

**TEXARKANA COLLEGE
TEXARKANA, TEXAS**

**ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED
AUGUST 31, 2025 AND 2024**

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

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ORGANIZATIONAL DATA

**TEXARKANA COLLEGE
ORGANIZATIONAL DATA
FOR THE YEAR ENDED AUGUST 31, 2025**

Board of Trustees

Officers

Derrick McGary	President
Lesley Ledwell Dukelow	Vice President
George Moore	Secretary

Members

		Term Expires <u>December 31,</u>
Ernie Cochran	Texarkana, Texas	2030
Tiffani Neal	Texarkana, Texas	2028
Dr. John Booth	DeKalb, Texas	2030
Liliana Luna	New Boston, Texas	2026

Key Officers

Dr. Jason Smith	President
Brad Hoover, CPA	Vice President of Finance/ CFO
Dr. Dixon Boyles	Vice President of Instruction
Phyllis Deese	Vice President of Administrative Services
Brandon Washington	Vice President of Operations/ Dean of Workforce
Dr. Catherine Howard	Dean of STEM/Business
Robert Jones	Dean of Students
Dr. Tonja Mackey	Dean of Library and Learning Support
Courtney Shoalmire	Dean of Health Sciences
Dr. Mary Ellen Young	Dean of Liberal and Performing Arts/Social Sciences
Katie Andrus	Executive Director – Development/Foundation
Kenny Trissel	Executive Director – Facility Services
Kendal Howe	Controller
Suzy Irwin	Executive Director – Institutional Advancement and Public Relations
Steve Mitchell	Executive Director – Radio Station
Mindy Preston	Executive Director – Presidential and Board Activities
Holly Easley	Executive Director – Community Education
Bart Upchurch	Executive Director – Information Technology

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Texarkana College and the
Texarkana College Foundation, Inc.

Opinions

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component unit (the Texarkana College Foundation, Inc., hereinafter referred to as the Foundation), and the aggregate remaining fund information of the Texarkana College (the College), as of and for the years ended August 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of the Texarkana College as of August 31, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, the schedule of the College's proportionate share of net pension liability on page 60, the schedule of the College's contributions for pensions on page 61, the schedule of the College's proportionate share of the net OPEB liability on page 62, the schedule of the College's contributions for OPEB on page 63, and the notes to the required supplemental information on page 64 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Schedule of Operating Revenues, Schedule of Operating Expenses by Object, Schedule of Non-operating Revenues and Expenses, Schedule of Net Position by Source and Availability, Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Schedule of Expenditures of State Awards, and Statement of Income and Expenditures – Auxiliary Enterprises are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Revenues, Schedule of Operating Expenses by Object, Schedule of Non-operating Revenues and Expenses, Schedule of Net Position by Source and Availability, Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Schedule of Expenditures of State Awards, and Statement of Income and Expenditures – Auxiliary Enterprises are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory organizational data and the insurance in force but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas
December 15, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

TEXARKANA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2025, 2024 AND 2023

This section of Texarkana College's annual financial report presents management's discussion and analysis of the financial performance of the College during the fiscal years ending 2025, 2024, and 2023. This discussion should be read in conjunction with the accompanying financial statements, notes to the financial statements, and supplemental information. This discussion focuses on currently known facts, decisions, and conditions that have an impact on the financial activities for the College, and is intended to assist the reader in the interpretation of the financial statements. The financial statements, notes to the financial statements, supplemental information, and this discussion are the responsibility of Texarkana College's management.

A Brief Discussion of the Basic Financial Statements

This annual report contains financial statements prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities* and as amended by GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These financial statements differ significantly, in both the form and the accounting principles utilized, from financial statements issued prior to 2002. The financial statements presented in years prior to 2002 focused on the accountability of fund groups, while these statements focus on the financial condition, the results of operations, and cash flows of the College as a whole.

The financial statements prescribed by GASB No. 35, 63, and 65 (the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows) present financial information similar to that used by commercial enterprises. The statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. In addition, the statements recognize liabilities, deferred inflows, and deferred outflows related to pensions and other post-employment benefits as prescribed by GASB No. 68 and 75.

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, when applicable. Decreases over time in the net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows or resources) would be one indicator of the deterioration of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital financing and related financing, and investing activities. The statement helps measure the ability to pay operating expenses with operating revenues and the extent that capital assets are financed.

The financial statements for the College's discretely presented component unit, Texarkana College Foundation, Inc., are issued independent of the College. The Foundation's financial information is shown on separate pages behind the College's basic financial statements. Refer to Note 20 in the Notes to the Basic Financial Statements for more detail on the Foundation.

In addition, the fiduciary activity of the College is presented separately in Exhibits 4 and 5.

TEXARKANA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2025, 2024 AND 2023

Financial Position Summary

Assets	2025	2024	2023
Current and other assets	\$ 45,348,702	\$ 35,997,846	\$ 33,371,389
Restricted cash and cash equivalents	951,994	3,318,468	3,782,069
Capital assets, net	28,821,956	31,068,863	32,554,972
Total assets	<u>75,122,652</u>	<u>70,385,177</u>	<u>69,708,430</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	1,249,816	2,278,384	2,228,631
Deferred outflows related to OPEB	2,122,747	2,101,366	3,080,911
Total Deferred Outflows of Resources	<u>3,372,563</u>	<u>4,379,750</u>	<u>5,309,542</u>
Liabilities			
Current liabilities	8,163,250	7,183,440	6,941,435
Noncurrent liabilities	33,402,571	33,421,349	35,745,382
Total liabilities	<u>41,565,821</u>	<u>40,604,789</u>	<u>42,686,817</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	388,027	645,141	758,536
Deferred inflows related to OPEBs	4,791,717	6,996,683	7,821,392
Deferred inflows related to leases	-	13,167	44,766
Deferred inflows related to bond premiums	1,015,862	1,168,713	1,331,279
Total Deferred Inflows of Resources	<u>6,195,606</u>	<u>8,823,704</u>	<u>9,955,973</u>
Net Position			
Invested in capital assets, net of debt	16,889,194	18,285,054	19,759,550
Restricted	311,061	1,466,288	1,390,817
Unrestricted	13,533,533	5,585,092	1,224,815
Total net position	<u>\$ 30,733,788</u>	<u>\$ 25,336,434</u>	<u>\$ 22,375,182</u>

The College's capital assets, net of accumulated depreciation, represent 38% and 44% of the total assets at August 31, 2025 and 2024, respectively. The largest component of capital assets is the College's investment in buildings. The buildings represent 71% of net capital assets at the end of the 2025 and 2024 fiscal years, respectively. Adequate facilities are an important factor in the ability of the College to meet the educational needs of current and future students.

TEXARKANA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2025, 2024 AND 2023

Summary of Changes in Net Position

	2025	2024	2023
Operating Revenues:			
Net Tuition and Fees	\$ 3,943,235	\$ 3,352,697	\$ 4,621,117
Federal Grants and Contracts	1,634,941	1,731,430	4,900,028
State Grants and Contracts	461,897	141,883	713,609
Non-Governmental Grants	568,611	774,058	742,474
Sales and Services Activities	187,199	162,885	167,549
Net Auxiliary Enterprises	718,234	547,401	322,845
Other	60,088	116,288	102,227
Total Operating Revenue	<u>7,574,205</u>	<u>6,826,642</u>	<u>11,569,849</u>
Operating Expenses:			
Instruction	12,392,282	11,939,200	10,192,669
Academic Support	2,999,446	3,052,906	2,323,774
Student Services	2,686,841	2,307,749	1,907,110
Institutional Support	4,869,798	4,291,499	3,684,640
Operation and Maintenance of Plant	2,923,721	2,864,976	2,391,202
Scholarships and Fellowships	3,145,442	2,761,994	2,543,410
Auxiliary Enterprises	1,198,251	1,294,311	1,224,994
Depreciation	3,082,266	2,817,411	2,724,643
Total Operating Expenses	<u>33,298,047</u>	<u>31,330,046</u>	<u>26,992,442</u>
Operating Loss	<u>(25,723,842)</u>	<u>(24,503,404)</u>	<u>(15,422,593)</u>
Non-Operating Income (Expenses)			
State Appropriations	13,184,530	9,908,847	7,008,441
Taxes	9,308,779	8,689,749	7,977,827
Federal Grants Non Operating	7,332,709	6,406,200	5,734,150
State Grants Non Operating, revenues	622,660	-	-
Other State Funding - FAST	914,955	776,875	-
Investment Income	1,766,914	1,912,270	1,513,541
Rent Income	52,417	42,000	46,785
Other Non-Operating Income	13,622	12,275	13,490
Payments to TC Foundation	(1,177,290)	-	-
State Grants Non Operating, expenses	(622,660)	-	-
Loss on Disposal of Assets	-	-	(34,913)
Interest on Capital Related Debt	(275,440)	(283,560)	(268,042)
Net Non-Operating Revenues	<u>31,121,196</u>	<u>27,464,656</u>	<u>21,991,279</u>
Increase in Net Position	<u>5,397,354</u>	<u>2,961,252</u>	<u>6,568,686</u>
Net Position-Beginning of Year	25,336,434	22,375,182	15,806,496
Net Position-End of Year	<u><u>\$ 30,733,788</u></u>	<u><u>\$ 25,336,434</u></u>	<u><u>\$ 22,375,182</u></u>

**TEXARKANA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2025, 2024 AND 2023**

Summary of Changes in Net Position (continued)

The College's net position increased \$5,397,354 for the year ended August 31, 2025, compared to an increase of \$2,961,252 for the year ended August 31, 2024. During the August 31, 2025, fiscal year, the College received approximately \$3.2 million in additional state appropriations as part of House Bill 8.

The College's net position increased \$2,961,252 and \$6,568,686 for the years ended August 31, 2024 and 2023, respectively. The 2024 and 2023 increase was from the continued focused objective of conservative budgeting and sound financial planning as well as additional state funding provided through House Bill 8.

The College's net position at August 31, 2025, reflected an excess of \$30,733,788 as compared to an excess of \$25,336,434 at August 31, 2024. This increase of \$5 million is primarily attributable to additional state appropriations from House Bill 8 and GASB adjustments.

The College's cash and cash equivalents increased \$5,243,095 and \$2,947,080 during the years ended August 31, 2025 and 2024, respectively.

Analysis of College's Overall Financial Position and Results of Operation

Current and other assets, as of August 31, 2025, totaled \$45,348,702 which is 60% of the total assets. Approximately 86% of the current assets are in cash and cash equivalents at August 31, 2025.

Current and other assets, as of August 31, 2024, totaled \$35,997,846 which is 51% of the total assets. Approximately 87% of the current assets are in cash and cash equivalents at August 31, 2024.

Current and other assets, as of August 31, 2023, totaled \$33,371,389 which is 48% of the total assets. Approximately 84% of the current assets are in cash and cash equivalents at August 31, 2023.

Current liabilities total \$8,163,250 for 2025 and \$7,183,440 for 2024. Unearned revenue represents 54% and 57% of total current liabilities for 2025 and 2024, respectively. Unearned revenue is the tuition and fees collected/recorded prior to year-end for the Fall classes. These are unearned because the revenue has not been earned as of the end of the year. These monies are for classes that will be primarily conducted in the next fiscal year.

The college incurred a net operating loss for the year ended August 31, 2025, 2024, and 2023, because state appropriations, Title IV funds, FAST funding, property tax collections, and investment income are classified as non-operating revenues.

Net operating loss is an excess of the cost to provide educational instruction to our students over income from grants and funds charged to students.

State and Federal funds amounted to 58% and charges to students amounted to 13% for the year ended August 31, 2025. State and federal funds amounted to 53% and charges to students amounted to 12% of total revenues for the year ended August 31, 2024.

Salaries and benefits are approximately 57% and 54% of total operating expenses for the years ended August 31, 2025 and 2024, respectively.

**TEXARKANA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2025, 2024 AND 2023**

Analysis of College's Overall Financial Position and Results of Operation (continued)

Non-operating revenues primarily consist of state appropriations, property tax, federal grants and contracts, FAST funding, gifts, and investment income. The College had negative cash flows from operating activities for the years ended August 31, 2025, 2024 and 2023 because a significant portion of the revenue, state appropriations, FAST funding, Title IV funds, and taxes, are considered non-operating revenue.

The College purchased capital assets during the years ended August 31, 2025 and 2024, totaling \$685,570 and \$1,285,415, respectively.

Changes in credit ratings

There has not been a change in the credit rating of Texarkana College.

Debt limitations that may affect the financing of planned facilities or services

In February of 2019, the College Board of Trustees authorized a maintenance tax note in the amount of \$10,000,000 to provide funds for the implementation of the board approved capital projects fund. A combination of unencumbered general fund reserves and tax revenue will be utilized during the twenty-year repayment period to make the note payments.

In March of 2013, the College Board of Trustees authorized a maintenance note in the amount of \$3,500,000 to provide funds for an energy management and roofing project. A portion of the note is anticipated to be repaid by energy savings generated by the HVAC project.

In January 2021, the College issued *Maintenance Tax & Refunding Notes, Series 2021* to pay the remaining balance on the \$10,000,000 indebtedness and to fund additional construction projects. The total issue was \$13,070,000 with an additional \$1,787,065 in bond reoffering premiums. The funds were utilized to pay principal and interest on the \$10,000,000 note. The remainder was utilized for future construction projects, bond issuance costs, and an interest and sinking fund. Coupon rates on the notes range from 3% to 4%.

Discussion of currently known facts, decisions, or conditions

Texarkana College has continued the focused objective of returning to the historically sound financial principles and stability for which the institution was known. Based on the actions taken by the board, administration, and the continued evaluations of performance measures, Texarkana College was able, once again, to add to the total net position during this past fiscal year.

The College relies upon three primary revenue sources: local taxes, tuition and fees, and state appropriations. In November 2012, the College was successfully able to expand the taxing district through annexation of territory that lies within the state designated service area. The voters of Bowie County approved the annexation, which increased the college's appraised values. This increase in tax revenue brought the college a much-needed perpetual revenue source. The College will continue to make focused, data driven decisions to ensure sound financial results. The College's 2026 budget is balanced and structurally sound.

**TEXARKANA COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2025, 2024 AND 2023**

Discussion of currently known facts, decisions, or conditions (continued)

In May of 2025, the Board of Trustees approved a plan to renovate the Truman Arnold Student Center to take care of maintenance issues, modernize the instructional space, and update the appearance of the public areas. This building is the center of campus and is the most used by the community. The Board approved a renovation budget of \$3.4 million and we are currently working with designers to modernize the space.

The College started the Aviation Mechanics Program in the Spring of 2025 as the beginning of our Aviation program. In August, the Board approved as part of our operating budget \$1.75 million for the start-up costs of the flight program to further grow the Aviation Program. In October of 2025, the Board approved a proposal to purchase eight aircrafts that will be used in the pilot training. We plan to begin offering a private pilot's license through Continuing Education in the Spring of 2026. The College has begun the approval process with SACS and the FAA to offer a Commercial Pilot program. If all approvals are granted, the College plans to begin the Commercial Pilot Program in the Fall of 2027.

In October of 2025, the Board of Trustees approved a Tuition Exemption Program for the College's partner high school graduates call the "TC Promise." The promise will exempt the tuition for graduating seniors of our partner high schools who continue their education at Texarkana College. Graduates that have completed 15 or more hours of dual credit will automatically qualify for the Promise. The goal is to increase the number of citizens in our service area that have a degree or certificate to aid in the economic development of our region. The program will make higher education more attainable for all students in our region.

In November 2025, the College entered a sales contract for \$5 million to purchase two apartment complexes adjacent to the College campus. The complexes would be used for student housing and allow the College to be able to attract students from outside our service area. We are currently still in the feasibility period and are having all appropriate inspections done to the property. If all goes well, the anticipated closing date is January 15, 2026. The College would honor all leases with the current residents until they expire but will begin renovation to the property when current residents have moved out. We plan to have the student housing available to our student in the Fall of 2027.

While it is not possible to predict the effects of future economic conditions, management believes the College has a solid and stable financial position and is well equipped to handle the increasing demands to provide our community with a better educated workforce. The college is not aware of any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the subsequent fiscal year.

Based on the continued evaluations, data-driven decisions, and future plans, Texarkana College is prepared to sustain its strong financial position and will continue to serve the constituents of this region with affordable, accessible, and high-quality educational opportunities for many future generations.

Texarkana College affirms its mission to provide, within the resources available, quality educational programs and services that meet individual and community needs.

FINANCIAL STATEMENTS

TEXARKANA COLLEGE
EXHIBIT 1 – STATEMENTS OF NET POSITION
AS OF AUGUST 31, 2025 AND 2024

ASSETS	2025	2024
Current Assets		
Cash and cash equivalents	\$ 39,024,885	\$ 31,415,316
Accounts receivable, net of allowance for doubtful accounts	5,448,068	3,679,223
Prepaid expenses	351,657	349,704
Inventories	374,058	392,028
Bond issuance costs, net of amortization	150,034	161,575
Total Current Assets	45,348,702	35,997,846
Noncurrent Assets		
Restricted cash and cash equivalents	951,994	3,318,468
Capital assets, net of accumulated depreciation and amortization	28,821,956	31,068,863
Total Noncurrent Assets	29,773,950	34,387,331
Total Assets	75,122,652	70,385,177
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	1,249,816	2,278,384
Deferred outflows related to OPEB	2,122,747	2,101,366
Total Deferred Outflows of Resources	3,372,563	4,379,750
LIABILITIES		
Current Liabilities		
Accounts payable	1,396,334	813,171
Accrued liabilities	506,524	560,211
Accrued interest	64,134	59,597
Deposits	2,412	2,412
Unearned revenues	4,404,578	4,113,374
Notes and bonds payable - current portion	859,263	824,576
Net OPEB liability - current portion	481,351	429,656
Capital lease obligations - current portion	43,531	37,694
SBITA obligations - current portion	405,123	342,749
Total Current Liabilities	8,163,250	7,183,440
Noncurrent Liabilities		
Accrued compensable absences payable	624,139	621,573
Notes and bonds payable - non-current portion	10,204,265	11,063,528
Net pension liability	5,664,468	6,271,916
Net OPEB liability - non-current portion	16,475,909	14,930,880
SBITA obligations - non-current portion	380,137	455,235
Capital lease obligations - non-current portion	53,653	78,217
Total Noncurrent Liabilities	33,402,571	33,421,349
Total Liabilities	41,565,821	40,604,789
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	388,027	645,141
Deferred inflows related to OPEB	4,791,717	6,996,683
Deferred inflows related to leases	-	13,167
Deferred inflows related to bond premiums	1,015,862	1,168,713
Total Deferred Inflows of Resources	6,195,606	8,823,704
NET POSITION		
Invested in capital assets, net of related debt	16,889,194	18,285,054
Restricted for:		
Nonexpendable Student Aid	249,166	1,393,204
Expendable Student Aid	61,895	73,084
Unrestricted	13,533,533	5,585,092
Total Net Position	\$ 30,733,788	\$ 25,336,434

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

TEXARKANA COLLEGE

**EXHIBIT 2 – STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
REVENUES		
Operating Revenues		
Tuition and fees (net of grant and scholarship allowances of \$4,900,556 and \$4,601,470, respectively)	\$ 3,943,235	\$ 3,352,697
Federal grants and contracts	1,634,941	1,731,430
State grants and contracts	461,897	141,883
Non-Governmental grants and contracts	568,611	774,058
Sales and services of educational activities	187,199	162,885
Auxiliary enterprises (net of grant and scholarship allowances of \$483,214 and \$553,629, respectively)	718,234	547,401
Other operating revenues	60,088	116,288
Total Operating Revenues	<u>7,574,205</u>	<u>6,826,642</u>
EXPENSES		
Operating Expenses		
Instruction	12,392,282	11,939,200
Academic Support	2,999,446	3,052,906
Student Services	2,686,841	2,307,749
Institutional Support	4,869,798	4,291,499
Operation and maintenance of plant	2,923,721	2,864,976
Scholarships and fellowships	3,145,442	2,761,994
Auxiliary enterprises	1,198,251	1,294,311
Depreciation and Amortization	3,082,266	2,817,411
Total Operating Expenses	<u>33,298,047</u>	<u>31,330,046</u>
Operating Loss	<u>(25,723,842)</u>	<u>(24,503,404)</u>
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	13,184,530	9,908,847
Maintenance ad-valorem taxes		
Taxes for maintenance & operations	9,308,779	8,689,749
Federal grants and contracts non-operating	7,332,709	6,406,200
State grants and contracts non-operating	622,660	-
Other state funding non-operating - FAST	914,955	776,875
Investment income (net of investment expenses)	1,766,914	1,912,270
Rent income	52,417	42,000
Other non-operating revenues	13,622	12,275
State grants and contracts expenses non-operating	(622,660)	-
Non-operating payments to Texarkana College Foundation	(1,177,290)	-
Interest on capital-related debt	(275,440)	(283,560)
Net non-operating revenues	<u>31,121,196</u>	<u>27,464,656</u>
Increase in Net Position	<u>5,397,354</u>	<u>2,961,252</u>
NET POSITION		
Net Position - Beginning of Year	<u>25,336,434</u>	<u>22,375,182</u>
Net Position - End of Year	<u><u>\$ 30,733,788</u></u>	<u><u>\$ 25,336,434</u></u>

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

TEXARKANA COLLEGE
EXHIBIT 3 – STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

Cash Flows From Operating Activities	2025	2024
Receipts from students and other customers	\$ 3,698,314	\$ 5,072,669
Receipts of grants and contracts	2,665,449	2,647,371
Other receipts	60,088	116,288
Payments to or on behalf of employees	(15,095,872)	(14,815,385)
Payments to suppliers for goods or services	(11,184,638)	(11,867,954)
Payments of scholarships	(3,145,442)	(2,761,994)
Net cash used by operating activities	(23,002,101)	(21,609,005)
Cash Flows From Non-capital Financing Activities		
Receipts from state appropriations	12,475,517	9,512,044
Ad valorem tax revenues	9,306,421	8,661,473
Federal revenue non-operating	7,332,709	6,406,200
Other state funding - FAST	590,026	776,875
Payments to Texarkana College Foundation	(1,177,290)	-
Other receipts	66,039	54,275
Net cash provided by non-capital financing activities	28,593,422	25,410,867
Cash Flows From Capital and Related Financing Activities		
Payments on capital debt - principal	(824,576)	(790,007)
Payments on capital debt - interest	(384,368)	(408,950)
Payments on capital leases and SBITAs - principal	(555,257)	(375,551)
Payments on capital leases and SBITAs - interest	(39,386)	(53,615)
Purchases of capital assets	(311,553)	(1,138,929)
Net cash used by capital and related financing activities	(2,115,140)	(2,767,052)
Cash Flows From Investing Activities		
Investment earnings	1,766,914	1,912,270
Net cash provided by investing activities	1,766,914	1,912,270
Change in cash and cash equivalents	5,243,095	2,947,080
Cash and cash equivalents - September 1,	34,733,784	31,786,704
Cash and cash equivalents - August 31,	\$ 39,976,879	\$ 34,733,784
Noncash investing, capital, and financing activities		
Amortization of bond reoffering premiums	\$ 152,851	\$ 162,566
Right-to-use lease assets and liabilities	24,440	31,665
Right-to-use SBITAs and liabilities	349,577	114,821

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

TEXARKANA COLLEGE
EXHIBIT 3 – STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (25,723,842)	\$ (24,503,404)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Staff benefits paid directly by state	709,013	396,803
Depreciation and amortization expense	3,082,266	2,817,411
Amortization of bond issue costs	11,541	11,541
Deferred outflows of resources related to pensions	1,028,568	(49,753)
Deferred outflows of resources related to OPEB	(21,381)	979,545
Deferred inflows of resources related to pensions	(257,114)	(113,395)
Deferred inflows of resources related to OPEB	(2,204,966)	(824,709)
Deferred inflows of resources related to leases	(13,167)	(31,599)
Net pension liability	(607,448)	630,046
Net OPEB liability	1,596,724	(1,995,105)
Changes in assets and liabilities:		
Accounts receivable, net	(1,441,558)	851,773
Prepaid expenses	(1,953)	(55,819)
Inventories	17,970	5,005
Accounts payable	583,163	22,832
Accrued expenses	(53,687)	20,057
Unearned revenue	291,204	157,913
Compensated absences	2,566	71,853
Net cash used by operating activities	<u><u>\$ (23,002,101)</u></u>	<u><u>\$ (21,609,005)</u></u>

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

TEXARKANA COLLEGE
EXHIBIT 4 – STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF AUGUST 31, 2025 AND 2024

	Custodial Funds	
	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 58,757	\$ 63,625
Accounts receivable, net of allowance for doubtful accounts	1,828	1,274
Prepaid expenses	19,384	19,937
Total Current Assets	<u>79,969</u>	<u>84,836</u>
Noncurrent Assets		
Restricted cash and cash equivalents	518,762	627,425
Total Current Assets	<u>518,762</u>	<u>627,425</u>
Total Assets	<u>598,731</u>	<u>712,261</u>
LIABILITIES		
Current Liabilities		
Accounts payable	102,958	203,126
Total Current Liabilities	<u>102,958</u>	<u>203,126</u>
Total Liabilities	<u>102,958</u>	<u>203,126</u>
NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	495,773	509,135
Total Net Position	<u>\$ 495,773</u>	<u>\$ 509,135</u>

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

TEXARKANA COLLEGE
EXHIBIT 5 – STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	Custodial Funds	
	2025	2024
ADDITIONS		
Contributions		
Consortium collections from other governments	\$ 1,187,500	\$ 1,618,022
Student club fees	2,432	4,226
Gifts	2,112	-
Total Additions	1,192,044	1,622,248
DEDUCTIONS		
Consortium-related expenses	1,193,546	1,689,858
Salaries and benefits	249	434
Supplies	5,014	3,095
Travel	5,767	6,069
Other expenses	830	2,180
Total Deductions	1,205,406	1,701,636
Net decrease in fiduciary net position	(13,362)	(79,388)
NET POSITION		
Net Position - Beginning of Year	509,135	588,523
Net Position - End of Year	<u>\$ 495,773</u>	<u>\$ 509,135</u>

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

TEXARKANA COLLEGE FOUNDATION, INC.
COMPONENT UNIT
EXHIBIT 6 - STATEMENTS OF NET POSITION
AS OF AUGUST 31, 2025 AND 2024

ASSETS		
	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,198,111	\$ 1,375,407
Investments	5,442,188	4,283,139
Accrued interest and dividends	57,970	29,322
Due from Texarkana College	6,512	-
TOTAL CURRENT ASSETS	6,704,781	5,687,868
NONCURRENT ASSETS		
Investments - restricted	14,438,737	11,849,691
TOTAL NONCURRENT ASSETS	14,438,737	11,849,691
TOTAL ASSETS	21,143,518	17,537,559
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to Texarkana College	32,547	134,918
Accrued Expenses	-	48
TOTAL CURRENT LIABILITIES	32,547	134,966
TOTAL LIABILITIES	32,547	134,966
NET POSITION		
Without donor restrictions	6,603,554	5,621,825
With donor restrictions	14,507,417	11,780,768
TOTAL NET POSITION	21,110,971	17,402,593
TOTAL LIABILITIES AND NET POSITION	\$ 21,143,518	\$ 17,537,559

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

TEXARKANA COLLEGE FOUNDATION, INC.
COMPONENT UNIT
EXHIBIT 7 - STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
NET POSITION WITHOUT DONOR RESTRICTIONS		
Revenues and gains/(losses):		
Contributions and fund raising	\$ 514,693	\$ 306,499
Interest income	89,946	50,301
Dividend income	67,552	67,617
Net realized gain/(loss) on investments	13,974	(18,705)
Net unrealized gains on investments	<u>525,729</u>	<u>724,869</u>
Total revenues and gains without donor restrictions	<u>1,211,894</u>	<u>1,130,581</u>
Changes in net position restrictions:		
Satisfaction of scholarships and other restrictions	<u>443,391</u>	<u>391,322</u>
Total changes in net position restrictions	<u>443,391</u>	<u>391,322</u>
Total support and gains without donor restrictions	<u>1,655,285</u>	<u>1,521,903</u>
EXPENSES		
Program services:		
Donation to Texarkana College	93,000	1,000
Scholarships	382,452	407,004
Management and general services	101,803	90,446
Fundraising activities	<u>96,301</u>	<u>98,359</u>
Total expenses	<u>673,556</u>	<u>596,809</u>
Change in net position without donor restrictions	981,729	925,094
NET POSITION WITH DONOR RESTRICTIONS		
Support:		
Contributions	1,664,894	580,850
Interest income	132,488	113,822
Dividend income	143,675	142,243
Net realized gain/(loss) on investments	29,314	(39,384)
Net unrealized gains on investments	1,199,669	1,577,132
Changes in net position restrictions:		
Satisfaction of scholarships and other restrictions	<u>(443,391)</u>	<u>(391,322)</u>
Change in net position with donor restrictions	<u>2,726,649</u>	<u>1,983,341</u>
CHANGE IN NET POSITION	3,708,378	2,908,435
NET POSITION, BEGINNING OF YEAR	<u>17,402,593</u>	<u>14,494,158</u>
NET POSITION, END OF YEAR	<u><u>\$ 21,110,971</u></u>	<u><u>\$ 17,402,593</u></u>

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

TEXARKANA COLLEGE FOUNDATION, INC.
COMPONENT UNIT
EXHIBIT 8 - STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net position	\$ 3,708,378	\$ 2,908,435
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Net unrealized investment gains	1,725,398	2,302,001
(Increase) decrease in assets:		
Accrued interest and dividends	(28,648)	306
Due from Texarkana College	(6,512)	-
Increase (decrease) in liabilities:		
Due to College	(102,371)	134,918
Accrued Expenses	(48)	48
CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,296,197</u>	<u>5,345,708</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investments	<u>(5,473,493)</u>	<u>(4,795,848)</u>
CASH USED FOR INVESTING ACTIVITIES	<u>(5,473,493)</u>	<u>(4,795,848)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(177,296)	549,860
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,375,407</u>	<u>825,547</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,198,111</u></u>	<u><u>\$ 1,375,407</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 1 - REPORTING ENTITY

Texarkana College (the College) was established in 1927 in accordance with the laws of the State of Texas to serve the educational needs of Texarkana and the surrounding communities. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.

The College Board of Trustees (the Board), a seven-member group, has governance responsibilities over all activities related to the College. The Board receives funding from local, state, and federal government sources and must comply with the associated requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

These statements include, as a component unit, Texarkana College Foundation, Inc. (the Foundation), as discussed in Note 20. In addition, the statements separately disclose the fiduciary activity and net position of the College's custodial funds. These are funds held by the College for which the College does not have administrative involvement as defined by GASB Statement No. 84. The custodial funds are excluded from the statements of net position (Exhibit 1) and statements of revenues, expenses, and changes in net position (Exhibit 2).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

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

Basis of Accounting

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

Inventories

Inventories consist of bookstore merchandise as of August 31, 2025 and 2024. Inventories are valued at the lower of cost or net realizable value and are charged to expense as consumed.

Texarkana College – Net Position

When an expense is incurred for purposes for which both net position with and without restrictions is available, the College's policy is to first apply restricted resources. Management has determined that net position is properly recognized under this policy.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Texarkana College Foundation, Inc. – Net Position

Net position with donor restrictions is available for the purposes designated by the donor, primarily scholarships. This net position consists primarily of temporarily restricted contributions and investment earnings.

Net position with donor restrictions also includes permanent endowments. The investment income from these endowments is restricted to fund scholarship grants.

When an expense is incurred for purposes for which both net position with and without donor restrictions is available, the Foundation's policy is to first apply restricted resources. Management has determined that net position is properly recognized under this policy.

Tuition Discounting

Texas Public Education Grants - Certain tuition amounts must be set aside for use as scholarships by qualifying students. This set-aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set-aside amount (Texas Education Code §56.033). When the award is used by the student for tuition and fees, the College records the amount as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

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

The College also originates direct student loans under Title IV. These loans are not included as revenues in the accompanying financial statements. Student loans remitted to students are not recorded as revenues or expenses in the accompanying financial statements as they are not revenues of the College and instead are passed through from the Department of Education. The amounts passed through the College are included as a reconciling item in the notes to the supplemental Schedule E – Schedule of Expenditures of Federal Awards.

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

Budgetary Data

The College is required by Texas law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Trustees adopts the budget which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The College considers cash and cash equivalents as cash on-hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents held by the College as of August 31, 2025 and 2024, consisted of highly liquid public funds investment pools.

Investments

The College reports investments at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at the time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase. The College did not hold any investments as of August 31, 2025 or 2024, respectively. The Foundation's investments consisted of money market funds, U.S. government agencies securities, corporate debt instruments, and exchange traded funds, which are recorded at fair value.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by the GASB. The College's deferred inflows of resources are related to pensions, other post-employment benefits, leases, and bond premiums.

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. The College's deferred outflows of resources are related to pensions and other post-employment benefits.

Operating and Non-Operating Revenues and Expenses

The College distinguishes operating revenues and expenses from non-operating items. The College's activities are shown as a business-type activity and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees, federal grants, state grants and auxiliary enterprises. The major non-operating revenues are state appropriations, property taxes, Title IV funds, other state grants, Financial Aid for Swift Transfer (FAST) state funding, gifts, and investment income. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation. Right-to-use assets are initially measured at the initial amount of the related liability, which is based on the present value of payments expected to be received during the term of the applicable arrangement. For equipment, the College's capitalization policy requires capitalization of items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations of \$100,000 or more to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for depreciable assets are as follows:

Building	50 years
Facilities and Other Improvements	20 years
Library Books	15 years
Furniture, Machinery, Vehicles and Other Equipment	10 years
Telecommunications and Peripheral Equipment	5 years
Right-to-Use Assets	5 years
Software Costs	3 years

Right-to-use subscription assets resulting from qualifying subscription-based information technology arrangements (SBITAs) are amortized over the subscription term. Right-to-use lease assets are amortized over the term of the applicable arrangement.

Unearned Revenues

Tuition and fees of \$3,576,450 and \$3,369,840 and federal, state, and local grants of \$828,128 and \$743,534 have been reported as unearned revenues at August 31, 2025 and 2024, respectively.

Long-term Debt

Long-term debt and other long-term obligations are reported as liabilities in the statements of net position.

Estimates

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

Reclassifications

Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 financial statement presentation. None of the reclassifications affect the previously reported change in net position.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

The College participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of the Teacher Retirement System of Texas has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

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

NOTE 3 - AUTHORIZED INVESTMENTS

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

The Foundation is not subject to the Public Funds Investment Act for contributions received from outside sources. Authorized investments of the Foundation are governed by an investment policy approved by the Board of Directors.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 4 - DEPOSITS AND INVESTMENTS

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

	2025	2024
Bank Deposits		
Demand Deposits	\$ 40,539,362	\$ 35,410,333
Cash and Cash Equivalents		
Public Funds Investment Pools	12,231	11,696
Petty Cash on Hand	2,805	2,805
Total Cash and Deposits	\$ 40,554,398	\$ 35,424,834

Reconciliation of deposits and investments to the Statement of Net Position:

<u>Type of Security</u>	Fair Market Value 2025	Fair Market Value 2024
Total Cash and Deposits	\$ 40,554,398	\$ 35,424,834
Cash and Cash Equivalents (Exhibit 1)	39,024,885	31,415,316
Restricted cash and cash equivalents (Exhibit 1)	951,994	3,318,468
Cash and Cash Equivalents (Exhibit 4)	58,757	63,625
Restricted cash and cash equivalents (Exhibit 4)	518,762	627,425
Total Cash and Cash Equivalents	40,554,398	35,424,834
Total Deposits	\$ 40,554,398	\$ 35,424,834

Cash and deposits for the Foundation reported on the Statement of Net Position consist of the following:

	August 31, 2025	August 31, 2024
Cash and Cash Equivalents		
Cash on Deposit	\$ 10,922	\$ 11,122
Cash Held by Custodian	1,187,189	1,364,285
Total Cash and Deposits	\$ 1,198,111	\$ 1,375,407

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments for the Foundation reported on the Statements of Financial Net Position are as follows:

Type of Security	Fair Value August 31, 2025	Fair Value August 31, 2024
U.S. Government Securities	\$ 4,059,353	\$ 1,060,343
Corporate Bonds	2,238,999	3,072,731
Municipal Bonds	179,228	176,527
Mutual Funds	764,221	759,420
Equity Funds and ETFs	12,639,124	11,063,809
Total Investments	\$ 19,880,925	\$ 16,132,830

As of August 31, 2025, the Foundation had the following investments and maturities:

	Credit Rating	Cost	Fair Value	Weighted Average Maturity (Years)
U.S. Government Securities	AA+ to AA1	4,048,297	4,059,353	2.71
Corporate Bonds	BB to A	2,337,807	2,238,999	1.91
Municipal Bonds	A to AA	200,762	179,228	4.41
Mutual Funds	N/A	788,936	764,221	N/A
Equity Funds and ETFs	N/A	5,337,757	12,639,124	N/A
Total Texarkana College Foundation, Inc.		<u>\$ 12,713,559</u>	<u>\$ 19,880,925</u>	

Interest Rate Risk: In accordance with state law and the College policy, the College does not purchase any investments with maturities greater than 10 years.

Credit Risk: In accordance with state law and the College's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc., must be rated at least A as well.

Concentration of Credit Risk: The College and the Foundation do not place a limit on the amount that may be invested in any one issuer.

More than 5% of the Foundation's investments are in Vanguard (50%), MSCI (9%), and U.S. Treasury Federal Home Loan Bank Bonds (10%).

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk: At August 31, 2025, the carrying amount of the College's bank deposits was \$40,554,398 and total bank balances equaled \$41,893,162. Bank balances totaling \$250,000 at one financial institution were secured by the Federal Deposit Insurance Corporation (FDIC), \$51,200,000 were secured by collateral pledged in the College's name, and approximately \$79,658 were secured through Insured Cash Sweep (ICS) accounts. The collateral was held in the safekeeping departments of banks which act as agents for the College.

At August 31, 2024, the carrying amount of the College's bank deposits was \$35,424,834 and total bank balances equaled \$36,052,628. Bank balances totaling \$250,000 at one financial institution were secured by the Federal Deposit Insurance Corporation (FDIC), \$45,200,000 were secured by collateral pledged in the College's name, and approximately \$914,000 were secured through Insured Cash Sweep (ICS) accounts. The collateral was held in the safekeeping departments of banks which act as agents for the College.

Fair Value Measurements: Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the framework are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

The following tables set forth, by level within the fair value hierarchy, the Foundation's investments at fair value as of August 31, 2025 and 2024:

	August 31, 2025				2024
	Level 1	Level 2	Level 3	Total	Total
U.S. Government Securities	\$ 4,059,353	\$ -	\$ -	\$ 4,059,353	\$ 1,060,343
Corporate Bonds	-	2,238,999	-	2,238,999	3,072,731
Municipal Bonds	-	179,228	-	179,228	176,527
Mutual Funds	764,221	-	-	764,221	759,420
Equity Funds and ETFs	12,639,124	-	-	12,639,124	11,063,809
Total investments	<u>\$ 17,462,698</u>	<u>\$ 2,418,227</u>	<u>\$ -</u>	<u>\$ 19,880,925</u>	<u>\$ 16,132,830</u>

All investments have been valued using a market approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. There were no changes in the valuation techniques during the current year. These methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 5 - DELINQUENT PROPERTY TAXES AND TAXES RECEIVABLE

The College's *ad valorem* property tax is levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College's district. The Board contracted with the Bowie Central Appraisal District for the collection of district taxes. Collections of current taxes are remitted to the College daily; delinquent taxes are remitted monthly.

	August 31		
	2025	2024	
Assessed valuation of the District	\$ 9,075,268,718	\$ 8,418,875,357	
Less: Exemptions	(252,579,154)	(203,168,851)	
Net assessed Valuation of the College	\$ 8,822,689,564	\$ 8,215,706,506	
	Current Operations	Debt Service	Total
Tax rate authorized per \$100 valuation	1.000000	0.000000	1.000000
Tax rate assessed per \$100 valuation for 2025	0.109639	0.000000	0.109639
Tax rate assessed per \$100 valuation for 2024	0.109639	0.000000	0.109639

Taxes levied for the years ended August 31, 2025 and 2024, were \$9,210,260 and \$8,645,201, respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year in which imposed.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 5 - DELINQUENT PROPERTY TAXES AND TAXES RECEIVABLE (CONTINUED)

<u>Taxes Collected</u>	<u>Current Operations</u>	
	<u>2025</u>	<u>2024</u>
Current Taxes Collected	\$ 9,145,741	\$ 8,488,416
Delinquent Taxes Collected	100,582	109,254
Penalties and Interest Collected	62,456	92,079
Total Collections	<u>\$ 9,308,779</u>	<u>\$ 8,689,749</u>

Tax collections for the year ended August 31, 2025 and 2024, were 101.1% and 100.5% of the current tax levy, respectively. Uncollected taxes are pledged as collateral for the notes payable held by the College.

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2025, was as follows:

	<u>2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>2025</u>
<u>Not Depreciated:</u>				
Land	\$ 1,193,232	\$ -	\$ -	\$ 1,193,232
Total Not Depreciated	<u>1,193,232</u>	<u>-</u>	<u>-</u>	<u>1,193,232</u>
<u>Buildings and Other Capital Assets:</u>				
Infrastructure	1,505,306	-	-	1,505,306
Buildings	43,374,536	125,426	-	43,499,962
Land Improvements	3,762,442	-	-	3,762,442
Software	516,236	-	-	516,236
Library Books	2,661,780	41,841	-	2,703,621
Furniture and Equipment	13,795,454	228,972	-	14,024,426
Right-to-use Leased Equipment	154,426	24,440	-	178,866
Right-to-use Subscription Assets	1,435,040	483,071	-	1,918,111
Total Building and Other	<u>67,205,220</u>	<u>903,750</u>	<u>-</u>	<u>68,108,970</u>
<u>Accumulated Depreciation</u>				
Infrastructure	474,616	82,759	-	557,375
Buildings	21,285,863	1,659,004	-	22,944,867
Land Improvements	3,239,447	37,037	-	3,276,484
Software	509,423	4,713	-	514,136
Library Books	2,426,800	38,875	-	2,465,675
Furniture and Equipment	8,842,713	874,630	-	9,717,343
Right-to-use Leased Equipment	37,125	38,606	-	75,731
Right-to-use Subscription Assets	513,602	415,033	-	928,635
Total Accumulated Depreciation	<u>37,329,589</u>	<u>3,150,657</u>	<u>-</u>	<u>40,480,246</u>
Net Capital Assets	<u>\$ 31,068,863</u>	<u>\$ (2,246,907)</u>	<u>\$ -</u>	<u>\$ 28,821,956</u>

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Capital assets activity for the year ended August 31, 2024, was as follows:

	<u>2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>2024</u>
<u>Not Depreciated:</u>				
Land	\$ 1,180,100	\$ 13,132	\$ -	\$ 1,193,232
Construction in Process	5,081,901	181,798	(5,263,699)	-
Total Not Depreciated	<u>6,262,001</u>	<u>194,930</u>	<u>(5,263,699)</u>	<u>1,193,232</u>
<u>Buildings and Other Capital Assets:</u>				
Infrastructure	1,505,306	-	-	1,505,306
Buildings	37,987,153	5,387,383	-	43,374,536
Land Improvements	3,762,442	-	-	3,762,442
Software	516,236	-	-	516,236
Library Books	2,621,783	39,997	-	2,661,780
Furniture and Equipment	12,947,318	848,136	-	13,795,454
Right-to-use Leased Equipment	138,517	31,665	(15,756)	154,426
Right-to-use Subscription Assets	1,320,796	230,174	(115,930)	1,435,040
Total Building and Other	<u>60,799,551</u>	<u>6,537,355</u>	<u>(131,686)</u>	<u>67,205,220</u>
<u>Accumulated Depreciation</u>				
Infrastructure	391,857	82,759	-	474,616
Buildings	19,831,785	1,454,078	-	21,285,863
Land Improvements	3,197,755	41,692	-	3,239,447
Software	504,198	5,225	-	509,423
Library Books	2,380,127	46,673	-	2,426,800
Furniture and Equipment	7,964,768	877,945	-	8,842,713
Right-to-use Leased Equipment	18,561	32,010	(13,446)	37,125
Right-to-use Subscription Assets	217,529	331,941	(35,868)	513,602
Total Accumulated Depreciation	<u>34,506,580</u>	<u>2,872,323</u>	<u>(49,314)</u>	<u>37,329,589</u>
Net Capital Assets	<u>\$ 32,554,972</u>	<u>\$ 3,859,962</u>	<u>\$ (5,346,071)</u>	<u>\$ 31,068,863</u>

NOTE 7 - NONCURRENT LIABILITIES

In May 2013, the College obtained a tax maintenance note under Section 45.108 of the *Texas Education Code* in the amount of \$3,500,000. The note was to be utilized to fund an energy management and roofing project. A portion of the note is anticipated to be repaid by energy savings from the project. The 2013 maintenance tax note is secured by future maintenance tax collections. In the event of default, the lender is entitled to a writ of mandamus requiring the College to observe and perform the debt obligations.

In March 2019, the College obtained an additional tax maintenance note under Section 45.108 of the *Texas Education Code* in the amount of \$10,000,000. The note was to be utilized to provide funds for the implementation of board-approved capital projects. The 2019 maintenance tax note is secured by future maintenance tax collections.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 7 - NONCURRENT LIABILITIES (CONTINUED)

The College had no unused lines of credit as of August 31, 2025 or 2024.

In January 2021, the College issued *Maintenance Tax & Refunding Notes, Series 2021* to pay the remaining balance on the \$10,000,000 indebtedness and to fund additional construction projects. The total issue was \$13,070,000 with an additional \$1,787,065 in bond reoffering premiums. The funds were utilized to pay principal and interest of \$9,645,998 on the \$10,000,000 note. The remainder was utilized for \$5,000,000 towards future construction projects, \$207,739 towards bond issuance costs, and \$3,328 towards an interest and sinking fund. Coupon rates on the notes range from 3% to 4%.

Noncurrent liability activity for the year ended August 31, 2025, was as follows:

	Balance August 31, 2024	Additions	Reductions	Balance August 31, 2025	Current Portion
Notes and bonds payable	\$ 11,063,528	\$ -	\$ (859,263)	\$ 10,204,265	\$ 859,263
Compensated absences	621,573	2,566	-	624,139	-
Net pension liability	6,271,916	-	(607,448)	5,664,468	-
Net OPEB liability	14,930,880	1,545,029	-	16,475,909	481,351
SBITA Obligations	455,235	-	(75,098)	380,137	405,123
Capital leases	78,217	-	(24,564)	53,653	43,531
Total long-term liabilities	<u>\$ 33,421,349</u>	<u>\$ 1,547,595</u>	<u>\$ (1,566,373)</u>	<u>\$ 33,402,571</u>	<u>\$ 1,789,268</u>

Noncurrent liability activity for the year ended August 31, 2024, was as follows:

	Balance August 31, 2023	Additions	Reductions	Balance August 31, 2024	Current Portion
Notes payable	\$ 11,888,104	\$ -	\$ (824,576)	\$ 11,063,528	\$ 824,576
Compensated absences	549,720	71,853	-	621,573	-
Net pension liability	5,641,870	630,046	-	6,271,916	-
Net OPEB liability	16,904,431	-	(1,973,551)	14,930,880	429,656
SBITA Obligations	675,084	268,122	(487,971)	455,235	342,749
Capital leases	86,173	31,665	(39,621)	78,217	37,694
Total long-term liabilities	<u>\$ 35,745,382</u>	<u>\$ 1,001,686</u>	<u>\$ (3,325,719)</u>	<u>\$ 33,421,349</u>	<u>\$ 1,634,675</u>

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 7 - NONCURRENT LIABILITIES (CONTINUED)

The debt service requirements as of August 31, 2025, were as follows:

For the Year Ended August 31,	Maintenance Notes		
	Principal	Interest	Total
2026	\$ 859,263	\$ 349,423	\$ 1,208,686
2027	894,400	318,121	1,212,521
2028	929,865	285,549	1,215,414
2029	675,000	251,600	926,600
2030	695,000	224,200	919,200
2031-2035	3,845,003	770,175	4,615,178
2036-2039	3,164,997	177,228	3,342,225
	\$ 11,063,528	\$ 2,376,296	\$ 13,439,824

NOTE 8 - CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA) audit and accounting guide, *State and Local Governments*, 8.99), *State and Local Governments*. Federal contracts and grant revenues are recognized on Exhibit 2 and Schedule A as funds are actually expended. For federal and non-federal contracts and grants awards, funds expended, but not collected, are reported as Accounts Receivables on Exhibit 1. Contracts and grant awards that are not funded and for which the institution has not performed services are not included in the financial statements. Contract and grant award funds already committed or funds awarded during the fiscal year 2025 for which monies have not been received nor funds expended totaled \$423,797 from federal contracts and grant awards and \$4,987,712 from state contracts and grant awards. Federal funds receivable included in accounts receivable as of August 31, 2025 and 2024, respectively, on Exhibit 1 are as follows:

	2025	2024
Student Loan Program	\$ 100,000	\$ 100,000
Federal Work-study Program	4,252	4,840
TRIO - Student Support Services Grant	273,496	122,584
TRIO - Talent Search Grant	272,516	183,426
TRIO - Educational Opportunity Centers	212,007	129,975
EPA Brownsfield Grant	64,586	-
Adult Education and Family Leave Act	4,083	105,870
Carl Perkins Grant	102,960	111,683
Total	\$ 1,033,900	\$ 758,378

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 8 - CONTRACT AND GRANT AWARDS (CONTINUED)

State funds receivable included in accounts receivable as of August 31, 2025 and 2024, respectively, on Exhibit 1 are as follows:

	2025	2024
TWC - Skills Development Funds	\$ 171,653	\$ -
Broadband Infrastructure Grant	622,660	-
Total	<u>\$ 794,313</u>	<u>\$ -</u>

NOTE 9 - EMPLOYEES' RETIREMENT PLAN

The State of Texas has joint contributory retirement plans for almost all its employees.

Teacher Retirement System of Texas – Defined Benefit Plan

Plan Description - The College participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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 Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position - Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at attention Finance Division, P.O. Box 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778.

Components of the net pension liability of the TRS plan as of the measurement period of August 31, 2024, are as follows:

Net Pension Liability

Total Pension Liability	\$ 271,627,434,294
Less: Plan Fiduciary Net Position	<u>(210,543,258,495)</u>
Net Pension Liability	\$ 61,084,175,799

Net Position as a percentage of Total Pension Liability 77.51%

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Benefits Provided - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3%(multiplier) times the average of the five-highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad-hoc cost-of-living-adjustment (COLA).

One-Time Stipends – Stipends, regardless of annuity amount, were paid in September 2023 to annuitants who met the qualifying age requirement on or before August 31, 2023:

- A one-time \$7,500 stipend to eligible annuitants who are 75 years of age or older.
- A one-time \$2,400 stipend to eligible annuitants who are age 70 to 74.

Cost-of-Living Adjustment – A cost-of-living adjustment (COLA) was dependent on Texas voters approving a constitutional amendment (Proposition 9) to authorize the COLA. Voters approved the amendment in the November 2023 election and the following COLA was applied to eligible annuitants' payments beginning with their January 2024 payment:

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

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

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Contributions - Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution, which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 through 2025.

	<u>Contribution Rates</u>	
	<u>2025</u>	<u>2024</u>
Member	8.25%	8.25%
Non-Employer Contribution Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
 FY 2025 College Contributions	 \$ 545,695	
FY 2025 Member Contributions	\$ 926,132	
FY 2024 State of Texas On-behalf Contributions	\$ 355,412	

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). The College's contributions to the TRS pension plan for the year ended August 31, 2025, were \$545,695 as reported in the Schedule of College Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for the year ended August 31, 2025, were \$382,325.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

In addition to the employer contributions listed on the previous page, there is a surcharge an employer is subject to:

- When employing a retiree of the TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions - The total pension liability as of the measurement date of August 31, 2024, was determined using the following actuarial assumptions:

• Valuation Date	August 31, 2023, rolled forward to August 31, 2024
• Actuarial Cost Method	Individual Entry Age Normal
• Asset Valuation Method	Fair Value
• Actuarial Assumptions	
○ Single Discount Rate	7.00%
○ Long-term expected Investment Rate of Return	7.00%
○ Municipal Bond Rate	3.87%
○ Last year ending August 31 in Projection period (100 years)	2123
○ Inflation	2.30%
○ Salary Increases (including inflation)	2.95% to 8.95%
○ Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions please see the actuarial valuation report dated November 21, 2023.

Discount Rate - A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.54% of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2024, are summarized below.

Asset Class	Target Allocation** %	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity*	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Absolute Return*	-	4.00%	-
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources and Infrastructure	6.00%	5.60%	0.40%
Commodities	-	2.50%	-
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	-
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag****			-0.70%
Total	100.00%		7.90%

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2024 policy model.

*** Capital Market Assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/2023)

**** The volatility drag results from the conversion between arithmetic and geometric mean returns.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Discount Rate Sensitivity Analysis - The following tables present the net pension liability if the discount rate used was 1 percentage point lower than (6.00%) and 1 percentage point higher than (8.00%) the discount rate that was used in measuring the net pension liability (7.00%).

August 31, 2025

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
College's proportionate share of the net pension liability	\$ 9,047,590	\$ 5,664,468	\$ 2,861,310

August 31, 2024

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
College's proportionate share of the net pension liability	\$ 9,376,861	\$ 6,271,916	\$ 3,690,152

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2025 and 2024, the College reported a liability of \$5,664,468 and \$6,271,916, respectively, for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

	2025	2024
College's proportionate share of the collective net pension liability	\$ 5,664,468	6,271,916
State's proportionate share that is associated with College	3,852,470	4,243,458
Total	\$ 9,516,938	\$ 10,515,374

The net pension liability was measured as of August 31, 2023, and rolled forward to August 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023, through August 31, 2024.

At the measurement date of August 31, 2024, the employer's proportion of the collective net pension liability was 0.009273216%, which was an increase of 0.000142508% from its proportion measured as of August 31, 2023.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Changes Since the Prior Actuarial Valuation - The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

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

For the year ended August 31, 2025, the College recognized pension expense of \$1,164,756 and revenue of \$460,435 for support provided by the State.

On August 31, 2025, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 312,218	\$ 44,225
Changes in actuarial assumptions	292,469	39,210
Net difference between projected and actual investment earnings	34,433	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	65,001	304,592
Contributions paid to TRS subsequent to the measurement date	545,695	-
Total	<u>\$ 1,249,816</u>	<u>\$ 388,027</u>

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

On August 31, 2024, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 223,470	\$ 75,946
Changes in actuarial assumptions	593,200	145,170
Net difference between projected and actual investment earnings	912,716	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	27,090	424,025
Contributions paid to TRS subsequent to the measurement date	521,908	-
Total	<u>\$ 2,278,384</u>	<u>\$ 645,141</u>

The College recognized \$545,695 as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2025. The other amounts of the College's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2026 (measurement date of August 31, 2025)	\$ (80,253)
2027 (measurement date of August 31, 2026)	510,921
2028 (measurement date of August 31, 2027)	10,119
2029 (measurement date of August 31, 2028)	(152,274)
2030 (measurement date of August 31, 2029)	27,581
Thereafter	-

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 9 - EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Optional Retirement Plan

Plan Description - Participation in the Optional Retirement Program is in lieu of participation in the TRS. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas Legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.60% and 6.65%, respectively. The College contributes no amounts for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. Senate Bill (SB) 1812, 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense related to ORP contributions paid by the state for the College was \$100,042 and \$97,122 for the fiscal years ended August 31, 2025 and 2024, respectively. This amount represents the portion of expended appropriations made by the state Legislature on behalf of the College.

The total payroll for all of the College employees was \$15,807,205 and \$15,283,614 for fiscal years 2025 and 2024, respectively. The total payroll of employees covered by the Teacher Retirement System was \$11,258,458 and \$10,783,426, and the total payroll of employees covered by the Optional Retirement Program was \$3,162,213 and \$3,036,477 for fiscal years 2025 and 2024, respectively.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

OPEB Plan Fiduciary Net Position - Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Annual Comprehensive Financial Report that includes financial statements, notes to the financial statements, and required supplementary information. That report may be obtained online; by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Components of the net OPEB liability of the ERS plan as of the measurement period August 31, 2024, are as follows:

Net OPEB Liability

Total OPEB Liability	\$ 29,445,116,991
Less: Plan Fiduciary Net Position	(139,527,199)
Net OPEB Liability	<u>\$ 29,305,589,792</u>

Net Position as a percentage of Total OPEB Liability 0.47%

Benefits Provided - Retiree health benefits offered through the GBP are available to most state of Texas retirees and their eligible dependents. Participants need at least 10 years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

Contributions - Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated, and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds. There are no long-term contracts for contributions to the plan.

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

Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium
August 31, 2024

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

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Premium Contributions by Source
Group Benefits Program Plan
For the Years Ended August 31, 2024 and 2023

	2025	2024
Employers	\$ 657,556	\$ 672,207
Members (Employees)	698,945	686,242
Nonemployer Contributing Entity (State of Texas)	542,706	553,661

Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation as of August 31, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

• Valuation Date	August 31, 2024
• Actuarial Cost Method	Entry Age
• Amortization method	Level Percent of Payroll, Open
• Remaining amortization period	30 years
• Asset Valuation Method	Not applicable
• Actuarial Assumptions	
○ Discount Rate	3.87%
○ Projected annual salary increase	2.30% to 8.95%, including inflation
○ Annual healthcare trend rate	<u>HealthSelect</u> 5.60% for FY26, 5.60% for FY27, 5.25% for FY28, 5.00% for FY29, 4.75% for FY30, 4.50% for FY31 decreasing 10 basis points per year to an ultimate rate of 4.30% for FY33 and later years
	<u>HealthSelect Medicare Advantage</u> 36.00% for FY26, 8.00% for FY27, 5.25% for FY28, 5.00% for FY29, 4.75% for FY30, 4.50% for FY31 decreasing 10 basis points per year to an ultimate rate of 4.30% for FY33 and later years
○ Inflation assumption rate	2.30%
○ Ad hoc post-employment benefit changes	None
○ Aggregate payroll growth	2.70%
○ Retirement age	Experience-based tables of rates that are specific to the class of employee.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period for higher education members.

Investment Policy - The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees amended the investment policy statement in August 2022 to require that all funds in this plan be invested in cash and equivalent securities.

Discount Rate - Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.81%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.87%, which amounted to an increase of 0.06%. The source of the municipal bond rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and average credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets, and, therefore, the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

Discount Rate Sensitivity Analysis - The following schedule shows the impact on the College's proportionate share of the collective net OPEB Liability as of August 31, 2025, if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.87%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.87%)	Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
College's proportionate share of the net OPEB liability	\$ 19,729,867	\$ 16,957,260	\$ 14,732,208

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following schedule shows the impact on the College's proportionate share of the collective net OPEB Liability as of August 31, 2024, if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.81%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.81%)	Discount Rate (3.81%)	1% Increase in Discount Rate (4.81%)
College's proportionate share of the net OPEB liability	\$ 17,823,695	\$ 15,360,536	\$ 13,379,354

Healthcare Trent Rate Sensitivity Analysis - The initial healthcare trend rate is 5.60% for HealthSelect and 36.00% for HealthSelect Medicare Advantage and the ultimate rate is 4.30% for both. The following schedule shows the impact on the College's proportionate share of the collective net OPEB Liability as of August 31, 2025 and 2024, if the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used (5.60%) in measuring the net OPEB liability.

August 31, 2025

	1% Decrease (4.60% decreasing to 3.30%)	Current Healthcare Cost Trent Rates (5.60% decreasing to 4.30%)	1% Increase in (6.60% decreasing to 5.30%)
College's proportionate share of the net OPEB liability	\$ 14,550,180	\$ 16,957,260	\$ 20,025,616

August 31, 2024

	1% Decrease (4.60% decreasing to 3.30%)	Current Healthcare Cost Trent Rates (5.60% decreasing to 4.30%)	1% Increase in (6.60% decreasing to 5.30%)
College's proportionate share of the net OPEB liability	\$ 13,212,196	\$ 15,360,536	\$ 18,088,938

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At August 31, 2025 and 2024, the College reported a liability of \$16,957,260 and \$15,360,536, respectively, for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for state support provided to the College for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the College were as follows:

	2025	2024
College's proportionate share of the collective net OPEB liability	\$ 16,957,260	15,360,536
State's proportionate share that is associated with College	12,466,993	11,521,310
Total	<u>\$ 29,424,253</u>	<u>\$ 26,881,846</u>

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The net OPEB liability was measured as of August 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2024, thru August 31, 2024.

At the measurement date of August 31, 2024, the College's proportion of the collective net OPEB liability was 0.05786356%, which was an increase of 0.0037116% from its proportion measured as of August 31, 2023.

For the year ended August 31, 2025, the College recognized net OPEB expense of \$627,054 and revenue of \$(2,569) for support provided by the State.

Changes Since the Prior Actuarial Valuation – Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follows:

- Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the TRS Trustees. These new assumptions were adopted to reflect an experience study on the TRS retirement plan performed by the TRS retirement plan actuary.
- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees assumed to cover dependent children.
- The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.
- The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee have been updated to reflect recent plan experience and expected trends.
- The discount rate was changed from 3.81% as of August 31, 2023, to 3.87% as of August 31, 2024, as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Changes of Benefit Terms Since Prior Measurement Date – The following benefit revisions have been adopted since the prior valuation:

- Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for FY2025, are provided for in the FY2025 Assumed Per Capita Health Benefit Costs.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

At August 31, 2025, the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 279,775
Changes in actuarial assumptions	928,402	3,378,014
Net difference between projected and actual investment earnings	-	648
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	741,027	1,133,280
Contributions paid to ERS subsequent to the measurement date	453,318	-
Total	<u>\$ 2,122,747</u>	<u>\$ 4,791,717</u>

At August 31, 2024, the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 406,294
Changes in actuarial assumptions	512,411	4,797,300
Net difference between projected and actual investment earnings	1,241	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,172,062	1,793,089
Contributions paid to ERS subsequent to the measurement date	415,652	-
Total	<u>\$ 2,101,366</u>	<u>\$ 6,996,683</u>

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The College recognized \$453,318 as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the measurement year ended August 31, 2025. The other amounts of the College's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB pension expense as follows:

	OPEB Expense Amount
Year ended August 31:	
2026 (measurement date of August 31, 2025)	\$ (1,204,966)
2027 (measurement date of August 31, 2026)	(1,139,608)
2028 (measurement date of August 31, 2027)	(773,577)
2029 (measurement date of August 31, 2028)	(89,559)
2030 (measurement date of August 31, 2029)	85,422
Thereafter	-

NOTE 11 - COMPENSABLE ABSENCES

Sick leave is accumulated by employees of the College at the rate of one day per thirty calendar days worked up to a maximum of ninety days. Effective September 1, 2000, upon retirement or termination, employees with ten years or more service with the College may be paid for any accumulated sick leave in excess of thirty days at a rate of one-half of the employee's current salary. Full-time non-contractual personnel or employees with twelve-month contracts accrue vacation benefits from the date of employment at the rate of one day for each full calendar month worked up to ten vacation days per year. Employees may carry a maximum of 40 hours of accrued vacation forward from one fiscal year through September 30 of the next fiscal year. All vacation accrued in the prior fiscal year is forfeited as of August 31 of the subsequent year but is non-compensable in the subsequent year if not used before the end of the current fiscal year in which the leave is earned. All accrued unused vacation time computed at the employee's daily rate of compensation is paid to the employee or his beneficiary in the event of termination, retirement, or death. Sick leave and vacation benefits of \$624,139 and \$621,573 have been accrued and reported in the accompanying Statement of Net Position as "accrued compensable absences payable" at August 31, 2025 and 2024, respectively. The College does not report any other types of compensated absences in its financial statements.

NOTE 12 - STAFF BENEFITS

The College provides staff benefits for its employees in the form of hospital/medical insurance, salary continuance insurance, and life insurance equal to twice the employee's annual contractual salary up to a maximum of \$45,000.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 13 - DEFERRED COMPENSATION PLAN

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The employees' investments are held in tax-deferred annuity plans pursuant to Internal Revenue Code Section 403(b).

The College had 18 and 16 employees participating in the program as of August 31, 2025 and 2024, respectively. A total of \$132,006 and \$119,342 in payroll deductions were invested in approved plans during the years ended August 31, 2025 and 2024, respectively.

NOTE 14 - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the College. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums.

The state's contribution per full-time employee and retiree was \$622.60 per month plus fifty percent of spouse and/or dependent coverage as of August 31, 2025, and totaled \$1,301,951 for the year then ended. The cost of providing those benefits for 140 retirees was \$542,706 and for 240 active employees was \$834,676.

The state's contribution per full-time employee and retiree was \$622.60 per month plus fifty percent of spouse and/or dependent coverage as of August 31, 2024 and totaled \$1,346,327 for the year then ended. The cost of providing those benefits for 138 retirees was \$553,661 and for 216 active employees was \$743,683.

NOTE 15 - RISK MANAGEMENT - CLAIMS AND JUDGMENTS

In the normal course of operations, the College is exposed to risks of loss from a number of sources including fire and casualty, errors and omissions by board members and employees, and injuries to employees during the course of performing their duties.

The College attempts to cover these losses by the purchase of insurance. Significant risks are covered by commercial insurance for property and liability programs. There has been no significant reduction in coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years. In management's estimation, there are no current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for the self-funded programs.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grant Programs - The College participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability may be impaired of any related receivable at August 31, 2025. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 17 - CONTINGENT LIABILITY

The College entered into an agreement with the Texas Community College Employee Benefits Consortium to self-fund their workers' compensation plan. The agreement was effective September 1, 1991, and is administered by Hibbs - Hallmark & Company.

The College agreed to pay into the fund a fixed cost amount of \$46,142 and a maximum loss fund amount of \$72,662 for the year ended August 31, 2025. The loss fund amount was for Texarkana College's claims and for claims of other group members in excess of their loss fund maximum.

The College agreed to pay into the fund a fixed cost amount of \$37,234 and a maximum loss fund amount of \$72,622 for the year ended August 31, 2024. The loss fund amount was for Texarkana College's claims and for claims of other group members in excess of their loss fund maximum.

The College incurred expenses under the plan as follows:

	<u>2025</u>	<u>2024</u>
Fixed cost	\$ 46,142	\$ 37,234
Actual claims	7,672	5,610
Decrease in accrued liabilities	<u>(8,256)</u>	<u>(2,684)</u>
Total Expense	<u><u>\$ 45,558</u></u>	<u><u>\$ 40,160</u></u>

The College's maximum liability for the three years ended August 31, 2025, under this agreement is \$219,546 computed as follows:

2022-2023 Maximum loss fund	\$ 74,222
2023-2024 Maximum loss fund	72,662
2024-2025 Maximum loss fund	<u>72,662</u>
Total	<u><u>\$ 219,546</u></u>

The maximum loss fund is calculated based on percentage changes as determined by the provider. There were no changes in the rates used for the calculation of the 2024-2025 maximum loss fund.

The administration of the Plan has estimated the liability for claims that have been reported but not paid and claims incurred but not reported to be \$80,700 and \$88,956 as of August 31, 2025 and 2024, respectively. This liability has been accrued in the financial statements as of August 31, 2025 and 2024.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 18 - FUND ENDOWMENTS

The fund balances of the various Endowment Funds included in the statements of net position are as follows:

	<u>2025</u>	<u>2024</u>
Endowment Funds		
Palmer Foundation	\$ -	\$ 131,514
Endowed Chair for Teaching Excellence	219,378	211,051
J.R. Johnson	-	373,011
Parker-Akin Memorial	-	9,938
B & PW Scholarship	-	33,447
Leonard Scholarship	-	212,834
Teachers Credit Union Scholarship	29,702	28,474
Music Scholarship	-	33,242
General Scholarship	-	340,348
Al Barton Bladesmithing	-	12,669
Elizabeth Shaw Memorial	-	6,594
Conner Student Loan	64	61
Business Administration	22	21
Quasi Endowment Funds		
Eldridge Scholarship	61,895	73,084
Totals	<u>\$ 311,061</u>	<u>\$ 1,466,288</u>

During the year ended August 31, 2025, the College's Board of Trustees voted to transfer approximately \$1,177,290 of unused Endowment Funds to the Texarkana College Foundation (College's discretely presented component unit) for the Foundation to manage those Endowments Funds. These payments to the Foundation are reflected in the College's statement of revenues, expenses, and changes in net position as non-operating expenses for the year ended August 31, 2025.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 19 - DISAGGREGATING RECEIVABLES AND PAYABLES BALANCES

Receivables included in the statements of net position were as follows:

	<u>2025</u>	<u>2024</u>
Student Receivables	\$ 6,810,347	\$ 6,021,802
Due from Foundation	32,547	134,918
Taxes Receivable, Net of Allowances	216,696	214,338
Federal Receivables	1,033,900	758,378
State Receivables	794,313	-
Leases Receivable	-	10,932
Other Receivables	57,410	-
Allowance for Doubtful Accounts	<u>(3,497,145)</u>	<u>(3,461,145)</u>
	5,448,068	3,679,223
Consortium-related Fiduciary Receivables	<u>1,828</u>	<u>1,274</u>
Total Accounts Receivable	<u><u>\$ 5,449,896</u></u>	<u><u>\$ 3,680,497</u></u>

Payables were as follows:

	<u>2025</u>	<u>2024</u>
Accounts Payable		
Vendors Payable	\$ 1,396,334	\$ 813,171
Consortium-related Fiduciary Accounts Payable	<u>102,958</u>	<u>203,126</u>
Total Accounts Payable	<u><u>\$ 1,499,292</u></u>	<u><u>\$ 1,016,297</u></u>
Accrued Liabilities:		
Salaries & Benefits Payable	\$ 480,203	\$ 531,348
Sales Tax Payable	23,251	27,690
Other Liabilities	<u>3,070</u>	<u>1,173</u>
Total Accrued Liabilities	<u><u>\$ 506,524</u></u>	<u><u>\$ 560,211</u></u>

NOTE 20 - COMPONENT UNIT

The Foundation is a separate nonprofit corporation organized under the Texas Nonprofit Corporation Act in 1959. The purpose of the Foundation is to solicit and manage funds for the sole benefit of Texarkana College. The Foundation primarily provides scholarships to students at the College. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Under GASB Statement No. 39 (*Determining Whether Certain Organizations are Component Units*), an organization should report as a discretely presented component those organizations that raise and hold economic resources for the direct benefit of a government unit. Accordingly, the Foundation financial statements are included in the College's annual report as a discretely presented component unit.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 21 - RELATED PARTY TRANSACTIONS AND BALANCES

During the years ended August 31, 2025 and 2024, the Foundation provided support to the College in the aggregate of \$90,000 and \$100,000, respectively. As of August 31, 2025 and 2024, the Foundation owed the College approximately \$32,547 and \$134,918, respectively, which consisted of scholarships and other expenses paid by the College.

As discussed in Note 18 to the financial statements, during the year ended August 31, 2025, the College paid the Foundation approximately \$1,177,290. This payment was related to the closeout of old endowments previously held by the College.

During the year ended August 31, 2025 and 2024, the College purchased classroom furniture and supplies totaling \$162,591 and \$88,605, respectively, from a company owned by one of the College's Board members.

NOTE 22 – TAX ABATEMENTS

On April 29, 2024, the College entered into a property tax abatement agreement with a local business as permitted by Chapter 312, Property Redevelopment and Tax Abatement Act (the Act), of the Texas Tax Code and the College Tax Abatement Guidelines and Criteria beginning January 1, 2029, through December 31, 2038. Under the Act, the College may grant property tax abatements according to the taxable value of property in the preceding tax year. According to the terms of the agreement, the minimum amount per qualified investment is \$75,000,000 and is limited only from maintenance and operation (M&O) property tax. The tax abatements, which are approved by the Texas Comptroller's Office and the College's Board of Trustees, are granted for the purpose of enhancing the local community; creating high-paying jobs; and advancing economic development goals. The agreement specifies that the abatements are to be granted at a rate of 90% for years one (1) through six (6); 60% for year seven (7); 40% for year eight (8); 20% for year nine (9); and 10% for year ten (10), commencing on January 1 of the next tax year after the date the College receives the certificate of completion for the project, which is expected to be completed on or about December 31, 2028.

On May 19, 2025, the College entered into a property tax abatement agreement with a local business as permitted by Chapter 312, Property Redevelopment and Tax Abatement Act (the Act), of the Texas Tax Code and the College Tax Abatement Guidelines and Criteria beginning January 1, 2026, through December 31, 2031. Under the Act, the College may grant property tax abatements according to the taxable value of property in the preceding tax year. According to the terms of the agreement, the minimum amount per qualified investment is \$30,000,000 and is limited only from maintenance and operation (M&O) property tax. The tax abatements, which are approved by the Texas Comptroller's Office and the College's Board of Trustees, are granted for the purpose of enhancing the local community; creating high-paying jobs; and advancing economic development goals. The agreement specifies that the abatements are to be granted at a rate of 90% for years one (1) through six, commencing on January 1 of the next tax year after the date the College receives the certificate of completion for the project, which is expected to be completed on or about December 31, 2025.

For the years ended August 31, 2025 and 2024, no property taxes were abated, as the eligible construction projects for all abatements were pending completion by the local businesses.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 23 - INCOME TAXES

The College is exempt from income taxes under Internal Revenue Code Section 115, "Income of States, Municipalities, etc.," although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations*. The College had no unrelated business income tax liability for the years ended August 31, 2025 and 2024.

NOTE 24 - PENDING LAWSUITS AND CLAIMS

As of August 31, 2025, there were no known pending lawsuits or claims involving the College. While unasserted lawsuits and claims may exist, for which a liability cannot be reasonably estimated, any potential liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the College.

NOTE 25 - TEXAS COMMUNITY COLLEGE CONSORTIUM

In December 2014, the College entered into an interlocal agreement with two other area community colleges, Kilgore College and Northeast Texas Community College, whereby the Texas Community College Consortium (TC3) was created.

Effective September 1, 2015, TC3 entered into an agreement with the University of Texas Health Science Center at Tyler (on behalf of Northeast Texas Network) (referred to hereinafter as "UT Entity"). The agreement with UT Entity establishes a group arrangement for the collective licensing, implementation, and maintenance of administrative software, hardware, and services for use in internal operations. The project is organized to create a consistent, identifiable structure to facilitate joint purchasing, training, and implementation of enterprise software, as well as shared services, when mutually beneficial.

The agreement with Angelina College provides a budget not to exceed \$2,375,000 to TC3, funded by Texas appropriations provided to Angelina College for special item support. This amount was to be paid in installments over the term of the contract based on certain deliverables required by the contract, which originally expired August 30, 2017, and has been extended through August 31, 2025.

The College has agreed to act as the fiscal agent for the project. The budget of \$2,375,000 included \$278,570 in development assistance to the members of TC3, which increased to seven members, and \$50,000 to the fiscal agent, in addition to various other expenses. As of August 31, 2025 and 2024, the College held approximately \$518,762 and \$627,425 in cash on behalf of TC3, respectively. In addition, the College recognized revenues of \$25,000 for its role as the fiscal agent during the years ended August 31, 2025 and 2024.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 26 – INTERLOCAL AGREEMENTS

The College enters into interlocal agreements with governmental entities under the authority of the Interlocal Cooperation Act (Texas Government Code Chapter 791). These agreements allow public agencies to jointly exercise powers, duties, or functions permitted by law. During the fiscal year ended August 31, 2025, the College participated in two interlocal agreements for shared services. One agreement involves pooling grant funds with Bowie County, Texas, for the installation and construction of the Bowie County Broadband Improvement Project. The second agreement involves the renovation of certain property owned by the City of Texarkana, Texas, for the purpose of local business creation and development (also known as an incubator program).

Revenues and expenses under these agreements for the year ended August 31, 2025, were as follows:

	<u>Revenues</u>	<u>Expenses</u>
Bowie County, Texas - Broadband Installation	\$ 622,660	\$ 622,660
City of Texarkana, Texas - Incubator Program	41,083	41,083
Total	<u>\$ 663,743</u>	<u>\$ 663,743</u>

The College does not assume or share in any debt obligations of participating entities unless specifically stated within the governing agreement. Management has evaluated these agreements and determined they do not constitute joint ventures or component units under GASB guidance.

NOTE 27 - SUBSEQUENT EVENTS

The College has evaluated events through December 15, 2025, the date the financial statements were available to be issued, and has determined that the following disclosure is considered necessary:

On October 27, 2025, the College's Board of Trustees approved the purchase of certain real property for a total purchase price of approximately \$5,000,000, plus closing costs. As of August 31, 2025, a formal purchase contract had not yet been executed; however, the College anticipates completing the transaction on or about the closing date of January 15, 2026. The properties are expected to support expanded institutional activities and are anticipated to generate significant auxiliary revenues for the College in future years. Because the approval and related negotiations occurred after the reporting period and no binding obligation existed as of August 31, 2025, the accompanying financial statements do not reflect any amounts related to this pending acquisition.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 28 - LEASES

The College's right-of-use leased assets are comprised of office equipment. A summary of the right-to-use lease activity for the year ended August 31, 2025, is as follows:

Asset Type	Right-to-Use Lease Asset 8/31/2024	Additions	Deductions	Right-to-Use Lease Asset 8/31/2025
Office Equipment	\$ 154,426	\$ 24,440	\$ -	\$ 178,866
Asset Type	Accumulated Amortization 8/31/2024	Additions	Deductions	Accumulated Amortization 8/31/2025
Office Equipment	37,125	38,606	-	75,731
ROU Lease Asset (net)	\$ 117,301	\$ (14,166)	\$ -	\$ 103,135
Asset Type	Right-to-Use Lease Liability 8/31/2024	Additions	Deductions	Right-to-Use Lease Liability 8/31/2025
Office Equipment	\$ 115,911	\$ 24,440	\$ (43,167)	\$ 97,184

A summary of the right-to-use lease activity for the year ended August 31, 2024, is as follows:

Asset Type	Right-to-Use Lease Asset 8/31/2023	Additions	Deductions	Right-to-Use Lease Asset 8/31/2024
Office Equipment	\$ 138,517	\$ 31,665	\$ (15,756)	\$ 154,426
Asset Type	Accumulated Amortization 8/31/2023	Additions	Deductions	Accumulated Amortization 8/31/2024
Office Equipment	18,561	32,010	(13,446)	37,125
ROU Lease Asset (net)	\$ 119,956	\$ (345)	\$ (2,310)	\$ 117,301
Asset Type	Right-to-Use Lease Liability 8/31/2023	Additions	Deductions	Right-to-Use Lease Liability 8/31/2024
Office Equipment	\$ 117,310	\$ 31,665	\$ (33,064)	\$ 115,911

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 28 – LEASES (CONTINUED)

Future minimum payments under lease obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
August 31, 2026	\$ 43,531	\$ 3,848	\$ 47,379
August 31, 2027	37,158	1,940	39,098
August 31, 2028	11,258	838	12,096
August 31, 2029	5,237	369	5,606
Total Lease Payments	<u>\$ 97,184</u>	<u>\$ 6,995</u>	<u>\$ 104,179</u>

As of August 31, 2025, lease terms ranged from one to four years. The risk-free rate of return depending on the lease term was used to calculate the total lease liability obligation for the year, with discount rates ranging from 3.95% to 4.75%. No lease agreements contained variable lease payments or residual value guarantees. Lease interest expense for the years ended August 31, 2025 and 2024, was \$4,212 and \$4,266, respectively.

In addition, the College was the lessor for various facility rentals during the year ended August 31, 2024. The present value of minimum lease payments expected to be received by the College was \$10,932 as of August 31, 2024. This amount is recognized within accounts receivable on the statements of net position. No amounts were receivable as of August 31, 2025, as the facility rentals are expected to be terminated in the upcoming fiscal year.

NOTE 29 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

A summary of the subscription-based information technology arrangements (SBITA) activity for the year ended August 31, 2025, is as follows:

Asset Type	SBITA Asset 8/31/2024	Additions	Deductions	SBITA Asset 8/31/2025
Education	\$ 590,852	\$ 133,494	\$ -	\$ 724,346
Administration	729,330	349,577	-	1,078,907
Data Processing	78,403	-	-	78,403
Security	36,455	-	-	36,455
	<u>\$ 1,435,040</u>	<u>\$ 483,071</u>	<u>\$ -</u>	<u>\$ 1,918,111</u>

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 29 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS
(CONTINUED)

Asset Type	Accumulated Amortization 8/31/2024	Additions	Deductions	Accumulated Amortization 8/31/2025
Education	\$ 162,077	\$ 217,650	\$ (10,579)	\$ 369,148
Administration	296,787	169,323	-	466,110
Data Processing	41,925	26,436	-	68,361
Security	12,813	12,203	-	25,016
	<u>513,602</u>	<u>425,612</u>	<u>(10,579)</u>	<u>928,635</u>
SBITA Asset (net)	<u>\$ 921,438</u>	<u>\$ 57,459</u>	<u>\$ 10,579</u>	<u>\$ 989,476</u>

Asset Type	SBITA Liability 8/31/2024	Additions	Deductions	SBITA Liability 8/31/2025
Education	\$ 360,864	\$ 133,494	\$ (190,925)	\$ 303,433
Administration	399,589	349,577	(267,339)	481,827
Data Processing	25,483	-	(25,483)	-
Security	12,048	-	(12,048)	-
	<u>\$ 797,984</u>	<u>\$ 483,071</u>	<u>\$ (495,795)</u>	<u>\$ 785,260</u>

A summary of the subscription-based information technology arrangements (SBITA) activity for the year ended August 31, 2024, is as follows:

Asset Type	SBITA Asset 8/31/2023	Additions	Deductions	SBITA Asset 8/31/2024
Education	\$ 504,878	\$ 114,821	\$ (28,847)	\$ 590,852
Administration	703,258	113,033	(86,961)	729,330
Data Processing	76,492	1,911	-	78,403
Security	36,168	287	-	36,455
	<u>\$ 1,320,796</u>	<u>\$ 230,052</u>	<u>\$ (115,808)</u>	<u>\$ 1,435,040</u>

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 29 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS
(CONTINUED)

Asset Type	Accumulated Amortization 8/31/2023	Additions	Deductions	Accumulated Amortization 8/31/2024
Education	\$ 57,964	\$ 129,841	\$ (25,728)	\$ 162,077
Administration	142,161	164,026	(9,400)	296,787
Data Processing	16,440	25,485	-	41,925
Security	964	11,849	-	12,813
	<u>\$ 217,529</u>	<u>\$ 331,201</u>	<u>\$ (35,128)</u>	<u>\$ 513,602</u>
SBITA Asset (net)	<u>\$ 1,103,267</u>	<u>\$ (101,149)</u>	<u>\$ (80,680)</u>	<u>\$ 921,438</u>

Asset Type	SBITA Liability 8/31/2023	Additions	Deductions	SBITA Liability 8/31/2024
Education	\$ 370,696	\$ 114,821	\$ (124,653)	\$ 360,864
Administration	535,550	113,033	(248,994)	399,589
Data Processing	49,944	1,911	(26,372)	25,483
Security	23,573	287	(11,812)	12,048
	<u>\$ 979,763</u>	<u>\$ 230,052</u>	<u>\$ (411,831)</u>	<u>\$ 797,984</u>

Future amounts due for the SBITA obligations are as follows:

	Principal	Interest	Total
August 31, 2026	\$ 405,123	\$ 21,695	\$ 426,818
August 31, 2027	380,137	6,740	386,877
Total SBITA Payments	<u>\$ 785,260</u>	<u>\$ 28,435</u>	<u>\$ 813,695</u>

As of August 31, 2025, the College's SBITA terms ranged from three to five years. The risk-free rate of return depending on the SBITA term was used to calculate the total SBITA liability obligation for the year, with discount rates ranging from 3.30% to 4.58%. No SBITA agreements contained variable payments or residual value guarantees. SBITA interest expense for the year ended August 31, 2025 and 2024, was \$35,174 and \$37,704, respectively.

TEXARKANA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 30 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

During the year ended August 31, 2025, the College implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. GASB 101 established recognition and measurement guidance for compensated absences including vacation, sick leave, and other leave benefits that accumulate and are used in future periods. The statement requires that a liability be recognized for leave that has been earned and is more likely than not to be used or otherwise paid. The implementation of GASB 101 required the College to evaluate its previously reported liability for compensated absences. Under prior guidance, the liability was only recognized for leave that was both earned and vested or payable. Under the new guidance, the liability now includes additional leave types expected to be used or paid, resulting in an increase (or decrease) in the previously reported liability. The College has assessed the impact of the implementation of the new accounting standard and has determined that there is no impact on its previously reported net position or liabilities associated with compensated absences.

REQUIRED SUPPLEMENTAL INFORMATION

TEXARKANA COLLEGE
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED AUGUST 31, 2025

*Last 10 Fiscal Years***

Fiscal year ending August 31*,	2025	2024	2023	2022	2021
College's proportionate share of the collective net pension liability (%)	0.0092732%	0.0091307%	0.0095033%	0.0098809%	0.0103918%
College's proportionate share of the collective net pension liability (\$)	\$ 5,664,468	\$ 6,271,916	\$ 5,641,870	\$ 2,516,314	\$ 5,565,617
State's proportionate share of the net pension liability associated with the College	3,852,470	4,243,458	4,021,662	1,839,812	4,007,213
Total	<u>\$ 9,516,938</u>	<u>\$ 10,515,374</u>	<u>\$ 9,663,532</u>	<u>\$ 4,356,126</u>	<u>\$ 9,572,830</u>
College's covered payroll amount	\$ 10,738,426	\$ 9,899,281	\$ 9,837,995	\$ 9,688,753	\$ 9,805,865
College's share of the net pension liability as a percentage of covered payroll	52.75%	63.36%	57.35%	25.97%	56.76%
Plan fiduciary net position as a percentage of total pension liability	77.51%	73.15%	75.62%	88.79%	75.24%
	2020	2019	2018	2017	2016
College's proportionate share of the collective net pension liability (%)	0.0107249%	0.0105492%	0.0101705%	0.0098658%	0.0102680%
College's proportionate share of the collective net pension liability (\$)	\$ 5,575,117	\$ 5,806,554	\$ 3,251,982	\$ 3,728,134	\$ 3,629,601
State's proportionate share of the net pension liability associated with the College	3,829,469	4,208,444	2,451,729	2,800,343	2,682,914
Total	<u>\$ 9,404,586</u>	<u>\$ 10,014,998</u>	<u>\$ 5,703,711</u>	<u>\$ 6,528,477</u>	<u>\$ 6,312,515</u>
College's covered payroll amount	\$ 9,383,727	\$ 9,063,322	\$ 8,583,822	\$ 8,023,502	\$ 7,753,711
College's share of the net pension liability as a percentage of covered payroll	59.41%	64.07%	37.89%	46.47%	46.81%
Plan fiduciary net position as a percentage of total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%

* The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

** Only 10 years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

TEXARKANA COLLEGE
SCHEDULE OF COLLEGE'S CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED AUGUST 31, 2025

*Last 10 Fiscal Years***

Fiscal year ending August 31*,	2025	2024	2023	2022	2021
Legally required contributions	\$ 545,695	\$ 521,908	\$ 469,339	\$ 439,058	\$ 417,894
Actual contributions	545,695	521,908	469,339	439,058	417,894
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll amount	\$ 11,258,458	\$ 10,738,426	\$ 9,899,281	\$ 9,837,995	\$ 9,688,753
College's actual contributions as a percentage of covered payroll	4.85%	4.86%	4.74%	4.46%	4.31%
	2020	2019	2018	2017	2016
Legally required contributions	\$ 425,343	\$ 372,169	\$ 357,006	\$ 333,131	\$ 313,393
Actual contributions	425,343	372,169	357,006	333,131	313,393
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll amount	\$ 9,805,865	\$ 9,383,727	\$ 9,063,322	\$ 8,583,822	\$ 8,023,502
College's actual contributions as a percentage of covered payroll	4.34%	3.97%	3.94%	3.88%	3.91%

* The amounts presented above are as of the College's respective fiscal year-end.

** Only 10 years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

TEXARKANA COLLEGE
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
FOR THE YEAR ENDED AUGUST 31, 2025
*Last Nine Fiscal Years***

Fiscal years ending August 31*,	2025	2024	2023	2022	2021
College's proportionate share of the collective net OPEB liability (%)	0.0578636%	0.0574924%	0.0609249%	0.0573451%	0.0597032%
College's proportionate share of the collective net OPEB liability (\$)	\$ 16,957,260	\$ 15,360,536	\$ 17,355,641	\$ 20,572,860	\$ 19,728,696
State's proportionate share of the net OPEB liability associated with the College	12,466,993	11,521,310	12,424,302	16,651,677	15,334,297
Total	<u>\$ 29,424,253</u>	<u>\$ 26,881,846</u>	<u>\$ 29,779,943</u>	<u>\$ 37,224,537</u>	<u>\$ 35,062,993</u>
College's covered-employee payroll amount	\$ 12,434,248	\$ 11,942,718	\$ 12,612,992	\$ 11,914,345	\$ 12,083,341
College's share of the net OPEB liability as a percentage of covered-employee payroll	136.38%	128.62%	137.60%	172.67%	163.27%
Plan fiduciary net position as a percentage of total OPEB liability	0.47%	0.63%	0.57%	0.38%	0.32%
	2020	2019	2018	2017	
College's proportionate share of the collective net OPEB liability (%)	0.0561716%	0.0624474%	0.0758028%	0.0758028%	
College's proportionate share of the collective net OPEB liability (\$)	\$ 19,414,410	\$ 18,507,996	\$ 25,828,280	\$ 30,859,304	
State's proportionate share of the net OPEB liability associated with the College	18,101,118	15,188,278	20,870,938	24,936,333	
Total	<u>\$ 37,515,528</u>	<u>\$ 33,696,274</u>	<u>\$ 46,699,218</u>	<u>\$ 55,795,637</u>	
College's covered-employee payroll amount	\$ 11,618,438	\$ 11,578,814	\$ 11,094,823	\$ 11,032,875	
College's share of the net OPEB liability as a percentage of covered-employee payroll	167.10%	159.84%	232.80%	279.70%	
Plan fiduciary net position as a percentage of total OPEB liability	0.17%	1.27%	2.04%	1.22%	

* The amounts presented above are as of the measurement date of the collective net OPEB liability for the respective fiscal year.

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TEXARKANA COLLEGE
SCHEDULE OF COLLEGE'S CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED AUGUST 31, 2025
*Last Nine Fiscal Years***

Fiscal years ending August 31*,	2025	2024	2023	2022	2021
Legally required contributions	\$ 657,556	\$ 672,207	\$ 664,764	\$ 650,966	\$ 627,704
Actual contributions	657,556	672,207	664,764	650,966	627,704
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll amount	\$ 13,169,140	\$ 12,434,248	\$ 11,942,718	\$ 12,612,992	\$ 11,914,345
College's actual contributions as a percentage of covered-employee payroll	4.99%	5.41%	5.57%	5.16%	5.27%
	2020	2019	2018	2017	
Legally required contributions	\$ 638,449	\$ 654,012	\$ 624,862	\$ 710,141	
Actual contributions	638,449	654,012	624,862	710,141	
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
College's covered-employee payroll amount	\$ 12,083,341	\$ 11,618,438	\$ 11,578,814	\$ 11,094,823	
College's actual contributions as a percentage of covered-employee payroll	5.28%	5.63%	5.40%	6.40%	

* The amounts presented above are as of the College's respective fiscal year-end.

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TEXARKANA COLLEGE
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
AUGUST 31, 2025 AND 2024

Notes to the supplementary information related to pensions:

Changes of Benefit Terms

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

Changes of Assumptions

The actuarial assumptions and methods have not changed since the determination of the prior year's net pension liability.

Notes to the supplementary information related to OPEB:

Changes of Benefit Terms

Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for FY2025, are provided for in the FY2025 Assumed Per Capita Health Benefit Costs.

Changes of Assumptions

- Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the TRS Trustees. These new assumptions were adopted to reflect an experience study on the TRS retirement plan performed by the TRS retirement plan actuary.
- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees assumed to cover dependent children.
- Proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.
- The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee have been updated to reflect recent plan experience and expected trends.
- The discount rate was changed from 3.81% to 3.87% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

SUPPLEMENTAL INFORMATION

TEXARKANA COLLEGE
SCHEDULE A – SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2025 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2024)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total 8/31/25	Totals 8/31/24
Tuition						
State funded courses						
In-district resident tuition	\$ 2,517,786	\$ -	\$ 2,517,786	\$ -	\$ 2,517,786	\$ 2,003,085
Out-of-district resident tuition	393,590	-	393,590	-	393,590	395,664
TPEG (set aside)	-	201,159	201,159	-	201,159	146,462
Non-resident tuition	729,676	-	729,676	-	729,676	668,176
State funded continuing education	955,488	-	955,488	-	955,488	755,181
Non-State funded educational programs	268,383	-	268,383	-	268,383	445,511
Total Tuition	4,864,923	201,159	5,066,082	-	5,066,082	4,414,079
Fees						
General Fees	1,404,301	-	1,404,301	-	1,404,301	1,380,904
Student Service fees	194,572	-	194,572	-	194,572	192,727
Course Fees	1,092,729	-	1,092,729	-	1,092,729	932,620
Out-of-District Fees	1,086,107	-	1,086,107	-	1,086,107	1,033,837
Total Fees	3,777,709	-	3,777,709	-	3,777,709	3,540,088
Scholarship allowances and discounts						
Scholarship allowances	(2,640)	(331,539)	(334,179)	-	(334,179)	(361,910)
Remissions and exemptions	(166,802)	-	(166,802)	-	(166,802)	(175,624)
TPEG allowances	-	(81,574)	(81,574)	-	(81,574)	(119,950)
Other federal grants	-	-	-	-	-	-
State-funded waivers and allowances	(690,977)	-	(690,977)	-	(690,977)	(942,157)
Title IV allowances	-	(3,627,024)	(3,627,024)	-	(3,627,024)	(3,001,829)
Total Scholarship Allowances	(860,419)	(4,040,137)	(4,900,556)	-	(4,900,556)	(4,601,470)
Total Net Tuition and Fees	7,782,213	(3,838,978)	3,943,235	-	3,943,235	3,352,697

TEXARKANA COLLEGE

SCHEDULE A – SCHEDULE OF OPERATING REVENUES (CONTINUED)

FOR THE YEAR ENDED AUGUST 31, 2025 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2024)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total 8/31/25	Totals 8/31/24
Other Operating Revenues						
Federal grants and contracts	95,427	1,539,514	1,634,941	-	1,634,941	1,731,430
State grants and contracts	-	461,897	461,897	-	461,897	141,883
Nongovernmental grants and contracts	290,576	278,035	568,611	-	568,611	774,058
Sales and services of educational activities	187,199	-	187,199	-	187,199	162,885
Other operating revenues	60,088	-	60,088	-	60,088	116,288
Total Other Operating Revenues	633,290	2,279,446	2,912,736	-	2,912,736	2,926,544
Auxiliary Enterprises						
Bookstore	-	-	-	828,432	828,432	840,247
Less discounts	-	-	-	(483,214)	(483,214)	(553,629)
Cafeteria	-	-	-	60,642	60,642	37,769
Radio	-	-	-	312,374	312,374	223,014
Total Net Auxiliary Enterprises	-	-	-	718,234	718,234	547,401
Total Operating Revenues	\$ 8,415,503	\$ (1,559,532)	\$ 6,855,971	\$ 718,234	\$ 7,574,205	\$ 6,826,642

TEXARKANA COLLEGE

SCHEDULE B – SCHEDULE OF OPERATING EXPENSES BY OBJECT

FOR THE YEAR ENDED AUGUST 31, 2025 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2024)

	Operating Expenses				
	Salaries and Wages	Benefits		Other Expenses	Total 8/31/25
		State	Local		
Unrestricted – Educational Activities					
Instruction	\$ 7,661,438	\$ -	\$ 966,785	\$ 2,526,587	\$ 11,154,810
Academic Support	1,743,555	-	220,778	943,547	2,907,880
Student Services	1,200,696	-	192,786	192,180	1,585,662
Institutional Support	2,895,001	-	433,098	1,345,787	4,673,886
Operation and Maintenance of Plant	975,499	-	238,101	1,710,121	2,923,721
Total Unrestricted Educational Activities	14,476,189	-	2,051,548	6,718,222	23,245,959
Restricted – Educational Activities					
Instruction	332,395	402,354	72,323	430,400	1,237,472
Academic Support	-	91,566	-	-	91,566
Student Services	709,890	63,057	122,975	205,257	1,101,179
Institutional Support	999	152,036	15	42,862	195,912
Scholarships and Fellowships	-	-	-	3,145,442	3,145,442
Total Restricted Educational Activities	1,043,284	709,013	195,313	3,823,961	5,771,571
Total Educational Activities	15,519,473	709,013	2,246,861	10,542,183	29,017,530
Auxiliary Enterprises	287,732	52,287	-	858,232	1,198,251
Depreciation Expense:					
Building & Improvements	-	-	-	1,765,850	1,765,850
Software	-	-	-	4,713	4,713
Equipment & Furniture	-	-	-	869,827	869,827
Library Books	-	-	-	38,875	38,875
Right-to-use Leased Equipment	-	-	-	38,606	38,606
Amortization Expense	-	-	-	364,395	364,395
Total Operating Expenses	\$ 15,807,205	\$ 761,300	\$ 2,246,861	\$ 14,482,681	\$ 33,298,047
					\$ 31,330,046

TEXARKANA COLLEGE

**SCHEDULE C – SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2025 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2024)**

	Unrestricted	Restricted	Auxiliary Enterprises	Total 8/31/25	Total 8/31/24
Non-operating revenues					
Education and general state support	\$ 12,475,517	\$ -	\$ -	\$ 12,475,517	\$ 9,512,044
State group insurance	-	148,536	-	148,536	(341,044)
State retirement matching	-	560,477	-	560,477	737,847
Total State Appropriations	12,475,517	709,013	-	13,184,530	9,908,847
Other non-operating revenues					
Ad-valorem taxes	9,308,779	-	-	9,308,779	8,689,749
Federal revenue, non-operating	-	7,332,709	-	7,332,709	6,406,200
State grants, non-operating	-	622,660	-	622,660	-
State funding, non-operating (FAST)	914,955	-	-	914,955	776,875
Investment income	1,698,505	68,409	-	1,766,914	1,912,270
Rent income	52,417	-	-	52,417	42,000
Other non-operating revenues	13,622	-	-	13,622	12,275
Total Other Non-operating Revenues	11,988,278	8,023,778	-	20,012,056	17,839,369
Total Non-operating Revenues	24,463,795	8,732,791	-	33,196,586	27,748,216
Non-Operating (Expenses)					
State grants, non-operating	-	(622,660)	-	(622,660)	-
Payments to Texarkana College Foundation	-	(1,177,290)	-	(1,177,290)	-
Interest on capital related debt	-	(275,440)	-	(275,440)	(283,560)
Total Non Operating (Expenses)	-	(2,075,390)	-	(2,075,390)	(283,560)
Net Non-Operating Revenues	\$ 24,463,795	\$ 6,657,401	\$ -	\$ 31,121,196	\$ 27,464,656

TEXARKANA COLLEGE

**SCHEDULE D – SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
FOR THE YEAR ENDED AUGUST 31, 2025 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2024)**

	Detail By Source				Capital Assets		Available for	
	Restricted		Non Expendable	Total	Net of Depreciation & Related Debt		Yes	No
	Unrestricted	Expendable						
Current:								
Unrestricted	15,029,709			15,029,709			15,029,709	
Restricted								
Auxiliary	(1,496,176)			(1,496,176)			(1,496,176)	
Endowment:								
Restricted		61,895	249,166	311,061				311,061
Plant:								
Unexpended								
Investment in Plant				-	16,889,194			16,889,194
Total Net Position, August 31, 2025	13,533,533	61,895	249,166	30,733,788	16,889,194		13,533,533	17,200,255
Total Net Position, August 31, 2024	5,585,092	73,084	1,393,204	25,336,434	18,285,054		5,585,092	19,751,342
Net Increase (Decrease) in Net Position	\$ 7,948,441	\$ (11,189)	\$ (1,144,038)	\$ 5,397,354	\$ (1,395,860)		\$ 7,948,441	\$ (2,551,087)

TEXARKANA COLLEGE
SCHEDULE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2025

Federal Grantor/Pass Through Grantor/ Program Title	Federal Assistance Number	Pass-Through Grantor's Number	Expenditures and Pass Through Disbursements
<u>U.S. Department of Education</u>			
Direct Programs:			
<i>Student Financial Assistance Cluster:</i>			
Federal Supplemental Education			
Opportunity Grants (FSEOG)	84.007 *		\$ 212,625
Federal Work Study Program (FWS)	84.033 *		77,029
Direct Student Loans	84.268 *		1,807,949
Federal Pell Grant	84.063 *		7,050,605
<i>Subtotal Student Financial Assistance Cluster</i>			<u>9,148,208</u>
<i>TRIO Cluster:</i>			
TRIO - Student Support Services (SSS)	84.042 *		363,801
TRIO - Talent Search (TS)	84.044 *		372,016
TRIO - Educational Opportunity Centers (EOC)	84.066 *		300,034
<i>Subtotal TRIO Cluster</i>			<u>1,035,851</u>
Passed Through the Texas Higher Education Coordinating Board			
Vocational Education - Basic Grant	84.048	2342020271	<u>248,867</u>
Total Passed Through the Texas Higher Education Coordinating Board			<u>248,867</u>
Passed Through the Texas Workforce Commission			
Adult Education and Family Leave Act (AEFLA)	84.002A	2924ALAB34	3,802
Adult Education and Family Leave Act (AEFLA)	84.002A	2924ALA034	<u>273,581</u>
Total Passed Through the Texas Workforce Commission			<u>277,383</u>
Total U.S Department of Education			<u>10,710,309</u>
<u>U.S. Environmental Protection Agency (EPA)</u>			
Passed Through the City of Texarkana, Texas			
Brownsfield Job Training Cooperative Agreements	66.815	F7PEA6VD48M5	\$ <u>64,586</u>
Total Passed Through the City of Texarkana, Texas			<u>64,586</u>
Total U.S Environmental Protection Agency			<u>64,586</u>
Total Federal Financial Assistance			<u>\$ 10,774,895</u>

* *Major Federal Program*

TEXARKANA COLLEGE
SCHEDULE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2025

Notes to the Schedule of Expenditures of Federal Awards

Note 1 – Federal Assistance Reconciliation

Federal Grants and Contract Revenue -	
Per Schedule of Operating Revenues (Schedule A)	\$ 1,634,941
Per Schedule of Non-Operating Revenues (Schedule C)	7,332,709
Total Federal Revenues per Statement of Revenues,	
Expenses and Changes in Net Position	<u>\$ 8,967,650</u>
Reconciling item:	
Add: Direct Student Loans	\$ 1,807,949
Less: ECMC FAFSA Student Support program funds	
excluded from federal programs	(704)
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>\$ 10,774,895</u></u>

Note 2 – Significant Accounting Policies

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the College has agency approved Indirect Recovery Rate it has elected not to use the 10% de minimis cost rate as permitted in the Uniform Guidance, section 200.414.

TEXARKANA COLLEGE
SCHEDULE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2025

Notes to the Schedule of Expenditures of Federal Awards (Continued)

Note 3 – FAFSA Student Support Program Funds

The College expended funds received from the Education Credit Management Corporation (ECMC) in the amount of \$704. These funds were awarded to provide additional personnel, funding, resources, and technology to help colleges prepare to process student financial aid records as quickly and accurately as possible and complete the updated FAFSA form. These federal funds are administered by the ECMC under the direction of the Department of Education and are excluded as a federal program and not subject to Single Audit requirements.

Note 4 – Student Loans Processed and Administrative Costs Recovered

None

Note 5 – Amounts Passed Through by the College

None

Note 6 – Nonmonetary Assistance

None

TEXARKANA COLLEGE
SCHEDULE F – SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2025

Grantor/Pass Through Grantor/Program Title	Pass Through Grantors Number	Expenditures and Pass Through Disbursements
<u>Texas Higher Education Coordinating Board</u>		
Texas Educational Opportunity Grant	N/A	\$ 167,388
Professional Nursing Shortage Reduction	00932	115,498
Total Texas Higher Education Coordinating Board		282,886
<u>Texas Workforce Commission</u>		
Skills Development Fund	0725SDF003	171,653
Total Texas Workforce Commission		171,653
<u>Texas Comptroller of Public Accounts</u>		
Broadband Infrastructure Grant	* 24-7777BG	622,660
Total Texas Comptroller of Public Accounts		622,660
Total State Financial Assistance		\$ 1,077,199

* Major State Program

Notes to the Schedule of Expenditures of State Awards

Note 1 – State Assistance Reconciliation

Reconciliation

State Grants and Contract Revenue -

Per Schedule of Operating Revenues (Schedule A)	\$ 461,897
Per Schedule of Non-Operating Revenues (Schedule C)	622,660

Reconciling item:

Subtract: Grants from other states	(7,358)
Total Expenditures of State Awards	\$ 1,077,199

Note 2 – Significant Accounting Policies

The accompanying schedule of expenditures of state awards has been prepared on the accrual basis of accounting. The expenditures included in this schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported represent funds which have been expended by the College for the purposes of the award. The College has followed the applicable guidelines issued by the various entities in the preparation of the schedule.

TEXARKANA COLLEGE

**SCHEDULE G – AUXILIARY ENTERPRISES - STATEMENT OF INCOME AND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2025 (WITH COMPARATIVE FIGURES FOR THE YEAR ENDED AUGUST 31, 2024)**

	2025				2024			
	Cafeteria	Bookstore	Radio	Total	Cafeteria	Bookstore	Radio	Total
Sales and Gross Profit								
Sales	\$ 60,642	\$ 828,432	\$ 312,374	\$ 1,201,448	\$ 37,769	\$ 840,247	\$ 223,014	\$ 1,101,030
Total Sales	60,642	828,432	312,374	1,201,448	37,769	840,247	223,014	1,101,030
Less Direct Cost								
Cost of goods sold	8,358	634,066	-	642,424	8,663	732,711	-	741,374
Salaries	-	154,510	133,222	287,732	-	149,698	132,009	281,707
Total Direct Cost	8,358	788,576	133,222	930,156	8,663	882,409	132,009	1,023,081
Gross Profit/(Loss)	52,284	39,856	179,152	271,292	29,106	(42,162)	91,005	77,949
Operating Expenditures								
Benefits	-	28,294	23,993	52,287	-	19,936	10,463	30,399
Supplies	30,420	3,641	3,741	37,802	28,892	2,864	603	32,359
Contracted Services	-	5,014	138,309	143,323	-	6,026	162,515	168,541
Amortization	-	6,230	-	6,230	-	6,004	-	6,004
Depreciation	-	-	17,628	17,628	-	-	23,173	23,173
Miscellaneous	2	10,823	-	10,825	-	10,754	-	10,754
Total Operating Expenditures	30,422	54,002	183,671	268,095	28,892	45,584	196,754	271,230
Excess (Deficiency) of Income Over Expense	\$ 21,862	\$ (14,146)	\$ (4,519)	\$ 3,197	\$ 214	\$ (87,746)	\$ (105,749)	\$ (193,281)

TEXARKANA COLLEGE
SCHEDULE H – INSURANCE IN FORCE
AS OF AUGUST 31, 2025

Company	Policy Number	Coverage	Coverage (in thousands)	Expiration Date
Texas Political Subdivisions	25-F0697	General Liability	\$ 2,000	July 1, 2026
Texas Political Subdivisions	25-F0697	School Board Legal Liability	\$ 1,000	July 1, 2026
Texas Political Subdivisions	25-F0697	Law Enforcement	\$ 1,000	July 1, 2026
Texas Political Subdivisions	25-F0697	Automobile Liability	\$ 1,000	July 1, 2026
Texas Political Subdivisions	25-F0697	Property & Equipment:		July 1, 2026
		Blanket Building & Contents	\$ 133,885	
		Contractors Equipment	\$ 165	
		Electronic Data, Media and Hardware	\$ 500	
Texas Political Subdivisions	25-F0697	Crime:		July 1, 2026
		Employee Dishonesty	\$ 150	
		Forgery or Alteration	\$ 50	
		On Premises	\$ 50	
		In Transit	\$ 50	
		Money Order and Counterfeit Money	\$ 50	
Texas Political Subdivisions	B0507NU2502855	Crisis Management	\$ 2,250	July 1, 2026
Texas Political Subdivisions	G29012052 005	Cyber Liability	\$ 1,000	July 1, 2026
Texas Political Subdivisions	3642600	Terrorism	\$ 100,000	July 1, 2026

**FEDERAL FINANCIAL ASSISTANCE INFORMATION
SINGLE AUDIT**

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

To the Board of Trustees of
Texarkana College
Texarkana, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of the Texarkana College (the College), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 15, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas
December 15, 2025

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

To the Board of Trustees
of Texarkana College
Texarkana, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Texarkana College's (the College) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2025. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

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

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

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



CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas
December 15, 2025

**TEXARKANA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2025**

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP	Unmodified
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Internal control over financial reporting:

Material weakness(es) identified	None reported
Significant deficiency(ies) identified	None reported
Noncompliance material to the financial statements	None reported

Federal awards

Internal control over major programs:

Material weakness(es) identified	None reported
Significant deficiency(ies) identified	None reported

Type of auditor’s report issued on compliance for major federal programs	Unmodified
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Any findings disclosed in the audit which are required to be reported in accordance with 2 CFR 200.516(a)?	None reported
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Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007	Student Financial Assistance Cluster – FSEOG
84.033	Student Financial Assistance Cluster – FWS
84.063	Student Financial Assistance Cluster – PELL
84.268	Student Financial Assistance Cluster – Direct Loans
84.042	TRIO – Student Support Services (SSS)
84.044	TRIO – Talent Search (TS)
84.066	TRIO – Education Opportunity Centers (EOC)

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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TEXARKANA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED AUGUST 31, 2025

Section II - Financial Statement Findings

Details of findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards* –

There were no reported findings or questioned costs related to the financial statements or *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

Details of findings and questioned costs relating to Federal awards –

There were no reported findings or questioned costs related to the financial statements or federal awards.

**TEXARKANA COLLEGE
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2025**

<u>Program/Finding</u>	<u>Description</u>
No findings were reported in the prior year.	

STATE FINANCIAL ASSISTANCE INFORMATION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF STATE AWARDS REQUIRED BY THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

To the Board of Trustees
of Texarkana College
Texarkana, Texas

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Texarkana College's (the College) compliance with the types of compliance requirements described in the State of Texas Single Audit Circular, *Uniform Grant Management Standards*, that could have a direct and material effect on each of the College's major state programs for the year ended August 31, 2025. The College's major state programs are identified in the summary of auditor's results section of the accompanying state schedule of findings and questioned costs.

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended August 31, 2025.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of Texas Single Audit Circular, *Uniform Grant Management Standards*. Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State of Texas Single Audit Circular, *Uniform Grant Management Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State of Texas Single Audit Circular, *Uniform Grant Management Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of Texas Single Audit Circular, *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Texas Single Audit Circular, *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas
December 15, 2025

TEXARKANA COLLEGE
STATE AWARDS SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2025

Section I - Summary of Audit Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
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Internal control over financial reporting:

Material weakness(es) identified	None Reported
Significant deficienc(ies) identified	None Reported
Noncompliance material to the financial statements	None Reported

State Awards

Internal Control over Major Programs:

Material weakness(es) identified	None Reported
Significant deficienc(ies) identified	None Reported

Type of auditor's report issued on compliance for major state programs	Unmodified
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Findings disclosed in the audit which are required to be reported in accordance with <i>Government Auditing Standards</i>	None Reported
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Findings Disclosed in the audit which are required to be reported in accordance with the State of Texas Single Audit Circular	None Reported
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Identification of Major Programs:
 Broadband Infrastructure Grant

Dollar Threshold Used to Distinguish between Type A and Type B Programs	\$750,000
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Texarkana College did not qualify as a low-risk entity.	No
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TEXARKANA COLLEGE
STATE AWARDS SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED AUGUST 31, 2025

Section II – State Award Findings and Questioned Costs

During the year ended August 31, 2025, there were no findings or questioned costs reported for major state programs.

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