liability.

Net OPEB Liability

See Note 1, *Summary of Significant Accounting Policies*, and Note 11, *Postemployment Benefits Other Than Pensions*, for more information on the Net OPEB Liability.

Note 6: Bonded Indebtedness

Detailed supplemental bond information is disclosed in: Schedule 2A, Miscellaneous Bond Information; Schedule 2B, Changes in Bonded Indebtedness; Schedule 2C, Debt Service Requirements; and Schedule 2D, Analysis of Funds Available for Debt Service.

General information related to general obligation bonds and revenue bonds outstanding as of August 31, 2025, is summarized below.

General Obligation Bonds

Constitutional Appropriation Bonds, Series 2016

- To pay costs of issuance and to acquire, purchase, construct, improve, renovate, enlarge or equip property, buildings structures, facilities, and related infrastructure at some or all of the System's campuses, including (1) replace the chiller plant at the Harlingen campus; (2) replace water and sewer infrastructure at the Waco campus; (3) renovate the third floor of the J. B. Connally Building for System administration at the Waco campus;

(4) make HVAC improvements (including certain replacements) at most or all campuses; (5) make communication infrastructure and IT network infrastructure improvements at most or all campuses; and (6) renovate buildings at some or all campuses including at the Sweetwater campus to expand the welding and diesel programs.

- Issued 04-27-2016
- $23,680,000.00, all authorized bonds have been issued
- Source of revenues for debt service – General Revenue Funds (HEAF) Appropriations
- Interest rates range between 4.00-5.00 percent
- Future debt service requirements on General Obligation Bonds is summarized in the table below:

Year		General Obligation Bonds Principal		General Obligation Bonds Interest		Total
2026	$	2,915,000.00	$	58,300.00	$	2,973,300.00
Total	$	2,915,000.00	$	58,300.00	$	2,973,300.00

Revenue Bonds

Revenue Financing System Improvement and Refunding Bonds, Series 2016

- (1) To finance the costs of acquiring, purchasing, constructing, improving, enlarging and equipping the following projects within the TSTC System: (A) construction of an industrial technology center associated with the System's Abilene campus, (B) Phase II of the Engineering Technology Center renovation at the System's Harlingen campus, (C) construction of the Fort Bend Campus Building #2 at the System's Fort Bend campus, and (D) purchase and renovation of the North Texas Technology Center at the System's North Texas Campus; (2) to refund $1,250,000.00 of outstanding Series 2008 Revenue Bonds and $19,190,000.00 of outstanding Series 2009 Revenue Bonds; and (3) to pay the costs of issuing the bonds.
- Issued 04-28-2016
- $56,915,000.00, all authorized bonds have been issued
- Sources of revenues for debt service – General Revenue Funds specifically appropriated for debt service and all legally available non-General Revenue Funds of the System.
- Interest rates noted below in the "Current and Advance Refunding Bonds" section

Revenue Financing System Improvement Bonds, Series 2020

- To finance the costs of acquiring, purchasing, constructing, improving, enlarging and equipping the property and facilities within the System and paying the costs of issuing the bonds.
- Issued 06-01-2020
- $30,000,000.00, all authorized bonds have been issued
- Source of revenues for debt service – all legally available non-General Revenue Funds of the System.
- Interest rate is 2.53 percent

Revenue Financing System Refunding Bonds Series 2022

- To refund $15,665,000.00 of outstanding Series 2011 Revenue Financing System Improvement and Refunding Bonds and (2) $3,075,000.00 of outstanding Series 2011A Revenue Financing System Bonds; and (3) to pay the costs of issuing the bonds.
- Issued 03-11-2022
- $18,935,000.00, all authorized bonds have been issued
- Source of revenues for debt service – all legally available non-General Revenue Funds of the System.
- Interest rate is 2.31 percent
- More information pertaining to this current refunding noted below in the "Current and Advance Refunding Bonds" section.

Revenue Financing System Refunding Bonds Series 2022A

- (1) To finance the costs of acquiring, purchasing, constructing, improving, enlarging and equipping the following projects within the TSTC System: (A) East Williamson County Higher Education Expansion, (B) Fort Bend Campus Expansion, (C) Waco Campus Expansion, (D) Harlingen Campus Expansion, (E) Marshall Campus Expansion (F) Abilene Campus Expansion, (G) Fort Bend Land Purchase (H) Harlingen Campus Expansion New Construction (I) Harlingen Campus Expansion (Renovation) and (J) Waco – EDA Grant Project Supplement; and (2) to pay the costs of issuing the bonds.
- Issued 10-25-2022
- $298,750,000.00, all authorized bonds have been issued
- Sources of revenues for debt service – General Revenue Funds specifically appropriated for debt service and all legally available non-General Revenue Funds of the System.
- Interest rates range between 5.00-6.00 percent

Revenue Financing System Improvement Bonds Series 2024

- (1) To finance the costs of acquiring, purchasing, constructing, improving, enlarging and equipping the following projects within the TSTC System: (A) East Williamson County Higher Education Expansion, (B) North Campus Expansion, and (2) to pay the costs of issuing the bonds.
- Issued 10-08-2024
- $50,195,000.00, all authorized bonds have been issued
- Sources of revenues for debt service – General Revenue Funds specifically appropriated for debt service and all legally available non-General Revenue Funds of the System.
- Interest rate is 4.38 percent

Future debt service requirements on Total Revenue Bonds is summarized in the table below:

Year	Revenue Financing Bonds Principal	Revenue Financing Bonds Interest	Total
2026	$ 17,505,000.00	$ 19,161,152.01	$ 36,666,152.01
2027	18,285,000.00	18,397,397.76	36,682,397.76
2028	19,100,000.00	17,597,714.26	36,697,714.26
2029	19,905,000.00	16,760,623.01	36,665,623.01
2030	20,760,000.00	15,908,510.76	36,668,510.76
2031-2035	117,440,000.00	66,286,241.30	183,726,241.30
2036-2040	76,495,000.00	41,409,370.63	117,904,370.63
2041-2045	48,525,000.00	20,532,225.00	69,057,225.00
2046-2050	25,000,000.00	14,084,137.50	39,084,137.50
2051-2054	27,090,000.00	4,182,300.00	31,272,300.00
Total	$ 390,105,000.00	$ 234,319,672.23	$ 624,424,672.23

Current and Advance Refunding Bonds

Refunded $1,250,000.00 of Revenue Bonds, Series 2008 and $19,190,000.00 of Revenue Bonds, Series 2009:

- Issued Revenue Bonds – Refunding portion of Series 2016 on 04-28-2016
- $19,330,000.00 – all authorized bonds have been issued. $1,220,000.00 pertained to the Series 2008 Bonds and $18,110,000.00 pertained to the Series 2009 Bonds
- Average interest rate of bonds refunded – 4.56 percent combined
- Series 2008 Bonds – 4.45 percent
- Series 2009 Bonds – 4.56 percent
- Net proceeds from Refunding Portion of Series 2016 – $22,902,819.87 – after payment of $236,971.53 in underwriting fees, issuance and other costs. The net proceeds were used to purchase $22,902,548.69 of U. S. Government securities, with the remaining $271.18 held in cash. These net proceeds were deposited in a special escrow account with an escrow agent to provide for all remaining future debt payments on the refunded Series 2008 and Series 2009 bonds.
- Advance refunding of the callable portions of the Series 2008 and Series 2009 Revenue Bonds reduced the System's debt service payments during fiscal years 2016 through 2030 by $2,105,675.15. Of this amount, a total of $98,134.72 pertained to the Series 2008 bonds and a total of $2,007,540.43 pertained to the Series 2009 Bonds.
- Economic Gain - $1,340,960.00 difference between the net present value of the old and new debt service payments. Of this amount, a total of $65,385.65 pertained to the Series 2008 bonds and a total of $1,275,574.35 pertained to the Series 2009 bonds.
- Accounting Gain - $2,105,675.15 accounting gain resulted from the advance refunding. Of this amount, a total of $98,134.72 pertained to the Series 2008 bonds and a total of $2,007,540.43 pertained to the Series 2009 bonds.

Refunded $15,665,000.00 of Revenue Bonds, Series 2011 and $3,075,000.00 of Revenue Bonds, Series 2011A:

- Issued Revenue Financing System Refunding Bonds, Series 2022 on 03-11-2022 to current refund $18,740,000.00 principal amount of Revenue Bonds, Series 2011 and 2011A
- $18,935,000.00 – all authorized bonds have been issued. $15,830,000.00 pertained to the Series 2011 Bonds and $3,105,000.00 pertained to the Series 2011A Bonds
- Net proceeds related to the issuance were $18,843,202.25, which represents the principal amount of the Series 2022 Bonds of $18,935,000.00, less cost of issuance of $90,000.00, and additional proceeds of $1,797.75 received as a cash deposit.
- The refunded bonds are considered fully defeased and the liability of these bonds have been removed from the statement of net position and replaced with the Series 2022 Revenue Financing System Bonds.
- Economic Gain - $2,966,837.89 difference between the net present value of the old and new debt service payments. Of this amount, a total of $2,753,891.47 pertained to the Series 2011 bonds and a total of $212,946.42 pertained to the Series 2011A bonds.
- Accounting Gain - $3,501,247.52 accounting gain resulted from the advance refunding. Of this amount, a total of $3,264,569.50 pertained to the Series 2011 bonds and a total of $236,678.02 pertained to the Series 2011A bonds.

Pledged Future Revenues

GASB Statement No. 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues,* makes a basic distinction between sales of receivables and future revenues, on the one hand, and the pledging of receivables or future revenues to repay a borrowing (a collateralized borrowing), on the other. The following table provides the pledged future revenue information for TSTC revenue bonds:

Pledged revenue required for future principal and interest on existing revenue bonds (1)	$	624,424,672.23
Term of commitment year ending August 31 (2)		2054
Percentage of revenue pledged (3)		100%
Current year pledged revenue	$	87,533,914.42
Current year principal and interest paid	$	35,208,696.04

Pledged revenue sources: Business-type activities – tuition and fees, auxiliary enterprises, sales and services of educational activities, contracts and grants for debt service retirement, and interest and investment income.

(1) Schedule 2C.
(2) Year of final revenue bond maturity.
(3) For gross pledge, this is 100 percent (gross pledged revenue divided by gross pledged revenue). See Schedule 2D.

Note 8: Leases and Subscription-Based Information Technology Arrangements (SBITAs)

GASB Statement No.87, *Leases* (GASB 87), defines a lease as a contract that conveys control of the right to use of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. This statement was implemented in 2022. The lease term (including periods where there is a reasonable certainty of an extension) must exceed one year in order to be considered for this accounting treatment. The materiality threshold for the State of Texas for these leases is the Net Present Value in excess of $100,000.

According to GASB 87, at the inception of the lease, the lessee recognizes a right to use asset and related liability based upon fair market value of the lease payments using the rate presented in the lease or the market rate at the inception of the lease. Lease payments are recorded as a reduction of the liability and interest expense. The leased asset is also amortized over the life of the lease. As the lessor, a lease receivable and deferred inflow of resources is recognized based upon fair market value of the lease income using the rate presented in the lease or the market rate at the inception of the lease. Lease income is recognized as a reduction to lease receivable, deferred inflow of resources, and interest income.

TSTC as Lessee

TSTC entered into various leases for land and buildings. These agreements range in terms up to 2029. In 2025, total lease payments were $220,437.70.

Future minimum lease payments under GASB 87 as of August 31, 2025 were as follows:

Year		Principal		Interest		Total Lease Payment
2026	$	188,734.56	$	20,470.40	$	209,204.96
2027		201,865.32		13,117.20		214,982.52
2028		164,201.14		5,275.24		169,476.38
2029		45,808.79		437.25		46,246.04
Total Future Minimum Lease Payments	$	600,609.81	$	39,300.09	$	639,909.90

TSTC has various leases for buildings and equipment that do not meet the requirements of GASB 87. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance, therefore, these payments are not included in the RTU assets or lease liabilities. Included in rental expense for these leases not meeting the GASB 87 requirements was $2,730,430.10 for the year ended August 31, 2025.

TSTC as Lessor

TSTC entered into agreements to lease certain buildings to outside third parties. The agreements have lease terms that expire in various years through 2048. In 2025, the total RTU lease income was $1,309,443.89.

Future minimum lease income under non-cancellable leases of buildings and land leased to outside parties are as follows:

Year		Principal		Interest		Total Lease Income
2026	$	1,126,032.25	$	171,662.02	$	1,297,694.27
2027		959,771.85		143,777.06		1,103,548.91
2028		916,806.53		123,437.37		1,040,243.90
2029		882,221.74		103,455.26		985,677.00
2030		813,438.64		84,843.14		898,281.78
2031-2035		2,478,820.29		252,880.50		2,731,700.79
2036-2040		622,875.39		146,381.05		769,256.44
2041-2045		726,703.51		79,918.70		806,622.21
2046-2048		359,028.01		12,039.46		371,067.47
Total Future Minimum Lease Income	$	8,885,698.21	$	1,118,394.56	$	10,004,092.77

TSTC entered into some leases that call for variable payments, therefore, these payments are not included in lease receivables or deferred inflows of resources. Total revenue earned from variable lease payments was $834,626.51.

Subscription-Based Information Technology Arrangements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA) (GASB 96), defines a lease as a contract that conveys control of the right to use of another entity's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. This statement was implemented in 2023. The lease term (including periods where there is a reasonable certainty of an extension) must exceed one year in order to be considered for this accounting treatment. The materiality threshold for the State of Texas for these leases is the Net Present Value in excess of $500,000.

According to GASB 96, at the inception of the lease, the lessee recognizes a right to use subscription asset and related subscription liability based upon fair market value of the lease payments using the rate presented in the lease or the market rate at the inception of the lease. Lease payments are recorded as a reduction of the subscription liability and interest expense. The subscription asset is also amortized over the life of the subscription term.

TSTC entered into various agreements for IT subscriptions. These agreements range in terms up to year 2030. In 2025, total lease payments were $2,665,042.00.

Future minimum lease payments under GASB 96 as of August 31, 2025 were as follows:

Year		Principal		Interest		Total SBITA Payment
2026	$	1,967,330.52	$	446,081.48	$	2,413,412.00
2027		2,134,148.98		371,486.02		2,505,635.00
2028		2,129,803.55		276,751.85		2,406,555.40
2029		1,925,477.30		181,718.70		2,107,196.00
2030		2,085,309.97		94,222.03		2,179,532.00
Total Future Minimum SBITA Payments	$	10,242,070.32	$	1,370,260.08	$	11,612,330.40

Variable payments based upon the use of the underlying IT asset are not included in the subscription liability because they are not fixed in substance, therefore, these payments are not included in RTU assets or subscription liabilities. Included in rental expense for software subscriptions either not meeting the threshold or variable in nature total $1,297,770.20 for the year ended August 31, 2025.

Capital Leases

TSTC's long-term capital leases are finance-type leases, therefore classified as Capital Lease Obligations – Direct Borrowings, with the implementation of GASB Statement No. 88, *Certain Disclosures Related to Debt*, *including Direct Borrowings and Direct Placements*. See Note 5, *Long-Term Liabilities*, for disclosures relating to finance-type capital leases.

A summary of original capitalized costs of all such property under the lease in addition to the accumulated depreciation as of August 31, 2025 is presented below.

Class of Property	Assets under Capital Lease	Accumulated Depreciation	Total
Building	$ 27,365,548.07	$ (3,888,737.11)	$ 23,476,810.96
Capital Equipment	638,572.48	(31,662.50)	606,909.98
Totals	**$ 28,004,120.55**	**$ (3,920,399.61)**	**$ 24,083,720.94**

Note 9: Defined Benefit Pension Plan and Defined Contribution Plan

Teacher Retirement System (Defined Benefit Pension Plan)

<u>*Plan Description*</u>

TSTC participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation for certain employers whereby the State contributes to the plan on behalf of those specific employers. The College is not one of those employers and is therefore not subject to the special funding situation provisions of GASB Statement No. 68. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan 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 IRC. 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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the College.

Benefits Provided

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members' average annual compensation and years of service credit.

The standard annuity is 2.3 percent of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic cost of living adjustments (COLAs).

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to retirees. The pension became actuarially sound in May 2019 when the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provided gradual contribution increases from the state, participating employers, and active employees for the fiscal years 2019 through 2024. In addition, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc COLA.

The stipend was paid in September 2023 to annuitants who met the qualifying age requirement on or before August 31, 2023:

- One-time stipend of $7,500 to eligible annuitants 75 years of age or older
- One-time stipend of $2,400 to eligible annuitants age 70 to 74

The COLA, which needed (and received) voter approval, was applied to eligible annuitant payments beginning with the January 2024 payment. The COLA was based on retirement date:

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020
- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013
- 6% COLA for eligible retirees who retired on or before August 31, 2001

Otherwise, there have been no changes to the benefit provisions of the plan since the prior measurement date.

Contributions

Contribution requirements are established or amended pursuant to *Article* 16, *Section* 67 of the *Texas Constitution*, which requires the Legislature to establish a member contribution rate of not less than 6.00% of the member's annual compensation and a state contribution rate of not less than 6.00% and not more than 10.00% of the aggregate annual compensation paid to members of the System during the year. *TGC Section* 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

During the measurement period of 2024 for fiscal 2025 reporting, TSTC's contributions recognized by the plan were $1,347,298.00 The contribution rates are based on a percentage of the monthly gross compensation for each member. The contribution requirements for the state and the members in the measurement period are presented in the table below:

	TRS Plan
Employer	8.25%
Employees	8.25%

Actuarial Methos and Assumptions

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of August 31, 2024 measurement date.

	TRS Plan
Actuarial Methods:	
Actuarial valuation date	August 31, 2023 rolled forward to August 31, 2023
Actuarial cost method	Individual entry age normal
Amortization method	Level percentage of payroll, floating
Asset valuation method	Fair Market
Actuarial Assumptions:	
Discount Rate	7.00%
Long-term Expected Rate of Return	7.00%
Municipal Bond Rate as of August 2020	3.87%[1]
Inflation	2.30%
Salary Increase	2.95% to 8.95% including inflation
Mortality:	
Active	PUB(2010) Mortality Tables for Teachers, below median, with full generational mortality.
Post-Retirement	2021 TRS Healthy Pensioner Mortality Tables with full generation projection using Scale U-MP.
Ad Hoc Post-Employment Benefit Changes	None

[1]Source for the rate is the Bond Buyers 20 Index, which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey or municipal bond traders. The rate used is as of August 30, 2024 the rate closest to but not later than the Measurement Date

Roll Forward

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the total pension liability to August 31, 2024. The actuarial assumptions used in the determination of the total pension liability were primarily based on the result of an actuarial experience study for the four-year period ending Aug. 31, 2021 and adopted in July 2022.

Changes of Assumptions Since the Prior Measurement Date

The actuarial assumptions and methods are the same as used in the determination of the prior year's Net Pension Liability.

Changes in Benefit Provisions Since the Prior Measurement Date

Due to the timing of the previously mentioned one-time stipend and ad hoc COLA, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of $1.645 billion for one-time stipends and $3.355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

Discount Rate

The discount rate of 7.00% was applied to measure the total pension liability. The discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projected cash flows into and out of the pension plan assumed that active members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. It is assumed that future employer and state contributions will be 9.54% of payroll in fiscal year 2025 and thereafter. This includes a factor for all employer and state contributions for active and rehired retirees. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments to determine the total pension liability.

The long-term expected rate of return on plan investments was developed using a building-block method in which best estimate ranges of expected future real rates of return (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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio are presented below:

Asset Class	Target Allocation[2]	Long-Term Expected Geometric Real Rate of Return[3]
Global Equity		
U.S.	18.0%	4.4%
Non-U.S. Developed	13.0%	4.2%
Emerging Markets	9.0%	5.2%
Private Equity[1]	14.0%	6.7%
Stable Value		
Government Bonds	16.0%	1.9%
Absolute Return[1]	0.0%	4.0%
Stable Value Hedge Funds	5.0%	3.0%
Real Return		
Real Assets	15.0%	6.6%
Energy, Natural Resources and Infrastructure	6.0%	5.6%
Commodities	0.0%	2.5%
Risk Parity		
Risk Parity	8.0%	4.0%
Asset Allocation Leverage		
Cash	2.0%	1.0%
Asset Allocation Leverage	(6.0)%	1.3%
Total	100.0%	

[1] Absolute Return includes Credit Sensitive Investments
[2] Target allocations are based on fiscal year 2024 policy model
3 Capital Market assumptions come from Aon Hewitt (as of 08/31/2023)

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in Discount Rate Assumption

The College's proportionate share of the net pension liability has been calculated using a discount rate of 7.00%. Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the College's net pension liability. The result of the analysis is presented in the table below.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
College's proportionate share of the net pension liability	$ 23,326,261.00	$ 14,603,983.00	$ 7,376,955.00

Pension Liabilities

The pension plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by TRS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. More detailed information on the plan's investment policy, assets, and fiduciary net position, may be obtained from TRS' fiscal 2024 ACFR.

At August 31, 2025, the College reported a liability of $14,603,983.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The College's proportion at August 31, 2025 was .0239% which was a decrease from the 0.001% measured at the prior measurement date. The College's proportion of the collective net pension liability was based on its contributions to the pension plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2023 through August 31, 2024.

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

For the year ended August 31, 2025, the College recognized pension expense of $1,523,332.00. At August 31, 2025, the College reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 804,952.00	$ 114,021.00
Changes of assumptions	754,035.00	101,090.00
Net difference between projected and actual investment return	88,772.00	-
Change in proportion & contribution difference	1,004,983.00	864,733.00
Contributions subsequent to the measurement date	1,441,724.00	-
Total	$ 4,094,466.00	$ 1,079,844.00

At August 31, 2025, the College reported $1,441,724.00 as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date that will be recognized as a reduction in the net pension liability in the year ending August 31, 2026.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the pension expense in the following years:

Year ended August 31:		Pension Expense Amount[1]
2026	$	19,807.00
2027		1,574,626.00
2028		286,125.00
2029		(296,619.00)
2030		(11,041.00)
	$	1,572,898.00

[1] Negative amounts indicate decrease in pension expense; positive amounts indicate increase in pension expense.

Optional Retirement Program (Defined Contribution Plan)

The State has also established the Optional Retirement Program (ORP), a defined contribution plan, for institutions of higher education. Participation in the ORP is in lieu of participation in the TRS Plan and is available to certain eligible employees who hold faculty positions and other professional positions including but not limited to director-level and above, librarians and coaches. The ORP provides for the purchase of annuity contracts and mutual funds and is administered by a variety of investment firms. Employees are immediately vested in their own contributions and earnings on those contributions, and become vested in the employer contributions after one year and one day of service.

The employee and employer contribution rates are established by the Legislature each biennium. Depending upon the source of funding for the employee's compensation, the College may be required to make the employer contributions in lieu of the State. Since these are individual annuity contracts, the State and the College have no additional or unfunded liability for this program. The contributions made by participants (6.65% of annual compensation) and the employer (6.60% of annual compensation, plus 1.90% for employees in service as of September 1, 1995) for the year ended August 31, 2025, is provided in the following table:

Member Contributions	$	932,533.25
Employer Contributions		925,521.72
Total	$	1,858,054.97

Note 11: Postemployment Benefits Other Than Pensions

Employees Retirement System

Plan Description

Employees Retirement System (ERS) is the administrator of the State Retiree Health Plan (SRHP or ERS Plan), a cost-sharing, multiple-employer defined benefit OPEB plan with a special funding situation. TSTC participates in this plan.

The Legislature has the authority to establish and amend the benefits and contribution rates within the guidelines of the Texas Constitution. The SRHP's Board of Trustees does not have the authority to establish or amend benefit terms. Benefits are provided to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551.

The employers of SRHP include state of Texas agencies and universities, community and junior colleges, and other entities specified by the Legislature. Employees of state of Texas agencies, colleges, universities and medical schools are members of this Plan.

ERS issued a stand-alone audited Annual Comprehensive Financial Report (ACFR). The ERS ACFR may be obtained from their website at www.ers.texas.gov and searching for reports and studies.

Benefits Provided

The SRHP provides postemployment health care, life and dental insurance benefits to retirees. The benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Legislature. Retirees must meet certain age and service requirements and have at least 10 years of service at retirement to participate in the plan. Surviving spouses and dependents of retirees are also covered by the plan. The plan does not provide automatic cost of living adjustments (COLAs).

Contributions

During the measurement period of 2024 for fiscal 2025 reporting, the amount of TSTC's contributions recognized by the plan was $5,549,945.20. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. The contribution requirements for the state and the members in the measurement period are presented in the table below:

Employer Contribution Rates
Retiree Health and Basic Life Premium

Retiree Only	$	624.82
Retiree & Spouse	$	1,340.82
Retiree & Children	$	1,104.22
Retiree & Family	$	1,820.22

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

At August 31, 2025, TSTC reported a liability of $53,332,929.00 for its proportionate share of the collective net OPEB liability. The non-current portion of the liability was $50,820,722.00 and the current portion was $2,512,207.00. The collective net OPEB liability was measured as of August 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. TSTC's proportion at August 31, 2024 was 0.18 percent.

TSTC's proportion of the collective net OPEB liability was based on its contributions to the OPEB plan relative to the contributions of all the employers and non-employer contributing entity to the plan for the period September 1, 2023 through August 31, 2024.

For the year ending August 31, 2025, TSTC recognized OPEB expense of $4,040,821.00. At August 31, 2025, TSTC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Difference between expected and actual experience	$	-	$	879,931
Changes of assumptions		2,919,953		10,624,324
Net difference between projected and actual investment return		-		2,039
Effect of change in proportion and contribution difference		9,935,395		17,534,289
Contributions subsequent to the measurement date		91,967		-
Total	$	12,947,315	$	29,040,583

The $91,967 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending August 31, 2026. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in the following years:

		OPEB Expense Amount
2026	$	(3,700,077)
2027		(5,332,262)
2028		(3,276,547)
2029		(2,363,921)
2030		(1,512,428)
	$	(16,185,235)

Actuarial Methods and Assumptions

The total OPEB liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2024 measurement date.

	SRHP
Actuarial valuation date	August 31, 2024
Actuarial cost method	Entry Age
Amortization method	Level Percent of Payroll, Open
Remaining amortization period	30 Years
Actuarial Assumptions:	
discount Rate	3.87% *
inflation	2.30%
salary increase	2.30% to 8.95%, including inflation
Healthcare Cost and Trend Rate	
HealthSelect	5.60% for FY 2026, 5.60% for FY 2027, 5.25% for FY 2028, 5.00% for FY 2029, 4.75% for FY 2030, 4.50% for FY2031, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 203 and later years
HealthSelect Medicare Advantage	36.00% for FY 2026, 8.00% for FY 2027, 5.25% for FY 2028, 5.00% for FY 2029, 4.75% for FY 2030, 4.50% for FY 2031, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2033 and later years
Pharmacy	11.50% for FY 2026, 11.00% for FY 2027, 10.00% for FY 2028, 8.50% for FY 2029, 7.00% for FY 2030, decreasing 100 basis points per year to 5.00% for FY 2032, and 4.30% for FY 2033 and later years
Aggregate Payroll Growth	2.70%
Retirement Age	Experience-based tables of rates that are specific to the class of employee
Mortality	
State Agency Members	
Service retirees, survivors and other inactive members	2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members. Generational morality improvements in accordance with the Ultimate MP-2021 Projection Scale are projected from the year 2020
Disabled retirees	2020 State Retirees of Texas Mortality table with a 2 year setback. Generational morality improvements in accordance with the Ultimate MP-2020 Projection Scale are projected from the year 2020
Active members	2020 State Retirees of Texas Mortality table set forward three years for males and females. Generational mortality improvements in accordance with the Ultimate MP-2021 Projection Scale are projected from the year 2020. Minimum rates of 3.0% and 2.5% apply at all ages for males and females, respectively
Higher Education Members	
Service Retirees, Survivors and Other Inactive Members	Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021
Disabled Retirees	Tables based on TRS experience with Ultimate MP-2021 Projection Scale from year 2021 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active Members	Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP-2021 Projection Scale from the year 2010
Ad Hoc Post-Employment Benefit Changes	None

** The source of the municipal bond rate is the Bond Buyer Index of general obligations 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.*

The many actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the 5-year period ending Aug. 31, 2023 for state agency members and for the 7-year period ending Aug. 31, 2021 for higher education members. The mortality rates were based on the tables identified in the table above titled *Actuarial Methods and Assumptions*.

The following assumptions have been changed since the previous Other Postemployment Benefits valuation:

- 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;
- Proportion of future retirees assumed to cover dependent children;
- The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement;
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short term expectations.
- The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee have been updated to reflect recent plan experience and expected trends; and
- The discount rate was changed from 3.81% as of August 31, 2023 to 3.87% as of August 31, 2024 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.

Discount Rate
The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 3.87% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 3.81%. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay-as-you-go basis and is not intended to accumulate funds in advance of retirement, there is no long-term expected rate of return. ERS' board of trustees adopted an amendment to the investment policy in August 2022 to require that all funds in this plan be invested in cash and equivalent securities. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 3.81%.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates
Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the

College's net OPEB liability. The result of the analysis is presented in the table below:

	Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate		
	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
College's proportionate share of the net OPEB liability	$ 62,053,171.00	$ 53,332,930.00	$ 46,334,838.00

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the proportionate share of the College's net OPEB liability. The result of the analysis is presented in the table below:

	Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate		
	1% Decrease (decreasing to 3.30%)	Current Health Care Trend Rate (decreasing to 4.30%)	1% Increase (decreasing to 5.30%)
College's proportionate share of the net OPEB liability	$ 45,762,335.00	$ 53,332,929.00	$ 62,983,396.00

OPEB Plan Fiduciary Net Position

The OPEB plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance to the terms of the plan. Investments of the Other Employee Benefit Trust Fund are reported at fair value in accordance with GASB Statement No. 72. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' fiscal 2024 ACFR.

Note 12: Interfund Activity and Transactions

The College experienced routine transfers with other State agencies, which were consistent with the activities of the fund making the transfer, and as a result of various grants and contract activities. Grant and contract activities are recognized as revenues or expenses on the financial statements.

Interfund balances and activity during August 31, 2025 are as follows:

Name of State Agency	Agency No.	Due From Other State Agencies	Due To Other State Agencies	Source
Texas Workforce Commission	320			
D23 Fund 0001		$ 107,785.70	$ -	State Pass-Through Grant
The University of Texas at Dallas	738			
D23 Fund 7999		32,382.08	-	Federal Pass-Through Grant
Texas Higher Education Coordinating Board	781			
D23 Fund 0001		352,205.00	-	Federal Pass-Through Grant
D23 Fund 0001			65,221.83	State Pass-Through Grant
Total Due From/To Other Agencies per Statement of Net Position		**$ 492,372.78**	**$ 65,221.83**	

The detailed Federal and State Grant Pass Through Information is provided on Schedule 1A – *Expenditures of Federal Awards,* and Schedule 1B –*State Grant Pass Throughs From/To State Agencies,* respectively.

Note 14: Adjustments to Fund Balances and Net Position

Prior Period Adjustment

In fiscal year 2025, TSTC restated its financial statements to reflect the implementation of GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This adjustment recognizes TSTC's public-private partnership arrangement with Century Campus Housing Management, LP., which operates Village Oaks student housing in Waco. Although the arrangement was initiated in 1991 and amended in 2016, it was not previously recognized in accordance with GASB 94 criteria.

Adjustments to and Restatement of Beginning Balance

As a result of implementing GASB Statement No. 94, the beginning fund balance was adjusted by $(357,874.62) to reflect the cumulative effect of the change, as shown in the table below:

Net Position at August 31, 2024 as Previously Reported	$	147,088,126.27
Accounting Principle Adjustment		(357,874.62)
Net Position at August 31, 2024, as Restated	$	146,730,251.65

Note 15: Contingencies and Commitments

As of August 31, 2025, two lawsuits 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, such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College's financial position.

Amounts received or receivable from grantor agencies are subject to audit and adjustments by such agencies, principally the U.S. government. Any disallowed claims may constitute a liability of the College.
The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the College expects any such amounts to be immaterial.

Note 16: Subsequent Events

On November 4, 2025, Texas voters approved Proposition 1, the Establish Special Funds for State Technical College System Amendment. This constitutional amendment establishes the Permanent Technical Institution Infrastructure Fund as special funds outside of the General Revenue Fund to support the capital needs of the Texas State Technical College System.

Under the approved amendment, $850 million in general revenue will be appropriated to the Permanent Fund, which will be administered by the Comptroller of Public Accounts. The Available Fund will be administered by the Texas State Technical College System. These funds will support critical capital needs including facility expansion, land acquisition, and equipment purchases necessary for workforce education programs.

The financial impact of this constitutional amendment will be reflected in future fiscal year financial statements as the funds are appropriated and expended in accordance with the provisions of the amendment.

Note 17: Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to worker's compensation and natural disasters. Settled claims have not exceeded commercial coverage in any of the three preceding years.

TSTC's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There were no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. There were no material changes in the balances of TSTC's claims liabilities during fiscal year 2025.

Note 18: Management Discussion & Analysis

See introduction for detailed Management Discussion & Analysis.

Note 22: Donor Restricted Endowments

The College is subject to the Uniform Prudent Management of Institutional Funds Act, Chapter 163 of the Texas Property Code. This act provides guidance and authority for the management and investment of charitable funds and for endowment spending by institutions organized for a charitable purpose, including educational purposes. The legal authority for the College to accept gifts, including endowments, is found in Chapter 135 of the Texas Education Code. The College's policy for authorizing and spending endowment earnings is addressed in Statewide Operating Standard No. FA.3.1, Acceptance of Gifts and Bequests.

At August 31, 2025, the College had $616,800.35 of donor restricted endowments which were classified as Non-Expendable True Endowments on the Statement of Net Position.

These endowment funds are invested in cash accounts or certificates of deposits. Per donor restrictions, the investment income earned on these endowments is to be used for scholarship purposes. For the year ended August 31, 2025, the endowments earned $10,743.44 in investment income.

Note 24: Disaggregation of Receivable Balances

Balances of receivables reported on the Statement of Net Position may be aggregations of different components. GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, requires that the College provide details in the Notes to the Financial Statements when significant components have been obscured by aggregation.

Accounts receivable at August 31, 2025, is compromised as follows:

Campus Billing	$	2,275,469.49
Sponsor Receivables		558,895.12
Tuition & Fees		8,552,754.93
Local Grants		171,787.68
Reimbursement from State for Payroll Payable		10,252,119.95
Other		1,691,609.65
Total	$	**23,502,636.82**

Note 27: Public-Private and Public-Public Partnerships

TSTC has one arrangement that fits the criteria of a public-private partnership as defined in GASB 94. Changes adopted to comply with the provisions of GASB 94 have been applied retroactively by restating the financial statements for the earlier period presented (ending August 31, 2024 in the MD&A). The cumulative effect of this implementation is outlined and disclosed in Note 1. Statement No. 94, Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs), effective 2023, provides guidance for accounting and financial reporting for PPPs and APAs.

For purposes of applying this Statement, a PPP is an arrangement in which a government (the transferor) contracts with a governmental or nongovernmental entity (the operator) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets, for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which the government compensates an operator for services that may include designing, construction, financing, maintaining, or operating an underlying non-financial asset for a period of time in an exchange or exchange-like transaction.

TSTC is part of an arrangement with Century Campus Housing Management, LP., initiated September 17, 1991, and amended May 2016 to run through August 31, 2050.

Century Campus Housing Management constructed and operates Village Oaks, a student housing facility at TSTC in Waco, under negotiated terms of the agreement. Under the contract, Century Campus Housing Management, LP., pays TSTC a yearly fixed payment and a variable yearly payment based on the occupancy and rental revenues generated. TSTC maintains final approval over pricing and other aspects of service offerings and property management. Ownership of the constructed housing facilities reverts to TSTC upon contract completion.

A general description of the PPP arrangement including status, term, and duration, is presented below:

Partner	Description	Construction Status	Term	Contract Begin	Contract End
Century Campus Housing Management, LP.	Housing Services	Complete	34 years	2016	2050

Variable payments from this PPP are recorded yearly, and are derived from a "percentage of rent" amendment within the agreement. The variable payment for Fiscal Year 2025 was $244,277.00

TSTC recognizes a receivable for fixed payments to be received from the operator under a PPP. The receivable for these installment payments is measured at the present value of fixed PPP payments expected to be received over the term of the agreement. The present value of PPP installment payments is discounted at a rate of 4.24, as determined by the college. Deferred Inflows of Resources are recorded for the lease revenue portion of the fixed PPP installment payments, and the Asset contribution revenue of the underlying asset related to the PPP.

PPP amounts as of August 31, 2025 are presented below:

Arrangement Name	Receivable for Installment Payments *	Receivable for PPP Assets	Deferred Inflows of Resources**	Variable and Other Payments
Village Oaks	$1,523.33	-	$21,399,231.38	$244,277.00

* Receivable payments include a payment of $100 annually through 2050.

**Deferred Inflows of Resources include future Asset Contribution Revenue related to the underlying asset (the Village Oaks housing facility). The asset was recorded at an acquisition value of $23,965,518.00

Note 28: Deferred Outflows of Resources and Deferred Inflows of Resources

A summary of the College's deferred outflows of resources and deferred inflows of resources as of August 31, 2025 is presented below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions	$ 4,094,466.00	$ 1,079,844.00
OPEB	12,947,315.00	29,040,583.00
Unamortized losses on refunding of debt	784,098.64	-
Leases – GASB 87 / 96	-	8,543,862.58
PPP – GASB 94	-	21,399,231.38
	$ 17,825,879.64	$ 60,063,520.96

See Note 1, *Summary of Significant Accounting Polici*es, Note 9, *Defined Benefit Pension Plan and Defined Contribution Plan*, and Note 11, *Postemployment Benefits Other Than Pensions*, for more information regarding deferred outflows of resources and deferred inflows of resources related to debt refunding, pensions, and OPEB.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 1A - Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2025

Certified

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	NSE Name	Agy Univ No.	Pass-through From Agencies or Universities Amount	Pass-through From Non-State Entities Amount
Environmental Protection Agency					
Direct Programs:					
Greenhouse Gas Reduction Fund: Solar for All	66.959	HARC		-	7,000.00
Totals -Environmental Protection Agency				**$ -**	**$ 7,000.00**
National Science Foundation					
Direct Programs:					
STEM Education (formerly Education and Human Resources)	47.076			-	-
Totals -National Science Foundation				**$ -**	**$ -**
U.S. Department of Education					
Direct Programs:					
Adult Education - Basic Grants to States	84.002A	BISD		-	16,705.00
Vocational Education - Basic Grants to States	84.048A	Collin College		-	12,484.69
Migrant Education College Assistance Migrant Program	84.149A			-	-
Higher Education Institutional Aid	84.031			-	-
TRIO Cluster					
TRIO_Talent Search	84.044A			-	-
TRIO_Upward Bound	84.047A			-	-
TRIO_Upward Bound	84.047M			-	-
Totals - TRIO Cluster				-	29,189.69
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grants	84.007			-	-
Federal Work-Study Program	84.033			-	-
Federal Pell Grant Program	84.063			-	-
Federal Direct Student Loans	84.268			-	-
Totals - Student Financial Assistance Custer				-	-
Pass-Through Programs:					
Vocational Education - Basic Grants to States					
Pass-Through From:					
Texas Higher Education Coordinating Board	84.048A		781	2,617,814.00	-
Fund for the Improvement of Postsecondary Education					
Pass-Through From:					
University of Texas at Dallas	84.116Z		738	114,299.67	-
Totals - U.S. Department of Education				**$ 2,732,113.67**	**$ 29,189.69**

Direct Program Amount	Total PT From and Direct Program Amount	Agy Univ No.	Pass-through To: Agencies or Universities Amount	Pass-through To: Non-State Entities Amount	Expenditures Amount	Total PT To and Expenditures Amount
-	7,000.00		-	-	7,000.00	7,000.00
$ -	**$ 7,000.00**		**$ -**	**$ -**	**$ 7,000.00**	**$ 7,000.00**
173,909.70	173,909.70		-	-	173,909.70	173,909.70
$ 173,909.70	**$ 173,909.70**		**$ -**	**$ -**	**$ 173,909.70**	**$ 173,909.70**
-	16,705.00		-	-	16,705.00	16,705.00
-	12,484.69		-	-	12,484.69	12,484.69
332,984.64	332,984.64		-	-	332,984.64	332,984.64
512,087.87	512,087.87		-	-	512,087.87	512,087.87
267,334.01	267,334.01		-	-	267,334.01	267,334.01
318,328.13	318,328.13		-	-	318,328.13	318,328.13
255,182.73	255,182.73		-	-	255,182.73	255,182.73
1,685,917.38	1,715,107.07		-	-	1,715,107.07	1,715,107.07
836,391.64	836,391.64		-	-	836,391.64	836,391.64
460,638.38	460,638.38		-	-	460,638.38	460,638.38
45,770,215.80	45,770,215.80		-	-	45,770,215.80	45,770,215.80
22,764,517.32	22,764,517.32		-	-	22,764,517.32	22,764,517.32
69,831,763.14	69,831,763.14		-	-	69,831,763.14	69,831,763.14
-	2,617,814.00		-	-	2,617,814.00	2,617,814.00
-	114,299.67		-	-	114,299.67	114,299.67
$ 71,517,680.52	**$ 74,278,983.88**		**$ -**	**$ -**	**$ 74,278,983.88**	**$ 74,278,983.88**

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 1A - Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2025

Certified

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	NSE Name	Agy Univ No.	Pass-through From: Agencies or Universities Amount	Pass-through From: Non-State Entities Amount
U.S. Department of Energy					
Pass-Through from:					
State Energy Program					
Pass-Through From:					
Comptroller - State Energy Conservation Office	81.041		907	391,715.00	-
Totals - U.S. Department of the Treasury				**$ 391,715.00**	**$ -**
U.S. Department of Labor					
H-1B Job Training Grants	17.268	VIDA		-	107,517.17
Totals - U.S. Department of Labor				**$ -**	**$107,517.17**
U.S. Department of Transporation					
Direct Programs:					
Commercial Motor Vehicle Operator Safety Training Grants	20.235			-	-
Pass-Through Programs:					
Airport Improvement Program					
Pass-Through From:					
Texas Department of Transportation	20.106		601	13,000.00	-
Totals - U.S. Department of Transportation				**$ 13,000.00**	**$ -**
U.S. Department of Defense					
Pass-Through Programs:					
U.S. Department of Defense					
Pass-Through From:					
University of Texas at Dallas	12.000		738	102,763.00	-
Totals - U.S. Department of Transportation				**$ 102,763.00**	**$ -**
U.S. Department of Commerce					
Direct Programs:					
Economic Adjustment Assistance	11.307			-	-
Totals -U.S. Department of Commerce				**$ -**	**$ -**
Total Expenditures of Federal Awards				**$ 3,239,591.67**	**$143,706.86**

Direct Program Amount	Total PT From and Direct Program Amount	Agy Univ No.	Pass-through To: Agencies or Universities Amount	Pass-through To: Non-State Entities Amount	Expenditures Amount	Total PT To and Expenditures Amount
-	391,715.00		-	-	391,715.00	391,715.00
$ -	**$ 391,715.00**		**$ -**	**$ -**	**$ 391,715.00**	**$ 391,715.00**
-	107,517.17		-	-	107,517.17	107,517.17
$ -	**$ 107,517.17**		**$ -**	**$ -**	**$ 107,517.17**	**$ 107,517.17**
28,132.00	28,132.00		-	-	28,132.00	28,132.00
-	13,000.00		-	-	13,000.00	13,000.00
$ 28,132.00	**$ 41,132.00**		**$ -**	**$ -**	**$ 41,132.00**	**$ 41,132.00**
-	102,763.00		-	-	102,763.00	102,763.00
$ -	**$ 102,763.00**		**$ -**	**$ -**	**$ 102,763.00**	**$ 102,763.00**
127,117.14	127,117.14		-	-	127,117.14	127,117.14
$ 127,117.14	**$ 127,117.14**		**$ -**	**$ -**	**$ 127,117.14**	**$ 127,117.14**
$ 71,846,839.36	**$ 75,230,137.89**		**$ -**	**$ -**	**$ 75,230,137.89**	**$ 75,230,137.89**

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 1A - Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2025

Note 2: Reconciliation:

Federal Revenue	
Federal Grants and Contracts Operating	$ 2,619,421.46
Federal Grants and Contracts Non-operating	46,606,607.44
Total Federal Revenue	49,226,028.90
Federal Pass-Through Revenue from Other State Agencies -	
Federal Pass-Through Revenue Operating	2,847,876.67
Federal Pass-Through Revenue Non-operating	391,715.00
Total Federal Pass-Through Revenue from Other State Agencies	3,239,591.67
Total Federal Revenue and Federal Pass-Through Revenue	52,465,620.57
Reconciliation Items:	
Non-monetary Assistance	-
New Loans Processed:	
Federal Direct Student Loans	22,764,517.32
Total Reconciliation Items	22,764,517.32
Total Per Note 2	75,230,137.89
Total Pass-Through To and Expenditures per Federal Schedule	75,230,137.89
Difference	$ -

Note 3a: Student Loans Processed and Administrative Costs Recovered

Federal Grantor/ CFDA Number/Program Name	New Loans Processed	Admin Costs	Total Loans Processed & Admin Costs	Ending Bal. of Prev. Yr. Loan
U.S. Department of Education				
84.268 Federal Direct Student Loans	$ 22,764,517.32	-	$ 22,764,517.32	-
Total	$ 22,764,517.32	-	$ 22,764,517.32	

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 1B - State Grant Pass Throughs From/To State Agencies
For the Fiscal Year Ended August 31, 2025

Pass Through From:

Grantor Agency	Grant ID	Grant Title	Amount
320-Texas Workforce Commission	320.0003	Skills Development	508,825.28
601-Texas Department of Transportation	601.0030	State Assisted Airport Routine Maintenance at the TSTC Waco Airport	100,000.00
781-Texas Higher Education Coordinating Board	781.0006	Nursing and Allied Health	57,713.43
781-Texas Higher Education Coordinating Board	781.0013	Professional Nursing Shortage Reduction Program	263,320.07
781-Texas Higher Education Coordinating Board	781.0023	College Work Study Program	117,364.00
781-Texas Higher Education Coordinating Board	781.0029	Work Study Mentorship Program	-
781-Texas Higher Education Coordinating Board	781.0074	TEOG Public State/Tech Colleges	2,365,019.00
781-Texas Higher Education Coordinating Board	781.0086	HB8 Innovation & Collaboration	363,369.71
781-Texas Higher Education Coordinating Board	781.0091	HB8 TEOG State & Technical	6,360,249.00
781-Texas Higher Education Coordinating Board	781.0092	HB8 FAST Transfer	7,205.00
781-Texas Higher Education Coordinating Board	781.0097	Nursing Scholarships	183,403.00
		Total Pass Through From Other Agencies	**$10,326,468.49**
		Total Pass Through To Other Agencies	**$ -**

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2025

Business-Type Activities

Description of Issue		Bonds Issued to Date	Range of Interest Rates		Terms of Variable Interest Rates	Scheduled Maturities First Year	Scheduled Maturities Last Year	First Call Date
General Obligation Bonds								
Constitutional Appropriation Bonds Series 2016	$	23,680,000.00	4.0000%	5.0000%		2016	2026	N/A
Revenue Bonds								
Revenue Financing System Improvement and Refunding Bonds Series 2016		56,915,000.00	2.0000%	5.0000%		2016	2035	10/15/2026
Revenue Financing System Improvement Bonds Series 2020		30,000,000.00	2.5300%	2.5300%		2020	2031	10/15/2030
Revenue Financing System Refunding Bonds Series 2022		18,935,000.00	2.3100%	2.3100%		2022	2036	03/11/2030
Revenue Financing System Improvement Bonds Series 2022A		298,750,000.00	5.0000%	6.0000%		2023	2054	08/1/2032
Revenue Financing System Improvement Bonds Series 2024		50,195,000.00	4.3800%	4.3800%		2024	2034	08/1/2034
Total	$	478,475,000.00						

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 2B - Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2025

Business-Type Activities

Description of Issue	Bonds Outstanding 09/01/2024	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Par Value Adjustments
General Obligation Bonds					
Constitutional Appropriation Bonds, Series 2016	$ 5,700,000.00	$	$ 2,785,000.00	$	$
Revenue Bonds					
Revenue Financing System Improvement and Refunding Bonds, Series 2016	38,040,000.00		3,425,000.00		
Revenue Financing System Improvement Bonds, Series 2020	21,780,000.00		2,880,000.00		
Revenue Financing System Refunding Bonds Series 2022	14,750,000.00		1,210,000.00		
Revenue Financing System Improvement Bonds, Series 2022A	281,110,000.00		7,585,000.00		
Revenue Financing System Improvement Bonds, Series 2024		50,195,000.00	670,000.00		
Total	$ 361,380,000.00	$ 50,195,000.00	$ 18,555,000.00	$ -	$ -

Bonds Outstanding 08/31/2025	Reconciliation: Unamortized Premium	Reconciliation: Unamortized Discount	Reconciliation: Adjustments	Net Bonds Outstanding 08/31/2025	Amounts Due Within One Year
$ 2,915,000.00	$	$	$	$ 2,915,000.00	$ 2,915,000.00
34,615,000.00	3,517,773.52			38,132,773.52	4,078,518.79
18,900,000.00				18,900,000.00	2,955,000.00
13,540,000.00				13,540,000.00	1,240,000.00
273,525,000.00	13,558,727.06			287,083,727.06	8,321,327.75
49,525,000.00				49,525,000.00	1,750,000.00
$ 393,020,000.00	$ 17,076,500.58	$ -	$ -	$ 410,096,500.58	$ 21,259,846.54

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2025

Business-Type Activities

Description of Issue	Year	Principal	Interest
General Obligation Bonds			
Constitutional Appropriation Bonds			
Series 2016	2026	$ 2,915,000.00	$ 58,300.00
Total		$ 2,915,000.00	$ 58,300.00
Revenue Bonds			
Revenue Financing System			
Improvement and Refunding Bonds			
Series 2016	2026	$ 3,605,000.00	$ 1,401,006.26
	2027	3,795,000.00	1,216,006.26
	2028	3,990,000.00	1,021,381.26
	2029	4,185,000.00	817,006.26
	2030	4,365,000.00	625,081.26
	2031-2035	12,010,000.00	1,538,656.30
	2036	2,665,000.00	41,640.63
Total		$ 34,615,000.00	$ 6,660,778.23
Revenue Financing System			
Improvement Bonds			
Series 2020	2026	$ 2,955,000.00	440,789.25
	2027	3,030,000.00	365,079.00
	2028	3,110,000.00	287,408.00
	2029	3,185,000.00	207,776.25
	2030	3,270,000.00	126,120.50
	2031	3,350,000.00	42,377.50
Total		$ 18,900,000.00	$ 1,469,550.50
Revenue Financing System			
Refunding Bonds			
Series 2022	2026	$ 1,240,000.00	$ 312,774.00
	2027	1,275,000.00	284,130.00
	2028	1,305,000.00	254,677.50
	2029	1,335,000.00	224,532.00
	2030	1,370,000.00	193,693.50
	2031-2035	5,840,000.00	530,260.50
	2036	1,175,000.00	27,142.50
Total		$ 13,540,000.00	$ 1,827,210.00

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2025

Business-Type Activities

Description of Issue	Year	Principal	Interest
Revenue Financing System Improvement Bonds Series 2022A	2026	$ 7,955,000.00	$ 14,837,387.50
	2027	8,360,000.00	14,439,637.50
	2028	8,790,000.00	14,021,637.50
	2029	9,215,000.00	13,582,137.50
	2030	9,680,000.00	13,121,387.50
	2031-2035	56,255,000.00	57,755,400.00
	2036-2040	72,655,000.00	41,340,587.50
	2041-2045	48,525,000.00	20,532,225.00
	2046-2050	25,000,000.00	14,084,137.50
	2051-2054	27,090,000.00	4,182,300.00
Total		$ 273,525,000.00	$ 207,896,837.50

Description of Issue	Year	Principal	Interest
Revenue Financing System Improvement Bonds Series 2024	2026	$ 1,750,000.00	$ 2,169,195.00
	2027	1,825,000.00	2,092,545.00
	2028	1,905,000.00	2,012,610.00
	2029	1,985,000.00	1,929,171.00
	2030	2,075,000.00	1,842,228.00
	2031-2034	39,985,000.00	6,419,547.00
Total		$ 49,525,000.00	$ 16,465,296.00

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 2D - Analysis of Funds Available for Debt Service
For the Fiscal Year Ended August 31, 2025

Business-Type Activities

Description of Issue	Application of Funds Principal	Application of Funds Interest
General Obligation Bonds		
Constitutional Appropriation Bonds		
Series 2016	$ 2,785,000.00	$ 186,225.00
Total	$ 2,785,000.00	$ 186,225.00

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2025 — Net Available for Debt Service: Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Debt Service: Principal	Debt Service: Interest
Revenue Bonds				
Revenue Financing System Improvement and Refunding Bonds, Series 2016	87,533,914.42	(A)	3,425,000.00	1,576,756.26
Revenue Financing System Improvement Bonds, Series 2020	(B)	(B)	2,880,000.00	515,209.19
Revenue Financing System Refunding Bonds, Series 2022	(B)	(B)	1,210,000.00	340,725.00
Revenue Financing System Improvement Bonds, Series 2022A	(B)	(B)	7,585,000.00	15,216,637.50
Revenue Financing System Improvement Bonds, Series 2024	(B)	(B)	670,000.00	1,789,368.09
Total	$ 87,533,914.42	$ -	$ 15,770,000.00	$ 19,438,696.04

(A) Expenditures associated with pledged sources were approximately $75,147,216.52 (Footnote disclosure for Gross Revenue Pledges only.)

(B) The Revenue Financing System Improvement Bonds, Series 2020; Revenue Financing System Refunding Bonds, Series 2022; Revenue Financing System Improvement Bonds, Series 2022A, and Revenue Financing System Improvement Bonds, Series 2024, were issued as parity obligations with the Revenue Financing System Improvement and Refunding Bonds, Series 2016. As such, the Series 2020, Series 2022, Series 2022A, and Series 2024 issues have an equal claim to the pledged sources reported above for the Series 2016 issue and share the same expenditures that are associated with the pledged sources disclosed in footnote (A) above.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Schedule 3 - Reconciliation of Cash in State Treasury
For the Fiscal Year Ended August 31, 2025

Cash in State Treasury	Unrestricted	Restricted	Current Year Total
Local Revenue Fund 0237	$ 1,301,127.59	$ -	$ 1,301,127.59
Shared Cash Fund 0325	-	14,476.91	14,476.91
Total Cash in State Treasury (Stmt of Net Position)	$ 1,301,127.59	$ 14,476.91	$ 1,315,604.50

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