

ANNUAL FINANCIAL REPORT



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**ANNUAL
FINANCIAL REPORT**

TEXAS STATE TECHNICAL COLLEGE

FISCAL YEAR ENDED AUGUST 31, 2024

**Texas State Technical College
Annual Financial Report
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November 14, 2024

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, 2024, 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 contacted Alyssa Ayala at alyssa.ayala@tstc.edu.

Sincerely,



Michael L. Reeser
Chancellor & Chief Executive Officer

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TEXAS STATE TECHNICAL COLLEGE

ORGANIZATIONAL DATA
For the Fiscal Year Ended August 31, 2024

Board of Regents

Data as of August 31, 2024

Officers

Dr. Tiffany Tremont	New Braunfels, Texas	Chairman of the Board
Ron Widup	Arlington, Texas	Vice Chair
Keith Honey	Longview, Texas	Executive Committee

Members

		Term Expires
		<u>August 31,</u>
Kathy Stewart	San Angelo, Texas	2025
Keith Honey	Longview, Texas	2025
Ron Widup	Arlington, Texas	2025
		<u>August 31,</u>
Curtis Cleveland	Waco, Texas	2027
Lizzy de la Garza Putegnat	Harlingen, Texas	2027
Ron Rohrbacher	Ron Rohrbacher	2027
		<u>August 31,</u>
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

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Texas State Technical College
Management's Discussion and Analysis
For the Year Ended August 31, 2024

Introduction

Texas State Technical College (TSTC) was established in 1965 as the James Connally Technical Institute (JCTI) of Texas A&M University to meet the state's evolving workforce needs. In 1969, the JCTI separated from Texas A&M and became an independent state system with a new name, Texas State Technical Institute (TSTI), and its own Board of Regents. As the demand for quality technical education continued to grow, extension centers and new campuses were established throughout the state of Texas. TSTI was renamed to Texas State Technical College in 1991.

For nearly 60 years, Texas State Technical College (TSTC) has demonstrated stability and a strong financial foundation, contributing significantly to the economic development of Texas. In 2015, the College streamlined its operations by unifying its ten campuses under a single accreditation, optimizing program alignment to better serve the state's workforce needs. TSTC is unique in Texas as the only institution with a funding model directly tied to student employment outcomes, reflecting its commitment to developing a highly skilled and technically proficient workforce. As the state's sole multi-campus technical college, TSTC is integral to addressing the high-tech challenges of the global economy. In 2023, the Texas legislature approved the expansion of TSTC's reach with two new campuses in Denton and Guadalupe/Comal counties, along with the transformation of the East Williamson County extension center into a full campus. With this expansion, TSTC is in a significant growth phase, poised to further enhance its impact on workforce development and economic progress statewide.

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, 2024 and 2023, 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.

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- 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.
- A change in accounting principle related to the recognition of scholarship expenses is reflected in the 2024 financial statements and has been retroactively applied to the 2023 comparative financial information presented in this MD&A. Further details of this change are discussed in Note 1, *Summary of Significant Accounting Policies* and Note 14, *Adjustments to Fund Balances and Net Position*.

Financial Highlights

- TSTC issued \$298.8 million in Capital Construction Assistance Projects (CCAP) / revenue financing system improvement bonds in 2023. As a result, significant capital additions were made during the year and are discussed further throughout this MD&A. See the *Debt Administration* section below for additional information on the bond issuance.
- As of fiscal year 2024, TSTC's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources, resulting in a net position of \$147.1 million. However, the unrestricted net position, available for future obligations, ended with a deficit of \$42.3 million. This deficit is primarily due to the recognition of more than \$60.0 million in Other Post-Employment Benefits (OPEB) expenses following the implementation of GASB Statement No. 75 in fiscal year 2019. Excluding the OPEB-related book expense, the unrestricted net position stands at \$19.0 million, or 9.1% of total net position, as of August 31, 2024.
- TSTC concluded the fiscal year with an increase in total net position of \$7.0 million, reversing the \$7.0 million decrease recorded in 2023. However, unrestricted net position continues to experience a significant decline, primarily due to the annual OPEB (Other Post-Employment Benefits) expense, as required by the State Comptroller's Office. For the fiscal year 2024, the OPEB expense was \$10.3 million, compared to \$10.8 million in 2023.

The increase in net position for fiscal year 2024, despite the substantial OPEB expense, is largely attributed to net investment earnings from the Series 2022A bond proceeds issued in 2023, which generated over \$15 million. These funds are designated for future capital projects and are restricted for that specific purpose.

- TSTC achieved strong revenue growth in 2024. Appropriation funding under the Return-Value Formula increased substantially during the 88th legislative session, resulting in a \$28.6 million rise in total appropriation revenue compared to 2023. Additionally, gross tuition revenue grew by nearly \$11 million from the previous year.

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- In 2024, TSTC made significant strides in its growth and development, adding over \$71.9 million in capital assets as part of a broader expansion effort. Key additions included \$59.5 million in new construction projects underway, marking the start of extensive facility expansions and renovations. These projects were funded primarily through the Series 2020 bond issuance (\$30 million) and the Series 2022A CCAP/revenue financing system improvement bond (\$298.8 million). Additionally, TSTC acquired \$1.5 million in land, invested \$2.6 million in completed buildings and improvements, purchased \$7.2 million in new equipment, and added \$1.1 million in right-to-use assets, in accordance with GASB No. 87 (Leases) and GASB No. 96 (Subscription-Based Information Technology Arrangements).

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.

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The following table reflects the Condensed Comparative Statement of Net Position for TSTC as of August 31, 2024 and 2023. 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, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>% Increase</u>
Assets and Deferred Outflows of Resources			
Current Assets	\$ 123,113,860	\$ 168,685,505	-27.0%
Non-Current Assets			
Capital Assets, Net	344,431,832	296,935,240	16.0%
Other Non-Current Assets	246,401,942	235,270,492	4.7%
Deferred Outflows of Resources	<u>29,367,667</u>	<u>32,152,027</u>	-8.7%
Total Assets and Deferred Outflows of Resources	<u>743,315,301</u>	<u>733,043,264</u>	<u>1.4%</u>
Liabilities and Deferred Inflows of Resources			
Current Liabilities	91,231,416	75,311,693	21.1%
Non-Current Liabilities			
Long-term Debt	386,608,750	407,379,692	-5.1%
Other Non-Current Liabilities	83,045,299	72,776,060	14.1%
Deferred Inflows of Resources	<u>35,341,710</u>	<u>37,468,279</u>	-5.7%
Total Liabilities and Deferred Inflows of Resources	<u>596,227,175</u>	<u>592,935,724</u>	<u>0.6%</u>
Net Position, Restated			
Net investment in capital assets	170,270,967	159,256,564	6.9%
Restricted, expendable	18,493,216	8,201,638	125.5%
Restricted, non-expendable	606,057	596,939	1.5%
Unrestricted	<u>(42,282,114)</u>	<u>(27,947,601)</u>	51.3%
Total Net Position	<u>147,088,126</u>	<u>140,107,540</u>	<u>5.0%</u>
Total Liabilities and Net Assets	\$ <u>743,315,301</u>	\$ <u>733,043,264</u>	<u>1.4%</u>

Current Assets

In 2024, current assets decreased by \$45.6 million, or 27.0%, primarily due to the expenditure of \$51.6 million in bond proceeds (short-term portion). Additionally, unrestricted operating cash and investments declined by nearly \$2.8 million, driven by higher operating costs incurred throughout the year and an increase in receivables at year-end. These declines were partially offset by a rise in receivables related to grant activity and enrollment growth, as further detailed in the *Statement of Revenues, Expenses, and Changes in Net Position* section below.

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Non-Current Assets – Capital Assets, Net

Net capital assets increased by \$47.5 million in 2024, reflecting TSTC's ongoing investment in its growth and infrastructure. Total additions to capital assets amounted to approximately \$71.9 million (see *Financial Highlights* section). This was partially offset by the disposal of primarily fully depreciated assets, which totaled approximately \$1.6 million, and depreciation and amortization expenses of \$22.8 million.

A significant portion of these capital expenditures, which included land, equipment, and building improvements, was directed toward TSTC's statewide expansion efforts. Other than the ongoing statewide construction projects totaling \$76.7 million as of August 31, 2024, other notable investments included \$1.8 million for upgrades to aircraft in support of the air pilot training program and \$5.1 million for the acquisition of new instructional equipment. These strategic investments in facilities, technology, and equipment are critical to enhancing TSTC's capacity to meet the growing demand for a skilled workforce, expand its educational offerings, and extend its reach across Texas, positioning the College for sustained success in an increasingly competitive workforce development landscape.

Other Non-Current Assets

Other non-current assets primarily consist of CCAP bond proceeds invested in U.S. Treasury securities. As of August 31, 2024, the fair market value of these investments totaled \$237.9 million, up from \$225.9 million at the end 2023. 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*, implemented in 2022 (see Note 8). Additionally, cash and investments from endowment funds are classified as non-current assets, although no new endowments were received during fiscal year 2024.

Deferred Outflows of Resources

Deferred outflows of resources decreased by \$2.8 million, or 8.7%, in 2024 primarily due to the reduction of \$4.6 million in deferred outflows of resources related to pensions offset by an increase of \$2.0 million in other post-employment benefits (OPEB). 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 \$15.9 million, or 21.1%, in 2024. Accounts payable rose by approximately \$7.1 million, driven by increased activity related to CCAP projects. Unearned revenue, primarily consisting of tuition revenue to be recognized in fiscal year 2025, grew by \$4.1 million, reflecting a rise in enrollment for the Fall 2024 semester. Student enrollment increased by approximately 6% compared to Fall 2023, while semester credit hours billed for Fall 2024 were up by 8%.

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Other notable increases in current liabilities included \$1.5 million in payroll liabilities, resulting from growth in personnel and associated salary and benefit costs, as well as a \$2.6 million increase in the current portion of long-term debt, including accrued interest on bonds payable.

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.

The net decrease in long-term debt amounted to \$20.8 million, or 5.1%, primarily due to regular amortization and principal payments made during the year. In contrast, other non-current liabilities, which are largely composed of pension and OPEB liabilities, increased by \$10.3 million, or 14.1%. This increase is primarily attributable to the ongoing recognition of OPEB expenses, in line with the requirements of *GASB No. 75*, as well as adjustments to pension liabilities based on actuarial valuations. These changes reflect the continuing financial obligations related to employee benefits, which are expected to evolve in the coming years as the College continues to manage its long-term liabilities.

Deferred Inflows of Resources

Deferred inflows of resources decreased by \$2.1 million, or 5.7%, in 2024. Approximately \$1.1 million of this decrease was related to pension and OPEB liabilities, which are subject to netting deferred inflows and outflows across measurement periods due to differences between projected and actual investment returns. Additionally, around \$1.0 million of the decrease resulted from the voluntary termination of a revenue-type lease.

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 \$7.0 million, or 5.0%, in 2024, 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 increased by \$10.3 million, mostly due to interest income earned on the CCAP bond proceeds.

Unrestricted Net Position

Unrestricted net position decreased by \$14.3 million in 2024, primarily due to the ongoing, substantial OPEB expense. Excluding the OPEB expense, TSTC's unrestricted net position declined by approximately 2% during the year.

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As discussed further in the section below, TSTC is in an active growth phase, and its spending has increased to support expanding operations and infrastructure. While this growth has led to a temporary dip into reserves, the College anticipates that the increase in expenditures will be offset by a corresponding rise in enrollment and state appropriations, as demand for skilled workers continues to grow. This enrollment growth is expected to drive future revenue, ensuring that TSTC's financial position remains stable as it continues to scale its programs and services across the state. The College is carefully managing this transition, with a focus on maintaining financial sustainability while supporting 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, 2024 and 2023:

Texas State Technical College
Condensed Comparative Statements of Revenues, Expenses and Changes in Net Position
As of August 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>% Increase</u>
Operating Revenue	\$ 80,921,387	\$ 56,267,202	43.8%
Operating Expenses	<u>(282,611,914)</u>	<u>(242,440,950)</u>	16.6%
Operating Income (Loss)	<u>(201,690,527)</u>	<u>(186,173,748)</u>	8.3%
Non-Operating Revenues (Expenses)	<u>201,783,629</u>	<u>169,788,352</u>	18.8%
Income (Loss) Before Other Rev., Exp. and Transfers	93,102	(16,385,396)	-100.6%
Other Revenues, Expenses and Transfers	<u>6,887,484</u>	<u>9,398,354</u>	-26.7%
Change in Net Position	6,980,586	(6,987,042)	-199.9%
Net Position, Beginning of Year (Restated)	<u>140,107,540</u>	<u>147,094,582</u>	-4.8%
Net Position, End of Year	\$ <u><u>147,088,126</u></u>	\$ <u><u>140,107,540</u></u>	5.0%

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Operating Revenues

TSTC's primary sources of operating revenue are tuition and fees, along with federal, state, and local grants. In 2024, net tuition and fees accounted for approximately 47% of operating revenues, with scholarship discounts and allowances presented separately in the financial statements. Total operating revenues reached \$80.9 million in 2024, reflecting a \$24.7 million, or 43.8%, increase from the prior year. Gross tuition revenue grew by nearly \$11.0 million, while net tuition (after discounts and allowances) rose by \$9.0 million compared to the previous year. More than half of student tuition is covered by federal, state, and local financial aid.

The rise in tuition revenue was primarily driven by a 10% increase in overall enrollment, coupled with tuition rate adjustments typically made every other year to align with inflation and the growing demand for certain programs. Enrollment growth was particularly strong in higher-tier programs, and the implementation of tiered tuition pricing helped reflect this increased demand. The tiered pricing structure is designed to align tuition rates with the technical complexity of programs, with more specialized, technical programs priced higher than academic programs. Factors influencing the tiered pricing model include projected graduate wages, labor market demand, and program-specific costs. These pricing adjustments ensure that tuition rates reflect the value of each program while supporting the College's long-term financial sustainability.

Grant revenue, which comprised 32% of total operating revenue in 2024, increased by \$12.4 million compared to the previous year. The largest contributor to this increase was the Texas Educational Opportunity Grant (TEOG). In 2024, the TEOG program saw a statewide funding increase across higher education institutions, providing additional financial support to students pursuing postsecondary education. As a result, TSTC received an additional \$6.5 million in TEOG funding, furthering the College's commitment to making education more accessible to a wider range of students, particularly those from low-income backgrounds. Additionally, TSTC received a \$3.5 million grant from the Department of Commerce to help fund renovations at the Electronics Center on the Waco campus.

Other revenue streams, including Auxiliary Services and Sales of Goods and Services, also saw growth, typically following a similar upward trend as enrollment increases. These additional revenue sources help support TSTC's operations, contributing to the College's overall financial health as it continues to expand its offerings and student services.

Operating Expenses

Operating expenses for TSTC totaled \$282.6 million in 2024, reflecting an increase of \$40.2 million, or 16.6%, compared to 2023. The majority of this increase can be attributed to personnel costs, which rose by approximately \$17.9 million, as well as a \$13.1 million increase in scholarship expenses. These increases were expected, given TSTC's ongoing investments in growth and expansion.

Personnel costs were driven by several factors, including the expansion of programs and services to accommodate the growing student population, as well as increases in staffing levels to support new and expanding campuses, such as the

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new location in New Braunfels. As TSTC continues to scale its operations, personnel expenses are expected to rise in line with the need for additional faculty, staff, and administrative support.

The increase in scholarship expenses was also anticipated as enrollment grew, and more students benefited from financial aid programs, including the Texas Educational Opportunity Grant (TEOG) and other institutional scholarships. More than half of TSTC's student tuition is supported by various financial aid programs, and as enrollment increases, so does the need for scholarship funding to ensure accessibility for all students.

Other operating costs, including professional fees, materials and supplies, travel, and general operating expenses, increased by \$9.7 million. This growth reflects the expansion of TSTC's services and outreach efforts, particularly in light of the College's investment in new technology, such as the implementation of the Workday ERP system for student services. The new system is expected to improve operational efficiencies and student experience, but it also required significant upfront investment in training, technology infrastructure, and system integration.

Additionally, TSTC increased its advertising and marketing efforts to raise awareness of its expanding programs and new campus locations, including the new facility in New Braunfels. This increase in promotional activities has contributed to higher enrollment and, by extension, higher operating costs. These investments in technology, staffing, and outreach are all part of TSTC's strategy to enhance its services, meet the needs of a growing student body, and ensure that the College is well-positioned to support Texas' workforce development needs in the coming years.

The table below shows the amount and percentage change of operating expenses based on natural classification for the year ended August 31, 2024:

Texas State Technical College
Operating Expenses by Natural Classification
For the Years Ended August 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>% Increase (Decrease)</u>
Operating Expenses			
Cost of Goods Sold	\$ 1,864,100	\$ 2,018,934	-7.67%
Salaries and Wages	122,866,730	110,146,467	11.55%
Payroll Related Cost	52,866,441	47,725,946	10.77%
Professional Fees and Services	4,417,331	2,818,201	56.74%
Travel	2,300,677	1,821,582	26.30%
Materials and Supplies	19,179,413	15,325,281	25.15%
Communications and Utilities	6,578,451	6,301,570	4.39%
Repairs and Maintenance	6,006,154	5,756,126	4.34%
Rentals and Leases	2,297,907	3,305,730	-30.49%
Printing and Reproduction	292,154	182,679	59.93%
Depreciation and Amortization	22,841,587	22,109,619	3.31%
Scholarships	29,490,234	16,377,494	80.07%
Other Operating Expenses	11,610,735	8,551,321	35.78%
Total Operating Expenses	\$ 282,611,914	\$ 242,440,950	16.57%

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The table below shows the amount and percentage change of operating expenses based on NACUBO functional (programmatic) classification for the year ended August 31, 2024:

Texas State Technical College
Operating Expenses by NACUBO Function
For the Years Ended August 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>% Increase (Decrease)</u>
Operating Expenses			
Instruction	\$ 108,828,646	\$ 101,105,469	7.64%
Research	3,435,535	2,984,589	15.11%
Academic Support	26,225,743	17,056,608	53.76%
Student Services	26,440,299	22,016,301	20.09%
Institutional Support	36,743,451	34,628,817	6.11%
Operations and Maintenance of Plant	18,627,462	16,767,212	11.09%
Scholarships and Fellowships	29,236,746	16,132,032	81.23%
Auxiliary Enterprises	10,232,445	9,640,303	6.14%
Depreciation and Amortization	22,841,587	22,109,619	3.31%
Total Operating Expenses	\$ 282,611,914	\$ 242,440,950	16.57%

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, CARES grant revenue (2023 only), and gifts. The major non-operating expenses consist of interest expense, fiscal charges, and other non-operating costs. In the 2024-2025 biennium, TSTC experienced an increase in legislative appropriations of approximately \$28.4 million annually compared to the 2022-2023 biennium, largely due to increases in funding under the returned-value formula.

Other non-operating expenses totaled \$7.2 million in 2024, slightly lower than the \$7.7 million reported in 2023. A significant portion of the 2023 expense, nearly \$3.0 million, was attributed to bond issuance costs related to the issuance of CCAP bonds. In both 2023 and 2024, non-operating expenses also included non-capitalized repairs and maintenance costs.

Notable increases in non-operating revenues include \$4.7 million in investment income earned on bond proceeds in 2024. However, this was offset by an increase in interest expense and fiscal charges, which rose by nearly \$2.5 million, primarily due to interest payments on outstanding bonds. Non-operating federal revenues, which primarily consist of federal financial scholarships awarded to students, increased by \$2.7 million in 2024, reflecting the growth in student enrollment during the year.

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.

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Although legislative appropriation lapses are rare, in 2024, TSTC lapsed \$2.8 million for unused appropriated debt service due to remaining un-issued authorized bonds. The remaining authorized bonds were issued in fiscal year 2025, as discussed in Note 16, Subsequent Events.

Debt Administration

As of August 31, 2024, and 2023, TSTC had \$400.8 and \$417.6 million in net outstanding debt, respectively. Bonds payable represents the largest portion of the College's indebtedness. All bonds relate to the financing of capital building projects and program expansions, and over half of the debt is funded by debt service appropriations. During 2023, TSTC issued \$298.8 million in CCAP / revenue financing system improvement bonds, Series 2022A, of which \$195 million is supported by state appropriations, and the remaining \$103.8 million is supported with local funds. These bonds were issued at a premium, thus the bond proceeds received were higher than the gross bonds payable by \$14.1 million. The premium is included in the net debt balance and is recognized over the life of the bond. No new significant debt was issued in 2024, except for a capital lease that is under construction in 2024 and is expected to be completed in 2025 (total capital lease obligation expected to be \$8.5 million).

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.

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TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Statement of Net Position
August 31, 2024

	<u>TOTAL</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	
Cash on Hand	\$ 25,095.00
Cash in Bank	6,536,947.47
Cash in State Treasury	4,823,259.21
Short-term Investments	26,106,325.04
Restricted Cash and Cash Equivalents	
Cash in Bank	2,729,055.60
Restricted Investments	25,244,112.19
Legislative Appropriations	13,847,680.27
Accounts Receivable, Net	17,754,570.59
Federal Receivables	20,865,243.77
Accrued Interest Receivable	20,096.01
Due From Other Agencies	2,288,562.33
Lease Receivable	794,258.66
Merchandise Inventories	2,078,653.44
Total Current Assets	<u>123,113,859.58</u>
Non-Current Assets:	
Restricted	
Cash and Cash Equivalents	
Cash in Bank	305,268.01
Short-term Investments	300,788.90
Long-term Investments	237,886,907.77
Lease Receivable	7,908,977.30
Capital Assets, Non-Depreciable or Non-Amortizable	
Land and Land Improvements	38,682,662.44
Other Capital Assets	1,234,611.83
Construction in Progress	76,679,122.96
Capital Assets, Depreciable or Amortizable	
Buildings and Building Improvements	332,611,347.49
Less Accumulated Depreciation	(176,806,706.68)
Infrastructure	40,142,402.71
Less Accumulated Depreciation	(14,451,413.64)
Facilities and Other Improvements	7,255,687.98
Less Accumulated Depreciation	(4,887,182.86)
Furniture and Equipment	82,339,454.66
Less Accumulated Depreciation	(54,255,648.80)
Vehicles, Boats, and Aircraft	14,490,621.11
Less Accumulated Depreciation	(10,011,557.46)
Other Capital Assets	1,344,844.02
Less Accumulated Depreciation	(499,688.94)
Computer Software	621,183.20
Less Accumulated Amortization	(256,350.60)
Right to Use Assets: Land	881,353.24
Less Accumulated Amortization	(330,507.48)
Right to Use Assets: Buildings & Building Improvements	1,057,091.17
Less Accumulated Amortization	(505,821.71)
Right to Use Assets: Equipment	215,287.52
Less Accumulated Amortization	(17,931.17)
Right to Use Assets: Subscription Software	14,294,341.64
Less Accumulated Amortization	(5,395,370.28)
Total Non-Current Assets	<u>590,833,774.33</u>
TOTAL ASSETS	<u>\$ 713,947,633.91</u>

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TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Statement of Net Position
August 31, 2024

		TOTAL
DEFERRED OUTFLOWS OF RESOURCES		
Pension	\$	7,367,763.00
Other Post Employment Benefits (OPEB)		21,058,986.00
Bond Refunding		940,918.38
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$	29,367,667.38
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$	15,232,700.90
Payroll Payables		11,895,280.39
Federal Payables		1,041,363.56
Due to Other Agencies		3,548.65
Unearned Revenue		33,052,365.43
Employees' Compensable Leave		1,118,006.59
Right to Use Lease Obligations		199,783.40
Right to Use Subscription Obligations		2,006,004.53
Capital Lease Obligations - Direct Borrowings		1,008,525.15
Deposits Payable		598,405.49
General Obligation Bonds Payable, Net		3,187,239.21
Revenue Bonds Payable, Net		12,972,950.19
Revenue Bonds Payable - Direct Borrowings		2,880,000.00
Accrued Interest Payable - Bonds		2,224,702.52
Funds Held for Others		1,224,717.16
Net Other Post Employment Benefits (OPEB) Liability		2,585,823.00
Total Current Liabilities		91,231,416.17
Non-Current Liabilities:		
Employees' Compensable Leave		7,143,107.74
Right to Use Lease Obligations		1,196,474.39
Right to Use Subscription Obligations		4,709,806.32
Capital Lease Obligations - Direct Borrowings		20,130,968.24
General Obligation Bonds Payable, Net		2,915,000.00
Revenue Bonds Payable, Net		338,756,500.58
Revenue Bonds Payable - Direct Borrowings		18,900,000.00
Net Other Post Employment Benefits (OPEB) Liability		58,785,737.00
Net Pension Liability		17,116,455.00
Total Non-Current Liabilities		469,654,049.27
TOTAL LIABILITIES	\$	560,885,465.44
DEFERRED INFLOWS OF RESOURCES		
Pension	\$	1,743,420.00
Other Post Employment Benefits (OPEB)		25,167,861.00
Leases		8,430,428.58
TOTAL DEFERRED INFLOWS OF RESOURCES	\$	35,341,709.58
NET POSITION		
Net Investment in Capital Assets	\$	170,270,966.85
Restricted for:		
Capital Projects		17,426,584.09
Other		1,066,632.63
True and Other Endowments		
Non-Expendable		606,056.91
Unrestricted		(42,282,114.21)
TOTAL NET POSITION	\$	147,088,126.27

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
Statement of Revenues, Expenses, and Changes in Net Position
For The Fiscal Year Ended August 31, 2024

	<u>TOTAL</u>
OPERATING REVENUES:	
Sales of Goods and Services:	
Tuition and Fees	\$ 12,142,188.06
Tuition and Fees - Pledged	57,518,032.21
Discounts and Allowances	(31,234,439.22)
Auxiliary Enterprises	1,490,467.42
Auxiliary Enterprises - Pledged	9,891,821.23
Discounts and Allowances	(4,562,671.50)
Other Sales of Goods and Services - Pledged	8,176,917.94
Interest and Investment Income	8,299.19
Interest and Investment Income - Pledged	1,813,175.73
Federal Revenue	5,610,815.49
Federal Pass-Through Revenue	5,469,666.11
State Grant Pass-Through Revenue	10,544,893.88
Other Contracts and Grants	4,048,731.24
Other Operating Revenues	3,489.00
Total Operating Revenues	<u>80,921,386.78</u>
OPERATING EXPENSES:	
Instruction	108,828,645.67
Research	3,435,535.07
Academic Support	26,225,742.87
Student Services	26,440,299.02
Institutional Support	36,743,450.51
Operations and Maintenance of Plant	18,627,462.56
Scholarships and Fellowships	29,236,746.43
Auxiliary Enterprises	10,232,444.94
Depreciation and Amortization	22,841,586.96
Total Operating Expenses	<u>282,611,914.03</u>
Operating Income (Loss)	<u>(201,690,527.25)</u>
NONOPERATING REVENUES (EXPENSES):	
Legislative Appropriation Revenue	174,336,533.28
Gifts	1,017,810.96
Contracts and Grants - Pledged	1,139,860.00
Investment Income	15,046,240.44
Investment Income - Pledged	215,768.83
Federal Revenue	36,423,276.45
Gain (Loss) on Disposal of Assets	497,843.47
Interest Expense and Fiscal Charges	(18,537,573.95)
Settlement of Claims	3,073.56
Other Nonoperating Revenues	(1,178,295.19)
Other Nonoperating (Expenses)	(7,180,908.82)
Total Nonoperating Revenues (Expenses)	<u>201,783,629.03</u>
Income (Loss) Before Other Revenues, Expenses, Gains/(Losses), and Transfers	<u>93,101.78</u>

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TEXAS STATE TECHNICAL COLLEGE (Agency 719)
 Statement of Revenues, Expenses, and Changes in Net Position
 For The Fiscal Year Ended August 31, 2024

	TOTAL
OTHER REVENUES, EXPENSES, GAINS (LOSSES) AND TRANSFERS:	
Capital Contributions	343,743.74
Capital Appropriations (HEAF)	8,662,500.00
Transfers from Other State Agencies	55,920.00
Transfers to Other State Agencies	
Legislative Transfers In	582,518.00
Legislative Appropriation Lapses	(2,757,197.74)
Total Other Revenues, Expenses, Gains/(Losses) and Transfers	6,887,484.00
 CHANGE IN NET POSITION	 6,980,585.78
Net Position - September 1, 2023	138,585,593.77
Restatements	1,521,946.72
Net Position - September 1, 2023 - As Restated	140,107,540.49
 NET POSITION - August 31, 2024	 \$ 147,088,126.27

UNAUDITED

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
 Matrix of Operating Expenses
 Reported by Function
 For the Fiscal Year Ended August 31, 2024

Operating Expenses	Instruction	Research	Academic Support	Student Services
Cost of Goods Sold	\$ 411.00	-	-	-
Salaries and Wages	55,565,882.51	2,337,022.07	16,505,606.10	16,471,800.10
Payroll Related Cost	39,556,586.32	847,554.94	2,448,573.41	2,604,521.52
Professional Fees and Services	234,667.83	145,597.20	2,796,299.30	133,630.95
Travel	619,275.27	8,010.04	197,351.28	714,769.82
Materials and Supplies	8,809,020.55	67,873.78	2,603,395.90	1,262,455.82
Communications and Utilities	95,332.04	968.24	83,715.15	76,727.97
Repairs and Maintenance	752,052.23	279.00	1,460,664.59	12,457.69
Rentals and Leases	742,708.07	-	110,223.18	533,176.59
Printing and Reproduction	44,484.02	-	9,123.53	121,189.56
Depreciation and Amortization	-	-	-	-
Bad Debt Expense	-	-	-	-
Interest	-	-	-	-
Scholarships	194,747.29	-	-	49,540.00
Less: Tuition Discounting	-	-	-	-
Other Operating Expenses	2,213,478.54	28,229.80	10,790.43	4,460,029.00
Claims & Judgments	-	-	-	-
Capital	6,013,756.34	-	419,593.15	27,464.01
Less: Capital Additions	(6,013,756.34)	-	(419,593.15)	(27,464.01)
Total Operating Expenses	\$ 108,828,645.67	\$ 3,435,535.07	\$ 26,225,742.87	\$ 26,440,299.02

UNAUDITED

<u>Institutional Support</u>	<u>Operation and Maintenance of Plant</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprises</u>	<u>Depreciation and Amortization</u>	<u>Total Expenditures</u>
-	-	-	1,863,689.22	-	\$ 1,864,100.22
22,386,600.30	7,164,471.68	-	2,435,347.73	-	122,866,730.49
4,953,325.97	1,279,947.37	-	1,175,931.51	-	52,866,441.04
924,622.51	138,112.72	-	44,400.84	-	4,417,331.35
640,042.98	96,203.12	-	25,024.85	-	2,300,677.36
3,288,697.92	1,553,696.59	-	1,594,272.88	-	19,179,413.44
298,857.49	4,908,572.80	-	1,114,277.15	-	6,578,450.84
141,430.77	2,236,940.39	-	1,402,328.96	-	6,006,153.63
64,459.77	831,161.53	-	16,178.35	-	2,297,907.49
56,135.58	7,152.14	-	54,069.27	-	292,154.10
-	-	-	-	22,841,586.96	22,841,586.96
-	-	-	56,815.29	-	56,815.29
7.48	-	-	-	-	7.48
9,200.00	-	65,033,857.15	-	-	65,287,344.44
-	-	(35,797,110.72)	-	-	(35,797,110.72)
3,952,069.74	411,204.22	-	450,108.89	-	11,525,910.62
28,000.00	-	-	-	-	28,000.00
28,091.91	3,055,799.52	-	44,598.02	-	9,589,302.95
(28,091.91)	(3,055,799.52)	-	(44,598.02)	-	(9,589,302.95)
<u>\$ 36,743,450.51</u>	<u>\$ 18,627,462.56</u>	<u>\$ 29,236,746.43</u>	<u>\$ 10,232,444.94</u>	<u>\$ 22,841,586.96</u>	<u>\$ 282,611,914.03</u>

TEXAS STATE TECHNICAL COLLEGE (Agency 719)

Statement of Cash Flows

For the Fiscal Year Ended August 31, 2024

	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Tuition and Fees	\$ 36,843,057.27
Proceeds from Customers (Other Sales and Services)	7,670,429.71
Proceeds from Grants and Contracts	25,215,898.52
Proceeds from Auxiliaries	5,613,341.65
Proceeds from a Defined Benefit Pension Plan	(986,635.00)
Proceeds from a Defined Benefit OPEB Plan	10,376,908.00
Payments to Suppliers for Goods and Services	(45,068,866.39)
Payments to Employees for Salaries and Wages	(121,351,801.86)
Payments to Employees for Benefits	(40,598,964.55)
Payments to Pension Benefits to Plan Members	986,635.00
Payments to OPEB Benefits to Plan Members	(10,376,908.00)
Payments for Other Expenses	(31,441,484.34)
Net Cash Provided (Used) by Operating Activities	<u>(163,118,389.99)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from State Appropriations	179,225,257.86
Proceeds from Grants and Contracts	36,423,276.45
Proceeds from Transfers from Other State Agencies	638,438.00
Proceeds from Other Revenues	(1,178,295.19)
Payments for Other Uses	(7,199,785.61)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>207,908,891.51</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Grants and Contracts	1,139,860.00
Proceeds from Other Financing Activities	532,360.75
Payments for Additions to Capital Assets	(68,008,033.51)
Payments of Other Costs on Debt Issuance	18,876.79
Payments of Principal on Debt Issuance	(16,270,007.62)
Payments on Leases/SBITA	(2,087,773.22)
Payments of Interest on Debt Issuance	(19,609,298.16)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(104,284,014.97)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	76,417,241.10
Proceeds from Interest and Investment Income	16,429,269.08
Payments to Acquire Investments	(33,165,193.39)
Net Cash Provided (Used) by Investing Activities	<u>59,681,316.79</u>

TEXAS STATE TECHNICAL COLLEGE (Agency 719)

Statement of Cash Flows

For the Fiscal Year Ended August 31, 2024

Increase (Decrease) in Cash and Cash Equivalents	\$ 187,803.34
Cash and Cash Equivalents, September 1, 2023	<u>14,231,821.95</u>
Cash and Cash Equivalents, August 31, 2024	<u><u>\$ 14,419,625.29</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (201,690,527.25)
Adjustments to Reconcile Operating Income	
to Net Cash Provided (Used) by Operating Activities:	
Amortization and Depreciation	22,841,586.96
Pension Expenses	2,005,784.00
OPEB Expenses	(4,633,324.00)
Operating Income and Cash Flow Categories	
Classification Differences	
Interest and Investment Income from Operating Activities	(1,821,474.92)
Operating Expenses Associated with Non Cash Acquisitions	489,437.19
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(6,721,566.12)
(Increase) Decrease in Inventories	(586,032.72)
(Increase) Decrease in Due from Other Agencies	(681,325.62)
(Increase) Decrease in Deferred Outflows of Resources - Pensions	(2,005,784.00)
(Increase) Decrease in Deferred Outflows of Resources - OPEB	4,633,324.00
Increase (Decrease) in Payables	8,749,118.45
Increase (Decrease) in Deposits Payable	(524,519.27)
Increase (Decrease) in Unearned Revenues	4,172,835.30
Increase (Decrease) in Funds Held for Others	407,129.51
Increase (Decrease) in Employees' Compensable Leave	903,933.49
Increase (Decrease) in Deferred Inflows of Resources - Pensions	(1,217,316.00)
Increase (Decrease) in Deferred Inflows of Resources - OPEB	125,501.00
Increase (Decrease) in Liabilities to Employees for Defined Benefit Pensions	2,203,951.00
Increase (Decrease) in Liabilities to Employees for Defined Benefit OPEB	10,247,918.00
Increase (Decrease) in Due to Other Agencies	(17,038.99)
Total Adjustments	<u>38,572,137.26</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (163,118,389.99)</u></u>
NON CASH TRANSACTIONS	
Net Change in Fair Value of Investments	\$ (644,433.79)
Borrowing Under Lease Purchase	<u>455,229.48</u>
Total Non Cash Transactions	<u><u>\$ (189,204.31)</u></u>

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

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*.

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 which opened in 2024. In 2023, the Texas Legislature 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.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

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.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**Assets****Current and Non-Current Assets**

Current assets are those that are readily available to meet current operational requirements. Non-current assets are those that are not readily available to meet current operational requirements and, instead, are intended to support long-term institutional needs.

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents. At August 31, 2024, cash equivalents consisted primarily of money market accounts.

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 gains (losses) on the carrying value of the investments are reported as a component of investment income in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

Short-term investments consist of certificates of deposits (CD's) purchased from banks whose maturities do not exceed one year from date of purchase and investments in TexPool and Texas Range (TexasDAILY), authorized AAAM rated government investment pools. The CD's are valued at cost. The fair value of the funds invested in TexPool and Texas Range (TexasDAILY) are measured at amortized cost provided by the pool. The College may withdraw the funds from TexPool and Texas Range (TexasDAILY) on demand. Long-term investments consist of investments exceeding one year from date of purchase, partly in a money market fund and partly in fixed-income U.S. treasury securities, valued at fair market value.

Accounts Receivable

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.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of general obligation and revenue bonds and revenues set aside for statutory or contractual requirements. Assets held in reserve for guaranteed student loan defaults are also included.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

Legislative Appropriations

Legislative appropriations line item represents the balance of general revenue funds at year end as calculated in the Texas State Comptroller’s General Revenue Reconciliation.

Inventories

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

Capital Assets

Equipment, vehicles and aircraft with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year is capitalized. Buildings, infrastructure, facilities and other assets are capitalized when they meet the following thresholds set by the state:

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

Capital 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

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Intangible capital assets are defined as assets that lack physical substance, are nonfinancial in nature, and have an initial life extending beyond a single reporting period. These assets are required to be reported if they are identifiable. Right to use leased assets are capitalized if the cost meets or exceeds \$100,000. Subscription-Based Information Technology Arrangements (SBITA) right to use assets are capitalized if the cost meets or exceeds \$500,000. Intangible assets are amortized based on the estimated useful life of the asset using the straight-line method.

Lease Receivables

Lease receivable is calculated as the present value of the lease receipts expected during the lease term. TSTC, as the lessor, records a lease receivable and a deferred inflow of other resources on its financial statements.

Deferred Outflows of Resources

TSTC reports the consumption of net position that is applicable to a future period as deferred outflows of resources in a separate section of its statement of net position.

Liabilities

Accounts Payable

Accounts payable represents the liability for the value of assets or services received at the balance sheet 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.

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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.

Deferred Inflows of Resources

TSTC reports the acquisition of net position that is applicable to a future period as deferred inflows of resources in a separate section of its statement of net position.

Net Position

Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the proprietary fund statements.

Net Investment in Capital Assets

Net Investment in capital assets consists of capital assets, net of accumulated depreciation/amortization, and 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 results when constraints placed on the use of net resources are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

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.

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Interfund Activities and Balances

The College has the following types of transactions among funds:

- (1) **Transfers:** Legally required transfers that are reported when incurred as 'transfers in' by the recipient fund and as 'transfers out' by the disbursing fund.
- (2) **Reimbursements:** Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- (3) **Interfund Sales and Purchases:** Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund (interfund services provided) and expenditures or expenses of the disbursing fund (interfund services used).

The composition of TSTC's interfund activities and balances is presented in Note 12, *Interfund Activity and Transactions*.

Cost-Sharing Defined Benefit Pension Plan

TSTC participates in a cost-sharing multiple-employer defined benefit pension plan, Teachers Retirement System of Texas Plan (TRS/Plan). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense and information about the fiduciary net position of the Plan and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by the Plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Cost-Sharing Defined Benefit Other Postemployment Benefit Plan

TSTC participates in a cost-sharing multiple-employer defined benefit other postemployment benefit plan, Employees Retirement System of Texas Plan (OPEB Plan). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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Operating expenses include salaries and wages, payroll related costs, materials and supplies, depreciation and amortization and scholarships. 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.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College addresses each situation on a case-by-case basis prior to determining the resources to be used to satisfy the obligation. Generally, the College's policy is to first apply the expense towards restricted resources and then towards unrestricted resources. 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 as if the student made the payment). All other aid is reflected in the financial statements as operating expense or 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. Under the alternative method, these amounts are computed on an entity-wide basis by allocating cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

In fiscal year 2024, TSTC implemented a change in accounting principle regarding the recognition of scholarship expenses, in accordance with GASB Statement No. 100 (also *see Note 14, Adjustments to Fund Balances and Net Position*). This change was made to better align and match scholarship expenses with tuition revenue, ensuring that financial reporting more accurately reflects the timing and impact of scholarship awards on the College's operations. Previously, scholarship expenses were recognized at the time of disbursement; however, under the new estimate, scholarship expenses are now recognized in the same period as the related tuition revenue, providing a clearer picture of the net revenue from tuition and fees. This adjustment improves the matching principle and enhances the transparency of financial reporting, offering a more accurate reflection of the College's financial performance for the fiscal year. The change is expected to result in more consistent and comparable financial statements, aligning with best practices for revenue and expense recognition.

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Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, are recorded as non-operating revenues and other governmental grants are recorded as operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees and auxiliary enterprises for the year ended August 31, 2024, were \$31,234,439.22 and \$4,562,671.50, respectively.

Collections

The College has collections of rare manuscripts and art that it does not capitalize. These collections adhere to the College's policy to (a) maintain them for public exhibition, education or research, (b) protect, keep unencumbered, care for and preserve them, and (c) require proceeds from their sale to be used to acquire other collection items. Collections maintained in this manner are charged to operations at time of purchase rather than capitalized.

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. 100, *Accounting Changes and Error Corrections*, amends GASB Statement No. 62, updating the definitions of accounting changes (including changes in accounting principles, changes in accounting estimates and changes to or within the reporting entity) and error corrections. This statement is effective for fiscal years beginning after June 15, 2023, and was implemented in fiscal year 2024. The impact of this statement is reflected in the financial statements and note disclosures (also see MD&A and Note 14).
- 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 will be implemented in fiscal year 2025, or earlier if the State chooses to implement the standard early. The College anticipates a moderate impact to the financial statements.
- 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.

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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 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. 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.

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Note 2: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2024 is presented below:

	Balance 9/1/2023	Completed CIP	Additions	Deletions	Balance 8/31/2024
Non-Depreciable or Non-Amortizable Assets					
Land and Land Improvements	\$ 38,428,955.07	\$ -	\$ 1,484,681.64	\$ (1,230,974.27)	\$ 38,682,662.44
Construction in Progress	29,465,039.31	(12,267,871.54)	59,481,955.19	-	76,679,122.96
Other Tangible Capital Assets	1,248,093.83	-	-	(13,482.00)	1,234,611.83
Total Non-Depreciable or Non-Amortizable Assets	69,142,088.21	(12,267,871.54)	60,966,636.83	(1,244,456.27)	116,596,397.23
Depreciable Assets					
Buildings & Bldg. Improvements	\$ 329,454,906.12	\$ 498,183.38	\$ 2,658,257.99	\$ -	\$ 332,611,347.49
Infrastructure	28,728,694.55	11,413,708.16	-	-	40,142,402.71
Facilities & Other Improvements	7,255,687.98	-	-	-	7,255,687.98
Furniture and Equipment	79,909,296.39	-	5,112,059.73	(2,681,901.46)	82,339,454.66
Vehicle, Boats & Aircraft	12,787,710.52	355,980.00	1,793,620.00	(446,689.41)	14,490,621.11
Other Capital Assets	3,468,046.17	-	274,298.30	(2,397,500.45)	1,344,844.02
Total Depreciable Assets at Historical Costs	461,604,341.73	12,267,871.54	9,838,236.02	(5,526,091.32)	478,184,357.97
Less Accumulated Depreciation for:					
Buildings & Bldg. Improvements	\$ (166,359,257.52)	\$ -	\$ (10,447,449.16)	\$ -	\$ (176,806,706.68)
Infrastructure	(13,026,530.17)	-	(1,424,883.47)	-	(14,451,413.64)
Facilities & Other Improvements	(4,596,385.59)	-	(290,797.27)	-	(4,887,182.86)
Furniture and Equipment	(50,329,929.54)	-	(6,566,731.86)	2,641,012.60	(54,255,648.80)
Vehicle, Boats & Aircraft	(9,561,839.50)	-	(870,458.85)	420,740.89	(10,011,557.46)
Other Capital Assets	(2,219,797.45)	-	(146,306.94)	1,866,415.45	(499,688.94)
Total Accumulated Depreciation	(246,093,739.77)	-	(19,746,627.55)	4,928,168.94	(260,912,198.38)
Depreciable Assets, Net	215,510,601.96	12,267,871.54	(9,908,391.53)	(597,922.38)	217,272,159.59
Amortizable Assets-Intangible					
Computer Software	\$ 401,956.20	\$ -	\$ 264,000.00	\$ (44,773.00)	\$ 621,183.20
Total Amortizable Assets - Intangible	401,956.20	-	264,000.00	(44,773.00)	621,183.20
Less Accumulated Amortization for:					
Computer Software	\$ (268,023.80)	\$ -	\$ (33,099.80)	\$ 44,773.00	\$ (256,350.60)
Total Accumulated Amortization	(268,023.80)	-	(33,099.80)	44,773.00	(256,350.60)
Amortizable Assets - Intangible, Net	133,932.40	-	230,900.20	-	364,832.60
Business-Type Activities, Capital Assets, Net	\$ 284,786,622.57	\$ -	\$ 51,289,145.50	\$ (1,842,378.65)	\$ 334,233,389.42

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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, 2024 is presented below:

	Balance 9/1/2023	Additions	Deletions	Balance 8/31/2024
Amortizable Assets-Intangible				
Land	\$ 887,920.95	\$ -	\$ (6,567.71)	\$ 881,353.24
Buildings and Building Improvements	1,057,842.61	-	(751.44)	1,057,091.17
Furniture and Equipment	-	215,287.52	-	215,287.52
Subscriptions	13,390,625.34	903,716.30	-	14,294,341.64
Total Amortizable Intangible RTU Assets	\$ 15,336,388.90	\$ 1,119,003.82	\$ (7,319.15)	\$ 16,448,073.57
Less Accumulated Amortization for:				
Land	\$ (310,772.33)	\$ (19,735.15)	\$ -	\$ (330,507.48)
Buildings and Building Improvements	(305,983.04)	(199,838.67)	-	(505,821.71)
Furniture and Equipment	-	(17,931.17)	-	(17,931.17)
Subscriptions	(2,571,015.66)	(2,824,354.62)	-	(5,395,370.28)
Total Accumulated Amortization RTU Assets	\$ (3,187,771.03)	\$ (3,061,859.61)	\$ -	\$ (6,249,630.64)
Business-Type Activities, RTU Assets, Net	\$ 12,148,617.87	\$ (1,942,855.79)	\$ (7,319.15)	\$ 10,198,442.93

Note 3: Deposits, Investments and Repurchase Agreements

Deposits

As of August 31, 2024, the carrying amount of deposits was \$9,571,271.08 as presented below.

Cash in Bank - Carrying Amount	\$ 9,882,059.98
Less: Certificates of Deposit included in Current Short-term Investments	(10,000.00)
Less: Certificates of Deposit included in Noncurrent Restricted Short-term Investments	(300,788.90)
Cash in Bank per Statement of Net Position	\$ 9,571,271.08
Current Unrestricted Assets - Cash in Bank	\$ 6,536,947.47
Current Restricted Assets - Cash in Bank	2,729,055.60
Noncurrent Restricted Assets - Cash in Bank	305,268.01
Total	\$ 9,571,271.08

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, 2024, the College's total bank balance was \$10,719,147.88.

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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.

GASB 72 also establishes a fair value hierarchy that classified inputs to valuation techniques into three levels:

- Level 1 – inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that can be assessed at the measurement date.
- Level 2 – inputs are inputs (other than quoted prices included within Level 1) that are observable for an asset or liability, either directly (quoted market prices for similar assets or liabilities) or indirectly (corroborated from observable market information)
- Level 3 – inputs are unobservable inputs for asset or liability.

Beyond these three levels, net asset value may be used to categorize investments without a readily determinable fair value. As of year-end, fair values of investments were categorized as follows:

Type of Investments	Value at 8/31/24	Fair Value Measured by				NAV
		Level 1	Level 2	Level 3		
Fixed Income Money Market	\$ 166,299,994.69	166,299,994.69	-	-	-	
U.S. Treasury Securities	71,586,913.08	71,586,913.08	-	-	-	
Other Comingled Funds (TexasDAILY)	47,534,559.18	-	-	-	47,534,559.18	
Other Comingled Funds (Texpool)	3,805,878.05	-	-	-	3,805,878.05	
	\$	\$			\$	
Total Investments	289,227,345.00	237,886,907.77	\$ -	\$ -	51,340,437.23	

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Reconciliation of Investments to Statement of Net Position

Current Unrestricted Assets - Short-term Investments	\$ 26,096,325.04
Current Restricted Assets - Short-term Investments	25,244,112.19
Noncurrent Restricted Assets - Long-term Investments	237,886,907.77
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	<u><u>\$ 289,538,133.90</u></u>

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 ladder 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.

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Note 5: Long-Term Liabilities**Changes in Long-Term Liabilities**

During the year ended August 31, 2024, the following changes occurred in long-term liabilities:

	Balance 9/1/2023	Restatements/ Adjustments	Additions	Reductions	Balance 8/31/2024	Amounts Due Within One Year	Amounts Due Thereafter
General Obligation Bonds Payable	\$ 9,159,478.57	\$ (402,239.36)	\$ -	\$ (2,655,000.00)	\$ 6,102,239.21	\$ 3,187,239.21	\$ 2,915,000.00
Revenue Bonds Payable	362,503,967.55	(614,516.78)	-	(10,160,000.00)	351,729,450.77	12,972,950.19	338,756,500.58
Revenue Bonds - Direct Borrowings	24,590,000.00	-	-	(2,810,000.00)	21,780,000.00	2,880,000.00	18,900,000.00
Total Bonds Payable	396,253,446.12	(1,016,756.14)	-	(15,625,000.00)	379,611,689.98	19,040,189.40	360,571,500.58
Right to Use Lease Obligations	\$ 1,374,598.17	\$ -	\$ 228,719.06	\$ (207,059.44)	\$ 1,396,257.79	\$ 199,783.40	\$ 1,196,474.39
Right to Use Subscription Obligations	7,842,397.15	-	754,127.48	(1,880,713.78)	6,715,810.85	2,006,004.53	4,709,806.32
Capital Lease - Direct Borrowings	21,329,271.53	-	455,229.48	(645,007.62)	21,139,493.39	1,008,525.15	20,130,968.24
Employees' Compensable Leave	7,357,180.84	116,487.43	6,524,737.41	(5,737,291.34)	8,261,114.34	1,118,006.59	7,143,107.75
Net Pension Liability	12,906,720.00	-	4,209,735.00	-	17,116,455.00	-	17,116,455.00
Net OPEB Liability	55,756,966.00	-	5,614,594.00	-	61,371,560.00	2,585,823.00	58,785,737.00
Total Long-Term Liabilities	\$ 502,820,579.81	\$ (900,268.71)	\$ 17,787,142.43	\$ (24,095,072.18)	\$ 495,612,381.35	\$ 25,958,332.07	\$ 469,654,049.28

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, 2024 are as follows:

Year	Principal	Interest	Total
2025	\$ 2,880,000.00	\$ 514,602.00	\$ 3,394,602.00
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
2030-2032	6,620,000.00	168,498.00	6,788,498.00
Total	\$ 21,780,000.00	\$ 1,984,152.50	\$ 23,764,152.50

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*.

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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, 2024 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,008,525.15	\$ 983,184.85	\$ 1,991,710.00
2026	962,690.12	1,029,019.88	1,991,710.00
2027	999,992.11	991,717.89	1,991,710.00
2028	1,036,963.02	954,746.98	1,991,710.00
2029	1,078,140.21	913,569.79	1,991,710.00
2030-2034	4,271,440.97	2,689,894.49	6,961,335.46
2035-2039	5,032,840.50	1,825,709.50	6,858,550.00
2040-2044	6,076,063.19	782,486.81	6,858,550.00
2045-2046	672,838.12	12,896.05	685,734.17
Total	\$ 21,139,493.39	\$ 10,183,226.24	\$ 31,322,719.63

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, 2024.

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 2024, TSTC incurred expense totaling \$44,430.50 for the abatement of asbestos. There are no additional expenses for the abatement of asbestos expected in fiscal year 2025.

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, 2024, the accrued liability totaled \$8,261,114.34.

The College made lump sum payments totaling \$853,257.99 for accrued vacation and/or compensatory time to employees who separated from State service during fiscal year ending August 31, 2024.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
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Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee is off due to illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. The College's policy is to recognize the cost of sick leave when paid and the liability is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal.

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, 2024, 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:

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Year	General Obligation Bonds Principal	General Obligation Bonds Interest	Total
2025	\$ 2,785,000.00	\$ 186,225.00	\$ 2,971,225.00
2026	2,915,000.00	58,300.00	2,973,300.00
Total	\$ 5,700,000.00	\$ 244,525.00	\$ 5,944,525.00

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.

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- 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

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

<u>Year</u>	<u>Revenue Financing Bonds Principal</u>	<u>Revenue Financing Bonds Interest</u>	<u>Total</u>
2025	\$ 15,100,000.00	\$ 17,648,720.76	\$ 32,748,720.76
2026	15,755,000.00	16,991,957.01	32,746,957.01
2027	16,460,000.00	16,304,852.76	32,764,852.76
2028	17,195,000.00	15,585,104.26	32,780,104.26
2029	17,920,000.00	14,831,452.01	32,751,452.01
2030-2034	76,370,000.00	63,079,087.04	139,449,087.04
2035-2039	80,155,000.00	45,570,073.15	125,725,073.15
2040-2044	59,130,000.00	24,919,012.50	84,049,012.50
2045-2049	24,660,000.00	14,414,437.50	39,074,437.50
2050-2054	32,935,000.00	6,158,400.00	39,093,400.00
Total	\$ 355,680,000.00	\$ 235,503,096.99	\$ 591,183,096.99

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

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- 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.

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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)	\$	591,183,096.69
Term of commitment year ending August 31 (2)		2054
Percentage of revenue pledged (3)		100%
Current year pledged revenue	\$	78,755,595.94
Current year principal and interest paid	\$	31,170,677.80

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.

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TSTC as Lessee

TSTC entered into various leases for land and buildings. These agreements range in terms up to 2049. In 2024, total lease payments were \$261,074.20.

Future minimum lease payments under GASB 87 as of August 31, 2024 were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Payment</u>
2025	\$ 199,783.41	\$ 51,568.83	\$ 251,352.24
2026	191,955.24	44,376.25	236,661.49
2027	206,182.61	36,893.88	243,076.49
2028	169,693.59	28,878.71	198,572.30
2029	52,494.03	23,885.61	76,379.64
2030-2034	55,781.13	111,794.56	167,575.69
2035-2039	102,585.88	97,080.81	199,666.69
2040-2044	166,208.99	71,694.19	237,903.18
2045-2049	251,572.91	31,889.13	283,462.04
Total Future Minimum Lease Payments	\$ 1,396,257.79	\$ 498,061.97	\$ 1,894,319.76

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 \$2,598,816.14 for the year ended August 31, 2024.

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 2049. In 2024, the total RTU lease income was \$1,012,528.05.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Income</u>
2025	794,258.65	146,539.14	940,797.79
2026	747,135.10	132,534.38	879,669.48
2027	760,510.31	119,115.74	879,626.05
2028	771,367.00	105,789.18	877,156.18
2029	715,358.51	93,061.67	808,420.18
2030-2034	3,095,105.27	290,151.56	3,385,256.83
2035-2039	599,708.40	158,235.51	757,943.91
2040-2044	707,655.53	94,053.11	801,708.64
2045-2049	512,137.19	22,220.15	534,357.34
Total Future Minimum Lease Income	\$ 8,703,235.96	1,161,700.44	9,864,936.40

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 \$1,039,484.11.

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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 2028. In 2024, total lease payments were \$2,186,392.00.

Future minimum lease payments under GASB 96 as of August 31, 2024 were as follows:

<u>Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total SBITA Payment</u>
2025	\$	2,006,004.54	\$	252,350.46	\$	2,258,355.00
2026		1,423,739.08		174,932.92		1,598,672.00
2027		1,566,375.21		122,049.79		1,688,425.00
2028		1,719,692.03		63,870.97		1,783,563.00
Total Future Minimum SBITA Payments	\$	6,715,810.85	\$	613,204.15	\$	7,329,015.00

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 \$498,321.45 for the year ended August 31, 2024.

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.

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A summary of original capitalized costs of all such property under the lease in addition to the accumulated depreciation as of August 31, 2024 is presented below.

<u>Class of Property</u>	<u>Assets under Capital Lease</u>	<u>Accumulated Depreciation</u>	<u>Total</u>
Building	21,259,858.19	(2,831,251.49)	18,428,606.70
Construction in Progress	1,734,236.31	-	1,734,236.31
Totals	\$ 22,994,094.50	\$ 2,831,251.49	\$ 20,162,843.01

Note 9: Defined Benefit Pension Plan and Defined Contribution Plan

Teacher Retirement System (Defined Benefit Pension Plan)

Plan Description

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).

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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 2023 for fiscal 2024 reporting, TSTC’s contributions recognized by the plan were \$1,280,859.00. 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	8.00%
Employees	8.00%

Actuarial Methods 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, 2023 measurement date.

	TRS Plan
Actuarial Methods:	
Actuarial valuation date	August 31, 2022 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	4.13% 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

¹Source for the rate is Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-Year Municipal GO AA Index.”

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Roll Forward

The actuarial valuation was performed as of August 31, 2022. Update procedures were used to roll forward the total pension liability to August 31, 2023. 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

The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the Net Pension Liability of TRS. In addition, the Legislature also provided for a cost-of-living adjustment (COLA) to retirees which was approved during the November 2023 election which will be paid January 2024. Therefore, this contingent liability was not reflected as of August 31, 2023. Otherwise, there have been no changes to the benefit provisions of the plan since the prior measurement date.

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 9.50% of payroll in fiscal year 2024 gradually increasing to 9.56% 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.

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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.	18.00%	4.00%
Non-U.S. Developed	13.00%	4.50%
Emerging Markets	9.00%	4.80%
Private Equity ¹	14.00%	7.70%
Stable Value		
Government Bonds	16.00%	2.50%
Absolute Return ¹		3.60%
Stable Value Hedge Funds	5.00%	4.10%
Real Return		
Real Assets	15.00%	4.90%
Energy, Natural Resources and Infrastructure	6.00%	4.80%
Commodities		4.40%
Risk Parity		
Risk Parity	8.00%	4.50%
Asset Allocation Leverage		
Cash	2.00%	3.70%
Asset Allocation Leverage	(6.00%)	4.40%
Total	100.00%	

¹ Absolute Return includes Credit Sensitive Investments

² Target allocations are based on fiscal year 2023 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	\$ 25,590,048.00	\$ 17,116,455.00	\$ 10,070,658.00

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

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 2023 Annual Comprehensive Financial Report (ACFR).

At August 31, 2024, the College reported a liability of \$17,116,455.00 for its proportionate share of the net pension liability. The net pension liability was measured as of August 31, 2023 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, 2024 was .0249% which was an increase from the 0.003% 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, 2022 through August 31, 2023.

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

For the year ended August 31, 2024, the College recognized pension expense of \$2,347,417.00. At August 31, 2024, 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	\$ 609,865.00	\$	207,262.00
Changes of assumptions	1,618,881.00		396,177.00
Net difference between projected and actual investment return	2,490,860.00		-
Change in proportion & contribution difference	1,285,218.00		1,139,981
Contributions subsequent to the measurement date	1,362,939.00		-
Total	\$ 7,367,763.00	\$	1,743,420.00

At August 31, 2024, the College reported \$1,362,939.00 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, 2025.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

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:	<u>Pension Expense Amount¹</u>
2025	\$ 430,007.00
2026	569,476.00
2027	2,187,354.00
2028	839,774.00
2029	<u>234,793.00</u>
	<u>\$ 4,261,404.00</u>

¹ Positive amounts indicate increase in pension expense; negative amounts indicate decrease 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, 2024, is provided in the following table:

Member Contributions	\$ 922,187.91
Employer Contributions	<u>915,254.17</u>
Total	<u>\$ 1,837,442.08</u>

**TEXAS STATE TECHNICAL COLLEGE (Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024**

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 2023 for fiscal 2024 reporting, the amount of TSTC’s contributions recognized by the plan was \$6,850,205.25. 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	
<hr/>	
Retiree Only	\$ 624.82
Retiree & Spouse	\$ 1,340.82
Retiree & Children	\$ 1,104.22
Retiree & Family	\$ 1,820.22

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
 At August 31, 2024, TSTC reported a liability of \$61,371,560.00 for its proportionate share of the collective net OPEB liability. The non-current portion of the liability was \$58,785,737.00 and the current portion was \$2,585,823.00. The collective net OPEB liability was measured as of August 31, 2023, 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, 2023 was 0.23 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, 2022 through August 31, 2023.

For the year ending August 31, 2024, TSTC recognized OPEB expense of \$10,459,678.00. At August 31, 2024, TSTC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 1,623,311
Changes of assumptions	2,047,289.00	19,167,156.00
Net difference between projected and actual investment return	4,959.00	-
Effect of change in proportion and contribution difference	18,923,968.00	4,377,394.00
Contributions subsequent to the measurement date	<u>82,770.00</u>	<u>-</u>
Total	\$ <u><u>21,058,986.00</u></u>	\$ <u><u>25,167,861.00</u></u>

The \$77,147.00 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, 2024. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in the following years:

	<u>OPEB Expense Amount</u>
2025	\$ 2,077,977.00
2026	(1,955,830.00)
2027	(3,496,283.00)
2028	(1,141,878.00)
2029	<u>324,369.00</u>
	\$ <u><u>(4,191,645.00)</u></u>

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

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, 2023 measurement date.

	SRHP
Actuarial valuation date	August 31, 2022
Actuarial cost method	Entry Age
Amortization method	Level Percent of Payroll, Open
Remaining amortization period	30 Years
Actuarial Assumptions:	
discount Rate	3.81% *
inflation	2.30%
salary increase	2.30% to 8.95%, including inflation
Healthcare Cost and Trend Rate	
HealthSelect	5.60% for FY 2025, 5.30% for FY 2026, 5.00% for FY 2027, 4.75% for FY 2028, 4.60% for FY 2029, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2032 and later years
HealthSelect Medicare Advantage	16.40% for FY 2025, 8.40% for FY 2026, 5.00% for FY 2027, 4.75% for FY 2028, 4.60% for FY 2029, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2031 and later years
Pharmacy	10.00% for FY 2024 and FY 2025, FY 2026 decreasing 100 basis points per year to 5.00% for FY 2031 and 4.30% for FY 2032 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 and Ultimate MP Projection Scale projected from the year 2020
Disabled retirees	2020 State Retirees of Texas Mortality table set forward three years for males and females. Generational mortality improvements in accordance with the Ultimate MP-2019 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
Active members	Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members and Pub-2010 Public Safety Active Member Mortality table for CPO/CO members with Ultimate MP-2019 Projection Scale from the year 2010
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 Projection Scale from year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active Members	Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP Projection Scale from the year 2010
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 period September 1, 2014 to August 31, 2019 for state agency members and for the period September 1, 2010 to August 31, 2017 for higher education members. The mortality rates were based on the tables identified in the table above.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

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 has been updated to reflect the most recent information; and
- The discount rate was changed from 3.59% as of August 31, 2022 to 3.81% as of August 31, 2023 as a result of requirements by GASB Statement 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 3.81 percent as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 3.59 percent. 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 3.59 percent.

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	\$ 71,212,879.00	\$ 61,371,560.00	\$ 53,455,972.00

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

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	\$ 52,788,072.00	\$ 61,371,560.00	\$ 72,272,634.00

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 2023 Annual Comprehensive Financial Report (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, 2024 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		\$ 30,321.29	\$ -	State Pass-Through Grant
D23 Fund 5026		203,150.00		Federal Pass-Through Grant
Texas Department of Transportation	601			
D23 Fund 0006		98,003.74	-	State Pass-Through Grant
The University of Texas at Dallas	738			
D23 Fund 7999		6,453.06	-	Federal Pass-Through Grant
Texas Higher Education Coordinating Board	781			
D23 Fund 0001		1,747,514.00	-	Federal Pass-Through Grant
D23 Fund 0001		203,120.24	3,548.65	State Pass-Through Grant
Total Due From/To Other Agencies per Statement of Net Position		\$ 2,288,562.33	\$ 3,548.65	

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

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

Change in Accounting Principle

In fiscal year 2024, TSTC adopted a change in accounting principle following the implementation of a new accounting system, specifically regarding the recognition of scholarship expenses to better align with tuition revenue. This adjustment ensures that scholarship expenses are recognized in the same period as the related tuition revenue, providing a more accurate representation of the College’s financial performance. Previously, scholarship expenses for the Fall semesters were not aligned with the tuition revenue recognized in the same semester. The impact of this change is reflected in several areas of the current year’s financial statements, including Accounts Receivable, Federal Accounts Receivable, Scholarships and Fellowships, and Federal Non-Operating Revenue. This revised approach enhances the matching of revenue and expenses, thereby improving the consistency and transparency of TSTC’s financial reporting.

Adjustments to and Restatement of Beginning Balance

As a result of the accounting principal change, the beginning fund balance was adjusted by \$1,521,946.72 to reflect the cumulative effect of the change, as shown in the table below:

Net Position at August 31, 2023 as Previously Reported	\$	138,585,593.77
Accounting Principle Adjustment		1,521,946.72
Net Position at August 31, 2023, as Restated	\$	140,107,540.49

Note 15: Contingencies and Commitments

As of August 31, 2024, three 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.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

Note 16: Subsequent Events

On October 8, 2024, TSTC issued \$50.0 million of revenue financing system improvement bonds. Debt service for \$13.5 million of the bond will be supported by State appropriations, and the remaining with local funds. The bonds were issued with a premium for a total purchase price of \$50.2 million. Additional detailed information on these bonds will be reported in the fiscal year 2025 Annual Financial Report.

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 2024.

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, 2024, the College had \$606,056.91 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, 2024, the endowments earned \$9,118.25 in investment income.

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

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, 2024, is compromised as follows:

Campus Billing	\$	2,239,806.90
Tuition & Fees		4,316,799.43
Local Grants		165,863.84
Reimbursement from State for Payroll Payable		9,402,784.59
Other		1,439,288.23
Total	\$	<u><u>17,754,570.59</u></u>

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, 2024 is presented below:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pensions	\$ 7,367,763.00	\$ 1,743,420.00
OPEB	21,058,986.00	25,167,861.00
Unamortized losses on refunding of debt	940,918.38	-
Leases	-	8,430,428.58
	<u><u>\$ 29,367,667.38</u></u>	<u><u>\$ 35,341,709.58</u></u>

See Note 1, *Summary of Significant Accounting Policies*, 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.

UNAUDITED

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
 Schedule 1A - Expenditures of Federal Awards
 For the Fiscal Year Ended August 31, 2024

Certified

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	NSE Name	Agy Univ No.	Pass-through From	
				Agencies or Universities Amount	Non-State Entities Amount
National Science Foundation					
<u>Direct Programs:</u>					
STEM Education (formerly Education and Human Resources)	47.076			-	-
Totals -National Science Foundation				\$ -	\$ -
U.S. Department of Education					
<u>Direct Programs:</u>					
Migrant Education College Assistance Migrant Program	84.149A			\$ -	\$ -
Higher Education Institutional Aid	84.031			-	-
<u>TRIO Cluster</u>					
TRIO_Talent Search	84.044A			-	-
TRIO_Upward Bound	84.047A			-	-
TRIO_Upward Bound	84.047M			-	-
Totals - TRIO Cluster				-	-
<u>Student Financial Assistance Cluster</u>					
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				-	-
<u>Pass-Through Programs:</u>					
Vocational Education - Basic Grants to States					
<u>Pass-Through From:</u>					
<i>Texas Higher Education Coordinating Board</i>	84.048A		781	2,718,557.48	-
Adult Education - Basic Grants to States					
<u>Pass-Through From:</u>					
<i>Brownsville Independent School District</i>	84.002A	BISD		-	17,990.00
Fund for the Improvement of Postsecondary Education					
<u>Pass-Through From:</u>					
<i>University of Texas at Dallas</i>	84.116Z		738	71,664.58	-
Totals - U.S. Department of Education				\$ 2,790,222.06	\$ 17,990.00

UNAUDITED

Direct Program Amount	Total PT From and Direct Program Amount	Agy Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
			Agencies or Universities Amount	Non-State Entities Amount		
344,400.71	344,400.71		-	-	344,400.71	344,400.71
\$ 344,400.71	\$ 344,400.71		\$ -	\$ -	\$ 344,400.71	\$ 344,400.71
\$ 405,375.30	\$ 405,375.30		\$ -	\$ -	\$ 405,375.30	405,375.30
207,962.69	207,962.69		-	-	207,962.69	207,962.69
304,629.28	304,629.28		-	-	304,629.28	304,629.28
355,511.18	355,511.18		-	-	355,511.18	355,511.18
346,273.63	346,273.63		-	-	346,273.63	346,273.63
1,619,752.08	1,619,752.08		-	-	1,619,752.08	1,619,752.08
658,876.85	658,876.85		-	-	658,876.85	658,876.85
501,509.30	501,509.30		-	-	501,509.30	501,509.30
35,764,399.60	35,764,399.60		-	-	35,764,399.60	35,764,399.60
21,403,580.00	21,403,580.00		-	-	21,403,580.00	21,403,580.00
58,328,365.75	58,328,365.75		-	-	58,328,365.75	58,328,365.75
-	2,718,557.48		-	-	2,718,557.48	2,718,557.48
-	17,990.00		-	-	17,990.00	17,990.00
-	71,664.58		-	-	71,664.58	71,664.58
\$ 59,948,117.83	\$ 62,756,329.89		\$ -	\$ -	\$ 62,756,329.89	\$ 62,756,329.89

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
 Schedule 1A - Expenditures of Federal Awards
 For the Fiscal Year Ended August 31, 2024

Certified

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	NSE Name	Agy Univ No.	Pass-through From	
				Agencies or Universities Amount	Non-State Entities Amount
U.S. Department of Health and Human Services					
<u>Pass-Through from:</u>					
Temporary Assistance for Needy Families					
<u>Pass-Through From:</u>					
<i>Texas Workforce Commission</i>	93.558		320	20,069.30	-
Totals - U.S. Department of the Treasury				\$ 20,069.30	\$ -
U.S. Department of Labor					
H-1B Job Training Grants	17.268	VIDA		-	53,823.53
WIOA Dislocated Worker Formula Grants	17.285	NCTCOG		-	14,827.15
Totals - U.S. Department of Labor				\$ -	\$ 68,650.68
U.S. Department of Labor					
<u>Pass-Through Programs:</u>					
Employment Services/Wagner-Peyser Funded Activities					
<u>Pass-Through From:</u>					
<i>Texas Workforce Commission</i>	17.207		320	205,638.35	-
WIOA Dislocated Worker Formula Grants					
<u>Pass-Through From:</u>					
<i>Texas Workforce Commission</i>	17.278		320	2,453,736.40	-
Totals - U.S. Department of Labor				\$ 2,659,374.75	\$ -
U.S. Department of Commerce					
<u>Direct Programs:</u>					
Economic Adjustment Assistance	11.307			-	-
Totals -U.S. Department of Commerce				\$ -	\$ -
Total Expenditures of Federal Awards				\$ 5,469,666.11	\$ 86,640.68

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Direct Program Amount	Total PT From and Direct Program Amount	Agy Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures Amount
			Agencies or Universities Amount	Non-State Entities Amount		
-	20,069.30		-	-	20,069.30	20,069.30
<u>\$ -</u>	<u>\$ 20,069.30</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,069.30</u>	<u>\$ 20,069.30</u>
-	53,823.53		-	-	53,823.53	53,823.53
-	14,827.15		-	-	14,827.15	14,827.15
<u>\$ -</u>	<u>\$ 68,650.68</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,650.68</u>	<u>\$ 68,650.68</u>
-	205,638.35		-	-	205,638.35	205,638.35
-	2,453,736.40		-	-	2,453,736.40	2,453,736.40
<u>\$ -</u>	<u>\$ 2,659,374.75</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,659,374.75</u>	<u>\$ 2,659,374.75</u>
3,058,512.72	3,058,512.72		-	-	3,058,512.72	3,058,512.72
<u>\$ 3,058,512.72</u>	<u>\$ 3,058,512.72</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,058,512.72</u>	<u>\$ 3,058,512.72</u>
<u>\$ 63,351,031.26</u>	<u>\$ 68,907,338.05</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,907,338.05</u>	<u>\$ 68,907,338.05</u>

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
 Schedule 1A - Expenditures of Federal Awards
 For the Fiscal Year Ended August 31, 2024

Note 2: Reconciliation:

<u>Federal Revenue</u>		
Federal Grants and Contracts Operating		\$ 5,610,815.49
Federal Grants and Contracts Non-operating		36,423,276.45
Total Federal Revenue		<u>42,034,091.94</u>
<u>Federal Pass-Through Revenue from Other State Agencies -</u>		
Federal Pass-Through Revenue Operating		5,469,666.11
Federal Pass-Through Revenue Non-operating		-
Total Federal Pass-Through Revenue from Other State Agencies		<u>5,469,666.11</u>
Total Federal Revenue and Federal Pass-Through Revenue		<u>47,503,758.05</u>
<u>Reconciliation Items:</u>		
Non-monetary Assistance		-
<u>New Loans Processed:</u>		
Federal Direct Student Loans		21,403,580.00
Total Reconciliation Items		<u>21,403,580.00</u>
Total Per Note 2		68,907,338.05
Total Pass-Through To and Expenditures per Federal Schedule		68,907,338.05
Difference		<u>\$ -</u>

Note 3a: Student Loans Processed and Administrative Costs Recovered

<u>Federal Grantor/ CFDA Number/Program Name</u>	<u>New Loans Processed</u>	<u>Admin Costs</u>	<u>Total Loans Processed & Admin Costs</u>	<u>Ending Bal. of Prev. Yr. Loan</u>
U.S. Department of Education				
84.268 Federal Direct Student Loans	\$ 21,403,580.00	-	\$ 21,403,580.00	-
Total	<u>\$ 21,403,580.00</u>	<u>-</u>	<u>\$ 21,403,580.00</u>	

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
 Schedule 1B - State Grant Pass Throughs From/To State Agencies
 For the Fiscal Year Ended August 31, 2024

Pass Through From:			
Grantor Agency	Grant ID	Grant Title	Amount
320-Texas Workforce Commission	320.0002	Jobs and Education for Texas (JET)	\$ 303,212.88
320-Texas Workforce Commission	320.0003	Skills Development	173,085.00
601-Texas Department of Transportation	601.0030	State Assisted Airport Routine Maintenance at the TSTC Waco Airport	98,003.74
781-Texas Higher Education Coordinating Board	781.0006	Nursing and Allied Health	301,277.74
781-Texas Higher Education Coordinating Board	781.0013	Professional Nursing Shortage Reduction Program	251,973.11
781-Texas Higher Education Coordinating Board	781.0023	College Work Study Program	60,181.41
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	1,735,521.00
781-Texas Higher Education Coordinating Board	781.0086	HB8 Innovation & Collaboration	249,949.00
781-Texas Higher Education Coordinating Board	781.0091	HB8 TEOG State & Technical	7,000,000.00
781-Texas Higher Education Coordinating Board	781.0092	HB8 FAST Transfer	371,690.00
Total Pass Through From Other Agencies			\$ 10,544,893.88
Total Pass Through To Other Agencies			\$ -

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
 Schedule 2A - Miscellaneous Bond Information
 For the Fiscal Year Ended August 31, 2024

Business-Type Activities

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Terms of Variable Interest Rates	Scheduled Maturities		First Call Date
					First Year	Last Year	
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	<u>298,750,000.00</u>	5.0000%	6.0000%		2023	2054	08/1/2032
Total	\$ <u><u>428,280,000.00</u></u>						

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TEXAS STATE TECHNICAL COLLEGE (Agency 719)
 Schedule 2B - Changes in Bonded Indebtedness
 For the Fiscal Year Ended August 31, 2024

Business-Type Activities

Description of Issue	Bonds Outstanding 09/01/2023	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Par Value Adjustments
General Obligation Bonds					
Constitutional Appropriation Bonds, Series 2016	\$ 8,355,000.00	\$	\$ 2,655,000.00	\$	\$
Revenue Bonds					
Revenue Financing System Improvement and Refunding Bonds, Series 2016	41,295,000.00		3,255,000.00		
Revenue Financing System Improvement Bonds, Series 2020	24,590,000.00		2,810,000.00		
Revenue Financing System Refunding Bonds Series 2022	15,935,000.00		1,185,000.00		
Revenue Financing System Improvement Bonds, Series 2022A	<u>286,830,000.00</u>		<u>5,720,000.00</u>		
Total	<u>\$ 377,005,000.00</u>	<u>\$ -</u>	<u>\$ 15,625,000.00</u>	<u>\$ -</u>	<u>\$ -</u>

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Bonds Outstanding 08/31/2024	Reconciliation			Net Bonds Outstanding 08/31/2024	Amounts Due Within One Year
	Unamortized Premium	Unamortized Discount	Adjustments		
\$ 5,700,000.00	\$ 402,239.21	\$	\$	\$ 6,102,239.21	\$ 3,187,239.21
38,040,000.00	3,991,292.31			42,031,292.31	3,898,518.79
21,780,000.00				21,780,000.00	2,880,000.00
14,750,000.00				14,750,000.00	1,210,000.00
<u>281,110,000.00</u>	<u>13,838,158.46</u>			<u>294,948,158.46</u>	<u>7,864,431.40</u>
<u>\$ 361,380,000.00</u>	<u>\$ 18,231,689.98</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 379,611,689.98</u>	<u>\$ 19,040,189.40</u>

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
 Schedule 2C - Debt Service Requirements
 For the Fiscal Year Ended August 31, 2024

Business-Type Activities

Description of Issue	Year	Principal	Interest
General Obligation Bonds			
Constitutional Appropriation Bonds			
Series 2016	2025	\$ 2,785,000.00	\$ 186,225.00
	2026	2,915,000.00	58,300.00
Total		<u>\$ 5,700,000.00</u>	<u>\$ 244,525.00</u>
Revenue Bonds			
Revenue Financing System			
Improvement and Refunding Bonds			
Series 2016	2025	\$ 3,425,000.00	\$ 1,576,756.26
	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
	2030-2034	11,285,000.00	1,830,625.04
	2035-2036	7,755,000.00	374,753.15
Total		<u>\$ 38,040,000.00</u>	<u>\$ 8,237,534.49</u>
Revenue Financing System			
Improvement Bonds			
Series 2020	2025	\$ 2,880,000.00	\$ 514,602.00
	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
	2030-2031	6,620,000.00	168,498.00
Total		<u>\$ 21,780,000.00</u>	<u>\$ 1,984,152.50</u>
Revenue Financing System			
Refunding Bonds			
Series 2022	2025	\$ 1,210,000.00	\$ 340,725.00
	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
	2030-2034	4,935,000.00	590,551.50
	2035-2036	3,450,000.00	160,545.00
Total		<u>\$ 14,750,000.00</u>	<u>\$ 2,167,935.00</u>

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
 Schedule 2C - Debt Service Requirements
 For the Fiscal Year Ended August 31, 2024

Business-Type Activities

Description of Issue	Year	Principal	Interest
Revenue Financing System Improvement Bonds Series 2022A			
	2025	\$ 7,585,000.00	\$ 15,216,637.50
	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
	2030-2034	53,530,000.00	60,489,412.50
	2035-2036	68,950,000.00	45,034,775.00
	2040-2044	59,130,000.00	24,919,012.50
	2045-2049	24,660,000.00	14,414,437.50
	2050-2054	32,935,000.00	6,158,400.00
Total		\$ <u>281,110,000.00</u>	\$ <u>223,113,475.00</u>

TEXAS STATE TECHNICAL COLLEGE (Agency 719)
 Schedule 2D - Analysis of Funds Available for Debt Service
 For the Fiscal Year Ended August 31, 2024

Business-Type Activities

Description of Issue	Application of Funds	
	Principal	Interest
General Obligation Bonds		
Constitutional Appropriation Bonds Series 2016	\$ 2,655,000.00	\$ 322,225.00
Total	\$ 2,655,000.00	\$ 322,225.00

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2024			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
Revenue Bonds				
Revenue Financing System Improvement and Refunding Bonds, Series 2016	78,755,595.94	(A)	3,255,000.00	1,743,756.26
Revenue Financing System Improvement Bonds, Series 2020	(B)	(B)	2,810,000.00	586,185.54
Revenue Financing System Refunding Bonds, Series 2022	(B)	(B)	1,185,000.00	368,098.50
Revenue Financing System Improvement Bonds, Series 2022A	(B)	(B)	5,720,000.00	15,502,637.50
Total	\$ 78,755,595.94	\$ -	\$ 12,970,000.00	\$ 18,200,677.80

(A) Expenditures associated with pledged sources were approximately \$70,096,852.55 (Footnote disclosure for Gross Revenue Pledges only.)

(B) The Revenue Financing System Improvement Bonds, Series 2020; Revenue Financing System Refunding Bonds, Series 2022; and Revenue Financing System Improvement Bonds, Series 2022A, were issued as parity obligations with the Revenue Financing System Improvement and Refunding Bonds, Series 2016. As such, the Series 2020, Series 2022, and Series 2022A 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.

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TEXAS STATE TECHNICAL COLLEGE (Agency 719)
 Schedule 3 - Reconciliation of Cash in State Treasury
 For the Fiscal Year Ended August 31, 2024

Cash in State Treasury	Unrestricted	Restricted	Current Year Total
Local Revenue Fund 0237	\$ 4,809,417.42	\$ -	\$ 4,809,417.42
Shared Cash Fund 0325	-	13,841.79	13,841.79
Total Cash in State Treasury (Stmt of Net Position)	\$ 4,809,417.42	\$ 13,841.79	\$ 4,823,259.21

